

2014

Annual Report

Sony Financial Holdings Inc.

Profile

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

Corporate Vision

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

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 custom 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.

Disclaimer

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,” “assume,” “forecast,” “predict,” “propose,” “intend” and “possibility” that describe future operating activities, business performance, events or conditions. Forward-looking statements, whether spoken or written, may also be included in other materials released to the public. These statements are based on assumptions, decisions and judgments made by the management of Sony Financial Group companies, and are based on information that is currently available to them. As such, they 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. Sony Financial Group companies are under no 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 to 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 in Japan or abroad.

- “Lifeplanner” is a registered trademark of Sony Life.
- “SURE” is a registered trademark of Sony Assurance.
- “MONEYKit” and “Foreign Currency World” are registered trademarks of Sony Bank. “Carbon Offset Bank” is a trademark of Sony Bank.
- In this annual report, currency amounts shown in the tables and graphs have been truncated to the nearest indicated unit.

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

Detailed financial data for each operating company is presented 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/en/financial_info/annualreport.html



Sony Financial Group's Financial Highlights

Sony Financial Holdings (Consolidated)

Millions of yen

For the years ended March 31,	2009	2010	2011	2012	2013	2014
Ordinary revenues	¥ 860,323	¥ 978,991	¥1,002,201	¥1,078,070	¥1,259,041	¥1,319,766
Ordinary profit	34,253	84,373	76,860	74,625	79,252	76,136
Net income	30,722	48,126	41,716	32,812	45,064	40,504
Comprehensive income	—	71,066	31,963	60,376	96,225	44,794
As of March 31,						
Total assets	5,313,677	6,001,088	6,597,140	7,241,414	8,096,164	8,841,382
Net assets	204,897	269,439	294,877	347,800	435,444	467,050
Consolidated capital adequacy ratio (Domestic criteria) ^(Note 2)	13.32%	12.05%	10.96%	10.14%	9.88%	12.02%
Consolidated solvency margin ratio ^(Note 3)	—	—	—	1,380.3%	1,520.6%	1,563.8%

Sony Life (Non-consolidated)

For the years ended March 31,	2009	2010	2011	2012	2013	2014
Ordinary revenues	¥ 765,910	¥ 881,798	¥ 900,091	¥ 967,400	¥1,142,274	¥1,197,109
Ordinary profit	32,409	80,099	73,176	69,436	74,659	69,205
Net income	33,783	46,138	40,220	31,426	42,444	37,063
As of March 31,						
Total assets	3,810,929	4,286,540	4,723,332	5,222,846	5,952,750	6,624,903
Net assets	140,730	191,312	215,387	264,836	342,333	369,230
Non-consolidated solvency margin ratio ^(Note 4)	2,060.5%	2,637.3%	2,900.1%	1,980.4%	2,281.8%	2,358.7%

Sony Assurance

For the years ended March 31,	2009	2010	2011	2012	2013	2014
Ordinary revenues	¥ 61,882	¥ 68,174	¥ 74,166	¥ 80,096	¥ 84,711	¥ 89,864
Ordinary profit	2,178	2,565	2,144	2,859	2,371	3,003
Net income (loss)	(1,556)	1,604	1,297	1,299	1,454	1,664
As of March 31,						
Total assets	86,698	98,340	109,382	118,612	127,421	142,714
Net assets	13,678	15,482	16,772	18,009	19,934	21,418
Non-consolidated solvency margin ratio ^(Note 4)	993.0%	1,018.5%	981.4%	557.8%	504.2%	527.6%

Sony Bank (Non-consolidated)

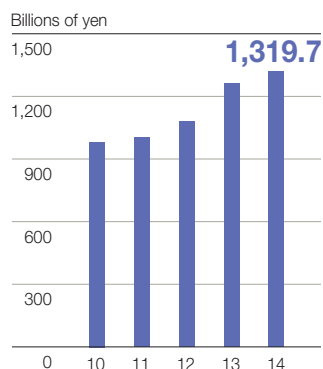
For the years ended March 31,	2009	2010	2011	2012	2013	2014
Ordinary revenues	¥ 33,361	¥ 30,500	¥ 29,521	¥ 30,075	¥ 31,351	¥ 33,303
Ordinary profit	414	2,930	3,377	4,033	4,282	5,845
Net income (loss)	(710)	1,646	2,054	2,340	879	3,585
As of March 31,						
Total assets	1,411,956	1,612,186	1,761,830	1,890,503	2,005,081	2,056,704
Net assets	46,264	58,989	59,971	62,796	67,811	72,774
Non-consolidated capital adequacy ratio (Domestic criteria) ^(Note 5)	13.37%	12.09%	10.84%	11.58%	11.98%	11.72%

Notes: 1. All figures have been truncated to the nearest million yen.

2. SFH has calculated the consolidated capital adequacy ratio (domestic criteria) based on formulas stipulated in 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. From March 31, 2013, the scope of consolidation for calculation purposes does not include Sony Life, Sony Assurance, AEGON Sony Life Insurance or SA Reinsurance. SFH applied FSA Notification No. 79 (2008) until March 31, 2012, and applied FSA Notification No. 56 (2012) on March 31, 2013. From March 31, 2014, SFH applied FSA Notification No. 6 (2013) and FSA Notification No. 7 (2014).
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 FSA Notification No. 23 (2011).
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. Until March 31, 2012, the Bank applied FSA Notification No. 79 (2008), and applied FSA Notification No. 56 (2012) on March 31, 2013. From March 31, 2014, the Bank applied FSA Notification No. 6 (2013) and FSA Notification No. 7 (2014).

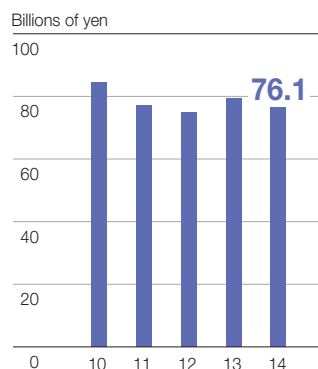
Sony Financial Holdings (Consolidated)

Ordinary revenues



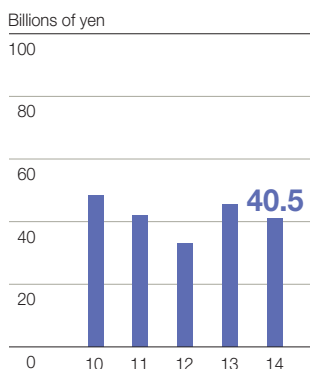
For the years ended March 31,

Ordinary profit



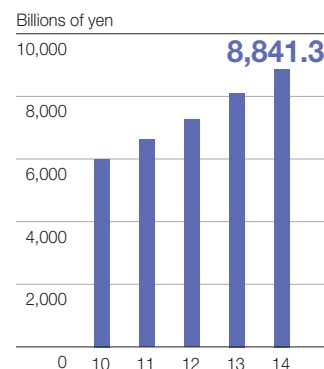
For the years ended March 31,

Net income



For the years ended March 31,

Total assets



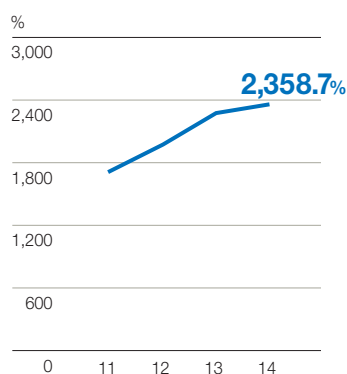
As of March 31,

Financial Soundness Indicators

(As of March 31,)

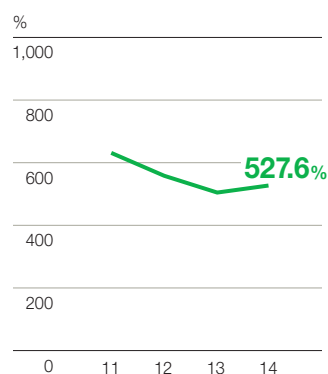
Sony Life

Non-consolidated solvency margin ratio



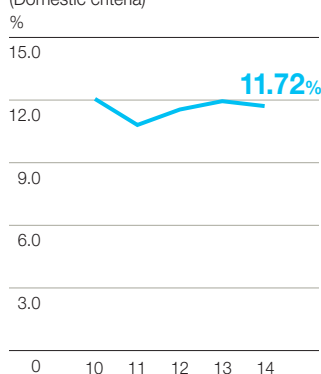
Sony Assurance

Non-consolidated solvency margin ratio



Sony Bank

Non-consolidated capital adequacy ratio (Domestic criteria)



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

* 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 Act of Japan for determining the capital adequacy of a bank in light of the assets held by the bank. Until March 31, 2012, the Bank applied FSA Notification No. 79 (2008), and on March 31, 2013, the Bank applied FSA Notification No. 56 (2012). From March 31, 2014, the Bank applies FSA Notification No. 6 (2013) and FSA Notification No. 7 (2014).

Credit Ratings

(As of July 1, 2014)

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

Sony Financial Group's Growth Trajectory

Sony Life, Sony Assurance and Sony Bank—the core companies of the Sony Financial Group—have steadily expanded business volume through highly original business models.

Sony Life

1970s

Aug. 1979 Sony Prudential Life Insurance Co., Ltd., established (currently Sony Life)

1980s

Apr. 1981 Sony Prudential Life Insurance commences operations with launch of Lifeplanner system

Jul. 1987 Sony Prudential Life Insurance agrees to terminate joint venture

1990s

Apr. 1991 Changes its name to Sony Life Insurance Co., Ltd.

Aug. 1998 Sony Life establishes Sony Life Insurance (Philippines) Corporation as a wholly owned subsidiary in the Philippines

2000s

Dec. 2004 Sony Life's Lifeplanners begin to accept mortgage loan applications as agents of Sony Bank

Oct. 2006 Sony Life completes Sony Corporation's head office building, Sony City

Aug. 2007 Sony Life establishes AEGON Sony Life Planning Co., Ltd. (currently AEGON Sony Life Insurance)

Oct. 2008 Sony Life opens a representative office in Beijing (closed in July 2014)

Jul. 2009 Sony Life opens a representative office in Taipei
Aug. AEGON Sony Life Planning changes name to AEGON Sony Life Insurance Co., Ltd.

Oct. Sony Life establishes SA Reinsurance Ltd. in British Bermuda as a reinsurance company specializing in variable annuities

Dec. AEGON Sony Life Insurance commences operations

2010s

Dec. 2012 Sony Life transfers business of Sony Life Insurance (Philippines) to Paramount Life & General Insurance Corporation



Sony Assurance

Jun. 1998 Sony Insurance Planning Co., Ltd., established (currently Sony Assurance)

Sep. 1999 Sony Insurance Planning changes name to Sony Assurance Inc.

Sony Assurance launches sales of automobile insurance (over the Internet in September and by telephone in October)

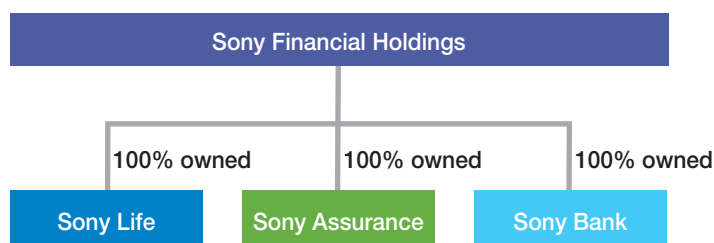
Jun. 2002 Sony Assurance launches sales of SURE medical and cancer insurance

Oct. 2004 Sony Assurance debuts long-term fire insurance to customers taking out mortgage loans from Sony Bank

Jan. 2009 Sony Assurance offers pet insurance through alliance with Anicom Insurance, Inc.



Group Structure (Three Main Subsidiaries)



Sony Bank

2000s

- Apr. 2001** Sony Bank Inc. (Sony Bank) established
- Jun.** Sony Bank commences operations. Launches MONEYKit service site. Starts handling deposits, investment trusts and card loans
- Sep.** Sony Bank begins handling foreign-currency deposits
- Mar. 2002** Sony Bank begins handling mortgage loans

Sony Financial Holdings

- Apr. 2004** Sony Financial Holdings Inc. (SFH) established as a financial holding company



- Oct. 2007** SFH is listed on the First Section of Tokyo Stock Exchange



2010s

- Jun. 2010** Sony Bank opens its first over-the-counter branch—Housing Loan Plaza
- Jul. 2011** Sony Bank acquires 57% equity interest in SmartLink Network, Inc.
- Aug. 2012** Sony Bank transfers all shares in Sony Bank Securities to Monex Group, with the aim of enhancing financial products intermediary services by strengthening its business alliance with Monex Group

- Apr. 2011** SFH conducts stock split and adopts share unit system

- Nov. 2013** SFH turns Senior Enterprise Corporation into wholly owned subsidiary, enters nursing care business

- Apr. 2014** Sony Lifecare Inc. is established as a holding company to oversee nursing care business

A Message from the President

We aim to achieve sustainable growth for the Sony Financial Group through steady expansion of our three core businesses.

Sony Financial Holdings marked its 10th anniversary in April 2014. Let me take this opportunity to express my deepest gratitude to all of our stakeholders for these many years of support and interest shown to the Sony Financial Group.

Since their earliest days, the three core businesses of the Group—Sony Life, Sony Assurance and Sony Bank—have maintained a high degree of financial soundness and addressed diversifying market needs with customer-oriented and convenient, high-quality financial products and services through distinctive sales channels. Going forward, each core business will strive to reinforce inherent excellence to underpin sustained growth and establish a stronger presence in respective financial sectors.

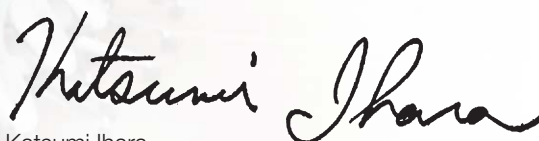
In fiscal 2013, our consolidated results were mixed, as the Group delivered higher ordinary revenues but lower ordinary profit. In the life insurance business, new policy acquisition decreased year on year, reflecting revision to insurance premium rates on some products following a reduction in the policy reserve discount rate, but policy amount in force continued to rise steadily. In the non-life insurance and banking businesses, volume continued to expand as well.

The Sony Financial Group broadened its business portfolio with its entry into the nursing care business in November 2013 and the establishment of a holding company in April 2014 to oversee associated operations. We aim to develop the nursing care business into a fourth pillar of business, complementing the existing three business segments, over the medium to long term.

We will continue to expand business volume in each of the Group's businesses, and maintain a robust revenue base that is impervious to changes in the operating environment. We are also committed to enhancing shareholder returns, underpinned by stable revenue growth and a solid level of financial soundness. Therefore, we raised our dividend payment for fiscal 2013 to ¥30 per share, up ¥5 from the previous fiscal year. In addition, for fiscal 2014, we anticipate a dividend increase of ¥10, to ¥40 per share.

We will lift customer satisfaction yet higher and broaden our customer base by continuing in our quest to provide high-quality services, which will become the fuel of sustainable growth for the Sony Financial Group. We will also work to enhance corporate value and contribute to the advancement of society as a whole.

July 2014



Katsumi Ihara
President, Representative Director

Today and Tomorrow

In this section, we describe where the Sony Financial Group is now — its “Today” — and what is in store for the Group — its “Tomorrow.”

Sony Financial Group

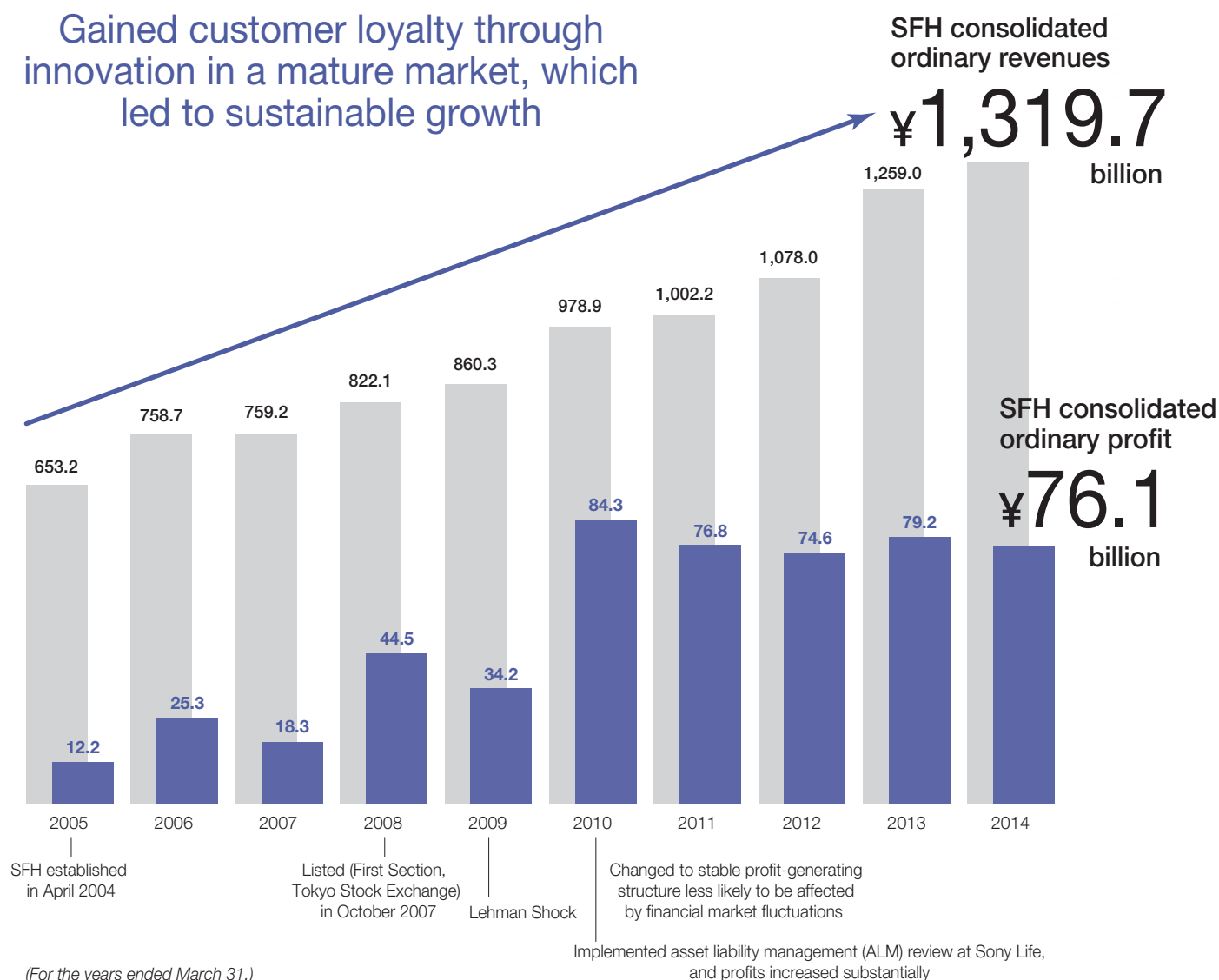
Today

Growth

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.

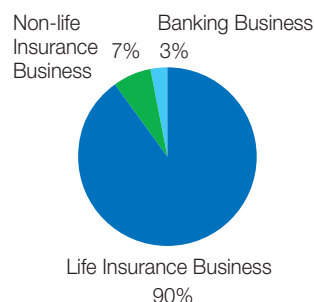
Ordinary Revenues/Ordinary Profit

Gained customer loyalty through innovation in a mature market, which led to sustainable growth

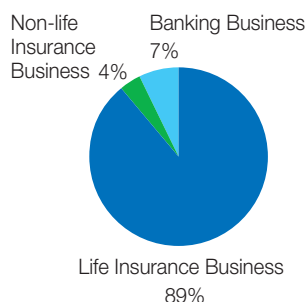


Composition by Business Segment (For the year ended March 31, 2014)

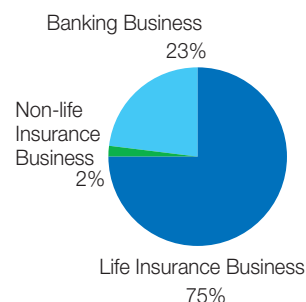
Ordinary Revenues



Ordinary Profit

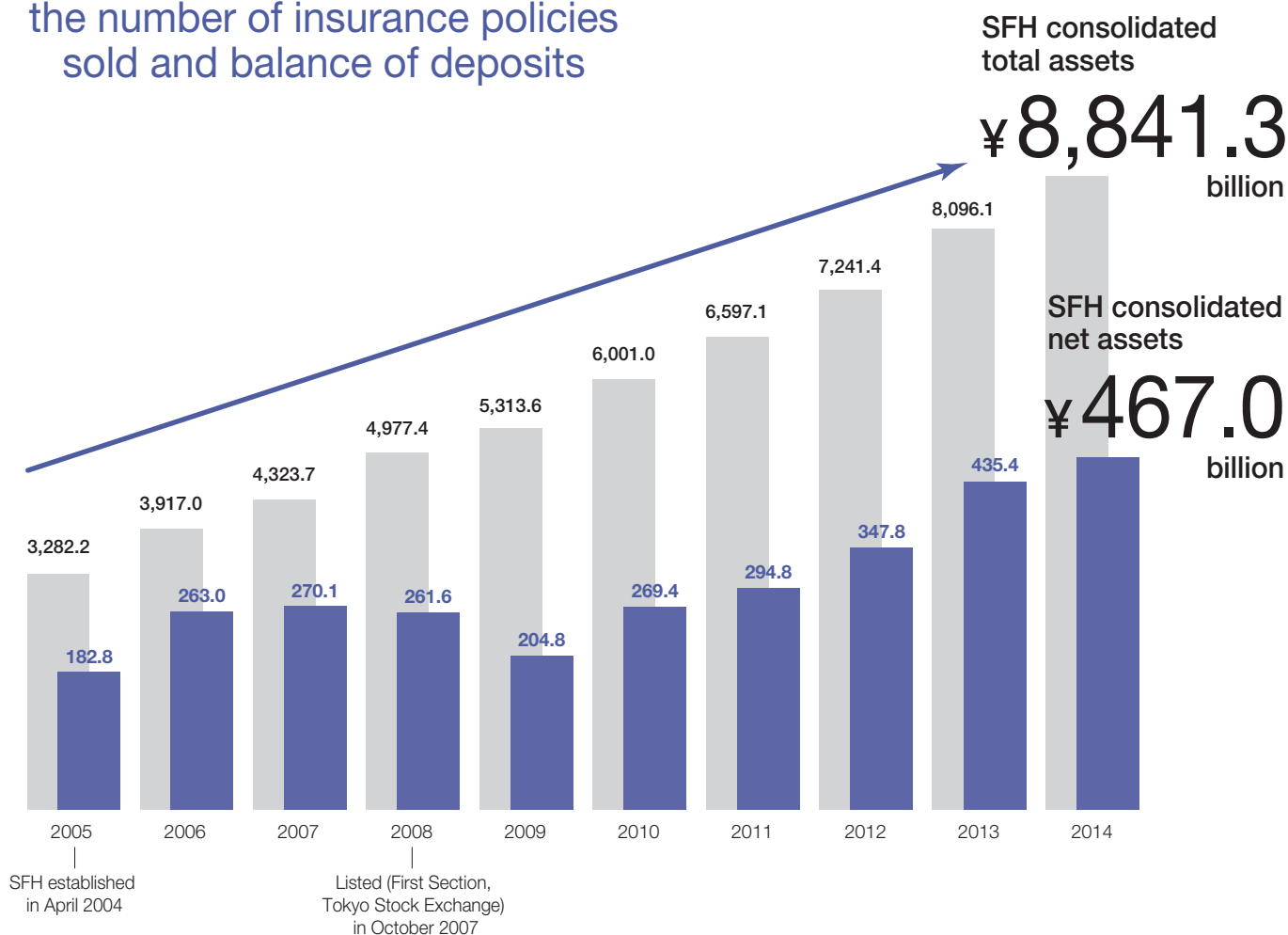


Total Assets



Total Assets/Net Assets

Expand asset scale by raising the number of insurance policies sold and balance of deposits



(As of March 31,)

Life Insurance Business

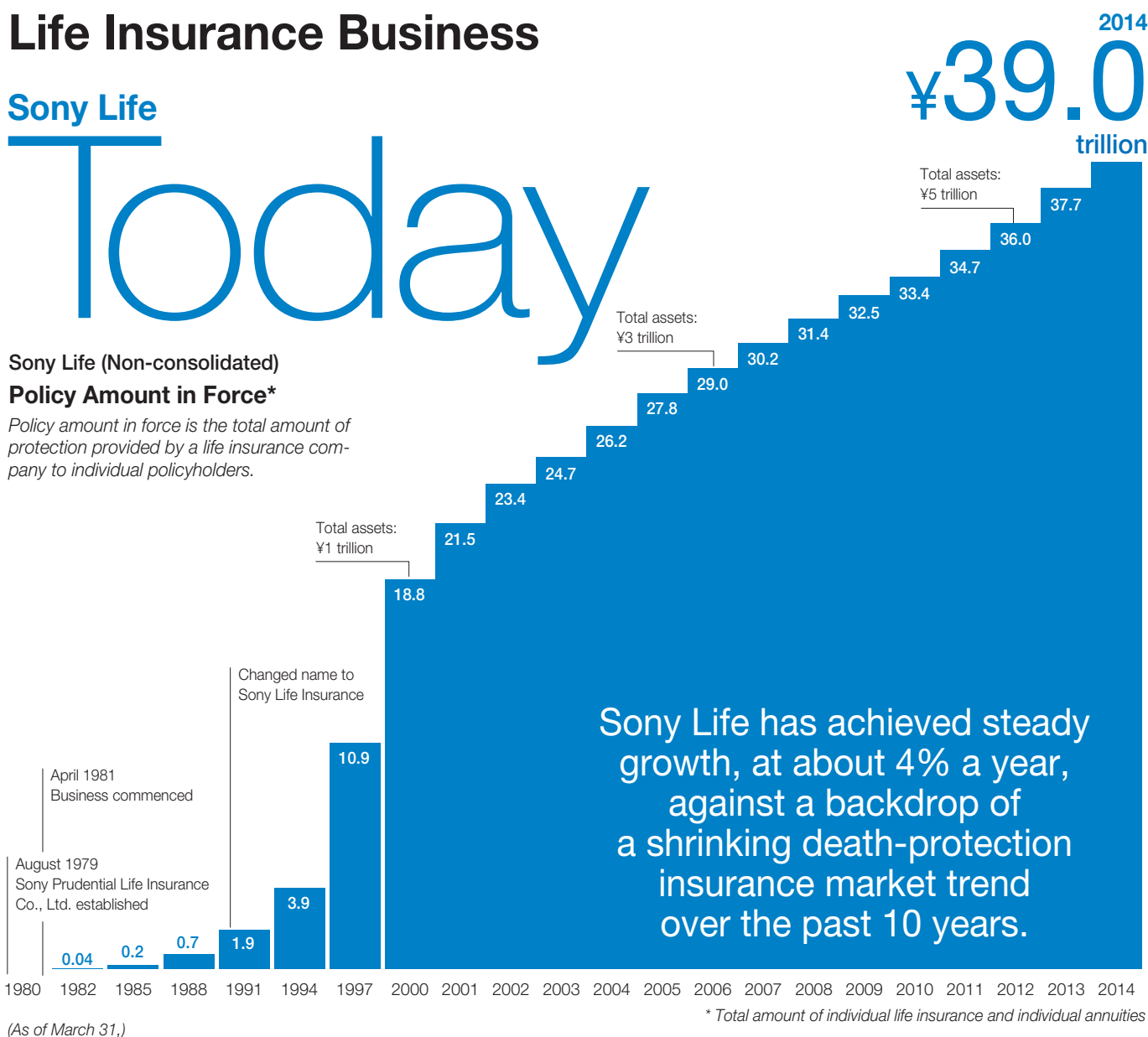
Sony Life

Today

Sony Life (Non-consolidated)

Policy Amount in Force*

Policy amount in force is the total amount of protection provided by a life insurance company to individual policyholders.



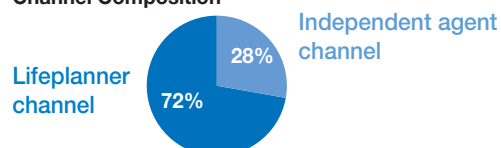
Main Products

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

Main Sales Channels

- Lifeplanner sales employee
Accompany customers through life's stages with highly developed consultation skills
- Partners (independent agencies)
Understand diverse customer insurance purchasing styles to meet customer needs

Channel Composition



* Annualized insurance premiums from new policies in fiscal 2013 (managerial accounting basis)

Strengths

● Business expansion through tailor-made insurance design and sales approach and after-sales consultations based on life planning

What are the characteristics of the Lifeplanner sales employee?

- Excellent staff hired in line with stringent standards of recruitment. Skills developed through systemized training programs.
- Highly productive life insurance professionals.
- Full-commission payment structure rooted in entrepreneurial spirit.



A consultation led by a Lifeplanner sales employee

What is a tailor-made approach to insurance design and sales?

- An approach applied since Sony Life's earliest days in business that delivers practical insurance products perfectly suited to the needs of each customer through consultations based on life planning.

What is an after-sales consultation?

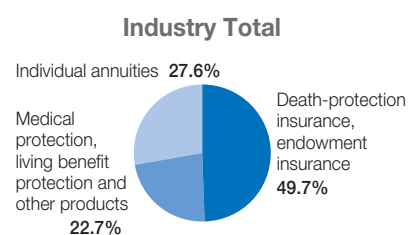
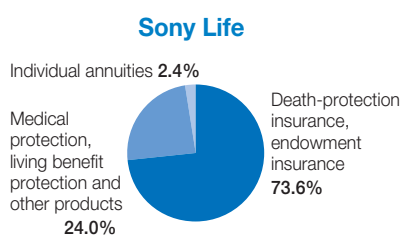
- Fine-tuned after-sales services that encompass a review of policy content paralleling changes in customers' lifestyles and value perceptions.

● Product composition centered on high-profit death-protection insurance

Sony Life provides death-protection insurance policies to many customers with children, especially young parents in their 30s who are most in need of coverage for "just in case," and offers peace of mind with regard to household finances in the event of the policyholder's death.

FY2013

Annualized insurance premiums
(Policy amount in force)



Source: Official disclosure documents of individual life insurers

- ALM and asset management to match insurance liability characteristics to reduce interest rate risk pertaining to liabilities of insurance policies with long-term maturities
- Financial soundness to meet future capital requirements

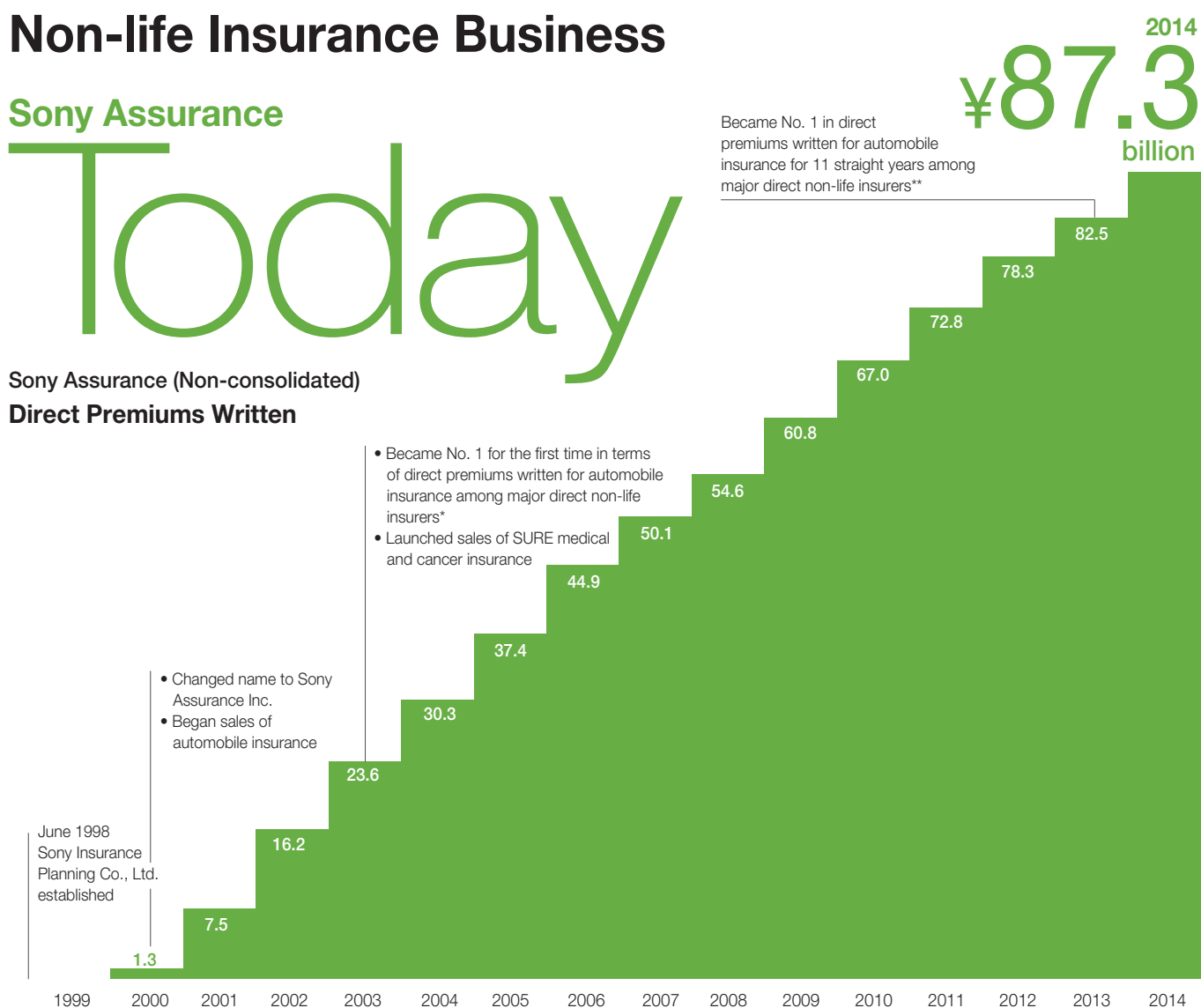
▶ Please refer to **page 30** for details on the **life insurance business**.

Non-life Insurance Business

Sony Assurance

Today

Sony Assurance (Non-consolidated)
Direct Premiums Written



* Here, "major direct non-life insurers" refers to non-life insurers selling automobile insurance primarily via direct sales channels as of March 31, 2003.
** Here, "major direct non-life insurers" refers to non-life insurers selling automobile insurance primarily via direct sales channels as of March 31, 2013.

(For the years ended March 31,)

Main Products

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

Strengths

- High profitability, a unique aspect of a direct non-life insurer
- Risk-segmented automobile insurance facilitates reasonable premium rates
- Excellent accident response, with high-quality customer center and website services

Main Sales Channels

- Internet
- Telephone



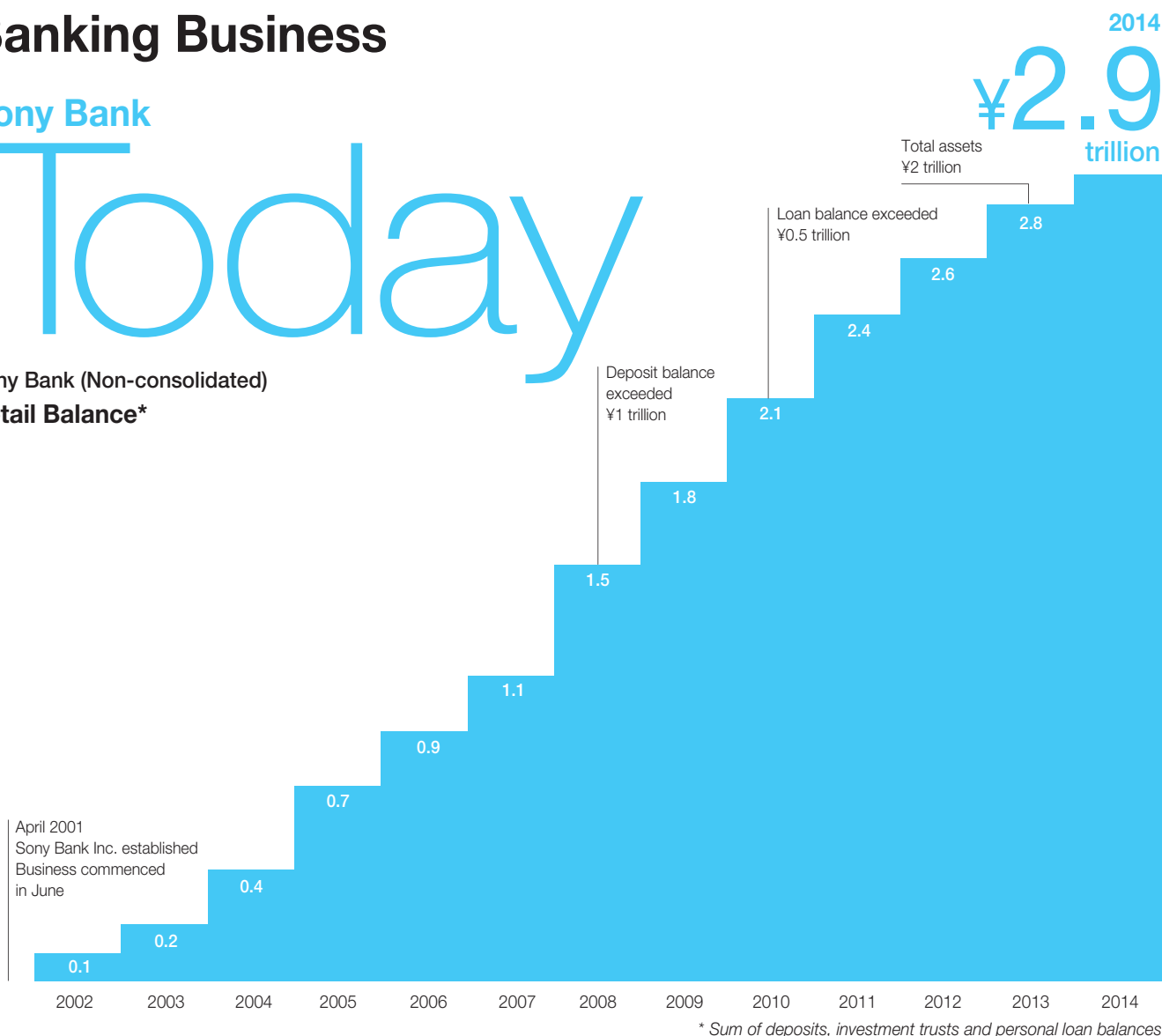
▶ Please refer to **page 32** for details on the **non-life insurance business**.

Banking Business

Sony Bank

Today

Sony Bank (Non-consolidated)
Retail Balance*



(As of March 31,)

Main Products

- Deposits (yen, foreign currencies)
- Mortgage loans
- Investment trusts, foreign-currency margin trading and other services

Strengths

- Low-cost structure unique to an Internet bank
- Lineup of highly convenient, high-quality products leveraging advantages of the Internet
- Services ranked No. 1 for seven straight years in the financial institution customer satisfaction ranking*

* Article in the January 25, 2014 issue of the Nihon Keizai Shimbun (Nikkei) newspaper

Main Sales Channels

- Internet



▶ Please refer to **page 34** for details on the **banking business**.

Sony Financial Group

Tomorrow

Medium-term Business Plan

FY2014—**FY2016**

We aim for sustainable growth by positioning the period FY2014—FY2016 as a time to reinforce our foundation for new stages of growth that will deliver dramatic advances over the next 10 years at each Group company.

Medium-term Corporate Strategies

- Realize sustainable growth as a group by further enhancing customer satisfaction
- Maintain a robust revenue platform impervious to changes in the operating environment
- Enhance returns to shareholders, based on stable revenue growth and financial soundness

Cautionary note regarding medium-term business plan:

We apply a process of annual, rolling updates to the Sony Financial Group's three-year medium-term business plan to ensure measures remain relevant to prevailing business conditions. Consequently, the management strategies and management targets stated in these materials are not absolute and may be revised each year with the new fiscal year as the starting point. Note that the management targets for fiscal 2016, ending March 31, 2017, assume the economic environment as of March 31, 2014.

Medium-term Management Objectives

1 Continue to steadily expand business volume in all business segments of the Group

Life Insurance	Resume expansion of the Lifeplanner channel, maintain growth of independent agent channel
Non-life Insurance	Improve profitability and sustain growth in automobile insurance business, and focus on medical insurance and new types of policies
Banking	Further expand the foreign currency and loan businesses
Nursing Care	Established nursing care holding company in April 2014 and making steady progress in the start-up phase — Build into fourth pillar of business from a long-term perspective

2 Medium-term Management Targets

	Results for FY2013		Targets for FY2016
Consolidated ordinary profit	¥76.1 billion	→	¥86.0 billion
Consolidated net income	¥40.5 billion	→	¥56.0 billion
Consolidated adjusted ROE	14.2%	→	Approx. 8%*

* The consolidated adjusted ROE for fiscal 2013 increased dramatically year on year due to the impact of higher interest rates. Please note, however, that the consolidated adjusted ROE target for fiscal 2016 does not reflect changes in market conditions after fiscal 2014.

• Consolidated adjusted ROE = Consolidated adjusted profit / Consolidated adjusted capital

Consolidated adjusted profit is calculated as the sum of the following:

- 1) Sony Life: Amount of increase in market consistent embedded value (MCEV) during the fiscal year plus dividends paid
- 2) Sony Assurance: Net income plus provision for catastrophe reserve and provision for reserve for price fluctuations, in each case after taxes
- 3) Sony Bank: Net income

Consolidated adjusted capital is calculated as the sum of the following:

- 1) Sony Life: MCEV as of the beginning of the fiscal year less dividends paid plus MCEV as of the end of the fiscal year, divided by two
- 2) Sony Assurance: Average amount of net assets plus the sum of catastrophe reserve and reserve for price fluctuations, in each case after taxes
- 3) Sony Bank: Average of net assets during the term

Note: Sony Life discloses Market Consistent Embedded Value ("MCEV"). Sony Life's MCEV is calculated in compliance with the European Insurance Chief Financial Officers (CFOs) Forum Market Consistent Embedded Value Principles^{©**} ("MCEV Principles"), the international standard in disclosing MCEV published by the CFO Forum comprising CFOs from major insurance companies in Europe.

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3 Enhance Returns to Shareholders: Consecutively higher dividends each year between fiscal 2012 and fiscal 2014*

Continually increase returns to shareholders according to our policy to steadily increase dividends in line with revenue growth over the medium to long term

* Dividend for fiscal 2014 is a forecast.

Sony Financial Group

Tomorrow

Group Companies

Medium-term Business Plan

FY2014–FY2016

Sony Life

• Medium-term Business Strategies and Targets

Strengthen sales capabilities of the consulting channel	<ul style="list-style-type: none"> • Rekindle growth by expanding scope of Lifeplanner channel • Develop independent agent channel to accurately grasp diverse customer needs
Gain further competitive advantage	<ul style="list-style-type: none"> • Strengthen operations further in the highly competitive death-protection insurance segment • Make further progress on operational reforms
Ensure stable growth in corporate value	<ul style="list-style-type: none"> • Steadily increase corporate value by capturing new policies, and sustain high financial soundness • Realize steady profit expansion through increased policy amount in force

Medium-term Targets for Fiscal 2016

Sony Life will continue to increase the policy amount in force to attain sustained growth in corporate value through expanding the scope of its sales channels and thus improving productivity further.

	Results for FY2013		Targets for FY2016
Number of Lifeplanners sales employees	4,216	An increase of approx. 300 persons →	Over 4,500
Policy amount in force (individual life insurance and annuities)	¥39 trillion	CAGR of approx. 4% →	Over ¥43 trillion
MCEV	¥1.2 trillion	ROEV of 7% to 8% →	Over ¥1.4 trillion
Ordinary profit	¥67.2 billion	CAGR of approx. 5% with FY2014 as starting point →	¥74.0 billion

Sony Assurance

• Medium-term Business Strategies and Targets

Return to profitability and a stable profit status	<ul style="list-style-type: none"> Significant improvement in the loss ratio in FY2013 Will implement accurate and well-timed approaches to keep loss ratio from rising and thereby ensure ongoing growth in profitability
Sustain growth and achieve stable profits over the long term	<ul style="list-style-type: none"> Maintain a leading position in direct market for mainstay automobile insurance Accelerate expansion into areas other than automobile insurance, and shift away from a one-sided emphasis on automobile insurance
Maximize customer satisfaction as driver of growth	<ul style="list-style-type: none"> Create the image of a brand that has the trust and loyal support of customers through further enhanced quality of services

Medium-term Targets for Fiscal 2016

Sony Assurance aims to achieve higher revenue and higher profit through topline expansion and further improvement in profitability.

	Results for FY2013			Targets for FY2016
Direct premiums written	¥87.3 billion	CAGR of approx. 5%	➡	¥100 billion
Sum of two ratios: Net expense ratio + Earned/Incurred (EI) loss ratio ¹	93.8%	Sum of two ratios reduced to	➡	Approx. 93%
Ordinary profit	¥3.0 billion	CAGR of approx. 12%	➡	¥4.2 billion
Adjusted ordinary profit ²	¥4.2 billion	CAGR of approx. 5%	➡	¥5.0 billion

¹ Covers all types of policies

Net expense ratio = Expenses related to underwriting / Net premiums written

Earned/Incurred (EI) loss ratio = (Net losses paid + Provision for reserve for outstanding losses + Loss adjustment expenses) / Earned premiums (excluding earthquake insurance and compulsory automobile liability insurance)

² Adjusted ordinary profit = Ordinary profit + Provision for catastrophe reserve

Sony Bank

• Medium-term Business Strategies and Targets

Increase business volume spurred by high levels of customer satisfaction	<ul style="list-style-type: none"> Refine and magnify the stellar reputation earned for customer support, product marketability and website usability Bolster recognition and steadily expand business volume
Reinforce strategic products	<ul style="list-style-type: none"> Enhance loans to individuals centering on mortgage loans Further extend reach of foreign currency business
Ensure stable profit-generating capacity	<ul style="list-style-type: none"> Secure ability to grow revenues and profits through appropriate ALM operations Maintain a stable interest spread

Medium-term Targets for Fiscal 2016

Sony Bank aims to achieve a sustainable increase in business volume and build a robust revenue structure impervious to changes in the economic environment by raising the added-value of the products and services it provides and by executing appropriate ALM.

	Results for FY2013			Targets for FY2016
Retail balance (Sum of yen deposits, foreign-currency deposits, investment trusts and personal loan balances)	¥2.9 trillion	CAGR of approx. 9% or higher	➡	Over ¥3.8 trillion
Gross operating profit (Sony Bank, consolidated)	¥22.9 billion	CAGR of over 6%	➡	¥27.7 billion
Ordinary profit (Sony Bank, consolidated)	¥5.6 billion	CAGR of over 11%	➡	Over ¥7.0 billion

Sony Financial Group's Growth Strategies



In this section, Katsumi Ihara, SFH President and Representative Director, explains the Sony Financial Group's medium-term strategies and targets and the strengths that will enable the Group to achieve its goals.

Fiscal 2013 Consolidated Business Performance

On a consolidated basis, ordinary revenues for fiscal 2013, the fiscal year ended March 31, 2014, reached ¥1,319.7 billion, up 4.8% over the previous fiscal year, owing to higher ordinary revenues from all three businesses: life insurance, non-life insurance and banking. Ordinary profit decreased 3.9% year on year, to ¥76.1 billion, as ordinary profit from the life insurance business fell, whereas ordinary profit from the non-life insurance and banking businesses rose. Net income fell 10.1%, to ¥40.5 billion.

The cause of this decline in profits can be traced back to our core life insurance business, where a constructive effect of a higher positive spread was offset by an increase in provision to policy reserves in response to a revision in the policy reserve discount rate as well as a provision for policy reserves for minimum guarantees for variable life insurance. In this same business, new policy acquisition was down year on year, reflecting a revision of premium rates on some products following the revision of the policy reserve discount rate, but policy amount in force continued to increase steadily. Complementing this, the non-life insurance and banking businesses performed well, indicating an underlying growth trend for business overall for the Group. In addition, Sony Life has paved the way for the Group's sustained growth down the road, marked by an upward trend in the number of Lifeplanner sales employees.

Fiscal 2014 Outlook

We expect a decline in consolidated ordinary revenues in fiscal 2014 because we do not anticipate the same level of increases in lump-sum payment insurance premiums and in investment income on separate account due to market recovery as recorded in the previous fiscal year. However, we do look forward to steady growth in policy amount in force in the life insurance business. We anticipate the same level of ordinary profit in fiscal 2014. This is because we expect a higher provision for policy reserves related to minimum guarantees for variable life insurance policies, as well as an increase in operating expenses due to the consumption tax rate rise. Nevertheless, we expect net income to grow significantly year on year. This is because Sony Life has changed its calculation policy on reserve for price fluctuations to accumulate reserves up to required levels, effective from fiscal 2014. This policy change is the result of asset liability management (ALM) initiatives whereby Sony Life has successfully reduced its risk assets.

As noted above, market conditions may create challenges but we look forward to steady expansion of business volume.

Sony Financial Group's Growth Strategies

1. Driving Growth in the Three Core Businesses

Sony Life, Sony Assurance and Sony Bank have set themselves apart from their competitors by developing unique business models in respective industries. As a result, the three companies have provided their customers with customer-oriented and highly convenient financial products and services. Going forward, the Sony Financial Group will continue to achieve sustained growth as each company under the Group umbrella strengthens its inherent competitive advantages, and further enhances each company's presence in the respective markets.

2. Promoting Groupwide Synergies

The Sony Financial Group believes that it will be able to enhance collaboration among Group companies with respect to the sale of each company's financial products to individual customers, taking advantages of its diverse financial functions (savings, investment, borrowing and protection). To date, 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 core businesses, SFH paves the way for each company to cultivate new customers and raise business efficiency.

3. Strengthening Presence in Recently Entered Business Fields, Expanding into New Business Fields

SFH entered the nursing care business in November 2013 and established Sony Lifecare Inc. in April 2014 as a holding company to oversee the Group's operations in this field. We aim to contribute to society by providing nursing care services that offer our customers lives of dignity, fulfillment and security.

Going forward, we will 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, and thereby steadily expand business volume. In fields we have yet to enter, we will actively consider those opportunities with potential to contribute to the realization of the Group's vision, as we strive to diversify revenue sources and expand earnings.

Sony Financial Group's Medium-term Corporate Strategies (FY2014–FY2016)

The Sony Financial Group's biggest strength lies in the high quality of the services provided by Group companies. Enhancing quality and maintaining a high level of customer satisfaction are essential for growth. In our medium-term corporate strategy, we will return to this basic principle, and set "enhancing service quality" as the core business philosophy for Group companies. We will strengthen risk management and ALM and maintain a robust revenue platform that is resistant to a continually changing business environment. In addition, we will improve shareholder returns on the basis of stable revenue growth and a high level of financial soundness.

During the current medium-term business plan, we aim to break the record-high consolidated ordinary profit. For consolidated net income, we expect to post a solid increase, paralleling the aforementioned change in calculation policy on its reserve for price fluctuations applied by Sony Life to accumulate reserves up to required levels, which go into effect from fiscal 2014. We also expect a steady expansion in business volume at our three core subsidiaries reflected in the Medium-term targets for fiscal 2016 for each subsidiary. The consolidated adjusted ROE is influenced by Sony Life's rate of increase in market consistent embedded value (MCEV), because this company contributes the most to Group profit. Although the consolidated adjusted ROE jumped to 14.2% in fiscal 2013, reflecting a rise in interest rates at the end of the previous fiscal year, the target for fiscal 2016 (8%) is based on a steady increase in new business value only and no market fluctuations.

SFH's Capital Strategy and Dividend Policy

SFH aims for steady increases in dividends in line with earnings growth over the medium to long term with sufficient internal reserves to ensure financial soundness of Group companies and to invest in growing fields. Our medium-term target for the dividend payout ratio is 30% to 40% of consolidated net income.



Based on this policy and taking performance and other factors into account, we increased our annual dividend for fiscal 2013 by ¥5, to ¥30 per share. This was the second consecutive year of increases since fiscal 2012. We expect to further increase the annual dividend by ¥10, to ¥40 per share in fiscal 2014. In determining this amount, management took into account a comprehensive range of factors, including a significant increase in net income, which we expected because Sony Life has changed its calculation policy on reserve for price fluctuations to accumulate reserves up to required levels, effective from fiscal 2014, while it had accumulated reserves in excess of the required levels until the previous fiscal year. This policy change is the result of asset liability management (ALM) initiatives whereby Sony Life has successfully reduced its risk assets.

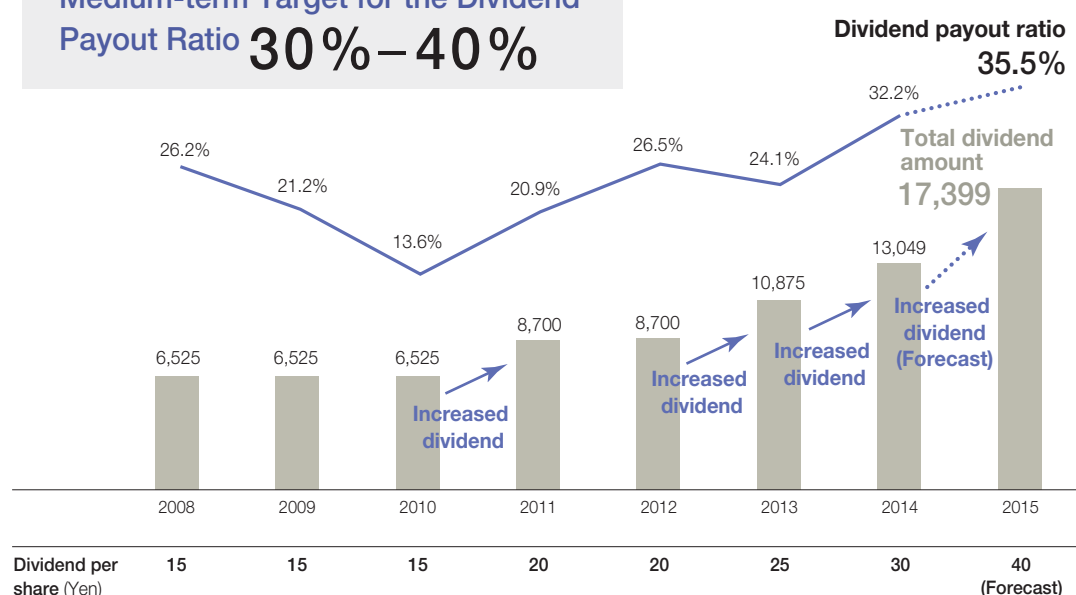
Going forward, we remain committed to enhancing shareholder returns.

Dividend Trend

(Millions of yen)

For the years ended March 31,

Medium-term Target for the Dividend
Payout Ratio **30%–40%**



Entry into Nursing Care Business



Given the advent of a super-aged society in Japan, in April 2014, SFH established Sony Lifecare Inc., a holding company that will oversee the Group's operations in the nursing care business. Sony Lifecare will establish new nursing care homes and promote strategic alliances, including capital ties, with other companies that operate nursing care homes to promote the business. From a medium- to long-term perspective, we aim to grow the nursing care business as a fourth pillar of operations complementing our existing three businesses of life insurance, non-life insurance and banking. Through our entry into the nursing care business, we seek to become a corporate group that provides our customers with the services they need to live fulfilled and secure lives, and a platform through which they can do so with dignity.

Summary of Japan's Nursing Care Market

Advent of Super-Aged Society

The population of Japan reached 127.27 million as of December 1, 2013. The number of seniors over 65 years of age hit an all-time high of 32.07 million, comprising 25.2% of the demographic spectrum. By 2015, when the so-called baby-boomer generation—born between 1947 and 1949—is 65 years old or older, the number of seniors in Japan will rise to 33.95 million and then peak around 2042. The percentage of elderly in Japan will trend downward after that, probably falling to 39.9% by 2060. A super-aged society, unprecedented anywhere in the world, is dawning in Japan.

Nursing Care Services Market in Japan Is Growing

In Japan, a public long-term insurance system—for nursing care—was introduced in 2000 to address the growing nursing care needs of an aging society. As of March 31, 2013, the number of people who have been certified as needing care, including those requiring support, had grown to 5.61 million. At present, people who qualify for long-term care certification are able to use a wide range of public care services at just 10% of the cost, in principle. The services include in-home services, such as home caregivers and nurses who make home visits to provide assistance; drop-in daycare services, whereby a certified person is driven to a nursing home for daycare and rehabilitation; and live-in services, typically paid retirement homes with long-term care services.

As the number of senior citizens rises, so does the aggregate amount of nursing care insurance payouts, excluding the portion paid by users of the system. In the fiscal 2012, total benefits topped ¥8 trillion for the first time, nearly 2.5 times higher than the level at the system's introduction. In addition, the number of private nursing care insurance policies in force has reached 2.94 million, which not only heralds a bigger nursing care services market to serve but also highlights a potentially massive financial burden and the inevitable need to revise the existing system.

Sources: "Population Estimates," Statistics Bureau, Ministry of Internal Affairs and Communications; "Report Survey on Situation of Long-term Care Insurance Service" and materials prepared by councils and committees, Ministry of Health, Labour and Welfare; and Insurance: Statistics of Life Insurance Business in Japan, by Hoken Kenkyujo (Insurance Research Institute)

Initiatives for Further Growth of Sony Life

Strengthen sales capabilities of the consulting channel

Reinforce recruitment of Lifeplanner sales employees and enhance productivity

Sales through Lifeplanner sales employees, Sony Life's core sales channel, are growing steadily, accounting for about 70% of all new policies. Focusing on further enhancing quality, Sony Life has been promoting measures to strengthen its recruitment system, with an emphasis on introducing stricter recruitment standards, actively promoting Lifeplanner sales employees to office managers who then take on the role of recruiting new Lifeplanners, and enriching the content of training programs.

As a result, the number of Lifeplanner sales employees was 4,216 as of March 31, 2014, as the number of new recruits reached a 10-year high. Productivity of Lifeplanner sales employees steadily increased throughout the fiscal year. Going forward, the company will continue to implement measures to expand the scale of the Lifeplanner sales channel.

Changes in the Number of Newly Recruited Lifeplanner Sales Employees and Office Managers

(Number of persons)

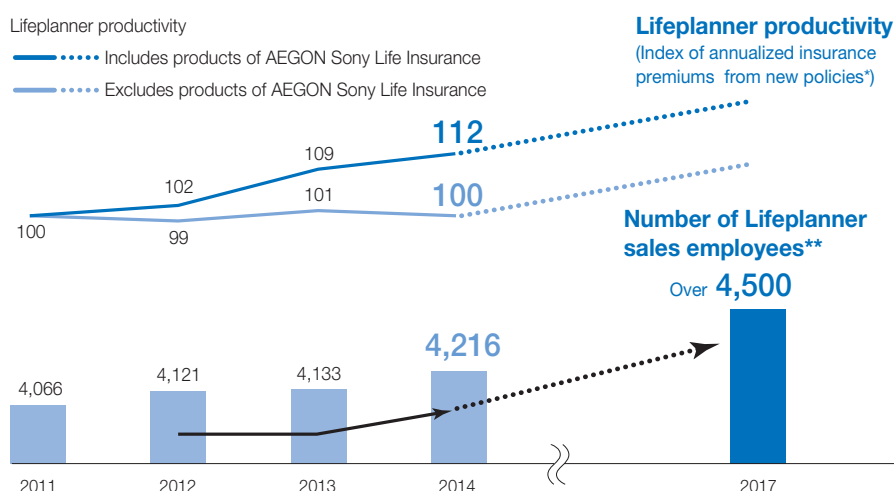
For the years ended March 31,



Changes in the Number of Lifeplanner Sales Employees and Productivity

(Number of persons)

For the years ended March 31,



* Productivity is indexed to March 31, 2011 = 100, calculated on the basis of annualized insurance premiums from new policies (managerial accounting basis)

** Figure includes the number of contracted Lifeplanner sales employees and those rehired on a fixed-term contract basis after retirement



Develop independent agent channel

Insurance sales through Partners (independent agencies) account for about 30% of all new policies at Sony Life, making this an important channel, second only to the Lifeplanner sales channel. A notable change in the agency industry in fiscal 2013 was a request issued by the Financial Services Agency, reflecting such market changes as increasing diversification and size of insurance solicitation and sales channels, asking agencies to implement measures for ensuring appropriate solicitation and sales processes. This will likely prompt members of the industry to establish monitoring systems for their agents, but the impact on Sony Life will probably be limited. Sony Life's growth strategy for its independent agent channel revolves around alliances with different types of agencies, including shop-style independent agents, which expand operations by extending their respective networks over a nationwide area, agencies specializing in life insurance, run by sales experts, and regional or corporate independent agencies. Sony Life will pursue further growth by steadily augmenting its reach to better meet diversifying customer needs.

ance, run by sales experts, and regional or corporate independent agencies. Sony Life will pursue further growth by steadily augmenting its reach to better meet diversifying customer needs.

Gain further competitive advantage

Further strengthen operations of death-protection insurance business

In fiscal 2013, new policy amounts were down year on year, reflecting a revision to insurance premium rates on some products following a change in the policy reserve discount rate in April 2013. From fiscal 2014 onward, however, Sony Life is refocusing on its starting point, its earliest days in business, as it strives to rekindle growth in new policy amount. Toward this end, the company will implement measures to increase recruitment of Lifeplanner sales employees, enhance training systems, revise qualification and evaluation systems and augment its product lineup to better meet diverse customer needs.

Operational reforms

Sony Life has been pursuing business process re-engineering in an effort to establish a foundation that allows the company to effectively provide an extensive range of high-quality products and services. As part of this effort, the company created a sales platform for the smartphones that Lifeplanner sales employee carry around so that customer information is, quite literally, at their fingertips when they get a customer call. The company believes this system makes a smartphone equivalent to a call center, in terms of access to customer information, and will contribute to improvement in productivity. Additionally, Sony Life has been rolling out paperless application procedures for new policies nationwide since last year, and branches throughout the country have now embraced this method. As a result, more than 90% of new policies sold through the Lifeplanner channel in fiscal 2013 went through a paperless application process. Going forward, Sony Life will continue to promote operational reforms, including presentation of application assessment results (underwriting conditions) to customers during face-to-face consultations, completing data-entry procedures on the spot. The reforms also include paperless operations to eliminate maintenance ledgers, to significantly reduce processing time.

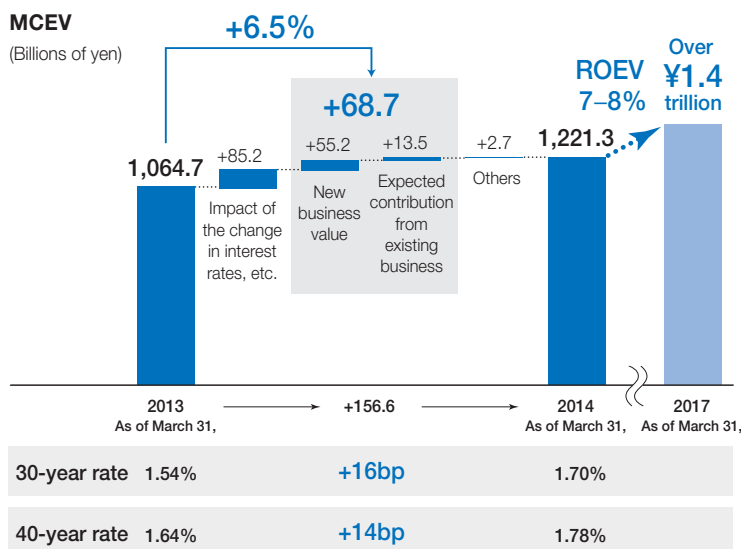
Stable Growth in Corporate Value

Management policy on MCEV and economic value-based risk amount

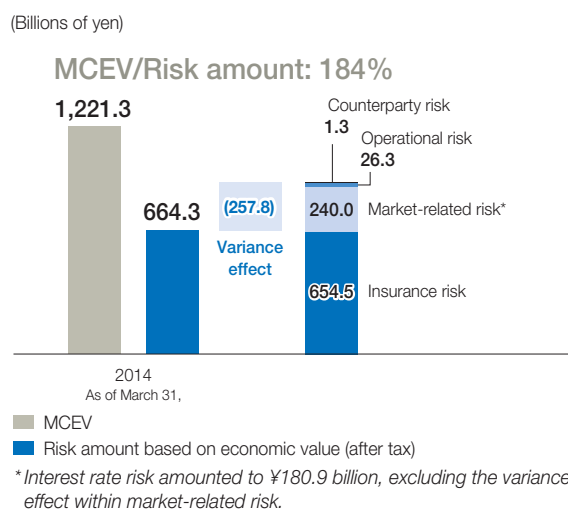
Sony Life's basic policy on risk preference is to ensure sufficient solvency on an economic value basis and to realize stable and sustainable growth in corporate value by increasing policies in force and actively underwriting insurance risk. In terms of asset management, the company lessens the interest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

Sony Life's market consistent embedded value (MCEV) was ¥1,221.3 billion as of March 31, 2014, an increase of ¥156.6 billion from a year earlier.

The amount of risk on an economic value basis reached ¥664.3 billion (after tax) on March 31, 2014, 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 ¥654.5 billion compared with ¥240.0 billion in market-related risk. Insurance risk is inherent in the life insurance business as it increases corporate value, and so it 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 ¥180.0 billion. Sony Life will continue to mitigate interest rate risk, so that fluctuations in financial markets due to interest rate changes and other factors do not impair corporate value 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.



Financial Soundness Based on Economic Value



▶ Please refer to Review of Operations: Life Insurance Business on page 30.

Initiatives for Further Growth of Sony Assurance

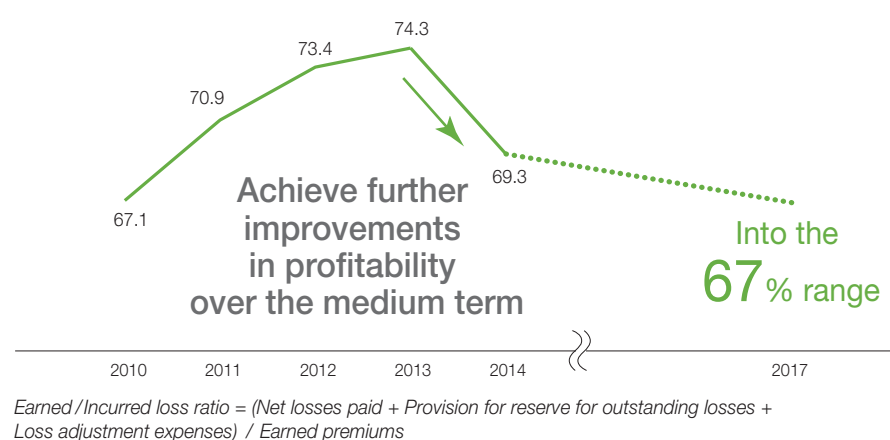
Sony Assurance set improvement of the loss ratio for automobile insurance as a priority in fiscal 2013 and implemented various measures to achieve this goal, including a revision of insurance premium rates and the introduction of a new industry-standard bonus-malus system (non-fleet driver rating system). As a result, the loss ratio fell and profitability was substantially improved. New insurance premium rates went into effect in April 2014, mainly as a way to absorb higher expenses following an upward revision to the consumption tax, effective April 1, 2014. Going forward, the company will strive to implement accurate and well-timed approaches to keep the loss ratio from rising and thus ensure ongoing increases in profitability.

Furthermore, Sony Assurance will sustain growth and secure a leading position in the direct automobile insurance market. To maintain stable revenues over the long term, the company will accelerate expansion into areas other than automobile insurance, such as medical insurance, and shift away from a one-sided emphasis on automobile insurance. In addition, the company will endeavor to attract the interest of more customers, primarily by raising the quality of its accident response service and policy processing service as well as by offering unique website/smartphone applications.

Trends in Earned / Incurred Loss Ratio (automobile insurance)

(%)

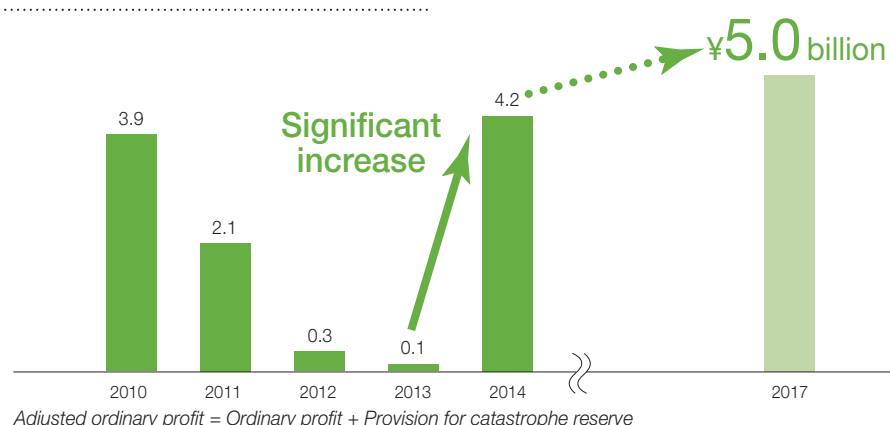
For the years ended March 31,



Trends in Adjusted Ordinary Profit

(Billions of yen)

For the years ended March 31,



▶ Please refer to Review of Operations: Non-life Insurance Business on page 32.

Initiatives for Further Growth of Sony Bank

Sony Bank has earned a stellar reputation from customers, substantiated by many industry honors, including the distinction of being No. 1 in customer satisfaction in the annual Nikkei ranking of financial institutions for a seventh consecutive year. The company will continue to steadily expand business volume by drawing on this high level of customer satisfaction and by enhancing lineups of strategic products—mortgage loans and foreign currency businesses. In loans for individuals, Sony Bank posted a favorable increase in its mortgage loan balance and pushed its yen deposit ratio close to 70% in fiscal 2013. Going forward, the emphasis will be to reinforce and diversify product features, a process that will include setting interest rates more closely aligned with the creditworthiness of customers, enhancing service site content and information tools, and restarting the card loan business. In addition, the company will build stronger ties with Sony Life's Lifeplanner sales employees and forge alliances with real estate agents to generate new lending transactions in the mortgage loan segment, thereby growing the loan balance.



In foreign currency business, Sony Bank intends to expand its foreign-currency deposit balance by strengthening its asset management function, namely the “savings and investment” facility of its “Foreign Currency World,” as well as its “usage” facility. With this settlement function of the “usage” facility, users can save foreign currencies and spend them without converting them into yen or use the company’s website-based service for transferring foreign currency overseas.

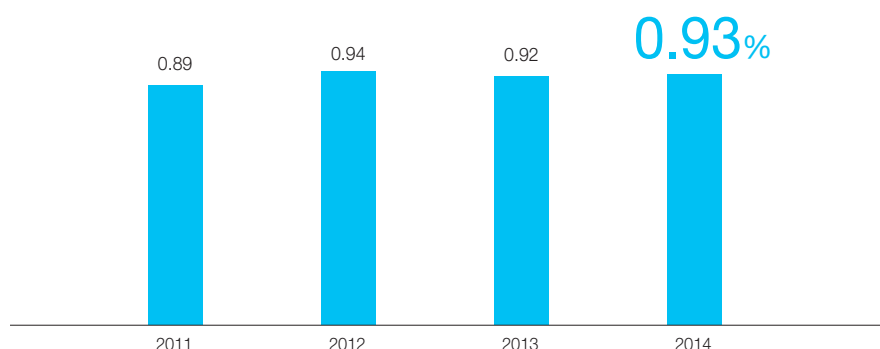
Sony Bank will also strive to reinforce profitability. Specifically, the company will continue with efforts to increase business volume by enhancing the strategic products described above, while boosting profitability by raising the proportion of foreign currency deposits within total deposits by enhancing their settlement function. The company will also strengthen ALM to sustain higher core gross operating profit by focusing on net interest income, the principal profit source of any bank.

** Article in the January 25, 2014 issue of the Nihon Keizai Shimbun (Nikkei) newspaper*

Maintain Stable Interest Spread

(%)

For the years ended March 31,



▶ Please refer to Review of Operations: Banking Business on page 34.

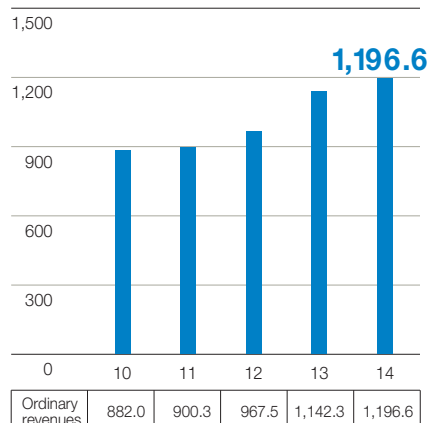
Review of Operations

Segment Performance Highlights

Life Insurance Business ▶ Details: p30

Ordinary revenues

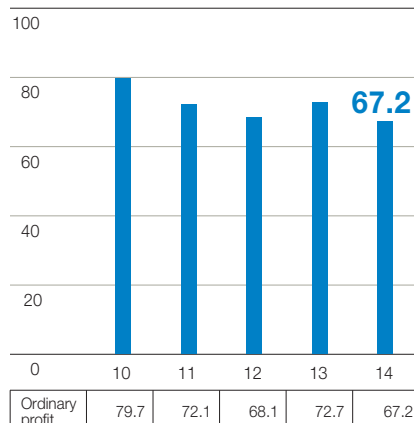
Billions of yen



* For the years ended March 31,

Ordinary profit

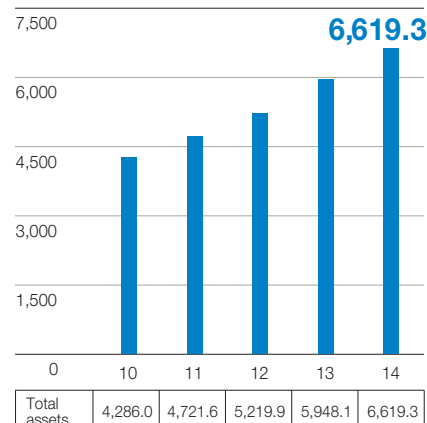
Billions of yen



* For the years ended March 31,

Total assets

Billions of yen

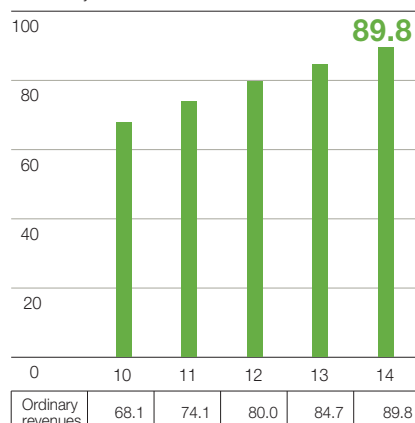


* As of March 31,

Non-life Insurance Business ▶ Details: p32

Ordinary revenues

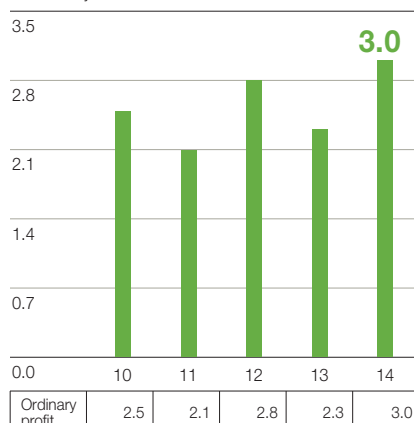
Billions of yen



* For the years ended March 31,

Ordinary profit

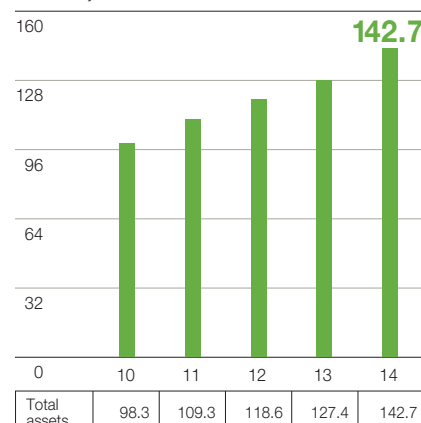
Billions of yen



* For the years ended March 31,

Total assets

Billions of yen

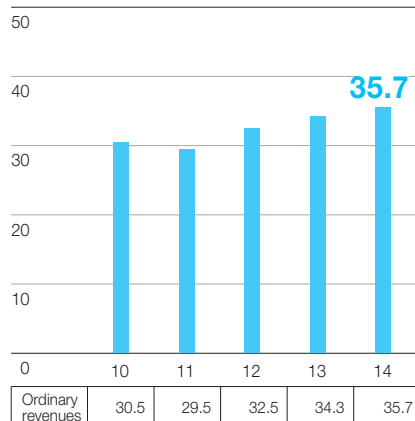


* As of March 31,

Banking Business ▶ Details: p34

Ordinary revenues

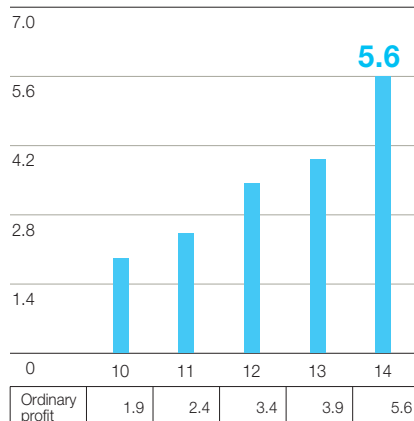
Billions of yen



* For the years ended March 31,

Ordinary profit

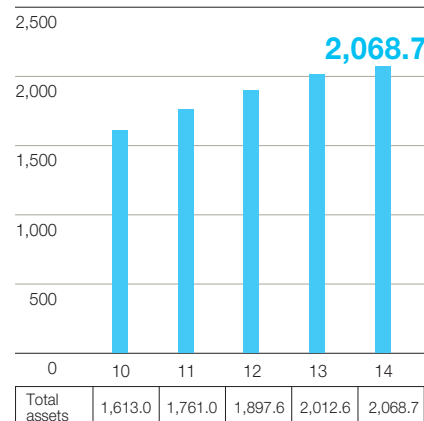
Billions of yen



* For the years ended March 31,

Total assets

Billions of yen



* As of March 31,

Note: Segment figures are before consolidation adjustments.

Life Insurance Business

Market Conditions

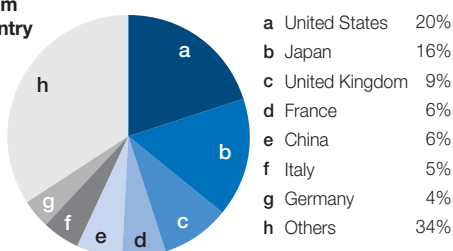
Japan's life insurance market follows that of the United States as the second largest in the world on an insurance premium income basis, with a global share of about 16%. Although the domestic life insurance market has been contracting since the late 1990s, industrywide policy amount in force for individual life insurance stood at ¥857 trillion as of March 31, 2014, and death-protection insurance policies accounted for over 80% of that total at ¥729 trillion*, indicating that the life insurance market remains enormous.

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 products offering death-protection insurance to individual annuities and third sector insurance, such as medical and nursing care insurance, spurring intense competition for customer attention. Meanwhile, in fiscal 2013, life insurance companies revised their insurance premium rates, particularly for premiums for saving-type products, in line with the April 2013 reduction in the policy reserve discount rate.

On the sales front, sales channels are becoming increasingly diversified. Notable developments include expansion in sales of products over-the-counter (OTC) at banks and a wider variety of sales agency shop formats and bigger scale of operations. In light of marketing format diversification, consumer protection has become more important, prompting life insurance companies to restructure their systems for more effective and fair solicitation and sales.

Life Insurance Premium Volume Share by Country

2013
US\$2.6 trillion



Source: Swiss Re. Sigma No. 3/2014, World Insurance in 2013, updated June 2014

Sony Life's Responses

In this competitive environment, Sony Life has increased sales of insurance products, primarily death-protection insurance products, driven mainly by measures to strengthen consulting-based sales through Lifeplanner sales employees and Partners (independent agencies). In fiscal 2013, new policy acquisition was down year on year, a repercussion of demand frontloading that preceded upward revision of premium rates. But, policy amount in force continued to increase, largely due to a lower lapse and surrender rate. As a result, Sony Life sat in the industry's No. 5 position at the end of March 2014 right behind Japan's four major domestic life insurance companies, on a policy amount in force basis**.

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 ongoing acquisition of new policies. As well, despite the impact of falling ultralong-term interest rates due to the Bank of Japan's unconventional monetary easing implemented in April 2013, the company secured financial soundness by compiling an asset portfolio able to withstand market fluctuations.

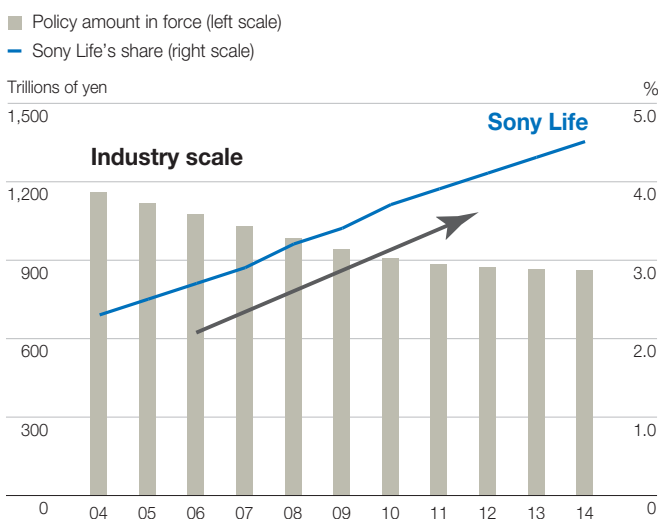
Going forward, Sony Life will emphasize measures to reinforce its Lifeplanner sales employee and Partner sales channels and drive growth in business volume by acquiring new policies, while maintaining a high degree of financial soundness. The company aims at further augmenting its presence in Japan's life insurance market.

* Source: "Summary of Life Insurance Business," Life Insurance Association of Japan website

** Individual life insurance (as of March 31, 2014)

Industrywide Policy Amount in Force* and Sony Life's Market Share

As of March 31,



* The above graph indicates individual life insurance.

Source: "Insurance," by Hoken Kenkyujo (Insurance Research Institute), and data officially disclosed by individual life insurers



Industry Position

New Policy Amount

Calculated without adjusting for impact of conversion

Rank	Company name	Billions of yen, %	
		Results	Share
1	A	8,062.3	11.9
2	B	6,559.8	9.7
3	C	5,676.4	8.4
4	Sony Life	3,814.2	5.6
5	D	3,713.2	5.5
6	E	3,563.7	5.3
7	F	3,509.6	5.2
8	G	3,202.3	4.7
9	H	3,198.0	4.7
10	I	3,016.8	4.5

Notes: 1. Individual life insurance (as of March 31, 2014)

2. Japan Post Insurance: Existing policies at the time of privatization were transferred to the Management Organization for Postal Savings and Postal Life Insurance. The above policy amount in force only takes into account the portion held by the new company.

Source: Data officially disclosed by individual life insurers

Policy Amount in Force

Rank	Company name	Billions of yen, %	
		Results	Share
1	A	150,854.5	17.6
2	B	128,094.8	14.9
3	C	92,969.6	10.8
4	D	78,971.9	9.2
5	Sony Life	38,628.0	4.5
6	E	34,748.5	4.1
7	F	33,735.7	3.9
8	G	31,916.8	3.7
9	H	31,095.3	3.6
10	I	25,940.8	3.0

Recent Topics

January 2014:

Launch of Educational Endowment Insurance (Non-Participating)

In January 2014, Sony Life launched educational endowment insurance (non-participating) to complement semi-participating educational endowment insurance already offered, to meet the needs of customers who wish to minimize the burden of insurance premiums as much as possible rather than secure potential future returns.

Previously, Sony Life offered Type I and Type II products, which provide funds primarily for post-secondary education. With educational endowment insurance (non-participating), the product menu gains a third type—Type III—insurance, under which educational fund payments are divided and paid each year while the insured child is attending college or university. Sony Life also introduced a plan under which insurance premiums can be paid over a short period (limited payment). This enhanced selection of educational endowment insurance

products gives customers a more extensive range of plans to meet their needs.

May 2014:

Launch of Specialty Endowment Insurance

In the past, fixed-policy-amount endowment insurance has met companies' needs to provide condolence money and retirement bonuses. However, many corporate systems for providing retirement payment in the event of death stipulate rising amounts as the number of years of service increases. Consequently, with conventional endowment insurance a gap can arise between the death policy amount and the actual retirement bonus. So in May 2014, Sony Life commenced selling specialty endowment insurance which will better meet companies' needs to provide condolence money and retirement bonuses since the policy amount increases in proportion to years elapsed in the latter half of the insurance period.

Non-life Insurance Business

Market Conditions

Automobile insurance, positioned as Sony Assurance's core product category, accounts for the largest portion of Japan's non-life insurance industry and 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 those insurers' nationwide insurance agencies.

In fiscal 2013, Japan's automobile insurance premium revenues increased over the previous fiscal year, predominantly because of continuous insurance premium rate increases implemented by non-life insurers to mitigate worsening loss ratios as well as steady sales of new automobiles. Profitability improved dramatically, especially among major non-life insurers, mainly because of a reduction in the number of claims related to the introduction of a new bonus-malus system (non-fleet driver rating system).

Nevertheless, automobile ownership is projected to gradually decline over the medium and long term, primarily reflecting a contracting population and a shift in interest away from automobiles among young people in recent years. Going

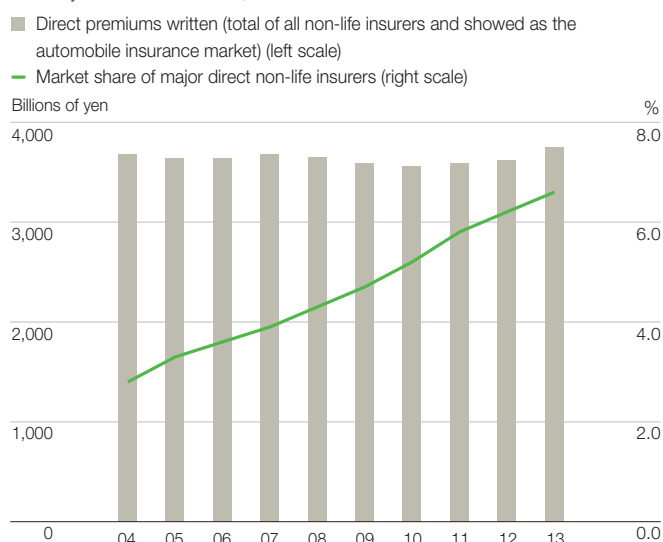
forward, there is also concern that revenues will deteriorate due to higher claims paid and higher operating expenses following upward revision to the consumption tax. Such factors have been shaping a challenging market environment.

Against this backdrop, 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 vigorous advertising activities.

Going forward, the consumption tax increase and tough employment and personal income conditions are likely to make customers even more receptive to low prices, which should fuel continued expansion of direct insurers' market share. Conversely, the low-price strategies of direct insurers, especially newcomers to the industry, and an upward trend in advertising expenses are issues that could lead to fiercer competition among direct insurers.

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

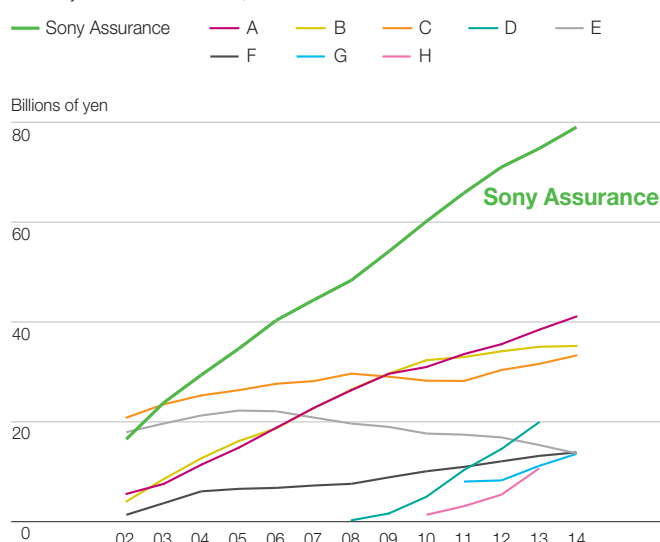
For the years ended March 31,



Note: The graph was prepared by Sony Assurance from data officially disclosed by individual non-life insurers.

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

For the years ended March 31,



Note: The graph was prepared by Sony Assurance from data officially disclosed by individual non-life insurers. Amounts for fiscal 2013 are based on published data available up to June 25, 2014.



Sony Assurance's Responses

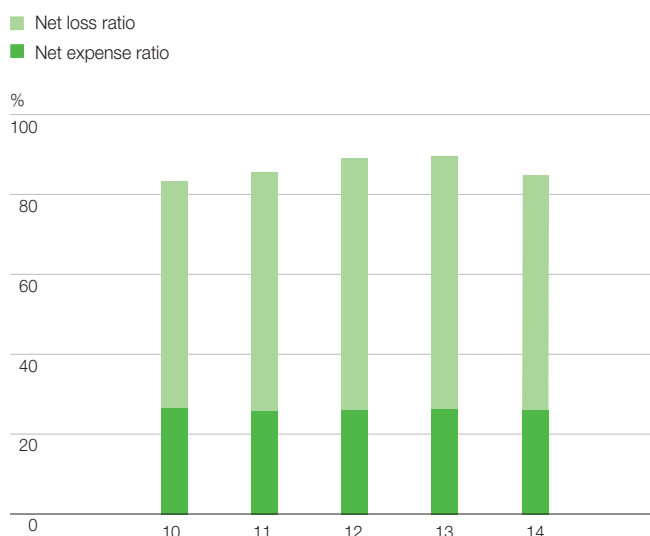
Since taking the No. 1 position* in direct premiums written in the direct automobile insurance market in fiscal 2002, Sony Assurance has established a strong presence at the forefront of the domestic industry. In fiscal 2013, the company marked a favorable increase in premium income, largely thanks to the success of approaches such as expanded Internet-based discounts for new policies. Revenue also benefited from a lower loss ratio due to a revision in the premium rate, achieved through the introduction of a new bonus-malus system (non-fleet driver rating system).

Going forward, Sony Assurance remains committed to the pursuit of rationality, progressiveness and uniqueness—qualities for which the company is known—in the automobile insurance business. At the same time, the company will take steps to earn the trust and loyalty of more customers by raising the customer-oriented value of its products and services, not only for automobile insurance but also for medical insurance.

* Based on the automobile insurance premiums of non-life insurers selling automobile insurance directly, as of March 31, 2003 (according to research by Sony Assurance)

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

For the years ended March 31,



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

Net expense ratio = Total underwriting costs / Net premiums written

Recent Topics

August 2013:

Enhanced Policyholder Special Benefit

The Club Off Service policyholder special benefit is offered to customers who have maintained automobile insurance or medical insurance policies with Sony Assurance for at least a year. These customers can receive VIP member service menus at no charge.

April 2014:

Revised Automobile Insurance Products

Sony Assurance revised policy details and insurance premium rates for automobile insurance policies commencing on or after April 1, 2014.

April 2014:

Began Offering Policyholder App

This free smartphone application for policyholders makes it very easy to access all Sony Assurance services from a smartphone.

Banking Business

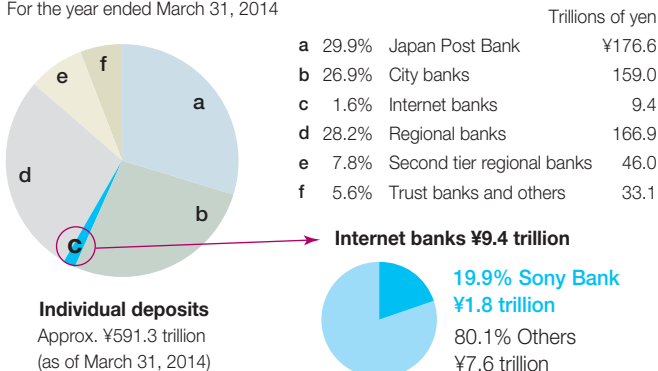
Market Conditions

In Japan, personal financial assets have climbed to approximately ¥1,600 trillion, the second highest level in the world. Cash and deposits account for more than half of this amount, a high level compared with that of other developed countries. Investment preferences and requirements in managing these personal financial assets are diversifying, along with changing lifestyles and evolving social needs not to mention the accelerated shift to an aging society, coupled with a low birthrate. As a result, in recent years Internet banks have achieved growth on the back of their cost-competitiveness and convenience to users.

Nonetheless, the deposit balance of Internet banks is still quite small—less than 2% of Japan's personal financial assets market—so there is ample room for growth. In this market, however, not only Internet banks, but also megabanks are keen to make access to their services by Internet and smartphone all the more convenient, and the beginnings of an aggressive price offensive by regional banks will only add fuel to an intensely competitive market.

Growth Potential in the Retail Financial Services Market

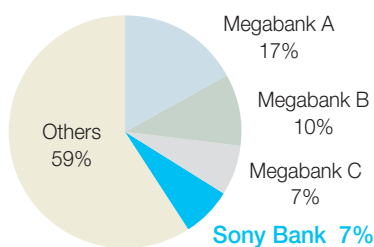
For the year ended March 31, 2014



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 (credit union) banks, credit associations, labor credit associations, agricultural cooperatives and certain other organizations

Market Share of Foreign Currency Deposits

As of March 31, 2014



Sony Bank's Responses

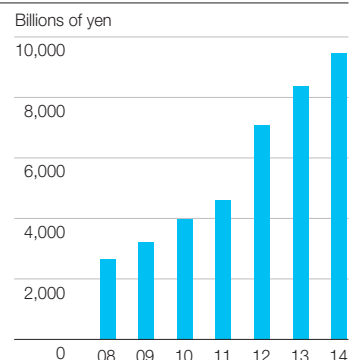
In this environment, Sony Bank has emphasized mortgage loans and foreign currency business and expanded its business volume on the strength of its reputation for high customer satisfaction.

Japan's mortgage loan balance shifted favorably amid wider demand for housing funds precipitated by expectations of economic recovery and a rush of demand ahead of the consumption tax increase in April 2014. In contrast, on account of the Bank of Japan's quantitative and qualitative monetary easing, implemented in April 2013, interest rates are sluggish and uncertain world circumstances have created an aversion to risk. Consequently, competition among banks to trim their mortgage loan interest rates is heating up. In this competitive landscape, Sony Bank is steadily growing its mortgage loan balance, and going forward, the company will maintain this trend by improving the quality of its products and strengthening its sales channels.

In the foreign currency business, Sony Bank has steadily grown its transaction volume by offering reasonable rates and

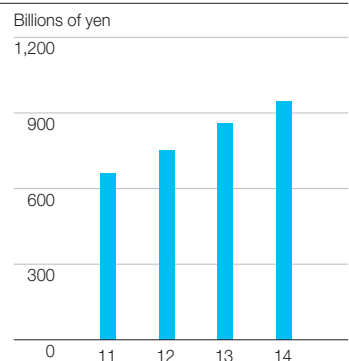
Deposit Balance at Domestic Internet Banks

As of March 31,



Sony Bank's Mortgage Loan Balance

As of March 31,





highly convenient services centered on foreign currency deposits and foreign-exchange margin trading. The company's foreign-currency deposit balance represented 7% of the domestic bank total, as of March 2014. Efforts will also be

directed into growing the customer base by enhancing convenience through stronger settlement functions.

Recent Topics

May 2013:

Sony Bank removes service charge on inward foreign currency remittances

October 2013:

Begins handling automatic saving plans for foreign-currency deposits

This service draws funds from a yen deposit account to automatically purchase foreign currency on the day the customer sets, with the foreign currency deposited into a foreign currency deposit account. Buying foreign currency from a fixed yen amount on the recurring date of the customer's choice has the effect of leveling out the purchase rate on the foreign currency. Customers using this service stagger the purchases' timing and, with a selection of 12 currencies to pick from, they can venture into diversified investment in multi currencies with a small investment beginning at ¥500.

December 2013:

Introduces paperless procedures to open bank accounts

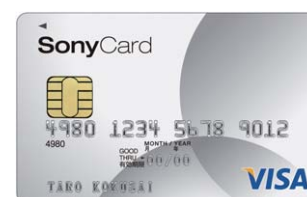
In response to customer demand for faster account-opening procedures, Sony Bank introduced a service that allows customers to complete the account-opening application process

just by entering the necessary information into an online form. This process omits the need for customers to fill out a form and send it in with proof of identity, so opening an account is made simple and fast. The associated client card is sent out by registered mail, with delivery in as short a span as five days.

December 2013:

Begins handling new Sony Card with enhanced credit and settlement functions

In a tie-up with Sumitomo Mitsui Card Company, Sony Bank began handling a new Sony Card with enhanced credit and settlement functions instead of the earlier-version Sony Card. Then in January 2014, to strengthen its settlement services, Sony Bank started a service with Sumitomo Mitsui Card Company that enables Sumitomo Mitsui cardholders to pay their credit card charges via their Sony Bank account.



Fiscal 2013 Analysis of Operating Performance

(April 1, 2013 – March 31, 2014)

SFH (Consolidated)

Operating Results

During fiscal 2013, the Japanese economy was characterized by gradual recovery, benefiting from the impact of government measures to break free of deflationary influences as well as steady improvement in corporate performances, and positive signs on the employment and income fronts. In financial markets, Japanese stock prices held steady following the introduction of qualitative and quantitative monetary easing by the Bank of Japan, while in foreign exchange, the yen continued to depreciate. Long-term domestic interest rates remained generally low after rising temporarily.

Against this backdrop, the Sony Financial Group provided high-quality services with the aim of becoming one of the most highly trusted financial services groups for its customers. The Group also implemented various measures to satisfy increasingly diverse customer needs.

Consequently, Sony Financial Group posted the following consolidated results. Ordinary revenues rose 4.8% over the previous fiscal year, to ¥1,319.7 billion, buoyed by solid contributions from the three core businesses: life insurance, non-life insurance and banking. Ordinary profit decreased 3.9% year on year, to ¥76.1 billion, as good performances by the non-life insurance and banking businesses were offset by lower results in the life insurance business.

The Group booked extraordinary losses of ¥9.5 billion for fiscal 2013, compared with losses of ¥9.2 billion a year earlier. The primary reason for these losses stems from the provision of a reserve for price fluctuations.

After deducting these extraordinary losses as well as the provision for reserve for policyholders' dividends and income taxes from ordinary profit, net income decreased to ¥40.5 billion, down 10.1% year on year. This reflects the drop in ordinary profit as well as the reversal of a portion of deferred tax assets paralleling promulgation of a revised tax law that ended the reduction in the corporate tax rate for reconstruction a year ahead of schedule.

Segment performance was as follows:

● **Life Insurance Business** Income from insurance premiums increased 3.8% year on year, to ¥960.9 billion, mainly due to steady growth in policy amount in force. Investment income rose 6.1% year on year, to ¥212.3 billion, owing to higher interest income and dividends on general account assets. As a result, ordinary revenues increased 4.8% year on year, to ¥1,196.6 billion. Ordinary profit decreased 7.6% year on year, to ¥67.2 billion, mirroring a rise in provision to policy reserves resulting from a revision in the policy reserve discount rate as well as the provision to policy reserves for minimum guarantees for variable life insurance, which offset the constructive effect of a higher positive spread.

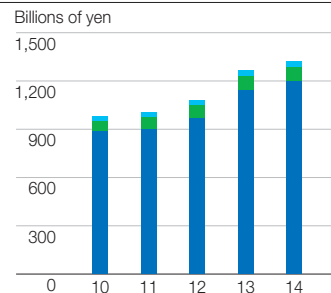
● **Non-life Insurance Business** Net premiums written increased 6.0% year on year, to ¥88.6 billion, primarily reflecting a higher number of policies in force for mainstay automobile insurance. Ordinary revenues mirrored that change, rising 6.1% year on year, to ¥89.8 billion. Ordinary profit jumped 26.7% year on year, to ¥3.0 billion, buoyed by higher ordinary revenues as well as an improvement in the loss ratio achieved mainly by a revision to premium rates for automobile insurance and a lower automobile accident ratio owing to the introduction of a new bonus-malus system (non-fleet driver rating system).

● **Banking Business** Ordinary revenues increased 4.3% year on year, to ¥35.7 billion, due to higher gains on foreign exchange transactions stemming from active foreign currency trading by customers and higher interest income on loans led by the growing balance of mortgage loans. Ordinary profit surged 42.6% year on year, to ¥5.6 billion, primarily because of lower interest expenses and an improvement in net gains on bond-dealing transactions in addition to enhanced ordinary revenues.

Ordinary Revenues

For the years ended March 31,

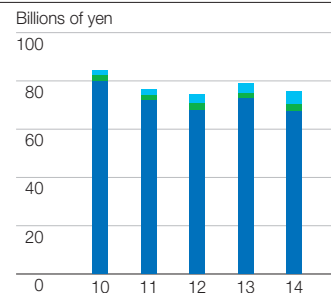
■ Life insurance business
■ Non-life insurance business
■ Banking business



Ordinary Profit

For the years ended March 31,

■ Life insurance business
■ Non-life insurance business
■ Banking business



Financial Position

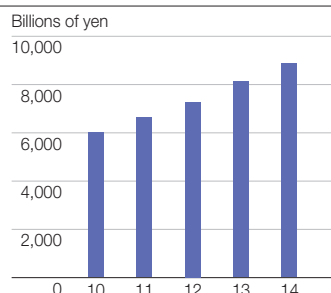
As of March 31, 2014, total assets stood at ¥8,841.3 billion, up 9.2% from March 31, 2013. Among major components of assets, securities—mostly Japanese government bonds—amounted to ¥6,822.1 billion, up 10.0% from March 31, 2013. Loans came to ¥1,211.6 billion, up 8.6%, and monetary trusts reached ¥325.8 billion, up 0.5%.

Total liabilities were ¥8,374.3 billion, up 9.3% from March 31, 2013. Major components of liabilities included policy reserves and others of ¥6,263.3 billion, up 11.8%, and deposits totaled ¥1,889.9 billion, up 1.8%.

Total net assets were ¥467.0 billion, up 7.3% from March 31, 2013. This included net unrealized gains on other securities, net of taxes, which increased ¥3.6 billion, to ¥92.0 billion.

Total Assets

As of March 31,



Cash Flow Status

Net cash provided by operating activities in fiscal 2013 amounted to ¥601.7 billion, mainly on higher contributions from insurance premiums in the life insurance business, up ¥20.8 billion from the previous fiscal year. The primary reason for this rise was the slight increase in interest income on loans, including mortgages, despite lesser growth in deposits in the banking business.

Net cash used in investing activities was ¥549.3 billion, mostly comprising payments to acquire marketable securities in the life insurance business, down ¥0.8 billion, nearly on a par with the previous fiscal year mainly because of an increase in inflows from the sale and redemption of securities in the banking business, which was partially offset by the increased payments to acquire marketable securities in the life insurance business.

Net cash used in financing activities was ¥13.5 billion, up ¥8.5 billion from the previous fiscal year, mainly reflecting cash dividends paid.

As a result of the above factors, cash and cash equivalents at March 31, 2014, amounted to ¥240.2 billion, up ¥38.8 billion from March 31, 2013.

Risk-Monitored Loans

As of March 31, Category	Millions of yen	
	2013	2014
Bankrupt loans	¥ 150	¥ 308
Non-accrual delinquent loans	1,534	1,403
Past-due loans (3 months or more)	—	—
Restructured loans	2,220	1,880
Total	¥3,905	3,592

Consolidated Solvency Margin Ratio

As of March 31,	Millions of yen	
	2013	2014
(A) Total consolidated solvency margin	¥996,999	¥1,077,568
Common stock, etc.	340,543	367,877
Reserve for price fluctuations	32,344	41,657
Contingency reserve	59,625	63,744
Catastrophe reserve	7,164	8,451
General reserve for possible loan losses	834	790
Net unrealized gains on other securities (before tax deductions) x 90% (100% if losses)	123,898	128,179
Net unrealized gains on real estate x 85% (100% if losses)	(2,012)	75
Total amount of unrecognized net actuarial gain and unrecognized prior service cost (before tax deductions)	—	(2,938)
Amount excluded from deferred tax assets	—	—
Unallotted portion of reserve for policyholders' dividends	464	174
Tax effect equivalent (after deducting amount excluded)	70,604	78,868
Subordinated debt and surplus components of premium reserve	371,470	400,056
Total solvency margin of small-amount short-term insurers	—	—
Deductible items	7,938	9,369
(B) Total consolidated risk		
$\sqrt{[(R_1^2 + R_5^2) + R_8 + R_9]^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	131,126	137,808
Insurance risk (R_1)	21,871	22,512
Ordinary insurance risk (R_5)	9,865	10,386
Major catastrophe risk (R_8)	643	649
Third-sector insurance risk (R_9)	8,307	8,368
Substantial insurance risk of small-amount short-term insurers (R_9)	—	—
Assumed interest rate risk (R_2)	29,122	29,694
Minimum guarantee risk (R_7)	11,474	12,896
Asset management risk (R_3)	80,671	84,744
Business management risk (R_4)	4,987	5,576
Consolidated solvency margin ratio (A)/{(1/2) x (B)} x 100	1,520.6%	1,563.8%

Notes: 1. The figures are calculated in accordance with 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 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 fiscal 2013 operating performances are presented below.

Life Insurance Business

SFH's life insurance business consists of Sony Life, a wholly owned subsidiary of SFH, and AEGON Sony Life Insurance and SA Reinsurance—both equity-method affiliates 50% owned by Sony Life.

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.

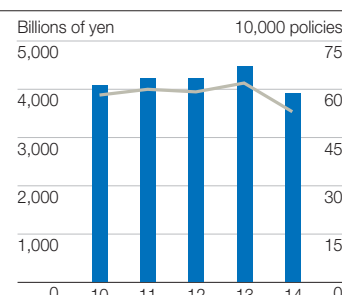
	Billions of yen		
For the years ended March 31,	2013	2014	Change
New policy amount	¥4,454.6	¥3,889.3	(12.7%)
Individual life insurance	4,396.6	3,814.2	(13.2%)
Individual annuities	57.9	75.0	29.6%
Annualized premiums from new policies	73.2	63.9	(12.7%)
Medical protection, living benefit protection and other products	18.3	13.4	(26.7%)
Number of new policies (10,000 policies)	62.0	53.3	(14.0%)

New Policy Amount and Number of New Policies

(Individual life insurance + Individual annuities)

For the years ended March 31,

■ New policy amount (left scale)
— Number of new policies (right scale)



Main Points New policy amount decreased, primarily because of lower sales of family income insurance and interest rate-sensitive whole life insurance, despite higher sales of U.S. dollar-denominated insurance and lump-sum payment endowment insurance. Annualized premiums from new policies decreased due to lower sales of interest rate-sensitive whole life insurance and educational endowment insurance, despite higher sales of U.S. dollar-denominated insurance and lump-sum payment endowment insurance. Of which, sales of third-sector insurance declined, owing to a drop in sales of lump-sum payment whole life nursing care insurance.

Policy Amount in Force

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

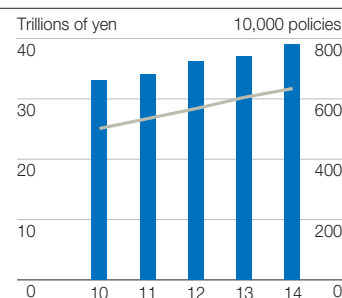
	Billions of yen		
As of March 31,	2013	2014	Change
Policy amount in force	¥37,779.0	¥39,095.0	3.5%
Individual life insurance	37,366.3	38,628.0	3.4%
Individual annuities	412.7	466.9	13.1%
Annualized premiums from insurance in force	669.9	696.9	4.0%
Medical protection, living benefit protection and other products	158.6	167.0	5.3%
The number of policies in force (10,000 policies)	604.1	633.0	4.8%

Policy Amount in Force and Number of Policies in Force

(Individual life insurance + Individual annuities)

For the years ended March 31,

■ Policy amount in force (left scale)
— Number of policies in force (right scale)



Main Points Policy amount in force increased owing to the rise in new policies and a decline in the lapse and surrender rate. Sony Life's policy amount in force for individual life insurance and individual annuities has grown steadily for 33 years since the company commenced operations.

Sales of Products (Percentage Composition)

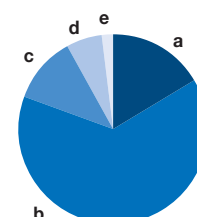
For the years ended March 31,	2013	2014	Change
Whole life insurance	18.3%	16.4%	(1.9pt)
Term life insurance	65.6%	64.2%	(1.4pt)
Endowment and educational endowment insurance, and individual annuities	7.4%	11.4%	4.0pt
Variable life insurance	4.2%	6.1%	1.9pt
Medical and other types of insurance	4.5%	1.9%	(2.6pt)

New Policy Amount by Type of Product

(Individual life insurance + Individual annuities; Policy amount basis)

For the year ended March 31, 2014

- a 16.4% Whole life insurance
- b 64.2% Term life insurance
- c 11.4% Endowment and educational endowment insurance, and individual annuities
- d 6.1% Variable life insurance
- e 1.9% Medical and other types of insurance



Main Points Death-protection insurance products* accounted for about 90% of the new policy amount in fiscal 2013 (policy amount basis).

* Here, the new policy amount for death-protection insurance products represents the total new policy amount after deducting new policy amounts for endowment insurance and educational endowment insurance, individual annuities and medical insurance.

Lapse and Surrender Rate

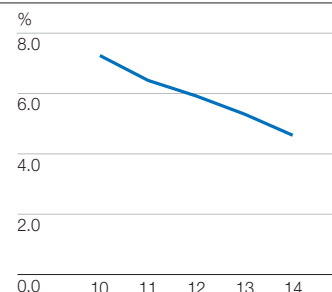
The lapse and surrender rate shows the ratio derived by dividing the amount of lapses and surrenders, not adjusted for policy amount decreases, increases and reinstatements, by the policy amount in force at the beginning of the fiscal year.

For the years ended March 31,	2013	2014	Change
Lapse and surrender rate	5.31%	4.61%	(0.70pt)

Main Points 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)

For the years ended March 31,

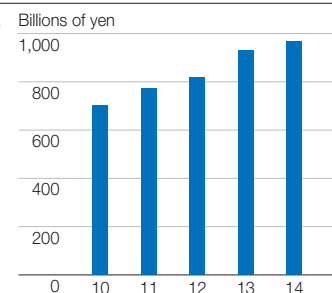


Income from Insurance Premiums and Insurance Claims and Other Payments

For the years ended March 31,	2013	2014	Change
Income from insurance premiums	¥925.8	¥960.9	3.8%
Insurance claims and other payments	293.9	327.2	11.3%
Insurance claims	71.0	77.4	8.9%
Insurance benefits	46.8	55.5	18.6%
Annuity payments	9.5	10.7	12.5%
Surrender payments	161.8	178.4	10.2%

Income from Insurance Premiums

For the years ended March 31,



Main Points In fiscal 2013, income from insurance premiums received from policyholders increased as a result of steady growth in policy amount in force.

Asset Management

Sony Life's investment policy is to identify the special characteristics of insurance liabilities, based on the asset-liability management (ALM) approach, and prioritize investment in assets suited to such characteristics. Specifically, to deal with long-term liabilities—that is, life insurance policies—the company strives to properly control the inherent risk in insurance liabilities associated with fluctuating interest rates by investing in Japanese government bonds (JGBs) with long-term maturities. At the same time, the company limits investment into risk assets, such as stocks.

As of March 31,	2013		2014	
	Amount	Composition	Amount	Composition
Japanese government bonds	¥4,561.0	84.4%	¥5,190.0	86.7%
Japanese stocks	31.1	0.6%	33.2	0.6%
Foreign bonds	62.0	1.1%	79.8	1.3%
Foreign stocks and other securities	25.4	0.5%	26.9	0.4%
Monetary trusts	306.1	5.7%	305.3	5.1%
Policy loans	145.0	2.7%	154.1	2.6%
Real estate	70.3	1.3%	66.5	1.1%
Cash and deposits, call loans	103.3	1.9%	32.6	0.5%
Other	97.7	1.8%	95.6	1.6%
Total	¥5,402.1	100.0%	¥5,984.3	100.0%

Main Points In fiscal 2013, Sony Life continued to invest in ultralong-term bonds with maturities of 20 years or more, leading to an increase in the percentage of JGBs in the investment portfolio. The ratio of JGBs stood at 91.8% as of March 31, 2014, in real terms, reflecting the inclusion of bonds invested in monetary trusts. Going forward, 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.

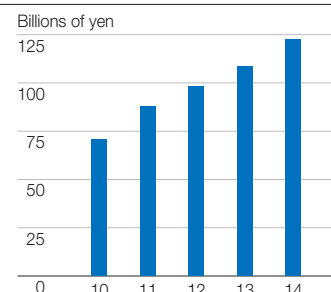
Interest Income and Dividends

Interest income and dividends are primarily investment income, which is largely composed of interest income from deposits, interest income and dividends from securities, income from real estate for rent and interest income from loans.

	Millions of yen		
For the years ended March 31,	2013	2014	Change
Cash and deposits	¥ 0	¥ 0	(39.8%)
Interest and dividends from securities	92,167	106,187	15.2%
Of which, Japanese government and corporate bonds	87,634	98,588	12.5%
Of which, Japanese stocks	536	397	(25.9%)
Of which, foreign securities	3,746	6,740	79.9%
Loans	5,450	5,691	4.4%
Real estate for rent	10,854	10,250	(5.6%)
Total, including other interest income and dividends	¥108,539	¥122,160	12.5%

Interest Income and Dividends

For the years ended March 31,



Unrealized Gains and Losses on Securities

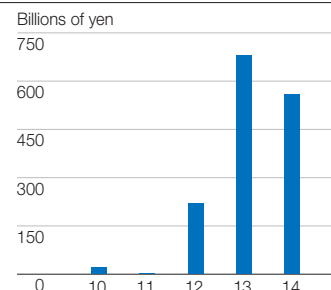
Unrealized gains and losses on securities* refers to the differences between the carrying amounts of securities and their fair values. When the fair value of an asset is higher than its carrying amount, the sale of the asset at fair value would result in a gain on the sale. Consequently, unrealized gains 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 (please see page 44).

*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.

	Billions of yen		
As of March 31,	2013	2014	Change
Unrealized gains on securities in the general account	¥675.0	¥554.7	(120.3)
Unrealized gains on held-to-maturity securities	551.7	430.3	(121.4)
Net unrealized gains on available-for-sale securities	123.2	124.3	1.0
Of which, unrealized gains on Japanese government and corporate bonds	111.6	110.8	(0.8)
Of which, unrealized gains on Japanese stocks	6.2	8.9	2.7
Of which, unrealized gains on foreign securities	4.2	3.5	(0.7)

Unrealized Gains on Securities

As of March 31,



Main Points Unrealized gains on securities in the general account decreased owing to a drop in unrealized gains on Japanese government and corporate bonds.

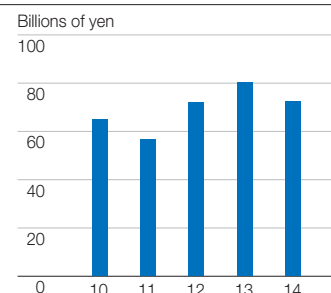
Core Profit

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, like 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.

Core Profit

For the years ended March 31,



	Billions of yen		
For the years ended March 31,	2013	2014	Change
Core profit	¥80.0	¥72.3	(9.6%)

Main Points Core profit decreased year on year, as the constructive effect of a higher positive spread was offset by an increase in provision to policy reserves resulting from a revision in the policy reserve discount rate as well as a provision of policy reserves for minimum guarantees for variable life insurance.

Breakdown of Ordinary Profit (Core Profit)

	Millions of yen	
For the years ended March 31,	2013	2014
Core profit (A)	¥ 80,045	¥ 72,365
Capital gains	2,420	2,130
Income from monetary trusts, net	—	—
Income from trading securities, net	—	—
Gains on sale of securities	2,420	773
Gains on derivatives, net	—	172
Foreign exchange gains, net	—	1,183
Other capital gains	—	—
Capital losses	3,351	949
Losses on monetary trusts, net	—	—
Losses on trading securities, net	—	—
Losses on sale of securities	1,587	528
Devaluation losses on securities	327	—
Losses on derivatives, net	226	—
Foreign exchange losses, net	1,176	—
Other capital losses	34	420
Net capital gains (losses) (B)	(931)	1,180
Core profit plus net capital gains (losses) (A) + (B)	79,114	73,545
Other one-time gains	—	—
Gains from reinsurance	—	—
Reversal of contingency reserve	—	—
Reversal of specific reserve for possible loan losses	—	—
Others	—	—
Other one-time losses	4,454	4,340
Losses from reinsurance	—	—
Provisions for contingency reserve	4,223	4,110
Provisions for specific reserve for possible loan losses	21	6
Provisions for reserve for loan losses from borrowers in specific foreign countries	—	—
Write-off of loans	—	—
Others	209	223
Net other one-time gains (losses) (C)	(4,454)	(4,340)
Ordinary profit (A) + (B) + (C)	¥ 74,659	¥ 69,205

Notes: 1. Core profit for fiscal 2013 (A) includes income gains of ¥5,311 million in income from monetary trusts. Other capital losses include provision of policy reserves of ¥227 million for currency market fluctuations of products denominated in foreign currencies and impairment losses of ¥193 million from investment partnership. "Others" of other one-time losses include provision of additional policy reserve of ¥223 million.

2. Core profit for fiscal 2012 (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.

Positive Spread

Life insurers use a portion of the premiums received from policyholders to accumulate policy reserves for the payment of future claims. These policy reserves assume an annual return based on a fixed interest rate. This interest rate is known as the assumed interest rate. A positive spread occurs when the actual investment yield is higher than the average assumed interest rate and vice versa for a negative spread. A negative spread occurs due to deterioration in the investment environment or other reasons.

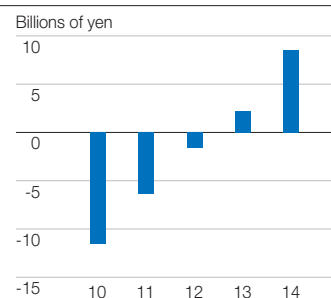
	Billions of yen		
For the years ended March 31,	2013	2014	Change
Positive spread	¥ 2.1	¥ 8.4	300.0%
Average assumed interest rate	2.27%	2.18%	(0.09pt)
Investment yield (general account)	2.12%	2.20%	0.08pt
Investment yield for core profit	2.31%	2.35%	0.04pt

Main Points Positive spread advanced ¥6.3 billion year on year, to ¥8.4 billion, due mainly to a drop in the average assumed interest rate and a higher investment yield for core profit.

Positive Spread

For the years ended March 31,

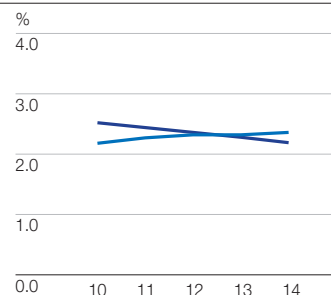
Note: A negative figure for the positive spread indicates a negative spread.



Average Assumed Interest Rate, Investment Yield for Core Profit

For the years ended March 31,

— Investment yield for core profit
— Average assumed interest rate



Formula for Calculating Positive Spread

(Investment yield for core profit¹ – Average assumed interest rate²)

$$\begin{array}{c} \times \\ \text{General account policy reserves}^3 \\ \parallel \\ \text{Positive spread} \end{array}$$

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

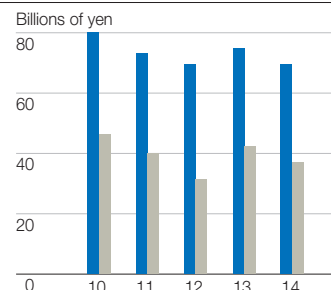
Ordinary Revenues, Ordinary Profit and Net Income

	Billions of yen		
For the years ended March 31,	2013	2014	Change
Ordinary revenues	¥1,142.2	¥1,197.1	4.8%
Ordinary profit	74.6	69.2	(7.3%)
Net income	42.4	37.0	(12.7%)

Ordinary Profit and Net Income

For the years ended March 31,

■ Ordinary profit
■ Net income



Main Points

Ordinary Revenues: Ordinary revenues increased due mainly to higher income from insurance premiums related to steady growth in policy amount in force and also to higher interest income and dividends in the general account.

Ordinary Profit: Ordinary profit decreased as the constructive effect of a higher positive spread was offset by an increase in provision to policy reserves resulting from a revision in the policy reserve discount rate as well as a provision of policy reserves for minimum guarantees for variable life insurance.

Net Income: Net income fell due mainly to the drop in ordinary profit as well as a higher provision for reserve for price fluctuations paralleling an increase in the balance of securities.

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.

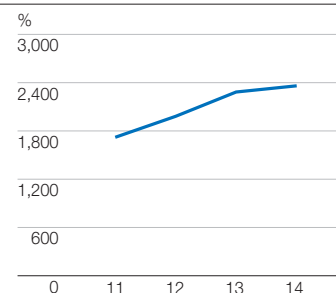
As of March 31,	2013	2014	Change
Solvency margin ratio	2,281.8%	2,358.7%	76.9pt

Main Points Sony Life's solvency margin ratio was 2,358.7%, as of March 31, 2014, up 76.9 points from March 31, 2013, remaining at a high level.

Solvency Margin Ratio (Current standards)

As of March 31,

Note: Solvency margin ratios have been calculated using current standards applied since March 31, 2012.



As of March 31,	Millions of yen	
	2013	2014
(A) Total solvency margin	¥ 872,502	¥ 954,157
Common stock, etc.	252,363	274,027
Reserve for price fluctuations	32,264	41,556
Contingency reserve	59,561	63,671
General reserve for possible loan losses	0	0
Net unrealized gains on other securities x 90% (100% if losses)	114,602	118,354
Net unrealized gains on real estate x 85% (100% if losses)	(2,012)	75
Amount excluded from deferred tax assets	—	—
Unallotted portion of reserve for policyholders' dividends	464	174
Deferred tax assets	70,604	78,868
Excess amount of policy reserves based on Zillmer method	372,561	400,056
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	(27,907)	(20,626)
Deductible items	—	(2,000)
(B) Total risk $\sqrt{(R_1+R_3)^2+(R_2+R_3+R_7)^2+R_4}$	76,472	80,904
Insurance risk (R ₁)	21,871	22,512
Third-sector insurance risk (R ₃)	8,307	8,368
Assumed interest rate risk (R ₂)	29,054	29,616
Minimum guarantee risk (R ₇)	11,474	12,896
Asset management risk (R ₃)	27,592	30,023
Business management risk (R ₄)	1,966	2,068
(C) Solvency margin ratio $[(A)/\{(1/2) \times (B)\}] \times 100$	2,281.8%	2,358.7%

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 Ministry of Finance Public Notice No. 50 (1996).

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

Non-performing Assets

Risk-monitored Loans

As of March 31, Category	Millions of yen	
	2013	2014
Bankrupt loans	¥—	¥—
Non-accrual delinquent loans	—	—
Past-due loans (3 months or more)	—	—
Restructured loans	—	—
Total	¥—	¥—

Loans by Borrower Category

As of March 31, Category	Millions of yen			
	2013		2014	
Bankrupt and quasi-bankrupt loans	¥	—	¥	—
Doubtful loans		—		—
Sub-standard loans		—		—
Normal loans		147,608		156,815
Total		¥147,608		¥156,815

Main Points Sony Life's asset assessment is shown in the above table. The company 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 ¥154.2 billion as of March 31, 2014. As part of this balance, policy loans accounted for ¥154.1 billion and commercial loans* were ¥0.03 billion. Most of the loan balance consists of policy loans, which are limited to recoverable surrender values.

Note: 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.

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 which respond to customers' needs to help save for retirement through Sony Life's Lifeplanner channel and partner agencies, involving 19 partners including banks.*

*As of July 1, 2014

For the years ended March 31,	2013	2014	Change
Number of new policies	7,357	28,893	292.7%
New policy amount (Millions of yen)	¥ 51,175	¥167,547	227.4%
As of March 31,			
Number of policies in force	10,232	38,221	273.5%
Policy amount in force (Millions of yen)	¥ 76,155	¥236,482	210.5%

Main Points In fiscal 2013, AEGON Sony Life Insurance marked its fifth year in business with dramatic year-on-year increases in operating results.

Non-life Insurance Business

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

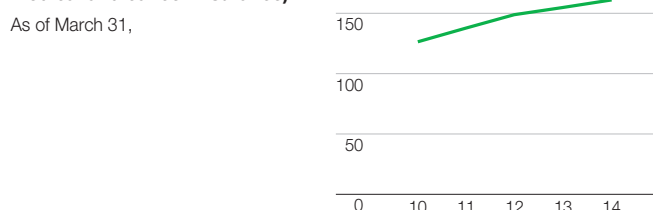
Below is a discussion of the operating performance of Sony Assurance, which operates SFH's non-life insurance business.

Policies in Force

As of March 31,	2013	2014	Change
Number of policies in force (Automobile insurance + Medical and cancer insurance)	155	161	4.0%

Main Points The number of policies in force steadily increased, mainly for its mainstay automobile insurance.

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



Net Premiums Written

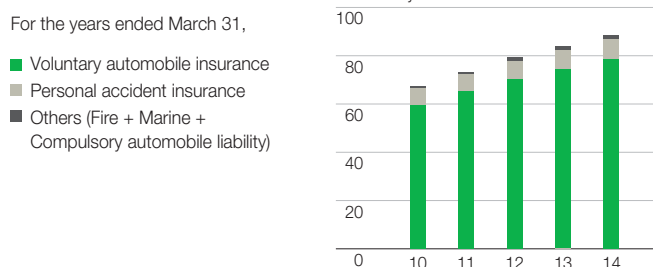
Net premiums written correspond to net sales at most non-life insurance companies and comprise the premiums received from policyholders (direct premiums written), plus or minus reinsurance premiums (adding direct reinsurance premiums received and subtracting direct reinsurance premiums paid).

For the years ended March 31,	2013	2014	Change
Net premiums written	¥83.5	¥88.6	6.0%
Voluntary automobile insurance	74.1	78.4	5.8%
Personal accident insurance*	8.1	8.6	5.8%
Others (Fire + Marine + Compulsory automobile liability)	1.3	1.5	16.1%

* 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 mainstay automobile insurance.

Net Premiums Written



Net Loss Ratio

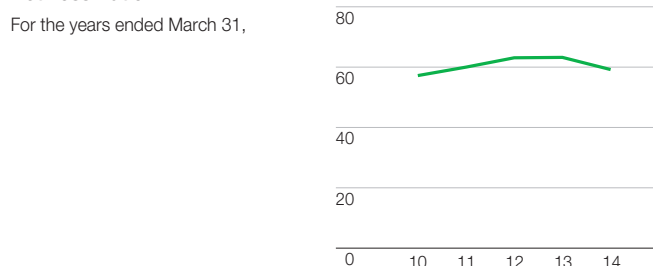
The net loss ratio describes the ratio of the total amount of insurance-claim payments (net losses paid) and damage-survey expenses (loss adjustment expenses) to net premiums written.

For the years ended March 31,	2013	2014	Change
Net loss ratio	63.2%	59.3%	(3.9pt)
Net loss ratio for automobile insurance	66.6%	62.4%	(4.3pt)
Net loss ratio for personal accident insurance*	27.0%	27.2%	0.2pt

* Including medical and cancer insurance

Main Points The net loss ratio went down, largely due to a revision of premium rates for automobile insurance and a lower accident ratio achieved through the introduction of a new bonus-malus system (non-fleet driver rating system).

Net Loss Ratio



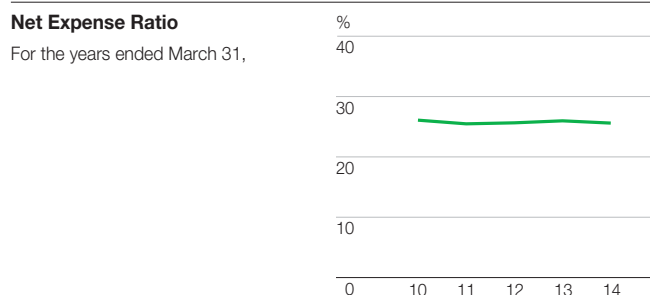
Net Expense Ratio

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,	2013	2014	Change
Net expense ratio	26.0%	25.6%	(0.4pt)
Combined ratio			
(Net loss ratio + net expense ratio)	89.2%	84.9%	(4.3pt)

Main Points The net expense ratio dropped, reflecting higher insurance premiums on automobile insurance as well as appropriate control of policy acquisition costs.

Net Expense Ratio



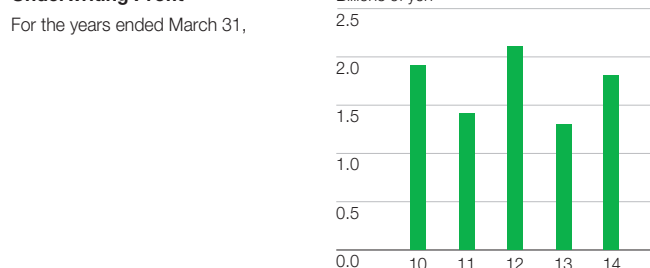
Underwriting Profit

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.).

	Billions of yen		
For the years ended March 31,	2013	2014	Change
Underwriting profit	¥1.3	¥1.8	34.0%

Main Points Underwriting profit increased, mainly due to higher net premiums written and a lower net loss ratio.

Underwriting Profit



Ordinary Revenues, Ordinary Profit and Net Income

	Billions of yen		
For the years ended March 31,	2013	2014	Change
Ordinary revenues	¥84.7	¥89.8	6.1%
Ordinary profit	2.3	3.0	26.7%
Net income	1.4	1.6	14.4%

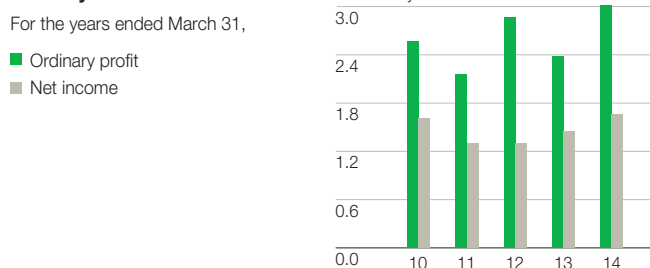
Main Points

Ordinary Revenues: Ordinary revenues increased, due to an increase in net premiums written mainly in automobile insurance.

Ordinary Profit: Ordinary profit increased, benefitting from higher ordinary revenues and a lower loss ratio, which came about mainly from a revision to premium rates for automobile insurance and a drop in the automobile accident ratio precipitated by the introduction of a new bonus-malus system (non-fleet driver rating system).

Net Income: Net income grew as a result of improved ordinary profit.

Ordinary Profit and Net Income



Total Asset Composition and Investment Policy

Sony Assurance's basic investment policy is to invest primarily in yen-denominated bonds to ensure stable investment returns over the medium to long term, taking into account the market environment, asset management risk and other factors.

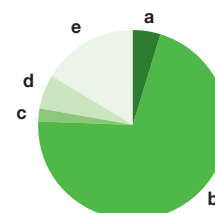
	Billions of yen		
As of March 31,	2013	2014	Change
Total assets	¥127.4	¥142.7	12.0%
Cash and deposits	8.4	6.9	(18.1%)
Securities	88.6	101.2	14.2%
Tangible fixed assets	1.1	3.1	167.5%
Intangible fixed assets	7.5	8.2	10.2%
Other assets	21.6	23.1	7.1%

Composition of Total Assets

As of March 31, 2014

¥142.7 billion

a	4.8%	Cash and deposits
b	70.9%	Securities
c	2.2%	Tangible fixed assets
d	5.8%	Intangible fixed assets
e	16.2%	Other 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,	2013	2014	Change
Non-consolidated solvency margin ratio	504.2%	527.6%	23.4pt

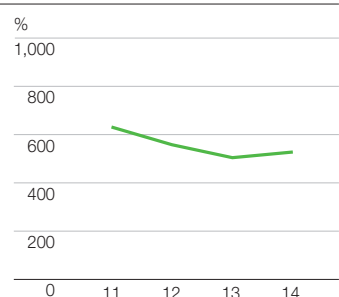
Main Points The non-consolidated solvency margin ratio remained at a sound level, rising 23.4 points, to 527.6%, as of March 31, 2014.

Non-consolidated Solvency Margin Ratio

(Current standards)

As of March 31,

* The figures have been calculated using the current standards applied from March 31, 2012.



As of March 31,	Millions of yen	
	2013	2014
(A) Total non-consolidated solvency margin	¥27,370	¥30,118
Capital or treasury	19,507	21,171
Reserve for price fluctuations	80	101
Contingency reserve	63	73
Catastrophe reserve	7,164	8,451
General reserve for possible loan losses	—	—
Net unrealized gains on other securities (before tax deductions)	554	320
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 $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	10,855	11,416
Ordinary insurance risk (R ₁)	9,865	10,386
Third-sector insurance risk (R ₂)	—	—
Assumed interest rate risk (R ₃)	67	77
Asset management risk (R ₄)	485	662
Business management risk (R ₅)	331	353
Major catastrophe risk (R ₆)	643	649
(C) Non-consolidated solvency margin ratio $[(A)/\{(B) \times (1/2)\}] \times 100$	504.2%	527.6%

Note: The above 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 Act of Japan and the Ministry of Finance Public Notice No. 50 (1996).

Non-performing Assets

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

Risk-monitored Loans

As of March 31,	Millions of yen	
Category	2013	2014
Bankrupt loans	¥—	¥—
Non-accrual delinquent loans	—	—
Past-due loans (3 months or more)	—	—
Restructured loans	—	—
Total	¥—	¥—

Loans by Borrower Category

As of March 31,	Millions of yen	
Category	2013	2014
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; SmartLink Network, a 57%-owned subsidiary of Sony Bank; and SmartLink Network Hong Kong Limited,* a wholly owned subsidiary of SmartLink Network.

*SmartLink Network Hong Kong Limited is included under the scope of consolidation from the fourth quarter of fiscal 2013.

Ordinary Revenues, Ordinary Profit and Net Income (Consolidated)

For the years ended March 31,	Billions of yen		
	2013	2014	Change
Consolidated ordinary revenues	¥34.3	¥35.7	4.3%
Consolidated ordinary profit	4.4	5.6	26.5%
Consolidated net income	3.2	3.4	5.2%

Main Points

Consolidated Ordinary Revenues: Sony Bank's consolidated ordinary revenues increased due to gains on foreign exchange transactions stemming from active foreign currency trading by customers and a rise in interest income on loans led by the growing balance of mortgage loans.

Consolidated Ordinary Profit: Sony Bank's consolidated ordinary profit expanded year on year, due mainly to lower interest expenses and an improvement in net gains on bond-dealing transactions, in addition to the increase in ordinary revenues.

Consolidated Net Income: Sony Bank's consolidated net income grew slightly, reflecting a boost in profit in the previous fiscal year derived from a tax effect stemming from the transfer of all shares in Sony Bank Securities.

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

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 refers to the spread between the fees and commissions received from mortgage loans, 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.

For the years ended March 31,	Billions of yen		
	2013	2014	Change
Gross operating profit	¥18.5	¥20.7	11.7%
Net interest income	18.1	19.9	10.1%
Net fees and commissions	0.1	(0.0)	—
Net other operating income	0.2	0.7	171.1%

Main Points

Net Interest Income: Net interest income increased due to steady growth in interest income received on loans, especially mortgage loans, and a decrease in interest expenses.

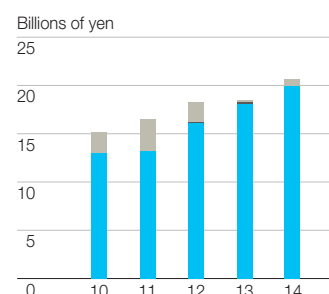
Net Fees and Commissions: Net fees and commissions decreased, despite higher fees and commissions on investment trusts, because fees and commissions received for credit card services were down and fees and commissions paid on group credit life insurance were up due to the growing balance of mortgage loans.

Net Other Operating Income: Net other operating income increased, largely because of higher gains on foreign exchange transactions stemming from active foreign currency trading by customers, in addition to an improvement in net gains on bond-dealing transactions.

Gross Operating Profit

For the years ended March 31,

■ Net interest income
■ Net fees and commissions
■ Net other operating income



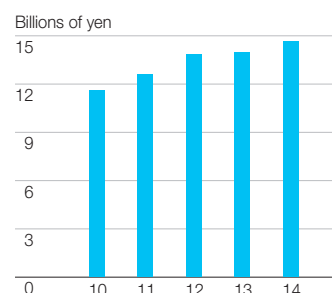
General and Administrative Expenses

	Billions of yen		
For the years ended March 31,	2013	2014	Change
General and administrative expenses	¥13.9	¥14.6	5.2%

Main Points General and administrative expenses rose, mainly due to higher personnel expenses in step with business expansion.

General and Administrative Expenses

For the years ended March 31,



Ordinary Revenues, Ordinary Profit and Net Income

	Billions of yen		
For the years ended March 31,	2013	2014	Change
Ordinary revenues	¥31.3	¥33.3	6.2%
Ordinary profit	4.2	5.8	36.5%
Net income	0.8	3.5	307.8%

Main Points

Ordinary Revenues: Ordinary revenues increased due to gains on foreign exchange transactions stemming from active foreign currency trading by customers and a rise in interest income on loans led by the growing balance of mortgage loans.

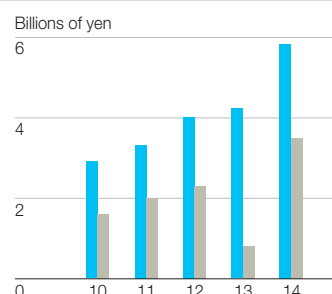
Ordinary Profit: Ordinary profit expanded year on year, due mainly to lower interest expenses and an improvement in net gains on bond-dealing transactions, in addition to the increase in ordinary revenues.

Net Income: Net income grew due to the booking of extraordinary losses (¥2.7 billion) on the transfer of all shares of Sony Bank Securities in the previous fiscal year, along with higher ordinary profit.

Ordinary Profit and Net Income

For the years ended March 31,

■ Ordinary profit
■ Net income



Number of Accounts

	10,000 accounts		
As of March 31,	2013	2014	Change
Number of accounts	92	97	5.3%

Main Points Sony Bank worked to attract new customers by enriching its lineup of products and services and by raising brand recognition, primarily through a public relations effort highlighting no-fee ATM usage. As a result, the number of customer accounts steadily increased.

Customer Assets (Total of Deposits and Investment Trusts)

	Billions of yen		
As of March 31,	2013	2014	Change
Customer assets (Total of deposits and investment trusts)	¥1,974.3	¥2,007.5	1.7%

	Billions of yen		
As of March 31,	2013	2014	Change
Deposit balance	¥1,857.4	¥1,890.0	1.8%
Yen deposits	1,467.2	1,526.4	4.0%
Foreign currency deposits	390.2	363.5	(6.8%)
Investment trust balance	116.9	117.4	0.5%

Main Points

Yen Deposits: Yen deposits increased, as foreign currencies were increasingly converted into yen.

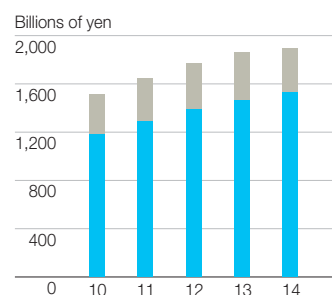
Foreign Currency Deposits: The foreign currency deposit balance decreased due to the shift toward yen deposits through selling to lock in profits prompted by the yen's drop in foreign exchange markets.

Investment Trusts: The balance of investment trusts was on a par with the level recorded in the previous fiscal year, despite an increase in sales to customers paralleling market recovery, due to lump-sum redemptions by customers seeking to take advantage of the Nippon Individual Savings Account (NISA), a tax-free investment account program launched in January 2014.

Deposit Balance

As of March 31,

■ Yen deposits
■ Foreign currency deposits



Loans

	Billions of yen		
As of March 31,	2013	2014	Change
Loans	¥970.2	¥1,057.4	9.0%
Mortgage loans	860.3	949.3	10.3%
Others	109.8	108.1	(1.6%)

Main Points The balance of loans increased due to steady growth in the balance of mortgage loans.

Competition intensified in the mortgage loan business to reduce lending rates in a low interest rate environment. However, Sony Bank's balance of mortgage loans steadily increased, thanks to solid results achieved through enhanced tie-ups with real estate companies as well as the effect generated by a wider discount rate in plans launched since November 2013.

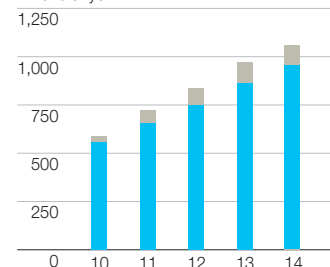
The "Others" balance includes corporate loans, card loans and special-purpose loans. The corporate loan balance stood at ¥102.2 billion as of March 31, 2014.

Loans

As of March 31,

■ Mortgage loans
■ Others

Billions of yen



Securities

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

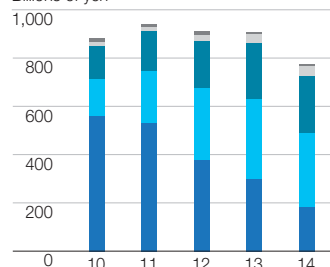
	Billions of yen		
As of March 31,	2013	2014	Change
Balance of securities	¥908.8	¥773.8	(14.9%)
Japanese government bonds	194.0	96.8	(50.1%)
Japanese municipal bonds	61.2	56.7	(7.3%)
Japanese corporate bonds	202.4	159.5	(21.2%)
Japanese stocks	2.0	2.0	0.0%
Foreign securities	442.0	455.0	2.9%
Other securities	7.0	3.5	(49.7%)

Balance of Securities (by Ratings)

As of March 31,

■ AAA
■ AA
■ A
■ BBB
■ Others

Billions of yen



Main Points With respect to the ratings of the securities* held by Sony Bank, securities rated AA or above accounted for 63.0% of the total. The ¥2.0 billion in Japanese stocks represents the company's investment stake in SmartLink Network.

* Sony Bank uses the Basel III 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.

Total Asset Composition

	Billions of yen		
As of March 31,	2013	2014	Change
Total assets	¥2,005.0	¥2,056.7	2.6%
Loans	970.2	1,057.4	9.0%
Securities	908.8	773.8	(14.9%)
Cash and due from banks	61.9	171.2	176.5%
Monetary trusts	18.1	20.4	12.7%
Call loans	10.0	6.0	(40.0%)

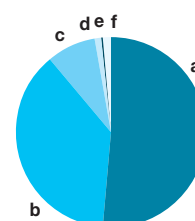
Main Points Sony Bank's total assets increased, following expansion in loan assets.

Composition of Total Assets

As of March 31, 2014

¥2,056.7 billion

a 51.4% Loans
b 37.6% Securities
c 8.3% Cash and due from banks
d 1.0% Monetary trusts
e 0.3% Call loans
f 1.3% Others



Non-consolidated Capital Adequacy Ratio

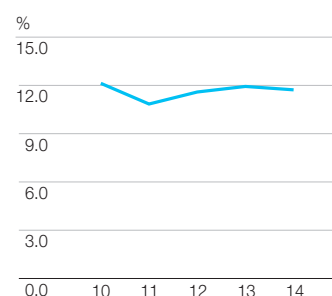
The capital adequacy ratio is an important indicator of a bank's financial soundness. From March 31, 2014, Sony Bank calculates its capital adequacy ratio* based on Basel III.

As of March 31,	2013	2014	Change
Non-consolidated capital adequacy ratio (Domestic criteria)	11.98%	—	—
As of March 31,	2013	2014	Change
Non-consolidated capital adequacy ratio (Domestic criteria)	—	11.72%	—

* Please refer to the note under the table on page 53 for information regarding application of the Basel III framework.

Non-consolidated Capital Adequacy Ratio (Domestic criteria)

As of March 31,



Main Points Sony Bank continues to maintain a sound financial position.

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

As of March 31,		Millions of yen
		2013
Tier I (core) capital	Common stock	¥ 31,000
	Capital surplus	21,000
	Retained earnings	12,506
	Total (A)	64,506
	Preferred securities with step-up interest rate provision	—
Tier II (supplementary) capital	General reserve for possible loan losses	834
	Subordinated debt	22,000
	Subordinated term debt and term preferred stock	22,000
	Total (B)	22,834
Sub-supplementary capital	Total (C)	—
Capital subtotal	(A)+(B)+(C) (D)	87,340
Deductions	Total (E)	—
Total capital	(D)-(E) (F)	87,340
Risk-adjusted assets	Balance sheet items	690,590
	Off-balance sheet items	5,398
	Results of dividing operational risk equivalent amount by 8%	32,853
	Total (G)	728,843
Capital adequacy ratio (domestic criteria)	(F) / (G) (%)	11.98
Reference: Tier I ratio (domestic criteria)	(A) / (G) (%)	8.85

	Millions of yen	
	2014	Amounts excluded under transitional measures
As of March 31,		
Core capital: instruments and reserves		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 68,091	¥ —
Of which: Capital and capital surplus	52,000	—
Of which: Retained earnings	16,091	—
Total reserves factored into core capital: instruments and reserves	790	—
Of which: General reserve for loan losses including core capital	790	—
Eligible non-cumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	20,000	—
Core capital: instruments and reserves (A)	88,881	—
Core capital: regulatory adjustments		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	—	1,768
Of which: Other intangibles other than those relating to goodwill and mortgage servicing rights	—	1,768
Core capital: regulatory adjustments (B)	—	—
Capital		
Capital ((A)-(B)) (C)	88,881	—
Risk-weighted assets		
Total amount of credit risk-weighted assets	720,454	—
Of which: Total amount included in risk-weighted assets by transitional measures	(27,892)	—
Of which: Intangible assets (excluding those relating to goodwill and mortgage servicing rights)	1,768	—
Of which: Exposure to other financial institutions	(29,661)	—
Of which: Applicable amounts other than those above	—	—
Amount obtained by dividing total sum of operational risk equivalent amounts by 8%	37,483	—
Total amount of risk-weighted assets (D)	757,937	—
Capital adequacy ratio		
Capital adequacy ratio ((C) / (D)) (%)	11.72	—

Note: The non-consolidated capital adequacy ratio was calculated using the standard set forth in Notification No. 19 (2006), issued by Japan's Financial Services Agency (FSA) regarding the method for determining capital adequacy of a bank in light of the assets held by the bank, in accordance with Article 14-2 of the Banking Act of Japan. But for credit risk-weighted assets, the company applies a standard based on domestic criteria. Also, in fiscal 2012, ended March 31, 2013, the company applied FSA Notification No. 56 (2012), and in fiscal 2013, ended March 31, 2014, the company applied FSA Notification No. 6 (2013) and Notification No. 7 (2014).

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 company ensures that financing proceeds only following due diligence via relevant deliberative entities. In addition, the company has established a meticulous loan management and screening system.

Risk-monitored Loans

As of March 31, Category	Millions of yen	
	2013	2014
Bankrupt loans	¥ 150	¥ 308
Non-accrual delinquent loans	1,534	1,403
Past-due loans (3 months or more)	—	—
Restructured loans	2,220	1,880
Total	¥3,905	¥3,592

Problem Loans based on the Financial Reconstruction Law

As of March 31, Category	Millions of yen	
	2013	2014
Bankrupt and quasi-bankrupt loans	¥ 714	¥ 847
Doubtful loans	1,094	980
Sub-standard loans	2,222	1,882
Normal loans	978,005	1,064,528
Total	¥982,036	¥1,068,238

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

Non-performing Loan Ratio*

(Loans disclosed under Financial Reconstruction Law)

As of March 31,	2013	2014
Non-performing loan ratio	0.41%	0.35%

* Non-performing loans (loans based on the Financial Reconstruction Act) / Total loan exposure

Contributions to Sustainable Development

Corporate Governance

CSR

Contributions to Sustainable Development—Corporate Governance

Executive Profiles

(As of July 1, 2014)



Directors

8

3

2

7

5

1

4

President, Representative Director

1 Katsumi Ihara

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

Senior Managing Director

2 Hirotoishi Watanabe

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

Managing Director

3 Yutaka Ito

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

Directors

4 Masamitsu Shimaoka

Representative Director,
Sony Life Insurance Co., Ltd.

5 Shigeru Ishii

President, Representative Director,
Sony Bank Inc.

6 Atsuo Niwa

President, Representative Director,
Sony Assurance Inc.

7 Takemi Nagasaka

SVP (Note 2), Corporate Executive,
in charge of Accounting for
Sony Corporation

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

2. SVP stands for senior vice president.

3. Isao Yamamoto and Shiro Kuniya are deemed Independent Directors based on Tokyo Stock Exchange regulations.



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6

Directors (Outside)

- 8 Isao Yamamoto (Note 3)
President, Enterprising Investment, Inc.
- 9 Shiro Kuniya (Note 3)
Managing Partner,
Oh-Ebashi LPC & Partners



Statutory
Auditors

11

12

10

Standing Statutory Auditor (Outside)

- 10 Hiroshi Sano
Statutory Auditor,
Sony Life Insurance Co., Ltd.
Statutory Auditor, Sony Assurance Inc.
Statutory Auditor, Sony Bank Inc.

Statutory Auditor

- 12 Mitsuhiro Koizumi
Standing Statutory Auditor,
Sony Life Insurance Co., Ltd.

Statutory Auditor (Outside)

- 11 Hirotoshi Korenaga
General Manager,
Accounting Department 1,
Accounting Division of
Sony Corporation

Profiles of Outside Directors

(As of July 1, 2014)

Isao Yamamoto

Biography	1981	Joined 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. 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, SFH (current position)
	2012	Director, BILCOM, Inc. (current position)
Reasons for Appointment	Mr. Yamamoto possesses many years of experience as a securities analyst and an advisor on 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 independent director.	

Shiro Kuniya

Biography	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) Director, Ebara Corporation (current position)
	2013	Director, SFH (current position) Corporate Auditor, Takeda Pharmaceutical Company Limited (current position)
Reasons for Appointment	Mr. Kuniya has specialized knowledge and experience 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.	

A Message from the Outside Director

I participate in business execution and decision-making, determining if activities are on track from an independent perspective, based on my experience as a lawyer.

I have handled all sorts of cases in my experience for more than 30 years as a lawyer. The list covers finance, insurance, electricity, gas, communications, automobiles, electronics, real estate, chemicals, airports, theme parks, regenerative medicine, and central and regional government agencies. In addition, I have encountered unrecoverable investments that led to huge problems, as well as M&As, bitter disputes and bankruptcies. Based on these experiences, as an outside director, I would like to interpret how the Company is run and how management forms decisions from another perspective and thereby ensure that activities do not veer from compliance with laws or social standards. Naturally, management considers the rationality and appropriateness of management decisions and decision-making processes, but it is important that the information necessary for making decisions is properly provided and that the facts are perceived correctly. Therefore, I want to make sure that sufficient information is shared among directors as well as employees.

SFH is a company with an open and positive atmosphere conducive to earnest and honest discussion. A case in point is the Company's 10th anniversary party that took place recently. The mood was warm and congenial, with the retired executives, the current directors, management and employees all gathering and chatting about the Company's past, present and future. I could see that SFH has built a good corporate culture.

SFH has grown at a relatively steady clip over the 10 years since it was established, never resting on its laurels but rather constantly self-assessing with improvement in mind. In parallel, I will emphasize creative and sound business practices, guided by the belief that corporate growth is linked to social contribution. As an outside director, I will ask for lots of creative ideas, and at meetings, I will give frank and honest comments from an objective perspective that is independent of SFH's executives and employees.



Shiro Kuniya
Outside Director

Profiles of Outside Statutory Auditors

(As of July 1, 2014)

Hiroshi Sano

Biography	1969	Joined Mitsui Bank (current: Sumitomo Mitsui Banking Corporation)
	1994	General Manager, Legal Department, The Sakura Bank, Limited (current: Sumitomo Mitsui Banking Corporation)
	2001	Senior Managing Director, The Sakura Servicing Co., Ltd. (current: SMBC Servicer Co., Ltd.)
	2004	Standing Statutory Auditor, SFH (current position)
		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)
Reasons for Appointment	Mr. Sano possesses deep insights into corporate legal affairs and credit analysis along with abundant work experience in a broad range of fields. Accordingly, SFH has determined that Mr. Sano will draw on this professional experience to fulfill his role as an outside statutory auditor.	

Hiroto Kōrenaga

Biography	1988	Joined 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
	2014	General Manager, Accounting Department 1, Accounting Division, Sony Corporation (current position)
		Statutory Auditor, SFH (current position)
Reasons for Appointment	Mr. Kōrenaga has extensive knowledge about finance and accounting acquired over many years of working in accounting at Sony Corporation. Accordingly, SFH has determined that Mr. Kōrenaga will use his professional experience to fulfill his role as an outside statutory auditor.	

A Message from the Outside Statutory Auditor

I will strive, as an outside auditor, to monitor management from the standpoint of protecting the interests of policyholders, depositors and shareholders.

Ten years have passed since SFH was established, and I have served as standing outside auditor throughout this time, monitoring directors in their duties as the Company marked steady growth.

SFH is a holding company with insurance and banking subsidiaries, but some members of its executive team have amassed considerable experience at companies other than financial institutions, including parent company Sony. Nevertheless, the SFH executive team firmly believes in providing products and services from a consumer's perspective, and activities are therefore customer oriented regardless of the business realm.

I apply the experience that I accumulated as a general manager of the legal department of a major bank, toward checking the accuracy of management decisions, for example, when I attend meetings of the Board of Directors and the Executive Committee. In addition, I perform oversight and verification, with an emphasis on ensuring that the day-to-day execution of business is free of problems in terms of protecting policyholders and depositors, and that the Company remains financially sound.

What I have learned over 10 years of auditing at SFH is that despite having less experience than management at other financial institutions, this executive team tackles issues with more determination than most other financial institutions today. This team strives to provide services combining many different financial functions—savings, investment, borrowing and protection—with customers in mind.

The Sony Financial Group maintains financial soundness, underpinned by high solvency margin ratios at Sony Life and Sony Assurance and a high capital adequacy ratio at Sony Bank. Meanwhile, major changes are unfolding in Japan on the economic front, as the Abe administration's measures to break free of deflation take effect, and even more noticeably on the financial front due to the quantitative and qualitative monetary easing implemented by Bank of Japan Governor Haruhiko Kuroda. Therefore, as an outside auditor at SFH, I will continue to oversee the actions of management from the standpoint of protecting the interests of policyholders, depositors and shareholders.



Hiroshi Sano
Standing Statutory Auditor

Basic Stance on Corporate Governance

The Sony Financial Group (hereafter, “the Group”) positions its corporate vision and corporate philosophy as the basic policy for formulating management strategies and decision-making. The Group’s corporate vision is to become the most highly trusted financial services group by customers. To achieve this objective, SFH 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 suitability of business activities. Indeed, management sees this task as a top priority. Accordingly, the organizational framework has been built with an emphasis on Groupwide compliance and risk management.

Establishing an Internal Control System

SFH’s Board of Directors formulated 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. SFH implemented and maintains an internal control system in line with this policy. In fiscal 2013, Group Policies (including Basic Policy on Internal Audits in the Group and Basic Policy on Management of Transactions within the Group) were newly established, and additions and revisions to some expressions were made to key existing policies (including Basic Policy regarding Group Financial

Reporting and Conflicts of Interest Policy within the Group). Consequently, the Basic Policy on Establishing an Internal Control System has been partially amended.

SFH introduced its Internal Control and Financial Reporting System in accordance with the Financial Instruments and Exchange Act of Japan, with the aim of strengthening internal controls governing financial reporting. As a listed company, SFH put in place and maintains 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 complies with laws and with the Articles of Incorporation

- i. The Board of Directors establishes a code of conduct as a basic policy for compliance and makes this code clear to SFH’s executives, employees and subsidiaries.
- ii. The Board of Directors creates a compliance manual that provides specific compliance guidelines and a compliance program that defines specific plans.
- iii. The Board of Directors creates 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 formulates the Basic Group Policy on Eradicating Anti-social Forces. This policy describes the firm stance the Group takes to counter anti-social forces and build the structure necessary to fulfill this policy.
- v. The Board of Directors establishes an internal hotline system and informs 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 creates the Group Information Security Policies and streamlines a structure to properly control Group information assets, including customer information.
- vii. The Board of Directors creates the Conflicts of Interest Policy within the Group and ensures that the necessary formats are in place to properly control transactions which has potential to harm the interests of customers.
- viii. The Board of Directors establishes 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.
- ix. The Board of Directors formulates the Basic Policy related to the Group’s Internal Audits as well as Regulations on International Audits, and informs SFH’s executives and employees and subsidiaries of these.

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

SFH establishes the 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 stored and managed in accordance with these laws and regulations.

3. System of regulations related to risk management

- i. The Board of Directors formulates the Fundamental Principles for Risk Management Activities as a basic policy on Group risk management and informs SFH's executives, employees and subsidiaries of these.
- ii. The Board of Directors establishes 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 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 creates the Basic Policy related to Group Business Continuity Risk Management, as well as contingency plans, to build a structure that enables the Group to respond rapidly to a crisis and put in place measures to minimize the impact of these risks. The Board of Directors makes these plans known to SFH's executives, employees and subsidiaries.

4. System to ensure the efficient execution of duties by directors

- i. The Board of Directors establishes approval regulations, organizational and task-sharing regulations and other internal rules, and creates an appropriate structure for the efficient execution of duties.
- ii. The Board of Directors sets up an executive committee and delegates to this committee the discussion and decision-making authority regarding execution of important corporate day-to-day business activities.
- iii. The Board of Directors establishes the Business Plan Control Regulations, formulates and executes non-consolidated and consolidated medium-term business plans and annual business plans, and regularly confirms progress on business plans.

5. System to ensure reliability of financial reports

SFH maintains the necessary system to ensure reliability of financial reports, in accordance with the Basic Policy regarding Group Financial Reporting.

6. 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 Group and subsidiaries' operations by exercising management control in accordance with the management control agreements made between SFH and its subsidiaries.
- ii. Based on its Basic Policy on Management of Transactions within the Group, SFH deliberates and examines the appropriateness and compliance of intra-Group transactions with subsidiaries that have the potential to significantly impact the operations of the Group before commencement of those transactions. Such issues are resolved at or reported to the Board of Directors. In addition, to protect minority interests, when conducting transactions with parent company Sony Corporation (controlling shareholder) and its group companies, SFH and its subsidiaries duly confirm that these transactions are necessary and that they are entered into under conditions that are not conspicuously divergent from those of typical transactions with third parties.
- 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.

7. 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.

8. Independence from directors of employees assigned to assist statutory auditors referred to in 7 above

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

9. System for directors and employees to report to statutory auditors, and other reporting systems

- 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.

10. 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 creating an environment that facilitates audits by statutory auditors.

Management System

SFH has adopted the director system and the statutory auditor system. The Company 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 set out a Policy concerning Measures to Protect Minority Shareholders in Transactions with the Controlling Shareholder—to protect the interests of minority shareholders.

Note: 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/index_en.html).

Board of Directors

(As of July 1, 2014)

SFH, as a pure holding company, maintains a Board of Directors not only to manage SFH itself, but also to promote integrated Group management and to ensure the Group’s corporate governance.

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

Additionally, to obtain general management advice applicable to the Group, SFH has appointed directors from outside the Group, one of whom serves concurrently as an executive officer of Sony, the parent company. Because SFH is the subsidiary of a publicly listed parent company, it has appointed two outside directors who are independent directors as required by the Tokyo Stock Exchange to protect ordinary shareholders.

Regarding the boards of directors of Group subsidiaries, one of SFH’s representative directors and two of its executive directors 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.

Attendance of outside directors and outside statutory auditors in meetings of the Board of Directors and the Board of Statutory Auditors for fiscal 2013

	Name	Board of Directors’ meeting	Board of Statutory Auditors’ meeting
Outside directors	Isao Yamamoto	Attended all 14 meetings	—
	Shiro Kuniya	Attended 10 out of 11 meetings after appointment as director*	—
Outside statutory auditors	Hiroshi Sano	Attended all 14 meetings	Attended all 12 meetings
	Hirotohi Korenaga	Attended all 11 meetings after appointment as auditor**	Attended all 10 meetings after appointment as auditor**

* Shiro Kuniya was appointed outside director in June 2013.

** Hirotohi Korenaga was appointed outside auditor in June 2013.

Statutory Audits, Internal Audits and Accounting Audits

(As of July 1, 2014)

Statutory Audits

SFH’s Board of Statutory Auditors has three members, two of whom 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 persons, and examine SFH’s operations and financial condition. At the same time, statutory auditors maintain close contact with outside directors and the director and employees in charge of internal audits to enhance the supervisory function with respect to corporate management.

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. This department conducts internal audits from an independent and objective standpoint.

⇒ Please see page 70 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	Five CPAs, five others

Compensation for SFH's Directors and Statutory Auditors

SFH sets the Policy for Determining the Compensation of Directors and the Policy for Determining the Compensation of Statutory Auditors.

Additionally, SFH has created 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. With regard to compensation of individual directors, the Compensation Advisory Committee discusses the amounts determined by resolution of the Board of Directors based on the committee's report. Meanwhile, compensation of individual statutory auditors is determined through discussion by statutory auditors.

Directors with no executive duties, except outside directors, and non-executive statutory auditors are, in principle, paid no compensation.

1. Executive Directors

Basic policy	<ul style="list-style-type: none"> The main responsibility of executive directors is to continuously increase corporate value as corporate managers of SFH and the 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	<ul style="list-style-type: none"> Compensation comprises 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 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 of SFH and the Group and fulfillment of responsibilities.
Level	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

Basic policy	<ul style="list-style-type: none"> The main responsibility of outside directors is to enhance the transparency and objectivity of corporate management through the oversight and supervision of executive directors' execution of duties. Consequently, compensation for outside directors is determined as fixed compensation with a focus on securing talented human resources and ensuring the supervision and oversight function effectively.
Compensation	<ul style="list-style-type: none"> A fixed amount is paid according to the role.
Level	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> None paid.

3. Statutory Auditors

Basic policy	<ul style="list-style-type: none"> The main responsibility of statutory auditors is to ensure the transparency and objectivity of corporate management by conducting operational and accounting audits. Consequently, compensation for statutory auditors is determined as fixed compensation with a focus on securing talented individuals and ensuring that the audit function is working effectively.
Compensation	<ul style="list-style-type: none"> A fixed amount is paid according to the role.
Level	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> A fixed amount is paid according to the role.

Compensation for SFH's directors and statutory auditors for the fiscal 2013

Details of compensation for SFH's directors and statutory auditors for the fiscal 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	151	122	29
Directors (outside)	3	16	16	—
Statutory auditor (internal)	—	—	—	—
Statutory auditor (outside)	1	21	20	1
Total	6	189	158	31

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.

Facilitating the Exercise of Voting Rights

SFH undertakes the following activities 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.

Relationship with Parent Company, Sony Corporation

(As of July 1, 2014)

Capital Relationship

SFH is a financial holding company, established in April 2004 as a corporate spin-off from Sony. 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.

Personnel Relationship

To obtain general management advice concerning the Sony Financial Group and to strengthen the audit structure, SFH appoints directors and statutory auditors from outside the Sony Financial Group. However, one of these SFH directors and one statutory auditor serve concurrently as corporate executive or general manager of Sony. Moreover, Sony has seconded one employee to SFH. Also of note, two Sony employees serve as statutory auditors at SFH's consolidated subsidiaries. Because the appointment of concurrent directors and statutory auditors comes at the request of the Sony Financial Group, SFH believes that it is in a position 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 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 conducts its business with 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 SFH shareholder, recognizes and respects SFH's corporate philosophy.

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

Using the "Sony" Trade Name and Trademark

SFH and Group companies have entered into royalty agreements with Sony for the use of the "Sony" trade name and trademark. 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 Sony Financial Group companies dropping. Furthermore, 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)

Sony Financial Group's policy is to develop business while maintaining cooperative ties with the Sony Group. However, 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.

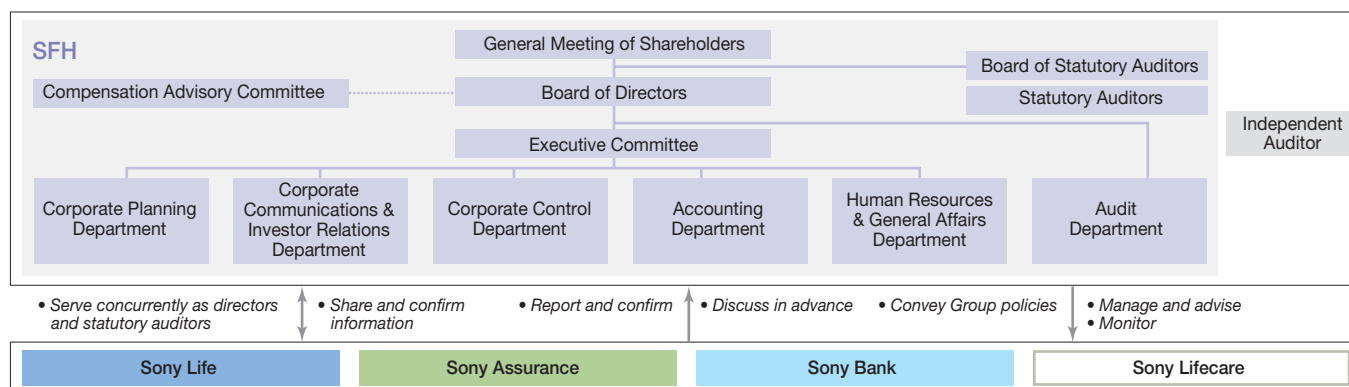
Measures to Protect Minority Shareholders Who Enter into Transactions with Sony (Controlling Shareholder)

With regard to transactions with Sony, SFH confirms the necessity for such transactions and ensures that conditions do not differ markedly from the terms of ordinary transactions with third parties.

Internal Control

To ensure that business related to important matters approved by the Board of Directors is properly executed, SFH establishes and maintains internal regulations (such as rules for the Board of Directors' meetings, the Executive Committee, decision making, and internal reporting as well as a code of conduct and a compliance manual) covering management structures, compliance, and allocation of duties, among others.

Sony Financial Group's Internal Control (As of July 1, 2014)



Compliance

Basic Stance on Compliance

To ensure sound and proper business operations, SFH must encourage all executives and employees to deepen their understanding of the Company's corporate philosophy and relevant laws and regulations, enforce compliance with these laws and regulations, and manage business operations transparently and properly based on a strong sense of ethics. SFH broadly defines compliance to include all of the foregoing factors and 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 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 Group companies' compliance from the viewpoint of Group management.

Compliance System at SFH and Sony Financial Group Companies

SFH's Compliance System

SFH's Board of Directors formulated a Compliance Manual* and a Compliance Program**. SFH strives to monitor adherence to stated practices and their implementation at all times, while proactively putting a compliance system in place for itself and for Group companies.

SFH's Executive Committee is entrusted by the Board of Directors to ensure that each department formulates and enforces the 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 Group companies.

* The Compliance 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., contravention of compliance practices, and for confirming compliance status.

** The Compliance Program is drafted annually, in principle, and defines a specific action plan for confirming compliance status, conducting training and for other related items.

Compliance System at SFH and Sony Financial Group Companies

SFH and Group companies are responsible for establishing effective compliance practices matched to their specific industry and scale of operations.

Compliance Meetings

SFH holds regular compliance meetings with Group companies to conduct preliminary 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 Sony Financial 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 at other important meetings.

Internal Hotline System

An internal hotline system is in place to enable executives and employees of SFH and Group companies, as well as temporary employees of these companies and the employees of

business partners, to report matters of concern. These matters include business policies, operating activities or other activities of the Sony Group, SFH and Group companies that either breach (or could breach) respective laws and regulations or internal regulations. Whistleblowers may choose and notify the appropriate hotline desk at SFH or at any Sony Financial Group company, or the Compliance Hotline at Sony, which is the desk for the Sony Group. SFH implements appropriate measures to protect those who contact these desks, while strictly managing and responding to the information provided.

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

Conflicts of Interest Policy (Summary)

SFH formulated the Conflict of Interest Policy 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 Group companies.

Summary of Conflicts of Interest Policy

I. Basic Policy

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 "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 in circumstances where there are competing interests between the 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 may be 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

Efforts to Eradicate Anti-social Forces

SFH has formulated a Basic Group Policy on Eradicating Anti-social Forces as follows. SFH and Group companies have in place the structures necessary to take a firm stance on countering anti-social forces.

Structures for Eradicating Anti-social Forces

- SFH set up a department for dealing with anti-social forces and appointed a person responsible for thwarting unreasonable demands.
- SFH collects information on anti-social forces by cooperating with specialized external organizations.

Basic Group Policy on Eradicating Anti-social Forces

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 forces.
2. The Sony Financial Group strictly rejects unreasonable demands by anti-social forces. Furthermore, the Group has put in place a framework for acting firmly, on an organizational basis, against those who make unreasonable 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 forces.

Privacy Policy

SFH has formulated a Privacy Policy* governing the handling of personal information. It sets out SFH's policies on the use of personal information for 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 its 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 (http://www.sonyfh.co.jp/index_en.html) for more about the Privacy Policy.

Risk Management

One of SFH's roles as a financial holding company is to further enhance and integrate Groupwide risk management by centralizing the Group's management resources. SFH's Basic Policy on Group Risk Management is as follows:

Basic Policy on Group Risk Management

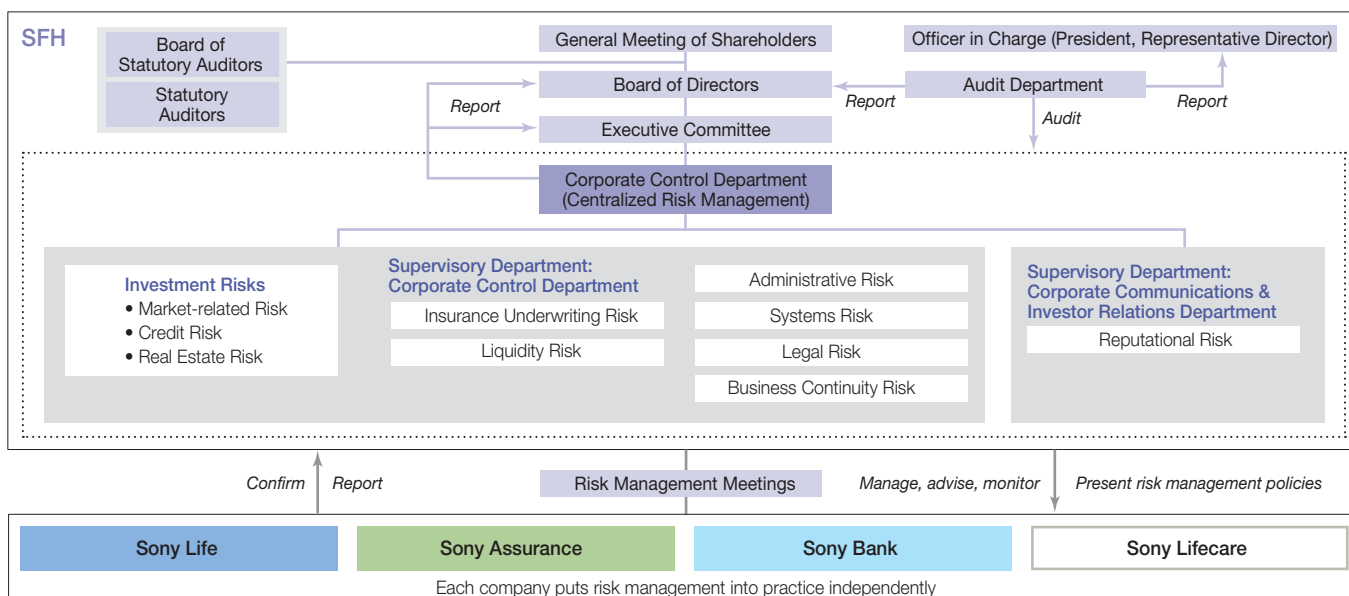
- As a financial holding company, SFH enhances the corporate value of the Group by aligning risk management with Groupwide strategic objectives and management policies, while tailoring operating subsidiaries' risk management to the types of risk inherent in their respective lines of business.
- SFH adopts 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.
- In principle, SFH has control over Sony Life, Sony Assurance, Sony Bank and Sony Lifecare—subsidiaries in which SFH has direct investment—while these four subsidiaries oversee their subsidiaries and affiliates in which they themselves have investment positions. However, SFH may seek to establish an appropriate stance on risk management, by, for example, contacting directly the subsidiaries and affiliates of its own four subsidiaries depending on the issue or its urgency.

Approach to Risk Management by SFH and Group Companies

SFH's Board of Directors has formulated the 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 of the Sony Financial Group (As of July 1, 2014)



Types and Definitions of Risks

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

Market-related Risk	Risks associated with losses due to changes in the value of assets and liabilities, including off-balance-sheet items 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, resulting from deterioration in the financial position of retail and corporate customers 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"> • Cash Flow Risk 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 Group companies are forced to raise funds under unfavorable conditions in order to fulfill cash payment obligations. • Market Liquidity Risk Risks associated with losses due to the 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.
Insurance Underwriting Risk	Risks affecting the Group due to significant differences between the assumptions SFH and Group companies use to establish appropriate insurance premium levels, including assumptions regarding the expected frequency and scale of insured events and future economic conditions.
Administrative Risk	Material and immaterial risks affecting the Group due to errors, misconduct, malfunction, and other factors related to problems with the Group internal administrative processes.
Systems Risk	Material and immaterial risks affecting the Group due to IT-system malfunction or breakdown, improper use or leakage of confidential information stemming from IT-system problems.
Legal Risk	Risks affecting the Group through 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 as well as various infringement of rights.
Reputational Risk	Material and immaterial risks associated with losses resulting from harm to the Group's reputation in the market and among customers as a result of unethical behavior, unfair business practices, improper disclosure, or other factors.
Going Concern Risk	The risk that SFH and Group companies will be unable to continue operations as a result of a deterioration in financial position, liquidity problems, system failures, scandals, accidents, or other crises.

Each Group company establishes its own framework for managing risk matched to respective scale and the attributes and type of its business, and optimizes its framework according to the risk types and definitions.

As the operating and business environment changes, the Group companies' 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 Group companies is at risk due to accidents, disruptions or other factors. 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 Group companies report to the

Company in situations when they may be unable to continue ordinary business operations. If SFH determines that a reported situation is difficult to address under the risk management system set forth in the fundamental principles for risk management, among other guidelines, the Company 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 Audit

SFH has formulated the Basic Policy on Internal Audit for the Group, and internal audits are conducted within the Company and at Group companies.

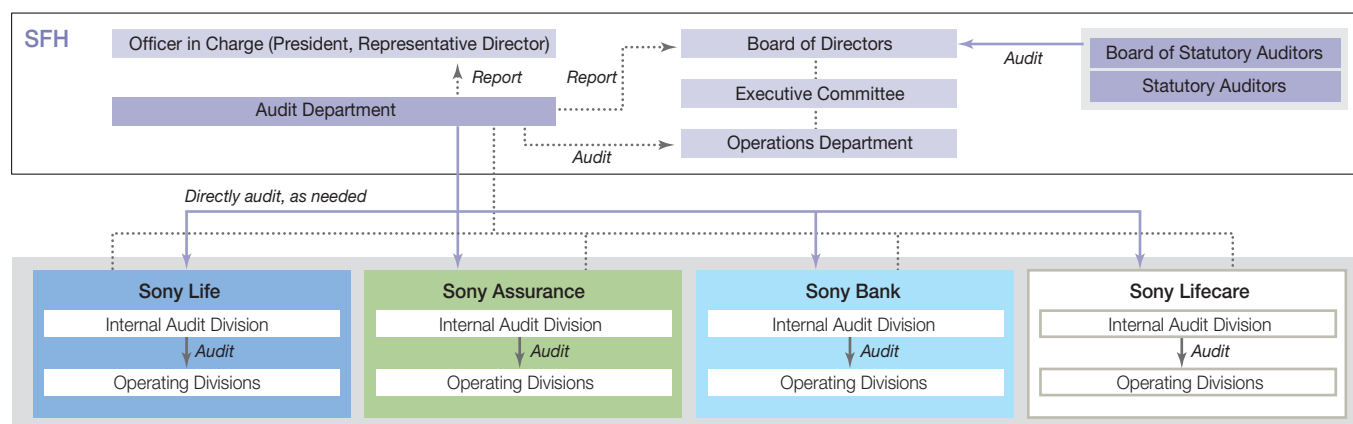
Basic Stance on Internal Audits

Internal audit divisions at SFH and Group companies take a fair and objective standpoint in examining and evaluating the status of business activities from a perspective of legitimacy and rationality as a way of protecting their customers' interests. Based on these, the divisions then state their opinions and offer advice and suggestions for improvement, thereby contributing to ensuring sound and appropriate execution of business activities.

Internal Audit System at SFH and Group Companies

SFH has set up an Audit Department to perform internal audits. Separated from other operating divisions as a structure under the direct supervision of the director in charge of internal audits (the President and Representative Director of SFH), this department takes an independent and objective standpoint in performing internal audits to check and evaluate the appropriateness of work processes and risk responses. Sony Financial Group companies each have their own internal audit divisions to perform internal audits designed to match their specific industry, scale of business and types of risk they face. SFH's Audit Department monitors the results of both internal and external audits of Group companies with the aim of ensuring sound business operations. When necessary, the 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 see the need, as a result of the monitoring, the 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 of the Sony Financial Group (As of July 1, 2014)



Embracing Japan's Stewardship Code

Basis of Stewardship Code

Sony Life declared its support for Japan's Stewardship Code—a set of principles guiding the responsibilities of institutional investors.

Stance on Corporate Social Responsibility (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.

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.

Based on these basic approaches, Group companies have formulated the following Basic CSR Policy, and every company in the Sony Financial Group conducts different CSR activities.

Basic CSR Policy (Excerpt)

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 esteem 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.

Structure for Promoting CSR

Group companies of the Sony Financial Group carry out CSR initiatives independently through their business activities. At SFH, the Corporate Planning Department promotes and manages CSR and formulates policies for the Group. Furthermore, SFH's other relevant departments monitor the CSR activities at Group companies by sharing information with them, and make reports or proposals as necessary to the Executive Committee and the Board of Directors.

Departmental CSR Responsibilities

Corporate Communications & Investor Relations Department	Promotes external communication 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

Activity Profiles

In giving back to society through its business activities, the Sony Financial Group regards and respects 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 in Japan.

Utilizing Customer Feedback

Sony Financial Group companies have in place a framework under which feedback received from each company's customers on a daily basis is compiled and analyzed by divisions in charge of promoting customer satisfaction and raising quality. This feedback is 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 appraisals in customer satisfaction surveys conducted by outside institutions and the media.

Customer Service Divisions at Major Subsidiaries

Sony Life	VOC* Division
Sony Assurance	Customer Response Service Department
Sony Bank	Customer Support Unit (Centered on the Customer Service Office at head office, the unit engages in VOC activities to reflect customer feedback and requests in marketing.)

* VOC=voice of customer

Sony Life Sony Life conducts customer awareness surveys once a year, and has gathered valuable feedback and requests from 3,464 policyholders in fiscal 2013. Also in fiscal 2013, Sony Life launched the Customer Satisfaction Survey, a telephone questionnaire aimed at policyholders to survey levels of satisfaction with its sales representatives. Additionally, an annual questionnaire is conducted targeting Lifeplanner sales employees who come into daily contact with customers. Sony Life has set up a webpage on its intranet site that allows employees to suggest improvements at any time, and approximately 30 proposals are received each year.

The VOC Division works on improvement efforts in collaboration with other internal divisions based on concrete improvement measures and plans formulated after analysis of customer feedback. Furthermore, the VOC Committee, which serves as a conduit for reports to and orders from the Executive Committee, improves operations by executing ongoing improvement measures, verifying the subsequent effects of these measures, and revising them as necessary to achieve further improvement.

Sony Assurance Leveraging its unique advantage as an insurer that communicates directly with customers, Sony Assurance listens closely to its customers and reports on specific improvement measures via its website. In addition, customer feedback is centrally managed, compiled and analyzed on a monthly basis. Feedback is reported to management every quarter, and in particularly important cases, detailed reports are made on the causes of incidents and counter-measures are recommended as necessary. The feedback is also passed on to relevant departments, along with instructions on improvements and other matters.

Sony Assurance has successfully set up a complaint-handling management system. On April 1, 2011, Sony Assurance became the first* direct non-life insurer to declare of its conformity with ISO 10002, the international standard for complaint-handling management systems. Since that time, Sony Assurance has continued its daily activities to improve the quality of operations directed at providing better services to customers. In recognition of these efforts, in 2014, Sony Assurance yet again obtained approbation from Mr. Junzo Nabeshima, who has served as the chair of the Association of Consumer Affairs Professionals (ACAP), among 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 Heeding the feedback from customers, and to provide even better products and services, Sony Bank reviews the comments and requests from customers and strives to make improvements. Specific feedback and related details are made available on the Voice of Customer webpage of Sony Bank's website.

In fiscal 2013, Sony Bank placed first for the seventh consecutive year in Nikkei's tenth annual ranking* of Japanese financial institutions based on customer satisfaction, and was highly evaluated on many other customer satisfaction surveys.

* Article in the January 25, 2014 issue of the Nihon Keizai Shimbun (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 (investor relations) 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 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 to management in an effort to strengthen two-way communication. Furthermore, by enhancing disclosure of business strategies and financial position, SFH makes efforts to gain the trust of the investment community and obtain a fair corporate valuation from stakeholders.

Basic Approach to IR Activities

- (1) SFH will disclose the information necessary to assess its corporate value based on the principles of promptness, accuracy, fairness and consistency.
- (2) SFH will engage with members of the investment community such as its shareholders and other investors, as well as securities analysts, in a sincere and direct manner in order to establish relationships of trust.
- (3) SFH will promote IR activities led by top management, based on the concerted effort of 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 required under disclosure regulations.

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.

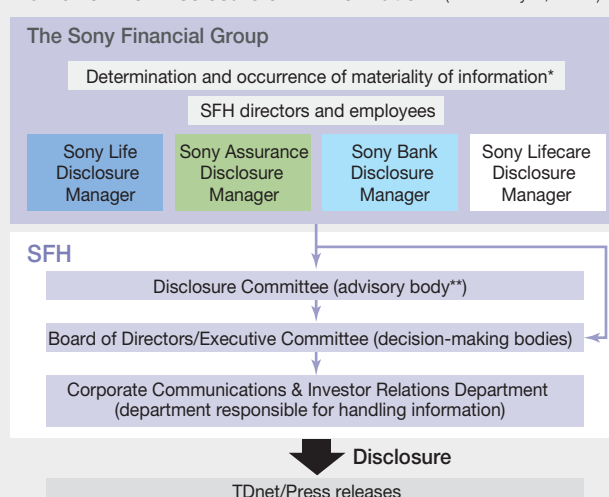
*Roles of the Disclosure Committee

- (1) Assist the decision making of the President and Representative Director regarding the design, implementation, evaluation and maintenance of the 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 the 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 (As of July 1, 2014)



* 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. Comprises members of the Executive Committee, including executive directors and general managers from each division (Secretariat/Corporate Communications & Investor Relations Department).

Investor Relations Initiatives in Fiscal 2013

SFH strives to communicate a broad range of information 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 a variety of formats, as detailed below.

The SFH IR website has received high marks, including taking first place for the second consecutive year in the insurance sector on the fiscal 2013 Nikko Investor Relations Co., Ltd. industry-specific ranking of all listed Japanese company websites.

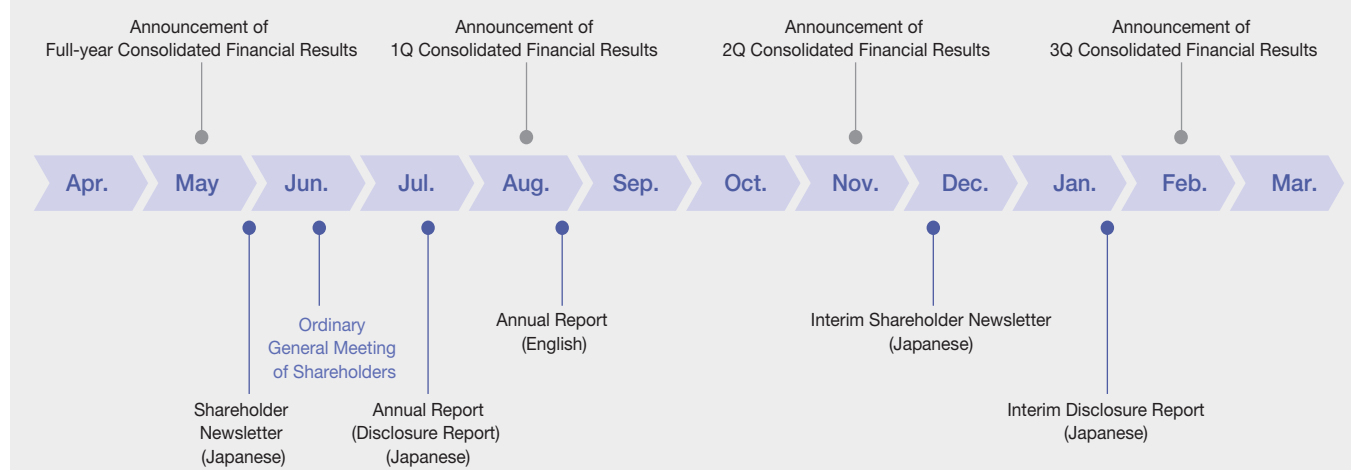


SFH President and Representative Director, Katsumi Ihara, gives a briefing for individual investors in March 2014.

Record of IR Activities

Earnings briefings (teleconferences with domestic institutional investors and analysts)	4 times
Corporate Strategy Meeting	1 time
Individual meetings with institutional investors and analysts	Approx. 220
Overseas IR meetings (Europe, North America, Asia)	1 tour in each region
Briefings for individual investors	4 times
Participation in an IR fair for individual investors	1 time
Business briefing (small meeting for domestic institutional investors and analysts)	1 time
Sony Financial Group internal IR briefings	3 times

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 as part of the sustainable development of society.

Fair Trade

The Sony Financial Group has established the Conflicts of Interest Policy, the Basic Policy on Eradicating Anti-social Forces and the Policy for 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 Agents)

Sony Life's Partners (Sony Life refers to independent agents 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, 2014, sell policies tailored to customer

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

Partner (Independent Agent) Training Program

Sony Life provides several systematic training programs for Partners, which are collectively referred to as the Partner Training Program. 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 on carefully selected 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 consider it essential that all employees actualize their full potential, and thus implement initiatives to create pleasant and productive workplaces, through such means as, for example, the Employee Opinion Survey.

Work-life Balance

The Sony Financial Group promotes initiatives to help balance careers with private lives.

Since it was established, Sony Life has had a system in place that goes beyond what is required by law to enable employees who are raising children to continue working. Since July 2007, Sony Life has been continually certified by the director of the Tokyo Labour Bureau as a company that meets the requirements of the Act on Advancement of Measures to Support Raising Next-Generation Children. Also, Sony Assurance became the first direct non-life insurer to receive this certification* in August 2012.

Sony Bank implemented a two-year action plan from July 1, 2011 to June 30, 2013 to help employees balance child-raising responsibilities with work. A guidebook on social

security and other support was distributed and can be referred to by expecting parents regarding birth and child raising. By continuing to help employees balance child-raising responsibilities with work going forward, Group companies will remain focused on proactively creating a work environment conducive to healthy childbirth and parenting.



* Sony Assurance is the first direct non-life insurer to receive the certification based on a survey by Sony Assurance conducted on August 29, 2012. Only those companies that have received the Kurumin logo certification and have consented to be listed on the Ministry of Health, Labour, and Welfare's website were surveyed. A direct non-life insurer refers to a Japanese non-life insurer that sells insurance products and provides services directly to customers without relying primarily on an insurance agency.

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. Reduced work-hours system available for employees in childcare periods.
Childcare leave and nursing care leave, etc.	Amount of leave time provided exceeds legal requirements. Childcare leave is taken by some male employees every year.
Telecommuting System	Introduced at SFH and Sony Life.
Other leave systems	Introduced volunteering leave and commemorative leave.

Human Resources Development

New Employee Training

In addition to training at each Group company, training programs are conducted jointly at the Group level to promote understanding of the business operations of the Group as a whole. These programs include Life-Planning Courses, briefings on each company's business operations, and on-site tours. Training for employees in their second year is also conducted at the Group level.



New employee training

Sample Programs and Initiatives for the Development of Employees

Self-development Program	This program provides group training sessions and opportunities to take correspondence courses to employees working independently to develop their skills.
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 can be used for understanding different operations or to achieve career plan objectives.
Recruitment and Training of Global Human Resources	Eyeing overseas business expansion in the future, the Sony Financial Group is conducting initiatives, such as recruitment of non-Japanese individuals, Management Workshop for Nurturing Future Global Business Leaders, Language Training Program, overseas training (language training as well as actuary training and dispatch of employees to leadership programs).

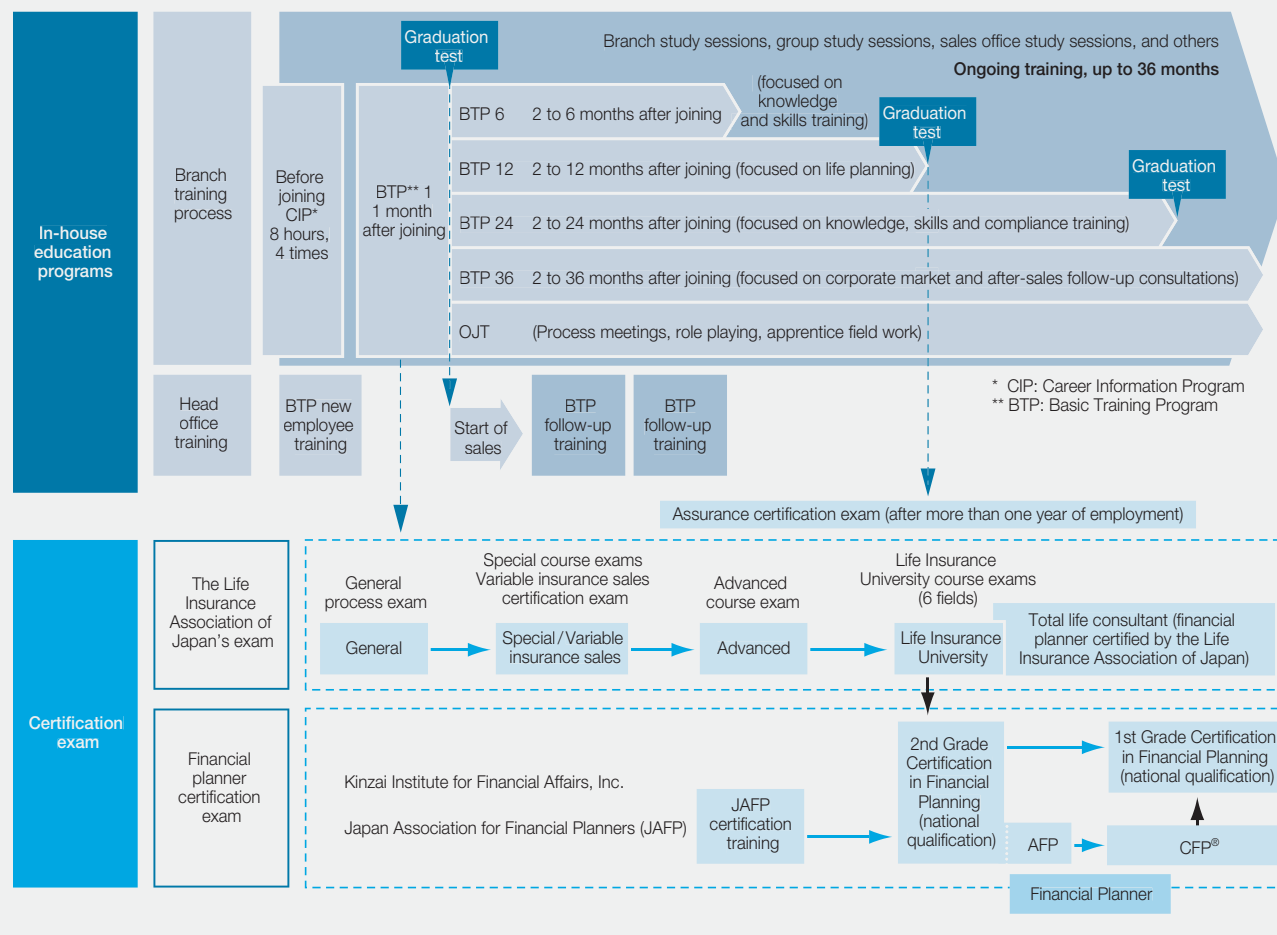


President Ihara's Workshop: Management Workshop for Nurturing Future Global Business Leaders

Training System for Lifeplanner Sales Employees at Sony Life

All Lifeplanner sales employees complete a 36-month program after joining the company in order to develop a customer-first approach, the knowledge and skills required of an insurance and finance professional, and appropriate customs of conduct.

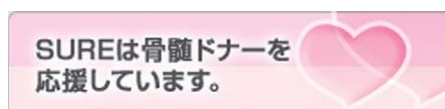
Lifeplanner Sales Employees Training System (As of July 1, 2014)



Local Communities

Social Contribution Activities through Insurance Products

Sony Assurance added a bone marrow donor support rider automatically to all policies in its SURE medical and cancer insurance offerings in order to lessen the financial burden on donors. Sony Assurance pays surgery benefits to policyholders who undergo surgery to harvest stem cells from their bone marrow for donation to patients with intractable blood diseases. There is no insurance premium burden for the policyholder.



SURE supports bone-marrow donors.

Social Contribution Activities with Employee Participation

Sony Life Volunteer Club

Social contribution is a well-established part of the corporate culture at Sony Life, where many employees discover the value of volunteer activities and contribute to society under the slogan "One Love One Trust." The Sony Life Volunteer Club was established by Sony Life's employees in 1995 after the Great Hanshin-Awaji Earthquake, and the organization is still in operation more than 19 years after the disaster. Each member participates in running the club, which is funded by donations from employees. Members devise and carry out a wide range of initiatives.

Examples of main activities

- Continuing support for the elderly victims of the Great Hanshin-Awaji Earthquake
- Hosting youth education events at care houses
- Operational support for the Oita International Wheelchair Marathon
- Support for the Relay for Life* event
- Activities to support reconstruction after the Great East Japan Earthquake (soup kitchens, participation in local festivals, distribution of potted plants among temporary-housing residents, and more)

* 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. In fiscal 2013, Sony Life participated in relays in 32 communities held across Japan. Led by Lifeplanner sales employees at regional branches, over 2,400 people (cumulative) participated, including the families of employees and customers.

Sony Financial Group's Donations and Grants for Fiscal 2013

Main Recipients of Donations and Other Assistance	Amount
NPO Sorabear Foundation	¥13,500,000
The Eye Mate, Inc.	6,163,125
Special Olympics Nippon Foundation	5,000,000
Purchase of green power and J-Credits in fiscal 2013	3,345,000
Donations to support children who have suffered in connection with the Great East Japan Earthquake	5,529,063
Funds for activities of Sony Life Volunteer Club	2,500,000
Japan performance of YPC (Young People's Chorus of New York City)	1,000,000
Hand in Hand	1,000,000
The Tokyo Philharmonic Orchestra Public Interest Incorporated Foundation	1,000,000
Sony Education Foundation, Public Interest Incorporated Foundation	1,000,000
Others (incorporated associations, incorporated foundations, academic societies, and others)	2,987,505
Total	¥43,024,693

Life-Planning Courses Win Top Award of Excellence from Ministry of Economy, Trade and Industry

Since fiscal 2005, Sony Life has conducted Life-Planning Courses, a hands-on learning program for students nationwide. Courses are conducted by Lifeplanner sales employees. The program is designed to foster students' appreciation for the importance of leading a well-planned life, and working hard toward goals. As of March 31, 2014, Life-Planning Courses have been given at more than 600 schools nationwide (cumulative). In recognition of these courses, Sony Life received an Award of Excellence from among major corporations selected in the Fourth Career Education Awards* held by the Ministry of Economy, Trade and Industry in January 2014.

* The Career Education Awards were established by the Ministry of Economy, Trade and Industry in fiscal 2010 as a commendation system to encourage and popularize educational support initiatives by companies and economic groups.

	Life-Planning Courses	
FY2013	Number of schools	134
	Number of participating students	14,292
Cumulative total (FY2005–FY2013)	Number of schools	604 (cumulative)
	Number of participating students	57,641



A Life-Planning Course held by Sony Life

Environmental Protection Activities

The Sony Financial Group recognizes that protecting the global environment is a critical challenge facing humankind. The major subsidiaries have each established environmental policies, and through everyday business activities carry out 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 targets for reduced energy and photocopier paper usage, and promote green procurement to raise the percentage of eco-products used in 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 fiscal 2005, Sony Life became the first Japanese life insurance company to introduce a Green Power Certification System, which enables companies to use green power in their business activities and thus reduce CO₂ emissions. In fiscal 2007, Sony Assurance introduced the same system.

From fiscal 2008, Sony Bank has also utilized the system to cover all of its power usage (excluding the portion of power usage in outsourced operations) as a "carbon offset bank." Since fiscal 2013, it has been offsetting 100% of its CO₂ emissions through the use of credits certified under the J-Credit Scheme*, instead of the green power certificates used formerly.

In this way, each Group company contributes to the wider use of natural sources of power, such as solar and wind power, geothermal power, and biomass. In fiscal 2013, the entire Group purchased green power certificates and J-Credits equivalent to 1,750 MWh.

** The J-Credit Scheme is a system whereby the government certifies credits for the reduction or absorption of greenhouse gas emissions such as CO₂ through measures including the introduction of energy-saving equipment or forest management. Credits used by Sony Bank are generated through increases in CO₂ absorption via forest management activities (forest thinning, for example). Accordingly, Sony Bank's use of credits also supports activities to nurture woodlands.*



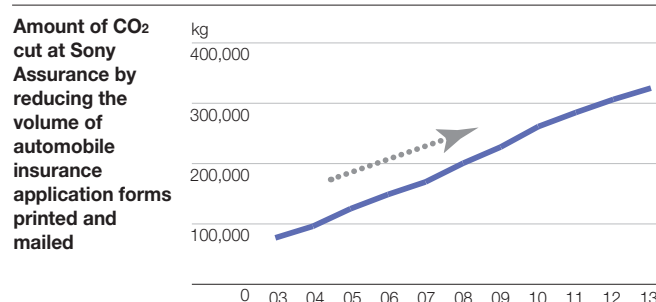
Reducing CO₂ Emissions by Switching to Paperless Contract Procedures and Electronic Issuance of Documents for Customers

The Sony Financial Group has been striving to conserve paper resources and cut down on CO₂ emissions related to postal mailings by shifting to paperless documentation for certain contract procedures and transactions.

Sony Life overhauled its sales support system in October 2012 with the introduction of approximately 5,000 new tablet computers, and by introducing paperless application procedures for life insurance policies.

Sony Bank has requested that customers receive documents related to investment trust transactions in electronic format.

Sony Assurance has also made it possible to apply for automobile insurance policies online, thereby avoiding the printing and mailing of insurance application forms and other documents. In addition, Sony Assurance pursues environmental conservation activities such as a paperless insurance certificate discount of ¥500 on automobile insurance premiums for customers who buy a policy online and request not to have certificates of insurance and other documents printed and mailed.



The number of customers who buy automobile insurance policies online is growing every year. This contributes to the reduction of CO₂ emissions related to the printing and mailing of application forms.

Basis for calculating CO₂ emissions generated by the printing and mailing of application forms, among others

New customers	Amount of CO ₂ generated in the printing of 1 application form	0.145kg
	Amount of CO ₂ generated in the mailing of 1 application form	0.097kg
	Amount of CO ₂ generated in the printing of 1 insurance certificate	0.115kg
Renewal customers	Amount of CO ₂ generated in the mailing of 1 application form	0.097kg
	Amount of CO ₂ generated in the printing of 1 renewal certificate	0.116kg

** Calculations are based on CO₂ emission rates in Chart 2.2 of the Report from Study Group on ICT Policy for Addressing Global Warming (Ministry of Internal Affairs and Communications)*

Conservation Activities in Cooperation with Customers

Donating to the Sorabear Foundation

Teaming up with Sorabear Foundation, a non-profit organization that promotes the spread of renewable energies and environmental education, Sony Assurance has carried out a program to install solar 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 fiscal 2013, the program contributed two solar power generators to nursery schools in Osaka and Ibaraki prefectures. To date, Sony Assurance has donated a total of 13 solar power generators through this program (as of July 1, 2014).

In addition, Sony Life began offering policy guides and agreements on CD-ROM for policies dated March 2, 2010 or later. Sony Life donates ¥10 for every policyholder who chooses a CD-ROM instead of paper documents when they sign up for insurance, and donates the proceeds to the Sorabear Foundation. In fiscal 2013, Sony Life used the collected donations to provide a solar power generator to a nursing school in Shiga Prefecture.



Ceremony to mark the donation of Sorabear power generation equipment to Himawari no Ouchi (Sunflower House kindergarten) in Ibaraki Prefecture, October 2013

Supporting Forest Conservation in Sumatra with Customers by Opening an Account at Sony Bank

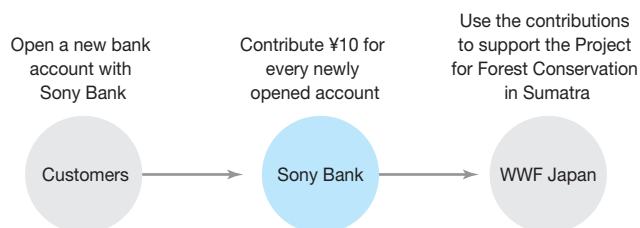
To protect World Heritage forests on the island of Sumatra, Sony Bank supports reforestation, the Elephant Patrol program*, and other conservation activities, as well as the activities of the World Wildlife Fund Japan (WWF Japan) to preserve forests through its Project for Forest Conservation in Sumatra, Indonesia. Since September 2012, Sony Bank has donated ¥10 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.

* Patrol staff astride elephants work to uncover illegal activity and keep wild animals away from populated areas.



©WWF Indonesia

Project for Forest Conservation in Sumatra, Indonesia



Corporate Section—Corporate Data

Corporate Section—Corporate Data

Corporate Information

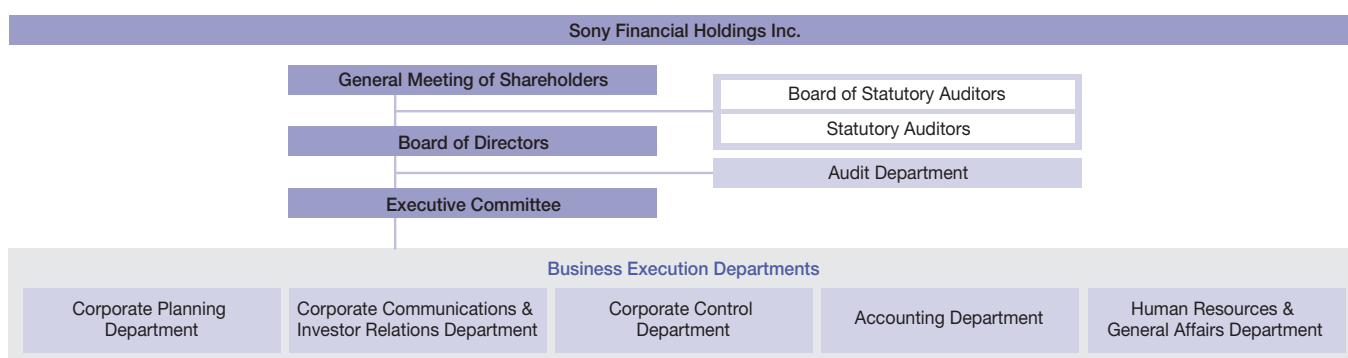
(As of March 31, 2014)

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, a non-life insurance company, a bank 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: 50 (Consolidated: 8,150, Life insurance business: 6,527, Non-life insurance business: 1,088, Banking business: 498, Parent: 37)
Common stock	¥19,900 million

Note: The number of employees of SFH includes 9 belonging to the life insurance business, 1 belonging to the non-life insurance business, 1 belonging to the banking business, 2 belonging to the nursing care business, and 37 belonging to the parent.

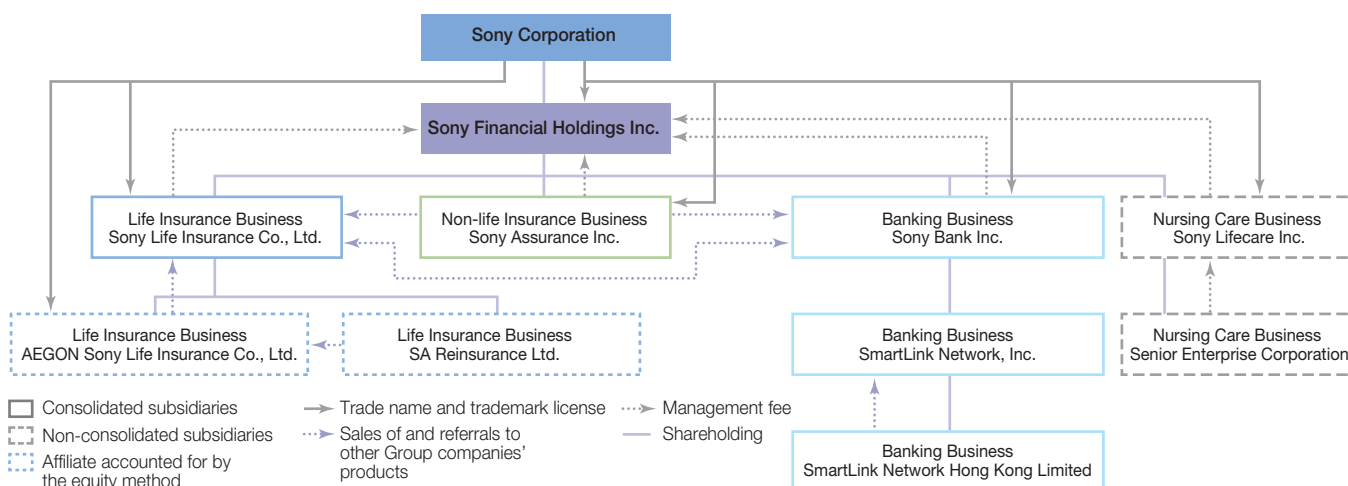
Organizational Chart

(As of July 1, 2014)



Sony Financial Group Organizational Chart of Business Operations

(As of August 1, 2014)



Note: The information for each business is based on SFH's classification of segment information.

Profiles of Group Companies

(As of July 1, 2014)

Life Insurance Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Life Insurance Co., Ltd.	August 10, 1979	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan	Life insurance business	¥70,000 million	Sony Financial Holdings Inc. 100%
AEGON Sony Life Insurance Co., Ltd.	August 29, 2007	52-2, Jingumae 5-chome, Shibuya-ku, Tokyo, Japan	Life insurance business	¥12,000 million	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%
SA Reinsurance Ltd.	October 29, 2009	British Bermuda	Reinsurance business	¥8,000 million	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%

Non-life Insurance Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Assurance Inc.	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
Sony Bank Inc.	April 2, 2001	3-26, Kanda-Nishikicho, Chiyoda-ku, Tokyo, Japan	Banking business	¥31,000 million	Sony Financial Holdings Inc. 100%
SmartLink Network, Inc.	September 1, 2006	3-13, Takanawa 1-chome, Minato-ku, Tokyo, Japan	Credit card settlement services	¥488 million	Sony Bank Inc. 57%, 4 other companies
SmartLink Network Hong Kong Limited	February 27, 2013	Hong Kong, China	Credit card settlement services	¥13 million	SmartLink Network, Inc. 100%

Nursing Care Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Lifecare Inc.	April 1, 2014	11-11, Shibuya 3-chome, Shibuya-ku, Tokyo, Japan	Management control of companies handling the nursing care business, and other duties incidental to that role	¥10 million	Sony Financial Holdings Inc. 100%
Senior Enterprise Corporation	October 5, 1999	11-11, Shibuya 3-chome, Shibuya-ku, Tokyo, Japan	Operation of nursing care homes	¥495 million	Sony Lifecare Inc. 100%

Senior Management of Three Main Subsidiaries

(As of July 1, 2014)

	Title	Name	Concurrent Positions at Sony Corporation and Main Sony Financial Group Companies
Sony Life	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.
	Directors	Yuichiro Sumimoto	—
		Tomoo Hagimoto	—
		Hirotooshi Watanabe	Senior Managing Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc. Director of Sony Bank Inc.
		Yutaka Ito	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 Auditors	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Assurance Inc. Statutory Auditor of Sony Bank Inc.
		Nobuhiko Fujii	Standing Statutory Auditor of Sony Assurance Inc.
Sony Assurance	President, Representative Director	Atsuo Niwa	Director of Sony Financial Holdings Inc.
	Representative Director	Takashi Sakuma	—
	Directors	Toshihiko Fukumoto	—
		Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. President, Representative Director of Sony Life Insurance Co., Ltd. Director of Sony Bank Inc.
		Hirotooshi Watanabe	Senior Managing Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Bank Inc.
		Yutaka Ito	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 Auditors	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Life Insurance Co., Ltd. Statutory Auditor of Sony Bank Inc.
		Takayuki Nakagawa	Senior Manager, New Consolidation System Group, Consolidation Accounting Department, Accounting Division, Sony Corporation
Sony Bank	President, Representative Director	Shigeru Ishii	Director of Sony Financial Holdings Inc.
	Executive Vice President, Representative Director	Takayuki Suzuki	—
	Directors	Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. President, Representative Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
		Hirotooshi Watanabe	Senior Managing Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
		Yutaka Ito	Managing Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
		Tohru Nakajima	—
	Standing Statutory Auditor	Shinji Sugiyama	—
	Statutory Auditors	Hidemichi Takenaka	Senior Manager, International Planning Section, Accounting Division, Sony Corporation
		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 ^(Note 2)	2,000,000	2,000,000	500	500	175,877	175,877
June 25, 2004 ^(Note 3)	100,000	2,100,000	5,000	5,500	5,000	180,877
October 10, 2007 ^(Note 4)	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 ^(Note 5)	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 are the standard shares of 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 (the amount paid) 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 constitute one unit.

Stock Exchange Listing

(As of July 1, 2014)

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

Major Shareholders

(As of March 31, 2014)

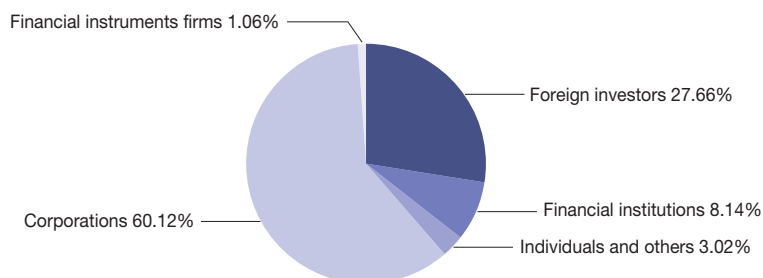
Name	Number of Shares Held	Percentage of Ownership (%)
Sony Corporation	261,000,000	60.00
State Street Bank and Trust Company 505223	10,129,872	2.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,118,500	2.09
JP Morgan Chase Bank 385632	7,416,143	1.70
Japan Trustee Services Bank, Ltd. (Trust Account)	6,660,991	1.53
MSCO CUSTOMER SECURITIES	6,107,920	1.40
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/BP2S DUBLIN-US PENSION FUND	6,105,000	1.40
State Street Bank and Trust Company	5,617,239	1.29
SAJAP	5,028,100	1.15
Goldman, Sachs & Co. Reg	4,833,198	1.11

Distribution of Share Ownership

(As of March 31, 2014)

By shareholder type

Total number of shares issued
435,000,000



Dividend Policy

Dividends		FY2011	FY2012	FY2013	FY2014 (Forecast)
Dividend per Share	Year-end	¥20	¥25	¥30	¥40
	Interim	—	—	—	—
	Annual	¥20	¥25	¥30	¥40
Annual Dividend Amount		¥8,700 million	¥10,875 million	¥13,049 million	¥17,399 million
Dividend Payout Ratio (Consolidated)		26.5%	24.1%	32.2%	35.5%
Dividend on Net Assets Ratio (Consolidated)		2.7%	2.8%	2.9%	—

Basic Policy on Returning Profits to Shareholders

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

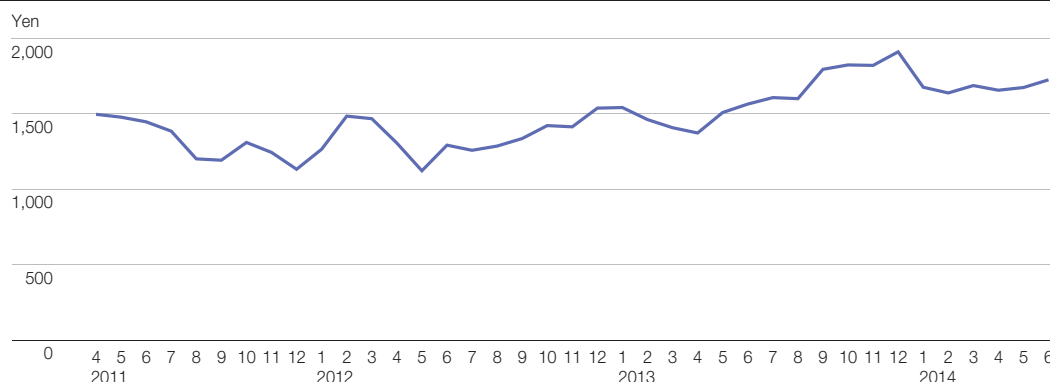
Our basic dividend policy is to maintain stable dividend payments while securing sufficient internal reserves to ensure the financial soundness of Group companies and to invest in growing fields. Based on this policy, SFH aims for steady increases in dividends in line with earnings growth over the medium 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.

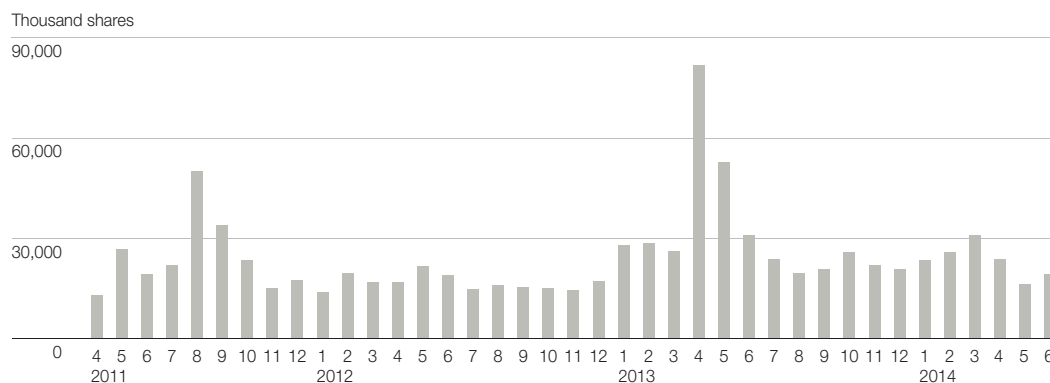
SFH pays dividends once a year as a year-end dividend. The Articles of Incorporation of SFH stipulate that it may also issue an interim dividend. In regard to the decision-making entities for the payment of dividends, the General Meeting of Shareholders decides the year-end dividend, while the Board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

As regards the year-end dividend for fiscal 2013, taking into account a comprehensive range of factors, including operating results and the business environment, SFH declared a year-end dividend of ¥30 per share, up ¥5 from the previous fiscal year, representing an annual dividend amount of ¥13.049 billion. This dividend was approved by resolution of the Ordinary General Meeting of Shareholders held on June 24, 2014.

Share Prices



Trading Volume



Financial Section

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SFH Consolidated Financial Statements

Consolidated Balance Sheets

Sony Financial Holdings Inc.

As of March 31, 2013 and 2014

	Millions of yen	
	2013	2014
Assets		
Cash and due from banks	¥ 104,142	¥ 204,546
Call loans and bills bought	107,088	40,628
Monetary trusts	324,305	325,831
Securities	6,202,333	6,822,151
Loans	1,115,330	1,211,638
Tangible fixed assets	73,217	71,565
Land	31,089	30,103
Buildings	39,696	37,030
Leased assets	302	106
Construction in progress	672	947
Other tangible fixed assets	1,456	3,376
Intangible fixed assets	38,232	36,774
Software	37,944	36,571
Goodwill	258	179
Other intangible fixed assets	29	24
Due from reinsurers	110	158
Foreign exchanges	7,954	7,752
Other assets	107,345	100,503
Net defined benefit asset	—	1,730
Deferred tax assets	17,980	19,872
Reserve for possible loan losses	(1,877)	(1,769)
Total Assets	¥8,096,164	¥8,841,382

	Millions of yen	
	2013	2014
Liabilities		
Policy reserves and others	¥5,601,060	¥6,263,315
Reserve for outstanding claims	53,246	57,400
Policy reserves	5,543,540	6,201,676
Reserve for policyholders' dividends	4,273	4,237
Due to agencies	2,431	2,169
Due to reinsurers	600	650
Deposits	1,857,302	1,889,970
Call money and bills sold	10,000	6,000
Borrowed money	2,000	20,000
Foreign exchanges	87	40
Bonds payable	20,000	20,000
Other liabilities	106,365	95,725
Reserve for employees' bonuses	3,085	3,204
Reserve for employees' retirement benefits	24,216	—
Net defined benefit liability	—	30,272
Reserve for directors' retirement benefits	411	250
Special reserves	32,344	41,657
Reserve for price fluctuations	32,344	41,657
Deferred tax liabilities	275	539
Deferred tax liabilities on land revaluation	536	536
Total Liabilities	7,660,719	8,374,332
Net Assets		
Shareholders' equity		
Common stock	19,900	19,900
Capital surplus	195,277	195,277
Retained earnings	135,160	164,790
Treasury stock	—	(0)
Total shareholders' equity	350,337	379,967
Accumulated other comprehensive income		
Net unrealized gains on other securities, net of taxes	88,329	92,002
Net deferred losses on hedging instruments, net of taxes	(3,047)	(2,388)
Land revaluation, net of taxes	(1,513)	(1,513)
Foreign currency translation adjustments	—	0
Remeasurements of defined benefit plans, net of taxes	—	(2,292)
Total accumulated other comprehensive income	83,767	85,807
Minority interests	1,339	1,275
Total Net Assets	435,444	467,050
Total Liabilities and Net Assets	¥8,096,164	¥8,841,382

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, 2013 and 2014

(1) Consolidated Statements of Income

	Millions of yen	
	2013	2014
Ordinary Revenues	¥1,259,041	¥1,319,766
Ordinary Revenues from the Life Insurance Business	1,140,184	1,194,315
Income from insurance premiums	925,075	959,911
Insurance premiums	923,672	958,585
Ceded reinsurance commissions	1,402	1,325
Investment income	199,549	211,829
Interest income and dividends	108,153	121,666
Income from monetary trusts, net	5,259	5,311
Gains on sale of securities	2,522	773
Gains on redemption of securities	—	2
Gains on derivatives, net	—	172
Foreign exchange gains, net	—	1,183
Other investment income	13	47
Gains on separate accounts, net	83,601	82,670
Other ordinary income	15,559	22,575
Ordinary Revenues from the Non-life Insurance Business	84,711	89,863
Underwriting income	83,615	88,639
Net premiums written	83,582	88,600
Interest and dividends on deposits of premiums	33	39
Investment income	1,021	1,199
Interest income and dividends	1,027	1,209
Gains on sale of securities	26	25
Gains on redemption of securities	—	3
Transfer to interest and dividends on deposits of premiums	(33)	(39)
Other ordinary income	74	24
Ordinary Revenues from the Banking Business	34,145	35,586
Interest income	25,954	26,328
Interest income on loans	13,877	14,134
Interest income and dividends on securities	12,007	12,077
Interest income on call loans and bills bought	13	8
Interest income on deposits with banks	55	107
Other interest income	0	0
Fees and commissions	5,260	4,928
Other operating income	2,815	4,174
Gains on foreign exchange transactions, net	1,874	2,782
Others	940	1,391
Other ordinary income	114	155

(Continued on next page)

	Millions of yen	
	2013	2014
Ordinary Expenses	¥1,179,789	¥1,243,629
Ordinary Expenses from the Life Insurance Business	1,069,007	1,128,787
Insurance claims and other payments	293,938	327,257
Insurance claims	71,065	77,413
Annuity payments	9,571	10,768
Insurance benefits	46,809	55,510
Surrender payments	161,873	178,402
Other payments	2,649	3,203
Reinsurance premiums	1,968	1,959
Provision for policy reserves and others	630,575	650,764
Provision for reserve for outstanding claims	607	55
Provision for policy reserves	629,955	650,703
Interest portion of reserve for policyholders' dividends	12	5
Investment expenses	11,450	8,182
Interest expenses	43	48
Losses on sale of securities	1,587	528
Devaluation losses on securities	327	—
Losses on derivatives, net	226	—
Foreign exchange losses, net	1,253	—
Provision for reserve for possible loan losses	21	6
Depreciation of real estate for rent and others	2,000	1,952
Other investment expenses	5,990	5,646
Operating expenses	108,849	113,442
Other ordinary expenses	24,192	29,140
Ordinary Expenses from the Non-life Insurance Business	81,704	86,189
Underwriting expenses	61,401	65,030
Net losses paid	47,153	46,183
Loss adjustment expenses	5,656	6,367
Net commission and brokerage fees	945	948
Provision for reserve for outstanding losses	4,407	4,098
Provision for underwriting reserves	3,238	7,433
Other underwriting expenses	0	0
Investment expenses	7	7
Losses on sale of securities	3	5
Losses on redemption of securities	3	2
Operating, general and administrative expenses	20,279	21,150
Other ordinary expenses	16	0

(Continued on next page)

Consolidated Statements of Income (Continued)

	Millions of yen	
	2013	2014
Ordinary Expenses from the Banking Business	¥29,077	¥28,652
Interest expenses	7,811	6,286
Interest expenses on deposits	6,296	4,905
Interest expenses on call money and bills sold	10	6
Interest on borrowed money	86	26
Interest expenses on bonds	61	119
Interest expenses on interest rate swaps	1,355	1,227
Other interest expenses	0	0
Fees and commissions	1,546	1,735
Other operating expenses	2,568	3,411
General and administrative expenses	16,760	16,920
Other ordinary expenses	389	298
Ordinary Profit	79,252	76,136
Extraordinary Losses	9,257	9,508
Losses on disposal of fixed assets	113	137
Impairment losses	962	36
Provision for special reserves	6,964	9,312
Provision for reserve for price fluctuations	6,964	9,312
Losses on sale of shares of subsidiaries and affiliates	1,216	—
Others	0	20
Provision for Reserve for Policyholders' Dividends	2,104	2,232
Income before Income Taxes	67,890	64,396
Income Taxes-Current	29,366	26,451
Income Taxes-Deferred	(6,620)	(2,517)
Total Income Taxes	22,746	23,933
Income before Minority Interests	45,143	40,462
Minority Interests in Income (Loss)	78	(42)
Net Income	¥45,064	¥40,504

See accompanying "Notes to the Consolidated Financial Statements."

(2) Consolidated Statements of Comprehensive Income

	Millions of yen	
	2013	2014
Income before Minority Interests	¥45,143	¥40,462
Other Comprehensive Income		
Net unrealized gains on other securities, net of taxes	51,381	3,672
Net deferred gains or losses on hedging instruments, net of taxes	(633)	659
Land revaluation, net of taxes	(118)	—
Foreign currency translation adjustments	453	0
Share of other comprehensive income of affiliates accounted for using equity method	(1)	0
Total other comprehensive income	51,082	4,332
Comprehensive Income	¥96,225	¥44,794
(Details)		
Comprehensive income attributable to parent company	¥96,146	¥44,837
Comprehensive income attributable to minority interests	¥ 78	¥ (42)

Consolidated Statements of Changes in Net Assets

Sony Financial Holdings Inc.

For the years ended March 31, 2013 and 2014

	Millions of yen				
	2013				
	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	¥19,900	¥195,277	¥ 98,677	¥—	¥313,854
Changes during the period					
Dividends from surplus	—	—	(8,700)	—	(8,700)
Net income	—	—	45,064	—	45,064
Purchase of treasury stock	—	—	—	—	—
Reversal of land revaluation	—	—	118	—	118
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	36,482	—	36,482
Balance at the end of the current period	¥19,900	¥195,277	¥135,160	¥—	¥350,337

	Millions of yen							
	2013							
	Accumulated Other Comprehensive Income							
	Net unrealized gains on other securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Land revaluation, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Minority Interests	Total Net Assets
Balance at the beginning of the current period	¥36,949	¥(2,414)	¥(1,395)	¥(453)	¥—	¥32,685	¥1,260	¥347,800
Changes during the period								
Dividends from surplus	—	—	—	—	—	—	—	(8,700)
Net income	—	—	—	—	—	—	—	45,064
Purchase of treasury stock	—	—	—	—	—	—	—	—
Reversal of land revaluation	—	—	—	—	—	—	—	118
Net changes of items other than shareholders' equity	51,380	(633)	(118)	453	—	51,082	78	51,161
Total changes during the period	51,380	(633)	(118)	453	—	51,082	78	87,643
Balance at the end of the current period	¥88,329	¥(3,047)	¥(1,513)	¥ —	¥—	¥83,767	¥1,339	¥435,444

(Continued on next page)

Consolidated Statements of Changes in Net Assets (Continued)

Millions of yen

	2014				
	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	¥19,900	¥195,277	¥135,160	¥—	¥350,337
Changes during the period					
Dividends from surplus	—	—	(10,875)	—	(10,875)
Net income	—	—	40,504	—	40,504
Purchase of treasury stock	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	29,629	(0)	29,629
Balance at the end of the current period	¥19,900	¥195,277	¥164,790	¥(0)	¥379,967

Millions of yen

	2014							
	Accumulated Other Comprehensive Income							
	Net unrealized gains on other securities, net of taxes	Net deferred gains or losses on hedging instruments, net of taxes	Land revaluation, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Minority Interests	Total Net Assets
Balance at the beginning of the current period	¥88,329	¥(3,047)	¥(1,513)	¥—	¥ —	¥83,767	¥1,339	¥435,444
Changes during the period								
Dividends from surplus	—	—	—	—	—	—	—	(10,875)
Net income	—	—	—	—	—	—	—	40,504
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	3,672	659	—	0	(2,292)	2,039	(64)	1,975
Total changes during the period	3,672	659	—	0	(2,292)	2,039	(64)	31,605
Balance at the end of the current period	¥92,002	¥(2,388)	¥(1,513)	¥ 0	¥(2,292)	¥85,807	¥1,275	¥467,050

See accompanying "Notes to the Consolidated Financial Statements."

Consolidated Statements of Cash Flows

Sony Financial Holdings Inc.

For the years ended March 31, 2013 and 2014

Millions of yen

	2013	2014
Cash flows from operating activities		
Income before income taxes	¥ 67,890	¥ 64,396
Depreciation of real estate for rent and others	2,000	1,952
Depreciation and amortization	7,784	9,147
Impairment losses	962	36
Amortization of goodwill	580	79
Increase in reserve for outstanding claims	5,015	4,153
Increase in policy reserve	633,193	658,136
Increase in interest portion of reserve for policyholders' dividends	12	5
Increase in reserve for policyholders' dividends	2,104	2,232
Increase (decrease) in reserve for possible loan losses	28	(108)
Increase in reserve for employees' retirement benefits	2,913	—
Increase in net defined benefit liability	—	2,865
Increase (decrease) in reserve for directors' retirement benefits	57	(161)
Increase in reserve for price fluctuations	6,964	9,312
Increase in reserve for financial products transaction liabilities	0	—
Interest income and dividends	(135,136)	(149,204)
Gains on securities	(87,294)	(74,996)
Interest expenses	7,855	6,334
Exchange gains	(35,508)	(30,559)
Losses on disposal of tangible fixed assets	69	146
Equity in losses of affiliates	1,718	1,538
Net increase in loans	(134,664)	(87,193)
Net increase in deposits	96,408	33,559
Net increase in borrowed money (excluding subordinated borrowings)	—	20,000
Net decrease in call loans and bills bought	—	4,000
Net decrease in call money and bills sold	—	(4,000)
Net decrease in foreign exchange (assets)	981	202
Net increase (decrease) in foreign exchange (liabilities)	51	(47)
Others, net	27,437	7,043
Subtotal	471,428	478,874
Interest and dividends received	146,015	160,737
Interest paid	(8,330)	(6,465)
Policyholders' dividends paid	(1,966)	(2,273)
Income taxes paid	(26,264)	(29,134)
Net cash provided by operating activities	580,882	601,738
Cash flows from investing activities		
Investments in monetary trusts	(4,942)	(2,301)
Proceeds from sale of monetary trusts	5,300	5,100
Purchases of securities	(973,738)	(990,899)
Proceeds from sale and redemption of securities	462,518	480,946
Investments in loans	(47,927)	(54,102)
Collections of loans	21,144	25,405
Others	(53)	—
Total of net cash used in investment transactions	(537,698)	(535,850)
Total of net cash provided by operating activities and investment transactions	43,184	65,887
Purchases of tangible fixed assets	(1,599)	(3,326)
Proceeds from sale of tangible fixed assets	—	2,021
Purchases of intangible fixed assets	(11,869)	(7,707)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,035	—
Purchase of securities of a subsidiary	(30)	(1,058)
Purchase of securities of affiliates	—	(3,500)
Others	2	75
Net cash used in investing activities	(550,159)	(549,346)
Cash flows from financing activities		
Proceeds from issuance of bonds	9,965	—
Cash dividends paid	(8,697)	(10,878)
Net decrease in subordinated borrowings	—	(2,000)
Purchase of treasury stock	—	(0)
Balance from securitization of lease receivables	(6,500)	(600)
Others	214	(43)
Net cash used in financing activities	(5,017)	(13,522)
Effect of exchange rate changes on cash and cash equivalents	47	5
Net increase (decrease) in cash and cash equivalents	25,752	38,875
Cash and cash equivalents at the beginning of the fiscal year	175,651	201,404
Cash and cash equivalents at the end of the fiscal year	¥ 201,404	¥ 240,279

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, 2014)

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: 5

Consolidated subsidiaries: Sony Life Insurance Co., Ltd., Sony Assurance Inc., Sony Bank Inc., SmartLink Network, Inc., and SmartLink Network Hong Kong Limited.

SmartLink Network Hong Kong Limited is included in the scope of consolidation from the year ended March 31, 2014, because it became a subsidiary.

Number of non-consolidated subsidiaries: 1

Non-consolidated subsidiary: Senior Enterprise Corporation

Senior Enterprise Corporation is excluded from the scope of consolidation for the year ended March 31, 2014 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: Senior Enterprise Corporation

Senior Enterprise Corporation, 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

(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 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.

(9) 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.

(10) Accounting for retirement benefits

1) Method of attributing projected retirement benefits

In the calculation of retirement benefit obligations, SFH mainly applies the straight-line method in attributing projected retirement benefits to the periods until the end of the current fiscal year.

2) Amortization method of net actuarial gain or loss, prior service cost and net obligation at transition

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.

(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

National and local 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.

(16) Changes in accounting policies

Application of Accounting Standards for Consolidated Financial Statements

From the fiscal year under review, the Sony Financial Group has begun applying the “Accounting Standard for Consolidated Financial Statements” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 22 (March 25, 2011), the “Guidance on Disclosures about Certain Special Purpose Entities” (ASBJ Guidance No. 15, March 25, 2011), the “Guidance on Determining a Subsidiary and an Affiliate” (ASBJ Guidance No. 22, March 25, 2011) and the “Practical Solution on Application of the Control Criteria and Influence Criteria to Investment Associations” (ASBJ PITF No. 20, March 25, 2011).

This application has no impact on retained earnings at the beginning of the fiscal year under review.

Application of Accounting Standards for Retirement Benefits

The Sony Financial Group has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, May 17, 2012) from the fiscal year ended March 31, 2014 (except for Clause 35 of the “Accounting Standard for Retirement Benefits” and Clause 67 of the “Guidance on Accounting Standard for Retirement Benefits”). The Company has changed its accounting method to post retirement benefit obligations less plan assets as net defined benefit liability, and posts unrecognized actuarial gains, unrecognized past service costs due to the change in accounting standard as net defined benefit liability. If plan assets exceed retirement benefit obligations, the Company posts the difference as net defined benefit asset.

Following Clause 37 of the “Accounting Standards for Retirement Benefits”, which stipulates transitional treatment of the new standard, the effect of the application of the new standard is adjusted in remeasurements of defined benefit plans of total accumulated other comprehensive income at the end of the fiscal year ended March 31, 2014.

As a result, net defined benefit asset was recognized as ¥1,730 million and net defined benefit liability was recognized as ¥30,272 million at the end of the fiscal year ended March 31, 2014. Total accumulated other comprehensive income decreased by ¥2,292 million.

(17) Changes in presentation method

Consolidated Balance Sheets

Effective from the year ended March 31, 2014, SFH has included loan participation, which is included in loans, in the Notes to the Consolidated Balance Sheet, in order to more accurately present the actual condition of transactions.

4 Notes to the Consolidated Balance Sheets

1. Securities with a book value of ¥29,471 million were pledged as collateral for the ¥6,000 million of call money and bills sold, and the ¥20,000 million of borrowed money at March 31, 2014. In addition to the assets described above, securities with a book value of ¥25,676 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2014.
2. Securities include shares in non-consolidated subsidiaries and affiliates worth ¥10,428 million. Among this, investments in jointly controlled companies are ¥9,369 million.
3. The balance of loans includes ¥308 million in loans to bankrupt borrowers (before deductions for reserve for possible loan losses) and ¥1,403 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.

4. The balance of loans does not include past due loans (3 months or more). Past due loans (3 months or more) are loans on which principal or interest payments are delayed for 3 months or more from the date following the due date, excluding loans to bankrupt borrowers and non-accrual delinquent loans.
5. The balance of loans includes ¥1,880 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).
6. The total amount of loans to bankrupt borrowers, non-accrual delinquent loans, and restructured loans was ¥3,592 million (before deductions for reserve for possible loan losses).
7. In terms of loan participation, the participating principals that were accounted for as loans to the original obligor in accordance with "Accounting and Presentation of Loan Participation" (Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, Statement No. 3) includes the consolidated balance sheet amount of ¥3,000 million.
8. Accumulated depreciation of tangible fixed assets as of March 31, 2014 was ¥26,085 million.
9. The balance sheet includes ¥640,562 million in assets and liabilities in equal amounts related to separate accounts as stipulated in Article 118 of the Insurance Business Act of Japan as of March 31, 2014, at SFH's life insurance subsidiary.
10. Changes in the reserve for policyholders' dividends at SFH's life insurance subsidiary for the fiscal year ended March 31, 2014 are as follows:

Balance at the beginning of the fiscal year	¥4,273 million
Policyholders' dividends during the fiscal year	¥2,273 million
Increase in interest	¥5 million
Provision for reserve for policyholders' dividends	¥2,232 million
Balance at the end of the fiscal year	¥4,237 million
11. 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).
12. Contracts for commitments to provide credit lines 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 the conditions stipulated in the contracts. The amount of unused commitments at March 31, 2014 was ¥24,170 million, and the amount of unused commitments whose original contract terms are within 1 year at March 31, 2014 was ¥21,287 million.
13. 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 ¥9,729 million. Such losses are recognized as expenses during the fiscal year in which they are contributed.

14. Net assets per share were ¥1,070.75.

15. Financial Instruments

(1) Description of financial instruments

1) 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.

2) 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.

3) 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.

(i) 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 derivative transactions, counterparty risk, by periodically assessing credit and market value information.

The risk management division and the screening division manage credit. These divisions periodically report risk management conditions to management via Executive Committee and Board of Directors meetings. In addition, the internal audit division conducts regular audits.

(ii) 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.

- **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 and risk management 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 ¥510 million as of March 31, 2014.

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.

(iii) 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.

4) 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, 2014, excluding securities whose fair values are deemed extremely difficult to determine (see Note 2).

As of March 31,	Millions of yen		
	2014		
	Consolidated balance sheet amount	Fair value	Difference
1) Cash and due from banks	¥ 204,546	¥ 204,546	¥ —
2) Call loans and bills bought	40,628	40,628	—
3) Monetary trust			
Monetary trusts for trading	484	484	—
Other monetary trusts	325,346	325,346	—
4) Securities			
Trading securities	620,666	620,666	—
Held-to-maturity securities	4,492,273	4,927,696	435,422
Available-for-sale securities	1,674,372	1,674,372	—
5) Loans	1,211,638		
Reserve for possible loan losses (*1)	(1,341)		
Loans (after deduction for reserve for possible loan losses)	1,210,297	1,315,979	105,682
Total Financial Assets	¥8,568,615	¥9,109,721	¥541,105
1) Deposits	¥1,889,970	¥1,890,799	¥ 829
2) Call money and bills sold	6,000	6,000	—
3) Bonds payable	20,000	20,096	96
Total Financial Liabilities	¥1,915,970	¥1,916,895	¥ 925
Derivative financial instruments (*2)			
Hedge accounting not applied	¥ 1,239	¥ 1,239	¥ —
Hedge accounting applied	[14,254]	[14,254]	—
Total Derivative Financial Instruments	¥ [13,015]	¥ [13,015]	¥ —

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

(*2) Figures are totals resulting from derivative 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 “17. 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 “16. Fair value information on securities,” which indicates fair values by purpose.

5) Loans

(i) 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.

(ii) Policy loans in the life insurance business

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

(iii) General loans in the life insurance business

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

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 "18. 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
	2014
As of March 31,	Consolidated balance sheet amount
1) Unlisted stocks in non-consolidated subsidiaries and affiliates (*1)	¥10,428
2) Investment in partnership (*2)	24,410
Total	¥34,838

(*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 ¥193 million for the year ended March 31, 2014. 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			
	2014			
As of March 31,	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Cash and due from banks	¥204,546	¥ —	¥ —	¥ —
Call loans and bills bought	40,628	—	—	—
Securities				
Held-to-maturity securities	9,265	14,001	43,687	4,434,108
Bonds	9,265	14,001	43,487	4,327,751
Japanese government and municipal bonds	8,158	12,232	39,798	4,306,490
Japanese corporate bonds	1,107	1,769	3,689	21,261
Others	—	—	200	106,357
Available-for-sale securities	216,042	419,816	208,248	697,900
Bonds	102,901	112,530	165,785	697,900
Japanese government and municipal bonds	37,746	70,835	106,696	697,850
Japanese corporate bonds	65,155	41,695	59,089	50
Others	113,141	307,286	42,463	—
Loans (*)	17,597	75,693	59,917	902,637
Total	¥488,079	¥509,512	¥311,853	¥6,034,646

(*) This figure excludes ¥154,180 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

	2014					
	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 (*)	¥1,793,166	¥21,603	¥14,837	¥ 3,248	¥4,811	¥52,303
Call money and bills sold	6,000	—	—	—	—	—
Bonds payable	—	—	10,000	10,000	—	—
Total	¥1,799,166	¥21,603	¥24,837	¥13,248	¥4,811	¥52,303

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

16. Fair value information on securities as of March 31, 2014:**(1) Trading-purpose securities**

Millions of yen

As of March 31,	2014
Valuation gains changed to income	¥50,776

(2) Held-to-maturity securities

Millions of yen

	2014		
	Consolidated balance sheet amount	Fair value	Difference
As of March 31,			
Fair values exceeding the consolidated balance sheet amount			
Bonds	¥4,430,770	¥4,853,318	¥422,547
Japanese government and municipal bonds	4,402,886	4,822,724	419,838
Japanese corporate bonds	27,884	30,593	2,709
Others	55,288	68,240	12,952
Subtotal	4,486,059	4,921,559	435,500
Fair values not exceeding the consolidated balance sheet amount			
Bonds	873	869	(3)
Japanese government and municipal bonds	732	729	(2)
Japanese corporate bonds	140	140	(0)
Others	5,341	5,267	(73)
Subtotal	6,214	6,136	(77)
Total	¥4,492,273	¥4,927,696	¥435,422

(3) Available-for-sale securities

Millions of yen			
2014			
As of March 31,	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding the acquisition cost			
Bonds	¥1,113,507	¥1,033,040	¥ 80,466
Japanese government and municipal bonds	947,221	868,616	78,605
Japanese corporate bonds	166,285	164,424	1,861
Equity securities	22,029	12,770	9,259
Others	367,146	356,526	10,619
Subtotal	1,502,684	1,402,338	100,345
Consolidated balance sheet amount not exceeding the acquisition cost			
Bonds	56,959	56,985	(25)
Japanese government and municipal bonds	53,994	54,018	(24)
Japanese corporate bonds	2,964	2,966	(1)
Equity securities	191	195	(3)
Others	114,536	115,085	(548)
Subtotal	171,688	172,265	(577)
Total	¥1,674,372	¥1,574,604	¥ 99,767

Note: As the investment in partnership of ¥24,410 million has no market price and its fair value is deemed extremely difficult to determine, it is 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			
2014			
For the year ended March 31,	Sales	Gains on sales	Losses on sales
Bonds	¥ 88,419	¥ 415	¥354
Japanese government and municipal bonds	82,498	399	308
Japanese corporate bonds	5,920	15	45
Equity securities	4,716	673	487
Others	101,277	1,065	62
Total	¥194,413	¥2,154	¥904

(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.

No impairment loss was recognized for the year ended March 31, 2014.

"Material decline" is principally indicated when the market value declines by 30% or more below the acquisition cost.

17. Fair value information on monetary trusts as of March 31, 2014:

(1) Monetary trusts for trading

	Millions of yen	
	2014	
As of March 31,	Consolidated balance sheet amount	Valuation gains or losses or losses changed to income
Monetary trusts for trading	¥484	¥—

(2) Monetary trusts for held-to-maturity and policy reserve matching

There is no related information to be reported.

(3) Other monetary trusts (other than for trading, held-to-maturity or policy reserve matching)

	Millions of yen				
	2014				
As of March 31,	Consolidated balance sheet amount	Acquisition cost	Difference	Items whose consolidated balance sheet amount exceeds acquisition cost	Items whose consolidated balance sheet amount does not exceed acquisition cost
Other monetary trusts	¥325,346	¥288,093	¥37,253	¥37,253	¥—

Notes: 1. The amount of jointly invested monetary trusts that is included in the table above for the year ended March 31, 2014 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, 2014.

"Material decline" is principally indicated when the market value declines by 30% or more below the acquisition cost.

18. 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, 2014 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

There is no related information to be reported.

2) Currency derivatives

2) Currency derivatives

Millions of yen

			2014			
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	¥ 75,611	¥—	¥ (14)	¥ (14)
		Bought	126,400	—	585	585
	Foreign exchange margin transactions	Sold	41,601	—	(1,266)	(1,266)
		Bought	25,375	—	1,585	1,585
	Currency options	Sold	1,682	—	(6)	2
		Bought	2,570	—	18	(2)
	Currency forward contracts	Sold	45	—	(0)	(0)
		Bought	9,560	—	337	337
Total			—	—	¥ 1,239	¥ 1,226

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, 2014 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		
			2014		
Hedge accounting	Hedging instrument	Hedged item	Notional amount total	Notional amount over 1 year	Fair value
Deferred hedge accounting	Interest rate swaps	Loans	¥ 46,974	¥ 45,292	¥ (1,446)
Fair value hedge accounting	Interest rate swaps	Available-for-sale securities (bonds)	366,597	313,539	(14,149)
Total			—	—	¥(15,595)

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		
			2014		
Hedge accounting	Hedging instrument	Hedged item	Notional amount total	Notional amount over 1 year	Fair value
Fair value hedge accounting	Currency swaps	Available-for-sale securities (bonds)	¥12,209	¥522	¥1,340
Total			—	—	¥1,340

Notes: 1. SFH applies mainly fair value hedge accounting.

2. Fair value is measured mainly using discounted present value.

19. Information about retirement benefit obligations as of March 31, 2014:

(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. SFH calculates retirement benefit obligations based on the simplified method.

(2) Defined benefit plans

1) Reconciliation of beginning and ending balances of retirement benefit obligations (excluding those listed in 8))

	Millions of yen
For the year ended March 31,	2014
Balance at the beginning of the current period of retirement benefit obligations	¥36,301
Service cost	3,152
Interest cost	226
Net actuarial gain arising during the period	286
Retirement benefits paid	(1,096)
Others	4
Balance at the end of the current period of retirement benefit obligations	¥38,875

2) Reconciliation of beginning and ending balances of plan assets (excluding those listed in 8))

	Millions of yen
For the year ended March 31,	2014
Balance at the beginning of the current period of plan assets	¥ 8,849
Expected return on plan assets	133
Net actuarial gain arising during the period	765
Employer contribution	962
Retirement benefits paid	(284)
Balance at the end of the current period of plan assets	¥10,427

3) Reconciliation of the ending balances of retirement benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets

	Millions of yen
As of March 31,	2014
Funded retirement benefit obligations	¥ 8,568
Plan assets	(10,427)
	(1,858)
Unfunded retirement benefit obligations	30,400
Net liabilities and assets recorded on the consolidated balance sheets	28,541
Net defined benefit liability	30,272
Net defined benefit asset	(1,730)
Net liabilities and assets recorded on the consolidated balance sheets	¥ 28,541

4) Components and amounts of retirement benefit expenses

	Millions of yen
For the year ended March 31,	2014
Service cost	¥3,167
Interest cost	226
Expected return on plan assets	(133)
Amortization of net obligation at transition	414
Amortization of net actuarial gain	1,040
Amortization of prior service cost	(129)
Others	193
Retirement benefit expenses related to defined benefit plans	¥4,779

Note: SFH includes the retirement benefit expenses in the service cost based on the simplified method.

5) Remeasurements of defined benefit plans

The following items (before tax deductions) have been recorded as components of remeasurements of defined benefit plans.

	Millions of yen
As of March 31,	2014
Unrecognized net obligation at transition	¥ 414
Unrecognized prior service cost	(129)
Unrecognized net actuarial gain	3,067
Total	¥3,352

6) Plan assets

(i) Main components of plan assets

The percentage share of components by main asset class out of total plan assets is as follows:

	%
As of March 31,	2014
Bonds	57
Equity securities	37
Others	6
Total	100

(ii) Method of setting the long-term rate of expected return on plan assets

The long-term rate of expected return on plan assets is determined by taking into account the current and expected allocation of plan assets, and the current long-term return rate and the long-term return rate that is expected in the future based on the various assets that comprise the plan assets.

7) Basis for calculating actuarial gain or loss

Main basis for calculating actuarial gain or loss as of March 31, 2014

Discount rate	0.6% – 1.4%
Long-term rate of expected return on plan assets	1.5% – 3.0%

8) Reconciliation of beginning and ending balances of net defined benefit liability of the plan based on the simplified method

	Millions of yen
For the year ended March 31,	2014
Balance at the beginning of the current period of net defined benefit liability	¥ 79
Retirement benefit expenses	15
Retirement benefits paid	(10)
Contribution to the plan	(9)
Others	8
Balance at the end of the current period of net defined benefit liability	¥ 82

(3) Defined contribution plans

The amount of contribution required for the defined contribution plans by SFH and its consolidated subsidiaries was ¥231 million.

20. Information on tax effect accounting as of March 31, 2014:

(1) Breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities

	Millions of yen
As of March 31,	2014
Deferred tax assets	
Policy reserves and others	¥ 28,140
Reserve for price fluctuations	12,822
Net defined benefit liability	8,824
Write-down of securities	1,012
Net operating loss carryforwards for tax purposes	80
Depreciation and amortization	2,409
Net deferred losses on hedging instruments, net of taxes	1,421
Others	6,326
Subtotal of deferred tax assets	61,039
Valuation allowance	(1,166)
Total deferred tax assets	59,872
Deferred tax liabilities	
Net unrealized gains on other securities, net of taxes	(40,323)
Others	(216)
Total deferred tax liabilities	(40,539)
Net deferred tax assets (liabilities)	¥ 19,332

Note: Net deferred tax assets for the year ended March 31, 2014 are included in the following items of the consolidated balance sheets.

	Millions of yen
As of March 31,	2014
Assets - Deferred tax assets	¥19,872
Liabilities - Deferred tax liabilities	539

(2) Breakdown of major items giving rise to a significant difference between the statutory effective tax rate and the effective income tax rate after application of tax effect accounting

	%
As of March 31,	2014
Statutory effective tax rate	38.0
(Adjustments)	
Revision to reduce deferred tax assets at the fiscal year-end due to changes in tax rates	1.3
Difference in tax rate due to the Special Reconstruction Corporation Tax	1.0
Difference in tax rate of subsidiaries	(4.3)
Increase (decrease) in valuation allowance	(0.0)
Others	1.2
Effective income tax rate after application of tax effect accounting	37.2

(3) Revision of deferred tax assets and deferred tax liabilities amounts due to changes in income tax rates

"The Bill for Partial Amendment of the Income Tax Act, etc." (Act No. 10, 2014) was promulgated on March 31, 2014. As a result, the Special Reconstruction Corporation Tax will no longer be imposed from the fiscal year beginning on and after April 1, 2014. Accordingly, the statutory effective tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from 38.01% to 35.64%. The statutory effective tax rate used for the calculation of deferred tax assets and deferred tax liabilities by Sony Life Insurance Co., Ltd. and Sony Assurance Inc. will be reduced from the 33.33% applicable hitherto to 30.78%, because certain portions of their tax base are not subject to taxes that are based on the amount related to income.

As a result of these changes in tax rates, the net amount of deferred tax assets (after deduction of deferred tax liabilities) decreased by ¥841 million and income taxes—deferred increased by ¥829 million.

21. 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 13 to 33 years from acquisition and then applying a 1.6% to 2.3% discount rate.

(3) Changes in the balance of asset retirement obligations

	Millions of yen
For the year ended March 31,	2014
Balance at the beginning of the current period	¥713
Increase due to purchase of tangible fixed assets	12
Changes resulting from the passage of time	14
Decrease due to execution of asset retirement obligations	(14)
Others	(16)
Balance at the end of the current period	¥709

22. Fair value information on investment and rental property:

SFH's life insurance subsidiary owns rental office buildings in Tokyo. Income related to investment and rental property amounted to ¥3,487 million for the year ended March 31, 2014. Below is the consolidated balance sheet amount, net of changes during the period, and the fair value at the end of the current period.

	Millions of yen
For the year ended March 31,	2014
Consolidated balance sheet amount	
Balance at the beginning of the current period	¥61,099
Changes during the period	(3,845)
Balance at the end of the current period	57,253
Fair value at the end of the current period	¥75,581

Notes: 1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and impairment losses.

2. The fair value at the end of the current period is determined by a licensed third-party real estate appraisal agent.

5 Notes to the Consolidated Statements of Income

Net income per share is calculated based on the weighted-average number of shares of common stock outstanding during the period. For the year ended March 31, 2014, net income per share was ¥93.11. Diluted net income per share is not disclosed for the year ended March 31, 2014 as SFH had no potentially dilutive shares of common stock.

The basis for this calculation for the year ended March 31, 2014 is net income of ¥40,504 million, the entire amount of which is applicable to common stock. The weighted-average number of shares outstanding for the year ended March 31, 2014 was 434,999 thousand shares.

6 Notes to the Consolidated Statements of Comprehensive Income

Reclassification adjustments and income tax benefit (expense) on components of other comprehensive income for the year ended March 31, 2014 are as follows:

	Millions of yen
For the year ended March 31,	2014
Net unrealized gains on other securities, net of taxes:	
Gains arising during the period	¥ 9,069
Reclassification adjustments	(3,833)
Pre-tax amount	5,236
Income tax expense	(1,563)
Net unrealized gains on other securities, net of taxes	3,672
Net deferred losses on hedging instruments, net of taxes:	
Losses arising during the period	71
Reclassification adjustments	952
Pre-tax amount	1,023
Income tax benefit	(364)
Net deferred losses on hedging instruments, net of taxes	659
Land revaluation, net of taxes:	
Losses arising during the period	—
Reclassification adjustments	—
Pre-tax amount	—
Income tax benefit	—
Land revaluation, net of taxes	—
Foreign currency translation adjustments:	
Gains arising during the period	0
Reclassification adjustments	—
Pre-tax amount	0
Income tax benefit (expense)	—
Foreign currency translation adjustments	0
Share of other comprehensive income of affiliates accounted for using equity method	
Losses arising during the period	0
Reclassification adjustments	(0)
Share of other comprehensive income of affiliates accounted for using equity method	0
Total other comprehensive income	¥ 4,332

7 Notes to the Consolidated Statements of Changes in Net Assets

1. Types and numbers of shares issued are as follows:

	Thousands of shares			
	2014			
For the year ended March 31,	Number of shares as of April 1, 2013	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2014
Issued shares				
Common stock	435,000	—	—	435,000
Total	435,000	—	—	435,000
Treasury stock				
Common stock	—	0	—	0
Total	—	0	—	0

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 25, 2013	Common stock	¥10,875 million	¥25	March 31, 2013	June 26, 2013

(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 24, 2014	Common stock	¥13,049 million	Retained earnings	¥30	March 31, 2014	June 25, 2014

8 Notes to the Consolidated Statements 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, 2014, is as follows:

As of March 31,	Millions of yen
	2014
Cash and due from banks	¥204,546
Call loans of life insurance subsidiary	34,628
Securities of non-life insurance subsidiary maturing within 3 months of the acquisition date	1,105
Cash and cash equivalents	¥240,279

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

MCEV Results for Sony Life as of March 31, 2014

1 MCEV Results

Sony Life's MCEV as of March 31, 2014 increased ¥156.6 billion due to the contribution of new business, the change in actuarial assumptions, the increase in interest rates and other factors. The breakdown is shown in the table below.

As of March 31,	Billions of yen		
	2013	2014	Change
MCEV	¥1,064.7	¥1,221.3	¥156.6
Adjusted net worth	770.8	722.1	(48.7)
Value of existing business	293.9	499.1	205.3
New business value	41.6	55.2	13.6

2 Adjusted Net Worth

Adjusted net worth at the end of the current fiscal year decreased by ¥48.7 billion, primarily because of the decrease in unrealized gain on held-to-maturity securities caused by the increase in interest rates. The breakdown is shown in the table below.

As of March 31,	Billions of yen		
	2013	2014	Change
Adjusted net worth	¥ 770.8	¥ 722.1	¥ (48.7)
Total net assets	342.3	369.2	26.9
Reserve for price fluctuations	32.3	41.6	9.3
Contingency reserve	59.6	63.7	4.1
Reserve for possible loan losses	0.0	0.0	0.0
Unrealized gains or losses on held-to-maturity securities	551.7	430.3	(121.4)
Unrealized gains or losses on land and buildings	19.4	19.4	0.0
Unfunded pension liabilities	(5.0)	(3.2)	1.8
Intangible fixed assets	(26.1)	(23.9)	2.2
Tax effect equivalent of above seven items	(193.8)	(162.5)	31.3
Valuation gain or loss on subsidiaries and affiliated companies	(9.6)	(12.5)	(2.9)

As of March 31,	Billions of yen		
	2013	2014	Change
Adjusted net worth	¥770.8	¥722.1	¥ (48.7)
Free surplus	418.5	566.2	147.7
Required capital	352.3	156.0	(196.3)

Sony Life sets 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 decrease in required capital at the end of the current fiscal year is due to a decrease in the economic value of technical provisions that mainly resulted from the increase in interest rates.

3 Value of Existing Business

Value of existing business increased ¥205.3 billion due to the increase in interest rates, the contribution of new business, the change in actuarial assumptions and other factors. The breakdown is shown in the table below.

As of March 31,	Billions of yen		
	2013	2014	Change
Value of existing business	¥ 293.9	¥ 499.1	¥205.3
Present value of certainty-equivalent profit	633.2	869.4	236.2
Time value of options and guarantees	(111.2)	(123.1)	(11.9)
Frictional costs	(13.9)	(9.2)	4.7
Cost of non-hedgeable risks	(214.2)	(237.9)	(23.7)

4 New Business Value

New business value increased by ¥13.6 billion primarily because of improved profitability caused primarily by the revision of insurance premium rates and the increase in interest rates. A breakdown of the value of new business is as follows:

As of March 31,	Billions of yen		
	2013	2014	Change
Value of new business	¥ 41.6	¥ 55.2	¥13.6
Present value of certainty-equivalent profit	74.1	84.9	10.8
Time value of options and guarantees	(12.4)	(9.4)	3.0
Frictional costs	(0.2)	(0.3)	(0.0)
Cost of non-hedgeable risks	(19.9)	(20.0)	(0.1)

5 New Business Margin

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 premiums before the deduction of reinsurance premiums.

As of March 31,	Billions of yen		
	2013	2014	Change
Value of new business	¥ 41.6	¥ 55.2	¥ 13.6
Present value of premium income	1,187.5	1,069.7	(117.7)
Value of new business / Present value of premium income	3.5%	5.2%	1.7pt

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, 2014, from MCEV as of March 31, 2013. The format of the table is in line with the format prescribed by European Insurance CFO Forum Market Consistent Embedded Value Principles[®]* (MCEV Principles).

* Copyright[®] Stichting CFO Forum Foundation 2008

	Billions of yen			
	Free surplus	Required capital	Value of existing business	MCEV
Opening MCEV (MCEV as of March 31, 2013)	¥418.5	¥ 352.3	¥293.9	¥1,064.7
Opening adjustments	(13.3)	—	—	(13.3)
Adjusted opening MCEV	405.2	352.3	293.9	1,051.4
New business value	—	—	55.2	55.2
Expected existing business contribution (risk-free rate)	0.3	0.2	13.1	13.5
Expected existing business contribution (in excess of risk-free rate)	0.9	0.7	6.7	8.3
Transfers from value of existing business and required capital to free surplus	4.4	(31.3)	26.8	—
Of which, on new business	(44.7)	—	44.7	—
Experience variances	36.6	(34.0)	(2.2)	0.5
Assumption changes	(0.5)	0.5	35.5	35.5
Other operating variance	30.6	(30.6)	0.6	0.6
Operating MCEV earnings	72.4	(94.5)	135.7	113.6
Economic variances	89.5	(101.5)	69.0	57.0
Other non-operating variance	(0.9)	(0.3)	0.6	(0.7)
Total MCEV earnings	161.0	(196.3)	205.3	169.9
Closing adjustments	—	—	—	—
Closing MCEV (MCEV as of March 31, 2014)	¥566.2	¥ 156.0	¥499.1	¥1,221.3

Notes: 1. Expected yield used to calculate the profit expected in excess of the risk-free rate for fiscal 2013 was 0.272%.

2. Assumption changes primarily indicate the impact of changes in assumptions based on experience data in mortality and morbidity rates, lapse and surrender rates, and operating expense rates. The improvements in mortality rates, lapse and surrender rates, and operating expense 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 impact from the revision of risk measure for interest rate risk in Japanese yen.

4. As regards economic variances, overall MCEV changes are disaggregated into an increase by ¥76.9 billion as a result of the increase in interest rates and a decrease by ¥20.0 billion as a result of the increase in inflation swap rates.

5. Other non-operating variance shows the effect of the abolition of the reconstruction special corporate tax.

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	¥1,221.3	¥ —	—
Interest rates	100bp decrease	1,003.4	(217.9)	(18%)
	100bp increase	1,256.2	34.9	3%
	Swap rates	1,393.8	172.5	14%
Stock / Real estate market value	10% decrease	1,204.8	(16.5)	(1%)
Stock / Real estate implied volatility	25% increase	1,209.7	(11.6)	(1%)
Interest swaption implied volatility	25% increase	1,202.7	(18.6)	(2%)
Maintenance expenses	10% decrease	1,240.7	19.4	2%
Lapse and surrender rates	x0.9	1,236.4	15.1	1%
Mortality rates	Death protection products x 0.95	1,264.5	43.2	4%
	Third-sector and annuity products x 0.95	1,216.0	(5.3)	(0%)
Morbidity rates	x0.95	1,259.6	38.3	3%
Required capital	Regulatory minimum	1,225.3	4.0	0%

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	¥ 957.1
	100bp increase	(754.9)
Stock / Real estate market value	10% decrease	(10.7)
Stock / Real estate implied volatility	25% increase	(0.9)

8 Main Assumptions

Sony Life has used Japanese government bond (JGB) yields and the U.S. Treasury yields as of the end of March 2014 as risk-free rates 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 for JGB yields and forward rates in the 31st year and beyond were equal to those in the 30th year for U.S. Treasury yields. Sony Life has used Bloomberg's government bond yields as our data source.

The government bond yields for key terms are as follows:

As of the end of March, Term	Japanese yen		U.S. dollar	
	2013	2014	2013	2014
1 year	0.06%	0.08%	—	0.11%
5 year	0.13%	0.20%	—	1.72%
10 year	0.55%	0.64%	—	2.72%
20 year	1.40%	1.50%	—	3.37%
30 year	1.54%	1.70%	—	3.56%
40 year	1.64%	1.78%	—	—

Sony Life has not added a 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 a 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 2014. 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.

9 Opinion 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 and obtained an opinion from this firm. Please refer to Sony Life's press release "Disclosure of Market Consistent Embedded Value as of March 31, 2014" (<http://www.sonyfh.co.jp/en/>) for details.

10 Risk Amount Based on Economic Value (after Tax)

Sony Life has been disclosing the risk amount based on economic value since the end of March 2012 in an effort to provide a clearer picture of its financial soundness based on economic value. The risk amount based on economic value* refers to the total amount of Sony Life's risks, comprehensively examined and including insurance risk and market-related risk. Sony Life's risk amount based on economic value (after tax) amounted to ¥664.3 billion. The breakdown of the risk amount is as follows:

As of March 31,	Billions of yen	
	2013	2014 ^{(*)2}
Insurance risk	¥ 605.6	¥ 654.5
Market-related risk	289.9	240.0
<i>Of which, interest rate risk ^{(*)1}</i>	<i>234.2</i>	<i>180.9</i>
Operational risk	26.0	26.3
Counter party risk	2.3	1.3
Variance effect	(262.5)	(257.8)
The risk amount based on economic value	661.3	664.3

^{(*)1} Interest rate risk is calculated as the amount before excluding the variance effect within market-related risk.

^{(*)2} For interest rate risk in Japanese yen, Sony Life revised the risk measure at the end of March 2014, having observed significant changes in ultra-long term interest rates during the year 2013. More specifically, Sony Life revised the previous methodology which measured the shock by dropping interest rates by at least 1% for all maturities (parallel shift) and introduced principal component analysis, where yield curve changes are disaggregated into three components, parallel shift, twist and butterfly, and the yield curve is shocked by each component, to capture the risk of yield curve changes more precisely.

Sony Life is making every effort to ensure its financial soundness by maintaining the risk amount based on economic value at an appropriate level relative to MCEV, which is capital based on economic value.

* 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.

For further details, please refer to MCEV Results for Sony Life in the Financial Data Book.

http://www.sonyfh.co.jp/en/financial_info/annualreport.html

Financial Data Book Contents



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

Detailed financial data for each operating company is presented 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/en/financial_info/annualreport.html

SFH Financial Data (Consolidated)

Principal Indicators of Operating Performance
Consolidated Balance Sheets
Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Net Assets
Consolidated Statements of Cash Flows

Sony Life Financial Data (Non-consolidated)

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2. Risk-monitored Loans
3. Accounting Indicators
4. Reconciliation to Core Profit and
Non-consolidated Ordinary Profit
5. Fair Value Information on Securities (General Account)
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Performance Indicators of Sony Life (Non-consolidated)

1. Key Performance Indicators for Past Five Years
2. Key Performance Indicators
3. Indicators for Insurance Policies
4. Indicators Related to Asset Management
(General Account)
5. Status of Insurance Claims Paying Ability
6. Balance of Separate Account Assets
7. Status of Individual Variable Life Insurance and Individual
Variable Annuities
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Sony Assurance Financial Data

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1. Loans by Borrower Category
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Performance Indicators of Sony Assurance

1. Principal Indicators of Operating Performance
2. Underwriting Performance
3. Asset Management
4. Non-consolidated Solvency Margin Ratio

Sony Bank Financial Data (Consolidated)

Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Net Assets
Consolidated Statements of Cash Flows

Sony Bank Financial Data (Non-consolidated)

Balance Sheets
Statements of Income
Statements of Changes in Net Assets
1. Loans by Borrower Category
2. Risk-monitored Loans
3. Profit and Loss
4. Fair Value Information

Performance Indicators of Sony Bank (Non-consolidated)

1. Key Performance Indicators
2. Status of Operation (Deposits)
3. Status of Operation (Loans)
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MCEV Results for Sony Life

1. MCEV Results
2. Assumptions
3. Calculation Method of MCEV
4. Overview of MCEV
5. Glossary of MCEV-related Terminology

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**

- 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**

- 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 (large 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.

E

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.

F

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.

Foreign currency-denominated insurance **Life**

- Insurance product in which insurance premiums are invested in foreign currency. Sony Life sells U.S. dollar-denominated insurance, in which policyholders pay the Japanese yen equivalent of the U.S. dollar-denominated insurance premiums and select the Japanese yen or U.S. dollar when they receive insurance claims.

G

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.

I

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.

L

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.

Limited payment **Life**

- One of the methods of premium payment in which insurance premiums are paid up prior to the expiry of the insurance term.

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

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.

Positive spread Life

- The amount by which the actual investment income is higher than the expected investment income from the assumed interest rate.

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 provisions of Insurance Business Act 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 fiscal 2011, 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 under writing 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 uses its website to provide timely disclosure and promote a better understanding of the Sony Financial Group.

http://www.sonyfh.co.jp/index_en.html

The website was renewed in April 2014.

The entire website design has been renewed.
Certain pages can be viewed on smart-phones.

IR-related materials, such as earnings releases and financial results, and earnings announcement materials, are available for viewing or downloading.

Annual reports and financial data are available for viewing in PDF and HTML formats, respectively.

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

On the video, Katsumi Ihara, President and Representative Director of SFH, talks about the origin of our businesses, strengths and future strategies.

