Sony Financial Holdings

2017
Annual Report

April 1, 2016 – March 31, 2017

Sony Financial Holdings Inc.

Profile

Sony Financial Holdings Inc. (SFH) is a financial holding company with three primary 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.

- The Sony Financial Group refers to the financial group that comprises Sony Financial Holdings Inc., Sony Life Insurance Co., Ltd., Sony Assurance Inc., Sony Bank Inc., Sony Lifecare Inc., as well as their subsidiaries and affiliates.
- Unless otherwise indicated, figures less than the indicated unit in this material have been truncated, while ratios and percentage changes have been rounded off.
- Fiscal 2008–fiscal 2020 represent the fiscal years ended/ending March 31, 2009–2021.

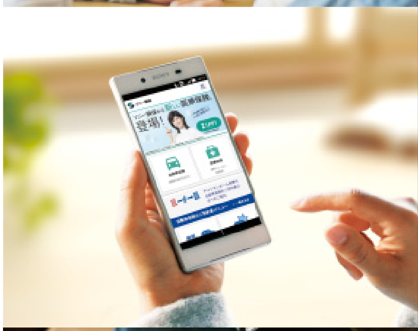
Contents

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




Sony Financial Group's Financial Highlights
(SFH Consolidated and Primary Subsidiaries)

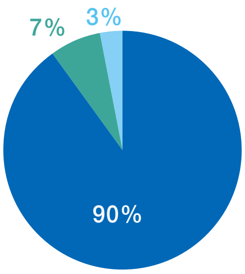
	For the years ended March 31,	2008	2009
Sony Financial Holdings (Consolidated)	Ordinary revenues	¥ 822,153	¥ 860,323
	Ordinary profit	44,500	34,253
	Profit attributable to owners of the parent	24,255	30,722
	Comprehensive income	—	—
	As of March 31,		
	Total assets	4,977,450	5,313,677
	Net assets	261,627	204,897
	Consolidated capital adequacy ratio (Domestic standard) (Note 1) (Note 2)	14.62%	13.32%
	Consolidated solvency margin ratio (Note 1)	—	—
	For the years ended March 31,		
Sony Life (Non-consolidated)	Ordinary revenues	¥ 741,250	¥ 765,910
	Ordinary profit	39,290	32,409
	Net income	18,514	33,783
	As of March 31,		
	Total assets	3,659,786	3,810,929
	Net assets	182,671	140,730
	Non-consolidated solvency margin ratio (Note 1)	1,747.9%	2,060.5%
	For the years ended March 31,		
Sony Assurance	Ordinary revenues	¥ 55,649	¥ 61,882
	Ordinary profit	2,817	2,178
	Net income (loss)	2,185	(1,556)
	As of March 31,		
	Total assets	78,645	86,698
	Net assets	15,385	13,678
	Non-consolidated solvency margin ratio (Note 1)	1,073.9%	993.0%
	For the years ended March 31,		
Sony Bank (Non-consolidated)	Ordinary revenues	¥ 25,988	¥ 33,361
	Ordinary profit	2,746	414
	Net income (loss)	4,492	(710)
	As of March 31,		
	Total assets	1,211,000	1,411,956
	Net assets	35,712	46,264
	Non-consolidated capital adequacy ratio (Domestic standard) (Note 1) (Note 2)	9.15%	13.37%

Notes: 1. Calculated based on rules in force at the respective dates.
2. The capital adequacy ratio has been calculated by applying the "fundamental internal rating based approach (FIRB)" instead of the "standard approach" for measuring credit risk from March 31, 2017.

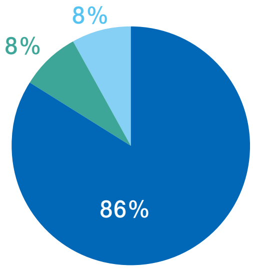
Composition by Business Segment
(For the year ended March 31, 2017)

- Life Insurance Business
- Non-life Insurance Business
- Banking Business

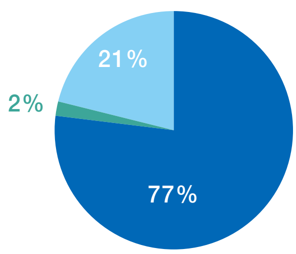
Ordinary Revenues



Ordinary Profit



Total Assets



Millions of yen

2010	2011	2012	2013	2014	2015	2016	**2017**
¥ 978,991	¥1,002,201	¥1,078,070	¥1,259,041	¥1,320,456	¥1,352,325	¥ 1,362,044	**¥ 1,381,667**
84,373	76,860	74,625	79,252	76,136	90,062	71,103	**66,326**
48,126	41,716	32,812	45,064	40,504	54,419	43,355	**41,621**
71,066	31,963	60,376	96,225	44,794	90,707	71,105	**21,433**
6,001,088	6,597,140	7,241,414	8,096,164	8,841,382	9,545,868	10,352,114	**11,471,845**
269,439	294,877	347,800	435,444	467,050	550,672	604,377	**601,139**
12.05%	10.96%	10.14%	9.88%	12.02%	11.91%	10.70%	**14.39%**
—	—	1,380.3%	1,520.6%	1,563.8%	1,634.9%	1,637.1%	**1,632.9%**
¥ 881,798	¥ 900,091	¥ 967,400	¥1,142,274	¥1,197,109	¥1,223,827	¥ 1,230,141	**¥ 1,243,739**
80,099	73,176	69,436	74,659	69,205	79,665	60,792	**60,180**
46,138	40,220	31,426	42,444	37,063	42,524	37,096	**35,185**
4,286,540	4,723,332	5,222,846	5,952,750	6,624,903	7,301,350	8,035,408	**8,873,613**
191,312	215,387	264,836	342,333	369,230	432,526	482,195	**473,589**
2,637.3%	2,900.1%	1,980.4%	2,281.8%	2,358.7%	2,555.0%	2,722.8%	**2,568.8%**
¥ 68,174	¥ 74,166	¥ 80,096	¥ 84,711	¥ 89,864	¥ 93,022	¥ 96,905	**¥ 102,333**
2,565	2,144	2,859	2,371	3,003	4,209	4,680	**4,996**
1,604	1,297	1,299	1,454	1,664	2,233	2,586	**3,515**
98,340	109,382	118,612	127,421	142,714	157,919	172,323	**186,537**
15,482	16,772	18,009	19,934	21,418	24,741	28,305	**29,409**
1,018.5%	981.4%	557.8%	504.2%	527.6%	629.6%	693.5%	**730.8%**
¥ 30,500	¥ 29,521	¥ 30,075	¥ 31,351	¥ 33,994	¥ 35,714	¥ 34,892	**¥ 35,105**
2,930	3,377	4,033	4,282	5,845	7,298	5,857	**4,634**
1,646	2,054	2,340	879	3,585	4,634	3,912	**3,176**
1,612,186	1,761,830	1,890,503	2,005,081	2,056,704	2,062,525	2,126,564	**2,424,236**
58,989	59,971	62,796	67,811	72,774	77,064	77,428	**81,332**
12.09%	10.84%	11.58%	11.98%	11.72%	10.65%	9.89%	**9.75%**

Credit Ratings (As of July 1, 2017)

Credit Rating Agencies	Sony Financial Holdings	Sony Life	Sony Bank
Rating and Investment Information (R&I)	Issuer rating AA–	Insurance claims paying ability AA	
Japan Credit Rating Agency (JCR)			Long-term issuer rating AA–
Standard & Poor's (S&P)		Insurer financial strength rating A+	Counterparty credit rating Long-term A Short-term A-1

Sony Financial Group's Growth Trajectory

Sony Financial Holdings

Apr. 2004 **Sony Financial Holdings Inc. is established as a financial holding company**

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

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

Nov. 2013 SFH acquires Senior Enterprise Corporation (currently Lifecare Design Inc.) as a subsidiary and enters nursing care business

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

Apr. 2016 Lifecare Design Inc. opens Sony Lifecare Group's first nursing care home

Jul. 2017 Sony Lifecare Inc. acquires Yuuai Holdings Co., Ltd. as a subsidiary

Sony Life

1970s

Aug. 1979 **Sony Prudential Life Insurance Co., Ltd., is 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 (In December 2012, the business is transferred to Paramount Life & General Insurance Corporation.)

2000s

May 2001 Sony Life's Lifeplanner sales employees begin selling automobile insurance of Sony Assurance

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

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

Dec. Sony Life is approved to conduct banking agency business on behalf of Sony Bank

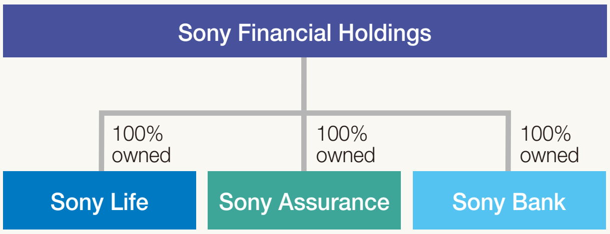
Oct. 2009 Sony Life establishes SA Reinsurance Ltd. in British Bermuda as a reinsurance company specializing in variable annuities

Dec. AEGON Sony Life Insurance commences operations. Sony Life's Lifeplanner sales employees begin selling individual variable annuities

2010s

Oct. 2016 Sony Life invests in ClearView Wealth Limited, a life insurance company in Australia

Group Structure
(Primary Subsidiaries)



Sony Assurance

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

2000s

Sep. 1999 Sony Insurance Planning changes its 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 fire insurance to customers taking out mortgage loans from Sony Bank

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

2010s

Jan. 2017 Sony Assurance launches “ZiPPi” medical insurance for hospital inpatient expenses

Sony Bank

Apr. 2001 **Sony Bank Inc. (Sony Bank) is 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

Jun. 2007 Sony Bank establishes Sony Bank Securities Inc. (Sony Bank Securities) as a wholly owned subsidiary. (In August 2012, all shares of Sony Bank Securities are transferred to Monex Group, Inc.)

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. (currently Sony Payment Services Inc.)

Jan. 2016 Sony Bank launches Sony Bank WALLET, a cash card with Visa debit function

A Message from the President

Despite the persistently challenging market environment, we will enhance our ability for providing high-quality services from a customer-first perspective toward expanding our business volume as well as achieving sustainable growth for the Group overall and stable returns to shareholders.

Let me express my deepest appreciation to all stakeholders for the continued support and interest you have extended to the Sony Financial Group.

In fiscal 2016, the fiscal year ended March 31, 2017, the business environment remained challenging. This was largely because interest rates remained low, paralleling the Bank of Japan's monetary easing policy. Nevertheless, the Sony Financial Group took a flexible approach to measures aimed at improving profitability, and achieved steady expansion in business volume for its three core business segments.

At Sony Life, measures were implemented to boost profitability, including product revisions and a shift in the product mix toward U.S. dollar-denominated insurance and term life insurance, and the company was able to maintain the new policy amount on a par with its record-high posted in fiscal 2015. At Sony Assurance, insurance policies steadily increased, mainly by expanding online discounts to new customers signing up for mainstay automobile insurance and by reinforcing marketing and communication techniques. A notable new product for Sony Assurance is ZiPPi medical insurance, which covers actual patient-paid expenses. At Sony Bank, the balance of mortgage loans expanded, driven by soaring customer needs for refinancing. Sony Bank WALLET cash cards with a Visa debit function in 11 currencies also proved popular, substantiated by its higher number of issuance.

Looking at consolidated results in fiscal 2016, ordinary revenues rose 1.4% year on year, to ¥1,381.6 billion, consolidated ordinary profit decreased 6.7%, to ¥66.3 billion, and profit attributable to owners of the parent fell 4.0%, to ¥41.6 billion. The dividend for fiscal 2016 was ¥55 per share, the same as in fiscal 2015.

In fiscal 2016, the Sony Financial Group embarked on a new three-year medium-term management plan. Though it has only been a year, progress toward the expansion of business volume at each Group company is generally on track. The operating environment surrounding the Group is sure to remain challenging, characterized by persistently low interest rates. However, our direction—seeking to establish competitive excellence and realize sustainable growth—remains unchanged, and we will achieve this goal by further enhancing our ability to provide high-quality services from a customer-first perspective.

In addition, in fiscal 2016 we sought to maximize corporate value on a Groupwide basis by optimizing capital, risk and return and introduced an enterprise risk management (ERM) framework that underpins improvements in capital efficiency. Going forward, we will continue our efforts to reinforce management practices. From a long-term perspective, we will place emphasis on raising the level of convenience for customers and enhancing operating efficiency through the use of advanced technologies, epitomized by artificial intelligence (AI) and FinTech.

As for dividends to shareholders, our basic policy has not changed and we will continue to aim for steady increases in dividends in line with revenue growth over the medium to long term, based on our policy of providing stable dividends.

Notwithstanding, we have partially revised our medium-term dividend policy, effective from fiscal 2017. Previously, we used a certain payout ratio based on underlying statutory profit as our medium-term target. However, going forward we will take a broader view of profit, prioritizing economic value-based indicators that more closely represent medium-term growth of our business. We will continue our efforts to achieve steady increases in dividends over the medium term in our ongoing commitment to meet the expectations of shareholders.

July 2017

Shigeru Ishii
President and Representative Director

Our Story:

Strength

Strengths of Group Companies

The Sony Financial Group seeks to differentiate itself by creating new business models unlike those of industry peers and provides customers with reasonable, convenient and high-quality products and services.

Going forward, the Group will strive to strengthen the presence of each company in its respective market.

Life Insurance Business — Sony Life

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

Strategic Highlights
- Strengthen provision of death protection
- Full-scale expansion into corporate market
- Expand Lifeplanner channel

Main Products
- Death-protection insurance
- Living benefit insurance, educational endowment insurance, medical insurance, and others

Main Sales Channels
- Lifeplanner sales employee
- Partner (independent agent)

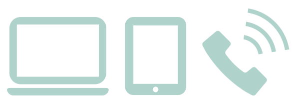
Non-life Insurance Business — Sony Assurance

- Reasonable premiums matched to risk on individual basis
- Excellent accident response, with high-quality customer center and website services

Strategic Highlights
- Maintain growth in automobile insurance
- Introduce new products and expand insurance categories

Main Products
- Automobile insurance
- Medical insurance (term-type insurance covering actual expenses, whole life insurance covering predetermined amounts)

Main Sales Channels
- Internet
- Telephone



Banking Business — Sony Bank

- Lineup of highly convenient, high-quality products leveraging advantages of the Internet
- Non-face-to-face business operations with high customer satisfaction

Strategic Highlights
- Reinforce foreign currency deposits
- Provide products and services for asset management

Main Products
- Foreign currency deposits
- Mortgage loans
- Sony Bank WALLET cash card with Visa debit function in 11 currencies

Main Sales Channels
- Internet

Our Story:

Growth

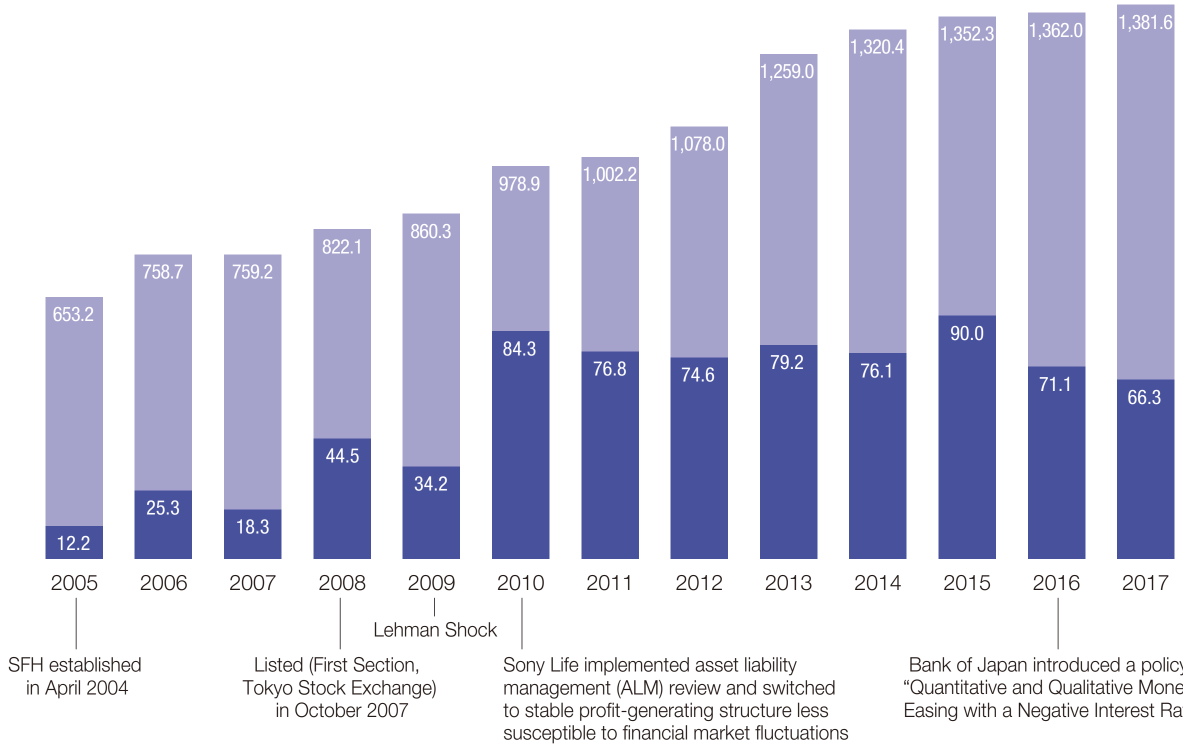
Growth of the Sony Financial Group

SFH (Consolidated)

Ordinary Revenues/Ordinary Profit

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

Ordinary revenues
¥1,381.6 billion



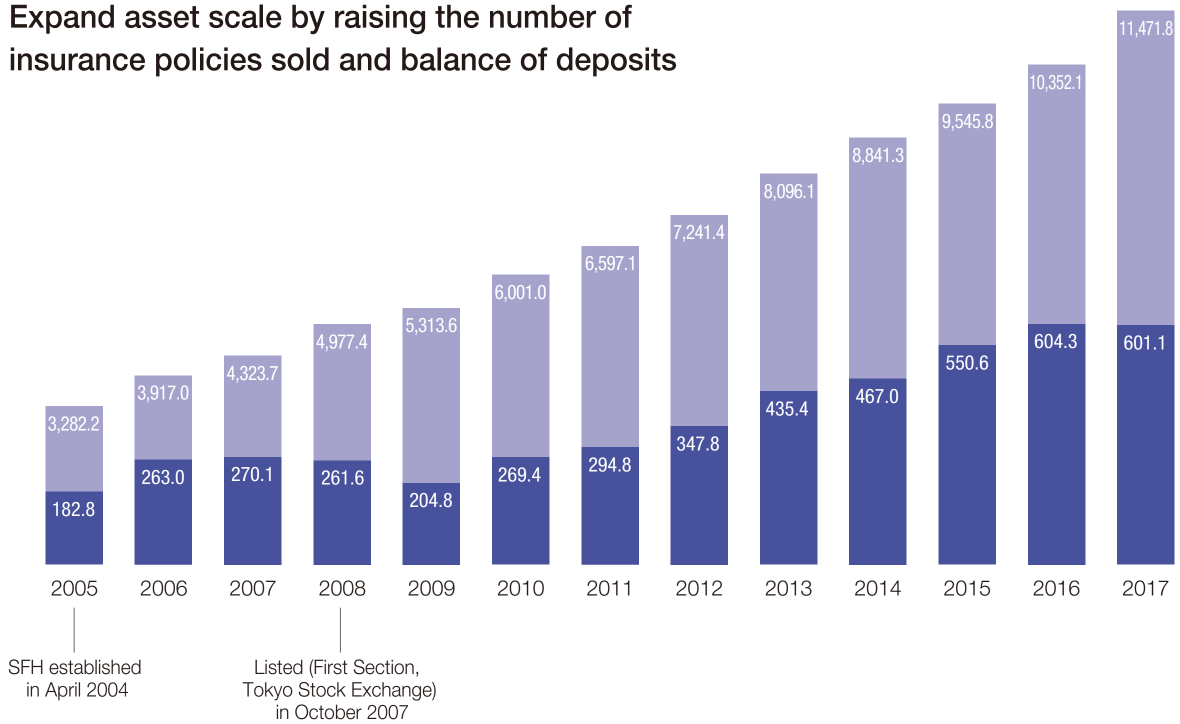
Ordinary profit
¥66.3 billion

(For the years ended March 31,)

Total assets
¥11,471.8 billion

Total Assets/Net Assets

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



Net assets
¥601.1 billion

(As of March 31,)

Vision and Strategies

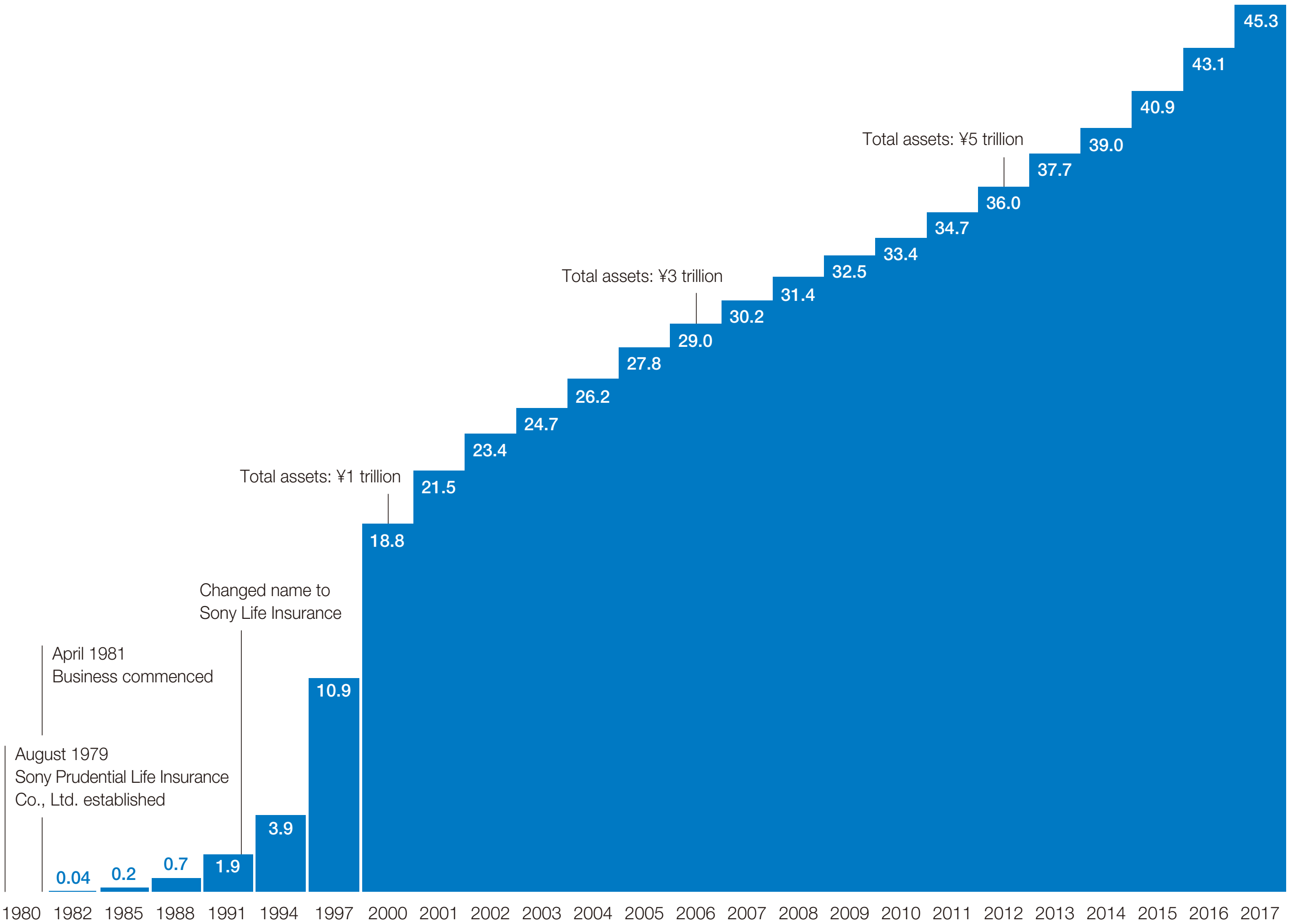
Growth of the Sony Financial Group

Life Insurance Business

Sony Life (Non-consolidated)

Policy Amount in Force*1

¥45.3 trillion



*1 Total amount of individual life insurance and individual annuities

(As of March 31,)

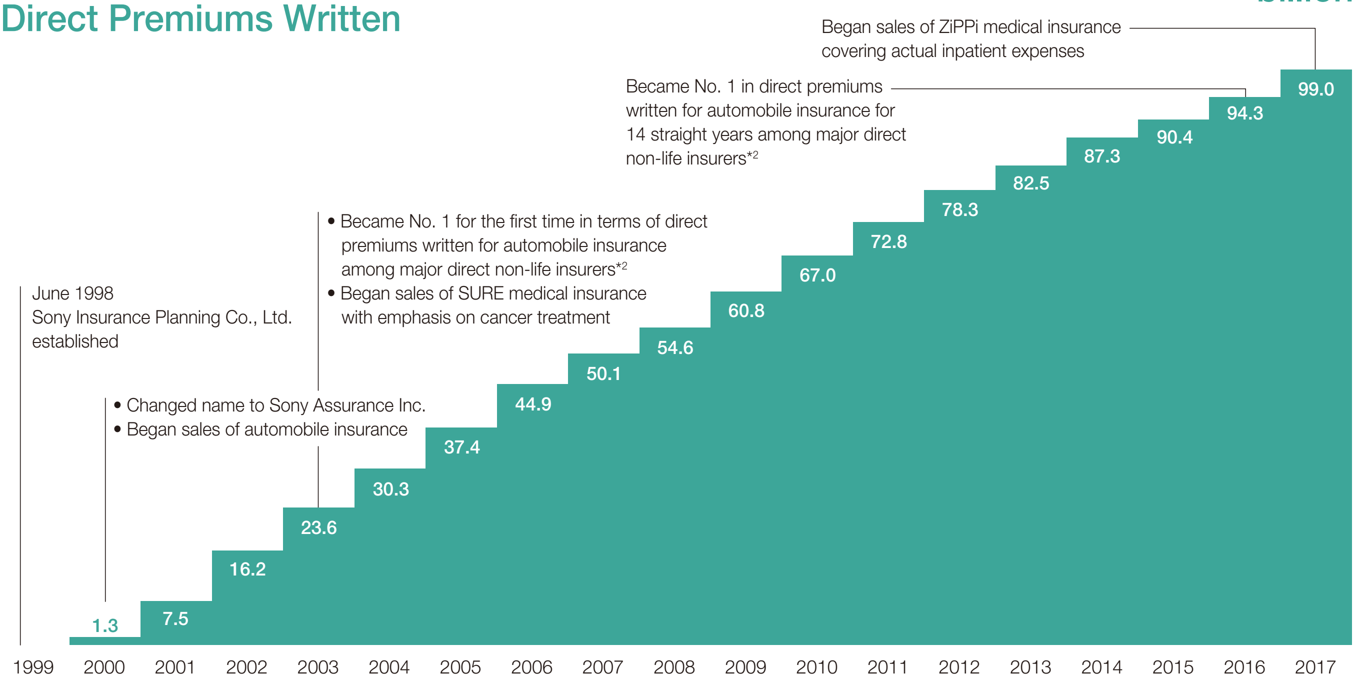
A consultation led by a Lifeplanner sales employee

Non-life Insurance Business

Sony Assurance

Direct Premiums Written

¥99.0 billion



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

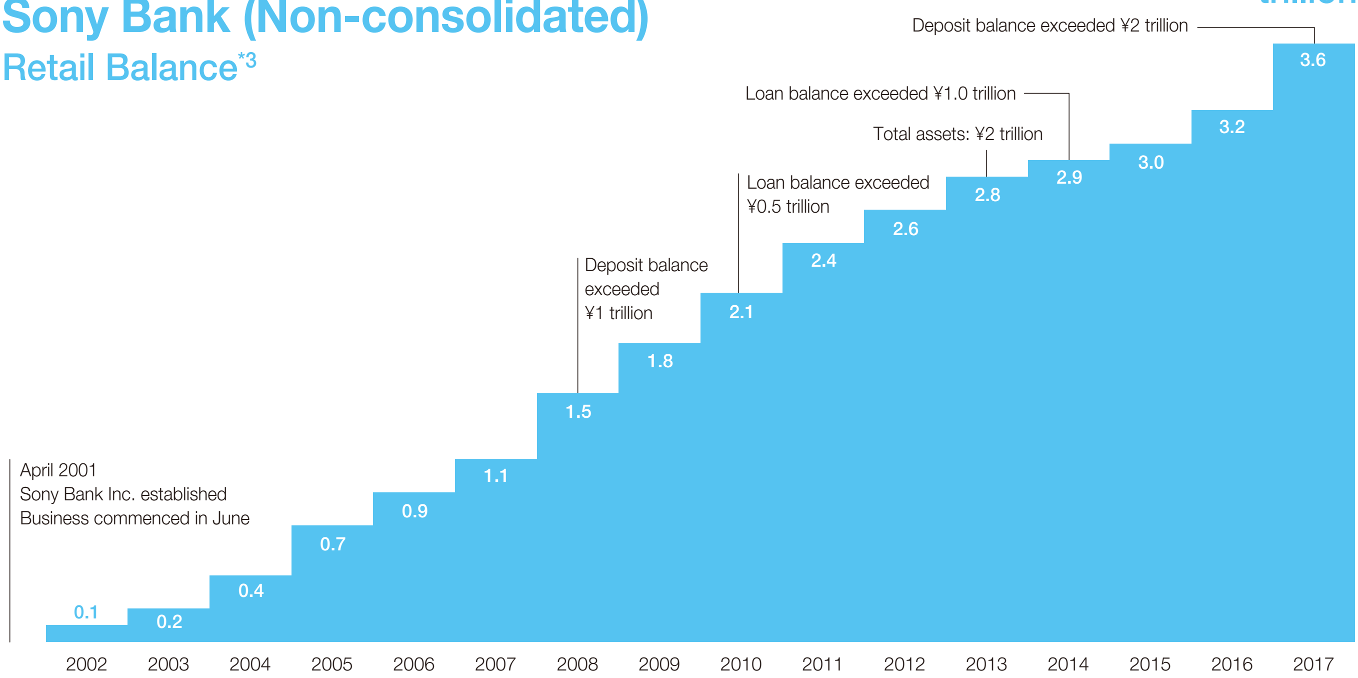
(For the years ended March 31,)

Banking Business

Sony Bank (Non-consolidated)

Retail Balance*3

¥3.6 trillion



*3 Sum of deposits, investment trusts and personal loan balances

(As of March 31,)

Our Story:

Corporate Value

Seeking to maximize medium- to long-term corporate value of the Sony Financial Group

The Sony Financial Group will maximize corporate value on a Groupwide basis over the medium to long term through implementing the following measures.

1 Sustainable, stable growth at Group companies

We aim to achieve sustainable, stable growth by utilizing inherent company strengths and expanding business volume.

▶Page 8: Our Story: Strength (Strengths of Group Companies)
▶Page 10: Our Story: Growth (Growth of the Sony Financial Group)

2 Creating synergies through cooperation among Group companies

We aim to enhance the synergistic effect of the Group and provide customers with appealing, high-value-added products and services that were not previously available at financial institutions. This will be achieved through the growth of each Group company and enhancing cooperation among them.

Sales tie-up through Sony Life's Lifeplanner sales employees

Lifeplanner sales employees handle products of Group companies, such as automobile insurance from Sony Assurance and mortgage loans from Sony Bank.

In fiscal 2016, the volume of automobile insurance sold along the Lifeplanner channel represented 4% of the number of new policies by Sony Assurance, while the volume of mortgage loans along this sales route represented 20% of the amount of new loans extended by Sony Bank.

In April 2017, Lifeplanner sales employees began handling Sony Bank WALLET and foreign currency sales for Sony Bank. This has reinforced the sales tie-up between Sony Life and Sony Bank.

3 Entry into new business domains that transcend our existing framework

Focusing on business domains connecting to our existing three pillars of operations, we will continue to enrich our lineup of products and services to meet customer expectations and promote steady expansion of business volume.

Aiming to protect the dignity of seniors through nursing care services and contribute to a society in which everyone can live comfortably and with peace of mind throughout their lives, the Sony Financial Group added the nursing care business to its operating portfolio in November 2013. The new business is steadily developing its activities.

▶Page 30: Vision and Strategies　Nursing Care Business
▶Page 76: CSR　Customers

Sony Financial Group

Medium-term Business Plan FY2016 → FY2018

Key Messages

Respond to the ultralow interest rate environment	• We will respond expeditiously to improve profitability (particularly in the life insurance business).
Achieve ongoing growth for the Group as a whole	• We will reinforce our provision of high-quality, highly convenient services, and continue expanding our business operations by strengthening our competitive edge. • While monitoring operating expenses closely, we will confidently make up-front investments aimed for future growth. • We will engage steadily in initiatives targeting new business fields and new services. At the same time, we will utilize technologies that contribute to increases in customer value. • **We have introduced an ERM framework into Group management, and are strengthening our management platform with a view to improve Group profitability and capital efficiency.**
Capital policies, shareholder returns	• Based on the assumption that we will maintain financial soundness in each of our businesses, we will aim for steady increases in dividends in line with earnings growth over the medium to long term. • **We have changed our medium-term dividend policy in line with growth in the Group's business operations. (When determining dividends, we will place importance on profit indicators based on economic value.)**

Note: Text in blue indicates additions or changes from the medium-term plan announced in June 2016.

Progress toward Medium-term Targets for March 2019

	Results for FY2016	FY2018	
		Progress toward medium-term targets (Outlook)*	Medium-term targets
Consolidated ordinary revenues	¥1,381.6 billion	¥1,540.0 billion	¥1,650.0 billion
Consolidated ordinary profit	¥66.3 billion	¥71.0 billion	¥80.0 billion
Profit attributable to owners of the parent	¥41.6 billion	¥45.0 billion	¥51.0 billion
Consolidated adjusted ROE**	3.9%	7–8%	4–5%

**Forward-looking forecasts and estimates presented on pages 16–30 are based on information available to management as of the Corporate Strategy Meeting held on May 31, 2017.*

***Consolidated adjusted ROE for fiscal 2015 has been recalculated due to a change in calculation assumptions.* ▶ Page 20: "Calculation of Adjusted ROE"

Note: The medium-term targets for the medium-term management plan that Sony Life aims to achieve by March 31, 2019, are based on conditions prevailing as of March 31, 2016, and the April 2017 revision in the standard yield used for calculating policy reserves has not been factored into these targets. However, the forecast for fiscal 2017 and outlook for fiscal 2018 are based on conditions prevailing as of March 31, 2017, and thereby the revision in the standard yield is reflected in these figures.

The revision in the standard yield and anticipated acceleration in new policy acquisition are likely to derail progress toward our medium-term target for consolidated profit based on statutory accounting for fiscal 2018. However, growth in business volume, profit on an economic value basis and consolidated adjusted ROE should all exceed our medium-term targets.

The Sony Financial Group will continue to promote growth in business volume to enhance corporate value. We will place more emphasis on profit indicators based on economic value, which more closely reflect the status of growth in our core life insurance business, and aim for steady increases in dividends.

Shigeru Ishii
President, Representative Director
Sony Financial Holdings

Tomoo Hagimoto
President, Representative Director
Sony Life

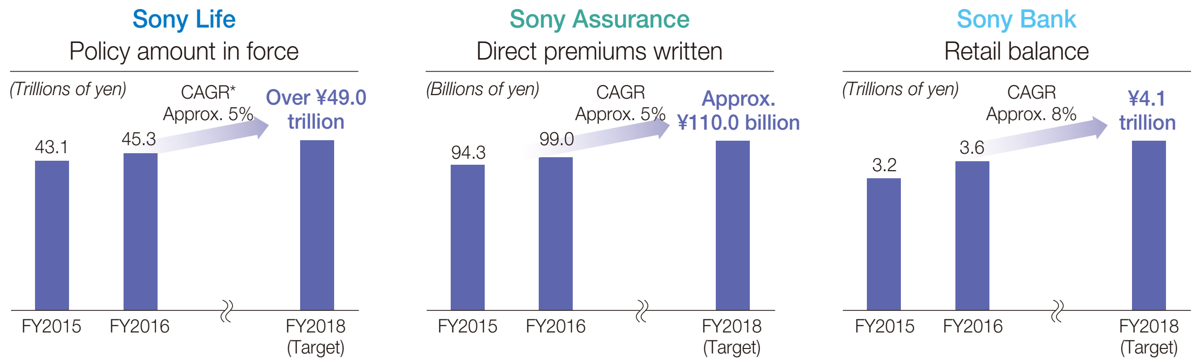
Atsuo Niwa
President, Representative Director
Sony Assurance

Yuichiro Sumimoto
President, Representative Director
Sony Bank

Sony Financial Group

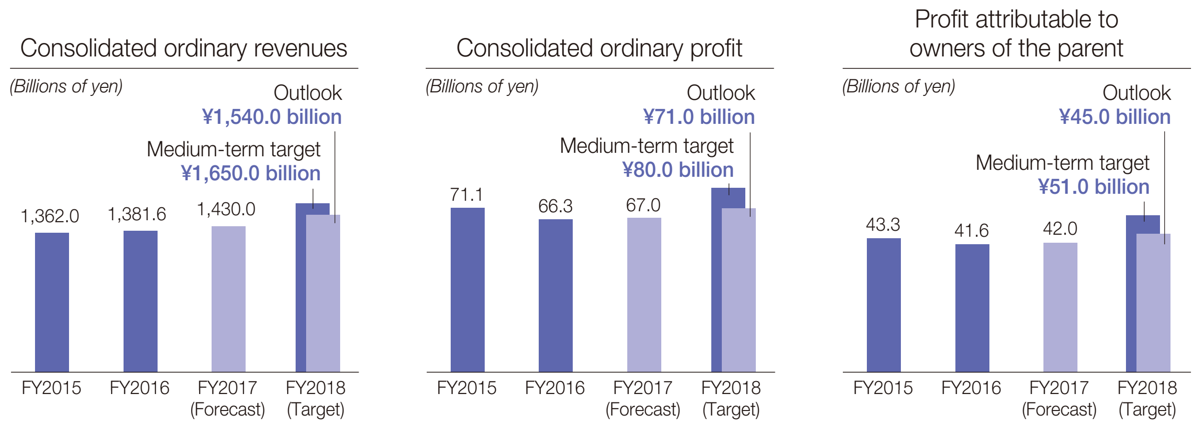
Growth in Business Volume and Performance Forecasts

Business Volume Indicators



*CAGR: Compound Annual Growth Rate

Performance Indicators



For fiscal 2016, the Sony Financial Group's consolidated profit based on statutory accounting fell below initial expectations. We expect our results to continue to fall below the medium-term target in fiscal 2017 and beyond, reflecting an increase in first-year expenses in line with the revision in the standard yield and acceleration in new policy acquisition in the life insurance business.

However, given the low interest rate environment, the three core subsidiaries are expanding business volumes in line with the plan, while taking a flexible approach to restoring profitability.

Shigeru Ishii
President, Representative Director
Sony Financial Holdings

SFH's Medium-term Dividend Policy

In April 2017, SFH announced a change in its medium-term dividend policy. Although the Sony Financial Group expects to achieve brisk growth in business volume over the medium term, profit on a statutory accounting basis is unlikely to expand commensurate with business growth and could fall below the medium-term target for fiscal 2018. However, if viewed according to MCEV and other profit indicators on an economic value basis, which more accurately reflect growth in the life insurance business, profit may actually exceed the medium-term target.

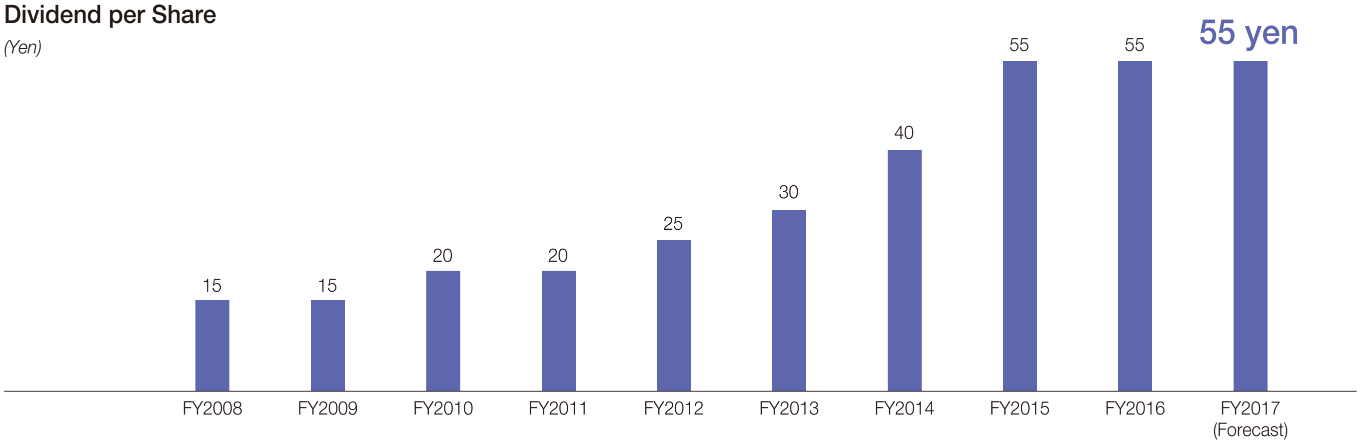
Previously, we used a certain payout ratio based on underlying statutory profit as our medium-term target. However, going forward we will take a broader view of profit, prioritizing economic value-based indicators.

We seek to deliver steady increases in dividends over the medium to long term corresponding to profit growth based on economic value.

▶ Page 86: Basic Policy on Returning Profits to Shareholders

The year-end dividend for fiscal 2016 was set at ¥55 per share, unchanged from fiscal 2015. For fiscal 2017, SFH plans to maintain its year-end dividend of ¥55 per share.

Dividend per Share



Adjusted ROE

Group companies are engaged in different businesses, such as insurance and banking, and thus an adjusted ROE is calculated for each company based on adjusted profit and adjusted capital, to accurately pinpoint corporate value and capital efficiency. Sony Life's core ROEV reached 3.6% in fiscal 2016, reflecting the impact of low interest rates. The ratio should be in excess of 4%–5%—the medium-term target—by fiscal 2018, and eventually improve to 7%. For Sony Assurance, adjusted ROE should reach 13% by fiscal 2018, while the medium-term target for Sony Bank is 6% by fiscal 2018. Both companies are on track toward these targets.

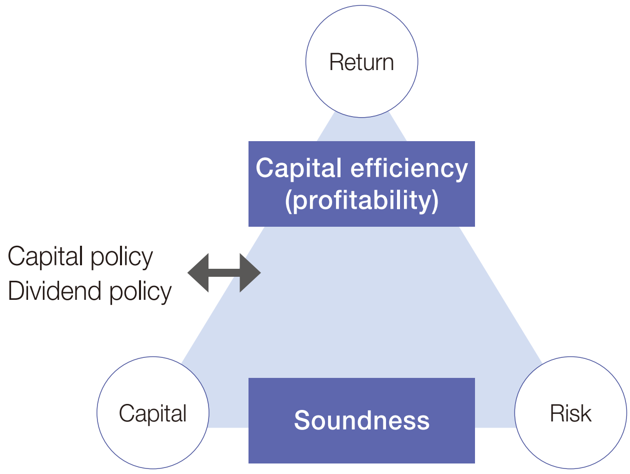
	Results for FY2016	FY2018	
		Progress toward medium-term targets (Outlook)	Medium-term targets
Sony Life Core ROEV	3.6%	7%	4–5%
Sony Assurance Adjusted ROE	14.4%	In line	13%
Sony Bank (consolidated) ROE	4.1%	In line	6%
Consolidated adjusted ROE*	3.9%	7–8%	4–5%

Formulas for calculating adjusted ROE are presented on page 20.

**Effective from fiscal 2016, the calculation of consolidated adjusted ROE has changed, with the method of calculating adjusted profit at Sony Life changed to a method that combines new business value and expected existing business contribution. Furthermore, from fiscal 2016, Sony Life's MCEV is calculated by using the ultimate forward rate (UFR).*

Introducing a Group ERM Framework

A group-oriented enterprise risk management (ERM) framework was introduced into the Sony Financial Group, effective from fiscal 2016. The objective is to balance and optimize capital, risk and returns by extending comprehensive risk management structures already in place at each company throughout the whole organization, and to instill the idea of improved capital efficiency in management across the Group. This ERM framework will help the Group achieve stable growth in corporate value.



Capital efficiency (profitability) indicators

- Sony Life: Core ROEV
- Sony Assurance: Adjusted ROE
- Sony Bank: ROE

Soundness indicators

- Insurance business: Solvency margin ratio
- Banking business: Capital adequacy ratio
- Management on a regulatory basis and on the basis of economic value

Calculation of Adjusted ROE

Sony Life's core ROEV is calculated as follows:

$$\frac{\text{New business value + Expected existing business contribution}}{\text{MCEV* as of the beginning of the fiscal year less dividends paid plus MCEV* as of the end of the fiscal year, divided by two}}$$

Sony Assurance's adjusted ROE is calculated as follows:

$$\frac{\text{Net income (loss) + Provision amount for catastrophe reserve and its provision amount for reserve for price fluctuations, in each case after taxes}}{\text{The average amount of net assets plus the sum of catastrophe reserve and its reserve for price fluctuations during the fiscal year, in each case after taxes}}$$

Sony Bank's ROE is calculated as follows:

$$\frac{\text{Profit (loss) attributable to owners of the parent}}{\text{The average amount of net assets during the fiscal year}}$$

Consolidated adjusted ROE for fiscal 2016 is calculated as follows:

Consolidated adjusted ROE = Consolidated adjusted profit divided by consolidated adjusted capital

$$\frac{\text{Sony Life: New business value plus expected existing business contribution + Sony Assurance: Net income (loss) plus provision amount for catastrophe reserve and its provision amount for reserve for price fluctuations, in each case after taxes + Sony Bank: Profit (loss) attributable to owners of the parent}}{\text{Sony Life: MCEV* as of the beginning of the fiscal year less dividends paid plus MCEV* as of the end of the fiscal year, divided by two + Sony Assurance: The average amount of net assets plus the sum of catastrophe reserve and its reserve for price fluctuations during the fiscal year, in each case after taxes + Sony Bank: The average amount of net assets during the fiscal year}}$$

Note: Sony Life changed its formula for calculating the numerator (adjusted profit), as of fiscal 2016.
Sony Life discloses Market Consistent Embedded Value ("MCEV"). Sony Life's MCEV is calculated in compliance with the European Insurance CFO 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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Customer-First Business Operation Policy (Summary)

Based on its vision and philosophy, the Sony Financial Group pursues business operations from a customer-first perspective. SFH has clarified this initiative as its customer-first business operation policy, and Sony Life, Sony Assurance and Sony Bank will each go further to establish business operation policies fine-tuned to respective activities.

The policy that SFH has set as well as the policies in place at Group companies will be reviewed periodically, taking into account such factors as changes in the operating environment. In addition, SFH, as a financial holding company, will confirm that the content of the customer-first business operation policy is appropriate, and will monitor the activities at Group companies, based on this policy, to ensure proper business operations. SFH will offer whatever support and guidance is necessary, as required.

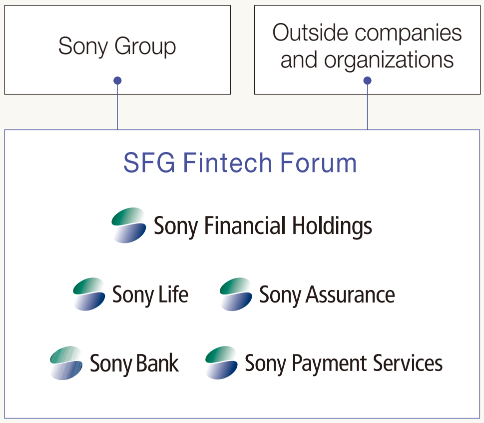
At the same time, Group companies will verify the status of their own initiatives on customer-first business operations and regularly report to the Board of Directors or other oversight structures and will also provide status updates on a regular basis.

FinTech Initiatives

The Sony Financial Group strives to improve services for customers by putting the advantages afforded by IT to the best possible use. Going forward, Group companies will aggressively promote initiatives that utilize new technologies, namely, FinTech and AI, to provide services that offer enhanced convenience to customers and greater efficiency in business processes.

Fiscal 2016 welcomed the first SFG Fintech Forum, a Groupwide framework. In the future, the goal is to expand initiatives through collaboration with the Sony Group and outside companies and organizations.

Groupwide Initiatives



Sony Life

Fiscal 2016 Review

- Ensured profitability by taking a flexible approach to product revisions and shifting toward such products as U.S. dollar-denominated insurance and term life insurance.
- Achieved performance on a par with record-high new policy amount booked in fiscal 2015. Lifeplanner sales employee recruitment far exceeded target, accelerating expansion of marketing base.

Toward Achieving the Medium-term Management Plan

To achieve profit growth on an economic value basis, in the prevailing low interest rate environment, Sony Life has implemented marketing strategies and product revisions to ensure and boost profitability. In addition, we aim to acquire new policies by expanding the Lifeplanner channel and the independent agency channel. These efforts will spur steady growth in corporate value.

Activities for Growth in Fiscal 2017 and Beyond

<Lifeplanner Channel> Expansion in the number of sales personnel to drive stable growth	• Enhance recruitment process and initial training • Further improve provision of value (enhance corporate products/services and introduce "Karte" customer database)
<Independent Agency Channel> Realize growth	• Achieve steady business growth in large corporate independent agencies • Expand independent agencies with close ties to their local community through establishing solid structure of sales operation
Solid growth of corporate value	• Realize profit growth exceeding medium-term targets based on economic value

Sales Strategy: Steady Growth Hinging on Lifeplanner Channel and Sales Force Expansion

Enhance recruitment process and initial training

Sales through the Sony Life Lifeplanner channel represent about 75% of all new policies, and sales are growing steadily.

At Sony Life, our medium-term target is a Lifeplanner network of 5,200 sales employees by the end of March 2019. However, brisk recruitment is pushing the number of Lifeplanner sales employees higher each year, and the target may well be met ahead of schedule. In fiscal 2016, the number of Lifeplanner sales employees reached 4,933—up 321 from the end of the previous year—due to the addition of 685 newly hired Lifeplanner sales employees. This aggressive recruitment was

Tomoo Hagimoto

President, Representative Director

Sony Life

supported by an increase in the number of office managers who recruit and train Lifeplanner sales employees.

Meanwhile, productivity, which dropped slightly in fiscal 2016 mainly due to the impact of product revisions, remained at a high level nonetheless.

Going forward, we will adopt more stringent selection criteria for Lifeplanner sales employee candidates and enhance our interview process. We will strive to improve the quality of newly hired employees while expanding the number of Lifeplanner sales employees through steadily promoting recruitment activities. In addition, we will strengthen the content of initial training for new Lifeplanner sales employees, as its number increases along with accelerated recruitment efforts, and we will maintain high productivity.

Further improve provision of value

1. Corporate market initiatives

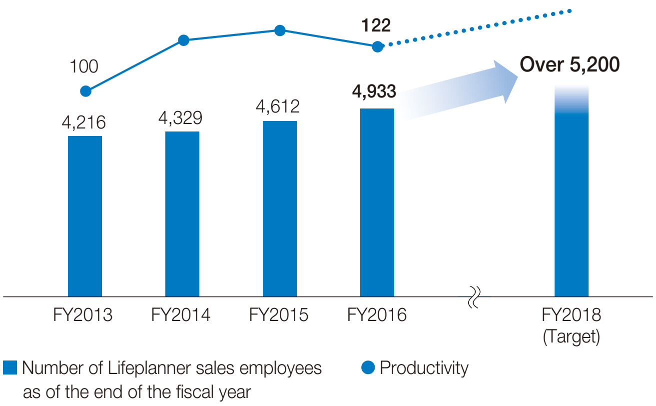
In fiscal 2016, Sony Life began strengthening its provision of products and services to the corporate market, with a focus on owners of small and mid-sized companies. As a result, in fiscal 2016 new policy amount to corporate customers soared 40% year on year. New products for this market were non-participating group welfare term life insurance, launched in October 2016, and corporate variable term life insurance, launched in April 2017. In addition, we worked to reinforce our lineup of appealing products and services by offering personnel and labor consultation services and employee welfare support services. Also, since Lifeplanner sales employees are required to have expertise in various areas, including economics, finances and taxes, to deal with corporate customers, the content of training was reinforced, along with education and support structures, including the assignment of a dedicated support manager. Going forward, we will seek to increase new policy amount by at least 10% each year.

2. Extending consulting sales through "Karte" customer database

Consulting sales based on customer needs are a strength of Sony Life, and the Lifeplanner channel draws on LiPSS—Life Planning Support Service—as a tool to support consulting sales. LiPSS objectively presents the amount of insurance coverage needed by customers. To complement the merits of LiPSS, Sony Life will introduce "Karte" in fiscal 2017 to enhance the system for data collection, updates and sharing. "Karte" will not only support life-planning but also act as a visual evidence of Lifeplanner sales employees' proposals and recommendations for products and services at the time of policy signing. We expect that customers will be more receptive to recommendations if backed by evidence. In addition, Lifeplanner sales employees will be able to accurately pinpoint the timing of changes to customers' life plans and provide follow-up based on the content of past meetings. Furthermore, the transition from one Lifeplanner sales employee to another, should a personnel change occur, will become smoother.

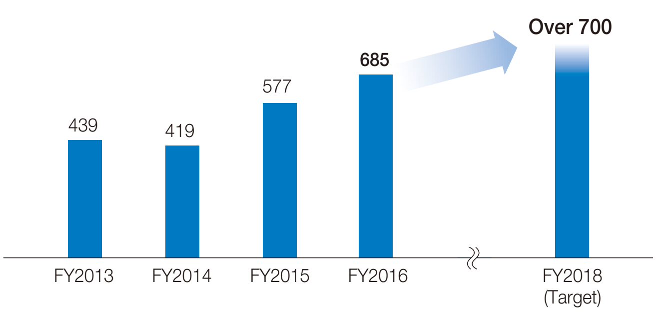
"Karte" will further enhance consulting sales and follow-up activities with customers and strengthen relationships between Lifeplanner sales employees and customers.

Number of Lifeplanner Sales Employees*1 and Productivity*2



*1 The figure includes the number of contracted Lifeplanner sales employees and those rehired on a fixed-term contract basis after retirement.
*2 Productivity is indexed to FY2013 = 100, calculated on the basis of new policy amount.

Number of Newly Recruited Lifeplanner Sales Employees



Sales Strategy: Independent Agent Channel

Steady business growth in large, corporate independent agencies* and solid operating structure for independent agencies with close ties to the local community**

Partners (independent agents) are a key sales channel for Sony Life, right behind the Lifeplanner channel, and account for about 25% of all new policies.

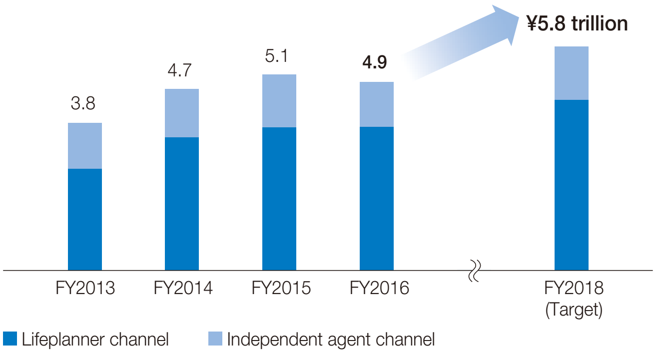
In fiscal 2016, new policy volume was down year on year, due to the substantial drop in yen interest rates and implementation of premium revisions ahead of other companies, which reduced demand. Going forward, we will steadily expand sales through large, corporate agencies and enhance development and training at independent agencies with close ties to the local community. Specifically, we will visualize the development activities of our new Partners, and by creating approach tools customized to Partner characteristics, we will accelerate the development of a network of Partners who share our philosophy. We will also retune training structures and systems matched to Partner growth stages, encourage a quick launch, and thereby reinforce our cooperative relationship with Partners.

*Large, corporate independent agencies: Mainly shop-type agencies and professional agencies covering a wide geographical area

**Independent agencies with close ties to local community: Agencies, such as value partners, with strong loyalty to Sony Life and deep roots in the community.

Sony Life's New Policy Amount (Individual life insurance and annuities)

(Trillions of yen)



Steady Growth in Corporate Value

Realize profit growth exceeding medium-term targets on economic value basis

At Sony Life, we expect ordinary profit to come in at ¥58.0 billion in fiscal 2018, below the ¥66.0 billion medium-term target. This reflects the impact of the revision in the standard yield in April 2017 and higher expenses in the first year from the accelerated acquisition of new policies toward fiscal 2018.

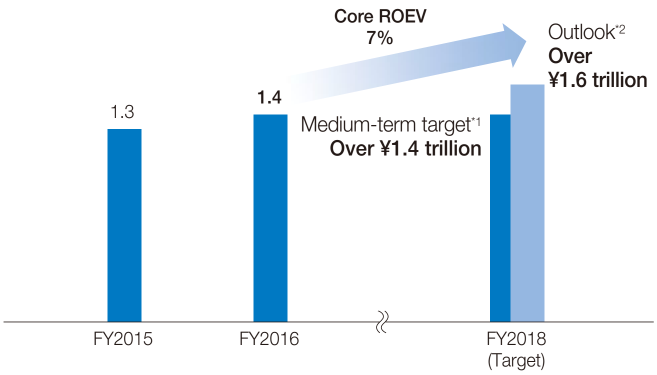
We emphasize medium-term profit growth on an economic value basis as an indicator of performance since it tracks more closely to actual growth of the life insurance business. Our MCEV was ¥1,441.1 billion at the end of March 2017, up ¥111.0 billion year on year, and by the end of March 2019, it should exceed ¥1,600.0 billion and thus place above the medium-term target.

We see new business value and the expected existing business contribution as the base for growth in corporate value obtained through insurance underwriting. We define this rate of increase as core return on embedded value (core ROEV). We are predicting core ROEV of about 7% by March 31, 2019, well above the medium-term target of 4%–5%.

Sony Life will continue to work toward achieving medium-term growth.

MCEV

(Trillions of yen)

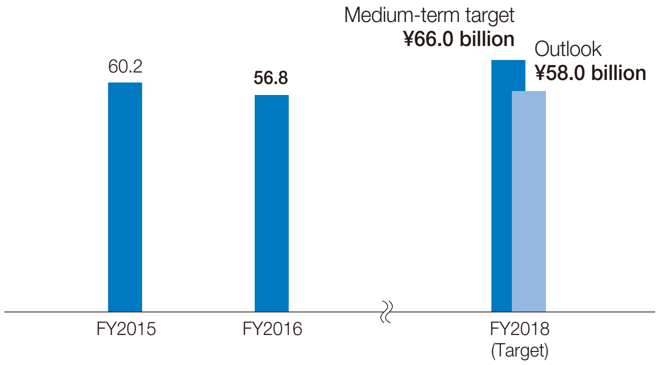


**1 Based on interest rate level at the end of March 2016. With the adoption of UFR for MCEV in the first quarter of FY2016, medium-term targets were reevaluated.*

**2 Based on interest rate level at end of March 2017.*

Ordinary Profit*3

(Billions of yen)



**3 Ordinary profit in the life insurance business*

Progress toward FY2018 Medium-term Targets

	Results for FY2016	FY2018 Progress toward medium-term targets (Outlook)	FY2018 Medium-term targets
Policy amount in force	¥45.3 trillion	In line	Over ¥49.0 trillion
Number of Lifeplanners*1	4,933	Exceeding initial targets	Over 5,200
MCEV*2	¥1.4 trillion	Over ¥1.6 trillion	Over ¥1.4 trillion
Core ROEV	3.6%	7%	4–5%
Ordinary profit (life insurance business)	¥56.8 billion	¥58.0 billion	¥66.0 billion

**1 The figures include the number of contracted Lifeplanner sales employees and those rehired on a fixed-term contract basis after retirement.*

**2 The figure in "FY2018 Medium-term targets" is based on interest rate levels at the end of March 2016, and others are based on those at the end of March 2017. With the adoption of UFR for MCEV in the first quarter of FY2016, medium-term targets were reevaluated.*

▶Please refer to Review of Operations: Life Insurance Business on page 36.

Sony Assurance

Fiscal 2016 Review

- Briskly increased automobile insurance policies in force, primarily because of larger online discounts on new policies and enhanced marketing communication.
- Began sales of ZiPPi medical insurance, which covers actual patient-paid expenses, in January 2017, and expanded offerings in categories other than mainstay automobile insurance.

Activities for Growth in Fiscal 2017 and Beyond

Sustain growth in automobile insurance	**Work to maintain a leading position in the direct automobile insurance market and respond to future changes in the operating environment** • Provide products that are rational, progressive and unique. Focus on the telematics field • Apply progressive technologies to increase sophistication of marketing and services • Improve the operating expense ratio in preparation for future reductions in insurance premium rates
Expand business categories other than automobile insurance	**By expanding business categories other than automobile insurance, move away from a structure heavily relied on automobile and ensure a stable, long-term earnings base** • Accelerate expansion in area of medical insurance by introducing new products and enhancing existing products • Consider expansion of new categories within fire and casualty insurance, the business domains that we can leverage the company's strengths
Maximize customer value	**As a source of growth, enhance the customer experience, as well as product and service specifications** • Enhance the customer experience through customer contact points, thereby raising NPS* and augmenting customer retention • Increase perceived quality by raising product and service specifications, sweeping away uncertainties about direct insurance and strengthening the ability to acquire new contracts
Renovate business systems and reform operations	**Conduct large-scale renovation of core business systems and enact operational reforms** • Improve system development and maintenance efficiency by renovating system configurations • Along with system reconfiguration, enhance services, improve the customer experience and conduct operational reforms, aiming to improve operating efficiencies

**NPS: An index that measures willingness of customers in recommending products or services to other people.*

Sony Assurance achieved another year of record-high profits, charting improvement for a fourth consecutive year since fiscal 2013. This reflects higher ordinary revenues and a relatively low loss ratio. Going forward, we will strive to sustain growth for automobile insurance, mainly by reinforcing product appeal, raising customer satisfaction and utilizing advanced technology. We will cement our leading position in the direct automobile insurance market and work to respond to changes in the business environment in the future. With regard to telematics insurance, we have teamed up with Yahoo Japan Corporation and the Sony Group to pursue research aimed at developing new PHYD-type* telematics

Atsuo Niwa
President, Representative Director
Sony Assurance

insurance products. In FinTech, we are collaborating with the Sony Group and FinTech ventures to achieve greater sophistication in marketing and services through the use of advanced technologies, including AI.

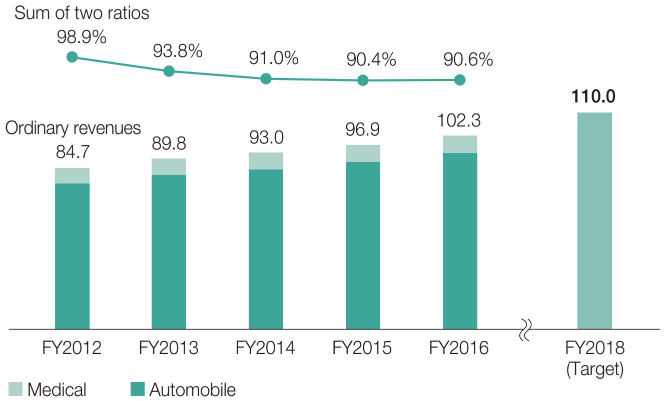
In addition to these activities, we will strive to maintain price competitiveness through higher operating efficiency amid expectations of lower premiums prompted mainly by a drop in the reference loss cost ratio. We will also seek to maximize customer value by enhancing the customer experience and product and service quality, which will drive greater brand confidence.

To ensure stable revenues over the long term, we will also strive to expand business in categories other than automobile insurance. To this end, in January 2017, we implemented some revisions to SURE medical insurance, which is geared to cancer treatment, and began sales of ZiPPi term-type medical insurance for actual hospital inpatient expenses. In categories other than automobile insurance and medical insurance, we will aim to enter business domains where we can leverage our inherent strengths toward building a new pillar of operations.

**PHYD: Pay How You Drive*

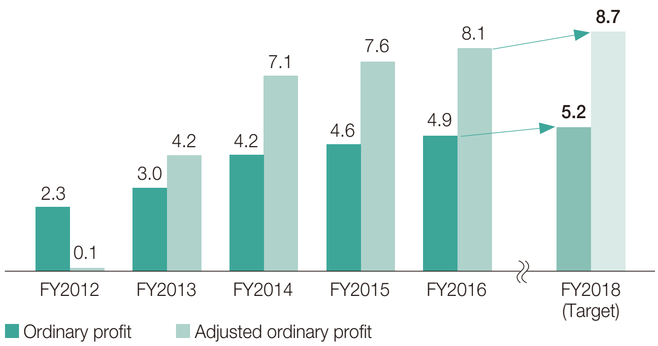
Trends of Ordinary Revenues and Sum of Two Ratios

(Billions of yen)



Ordinary Profit/Adjusted Ordinary Profit

(Billions of yen)



Note: Adjusted ordinary profit = Ordinary profit + Provision for catastrophe reserve
Sum of two ratios = Earned/Incurred loss ratio + Net expense ratio
Earned/Incurred loss ratio = (Net losses paid + Provision for reserve for outstanding losses + Loss adjustment expenses) / Earned premiums
Net expense ratio = Expenses related to underwriting / Net premiums written

Progress toward FY2018 Medium-term Targets

	Results for FY2016	FY2018	
		Progress toward medium-term targets	Medium-term targets
Direct premiums written	¥99.0 billion	In line	¥110.0 billion
Net expense ratio E.I. loss ratio Sum of two ratios	28.3% 62.3% 90.6%	In line	Sum of two ratios Over 90%
Ordinary profit	¥4.9 billion	In line	¥5.2 billion
Adjusted ordinary profit*1	¥8.1 billion	In line	¥8.7 billion
Adjusted ROE*2	14.4%	In line	13%

**1 Adjusted ordinary profit = Ordinary profit + Provision for catastrophe reserve*
**2 The formula for adjusted ROE is shown on page 20.*

▶Please refer to Review of Operations: Non-life Insurance Business on page 44.

Sony Bank

Fiscal 2016 Review

- Benefited from heightened demand for refinancing mortgage loans against a backdrop of low interest rates, and the amount of new loans extended during the fiscal year reaching an all-time high.
- Increased the balance of foreign currency deposits in the foreign currency business thanks to an increase in new Sony Bank WALLET cards issued, despite depreciation of the yen in forex markets.

Activities for Growth in Fiscal 2017 and Beyond

Enhance and expand product services	• Establish Sony Bank as a bank that easily deals with foreign currency transactions • Expand apps to increase convenience • Diversify loan products for individual customers
Expand customer base through strategic alliances	• Strengthen tie-up channels with realtors, etc. • Expand introduction of Sony Bank WALLET affiliated card • Expand real channels for Lifeplanner sales employees, etc.
Improve management efficiency	• Realize profit growth through improved profitability and efficiency • Achieve 6% ROE

In our quest to achieve growth, our first priority at Sony Bank is to reinforce our strategic product categories—foreign currency deposits and mortgage loans. Our foreign currency deposit balance rose in fiscal 2016, fueled by the popularity of Sony Bank WALLET, a cash card with a Visa debit function available in 11 currencies. The number of Sony Bank WALLET cards in issue topped 240,000, as of March 31, 2017, substantiating brisk demand. We offer a diverse lineup of foreign currency products in addition to ordinary foreign currency deposits and have enhanced our lineup of products and services, including access to highly convenient foreign currency remittance services. Going forward, we are aiming for a foreign currency deposit balance of ¥500.0 billion by the end of March 2019. We expect to reach this goal by actively working to increase the number of settlement currencies of Sony Bank WALLET and by adding smartphone-compatible services. In the mortgage loan business, our balance steadily grew during fiscal 2016, buoyed by heightened demand for refinancing against a backdrop of low interest rates. We will continue to strengthen alliance channels with banking agencies and realtors and keep the mortgage loan balance charting upward while directing efforts into condominium loans for investment purposes, an area attracting greater demand in recent years.

Yuichiro Sumimoto
President, Representative Director
Sony Bank

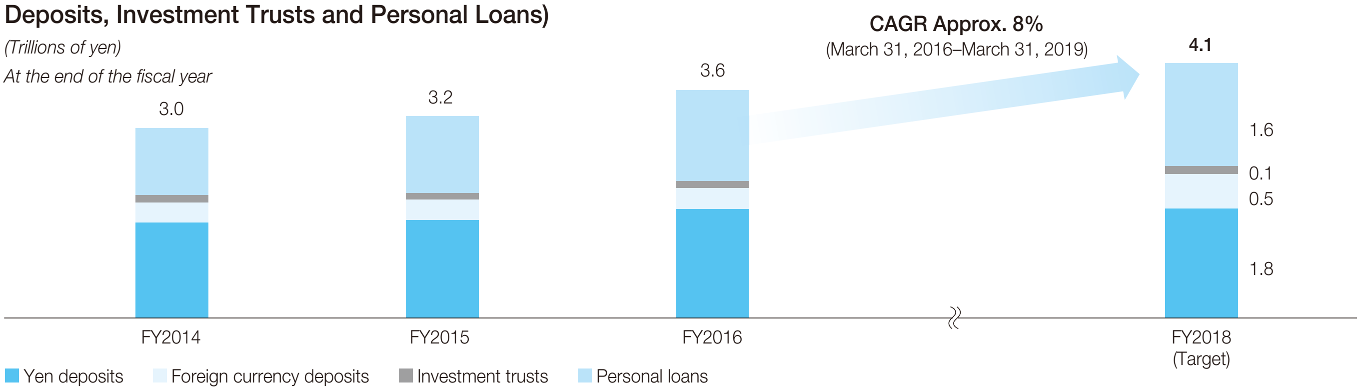
In activities to promote growth, Sony Bank emphasizes strategic tie-ups to widen its customer base. In April 2017, we broadened the lineup of products handled by Sony Life's Lifeplanner sales employees, which has effectively improved face-to-face services. Earlier, in March 2017, we issued a card featuring a Sony Bank WALLET "PlayStation" design in collaboration with Sony Interactive Entertainment Inc., which drove the number of cards in issue steadily higher. By promoting the issuance of Sony Bank WALLET cards designed in collaboration with other companies in a bid to capture customer segments previously beyond our reach, we will add a new dimension to our customer base, notably, young people and financially comfortable individuals.

Sony Bank will also strive to improve management efficiency, which will underpin sustainable profit growth. We will strengthen asset-liability management and ensure a stable interest spread. We will enhance the fee business, including fees associated with Sony Bank WALLET, and improve operating efficiency through a review of business operations. Through these measures, we expect to achieve an ROE of 6% by March 31, 2019.

Retail Balance (Sum of Yen Deposits, Foreign Currency Deposits, Investment Trusts and Personal Loans)

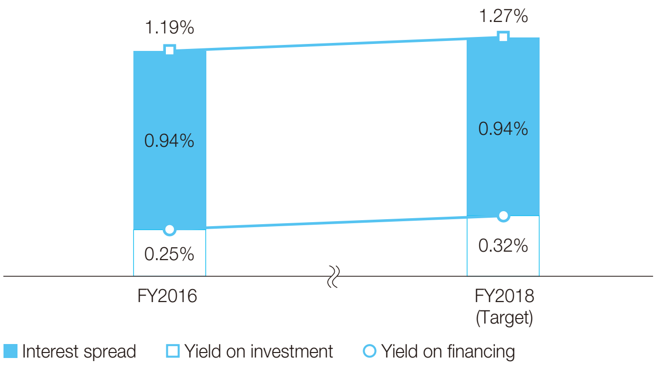
(Trillions of yen)

At the end of the fiscal year



Interest Spread

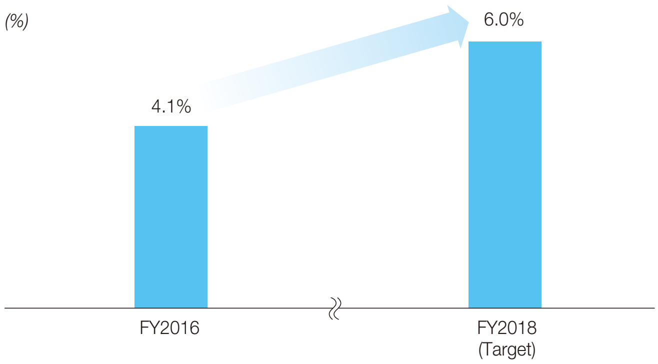
(%)



Note: Managerial accounting basis

Consolidated ROE

(%)



Progress toward FY2018 Medium-term Targets

	Results for FY2016	FY2018	
		Progress toward medium-term targets	Medium-term targets
Retail balance*1	¥3.6 trillion	In line	¥4.1 trillion
Gross operating profit*2	¥24.0 billion	In line	¥27.6 billion
Ordinary profit*2	¥5.0 billion	In line	¥7.2 billion
ROE*2	4.1%	In line	Around 6%

**1 Sum of yen deposits, foreign currency deposits, investment trusts and personal loans*
**2 Consolidated base*

▶ Please refer to Review of Operations: Banking Business on page 50.

Nursing Care Business

Initiatives toward Growth

Sony Lifecare was established in April 2014 as a holding company to oversee the Group's operations in the nursing care business. The company seeks to realize a "Life Focus" concept—the pursuit of a real long life—and is promoting business expansion through the opening and operation of new nursing care homes by its subsidiaries and through strategic alliances with other companies.

In the development of new nursing care homes, Lifecare Design, a Sony Lifecare subsidiary, opened SONARE Urawa in May 2017. This is the second facility under the SONARE brand of seniors housing with nursing care services. In addition, the company has started the development of projects for a third home and beyond.

Meanwhile, in April 2017, Sony Lifecare decided to turn Yuuai Holdings Co., Ltd. (YHD) into a subsidiary. YHD is an umbrella organization for companies that operate facilities, including nursing care services, and Sony Lifecare initially made an investment into YHD in May 2015. Through the consolidation of YHD, which already operates 27 locations with around 1,400 rooms in total, Sony Lifecare will seek to establish a presence in the nursing care services market, make inroads into the affordable price range where latent demand is extensive, and effectively utilize know-how and management resources, such as personnel in developing nursing care homes.

Sony Lifecare is keen to continue efforts to build and expand its business base by pushing ahead on the establishment of new nursing care homes and forming strategic alliances.

SONARE Urawa, a nursing care home

Trends in Japan's Nursing Care Market

Status of Aging Population

The number of seniors aged 65 or older in Japan, referred to hereafter as "seniors," reached 34.63 million as of November 1, 2016, and represented 27.3% of the total population. Both the number and percentage are record highs. The ratio of seniors to total population is now more than one in four and will keep growing, with seniors expected to comprise one in three citizens—or 33.3%—by 2036.

Nursing care needs are also increasing with the graying of society, and nursing care benefits in fiscal 2015 broke previous records, with 5.13 million people receiving benefits and the total cost of nursing care at ¥9,991.9 billion.

Working to build an environment for nursing care providers; trend toward standardized system for nursing care services

A key economic policy of Prime Minister Shinzo Abe's third cabinet, inaugurated in October 2015, is to build a society in which the entire population—a targeted level of 100 million people—can play active roles. The population is shrinking, and the government is determined to halt the declining birthrate and graying of society and enable everyone to contribute to a better society at home, at work and in the community. A pillar of the Nippon Ichioku Sokatsuyaku Plan—government translation: "Plan for Dynamic Engagement of All Citizens"—which was approved by the government in June 2016, is greater support for nursing care, including better working conditions for providers of nursing care services and measures to attract and keep the necessary human resources. In April 2017, steps were taken to create a better environment for nursing care providers, including a revision of compensation for workers at nursing care facilities that would boost the average wage by ¥10,000 per month.

Meanwhile, the Ministry of Health, Labour and Welfare predicts that the percentage of seniors in society will increase, and demand for health care and nursing care will rise as a consequence. The ministry seeks to create a community-based integrated care system and thereby enable seniors to live out their days, maintaining their own lifestyle in the community they are used to living in for as long as possible. Japan is certainly building a standardized system for nursing care, which includes another upward revision in compensation in fiscal 2018.

Sources: "Population Estimates," Statistics Bureau, Ministry of Internal Affairs and Communications; "Population Projections for Japan," National Institute of Population and Social Security Research; "Nursing Care Expenses," All-Japan Federation of National Health Insurance Organizations; and materials prepared by councils and committees of the Ministry of Health, Labour and Welfare

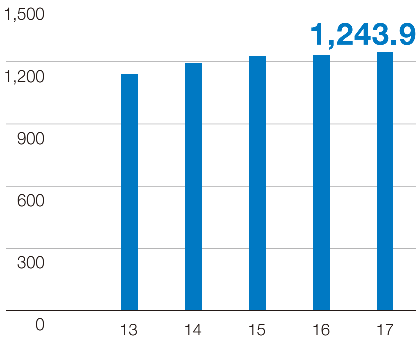
Review of Operations and Analysis of Operating Performance

Segment Performance Highlights

Life Insurance Business ▶ Details: P36

Ordinary Revenues

Billions of yen

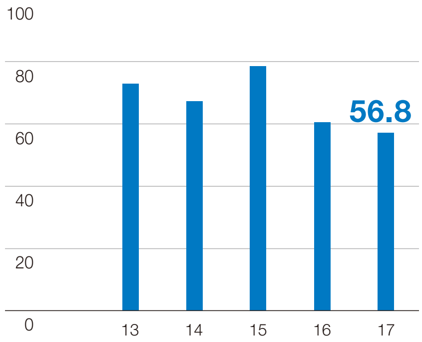


	13	14	15	16	17
Ordinary revenues	1,142.3	1,196.6	1,223.9	1,230.2	1,243.9

For the years ended March 31,

Ordinary Profit

Billions of yen

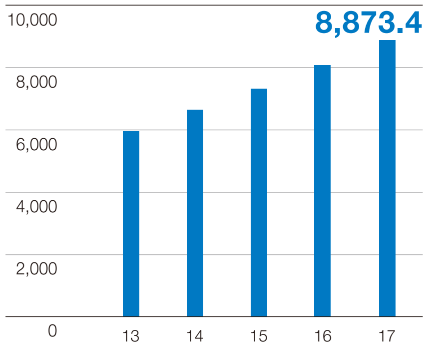


	13	14	15	16	17
Ordinary profit	72.7	67.2	78.3	60.2	56.8

For the years ended March 31,

Total Assets

Billions of yen



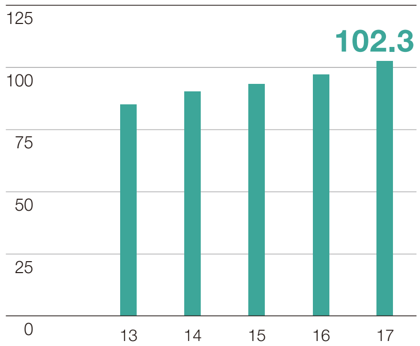
	13	14	15	16	17
Total assets	5,948.1	6,619.3	7,301.0	8,033.3	8,873.4

As of March 31,

Non-life Insurance Business ▶ Details: P44

Ordinary Revenues

Billions of yen

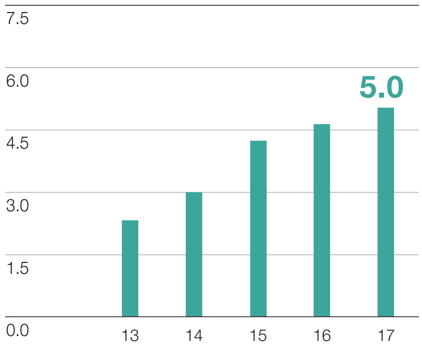


	13	14	15	16	17
Ordinary revenues	84.7	89.8	93.0	96.9	102.3

For the years ended March 31,

Ordinary Profit

Billions of yen

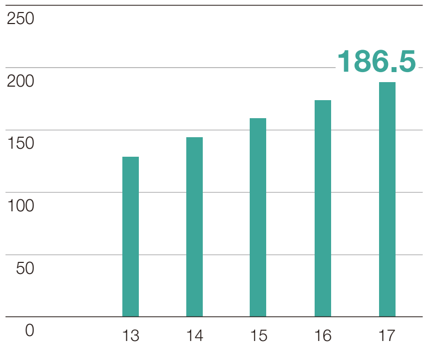


	13	14	15	16	17
Ordinary profit	2.3	3.0	4.2	4.6	5.0

For the years ended March 31,

Total Assets

Billions of yen



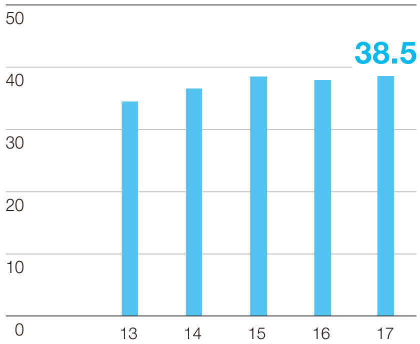
	13	14	15	16	17
Total assets	127.4	142.7	157.9	172.3	186.5

As of March 31,

Banking Business ▶ Details: P50

Ordinary Revenues

Billions of yen

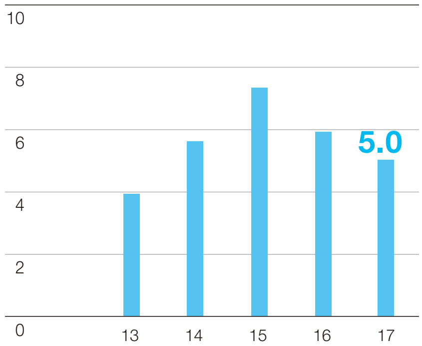


	13	14	15	16	17
Ordinary revenues	34.3	36.4	38.4	37.9	38.5

For the years ended March 31,

Ordinary Profit

Billions of yen

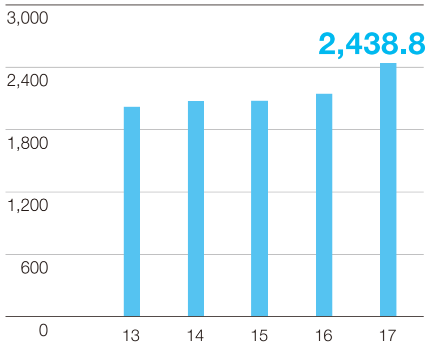


	13	14	15	16	17
Ordinary profit	3.9	5.6	7.3	5.9	5.0

For the years ended March 31,

Total Assets

Billions of yen



	13	14	15	16	17
Total assets	2,012.6	2,068.7	2,074.6	2,140.2	2,438.8

As of March 31,

Note: Segment results are amounts before consolidation adjustments.

SFH (Consolidated)

Operating Results

During fiscal 2016, the fiscal year ended March 31, 2017, the Japanese economy showed signs of a gradual recovery in business conditions, highlighted by a positive shift in corporate earnings as well as steady improvements in employment and personal income. However, a lingering sense of uncertainty about the future became more acute, largely due to economic trends overseas, including changes to economic policies in the United Kingdom and the United States and the risk of economic downturns in emerging markets, particularly China.

In bond markets, the persistently low domestic long-term interest rate reversed course in July 2016, while globally, yields on long-term government bonds charted an upward path following the results of the U.S. presidential election in November 2016. Despite the limited yet enhanced growth, bond markets remained sluggish, owing to the Bank of Japan's monetary easing policy.

In foreign exchange markets, the yen appreciated in response to such events as the decision by the U.K. to exit the European Union and waning expectations of another hike in interest rates by the U.S. However, the yen depreciated against the U.S. dollar thereafter in response to expectations surrounding the fiscal policy under the new U.S. administration and the decision to boost interest rates in the U.S. in December 2016. From the beginning of 2017, there was a growing sense of uncertainty regarding policy management in the U.S., which again led to an appreciation of the yen.

Against this backdrop, the Sony Financial Group sought to become the most highly trusted financial services group among customers. Toward this end, various steps were taken to maintain a sound financial foundation while strengthening and expanding the lineup of products and services and enhancing the internal control system to deliver high-value-added products and high-quality services to each and every customer.

Consolidated ordinary revenues inched up 1.4% year on year, to ¥1,381.6 billion, as all business segments—life insurance, non-life insurance and banking—achieved higher results. Consolidated ordinary profit fell 6.7%, to ¥66.3 billion, reflecting decreases in the life insurance and banking businesses, which neutralized an increase in the non-life insurance business. Profit attributable to owners of the parent, after accounting for extraordinary losses, provision for reserve for policyholders' dividends and income taxes, fell 4.0%, to ¥41.6 billion, owing to the lower ordinary profit.

Segment results are amounts before consolidation adjustments and are described below.

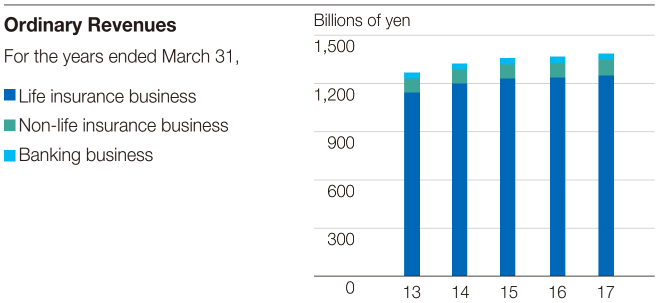
Life Insurance Business Ordinary revenues increased 1.1% year on year, to ¥1,243.9 billion, as higher investment income in separate accounts offset a decrease in insurance premium revenues resulting from a decline in sales of single premium products. Ordinary profit fell 5.7%, to ¥56.8 billion, due to a worsened profit situation at affiliated companies, despite Sony Life's results remaining unchanged from the previous year.

For Sony Life, positive factors contributing to these results were namely a decrease in the provision of policy reserves for minimum guarantees for variable life insurance, due to lower acquisition of new policies and to an improvement in market conditions as well as an increase in profit from accumulated policies in force. Meanwhile, negative factors included a deterioration in net gains/losses on derivative transactions to hedge market risks related to minimum guarantees for variable life insurance, and lower gains on sale of securities in the general account. These factors led to the leveling off of ordinary profit.

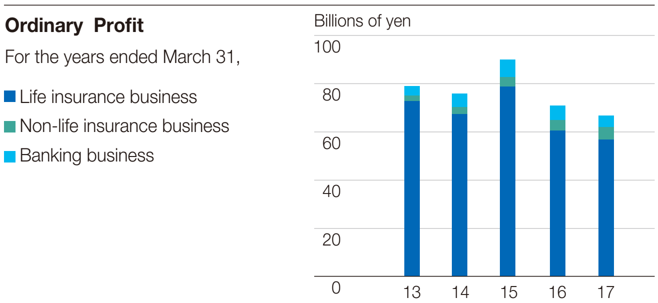
Non-life Insurance Business Ordinary revenues rose 5.6% year on year, to ¥102.3 billion, owing to an increase in net premiums written primarily for mainstay automobile insurance. Ordinary profit climbed 6.8%, to ¥5.0 billion, despite higher operating expenses, because of a drop in provision for reserve for outstanding losses, an increase in underwriting profit and higher investment income.

Banking Business Ordinary revenues grew 1.5% year on year, to ¥38.5 billion, despite a decrease in interest income and dividends on securities, because of a boost from interest income on loans in line with a steadily growing balance of mortgage loans. Ordinary profit fell 15.6%, to ¥5.0 billion, reflecting the downward shift in interest rates as well as an increase in initial expenses resulting from a higher execution of mortgage loans, and reduced transactions of foreign currencies and investment trusts by customers.

Ordinary Revenues
For the years ended March 31,



Ordinary Profit
For the years ended March 31,



Review of Operations and Analysis of Operating Performance

Financial Position

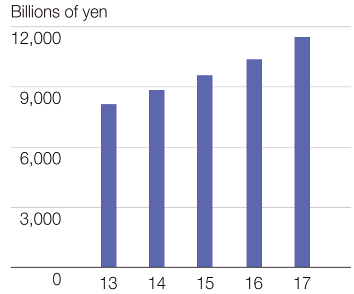
As of March 31, 2017, total assets amounted to ¥11,471.8 billion, up 10.8% from March 31, 2016. Among major components of assets, securities—mostly Japanese government bonds—amounted to ¥8,857.4 billion, up 10.4% and loans came to ¥1,720 billion, up 13.5%.

Total liabilities were ¥10,870.7 billion, up 11.5% from March 31, 2016. Major components of liabilities included policy reserves and others of ¥8,113.1 billion, up 8.1%, and deposits totaled ¥2,071 billion, up 8.3%.

Total net assets were ¥601.1 billion, down 0.5% from March 31, 2016. This included net unrealized gains on other securities, net of taxes, which decreased ¥22.5 billion, to ¥134.8 billion.

Total Assets

As of March 31,



Cash Flow Status

Net cash provided by operating activities in fiscal 2016 reached ¥692.4 billion, mainly on higher contributions from insurance premiums in the life insurance business. This represented an increase in cash inflow of ¥89.9 billion year on year.

Net cash used in investing activities came to ¥624.7 billion, as payments to acquire securities in the life insurance business exceeded inflow from the sale and redemption of securities in the banking and life insurance businesses and an increase in collateral for securities lending transactions in the life insurance business. This caused cash outflow to expand ¥65.9 billion year on year.

Net cash used in financing activities amounted to ¥34.0 billion, mainly due to payments for cash dividends and redemption of bonds. This led to a year-on-year increase of ¥16.6 billion in cash outflow.

Due to the above factors, cash and cash equivalents at March 31, 2017, came to ¥268.3 billion, up ¥34.7 billion from March 31, 2016.

Fiscal 2017 Forecast

For fiscal 2017, the fiscal year ending March 31, 2018, SFH expects all business segments to achieve sustained, stable growth, fueled by expanding business volume. Consolidated ordinary revenues are expected to rise, buoyed by a stable increase in insurance premium revenues in the life insurance business.

Consolidated ordinary profit is likely to remain flat overall, as results for the life insurance business are expected to level off while those for the banking business are projected to increase. The stronger performance by the banking business is based on expectations that ordinary revenues will get a boost from a growing balance of mortgage loans and more robust activity in the foreign currency business, while ordinary profit benefits mainly from efforts to properly control operating expenses. Meanwhile, in the life insurance business, ordinary profit will likely hover at around the fiscal 2016 level, due to higher provision of policy reserves in line with a revision in the standard yield, despite an improvement in net gains/losses on derivative transactions to hedge market risk related to minimum guarantees for variable life insurance as well as higher profit from accumulated policies in force. In the non-life insurance business, ordinary profit will be adversely affected by an upward change in the loss ratio, which was lower than expected in fiscal 2016 and will rise somewhat in fiscal 2017 mainly because of higher provision for reserve for outstanding losses.

Consequently, consolidated profit attributable to owners of the parent will, like consolidated ordinary profit, remain essentially flat in fiscal 2017.

Billions of yen

For the years ended March 31,	2017 (Results)	**2018 (Forecast)**	Change
Consolidated ordinary revenues	¥1,381.6	**¥1,430.0**	+3.5%
Of which, life insurance business	1,243.9	**1,276.1**	+2.6%
Of which, non-life insurance business	102.3	**108.9**	+6.4%
Of which, banking business	38.5	**40.6**	+5.4%
Consolidated ordinary profit	66.3	**67.0**	+1.0%
Of which, life insurance business	56.8	**56.4**	(0.7%)
Of which, non-life insurance business	5.0	**4.6**	(8.0%)
Of which, banking business	5.0	**6.6**	+30.6%
Profit attributable to owners of the parent	41.6	**42.0**	+0.9%

Risk-Monitored Loans

As of March 31,	2016	2017
		Millions of yen
Category		
Bankrupt loans	¥ 285	**¥ 176**
Non-accrual delinquent loans	1,332	**1,580**
Past-due loans (3 months or more)	—	**—**
Restructured loans	1,443	**1,227**
Total	¥3,061	**¥2,984**

Consolidated Solvency Margin Ratio

As of March 31,	2016	2017
		Millions of yen
(A) Total consolidated solvency margin	¥1,282,209	**¥1,308,134**
Common stock, etc.	425,351	**443,155**
Reserve for price fluctuations	44,410	**46,182**
Contingency reserve	75,258	**82,564**
Catastrophe reserve	14,363	**17,542**
General reserve for possible loan losses	567	**490**
Net unrealized gains on other securities and net deferred gains or losses on hedging instruments, net of taxes (before tax deductions) x 90% (100% if losses)	194,745	**164,792**
Net unrealized gains on real estate x 85% (100% if losses)	20,778	**30,847**
Total amount of unrecognized net actuarial gain (loss) and unrecognized prior service cost (before subtracting tax effects)	(5,296)	**(3,874)**
Amount excluded from deferred tax assets	—	**—**
Unallotted portion of reserve for policyholders' dividends	302	**442**
Deferred tax assets (after deducting amount excluded)	83,648	**83,929**
Subordinated debt and surplus components of premium reserve	439,469	**453,092**
Total solvency margin of small-amount short-term insurers	—	**—**
Deductible items	11,389	**11,031**
(B) Total consolidated risk $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$	156,642	**160,221**
Insurance risk (R_1)	23,576	**24,169**
Ordinary insurance risk (R_5)	10,906	**11,370**
Major catastrophe risk (R_6)	1,033	**1,033**
Third-sector insurance risk (R_8)	8,519	**8,541**
Insurance risk of small-amount short-term insurers (R_9)	—	**—**
Assumed interest rate risk (R_2)	30,709	**31,462**
Minimum guarantee risk (R_7)	15,902	**18,140**
Asset management risk (R_3)	99,003	**99,441**
Business management risk (R_4)	5,963	**6,030**
Consolidated solvency margin ratio (A)/{(1/2)x(B)} x 100	1,637.1%	**1,632.9%**

Notes: 1. Figures are calculated in accordance with 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 method.

Life Insurance Business

Review of Operations

Business Environment

Japan's life insurance market is the second largest in the world on an insurance premium income basis, with a global share of about 14%. Although the domestic life insurance market has been contracting since the late 1990s, the trend has become more moderate since 2010, and industrywide policy amount in force for individual life insurance stood at ¥862 trillion* as of March 31, 2017, indicating that the life insurance market remains significantly large. A steadily falling birthrate and aging population have precipitated a shift in protection needs, from death-protection insurance to individual annuities and third-sector insurance, such as medical and nursing care insurance. Nevertheless, at ¥740 trillion* as of March 31, 2017, death-protection insurance policies accounted for more than 80% of individual life insurance policy amount in force.

In fiscal 2016, financial markets in Japan and abroad continued to undergo significant changes. Domestic long-term interest rates remained low, despite some upward movement during the fiscal year, and the stock market acquired a more positive tone overall but still showed some instability. The first half of the fiscal year was characterized by a particularly challenging investment environment, which led to suspended sales of savings-type products, such as single premium whole life insurance, and a series of premium revisions.

In April 2017, the standard yield used for calculating policy reserves dropped, reflecting the low interest rate situation, and a series of premium increases were implemented on some products, such as whole life insurance and educational endowment insurance, which are susceptible to changes in the investment environment. In addition, in April 2018 the Standard Mortality Table will probably be revised for the first time in 11 years, and life insurance companies are expected to revise insurance premiums including those on medical insurance and term life insurance, while taking into account the competitive environment.

Sales channels are becoming increasingly diverse, with a wider development of shop-style sales agencies and a notable expansion in over-the-counter sales at banks. To ensure greater protection for customers, given these changes in marketing channels, in May 2016 regulations were introduced that impose a duty on agencies to provide sufficient information on products, to understand customers' intent and to improve associated sales systems. Meanwhile, more banks are taking the proactive step of disclosing to insurance policyholders how much commission they receive on counter sales of insurance products. In addition, there is an increasing need for independent agents, who handle products of several insurance companies, to disclose commissions paid by life insurance companies. Going forward, these trends are bound to prompt insurance companies to change their sales strategies.

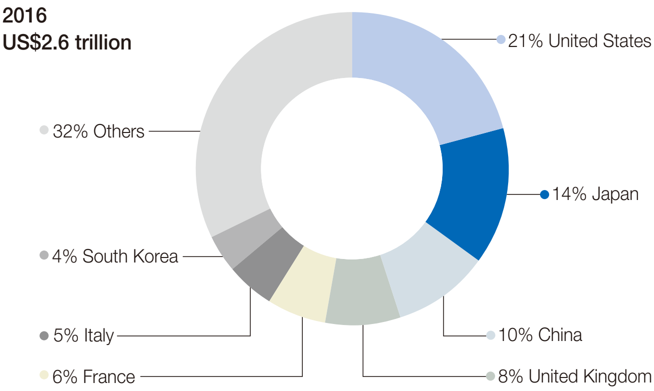
**Source: "Summary of Life Insurance Business," The Life Insurance Association of Japan's website*

Sony Life's Responses

Sony Life has expanded sales of highly profitable insurance products centering on death protection, despite a shrinking death-protection insurance market. This is primarily a reflection of successful measures to strengthen consulting-based sales through Lifeplanner sales employees and Partners (independent agents). In fiscal 2016, the company suspended sales of some savings-type products and implemented premium revisions on whole life insurance amid the low interest rate environment. At the same time, Sony Life directed efforts toward enhancing the provision of necessary protection, hinging on term life insurance and U.S. dollar-denominated insurance less susceptible to fluctuations in domestic interest rates, and promoted sales of such products. In regard to asset management, given the challenging investment environment, Sony Life maintained its emphasis on investing in ultralong-term government bonds while expanding investment in ultralong-term Japanese corporate bonds, including Fiscal Investment and Loan Program (FILP) agency bonds. The company also increased investment in foreign bonds, paralleling the increase in sales of U.S. dollar-denominated insurance.

Sony Life will strive to expand business volume by acquiring new policies and enhance corporate value while ensuring thorough economic value-based revenue and risk management.

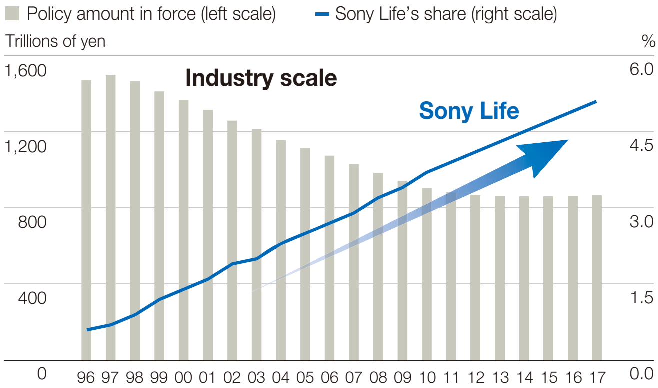
Life Insurance Premium Volume Share by Country



Source: Swiss Re Institute, sigma No 3/2017

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

Billions of yen, %

Rank	Company name	Results	Share
1	A	8,518.7	12.4
2	B	7,847.4	11.5
3	C	4,865.4	7.1
4	Sony Life	4,765.2	7.0
5	D	4,139.6	6.0
6	E	4,125.9	6.0
7	F	3,916.7	5.7
8	G	2,971.7	4.3
9	H	2,605.9	3.8
10	I	2,430.5	3.5

Policy Amount in Force

Billions of yen, %

Rank	Company name	Results	Share
1	A	143,237.0	16.6
2	B	108,578.4	12.6
3	C	77,544.1	9.0
4	D	68,042.2	7.9
5	E	50,097.9	5.8
6	Sony Life	44,313.3	5.1
7	F	36,588.0	4.2
8	G	36,538.0	4.2
9	H	33,598.4	3.9
10	I	29,078.1	3.4

Note: Individual life insurance (as of March 31, 2017)
Source: Data officially disclosed by individual life insurers

Recent Topics

October 2016:

Investment in Australia's ClearView Wealth Limited

In October 2016, Sony Life purchased shares equivalent to 14.9% of total shares outstanding in ClearView Wealth Limited, an Australian life insurance company, and in January 2017, signed a business alliance agreement with the company. Under the agreement framework with ClearView Wealth, which continues to achieve a high growth rate, the objective is to share information on best practices through personnel exchanges, including seconding employees from Sony Life to ClearView Wealth. This will underpin efforts to provide new value to customers in Australia, while promoting activities designed to improve the corporate value of both companies.

Sony Life will continue its efforts to achieve stable growth in its domestic operations while considering opportunities to expand its presence overseas to realize growth from a medium- to long-term perspective.

February 2017:

Provision of Sumitomo Mitsui Trust Bank's Life Insurance Trusts through Lifeplanner Network

Sony Life signed a business agency agreement with Sumitomo Mitsui Trust Bank, Limited, and began providing three Sumitomo Mitsui Trust Bank products—life insurance trusts, will trusts and estate settlement services—through Lifeplanner sales employees. Through this agreement, Sony Life will enrich its lineup of services and be better able to respond to the inheritance-related needs of its customers.

▶Page 76: CSR　Customers

April 2017:

Launch of "Living Benefit Decreasing Term Life Insurance (Living Standard Type/Non-Participating Type)"

Sony Life debuted "Living Benefit Decreasing Term Life Insurance (Living Standard Type/Non-Participating Type)," a comprehensive protection product in the living benefit category that covers the three major diseases (cancer, heart attack and stroke), specific disabilities and nursing care in addition to death protection. This product offers protection at a reasonable price, as the insurance claim amounts gradually decrease in line with the number of years elapsed.

Analysis of Operating Performance

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. Below is an analysis of the non-consolidated operating performance of Sony Life.

New Policy Amount

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

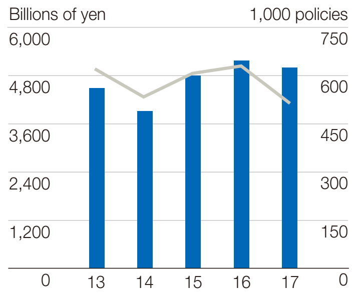
For the years ended March 31,	2016	**2017**	Change
	Billions of yen		
New policy amount	¥5,151.3	**¥4,957.5**	(3.8%)
Individual life insurance	4,871.0	**4,765.2**	(2.2%)
Individual annuities	280.3	**192.2**	(31.4%)
Annualized premiums from new policies	85.0	**78.1**	(8.1%)
Medical protection, living benefit protection and other products	15.7	**15.7**	+0.0%
Number of new policies (1,000 policies)	629	**513**	(18.5%)

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 The new policy amount decreased, due to lower sales of variable life insurance, despite favorable sales of U.S. dollar-denominated insurance and term life insurance. Annualized premiums from new policies declined, due to reduced sales of variable life insurance and single premium whole life insurance, despite higher sales of term life insurance and U.S.-dollar denominated insurance.

Policy Amount in Force

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

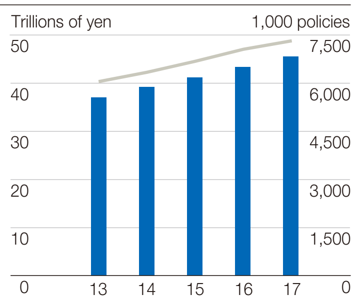
As of March 31,	2016	**2017**	Change
	Billions of yen		
Policy amount in force	¥43,149.8	**¥45,334.1**	+5.1%
Individual life insurance	42,293.7	**44,313.3**	+4.8%
Individual annuities	856.0	**1,020.8**	+19.2%
Annualized premiums from insurance in force	781.3	**820.8**	+5.1%
Medical protection, living benefit protection and other products	179.7	**187.4**	+4.3%
Number of policies in force (1,000 policies)	7,046	**7,308**	+3.7%

Policy Amount in Force and Number of Policies in Force

(Individual life insurance + Individual annuities)

As of March 31,

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



Main Points Sony Life's policy amount in force for individual life insurance and individual annuities has grown steadily for 36 years since the company commenced operations.

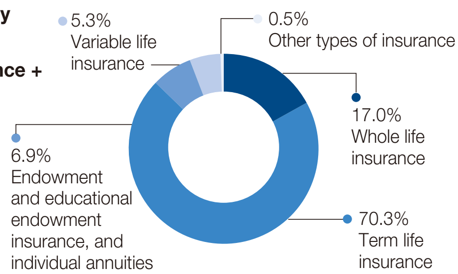
Sales of Products (Percentage Composition)

For the years ended March 31,	2016	**2017**	Change
Whole life insurance	11.4%	**17.0%**	+5.6pt
Term life insurance	61.0%	**70.3%**	+9.3pt
Endowment and educational endowment insurance, and individual annuities	8.9%	**6.9%**	(2.0pt)
Variable life insurance	17.8%	**5.3%**	(12.5pt)
Other types of insurance	0.9%	**0.5%**	(0.4pt)

New Policy Amount by Type of Product

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

For the year ended March 31, 2017



Main Points Death-protection insurance products* accounted for about 90% of the new policy amount in fiscal 2016 (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, 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.

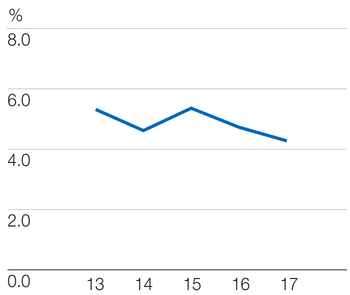
For the years ended March 31,	2016	**2017**	Change
Lapse and surrender rate	4.72%	**4.27%**	(0.45pt)

Main Points The lapse and surrender rate dropped compared with the previous year, mainly in family income insurance and living benefit 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

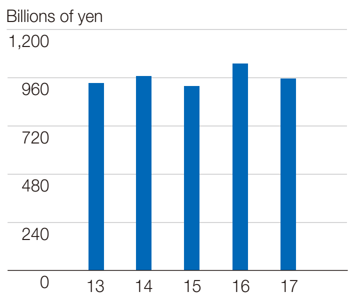
Income from insurance premiums is revenue received mainly from insurance premiums paid by policyholders and is a major component of revenue for life insurance companies. Insurance claims and other payments are payouts based on insurance policies, including insurance claims, insurance benefits, annuity payments and surrender payments.

Billions of yen

For the years ended March 31,	2016	**2017**	Change
Income from insurance premiums	¥1,028.0	**¥956.7**	(6.9%)
Insurance claims and other payments	363.3	**372.4**	+2.5%
Of which, insurance claims	84.2	**84.1**	(0.1%)
Of which, insurance benefits	74.8	**98.2**	+31.3%
Of which, annuity payments	11.4	**12.0**	+4.5%
Of which, surrender payments	184.9	**168.4**	(8.9%)

Income from Insurance Premiums

For the years ended March 31,



Main Points Income from insurance premiums decreased, due to a decrease in single premiums.

Asset Management (General Account)

Sony Life's investment policy is to identify the 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 properly controls the inherent risk in insurance liabilities associated with fluctuating interest rates by investing mainly in Japanese government bonds (JGBs) with long-term maturities. At the same time, the company limits investment into risk assets, such as stocks.

Billions of yen

	2016		**2017**	
As of March 31,	Amount	Composition	Amount	Composition
Japanese government and corporate bonds	¥6,351.1	88.4%	**¥6,828.7**	**86.6%**
Japanese stocks	33.3	0.5%	**37.6**	**0.5%**
Foreign bonds	70.1	1.0%	**274.3**	**3.5%**
Foreign stocks and other securities	23.0	0.3%	**31.5**	**0.4%**
Money held in trust	280.9	3.9%	**273.8**	**3.5%**
Policy loans	171.6	2.4%	**180.3**	**2.3%**
Real estate	115.8	1.6%	**117.5**	**1.5%**
Cash and deposits, call loans	52.5	0.7%	**40.8**	**0.5%**
Other	86.4	1.2%	**99.1**	**1.3%**
Total	¥7,185.0	100.0%	**¥7,884.0**	**100.0%**

Main Points In fiscal 2016, Sony Life continued to invest primarily in ultralong-term bonds. The ratio of Japanese government and corporate bonds stood at 90.1% as of March 31, 2017, in real terms, reflecting the inclusion of bonds invested in money held in trust. 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. Sony Life also promotes diversification of investment assets, such as an increase in investments in ultralong-term corporate bonds including Fiscal Investment and Loan Program (FILP) agency bonds, as well as a significant increase in investment in U.S. Treasury bonds following an increase in U.S. dollar-denominated insurance policies.

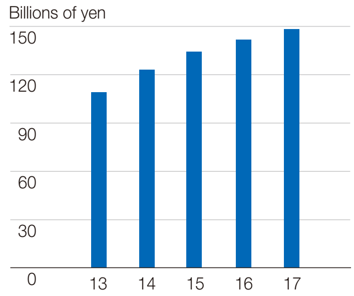
Interest Income and Dividends

Interest income and dividends primarily consist of 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.

For the years ended March 31,	2016	2017	Change
			Millions of yen
Deposits	¥ 0.0	**¥ 0.0**	+286.6%
Interest and dividends from securities	124.9	**130.7**	+4.7%
Of which, Japanese government and corporate bonds	115.6	**121.1**	+4.7%
Of which, Japanese stocks	0.5	**0.5**	+0.9%
Of which, foreign securities	7.2	**8.8**	+22.6%
Loans	6.1	**6.3**	+3.3%
Real estate for rent	10.2	**10.8**	+5.9%
Total, including other interest income and dividends	¥141.4	**¥148.2**	+4.8%

Interest Income and Dividends

For the years ended March 31,



Unrealized Gains and Losses on Securities

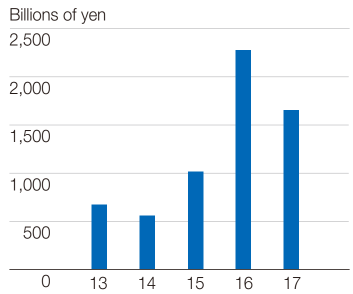
Unrealized gains and losses on securities* refers to the differences between the carrying amounts of securities and their fair values. When the fair value of an asset is higher than its carrying amount, the sale of the asset at fair value would result in a gain on the sale. Consequently, unrealized gains can function as a provision for various risks. A portion of unrealized gains and losses on securities is included in the numerator (total solvency margin) used in calculating the solvency margin ratio (please see page 43).

**Unrealized gains or losses on securities list the total of unrealized gains or losses on held-to-maturity securities, policy-reserve-matching bonds and available-for-sale securities, with fair values for securities other than securities held for trading. The total amount of securities includes securities included in money held in trust.*

As of March 31,	2016	2017	Change
			Billions of yen
Unrealized gains on securities in the general account	¥2,271.1	**¥1,644.9**	(626.2)
Unrealized gains on held-to-maturity securities	2,026.2	**1,445.5**	(580.6)
Unrealized gains on policy-reserve-matching bonds	41.3	**25.9**	(15.3)
Net unrealized gains on available-for-sale securities	203.6	**173.3**	(30.2)
Of which, unrealized gains on Japanese government and corporate bonds	186.0	**160.7**	(25.2)
Of which, unrealized gains on Japanese stocks	12.0	**13.3**	+1.3
Of which, unrealized gains on foreign securities	5.4	**(0.8)**	(6.3)

Unrealized Gains on Securities

As of March 31,



Main Points Unrealized gains on securities in the general account, which are mainly Japanese government and corporate bonds, decreased, paralleling a rise in domestic interest rates.

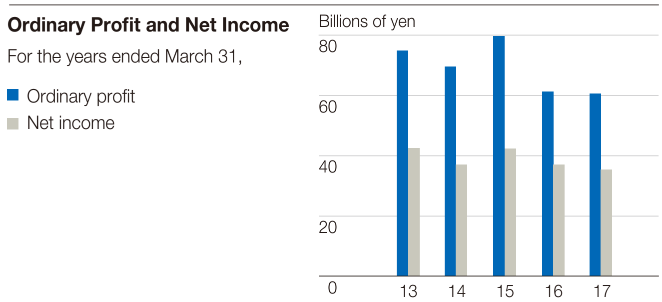
(Reference: On March 31, 2017, SFH assumed unrealized gains on Japanese stocks to be zero when the Nikkei Stock Average was ¥8,449 and the TOPIX index was 675 points.)

Ordinary Revenues, Ordinary Profit and Net Income

For the years ended March 31,	2016	2017	Change
			Billions of yen
Ordinary revenues	¥1,230.1	**¥1,243.7**	+1.1%
Ordinary profit	60.7	**60.1**	(1.0%)
Net income	37.0	**35.1**	(5.2%)

Ordinary Profit and Net Income

For the years ended March 31,



Main Points

Ordinary revenues increased, due to an increase in investment income in separate accounts, which was partially offset by a decrease in insurance premiums resulting from a decline in single premiums.

Ordinary profit remained flat compared with the previous year, as positive factors, including a decrease in provision of policy reserves for minimum guarantees for variable life insurance owing to reduced acquisition of new policies and an improvement in market conditions, and an increase in profit from accumulated policies in force, were offset by such negative factors as a deterioration in net gains/losses on derivative transactions to hedge market risks related to minimum guarantees for variable life insurance and lower gains on sale of securities in the general account.

Net income decreased, due partly to the recognition of provision of allowance for investment loss as extraordinary losses.

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. Ordinary profit in the statements of income is calculated by adding the total amount of core profit, capital gains and losses including gains and losses on the sale of securities, and one-time gains and losses.

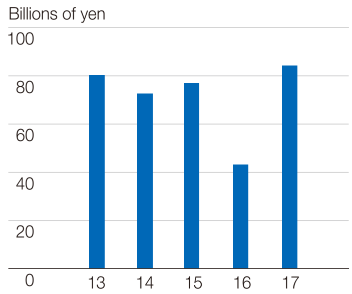
Note: Sony Life, like most life insurers organized as stock companies, primarily sells non-participating life insurance. This contrasts with life insurers organized as mutual companies, which typically offer participating policies for which premiums include an additional amount equal to the funds used 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.

Billions of yen

For the years ended March 31,	2016	**2017**	Change
Core profit	¥43.0	**¥83.8**	+94.9%

Core Profit

For the years ended March 31,



Main Points Core profit increased, due to a decrease in provision of policy reserves for minimum guarantees for variable life insurance owing to reduced acquisition of new policies and an improvement in market conditions, and an increase in profit from accumulated policies in force.

Breakdown of Ordinary Profit (Core Profit)

Millions of yen

For the years ended March 31,	2016	**2017**
Core profit (A)	¥43,019	**¥ 83,831**
Capital gains	27,387	**16,114**
Income from money held in trust, net	7,119	**—**
Income from trading securities, net	41	**134**
Gains on sale of securities	12,204	**1,308**
Gains on derivatives, net	4,768	**—**
Foreign exchange gains, net	—	**14,670**
Other capital gains	3,253	**—**
Capital losses	2,951	**32,276**
Losses on money held in trust, net	—	**—**
Losses on trading securities, net	—	**—**
Losses on sale of securities	—	**—**
Devaluation losses on securities	—	**—**
Losses on derivatives, net	—	**30,050**
Foreign exchange losses, net	2,798	**—**
Other capital losses	153	**2,226**
Net capital gains (losses) (B)	24,435	**(16,162)**
Core profit plus net capital gains (losses) (A) + (B)	67,455	**67,669**
Other one-time gains	—	**1**
Gains from reinsurance	—	**—**
Reversal of contingency reserve	—	**—**
Reversal of specific reserve for possible loan losses	—	**1**
Others	—	**—**
Other one-time losses	6,662	**7,490**
Losses from reinsurance	—	**—**
Provisions for contingency reserve	6,458	**7,296**
Provisions for specific reserve for possible loan losses	5	**—**
Provisions for reserve for loan losses from borrowers in specific foreign countries	—	**—**
Write-off of loans	—	**—**
Others	197	**193**
Net other one-time gains (losses) (C)	(6,662)	**(7,488)**
Ordinary profit (A) + (B) + (C)	¥60,792	**¥ 60,180**

Notes: 1. Core profit for fiscal 2016 (A) includes income gains of ¥4,493 million in income from money held in trust along with interest income and dividends of ¥17 million in income from trading securities, net. Other capital losses consist of provision of policy reserves and others of ¥1,560 million for currency market fluctuations of products denominated in foreign currencies and impairment losses of ¥665 million from investment partnerships. "Others" of other one-time losses consist of provision of additional policy reserve of ¥193 million.

2. Core profit for fiscal 2015 (A) includes income gains of ¥4,853 million in income from money held in trust along with interest income and dividends of ¥57 million in income from trading securities, net. Other capital gains consist of reversal of policy reserves and others of ¥3,253 million for currency market fluctuations of products denominated in foreign currencies, while other capital losses consist of impairment losses of ¥153 million from investment partnerships. "Others" of other one-time losses consist of provision of additional policy reserve of ¥197 million.

Positive Spread

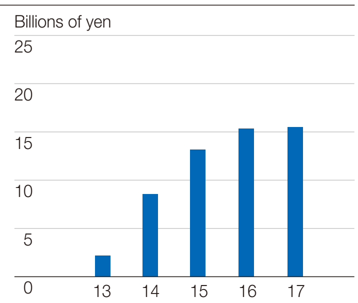
Life insurers use a portion of the premiums received from policyholders to accumulate policy reserves for the payment of future claims. These policy reserves assume an annual return based on a fixed interest rate. This interest rate is known as the assumed interest rate. A positive spread occurs when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

			Billions of yen
For the years ended March 31,	2016	**2017**	Change
Positive spread	¥15.3	**¥15.4**	+0.7%
Average assumed interest rate	2.06%	**2.00%**	(0.06pt)
Investment yield (general account)	2.42%	**1.81%**	(0.61pt)
Investment yield for core profit	2.31%	**2.24%**	(0.07pt)

Main Points Positive spread remained flat year on year, due to an offset between a decrease in investment yield for core profit resulting from a decline in yen interest rates, and a decrease in the average assumed interest rate resulting from the acquisition of new policies.

Positive Spread

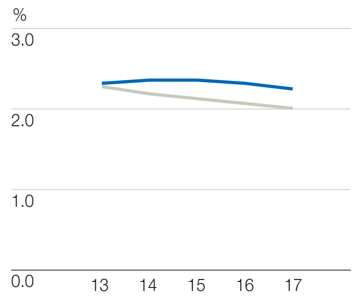
For the years ended March 31,



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 profit[1] – Average assumed interest rate[2])
×
General account policy reserves[3]
||
Positive spread

1. *Investment yield for core profit is the yield on general account policy reserves after subtracting the interest portion of provision for reserve for policyholders' dividends 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*

Non-performing Assets

Risk-monitored Loans

		Billions of yen
As of March 31,	2016	**2017**
Category		
Bankrupt loans	¥—	**¥—**
Non-accrual delinquent loans	—	**—**
Past-due loans (3 months or more)	—	**—**
Restructured loans	—	**—**
Total	¥—	**¥—**

Loans by Borrower Category

		Billions of yen
As of March 31,	2016	**2017**
Category		
Bankrupt and quasi-bankrupt loans	¥ —	**¥ —**
Doubtful loans	—	**—**
Sub-standard loans	—	**—**
Normal loans	223.2	**431.3**
Total	¥223.2	**¥431.3**

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 are classified as normal loans listed in the loans by borrower category.

As of March 31, 2017, Sony Life's receivables comprised securities lent and loans*. Securities lent amounted to ¥248.0 billion, with the loaned bonds recorded as securities lending transactions with cash collateral. The loan balance* was ¥180.3 billion, consisting largely of policy loans, which are limited to recoverable surrender values.

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

Non-consolidated Solvency Margin Ratio

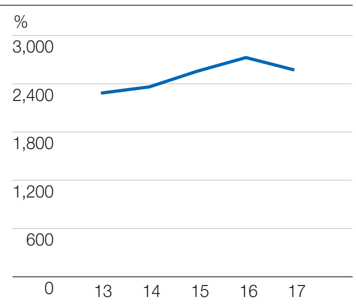
The solvency margin ratio is an indicator of payment ability. Life insurers accumulate policy reserves to prepare for the payment of future claims, allowing them to adequately respond to risks within a normally anticipated range. However, unpredictable events can occur as a result of changes in the environment, including major disasters and substantial declines in the stock markets. 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,	2016	**2017**	Change
Non-consolidated solvency margin ratio	2,722.8%	**2,568.8%**	(154.0pt)

Main Points Sony Life's non-consolidated solvency margin ratio increased year on year, thus remaining at a high level.

Non-consolidated Solvency Margin Ratio (Current standards)

As of March 31,



Millions of yen

As of March 31,	2016	**2017**
(A) Total solvency margin	¥1,169,875	**¥1,176,229**
Common stock, etc.	319,740	**324,181**
Reserve for price fluctuations	44,260	**46,005**
Contingency reserve	75,166	**82,463**
General reserve for possible loan losses	0	**0**
[Net unrealized gains on other securities (before tax deductions) and net deferred gains or losses on hedging instruments (before tax deductions)] x 90% (100% if losses)	188,217	**159,672**
Net unrealized gains on real estate x 85% (100% if losses)	20,778	**30,847**
Amount excluded from deferred tax assets	—	**—**
Unallotted portion of reserve for policyholders' dividends	302	**442**
Deferred tax assets	83,648	**82,980**
Excess amount of policy reserves based on Zillmer method	470,777	**495,984**
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	(31,308)	**(42,891)**
Deductible items	(1,707)	**(3,457)**
(B) Total risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	85,930	**91,576**
Insurance risk (R_1)	23,576	**24,169**
Third-sector insurance risk (R_8)	8,519	**8,541**
Assumed interest rate risk (R_2)	30,613	**31,356**
Minimum guarantee risk (R_7)	15,902	**18,140**
Asset management risk (R_3)	30,831	**33,554**
Business management risk (R_4)	2,188	**2,315**
(C) Solvency margin ratio [(A)/{(1/2)x(B)}] x 100	2,722.8%	**2,568.8%**

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

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 30 financial institutions*.

**As of July 1, 2017*

For the years ended March 31,	2016	**2017**	Change
Number of new policies	11,851	**14,261**	+20.3%
New policy amount (millions of yen)	¥71,593	**¥70,814**	(1.1%)

As of March 31,	2016	**2017**	Change
Number of policies in force	73,403	**85,942**	+17.1%
Policy amount in force (millions of yen)	¥444,280	**¥501,784**	+12.9%

Main Points The new policy amount decreased year on year.

Non-life Insurance Business

Review of Operations

Business Environment

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 from policies sold by insurers whose sales are mainly through nationwide agencies.

In fiscal 2016, for the industry as a whole, automobile insurance premium revenues in Japan surpassed the level achieved in fiscal 2015. Profits also continued to climb, especially among the major companies, due to a lower accident rate. Nevertheless, automobile ownership is expected to gradually decline, primarily a consequence of a shrinking population characterized by fewer children and more seniors. In addition, insurance premiums are likely to drop, mainly due to the growing popularity of advanced safety vehicles reducing the frequency of accidents and to lower reference loss cost rates mainly led by lower loss ratios. These factors are sure to create a more challenging market environment. In addition, several insurance companies have been pursuing research on telematics in auto insurance and introducing policies that reflect customers' driving data. Also, the public and private sectors are accelerating activities to commercialize autonomous cars in the future. The environment surrounding automobile insurance is itself poised for rapid and significant changes, heralded by the launch of riders to policies in fiscal 2015 by some major insurance companies in handling accidents caused by autonomous cars.

Against this backdrop, direct non-life insurance companies (direct insurers), including Sony Assurance, have steadily increased insurance premium revenues and acquired larger shares of the automobile insurance market year after year. This growth has been driven by strong customer support for insurance premium structures that are comparatively lower than those of major non-life insurers. Going forward, customers' preference for low prices will continue, which could further expand the market share of direct insurers. However, the low-price strategies of direct insurers and increased spending on advertising could spur fiercer competition among companies for attracting customers.

*The figure is based on a survey conducted by Sony Assurance from data officially disclosed by individual non-life insurers.

Sony Assurance's Responses

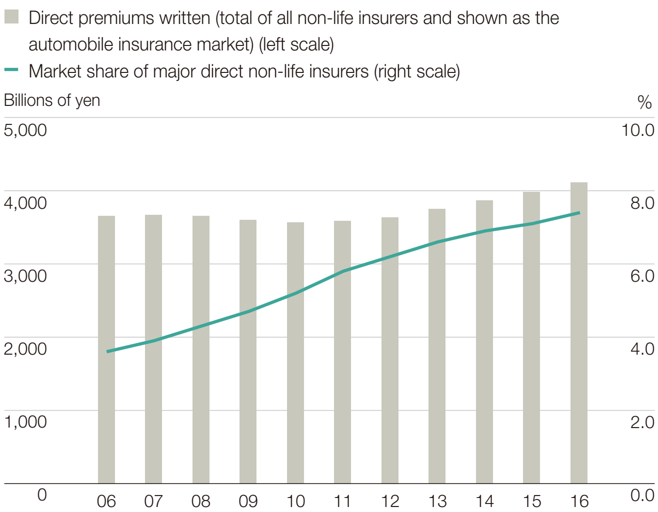
Sony Assurance has been a leader in the domestic direct automobile insurance market since capturing the No.1 position** for direct premiums written in fiscal 2002. In 2015, the company debuted Japan's first*** Pay How You Drive automobile insurance. Keen to pursue this genre further, in fiscal 2016 the company began joint research with Yahoo! JAPAN using driving behavior data collected by car navigation systems to develop new telematics insurance products and services for individuals.

Aside from automobile insurance, Sony Assurance pursues activities in other areas. In medical insurance, the company began offering "ZiPPi," a term-type medical insurance that covers the entire self-pay portion of actual hospital inpatient expenses incurred during a hospital stay for medical treatment. Meanwhile, though not a new product, the company enabled online applications for SURE medical and cancer insurance, which places priority on cancer treatment, and implemented some revisions, including a rider to cover hospital visits following hospitalization for cancer.

Also, Sony Assurance continued its efforts from fiscal 2015 of focusing on its enhancement of customer experience through direct contact with each customer. Going forward, the

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

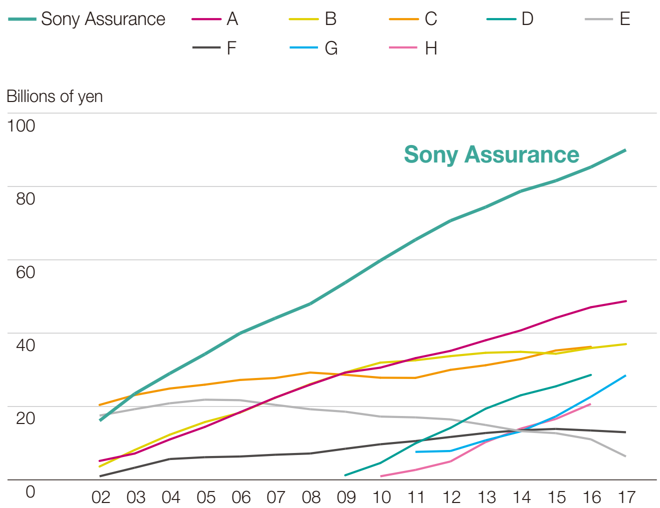
For the years ended March 31,



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 2016 are based on published data available up to June 23, 2017.

Photo taken on June 25, 2017

company will continue to polish its well-known qualities of reasonableness, progressiveness and uniqueness, and strive to earn the trust and loyalty of even more customers by raising the customer-oriented value of its products and services, which are a source of growth.

***Based on automobile insurance premium revenues of non-life insurers selling automobile insurance primarily via direct sales channels since March 31, 2003 (according to research by Sony Assurance).*

****First company in Japan to offer "automobile insurance which reflects such driving behavior as acceleration and deceleration into insurance premiums" (according to research by Sony Assurance based on information publicly disclosed by non-life insurance companies, as of February 2015).*

Recent Topics

September 2016:

Expanded Online Discount for Automobile Insurance

The online discount applied to new automobile insurance policies with start dates on or after December 1, 2016, expanded from the previous ¥8,000 to ¥10,000.

January 2017:

Launch of ZiPPi Medical Insurance for Hospital Inpatient Expenses

Sony Assurance launched "ZiPPi," a term-type medical insurance that covers the entire* self-pay portion of actual hospital inpatient expenses incurred during a hospital stay for medical treatment.

Basic coverage (insured's self-pay portion of hospital inpatient expenses on illnesses and injuries covered by public medical insurance) can be supplemented with a choice of add-on options (advanced medical treatment, semi-private rooms not covered by public medical insurance, and miscellaneous hospitalization costs) for enhanced coverage.

"ZiPPi" is an Internet-only medical insurance product. All aspects, from coverage design to estimates and applications, are executed online, so the process is simple and hassle-free, and the savings to Sony Assurance through elimination of postage and administrative costs are passed on to customers in the form of reasonable premiums.

**Pays ¥3 for each medical fee point associated with covered inpatient treatment during hospitalization under public medical insurance system (up to ¥200,000 per month). Does not include costs for non-eligible benefits under public medical insurance system, such as meals and dietary treatment, and semi-private rooms not covered under the insurance system. Payment limits are ¥1.2 million per hospitalization and ¥7.2 million through term of insurance.*

February 2017:

Joint Research with Yahoo! JAPAN to Develop Products and Services of Telematics Insurance for Individuals Using Driving Behavior Data from Car Navigation Systems

Sony Assurance and Yahoo! JAPAN are conducting joint research activities to develop new telematics insurance products and related services. The companies will utilize driving behavior data collected by Yahoo! JAPAN's free car navigation app for smartphones called Yahoo! Car Navigation.

Through this collaboration, the two companies will draw on mutual expertise to create new services that will support safe driving and help prevent accidents, consider development of new insurance products that are more appealing to customers, and contribute to reducing automobile accidents.

Analysis of Operating Performance

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

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

Policies in Force

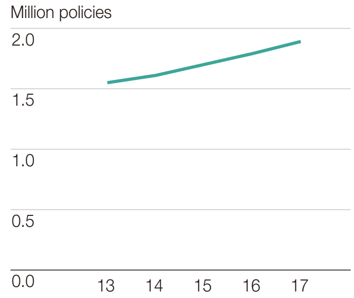
Million policies

As of March 31,	2016	2017	Change
Number of policies in force (Automobile insurance + Medical insurance)	1.79	**1.89**	+5.3%

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

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

As of March 31,



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).

Billions of yen

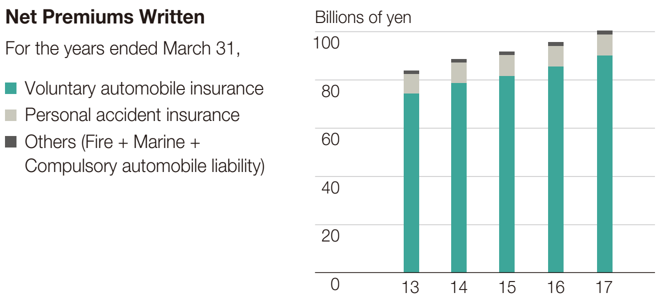
For the years ended March 31,	2016	2017	Change
Net premiums written	¥95.5	**¥100.2**	+4.9%
Voluntary automobile insurance	85.1	**89.7**	+5.4%
Personal accident insurance*	8.9	**9.0**	+1.0%
Others (Fire + Marine + Compulsory automobile liability)	1.4	**1.4**	+0.7%

**Including medical insurance*

Main Points Net premiums written increased, mainly in its mainstay automobile insurance.

Net Premiums Written

For the years ended March 31,



Net Loss Ratio

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

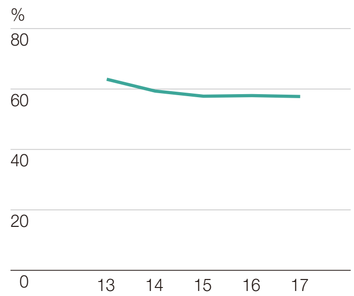
For the years ended March 31,	2016	2017	Change
Net loss ratio	57.8%	**57.5%**	(0.3pt)
Net loss ratio for automobile insurance	60.1%	**59.5%**	(0.6pt)
Net loss ratio for personal accident insurance*	30.5%	**32.0%**	+1.5pt

**Including medical insurance*

Main Points The net loss ratio was essentially flat, while the accident ratio for automobile insurance remained at a low level.

Net Loss Ratio

For the years ended March 31,



Net Expense Ratio

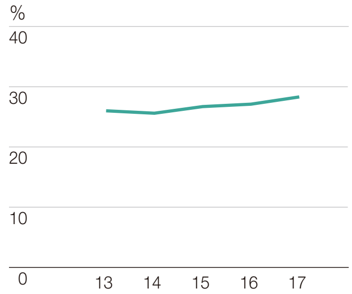
The net expense ratio is the ratio of the total expenses for marketing and maintaining insurance to net premiums written. These expenses include company operating costs and new product development costs.

For the years ended March 31,	2016	**2017**	Change
Net expense ratio	27.1%	**28.3%**	+1.2pt
Combined ratio (Net loss ratio + net expense ratio)	84.8%	**85.8%**	+1.0pt

Main Points The net expense ratio rose, due to an increase in system-related expenses, along with an increase in expenses associated with the launch of new products.

Net Expense Ratio

For the years ended March 31,



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.).

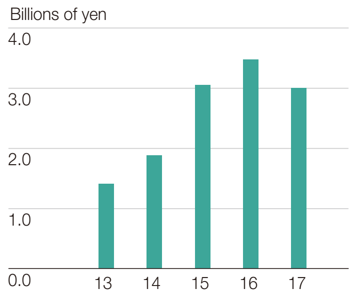
Billions of yen

For the years ended March 31,	2016	**2017**	Change
Underwriting profit	¥3.4	**¥3.0**	(11.5%)

Main Points Underwriting profit decreased, due to the higher expense ratio that more than offset the positive effect of an increase in insurance premiums written and a decrease in provision for reserve for outstanding losses.

Underwriting Profit

For the years ended March 31,



Ordinary Revenues, Ordinary Profit and Net Income

Billions of yen

For the years ended March 31,	2016	**2017**	Change
Ordinary revenues	¥96.9	**¥102.3**	+5.6%
Ordinary profit	4.6	**4.9**	+6.8%
Net income	2.5	**3.5**	+35.9%

Main Points

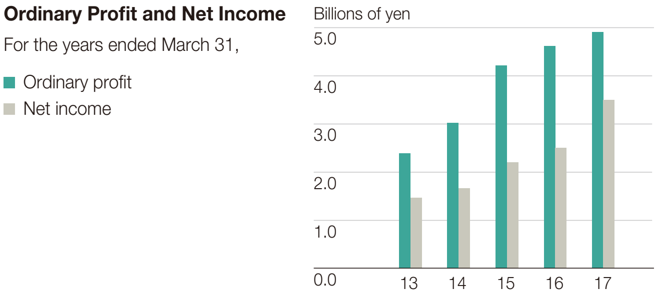
Ordinary revenues rose, owing to an increase in net premiums written primarily for mainstay automobile insurance.

Ordinary profit increased, due mainly to a decline in provision for reserve for outstanding losses, an increase in underwriting profit and higher investment income, which were partially offset by an increase in operating expenses.

Net income increased, owing to the recording of a loss on disposal of software in progress as extraordinary losses in the previous year, in addition to an increase in ordinary profit.

Ordinary Profit and Net Income

For the years ended March 31,



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.

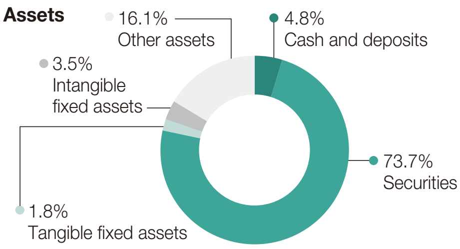
Billions of yen

As of March 31,	2016	**2017**	Change
Total assets	¥172.3	**¥186.5**	+8.2%
Cash and deposits	8.3	**8.9**	+6.8%
Securities	127.2	**137.5**	+8.1%
Tangible fixed assets	4.0	**3.3**	(15.5%)
Intangible fixed assets	5.9	**6.5**	+9.0%
Other assets	26.6	**30.1**	+12.9%

Composition of Total Assets

As of March 31, 2017

¥186.5 billion



Non-performing Assets

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

Risk-monitored Loans

Millions of yen

As of March 31,	2016	**2017**
Category		
Bankrupt loans	¥—	**¥—**
Non-accrual delinquent loans	—	**—**
Past-due loans (3 months or more)	—	**—**
Restructured loans	—	**—**
Total	¥—	**¥—**

Loans by Borrower Category

Millions of yen

As of March 31,	2016	**2017**
Category		
Bankrupt and quasi-bankrupt loans	¥—	**¥—**
Doubtful loans	—	**—**
Sub-standard loans	—	**—**
Normal loans	—	**—**
Total	¥—	**¥—**

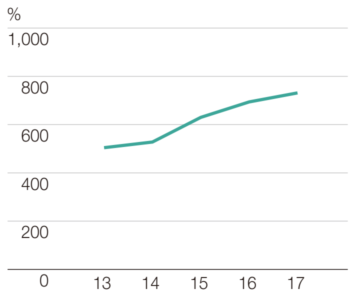
Non-consolidated Solvency Margin Ratio

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

As of March 31,	2016	**2017**	Change
Non-consolidated solvency margin ratio	693.5%	**730.8%**	+37.3pt

Main Points Sony Assurance's non-consolidated solvency margin ratio remained at a sound level.

Non-consolidated Solvency Margin Ratio
(Current standards)
As of March 31,



Millions of yen

As of March 31,	2016	**2017**
(A) Total non-consolidated solvency margin	¥42,701	**46,724**
Capital or treasury	24,682	**26,439**
Reserve for price fluctuations	149	**177**
Contingency reserve	91	**101**
Catastrophe reserve	14,363	**17,542**
General reserve for possible loan losses	—	**—**
Net unrealized gains on other securities and net deferred gains or losses on hedging instruments (before tax deductions)	2,910	**1,514**
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	502	**948**
(B) Total non-consolidated risk $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	12,313	**12,786**
Ordinary insurance risk (R_1)	10,906	**11,370**
Third-sector insurance risk (R_2)	—	**—**
Assumed interest rate risk (R_3)	96	**105**
Asset management risk (R_4)	1,416	**1,431**
Business management risk (R_5)	269	**278**
Major catastrophe risk (R_6)	1,033	**1,033**
(C) Non-consolidated solvency margin ratio [(A)/{(B)x(1/2)}] x 100	693.5%	**730.8%**

Note: The above figures are calculated 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).

Banking Business

Review of Operations

Business Environment

In Japan, personal financial assets have climbed to approximately ¥1,800 trillion*, the second highest in the world. Cash and deposits account for more than half of this amount, a high level even in comparison with those of other developed countries. Investment preferences and requirements for managing these personal financial assets are diversifying, paralleling changing lifestyles and the advent of an aging society 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 customers.

Nonetheless, the deposit balance of internet banks is about 2%** of personal financial assets—still quite small—but given the rapid proliferation of smartphones, tablets and other online-connectivity devices, there is certainly ample room for growth. However, Japan's financial market continues to maintain its aggressive stance on monetary easing, including the introduction of quantitative and qualitative monetary easing with short- and long-term interest rate control in September 2016, and as a result, long-term interest rates continue to remain at a low level. Interest rate competition among banks has intensified, and the challenging environment surrounding the banking business is expected to continue.

Source: Flow of Funds Accounts issued by the Bank of Japan
**Sources: Prepared based on the Bank of Japan's Deposits and Loans Market 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.*

Sony Bank's Response

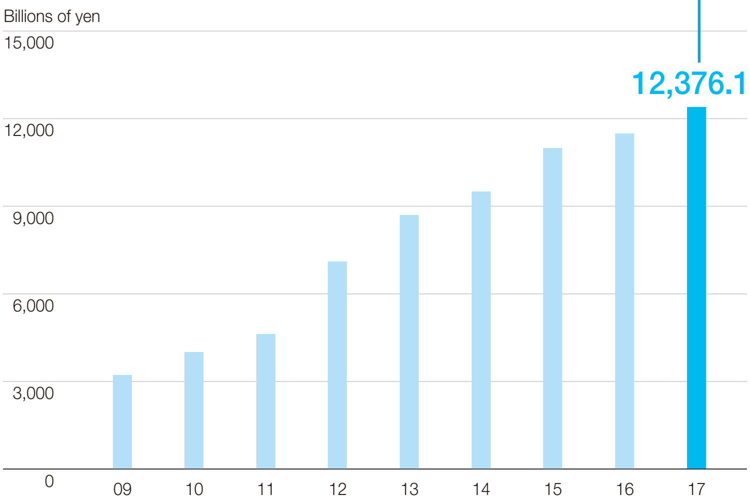
Sony Bank has placed emphasis on its mortgage loan and foreign currency businesses on the strength of its reputation for high customer satisfaction.

In Japan's mortgage loan market, with interest rates still at a historically low level, demand for refinancing grew in fiscal 2016. In this operating environment, Sony Bank actively responded to customers' refinancing needs and achieved a significant increase in its mortgage loan balance. Going forward, the company will strive to maintain profitability and steadily build its loan balance by improving the quality of its products and reinforcing its sales channels.

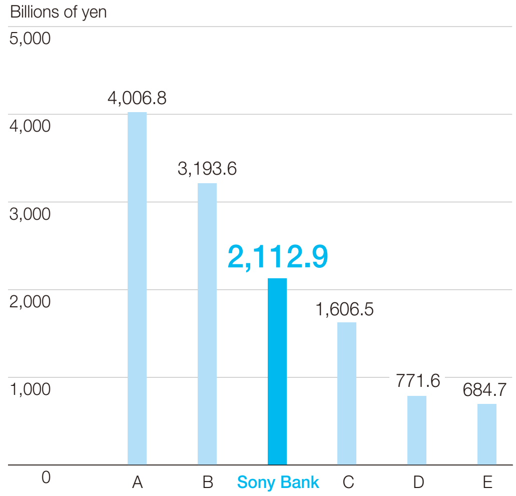
In the foreign currency business, Sony Bank has expanded its transaction volume by offering reasonable rates and highly convenient services centered on foreign currency deposits. The company's foreign currency deposit balance represented 7% of total individual foreign currency deposits of domestic banks, as of March 31, 2017, right behind that of the major banks. In addition, overseas use of Sony Bank WALLET, a cash card with a multi-currency VISA debit function, has expanded to more than 120 countries, substantiating a very positive customer response to the product. Going forward, the company will work to enrich its lineup of foreign-currency services and reinforce its customer base.

Deposit Balance at Domestic Internet Banks

As of March 31,



Deposit Balance of Japan's Six Internet Banks



Source: Data compiled by Sony Bank based on publicly disclosed materials

Recent Topics

November 2016:

Enhanced Sony Bank WALLET Service—Enabling Payments through Foreign Currency Deposits for Teenagers

Sony Bank enhanced its Sony Bank WALLET service, a cash card with VISA debit function, by lowering the minimum age for use of this service, allowing customers aged 15 and over to pay for purchases from foreign currency deposit accounts.

▶ Page 77: CSR Customers

January 2017:

Launch of Preferred Program Club S Service

Sony Bank debuted Preferred Program Club S, a service that enables more customers to benefit from special transaction rates, such as lower fees for money transfers and ATMs. The previous program focused on customers with foreign currency deposit accounts; however, seeking to boost customer satisfaction, the company introduced Club S to allow customers with mortgage loans and others to enjoy special rates as well.

March 2017:

Issuance of Cards with Sony Bank WALLET/“PlayStation” Design

In an alliance with Sony Interactive Entertainment Inc., Sony Bank began issuing cards featuring a Sony Bank WALLET/“PlayStation” design. Customers using the card to make payments at the PlayStation®Store, operated by Sony Interactive Entertainment, receive an additional benefit of 2% cash back on the amount of use. This feature will provide customers with additional enjoyment when shopping at the store.

April 2017:

Provision of Hoshii Mono Navi Beta, Asset Formation Simulation Tool

Sony Bank began providing its Hoshii Mono Navi Beta, a simulation tool that suggests ways to save money for several goals, such as an overseas trip five years from now or the purchase of a home 10 years down the line. Customers select a specific goal and a timeframe to achieve this goal, as well as an investment plan from a five-grade menu that ranges from conservative, stable investment centered on yen deposits, to aggressive investment involving the use of foreign currency deposits and investment trusts. Using this data, the simulation tool provides information on required monthly contributions and allocation of investment in order to achieve the desired goals.

This service was developed by drawing on a field of artificial intelligence and expertise related to information collected by Sony Computer Science Laboratories, Inc. and applying them to finance.

▶ Page 78: CSR Business Partners

Analysis of Operating Performance

SFH's banking business consists of Sony Bank, a wholly owned subsidiary of SFH; Sony Payment Services, a 57%-owned subsidiary of Sony Bank; and SmartLink Network Hong Kong Limited, a wholly owned subsidiary of Sony Payment Services.

Consolidated

Consolidated Ordinary Revenues, Consolidated Ordinary Profit and Profit Attributable to Owners of the Parent

			Billions of yen
For the years ended March 31,	2016	**2017**	Change
Consolidated ordinary revenues	¥37.9	**¥38.5**	+1.5%
Consolidated ordinary profit	5.9	**5.0**	(15.7%)
Profit attributable to owners of the parent	3.9	**3.3**	(15.3%)

Main Points

Consolidated ordinary revenues increased, due to an increase in interest income on loans in line with a favorably growing balance of mortgage loans, which was partially offset by a decrease in interest income dividends on securities.
Consolidated ordinary profit decreased, due to lower interest rates, an increase in initial expenses resulting from higher execution of mortgage loans, and reduced transactions involving foreign currencies and investment trusts of customers.
Profit attributable to owners of the parent decreased, due to the drop in consolidated ordinary profit.

Non-consolidated

Sony Bank accounts for nearly all of SFH's banking business. Below is an analysis of the operating performance of Sony Bank (non-consolidated).

Gross Operating Profit

Gross operating profit represents the total income from the four components of income from banking services: net interest income, net fees and commissions, net trading income, and net other operating income. It is equivalent to the gross profit (sales minus costs) of companies which operate businesses other than financing and an indicator of the amount of profit a bank generates from its main services.

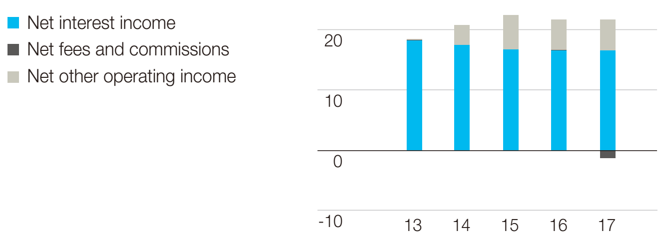
Net interest income refers to the spread between investment returns such as interest received on loans, securities and funding costs, including interest paid on deposits. Sony Bank uses the deposits received from customers primarily to provide mortgage loans and invest in securities.

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 trading of bonds, including government bonds; and, gains and losses on derivatives, such as swaps held as hedges for securities and other investments.

			Billions of yen
For the years ended March 31,	2016	**2017**	Change
Gross operating profit	¥21.6	**¥21.1**	(2.6%)
Net interest income	16.5	**17.9**	+8.4%
Net fees and commissions	0.1	**(1.5)**	—
Net other operating income	5.0	**4.7**	(4.5%)

Gross Operating Profit
For the years ended March 31,



Main Points

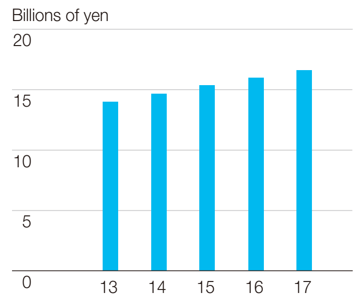
Net interest income increased, due to a rise in interest income on loans.
Net fees and commissions decreased, due to an increase in initial expenses resulting from higher execution of mortgage loans.
Net other operating income decreased, due to lower fees and commissions from foreign currency transactions of customers.

General and Administrative Expenses

For the years ended March 31,	2016	**2017**	Change
			Billions of yen
General and administrative expenses	¥15.9	**¥16.5**	+3.3%

Main Points General and administrative expenses increased, due to an increase in expenses resulting from higher execution of mortgage loans.

General and Administrative Expenses
For the years ended March 31,

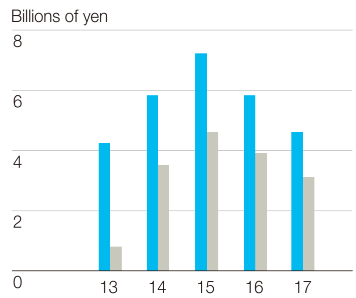


Ordinary Revenues, Ordinary Profit and Net Income

For the years ended March 31,	2016	**2017**	Change
			Billions of yen
Ordinary revenues	¥34.8	**¥35.1**	+0.6%
Ordinary profit	5.8	**4.6**	(20.9%)
Net income	3.9	**3.1**	(18.8%)

Main Points Sony Bank's ordinary revenues remained flat, while ordinary profit and net income decreased for the same reasons that affected its consolidated results.

Ordinary Profit and Net Income
For the years ended March 31,



Number of Accounts

As of March 31,	2016	**2017**	Change
			Million accounts
Number of accounts	1.13	**1.24**	+9.8%

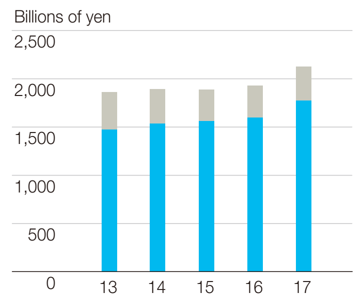
Main Points The number of accounts increased, reflecting the growing popularity of Sony Bank WALLET.

Customer Assets (Total of Deposits and Investment Trusts)

As of March 31,	2016	**2017**	Change
			Billions of yen
Customer assets (Total of deposits and investment trusts)	¥2,034.4	**¥2,227.1**	+9.5%

As of March 31,	2016	**2017**	Change
			Billions of yen
Deposit balance	¥1,923.5	**¥2,112.9**	+9.9%
Yen deposits	1,587.9	**1,764.9**	+11.1%
Foreign currency deposits	335.5	**348.0**	+3.7%
Investment trust balance	110.9	**114.1**	+2.9%

Deposit Balance
As of March 31,



Main Points

Yen deposit balance grew, due to an increase in the ordinary yen deposit account reflecting the acquisition of new funds associated with an increase in the number of accounts, along with conversion of foreign currencies to the Japanese yen as a result of the continuously depreciating yen.

Foreign currency deposits increased, despite the conversion of foreign currencies to yen during the transition phase from yen appreciation to depreciation.

Investment trust balance increased, favorably affected by the stock market rally associated with yen depreciation since the U.S. presidential election in November 2016.

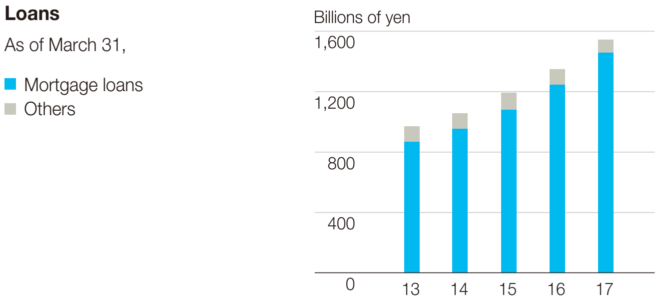
Loans

As of March 31,	2016	2017	Change
			Billions of yen
Loans	¥1,344.1	**¥1,539.6**	+14.5%
Mortgage loans	1,237.1	**1,452.4**	+17.4%
Others	107.0	**87.1**	(18.6%)

Main Points The balance of loans expanded, due to a record-high amount of mortgage loans executed during the year ended March 31, 2017, backed by heightened demand for refinancing. "Others" includes corporate loans, card loans and special-purpose loans. The corporate loan balance was ¥69 billion as of March 31, 2017.

Loans

As of March 31,



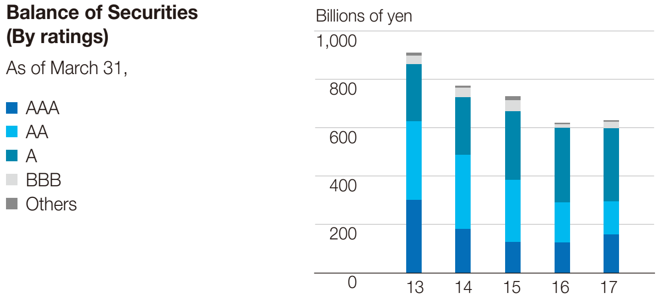
Securities

Sony Bank's securities investments consist of constant investments in highly-rated bonds.

As of March 31,	2016	2017	Change
			Billions of yen
Balance of securities	¥620.9	**¥631.2**	+1.7%
Japanese government bonds	81.4	**103.0**	+26.5%
Japanese local government bonds	37.8	**34.8**	(7.8%)
Japanese corporate bonds	64.6	**63.6**	(1.6%)
Japanese stocks	2.0	**2.0**	—
Foreign securities	431.0	**423.2**	(1.8%)
Other securities	3.9	**4.4**	+12.5%

Balance of Securities (By ratings)

As of March 31,



Main Points With respect to the ratings of the securities* held by Sony Bank, securities rated AA or above accounted for 46.8% of the total. The ¥2.0 billion in Japanese stocks represents the company's investment stake in Sony Payment Services.

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

Total Asset Composition

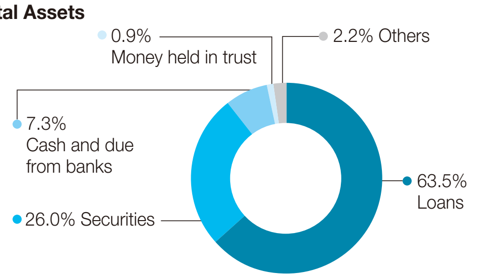
As of March 31,	2016	2017	Change
			Billions of yen
Total assets	¥2,126.5	**¥2,424.2**	+14.0%
Loans	1,344.1	**1,539.6**	+14.5%
Securities	620.9	**631.2**	+1.7%
Cash and due from banks	110.6	**177.4**	+60.4%
Money held in trust	23.0	**23.0**	—

Main Points Sony Bank's total assets increased, due to an increase in balance of loans.

Composition of Total Assets

As of March 31, 2017

¥2,424.2 billion



Non-consolidated Capital Adequacy Ratio

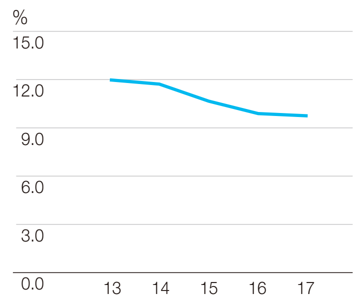
The capital adequacy ratio is an important indicator of a bank's financial soundness. From March 31, 2014, Sony Bank has calculated its capital adequacy ratio* based on Basel III. Sony Bank has changed the method of measuring credit risk in calculating the capital adequacy ratio from the previous "standard approach" to the "fundamental internal rating based approach (FIRB)" as of March 31, 2017.

As of March 31,	2016	**2017**	Change
Non-consolidated capital adequacy ratio (Domestic standard)	9.89%	**9.75%**	(0.14pt)

Please refer to the note below for information on the application of the Basel III framework.

Main Points Sony Bank continuously maintains a sound financial position.

Non-consolidated Capital Adequacy Ratio
(Domestic standard)
As of March 31,



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

Millions of yen

As of March 31,		2016	2016 Amounts excluded under transitional arrangements	**2017**	2017 Amounts excluded under transitional arrangements
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		¥ 74,668		**¥ 76,303**	
Of which, Capital and capital surplus		52,000		**52,000**	
Of which, Retained earnings		24,627		**25,893**	
Of which, Cash dividends to be paid (–)		1,959		**1,590**	
Total reserves included in core capital: instruments and reserves		512		**—**	
Of which, General reserve for loan losses including core capital		512		**—**	
Eligible capital instruments subject to transitional arrangements included in core capital: instruments and reserves		16,000		**12,745**	
Core capital: instruments and reserves	(A)	91,180		**89,048**	
Core capital: regulatory adjustments					
Total amount of intangible assets (excluding those relating to mortgage servicing rights)		899	¥1,349	**1,315**	**¥876**
Of which, Other intangible assets other than goodwill and mortgage servicing rights		899	1,349	**1,315**	**876**
Shortfall of eligible reserves to expected losses		—	—	**1,253**	**—**
Core capital: regulatory adjustments	(B)	899		**2,569**	
Capital					
Capital ((A)-(B))	(C)	90,280		**86,479**	
Risk-weighted assets					
Total amount of credit risk-weighted assets		872,034		**509,456**	
On-balance sheet asset items		863,501		**502,459**	
Of which, Total amount included in risk-weighted assets subject to transitional arrangements		(23,660)		**(16,092)**	
Of which, amount related to intangible assets other than goodwill and mortgage servicing rights of those classified as risk-weighted assets based on past examples under transitional arrangements associated with adjustment items		1,349		**876**	
Of which, amount subtracting the amount of risk-weighted assets calculated without using the transitional arrangements from the amount of risk-weighted assets calculated using the transitional arrangements related to exposures associated with capital instruments applicable to other financial institutions		(25,009)		**(16,969)**	
Off-balance sheet transaction items		7,804		**6,214**	
Total amount of CVA risk equivalent / 8%		728		**742**	
Amount of credit risk-weighted assets associated with exposure related to central counterparties		—		**40**	
Total amount of operational risk equivalent / 8%		40,094		**38,807**	
Adjustment to credit risk-weighted assets		—		**338,517**	
Total amount of risk-weighted assets	(D)	912,128		**886,781**	
Capital adequacy ratio					
Capital adequacy ratio ((C) / (D)) (%)		9.89		**9.75**	

Note: The non-consolidated capital adequacy ratio was calculated using the standard set forth in Notification No. 19 (2006), issued by 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 based on domestic standard, the company applied the standard approach at March 31, 2016 and applies the FIRB approach from March 31, 2017.

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 business promotion divisions also work 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

Millions of yen

As of March 31,	2016	**2017**
Category		
Bankrupt loans	¥ 285	**¥ 176**
Non-accrual delinquent loans	1,332	**1,580**
Past-due loans (3 months or more)	—	**—**
Restructured loans	1,443	**1,227**
Total	¥3,061	**¥2,984**

Problem Loans Based on the Financial Reconstruction Act

Millions of yen

As of March 31,	2016	**2017**
Category		
Bankrupt and quasi-bankrupt loans	¥ 732	**¥ 743**
Doubtful loans	890	**1,021**
Sub-standard loans	1,443	**1,227**
Normal loans	1,342,916	**1,544,587**
Total	¥1,345,983	**¥1,547,579**

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

Non-performing Loan Ratio*
(Loans disclosed under the Financial Reconstruction Act)

As of March 31,	2016	**2017**	Change
Non-performing loan ratio	0.23%	**0.19%**	(0.04pt)

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

Contributions to Sustainable Development

Corporate Governance | CSR

Profiles of Directors and Statutory Auditors

(As of July 1, 2017)

Directors h. f. c. a. b. d.

President, Representative Director

a. Shigeru Ishii

Director, Sony Life Insurance Co., Ltd.

Director, Sony Assurance Inc.

Director, Sony Bank Inc.

Managing Director

b. Hiroaki Kiyomiya

Director, EVP (Note 2), Sony Life Insurance Co., Ltd.

Directors

c. Yutaka Ito

Director, Sony Life Insurance Co., Ltd.

Director, Sony Assurance Inc.

Director, Sony Lifecare Inc.

d. Tomoo Hagimoto

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

e. Atsuo Niwa

President, Representative Director, Sony Assurance Inc.

f. Yuichiro Sumimoto

Director, Representative Director, Sony Bank Inc.

g. Shiro Kambe

EVP (Note 2), Corporate Executive Officer, Sony Corporation

Notes: 1. Main concurrent positions are shown under the name of each individual.
2. EVP stands for Executive Vice President.
3. Outside Directors, Isao Yamamoto and Shiro Kuniya and Outside Statutory Auditors, Yasuyuki Hayase and Yoshimichi Makiyama are deemed Independent Directors based on Tokyo Stock Exchange, Inc. regulations.

g. e. i.

Statutory Auditors

j. l. k.

Directors (Outside)

h. Isao Yamamoto (Note 3)
President, Enterprising Investment, Inc.
Director, BILCOM, Inc.

i. Shiro Kuniya (Note 3)
Managing Partner,
Oh-Ebashi LPC & Partners

Standing Statutory Auditor (Outside)

j. Yasuyuki Hayase (Note 3)
Statutory Auditor,
Sony Life Insurance Co., Ltd.
Statutory Auditor,
Sony Assurance Inc.
Statutory Auditor, Sony Bank Inc.

Statutory Auditor (Outside)

k. Yoshimichi Makiyama (Note 3)
Partner,
Kitamura & Makiyama (law office)

Statutory Auditor

l. Hirotoshi Korenaga
Corporate Executive,
Senior General Manager,
Global Accounting Division,
Sony Corporate Services (Japan) Corporation

A Dialogue between Outside Directors:
Corporate Governance at Sony Financial Holdings

To remain the financial group of choice among customers, we are striving to make appropriate decisions through discussions based on diverse perspectives.

Outside directors Isao Yamamoto and Shiro Kuniya exchanged opinions on corporate governance at Sony Financial Holdings. (The discussion took place in May 2017.)

Board of Directors emphasizing open discussion for new reforms geared to a challenging operating environment

Kuniya: The evaluation of effectiveness of the Board of Directors in 2016 revealed that overall, the Board maintains a high level of effectiveness through the exchange of multifaceted opinions and invigorated discussions.
Yamamoto: Mr. Ishii took over as Chairman of the Board from Mr. Ihara, paralleling his appointment to President of Sony Financial Holdings (SFH) in June 2016. As before, even with a new chairman in charge, the Board meetings are conducted in a comfortable environment that allows for free and open discussions.

When discussing projects of other companies within the Group, the Group's presidents, who are also SFH directors, touch on the potential impacts on their respective companies. They also discuss the possibility of synergies with other Group companies.
Kuniya: An issue that came to light in the recent evaluation of effectiveness was the need to spend more time on discussions about business strategies from a medium- to long-term perspective.

In deliberating the medium-term business plan for this year, steps were taken toward improving this issue, including efforts to widen awareness among executives and spending adequate time on its discussion.
Yamamoto: Domestic interest rates have hovered at a historic low since January 2016. Low interest rates are a problem for Group companies as they can rock their business cores. This creates a mountain of issues for each company to deal with.
Kuniya: I agree. The severity of conditions in the first half of 2016, in particular, prompted considerable concern. Things did not turn out as bad as initially predicted, but interest rates remained persistently low, and the situation was definitely tough.
Yamamoto: Against this backdrop, Sony Life made bold changes to its product mix in a rather short time. This quick response is highly commendable.

The trend is sure to continue, with significant changes over the medium to long term, including a revision in the standard life table, progress in FinTech and InsurTech, responses to fiduciary duty*1 and the introduction of a spin-off tax system*2. How best to deal with these changes over the long term will be an issue for Group management.
Kuniya: Sony Assurance, in direct non-life insurance, and Sony Bank, as an Internet bank, have both achieved growth on revolutionary business models. However, the services offered by both companies are no longer such a novelty, mainly because nowadays competitors deal with customer needs online as well. It has come to a make-or-break moment, and the kind of innovative approaches that Sony Assurance and Sony Bank come up with now will, I think, determine their respective successes for the future.
Yamamoto: In a challenging business environment, Sony Life and the Group as a whole need to acquire a different perspective to utilize the various FinTech technologies to their best advantage. If the Group's pursuits till now reflect its initial stage of corporate development, then you could say that its current pursuits mark a second beginning.

Even as changes unfold, the Sony Financial Group remains fully committed to operating its businesses with a customer-first perspective.

Opportunities for success in FinTech and overseas. Aggressive expansion drawing on added strength as member of the Sony Group

Yamamoto: To utilize the various FinTech technologies to their advantage, the Sony Financial Group as a whole will need to experiment with several approaches through trial and error, and this process needs to start right away.
Kuniya: Competitors at home and abroad have kicked FinTech investment into high gear. However, the key is not to simply do the same as other companies but to apply FinTech in a way that demonstrates a unique point of view. Sony Life's more-than-4,900 Lifeplanner sales employees have achieved a notable presence in the domestic life insurance industry and are truly a source of competitive strength that gives Sony Life an edge over its rivals. I think the company could generate opportunities for success by adding technological innovation to the advantage afforded by Lifeplanner sales employees' direct contact with customers.
Yamamoto: The addition of FinTech to the Lifeplanner equation will definitely provide that last one inch*3.

Sony Life will introduce "Karte" in fiscal 2017 that records customer information in detail. With IT, collecting and extracting information will be simple, and if Lifeplanner sales employees can connect key information, provide suitable explanation and bridge that last one inch with customers, then Sony Life will be able to work toward the benefit of each customer.

On the technology front, the Sony Financial Group is part of the Sony Group and is able to leverage the parent group's excellence in technology. If Sony's strengths in IoT and sensor technology are applied to most certainly, life insurance, as well as other areas of business including automobile insurance in a collaborative way, the Sony Financial Group will secure a very intriguing position in the industry.

As the Sony Group participates in the SFG Fintech Forum, a cross-group structure initiated by SFH, a framework for collaboration is already in place.
Kuniya: As Sony Corporation holds 63% equity in SFH, it is truly essential that SFH take a stand to protect the interests of other shareholders, that is, minority shareholders. To date, SFH has consciously maintained its independence from Sony, so any synergy coming from the Sony Group connection has centered on brand power. However, going forward, the use of technologies such as IoT and sensor technology may generate the potential for new synergies. I think it is possible to realize this potential while maintaining independence and a strong sense of ethics as a financial institution.

I also think the Lifeplanner business model is perfectly legitimate for overseas application as well. As financial services must be steeped in regionality and geared to local language, regulations and culture, the content of services will naturally differ by region. Japanese companies are not all used to these differences, but the Lifeplanner model has a good chance of being accepted overseas because the service is very specific and well-tuned.
Yamamoto: Yes, FinTech and an overseas presence are keys to success. The first stage of the second beginning will probably enable SFH to convert adversity into opportunities by firming up both growth-oriented and defensive positions.

**1 Fiduciary duty:*
▶ Page 21: Medium-term Business Plan "Customer-First Business Operation Policy"
**2 Spin-off tax system: A tax break that supports flexible business reorganization by deferring taxes related to spin-offs, through which a company splits off a certain business or division as an independent company. Effective from April 2017 if certain conditions are met.*
**3 Last one inch: An area where the Sony Group has strength, that is, the ability to "develop products and services that resonate with customers on an emotional level at the closest point of customer contact (last one inch) and deliver these products and services to customers around the world."*

Convey the Group's growth potential more precisely, and shift to medium-term dividend policy emphasizing profit indicator based on economic value

Yamamoto: I have been pushing for a review of the dividend policy for several years.

There were repeated discussions on the establishment of a performance indicator that reflects corporate value and an appropriate dividend based on that indicator. And so, a decision was eventually reached that for the life insurance business, at least, the emphasis should go beyond book-based profit to a profit indicator based on economic value in the context of actual growth.

However, the life insurance business is a business that protects customers over the long term, so ensuring financial soundness has to be the major premise of operations. It is also important to provide sufficient explanation to prevent customers from becoming anxious.

Kuniya: In the life insurance business, provision for reserves and other line items must be considered when calculating profit, so it is difficult to estimate value from the statement of income alone. A simple measurement of true corporate value is impossible, so a considerable amount of time was dedicated to discussion on this and adjacent issues. And going forward, this discussion must continue.

Role of Nomination Advisory Committee in appointing executives for the design and implementation of strategies and reviewing programs for successor development

Yamamoto: In an environment characterized by significant changes, it is important to know how to build an executive team of people who are able to devise and implement business strategies.

Kuniya: As we are outsiders, we do not fully know who is suitable or where the right individuals may be. We have had to rely on others to name qualified candidates, and the task of carefully screening individuals with tacit knowledge and creating the necessary list of candidates fell to each company. Through this process, executives at each Group company also came to objectively see where there was a shortfall in human resources or bias in appointments within their own company.

Yamamoto: In the previous year, Mr. Ishii was nominated as president of SFH, and this year, Mr. Sumimoto was nominated as president of Sony Bank. These appointments were decisions symbolizing a new perspective on leadership. Much of the discussion held by the Nomination Advisory Committee centered on the creation of a structure for dealing with management issues that prevailed at the time.

Kuniya: A key role of the Nomination Advisory Committee is to put a stop to any sort of negative aspect that arises in management-oriented personnel affairs. At SFH, no one individual, not even the founder, holds all power. The current executive team speaks frankly and does what it wants to do but never anything unreasonable.

Our focus of attention was on whether management appointments are considered from a perspective independent of Sony, which holds 63% equity in SFH. As majority shareholder, Sony has the right to exercise authority over appointments of Board members, so we also assume a check-and-balance role to prevent harm to the interests of minority shareholders. That said, Sony consciously took a stance that respected our due process. Against this backdrop, the Nomination Advisory Committee nominated Mr. Ishii and Mr. Sumimoto based on candid discussion.

Yamamoto: Our objective in nominating Mr. Sumimoto to oversee Sony Bank was to capitalize on new leadership methods that will energize business. The required points of discussion were sufficiently addressed by the Nomination Advisory Committee, and the results were appropriately explained to the Board of Directors, and the right appointment was made, in my opinion.

Kuniya: SFH is steadily working toward the next stage of growth. We, along with everyone in the Group, will strive to build a stronger business platform and management structure to underpin realization of sustainable improvement in corporate value.

Profiles of Outside Directors and Outside Statutory Auditors (As of July 1, 2017)

Outside Directors

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.)
2009	President, Enterprising Investment, Inc. (current position)
2011	Director, SFH (current position)
2012	Director, BILCOM, Inc. (current position)

Reasons for Appointment

Mr. Yamamoto has many years of experience as a securities analyst and an advisor on corporate finance and M&As, and has no conflict of special interest with SFH.

Shiro Kuniya

	Biography
1982	Registered as attorney 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
2016	Director, Takeda Pharmaceutical Company Limited (current position)

Reasons for Appointment

Mr. Kuniya has specialized knowledge and experience as an attorney and has no conflict of special interest with SFH.

Outside Statutory Auditors

Yasuyuki Hayase

	Biography
1980	Joined Mitsui Bank Corporation (current: Sumitomo Mitsui Banking Corporation)
1999	Group Leader, Credit Planning Department, Mitsui Bank Corporation
2001	Deputy General Manager, Head Office Business Department 1, Sumitomo Mitsui Banking Corporation
2002	Deputy General Manager, Head Office Business Department 3, Sumitomo Mitsui Banking Corporation
2003	General Manager, Kumamoto Corporate Business Office, Sumitomo Mitsui Banking Corporation
2005	General Manager, Mitadori Corporate Business Office, Sumitomo Mitsui Banking Corporation
2007	General Manager, Credit & Investment Planning Department, Sumitomo Mitsui Banking Corporation
2010	Corporate Auditor, Sumitomo Mitsui Banking Corporation
2012	President & CEO, Sakura Card Co., LTD.
2015	Standing Statutory Auditor, SFH (current position)
	Statutory Auditor, Sony Life Insurance Co., Ltd. (current position)
	Statutory Auditor, Sony Assurance Inc. (current position)
	Statutory Auditor, Sony Bank Inc. (current position)

Reasons for Appointment

Mr. Hayase has many years of experience at a financial institution, and as a corporate auditor there.

Yoshimichi Makiyama

	Biography
1990	Registered as attorney, Japan Joined Showa Law Office (current: Jones Day Law Office)
1995	Joined Mitsui, Yasuda, Wani & Maeda (law office)
1999	Registered as attorney, New York, U.S.A.
2000	Joined Microsoft Asia Limited (Law & Corporate Affairs)
2004	Registered as patent attorney, Japan
2006	Joined TMI Associates (law office)
2013	Partner, Kitamura & Makiyama (law office) (current position)
2015	Statutory Auditor, SFH (current position)

Reasons for Appointment

Mr. Makiyama qualified as an attorney and patent attorney in Japan and as an attorney in the state of New York, with expertise in many areas including information security and compliance, and has a breadth of professional experience both at home and abroad.

Basic Stance on Corporate Governance

Basic Policy on Corporate Governance

SFH has formulated the Basic Policy on Corporate Governance.

The Sony Financial Group (hereafter, "the Group") positions its corporate vision and philosophy as the basic policy for formulating management strategies and decision making. SFH strives to meet the expectations and earn the trust of stakeholders, realize sustainable corporate growth and increase corporate value over the medium to long term by making effective use of the Group's various management resources and by realizing its corporate vision and philosophy. Furthermore, as a financial holding company, SFH is aware of the highly public nature of its financial business. Accordingly, SFH has in place a governance structure that emphasizes ensuring of soundness and appropriateness of the Group's management. SFH is a listed subsidiary of Sony Corporation. As such, SFH maintains managerial independence from its parent company and strives to ensure a highly transparent management.

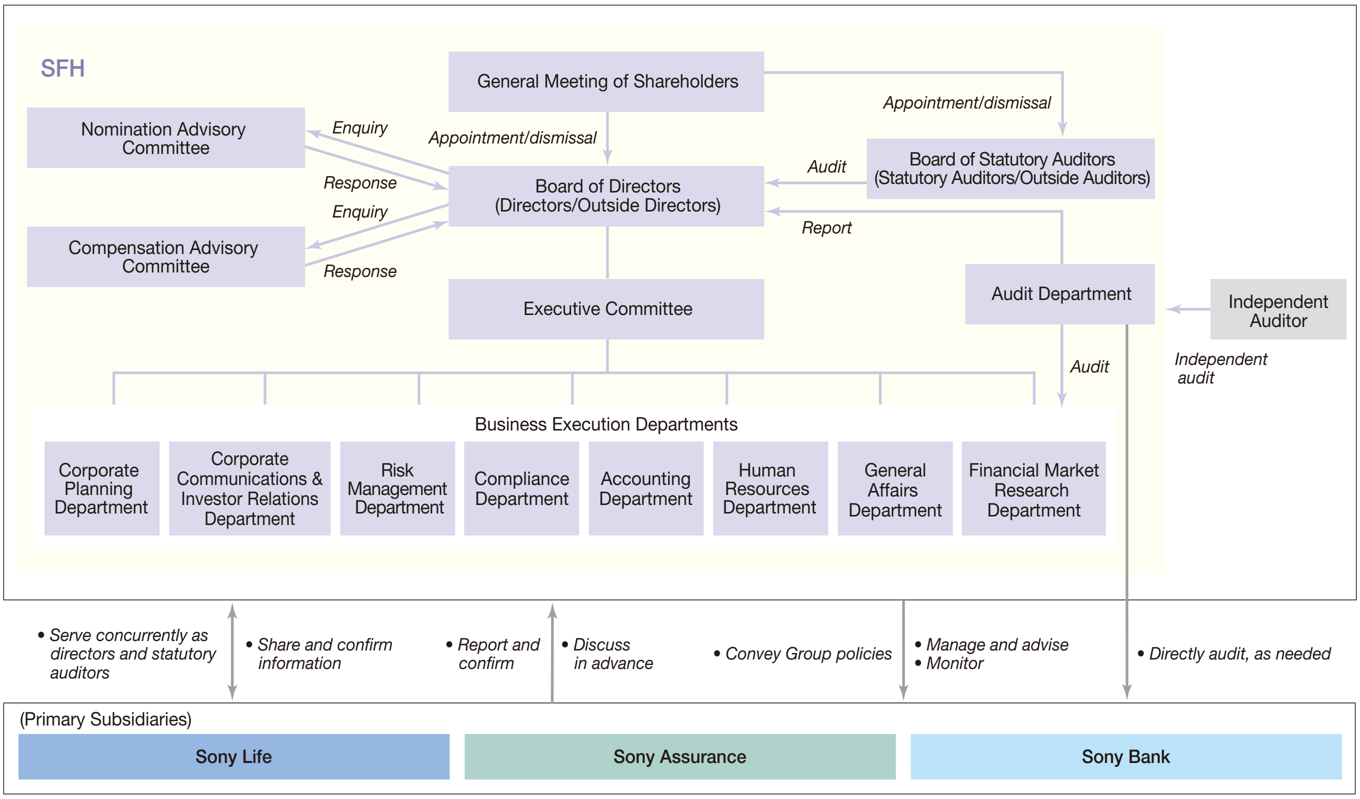
Establishing an Internal Control System

SFH formulated the Basic Policy on Establishing an Internal Control System in compliance with the Companies Act of Japan and associated enforcement regulations to ensure the appropriateness of the Group's business activities. SFH implemented and maintains an internal control system in line with this policy.

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.

▶ "Corporate Governance" on SFH's website, http://www.sonyfh.co.jp/en/company/governance.html

Sony Financial Group's Internal Control (As of July 1, 2017)



Management System

Outline of SFH's Corporate Governance Structure (As of July 1, 2017)

Type of structure	Company with a Board of Directors and a Board of Statutory Auditors
Number of directors	9 (including 2 outside directors)
Number of statutory auditors	3 (including 2 outside statutory auditors)
Director's term of office	1 year
Number of independent directors	4
Outside directors' involvement in determination of compensation	Involved
Results-linked compensation system	Adopted
Number of meetings of the Board of Directors held during fiscal 2016	14 times
Advisory bodies for the Board of Directors	Nomination Advisory Committee; Compensation Advisory Committee

▶ **"Management System" on SFH's website, http://www.sonyfh.co.jp/en/company/management.html**

Board of Directors (As of July 1, 2017)

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, of which three are 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 a Corporate Executive Officer of Sony, the parent company. Because SFH is the subsidiary of a listed parent company, it has appointed two outside directors who are independent directors as required by the Tokyo Stock Exchange, Inc. 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 strategies 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 2016

	Name	Board of Directors' meeting	Board of Statutory Auditors' meeting
Outside directors	Isao Yamamoto	Attended all 14 meetings	—
	Shiro Kuniya	Attended 11 out of 14 meetings	—
Outside statutory auditors	Yasuyuki Hayase	Attended all 14 meetings	Attended all 13 meetings
	Yoshimichi Makiyama	Attended all 14 meetings	Attended all 13 meetings

Statutory Audits, Internal Audits and Accounting Audits (As of July 1, 2017)

Statutory Audits

SFH's Board of Statutory Auditors has three members, two of whom are outside statutory auditors and deemed as independent directors based on Tokyo Stock Exchange regulations. Statutory auditors audit the execution of duties by directors based on the audit policy, audit plan and other matters stipulated by the Board of Statutory Auditors. Statutory auditors attend important meetings, including Board of Directors' meetings and examine SFH's operations and financial condition. At the same time, statutory auditors maintain close contact such as through the receiving of reports from independent auditors, internal audit division and other relevant persons.

Internal Audits

SFH performs internal audits through its Audit Department. The Audit Department takes an independent and objective standpoint in performing internal audits to check and evaluate the appropriateness of work processes and responses to risks. The Audit Department also monitors the results of both internal and external audits of Group companies and provides advice and proposals when necessary. The Audit Department regularly reports the results of its monitoring activities to the director in charge and the Board of Directors. When necessary, the Audit Department may audit subsidiaries directly or jointly within the scope of governing laws and regulations. In addition, the Audit Department works closely with statutory auditors, as well as external auditors, such as independent auditors, as necessary.

Accounting Audits

The accounting firm and back-up team members of the certified public accountants (CPAs) who acted as the accounting auditors of SFH are as follows:

Accounting firm	PricewaterhouseCoopers Aarata LLC
Breakdown: CPAs and the back-up team members*	6 CPAs, 3 others

**For fiscal 2016*

Nomination Advisory Committee and Compensation Advisory Committee (As of July 1, 2017)

SFH has established two Committees as advisory bodies for the Board of Directors to ensure the transparency and objectivity of the decision-making process.

The Nomination Advisory Committee deliberates on the appointment and dismissal of SFH's directors, statutory auditors and Group companies' presidents, as well as on the succession planning of SFH and its Group companies' presidents. It reports the results of its deliberations to the Board of Directors.

The Compensation Advisory Committee deliberates the policy and total amount of compensation for SFH's directors and Group companies' representative directors which are to be proposed at a General Meeting of Shareholders. The Committee also deliberates the amount of compensation, bonuses and retirement benefits for individual directors and Group companies' representative directors, within the limits set by a resolution at a General Meeting of Shareholders. It reports the results of its deliberations to the Board of Directors.

Each of the Committees consists of a small number of directors, including outside directors, to reflect opinions from an objective and multifaceted perspective on its deliberations. A member of the Compensation Advisory Committee shall not participate in the resolution for determining his/her compensation.

Advisory bodies	Members	
Nomination Advisory Committee	Outside Director	Isao Yamamoto (Chairperson)
	Outside Director	Shiro Kuniya
	President, Representative Director	Shigeru Ishii
	Director	Shiro Kambe
Compensation Advisory Committee	Outside Director	Shiro Kuniya (Chairperson)
	Outside Director	Isao Yamamoto
	President, Representative Director	Shigeru Ishii

▶ Page 60: A Dialogue between Outside Directors

Independence Standard of Outside Directors and Outside Statutory Auditors

SFH has formulated the Basic Policy on the Selection of Director and Statutory Auditor Candidates* and set the independence standard of outside directors and outside statutory auditors.

The Standard provides that a candidate is deemed to be independent if he/she: (1) satisfies the independence requirements of the Companies Act and the standards for independent directors provided by the Tokyo Stock Exchange; (2) has had no conflict of special interest with SFH and its Group companies in the past three years prior to his/her taking office and currently has no such conflict; (3) has not been an executive or employee of SFH's parent company or a subsidiary of SFH's parent company in the past three years prior to his/her taking office and is not currently an executive or employee of these companies; and (4) is not a spouse of or related within two degrees of kinship to a person who does not satisfy either of items (2) and (3) above.

By appointing highly independent outside directors and outside statutory auditors, SFH strives to ensure the transparency of corporate management and enhance their supervisory function.

Visit SFH's website for details of the Basic Policy on the Selection of Director and Statutory Auditor Candidates.

Evaluation of Effectiveness of the Board of Directors

According to SFH's Basic Policy on Corporate Governance, the Board of Directors conducts self-evaluations, evaluating the effectiveness of its own decision-making and oversight, as well as its operation of meetings at least once a year.

Evaluation Process

For fiscal 2016, an independent third-party evaluation company evaluated the effectiveness of the Board of Directors by questionnaire to all directors and statutory auditors.

Principal content of the questionnaire

- Composition of the Board of Directors
- Quality and volume of discussions on the Group's businesses, risks, strategies, etc.
- Degree of understanding, opportunities for training
- Operating practices of the Board of Directors' meetings
- Incentive compensation
- Advisory committees
- Support system for outside directors and statutory auditors
- Dialogue with shareholders

In addition, an evaluation was conducted regarding responses to items that were raised as issues in the previous year's evaluation of effectiveness.

Summary of the Results of Evaluation

- As a whole, a high level of effectiveness was achieved.
- The Board of Directors consists of members with a wide variety of experience.
- The members of the Board of Directors agree in recognizing never to be satisfied with current conditions and that further improvement and enhancement of the Board's function are necessary. The Board of Directors is united in an effort to improve its function.
- The agendas of the Board of Directors' meetings were properly selected in terms of their quality and volume. There was an atmosphere where all members, including outside directors, could speak in a free and active manner. The meetings proceeded smoothly under the leadership of the chairman. Members of the Board of Directors are provided regular opportunities for communication, and mutual trust is high.
- Comments from shareholders are appropriately provided as feedback to the Board of Directors.

While various improvements have been made with respect to the issues raised in the previous year's evaluation of effectiveness (discussion of medium- to long-term Groupwide business strategies and executive development strategies), the Board of Directors agrees that continuous discussion is needed. In addition, some members expressed a desire for more opportunities for study or training sessions related to the Group's management and businesses.

Issues to Address and Responses to Make Based on the Results of Evaluation

Based on the results of this evaluation, SFH's Board of Directors judges itself to be wholly effective at this time. That said, the Board will strive to further enhance its effectiveness through improving its understanding of the Group's management and business environment and continuous discussions on the Group's medium- to long-term business strategies.

▶ Page 60: A Dialogue between Outside Directors

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. SFH has created the Compensation Advisory Committee Regulations and established the Compensation Advisory Committee (please see page 66) as its deliberative body. Compensation of individual directors is determined by the resolution of the Board of Directors, based on a report from the Compensation Advisory Committee. Directors with no executive duties, except outside directors, are paid no compensation. Compensation of individual statutory auditors is determined, within the limit set by a General Meeting of Shareholders, through discussions by statutory auditors.

1. Executive Directors

Basic policy	• A balance between a fixed portion, a results-linked portion and a medium- to long-term incentive portion shall be considered. The objective of this is to secure talented executives for business execution and ensure that compensation serves as an effective incentive for improving the business performance and corporate value of the entire Group.
Compensation	• Compensation comprises a fixed portion depending on the position, a results-linked portion depending on the entire Group's performance and individual responsibilities, and a medium- to long-term incentive portion in the form of a stock-based compensation. • The results-linked portion could range from 0% to 200% of the standard amount subject to achievement of management targets of the Group and fulfillment of responsibilities. • The medium- to long-term incentive portion is based on restricted stock compensation and stock-type compensation stock options. The stock-type compensation stock options, in principle, account for 20% of total annual compensation.
Level	• A suitable level of compensation shall be paid in order to secure talented individuals. The level of compensation is determined in consideration of the results of third-party surveys on the compensation levels of corporate managers and other relevant information.

2. Outside Directors

Basic policy	• 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 shall be fixed with the objective of securing talented individuals and ensuring that the supervisory and oversight function is working effectively.
Compensation	• A fixed amount is paid according to the role.
Level	• A suitable level of compensation shall be paid in order to secure talented individuals. The level of compensation is determined in consideration of the results of third-party surveys on the compensation levels of corporate managers and other relevant information.

3. Statutory Auditors

Basic policy	• The main responsibility of statutory auditors is to ensure the transparency and objectivity of corporate management by conducting operational and accounting audits. Consequently, compensation shall be fixed with the objective of securing talented individuals and ensuring that the audit function is working effectively.
Compensation	• A fixed amount is paid according to the respective role of standing statutory auditors and non-executive statutory auditors.
Level	• A suitable level of compensation shall be paid in order to secure talented individuals. The level of compensation is determined through discussion of statutory auditors, in consideration of the results of third-party surveys on the compensation levels of corporate auditors and other relevant information.

Compensation for SFH's Directors and Statutory Auditors for Fiscal 2016

Details of compensation for SFH's directors and statutory auditors for fiscal 2016 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	Stock option	Provision for reserve for retirement benefits
Directors (internal)	4	297	239	49	8
Directors (outside)	2	20	20	—	—
Statutory auditors (internal)	—	—	—	—	—
Statutory auditors (outside)	2	30	30	—	0
Total	8	348	290	49	9

Notes: 1. Compensation refers to compensation, bonuses, and other financial benefits received from the Company in consideration of execution of duties.
2. Compensation categories refer to basic compensation, stock options, bonuses and retirement benefits and others. SFH did not pay bonuses as compensation for directors and statutory auditors prior to and including fiscal 2016.

Relationship with Parent Company, Sony Corporation

(As of July 1, 2017)

As is described in the Basic Policy on Corporate Governance (please see page 64), SFH is a listed subsidiary of Sony Corporation. Accordingly, SFH maintains managerial independence from its parent company and strives to ensure a highly transparent management.

Capital Relationship

SFH is a financial holding company, established in April 2004 as a corporate spin-off from Sony Corporation. 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. Sony Corporation later made additional purchases of SFH shares, bringing its shareholding to 63% as of March 31, 2017. As a result, regardless of the intentions and interests of other shareholders, Sony Corporation may have an impact on all matters requiring shareholder approval such as 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 function, 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 Officer or Senior General Manager of the Sony Group. Moreover, Sony Corporation has seconded five employees to SFH. Because the appointment of concurrent directors and statutory auditors comes at the request of the Sony Financial Group, SFH believes that concurrent directors and statutory auditors are positioned to make independent management decisions. From the standpoint of further enhancing independence from the parent company, SFH has appointed two outside directors who have no special relationship with the Sony Group, and have designated them as independent directors based on rules set forth by the Tokyo Stock Exchange.

Ensuring Independence in Business Activities

Because the Sony Financial Group's business operations have 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 certain degree of independence from the Sony Group.

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

Using the "Sony" Trade Name and Trademark

SFH and Group companies have entered into royalty agreements with Sony Corporation for the use of the "Sony" trade name and trademark. However, these agreements can be rescinded by Sony Corporation under certain conditions, such as its 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 Corporation based on these agreements. The amount paid in fiscal 2016 was ¥1,617 million and the 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.

Transactions with Sony Corporation

SFH is a listed subsidiary of Sony Corporation. 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.

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 certain 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 Corporation (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.

Status of Implementation

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

Note: SFH prepares and discloses Information Pertaining to Controlling Shareholders in accordance with the regulations of the Tokyo Stock Exchange. The document can be viewed on the Tokyo Stock Exchange's or SFH's website.

Compliance

Basic Stance on Compliance

SFH's broad definition of compliance is that it encourages all executives and employees to deepen their understanding of the Company's corporate philosophy, enforces compliance with these laws, regulations, and social norms and manages business operations transparently and properly based on a strong sense of ethics in order to ensure sound and proper operations. SFH considers compliance to be one of its top management priorities and, accordingly, it has systems in place to ensure that all executives and employees are fully aware of their duties and responsibilities.

While Group companies are responsible for establishing systems to enhance the effectiveness of compliance according to their specific industry and scale of business operations, SFH, as a financial holding company, undertakes the ongoing monitoring and promotion of the Group companies' compliance by providing advice, as needed, from the viewpoint of Group management.

▶ **"Compliance" on SFH's website, http://www.sonyfh.co.jp/en/company/compliance.html**

Compliance Activities at SFH

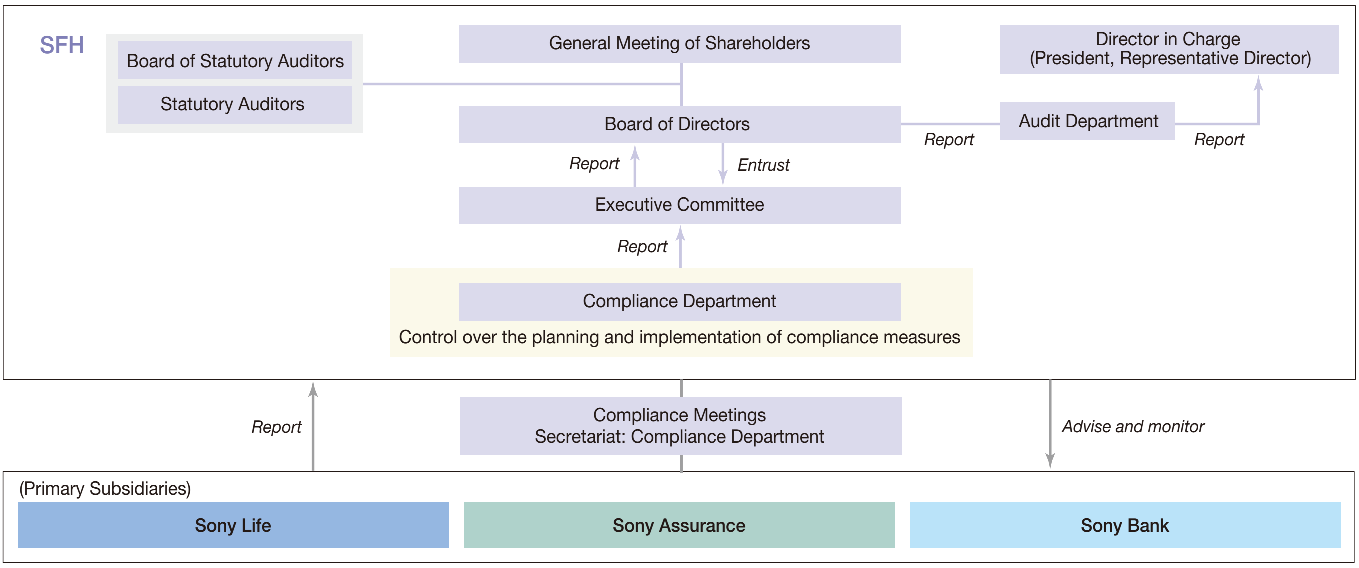
SFH considers the Sony Group Code of Conduct as the fundamental internal code that all executives and employees must observe. In addition, SFH's Board of Directors formulated a Compliance Manual* and a Compliance Program**. SFH strives to monitor adherence to stated practices and their implementation at all times, while putting in place and developing the SFH compliance system and working proactively to ensure its effective operation.

SFH also provides appropriate guidance and support in order to put in place and develop compliance systems and operate them effectively at Group companies.

**The Compliance Manual outlines SFH's compliance system, as well as the Group's corporate philosophy, which executives and employees must understand, and laws and regulations, which they must comply with. The manual also establishes measures for handling behavior that conflicts with laws and regulations or behavior that raises compliance issues, 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 of the Sony Financial Group (As of July 1, 2017)



Compliance Meetings

SFH holds regular compliance meetings with Group companies to conduct preliminary consultations and exchange information about the status of compliance dissemination and other issues. Members of the meeting 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 important discussions are reported to the Board of Directors and at other important meetings.

Internal Hotline System

If executives and employees of SFH and its Group companies, as well as temporary employees and the employees of business partners, believe that business policies, operating activities or other activities of the companies breach (or could breach) respective laws and regulations, they can report their concerns by choosing and notifying the appropriate hotline desk at SFH or at any Sony Financial Group company, or the Sony Group hotline desk. A total of approximately 30 reports were received by the hotline desk at SFH and Group companies in fiscal 2016, the majority of which were related to the workplace environment. SFH implements appropriate measures to protect those who contact these desks, while strictly managing and responding to the information provided.

Prevention of Insider Trading

SFH has established a Basic Group Policy on the Prevention of Insider Trading, whereby a structure for the prevention of insider trading has been developed at SFH and Group companies.

SFH monitors whether such framework is adequately in place and working effectively in the prevention of insider trading at Group companies, and takes actions as necessary.

Note: Visit SFH's website for details.

Privacy Policy

SFH has formulated a Privacy Policy* governing the handling of personal information. It sets out SFH's policies on the acquisition and use of personal information for specific purposes. SFH has also established Rules Concerning Protection of Personal Information that set out specific security control protocols. SFH monitors the effectiveness of Sony Financial Group companies' security control protocols.

SFH and its Group companies formulate and revise the Privacy Policy, and set up an organization to protect personal information, to which they appoint persons responsible. SFH and its Group companies also prepare a set of rules and a manual, as well as training programs on the handling of personal information and information security. These initiatives allow SFH and Group companies to maintain entrusted personal information so that it is accurate and up-to-date, and to protect personal information through steps to prevent use for other purposes, unauthorized access, leakage, falsification, loss, destruction and other incidents.

**Visit SFH's website for more about the Privacy Policy (revised as of May 30, 2017).*

Basic Group Policy on Eradicating Anti-social Forces

SFH has formulated a Basic Group Policy on Eradicating Anti-social Forces* whereby SFH and Group companies have in place the structures necessary to take a firm stance on countering anti-social forces. This includes setting up an organizational unit responsible for dealing with anti-social forces, appointing a person responsible for refusing unreasonable demands and gathering information on anti-social forces in collaboration with external specialized agencies. The Group works uniformly in an effort to eradicate anti-social forces.

**Visit SFH's website for more about Basic Group Policy on Eradicating Anti-social Forces.*

Conflicts of Interest Policy (Summary)

SFH formulated the Conflicts of Interest Policy* to ensure that customers' interests are not harmed by Group companies. The director in charge of the Compliance Department, as the manager responsible for managing conflicts of interest, shall require Group companies to take the following actions when he/she deems them to be necessary based on reports from 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 of a conflict of interest, to customers
4) Other actions deemed necessary

SFH shall retain records, which specify transactions to be managed and that are associated with actions taken to properly protect customers, for five years.

**Visit SFH's website for a summary of the Conflicts of Interest 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 has formulated the Basic Policy on Group Risk Management and develops a risk management structure by aligning it with Groupwide strategic objectives and management policies. In addition, SFH seeks to enhance the corporate value of the Group by tailoring operating subsidiaries' risk management to the types of risks inherent in their respective lines of business.

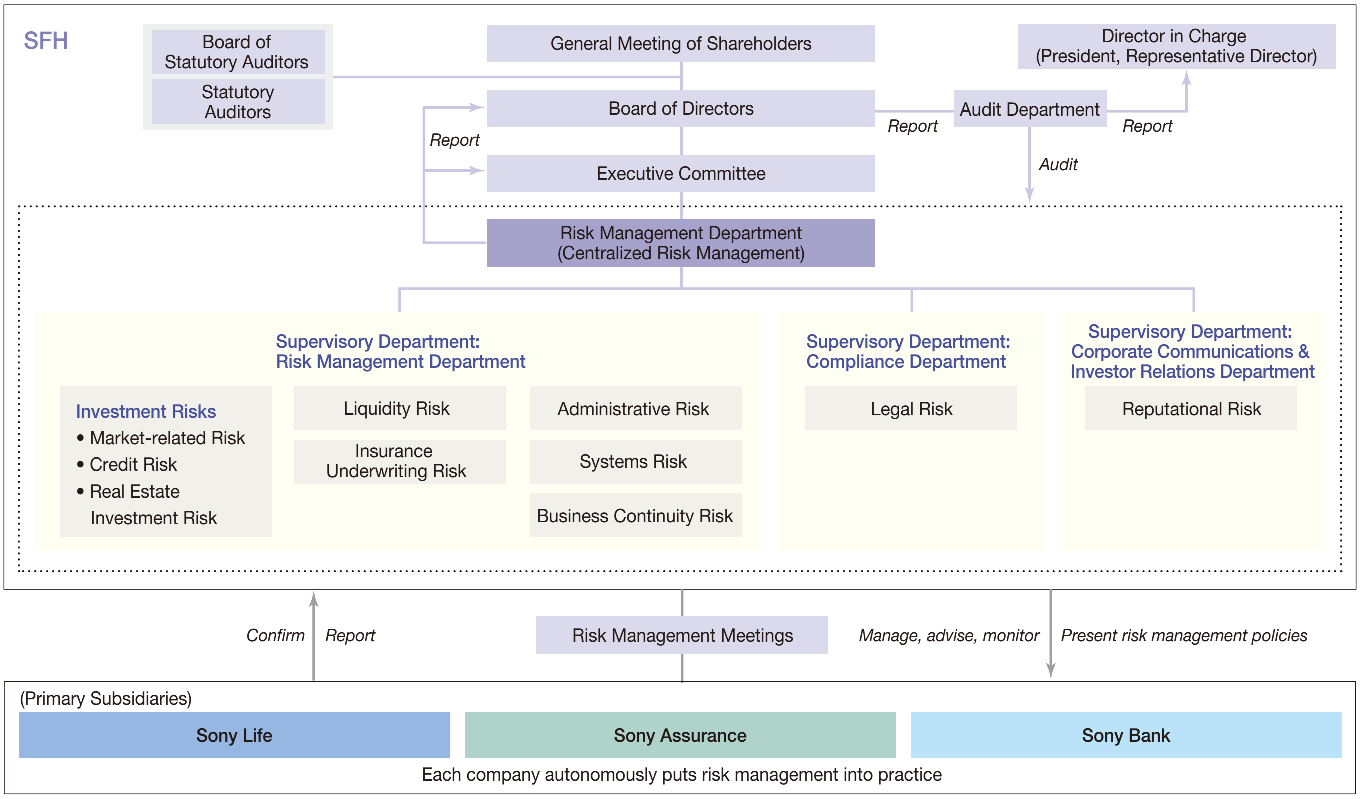
▶ **"Risk Management" on SFH's website, http://www.sonyfh.co.jp/en/company/risk_management.html**

Approach to Risk Management by SFH and Group Companies

SFH has formulated the Fundamental Principles for Risk Management and communicates them to directors, employees, and throughout the Sony Financial Group. It also identifies the scope and types of risks of the Group companies, and establishes structures designed to manage such risks effectively. SFH's department in charge of risk management controls risks through monitoring and holding Risk Management Meetings with the subsidiaries' risk management divisions. It also reports its findings on the state of risk management regularly to SFH's Board of Directors and Executive Committee.

The Group companies optimize types and definitions of their risks according to scale, characteristics and business model. They have established risk management frameworks, with the aim of autonomously assessing, monitoring, and managing these risks.

Risk Management Structure of the Sony Financial Group (As of July 1, 2017)



Types and Definitions of Risks

Type	Definition
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	Risks associated with losses are as follows: • 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's 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 due to violations of applicable laws, rules and regulations occurring during the course of business operations, as well as the risk of loss due to litigation or infringements 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.
Business Continuity 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, disaster, accidents, or other crises.

Note: As the operating and business environment changes, the Group companies' risk management departments review the risk types and definitions, amending them as appropriate for new conditions.

Contingency Management System

SFH has established a contingency plan as part of the Group's comprehensive policy on business continuity for times when ordinary business operations of SFH or Group companies are at risk due to accidents, system failures 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 whereby Group companies report to SFH when they are 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, SFH shall establish a contingency response headquarters led by the President and Representative Director of SFH and execute business continuity measures aimed at the full restoration of all operations.

Introducing the Group's ERM Framework

The Sony Financial Group introduced its ERM framework in fiscal 2016.

▶Page 20: Vision and Strategies Sony Financial Group

Dialogue with Shareholders and Other Investors

For constructive dialogue with shareholders and other investors, SFH has formulated the Investor Relations (IR) Policy, established the department in charge of IR activities and assigned a corporate executive to oversee IR activities. The department in charge of IR activities shares information appropriately with SFH's business execution departments and Group companies in order to disclose information in a timely, accurate and fair manner, and provide ample opportunities for dialogue with shareholders and other investors.

SFH conducts presentations and individual meetings in a variety of formats, and engages in dialogue, centered on the president and senior management. In addition, SFH strives toward enhanced disclosure of information via various IR tools (e.g., website information and annual reports).

Feedback and requests obtained through dialogue with shareholders and other investors are regularly reported to senior management to reflect on and improve their operations.

▶ **"IR Policy" on SFH's website, http://www.sonyfh.co.jp/en/financial_info/ir_policy.html**

Investor Relations (IR) Initiatives in Fiscal 2016

SFH held its corporate strategy meeting for institutional investors and analysts with participation from top management at the Company and Group companies. In addition, top management at SFH made visits not only within Japan but also to the United Kingdom, the United States, Hong Kong and Singapore to have meetings individually with institutional investors. Also of note, the Company's IR website earned high marks in several ranking surveys.

Corporate strategy meeting for domestic institutional investors and analysts (May 2017)

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. 210
Overseas IR meetings (UK, USA, Hong Kong, Singapore)	Total 4 times
Briefings for individual investors	9 times
Participation in an IR fair for individual investors	1 time
Business briefings (small meetings for domestic institutional investors and analysts)	1 time

Facilitating the Exercise of Voting Rights

SFH undertakes the following activities as part of its efforts in creating an environment that invigorates the general meeting of shareholders and facilitates the exercise of voting rights.

- SFH sends out the Notice of Convocation for the general meeting of shareholders as early as possible.
- SFH sets the meeting date to avoid dates on which other companies' annual general meetings of shareholders are concentrated.
- SFH uses an electronic voting platform.
- SFH provides a partial translation of the Notice of Convocation in English.
- SFH utilizes its website to disclose the Notice of Convocation for the general meeting of shareholders and the final shareholder voting results.

Annual IR Schedule

Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Announcement of Full-year Consolidated Financial Results			Announcement of 1Q Consolidated Financial Results			Announcement of 2Q Consolidated Financial Results			Announcement of 3Q Consolidated Financial Results	
	Corporate strategy meeting	Ordinary General Meeting of Shareholders			Annual Report						

Sony Financial Group's CSR

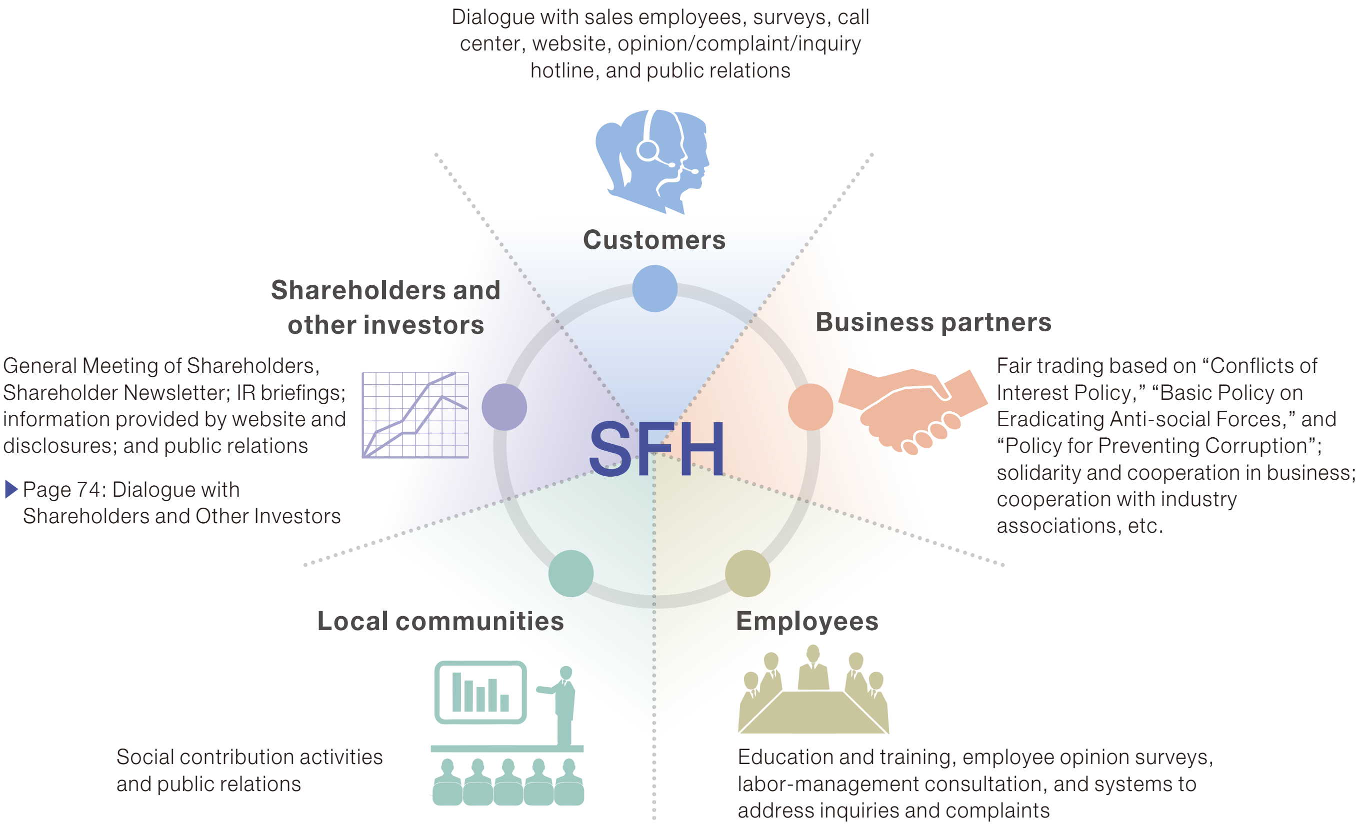
The Sony Financial Group believes that contributing to sustainable social development through the provision of financial services that reflect real customer needs constitutes the core of corporate social responsibility (CSR). With the highest level of ethics and a strong sense of purpose, we strive to continuously improve corporate value by engaging in sound, responsible business activities. Seeking to be the most trusted financial group, we work to contribute to society as a good corporate citizen.

The Sony Financial Group has formulated the following Basic CSR Policy, and each company in the Group proactively conducts various CSR initiatives through its business activities. The various departments in SFH exchange information with Group companies to monitor their CSR initiatives.

Basic CSR Policy

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

1. We recognize that a corporation's fundamental responsibility to society is contributing to economic growth through sound business activities, and we will fulfill this responsibility by providing high-value-added products and high-quality services.
2. We will 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 obtain the trust and support of the Sony Financial Group's stakeholders.



Customers

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.

Sony Life

Sony Life conducts annual customer awareness surveys by post, and in fiscal 2016 received valuable feedback from 5,757 policyholders. Since fiscal 2013, the company has been conducting telephone customer satisfaction surveys for Lifeplanner channel policyholders and is able to assess customer satisfaction levels in such areas as frequency of visits, provision of information on new products and services, and speed of responses.

Sony Life analyzes feedback from customers and formulates specific improvement measures and plans, which it shares with various internal departments in an effort to improve services.

Shorter Wait Time for Payment of Insurance Claims and Benefits

In November 2016, Sony Life debuted an immediate remittance system and shortened the payment period for insurance claims and benefits. Previously, payments for insurance claims and benefits were made the day after the necessary procedures had been completed. With the new system, however, insurance claims and benefits for which procedures were completed within a certain timeframe will be paid—remitted—on the same day that procedures were completed. Through changes, particularly to this system and workflow, the time from receipt of documentation to payment for around 50% of insurance claims and benefits has been shortened by a day.

Launch of Industry's First Benefit Claims Support Tool on Website

To address the needs of customers who simply want to find out how much they would be eligible for in the event of hospitalization or surgery, in March 2017 Sony Life launched a benefit claims support tool on its website that enables customers to get a rough estimate of benefits for hospitalization and surgery.

Introduction of Life Insurance Trusts through Lifeplanner Sales Employees

Responding to feedback from customers with concerns about the ability of beneficiaries and guardians to properly utilize death benefits upon the policyholder's death as well as requests for advice from heirs, Sony Life began handling products, including life insurance trusts, from Sumitomo Mitsui Trust Bank, Limited, through its Lifeplanner sales employees. Through this tie-up, Sony Life will be able to meet a wider array of customer needs and offer a greater range of services.

▶ Page 37: Review of Operations and Analysis of Operating Performance

Sony Assurance

Leveraging its unique advantage as an insurer that communicates directly with customers, Sony Assurance listens closely to its customers and strives to improve services as required and provides updates on specific improvement measures via its website. In addition, customer feedback is centrally managed, compiled and analyzed on a monthly basis by the Customer Response Service Department. Feedback is reported to management every quarter, and in particularly important cases, detailed reports are made on the causes of incidents and countermeasures are recommended as necessary. The feedback is also passed on to relevant departments, along with instructions on improvements and other matters. Based on this feedback, the company encourages daily efforts to enhance services and provide services of higher quality in meeting the needs of its customers. This commitment has earned Sony Assurance a solid reputation in customer satisfaction surveys conducted by third parties.

Approach Using SMS—For Easier-to-Understand, More Convenient Communication

Sony Assurance initiated an approach that takes the information collected from customers over the phone to build a quote and makes it accessible online so that customers do not have to go through the hassle of reinputting information already given at the time of phone inquiry. In conjunction, for customers with smartphones, the company uses a short message service (SMS) for sending texts to the URL of a customer-only gateway—the quote confirmation page—on its website. The company is working to simplify the online quote-checking process through the use of SMS.

Through this approach, the number of inquiries regarding access to the quote confirmation page has declined, indicating that Sony Assurance has been able to make the process easier to understand. Given this result, the company began using SMS for other services as well, including procedures for changing the vehicle covered under the policy. Going forward, the company will continue its efforts to provide even better services.

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. Reflecting its efforts to improve services based on customer feedback, in fiscal 2016 Sony Bank was awarded a five star certification, with recognition in the inquiry desk and web support portal categories of the Five Star Certification Program administered by HDI-Japan.

Note: The five-star recognized center mark can be used when a three-star center providing outstanding services from a customer perspective is recognized for excellence in conducting center operations.

Enhanced Sony Bank WALLET Service—Enabling Payments through Foreign Currency Deposits for Teenagers

As Sony Bank's foreign currency deposits were initially targeted at customers of ages 20 and above, so was the Sony Bank WALLET service to pay for purchases through foreign currencies. However, as the cash card enables easy local-currency withdrawals at overseas ATMs and, unlike a credit card, cannot be used for purchases exceeding the account balance, the Sony Bank WALLET service was sought after by customers who wanted this service available for their children when studying or traveling abroad. Accordingly, in November 2016 Sony Bank made some foreign-currency transactions available to children of ages 15 and above, thus enhancing the convenience of Sony Bank WALLET. The opinions of customers are much appreciated by Sony Bank, and the company will continue to strive to provide services fine-tuned to the increasingly diverse financial needs of its customers.

Reflecting Customer Feedback in Business

In recent years, customers of Sony Financial Group companies have often asked for advice regarding nursing care and health care in later life. In November 2013, the Sony Financial Group added the nursing care business to its business portfolio, seeking to evolve into a corporate group that follows customers through all stages of life and provide the basis for living comfortably, with dignity and peace of mind.

▶ Page 30: Vision and Strategies Nursing Care Business

Business Partners

The Sony Financial Group seeks to promote 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 maintain healthy relationships with all of its business partners and thereby contribute to 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. Sony Life provides various systematic training programs for Partners and training related to products, along with expertise on sales tailored to customer needs based on sales processes developed by the Company over the years.

Based on the desire to provide high-quality services closely tied to regional communities, Sony Life's approximately 1,818 Partners around the country, as of March 31, 2017, faithfully fulfill their responsibilities as Partners to customers.

Cooperation with the Sony Group

The Sony Financial Group ensures a certain degree of independence from the Sony Group and maintains a fair, equitable and healthy relationship. Through this group-group connection, the Sony Financial Group will draw on the advanced technological expertise of the Sony Group and promote cooperation to provide high-quality services to its customers.

Introduction of Genomic Information Provision Services of P5, Inc.

In March 2017, Sony Life's Lifeplanner sales employees began introducing the genomic information provision services of P5, Inc., a Sony Group company. Through these services, Sony Life supports customers in making healthy lifestyle choices and expanding possibilities for treatment in the event, however remote, that they are affected by cancer.

Provision of Hoshii Mono Navi Beta, Asset Formation Simulation Tool

Sony Bank began providing its Hoshii Mono Navi Beta developed by Sony Computer Science Laboratories using inherent know-how and ideas. This simulation tool presents ways to save money for several purposes and facilitates the search for a savings-building plan that is matched to the individual and not too hard to achieve. Sony Bank will work to develop financial services that utilize the advanced technological expertise of the Sony Group and will provide services featuring a high level of convenience that are perfectly matched to the needs of each and every customer.

Employees

Employee Education

In addition to training at each Group company, training is jointly conducted at the Group level to encourage everyone to acquire a wider understanding of the Group's business pursuits overall. These programs include life-planning courses, explanations of each company's business activities and workplace tours. Orientation for new graduates and training for employees in their second year are also conducted together as a Group.

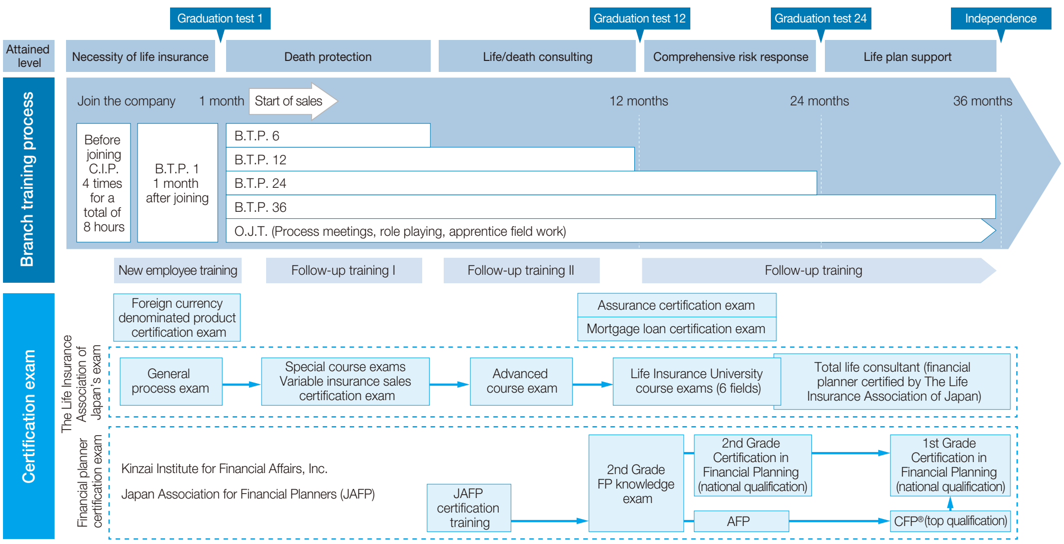
Sample Programs and Initiatives for the Development of Employees

Self-development Program	Group training sessions and opportunities to take correspondence courses for employees working independently to develop their skills.
Management Skill-development Program	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	Work experience in different departments for a certain period of time allowing for better understanding of different operations or to achieve career plan objectives.
Training of Global Human Resources	With an eye on overseas business expansion in the future, the Sony Financial Group is conducting initiatives, such as overseas actuary training.

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 conduct.

Lifeplanner Sales Employees Training System
(As of July 1, 2017)



Promotion of Diversity

The Sony Financial Group places significant emphasis on a spirit of diversity, to better address various changes in the environment surrounding customers and their diverse value perceptions and to generate new value from different viewpoints. As the number of employees increases, so does diversity within the Group from a human resources perspective, with a greater number of women, foreign nationals and the mentally and physically challenged within the Group as well as more employees who are dealing with a range of situations, including childcare and nursing care. Various approaches are being applied to address these issues.

(1) Work-life Balance

The Sony Financial Group promotes initiatives to help balance careers with private lives. Since its establishment, 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. In June 2016, the company was recognized by the Ministry of Health, Labour and Welfare as a company actively supporting efforts to raise the next generation of children. Moreover, Sony Assurance became the first direct non-life insurer to receive this certification*. Sony Bank implemented an action plan to help employees balance child-raising responsibilities with work, and produced a guidebook to promote widespread awareness of support such as the social security system which can be used by expecting parents for childbirth and child-raising. Going forward, by continuing to help employees balance child-raising responsibilities with work, Group companies will remain focused on proactively creating a work environment that is 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.*

Initiatives for Fiscal 2020

Each Group company is working to achieve the following targets by March 31, 2021.

Sony Life	Average monthly overtime per employee 20 hours or less
	Percentage of male employees taking childcare leave 13% or higher
Sony Assurance	Percentage of employees taking vacation leave 75% or higher
Sony Bank	Average monthly overtime per manager/supervisor 30 hours or less

Return-to-Work Seminar for Women on Maternity Leave

Sony Life holds a return-to-work seminar to support women in their careers and their lives as mothers. Nearly all women taking maternity leave successfully return to work after childbirth. In the seminar, the human resources development department provides an explanation of the process leading up to their return to work and the system to support work and parenting. The seminar is also an opportunity for women to interact with others who have already experienced this process, helping to eliminate the apprehension that some women on maternity leave may have, thereby leading to a successful return to work.

"Smart Work Team" Event Regarding Approaches to Work

As the first step in creating a Groupwide work environment where everyone can play active roles, approaches to work were revised from both individual and team perspectives. As a new activity designed to reduce overtime, in October 2016 the Sony Financial Group held the "Smart Work Team" event jointly conducted by all four companies—Sony Financial Holdings, Sony Life*, Sony Assurance and Sony Bank.

The event unfolded over a month, with teams from each division and section at each company considering measures to cut overtime under a format best suited to their own operations, and then implementing those measures to boost productivity in terms of time and task.

Many of the employees who participated expressed that they gained a new perspective—that cutting overtime on a Groupwide basis and leaving the office at a more reasonable hour was a benefit. Even after the event ended, the measures taken during the event continued, and the idea of revising approaches to work has become entrenched. Going forward, the Sony Financial Group will continue to encourage activities in search for more effective and efficient ways to work.

**Sony Life participants came from the Otemachi and Nakano Sakaue headquarters.*

(2) Promotion of Women's Empowerment

For future growth, the Sony Financial Group regards its female employees as valuable human resources and equal to male employees. When Sony Life was established, a female sales force was the mainstream in Japan's life insurance industry. Regardless, Sony Life took the strategically bold step of deploying male Lifeplanner sales employees at the core of its sales operations. As a result, it achieved growth through the sale of policies tailored to customer needs based on the sophisticated knowledge and consulting capabilities of its life insurance/financial professionals. However, as times changed, Sony Life heightened its efforts to attract female Lifeplanner sales employees, and by 2020, annual recruitment is likely to reach 100, or about twice the current level. Sony Life established the Women's Empowerment Promotion Department, and not only supports the hiring of female Lifeplanner sales employees but also directs concerted efforts into the creation of a workplace where women can continue to work with peace of mind through, for example, the implementation of programs that enable women to maintain their jobs while also focusing on childcare and nursing care.

Initiatives for Fiscal 2020

Each Group company is working to achieve the following targets for female managers by March 31, 2021.

Sony Life	Percentage of females in management positions*1 20% or higher
	*1 Head office manager, assistant manager
Sony Assurance	Percentage of females in management positions*2 15% or higher
	*2 Assistant manager or higher
Sony Bank	Percentage of females in management positions*3 15% or higher
	*3 Senior manager or higher

Local Communities

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." For example, the Sony Life Volunteer Club was established by Sony Life employees in the wake of the Great Hanshin–Awaji Earthquake, and the Reconstruction Support Council was set up right after the Great East Japan Earthquake. In both groups, activities are undertaken by individuals, using donations from employees, and it is the members themselves who come up with and carry out a wide range of initiatives.

Selection of Major Activities (By Sony Life Volunteer Club)

- Continuing support for the elderly victims of the Great Hanshin–Awaji Earthquake
- Support for the Special Olympics Nippon Foundation* event
- 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

**What is the Special Olympics Nippon Foundation?*
Special Olympics Nippon is a public-interest incorporated foundation that provides opportunities for daily sports training to intellectually challenged people throughout the year, while promoting their social participation through organizing athletic competitions for them to demonstrate their achievements.

***What is Relay for Life?*
Relay for Life is a worldwide charity event that persons battling cancer, their families and those who have lost loved ones to the disease run laps around a track for 24 hours to promote the eradication of cancer.

Sony Financial Group's Donations and Grants for Fiscal 2016

Main Recipients of Donations and Other Assistance	Amount
NPO Sorabear Foundation	¥11,000,034
Kumamoto Earthquake Relief Fund	10,429,450
The Eye Mate, Inc. and its supporting groups	6,798,869
The General Insurance Association of Japan	5,959,803
Special Olympics Nippon Foundation	5,150,000
Purchase of green power and J-Credits in fiscal 2016	3,101,970
World Wide Fund for Nature Japan (WWF Japan)	1,106,300
The Tokyo Philharmonic Orchestra Public Interest Incorporated Foundation	1,000,000
Sony Education Foundation	1,000,000
Project Hand in Hand Japan	1,000,000
Others (incorporated associations, incorporated foundations, academic societies, and others)	1,904,780
Total	¥48,451,206

Life-planning Course Given at over 1,000 Schools

Since fiscal 2006, 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.

This program was launched following feedback from senior high school teachers indicating that "by utilizing life planning, we want to create opportunities for students to set future goals." It is an experiential, classroom-based program in which students, with their whole lives ahead of them, visualize their personal dreams and aspirations. Lifeplanner sales employees serve as lecturers, providing advice on the funds necessary to achieve these and other goals, and offering support to enable students to see if their life plans are achievable from an economic standpoint.

Feedback from the students has been positive, with comments such as "With effort and ingenuity, I felt as if I could realize my dreams," "It was a good opportunity to think about my future lifestyle and career," and "I felt grateful that my parents are making ends meet to cover my living and educational expenses."

By providing opportunities to think about life and money, Sony Life hopes many members of the next generation are able to make their own choices in their paths of life.

Life-planning Course given by Sony Life

	Life-planning Course	
FY2016	Number of schools	145
	Number of participating students	18,223
Cumulative total (FY2006–FY2016)	Number of schools	1,045 (cumulative)
	Number of participating students	110,591

Social Contribution Activities as an Institutional Investor

As an institutional investor, Sony Life, a subsidiary of SFH, has announced its adoption of Japan's Stewardship Code—a set of principles guiding the responsibilities of institutional investors.

Note: Please refer to the following website for information about Sony Life's basic stance and exercise of voting rights with respect to Japan's Stewardship Code (Japanese only): http://www.sonylife.co.jp/company/management/jsc/

Environmental Protection Activities

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

Group Company Activities

Use of Green Power

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 CO_2 emissions. Sony Assurance and Sony Bank adopt the J-Credit Scheme* to help reduce CO_2 emissions. Sony Bank offsets 100% of CO_2 emissions caused by its power usage (excluding the portion of power usage in outsourced operations) as a "Carbon Offset Bank."

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 2016, the entire Group purchased green power certificates and J-Credits equivalent to 1,650 MWh.

**The J-Credit Scheme is a system whereby the government certifies credits for the reduction or absorption of greenhouse gas emissions such as CO_2 through measures including the introduction of energy-saving equipment or forest management.*

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 promote energy-saving and natural resource-saving activities such as targets for reduced energy and photocopier paper usage, and 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.*

Conservation Activities Together with Customers

Donating to the Sorabear Foundation

Automobile insurance, one of Sony Assurance's mainstay products, supports the automotive lifestyles of its customers. While automobiles add affluence and convenience to our lives, exhaust gases emitted while driving are a cause of global warming. For this reason, Sony Assurance considers promoting initiatives to prevent global warming, even a little, is its social responsibility. Teaming up with the 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 2009.

Donations to the Sorabear Foundation are used to provide Sorabear power generation equipment—solar power generators—to kindergartens and nursery schools around the country.

Ceremony for the donation of Sorabear power generation equipment to Kitade Welfare Organization NawateSumire pre-school, in Osaka, in March 2017.

In fiscal 2016, the program contributed two solar power generators to a kindergarten and nursery school in Chiba and Osaka prefectures. To date, Sony Assurance has donated a total of 20 solar power generators through this program (as of July 1, 2017).

Reducing CO_2 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 CO_2 emissions related to postal mailings by shifting to paperless documentation for certain contract procedures and transactions.

Sony Life has adopted paperless application procedures for life insurance policies by equipping its sales force with approximately 5,000 tablet devices as part of its sales support system. As a result, Sony Life has reduced use of copier paper by around five million sheets annually.

In addition, Sony Bank asks its customers to switch to electronic delivery of investment trust transactional documents.

Sony Assurance has made it possible to apply for automobile insurance policies and medical policies online, thereby avoiding the need for printing and mailing of insurance application forms and other documents. Also of note, Sony Assurance takes an environmentally conscious approach to resources, exemplified by a paperless insurance certificate discount of ¥500 on automobile insurance premiums when customers who buy a policy online opt not to have certificates of insurance and other documents printed and mailed.

Corporate Section

Corporate Information

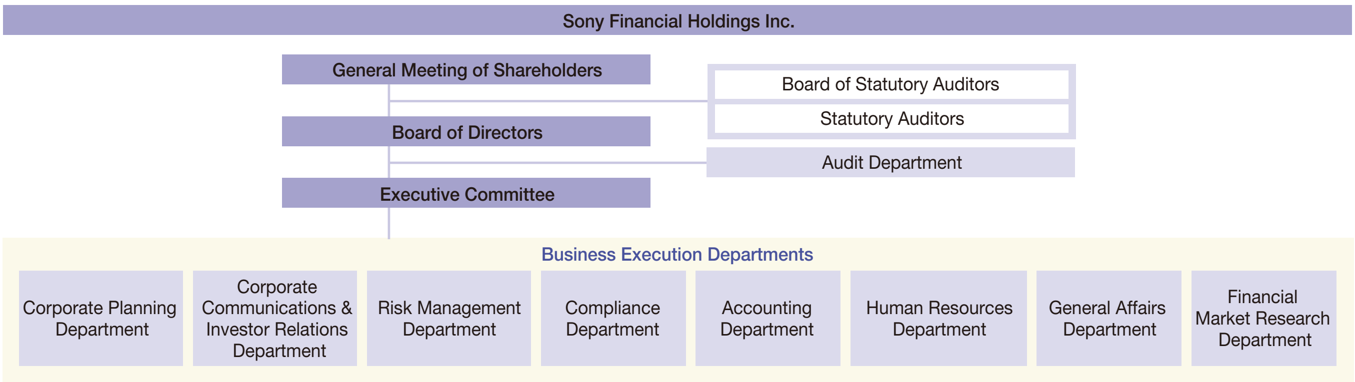
(As of March 31, 2017)

Name	Sony Financial Holdings Inc.
Established	April 1, 2004
Head office	1-9-2, Otemachi, Chiyoda-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 (As of March 31, 2017)	SFH: 74 (Consolidated: 9,739, Life insurance business: 7,861, Non-life insurance business: 1,201, Banking business: 573, Parent: 49)
Common stock	¥19,900 million

Note: The number of employees of SFH includes 10 belonging to the life insurance business, 1 belonging to the non-life insurance business, 8 belonging to the banking business, and 55 belonging to the parent.

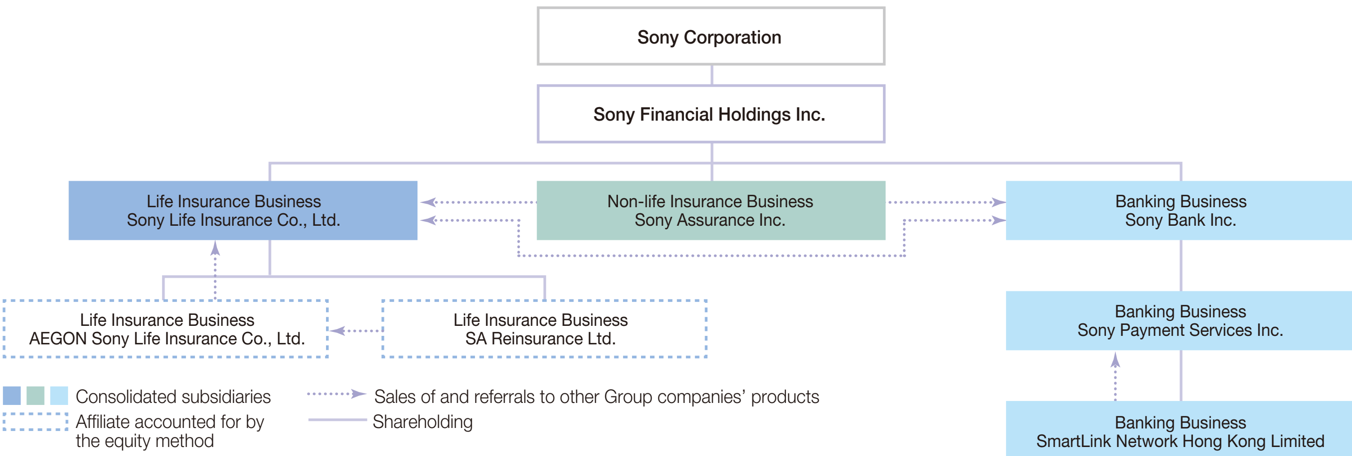
Organizational Chart

(As of July 1, 2017)



Sony Financial Group Organizational Chart of Business Operations (Primary Businesses)

(As of July 1, 2017)



Note: Information for each business is based on SFH's classification of segments.
In addition to the segments noted above, Sony Lifecare Inc., a holding company which oversees the nursing care business, and Lifecare Design Inc., a nursing care business, are included in the scope of consolidation.

Profiles of Group Companies

(As of July 10, 2017)

Life Insurance Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Life Insurance Co., Ltd.	August 10, 1979	1-9-2, Otemachi, Chiyoda-ku, Tokyo, Japan	Life insurance business	¥70,000 million	Sony Financial Holdings Inc. 100%
AEGON Sony Life Insurance Co., Ltd.	August 29, 2007	5-52-2, Jingumae, Shibuya-ku, Tokyo, Japan	Life insurance business	¥15,000 million	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%
SA Reinsurance Ltd.	October 29, 2009	British Bermuda	Reinsurance business	¥15,900 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	5-37-1, Kamata, 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%
Sony Payment Services Inc.	September 1, 2006	1-3-13, Takanawa, 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	Sony Payment Services Inc. 100%

Other (Nursing Care Business)

Name	Established	Head office	Business	Common stock	Share ownership
Sony Lifecare Inc.	April 1, 2014	3-11-11, Shibuya, Shibuya-ku, Tokyo, Japan	Management control of companies handling the nursing care business, and other duties incidental to that role	¥2,625 million	Sony Financial Holdings Inc. 100%
Lifecare Design Inc.	October 5, 1999	3-11-11, Shibuya, Shibuya-ku, Tokyo, Japan	Planning, development and operation of nursing care homes	¥1,045 million	Sony Lifecare Inc. 100%
Yuuai Holdings Co., Ltd.	April 5, 2012	2-8-4, Kitasaiwai, Nishi-ku, Yokohama, Kanagawa Prefecture, Japan	Management control of companies handling the nursing care business, and other duties incidental to that role	¥1,010 million	Sony Lifecare Inc. 100%
Kabushiki Kaisha Yuuai	May 9, 2002	2-8-4, Kitasaiwai, Nishi-ku, Yokohama, Kanagawa Prefecture, Japan	Planning, development and operation of nursing care homes	¥10 million	Yuuai Holdings Co., Ltd. 100%
Kabushiki Kaisha Manyou	July 3, 2006	2-8-4, Kitasaiwai, Nishi-ku, Yokohama, Kanagawa Prefecture, Japan	Planning, development and operation of nursing care homes	¥3 million	Yuuai Holdings Co., Ltd. 100%

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, 2017)

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

Major Shareholders

(As of March 31, 2017)

Name	Number of Shares Held	Percentage of Ownership (%)
Sony Corporation	274,050,000	63.00
Japan Trustee Services Bank, Ltd. (Trust Account)	13,637,337	3.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,376,700	2.61
STATE STREET BANK AND TRUST COMPANY	7,946,518	1.82
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	4,267,600	0.98
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,473,100	0.79
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	2,784,500	0.64
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,715,800	0.62
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	2,698,105	0.62
THE BANK OF NEW YORK 133972	2,624,200	0.60

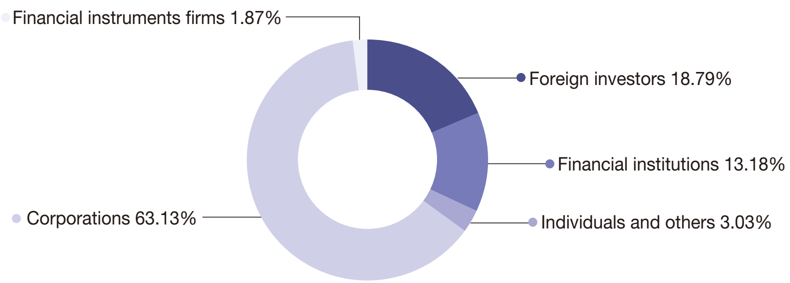
Distribution of Share Ownership

(As of March 31, 2017)

By shareholder type

Total number of shares issued

435,000,000



Dividend Policy

Dividends	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
Profit Attributable to Owners of the Parent	¥40.5 billion	¥54.4 billion	¥43.3 billion	**¥41.6 billion**	**¥42.0 billion**
Net Income per Share	¥93.11	¥125.10	¥99.67	**¥95.69**	**¥96.56**
Dividend per Share	¥30	¥40	¥55	**¥55**	**¥55**
(Reference) Dividend Payout Ratio	32.2%	32.0%	55.2%	**57.5%**	**57.0%**

Basic Policy on Returning Profits to Shareholders

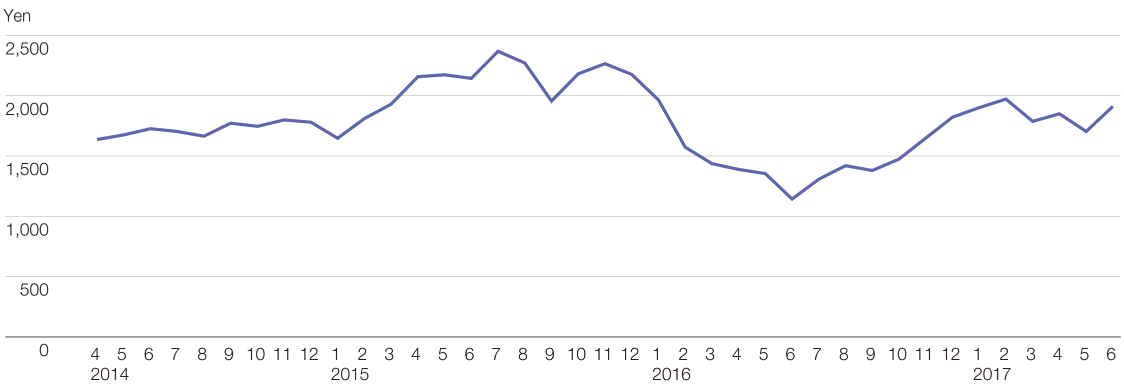
SFH aims for steady increases in dividends in line with earnings growth over the medium to long term, while securing sufficient internal reserves to ensure the financial soundness of Group companies and to invest in growth fields. Management will examine earnings growth over the medium to long term by taking into account not only statutory profit but also other economic value-based profit indicators that are more suitable for valuing the growth of the life insurance business. Furthermore, management will determine specific dividend amounts for each year by taking into account a comprehensive range of factors surrounding the Sony Financial Group.

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.

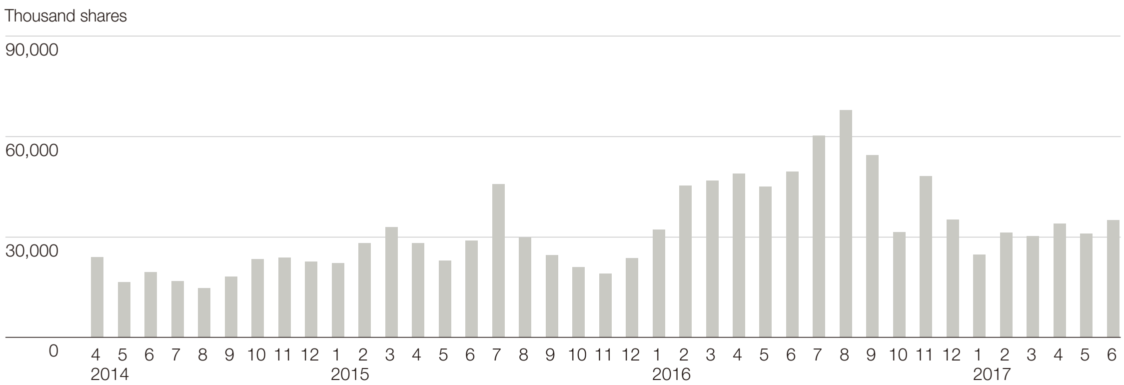
Dividends for the year ended March 31, 2017 were ¥55 per share (total amount of dividends: ¥23,922 million). This was approved by resolution of the Ordinary General Meeting of Shareholders held on June 21, 2017.

For the year ending March 31, 2018, SFH forecasts dividends of ¥55 per share, unchanged from the amount for the previous period. The dividends based on the above Basic Policy on Returning Profits to Shareholders are expected to be 50% or more of net income per share for the foreseeable future.

Share Price



Trading Volume



Financial Section

SFH Consolidated Financial Statements

Consolidated Balance Sheets

Sony Financial Holdings Inc.
As of March 31, 2016 and 2017

	Millions of yen	
	2016	**2017**
Assets		
Cash and due from banks	¥ 144,364	**¥ 206,481**
Call loans and bills bought	88,200	**61,900**
Monetary claims purchased	884	**573**
Money held in trust	303,973	**296,877**
Securities	8,021,493	**8,857,436**
Loans	1,515,833	**1,720,004**
Tangible fixed assets	121,376	**123,614**
Land	83,007	**83,007**
Buildings	33,215	**34,964**
Leased assets	40	**715**
Construction in progress	213	**132**
Other tangible fixed assets	4,900	**4,794**
Intangible fixed assets	29,887	**30,776**
Software	29,836	**30,146**
Goodwill	19	**49**
Other intangible fixed assets	31	**579**
Due from agencies	—	**0**
Due from reinsurers	399	**1,438**
Foreign exchanges	1,139	**7,268**
Other assets	115,474	**148,650**
Net defined benefit asset	2,216	**2,752**
Deferred tax assets	8,181	**15,313**
Reserve for possible loan losses	(1,308)	**(1,243)**
Total Assets	¥10,352,114	**¥11,471,845**

	2016	2017
		Millions of yen
Liabilities		
Policy reserves and others	¥ 7,504,420	¥ 8,113,153
Reserve for outstanding claims	67,177	71,306
Policy reserves	7,432,237	8,036,118
Reserve for policyholders' dividends	5,006	5,729
Due to agencies	2,455	2,616
Due to reinsurers	626	3,737
Deposits	1,912,592	2,071,091
Call money and bills sold	—	70,000
Borrowed money	40,000	90,000
Foreign exchanges	87	108
Bonds payable	20,000	10,000
Other liabilities	183,835	427,866
Reserve for employees' bonuses	3,557	3,694
Net defined benefit liability	29,263	31,399
Reserve for directors' retirement benefits	351	366
Reserve under the special laws	44,410	46,182
Reserve for price fluctuations	44,410	46,182
Deferred tax liabilities	5,647	—
Deferred tax liabilities on land revaluation	488	488
Total Liabilities	9,747,736	10,870,705
Net Assets		
Shareholders' equity		
Common stock	19,900	19,900
Capital surplus	195,277	195,277
Retained earnings	238,079	255,062
Treasury stock	(0)	(81)
Total shareholders' equity	453,256	470,157
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities, net of taxes	157,364	134,849
Net deferred gains (losses) on hedging instruments, net of taxes	(2,347)	(1,154)
Land revaluation, net of taxes	(1,465)	(1,465)
Remeasurements of defined benefit plans, net of taxes	(3,760)	(2,756)
Total accumulated other comprehensive income	149,791	129,472
Subscription rights to shares	—	49
Non-controlling interests	1,329	1,460
Total Net Assets	604,377	601,139
Total Liabilities and Net Assets	¥10,352,114	¥11,471,845

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, 2016 and 2017

(1) Consolidated Statements of Income

	Millions of yen	
	2016	**2017**
Ordinary Revenues	¥1,362,044	**¥1,381,667**
Ordinary Revenues from the Life Insurance Business	1,227,409	**1,240,764**
Income from insurance premiums	1,026,615	**955,252**
Insurance premiums	1,024,974	**952,547**
Ceded reinsurance commissions	1,640	**2,704**
Investment income	170,048	**244,839**
Interest income and dividends	140,981	**147,785**
Income from money held in trust, net	11,973	**4,493**
Gains on trading securities, net	98	**152**
Gains on sale of securities	12,204	**1,308**
Gains on derivatives, net	4,768	**—**
Foreign exchange gains, net	—	**14,670**
Other investment income	21	**5**
Gains on separate accounts, net	—	**76,423**
Other ordinary income	30,745	**40,672**
Ordinary Revenues from the Non-life Insurance Business	96,904	**102,337**
Underwriting income	95,612	**100,329**
Net premiums written	95,549	**100,274**
Interest and dividends on deposits of premiums	62	**55**
Other underwriting income	0	**—**
Investment income	1,264	**1,957**
Interest income and dividends	1,313	**1,327**
Gains on sale of securities	12	**685**
Gains on redemption of securities	—	**0**
Transfer to interest and dividends on deposits of premiums	(62)	**(55)**
Other ordinary income	27	**49**
Ordinary Revenues from the Banking Business	37,731	**38,318**
Interest income	25,481	**26,534**
Interest income on loans	14,739	**16,065**
Interest income and dividends on securities	10,671	**10,394**
Interest income on call loans and bills bought	7	**—**
Interest income on deposits with banks	61	**63**
Interest income on interest rate swaps	—	**8**
Other interest income	2	**1**
Fees and commissions	6,679	**6,673**
Other operating income	5,189	**4,871**
Gains on foreign exchange transactions, net	4,263	**4,431**
Others	926	**439**
Other ordinary income	379	**238**
Other	—	**247**
Other ordinary income	—	**247**

(Continued on next page)

	2016	2017
	Millions of yen	
Ordinary Expenses	¥1,290,941	**¥1,315,341**
Ordinary Expenses from the Life Insurance Business	1,169,419	**1,186,465**
Insurance claims and other payments	363,370	**372,407**
Insurance claims	84,283	**84,178**
Annuity payments	11,496	**12,019**
Insurance benefits	74,842	**98,252**
Surrender payments	184,936	**168,409**
Other payments	5,711	**3,122**
Reinsurance premiums	2,099	**6,423**
Provision for policy reserves and others	613,480	**596,742**
Provision for reserve for outstanding claims	4,185	**3,330**
Provision for policy reserves	609,291	**593,411**
Interest portion of reserve for policyholders' dividends	2	**0**
Investment expenses	23,095	**35,937**
Interest expenses	53	**44**
Losses on redemption of securities	1	**53**
Losses on derivatives, net	—	**30,050**
Foreign exchange losses, net	2,798	**—**
Provision for reserve for possible loan losses	5	**—**
Depreciation of real estate for rent and others	1,825	**1,779**
Other investment expenses	3,675	**4,008**
Losses on separate accounts, net	14,735	**—**
Operating expenses	132,896	**136,645**
Other ordinary expenses	36,578	**44,733**
Ordinary Expenses from the Non-life Insurance Business	91,522	**96,639**
Underwriting expenses	67,326	**70,094**
Net losses paid	48,111	**50,181**
Loss adjustment expenses	7,098	**7,458**
Net commission and brokerage fees	1,043	**1,187**
Provision for reserve for outstanding losses and claims	1,877	**798**
Provision for underwriting reserves	9,195	**10,469**
Other underwriting expenses	0	**—**
Investment expenses	4	**3**
Losses on sale of securities	4	**0**
Other investment expenses	—	**3**
Operating, general and administrative expenses	24,188	**26,520**
Other ordinary expenses	3	**19**

(Continued on next page)

Consolidated Statements of Income (Continued)

Millions of yen

	2016	2017
Ordinary Expenses from the Banking Business	¥29,999	**¥31,274**
Interest expenses	8,884	**8,554**
Interest expenses on deposits	4,827	**5,104**
Interest expenses on call money and bills sold	5	**(17)**
Interest on borrowed money	32	**19**
Interest expenses on bonds	98	**74**
Interest expenses on interest rate swaps	3,921	**3,372**
Other interest expenses	0	**0**
Fees and commissions	2,437	**3,648**
Other operating expenses	181	**86**
General and administrative expenses	18,347	**18,843**
Other ordinary expenses	147	**142**
Other	—	**962**
Other ordinary expenses	—	**962**
Ordinary Profit	71,103	**66,326**
Extraordinary Losses	2,793	**2,032**
Losses on disposal of fixed assets	882	**134**
Impairment losses	470	**118**
Provision for reserve under the special laws	1,440	**1,772**
Provision for reserve for price fluctuations	1,440	**1,772**
Others	—	**7**
Provision for Reserve for Policyholders' Dividends	3,564	**4,153**
Income Before Income Taxes	64,744	**60,140**
Income Taxes-Current	26,191	**23,129**
Income Taxes-Deferred	(4,856)	**(4,724)**
Total Income Taxes	21,335	**18,405**
Profit	43,409	**41,734**
Profit Attributable to Non-controlling Interests	54	**113**
Profit Attributable to Owners of the Parent	¥43,355	**¥41,621**

See accompanying "Notes to the Consolidated Financial Statements."

(2) Consolidated Statements of Comprehensive Income

Millions of yen

	2016	2017
Profit	¥43,409	**¥ 41,734**
Other Comprehensive Income		
Net unrealized gains (losses) on other securities, net of taxes	30,198	**(22,515)**
Net deferred gains (losses) on hedging instruments, net of taxes	(261)	**1,192**
Land revaluation, net of taxes	14	**—**
Foreign currency translation adjustments	(1)	**—**
Remeasurements of defined benefit plans, net of taxes	(2,254)	**1,021**
Total other comprehensive income	27,695	**(20,301)**
Comprehensive Income	¥71,105	**¥ 21,433**
Details:		
Comprehensive income attributable to owners of the parent	¥71,068	**¥ 21,301**
Comprehensive income attributable to non-controlling interests	¥ 37	**¥ 131**

Consolidated Statements of Changes in Net Assets

Sony Financial Holdings Inc.

For the years ended March 31, 2016 and 2017

Millions of yen

	2016				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	¥19,900	¥195,277	¥212,124	¥(0)	¥427,301
Changes during the period					
Dividends from surplus	—	—	(17,399)	—	(17,399)
Profit attributable to owners of the parent	—	—	43,355	—	43,355
Purchase of treasury stock	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	25,955	(0)	25,954
Balance at the end of the period	¥19,900	¥195,277	¥238,079	¥(0)	¥453,256

Millions of yen

	2016							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on other securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Land revaluation, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the period	¥127,166	¥(2,086)	¥(1,480)	¥0	¥(1,522)	¥122,078	¥1,292	¥550,672
Changes during the period								
Dividends from surplus	—	—	—	—	—	—	—	(17,399)
Profit attributable to owners of the parent	—	—	—	—	—	—	—	43,355
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	30,198	(261)	14	(0)	(2,237)	27,713	37	27,750
Total changes during the period	30,198	(261)	14	(0)	(2,237)	27,713	37	53,705
Balance at the end of the period	¥157,364	¥(2,347)	¥(1,465)	¥ —	¥(3,760)	¥149,791	¥1,329	¥604,377

(Continued on next page)

Consolidated Statements of Changes in Net Assets (Continued)

Millions of yen

	2017				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	¥19,900	¥195,277	¥238,079	¥ (0)	¥453,256
Cumulative effects of changes in accounting policies	—	—	105	—	105
Restated balance at the beginning of the period	19,900	195,277	238,185	(0)	453,362
Changes during the period					
Dividends from surplus	—	—	(23,924)	—	(23,924)
Profit attributable to owners of the parent	—	—	41,621	—	41,621
Adjustments due to change of scope of consolidation	—	—	(818)	—	(818)
Purchase of treasury stock	—	—	—	(81)	(81)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	16,877	(81)	16,795
Balance at the end of the period	¥19,900	¥195,277	¥255,062	¥(81)	¥470,157

Millions of yen

	2017							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on other securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Land revaluation, net of taxes	Remeasure-ments of defined benefit plans, net of taxes	Total accumulated other comprehen-sive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning of the period	¥157,364	¥(2,347)	¥(1,465)	¥(3,760)	¥149,791	¥—	¥1,329	¥604,377
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	105
Restated balance at the beginning of the period	157,364	(2,347)	(1,465)	(3,760)	149,791	—	1,329	604,482
Changes during the period								
Dividends from surplus	—	—	—	—	—	—	—	(23,924)
Profit attributable to owners of the parent	—	—	—	—	—	—	—	41,621
Adjustments due to change of scope of consolidation	—	—	—	—	—	—	—	(818)
Purchase of treasury stock	—	—	—	—	—	—	—	(81)
Net changes of items other than shareholders' equity	(22,515)	1,192	—	1,003	(20,319)	49	131	(20,138)
Total changes during the period	(22,515)	1,192	—	1,003	(20,319)	49	131	(3,343)
Balance at the end of the period	¥134,849	¥(1,154)	¥(1,465)	¥(2,756)	¥129,472	¥49	¥1,460	¥601,139

See accompanying "Notes to the Consolidated Financial Statements."

Consolidated Statements of Cash Flows

Sony Financial Holdings Inc.

For the years ended March 31, 2016 and 2017

	Millions of yen	
	2016	**2017**
Cash flows from operating activities		
Income before income taxes	¥ 64,744	**¥ 60,140**
Depreciation of real estate for rent and others	1,825	**1,779**
Depreciation and amortization	10,067	**10,944**
Impairment losses	470	**118**
Amortization of goodwill	79	**22**
Increase (decrease) in reserve for outstanding claims	6,063	**4,128**
Increase (decrease) in policy reserve	618,487	**603,880**
Interest portion of reserve for policyholders' dividends	2	**0**
Provision for (reversal of) reserve for policyholders' dividends	3,564	**4,153**
Increase (decrease) in reserve for possible loan losses	(113)	**(65)**
Increase (decrease) in net defined benefit liability	2,469	**3,020**
Increase (decrease) in reserve for directors' retirement benefits	69	**14**
Increase (decrease) in reserve for price fluctuations	1,440	**1,772**
Interest income and dividends	(167,777)	**(175,647)**
(Gains) losses on securities	7,620	**(77,393)**
Interest expenses	8,938	**8,636**
Exchange (gains) losses	22,924	**(10,843)**
(Gains) losses on disposal of tangible fixed assets	18	**107**
Equity in (gains) losses of affiliates	718	**3,551**
Net (increase) decrease in loans	(156,996)	**(195,446)**
Net increase (decrease) in deposits	39,935	**156,005**
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	20,000	**50,000**
Net (increase) decrease in call loans and others	5,115	**311**
Net increase (decrease) in call money and others	(6,000)	**70,000**
Net (increase) decrease in foreign exchange (assets)	1,085	**(6,129)**
Net increase (decrease) in foreign exchange (liabilities)	40	**21**
Others, net	(16,020)	**28,339**
Subtotal	468,773	**541,424**
Interest and dividends received	180,527	**188,230**
Interest paid	(9,196)	**(8,730)**
Policyholders' dividends paid	(2,752)	**(3,430)**
Income taxes paid	(34,875)	**(25,047)**
Net cash provided by (used in) operating activities	602,475	**692,445**
Cash flows from investing activities		
Investments in money held in trust	—	**(76)**
Proceeds from money held in trust	48,465	**5,160**
Purchases of securities	(1,327,890)	**(1,171,569)**
Proceeds from sale and redemption of securities	698,310	**375,241**
Investments in loans	(56,782)	**(57,798)**
Collections of loans	28,761	**27,949**
Net increase (decrease) in collateral for securities lending transactions	62,804	**247,803**
Others	(567)	**(35,401)**
Total of net cash provided by (used in) investment transactions	(546,898)	**(608,689)**
Total of net cash provided by (used in) operating activities and investment transactions	55,576	**83,755**
Purchases of tangible fixed assets	(2,049)	**(3,977)**
Purchases of intangible fixed assets	(6,927)	**(9,024)**
Purchase of securities of a non-consolidated subsidiary	(1,500)	**—**
Purchase of securities of affiliates	(1,450)	**(3,045)**
Others	—	**(12)**
Net cash provided by (used in) investing activities	(558,825)	**(624,749)**
Cash flows from financing activities		
Cash dividends paid	(17,401)	**(23,925)**
Payments for redemption of bonds payable	—	**(10,000)**
Purchase of treasury stock	(0)	**(81)**
Others	(36)	**(51)**
Net cash provided by (used in) financing activities	(17,437)	**(34,057)**
Effect of exchange rate changes on cash and cash equivalents	(13)	**(1)**
Net increase (decrease) in cash and cash equivalents	26,197	**33,636**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	**1,124**
Cash and cash equivalents at the beginning of the period	207,422	**233,620**
Cash and cash equivalents at the end of the period	¥ 233,620	**¥ 268,381**

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, 2017)

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

Consolidated subsidiaries: 7 companies

Company names

Sony Life Insurance Co., Ltd.
Sony Assurance Inc.
Sony Bank Inc.
Sony Payment Services Inc.
SmartLink Network Hong Kong Limited
Sony Lifecare Inc.
Lifecare Design Inc.

Non-consolidated subsidiaries:

Main companies

There are no main non-consolidated subsidiaries. Non-consolidated subsidiaries are excluded from the scope of consolidation for the current year because they are immaterial in light of the total assets, ordinary revenues, profit or loss (amounts equivalent to the Group’s interests in these companies), retained earnings (amounts equivalent to the Group’s interests in these companies) and accumulated other comprehensive income (amounts equivalent to the Group’s interests in these companies) and their exclusion from the scope of consolidation does not hinder a rational judgment of the Sony Financial Group’s financial position and results of operations.

Change in the scope of consolidation:

Sony Lifecare Inc., a holding company that oversees the Sony Financial Group’s operations in the nursing care business, and Lifecare Design Inc., a nursing care provider, have been included in the scope of consolidation from the year ended March 31, 2017, due to their increased importance. Business results of these two companies are included in “Other” in the consolidated statements of income.

(2) Application of the equity method

Affiliates accounted for by the equity method: 2 companies

Company names

AEGON Sony Life Insurance Co., Ltd.
SA Reinsurance Ltd.

Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method:

Main companies

There are no main non-consolidated subsidiaries or affiliates. Non-consolidated subsidiaries and affiliates are not accounted for by the equity method because they are immaterial in light of the profit or loss (amounts equivalent to the Group’s interests in these companies) and retained earnings (amounts equivalent to the Group’s interests in these companies) and their 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 equally amortized using the straight-line method over a period of up to 20 years.

3 Summary of Significant Accounting Policies

(1) Securities

Securities, including monetary claims purchased which are equivalent to securities, and securities managed as assets of money held in trust, 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 and policy-reserve-matching bonds held in accordance with the "Temporary Treatment of Accounting and Auditing concerning Policy-Reserve-Matching Bonds in the Insurance Industry (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 21, issued on November 16, 2000; hereinafter "the Industry Audit Committee Report No. 21") 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.

The overview of risk management policies of policy-reserve-matching bonds is as follows:
Among the bonds corresponding to sub-segments (according to insurance class, years to maturity, etc.) for individual life insurance and individual annuity sold by domestic life insurance subsidiaries, SFH records those held with the purpose of controlling the duration of insurance liabilities as policy-reserve-matching bonds, in accordance with the Industry Audit Committee Report No. 21.

For the purpose of conducting more appropriate asset-liability management (ALM), the Company has been reviewing the number of years to maturity of cash flows associated with liabilities that fall into sub-segments from the year ended March 31, 2017. This change has no impact on profit or loss.

(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: 3 to 50 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 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, the Companies mainly apply the benefit formula basis in attributing projected retirement benefits to the periods until the end of the current fiscal year.

2) Amortization method of prior service cost and net actuarial gain or loss

Unrecognized prior service cost is amortized using the straight-line method 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 assets or liabilities

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

The banking subsidiary applies either deferred hedge accounting or fair value hedge accounting to its transactions for hedging interest rate risks on financial assets and liabilities. With regard to hedging that offsets fluctuating interest rates on fixed-rate loans, the subsidiary identifies the hedged items that are grouped on the basis of a certain period of their remaining maturity and designates interest rate swaps as a hedging instrument, in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of the Japanese Institute of Certified Public Accountants (the "Industry Audit Committee") Statement No. 24, February 13, 2002).

With regard to hedging that fixes the cash flow of a forecasted transaction of a short-term fixed-rate deposit, the subsidiary identifies the hedged items that are grouped on the basis of a certain period of their interest rate revision and designates interest rate swaps as a hedging instrument, in accordance with the Industry Audit Committee, Statement No. 24. With regard to hedging that offsets fluctuations in the fair value of fixed-rate bonds which are classified as available-for-sale securities, the subsidiary identifies the hedged items individually and designates interest rate swaps and others as a hedging instrument. The above-mentioned hedging instruments are designated with almost identical significant terms and conditions for both the hedging items and the hedged instruments. Accordingly, such hedges are considered highly effective, allowing the banking subsidiary to ensure hedging effectiveness.

(13) Cash and cash equivalents in the Consolidated Statements of Cash Flows

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 underwriting risk, which is estimated based on factors such as mortality rates, investment yield, surrender rates and other factors. The net level premium reserve for individual insurance contracts underwritten from FY1996 is calculated using mortality and interest rates set by the Financial Services Agency 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 the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) (hereinafter, the "Recoverability Implementation Guidance")

The Sony Financial Group has applied the Recoverability Implementation Guidance from the year ended March 31, 2017 and partially revised the accounting method of recoverability of deferred tax assets.

The Recoverability Implementation Guidance has been applied in accordance with the transitional treatment set forth in Article 49 (4) of the Recoverability Implementation Guidance. The differences between (i) the amounts of deferred tax assets and deferred tax liabilities when provisions applicable from (1) to (3) of Article 49 (3) of the Recoverability Implementation Guidance were applied as of April 1, 2016, and (ii) the amounts of deferred tax assets and deferred tax liabilities at the end of the year ended March 31, 2016, were added to retained earnings as of April 1, 2016.

As a result, deferred tax assets increased ¥48 million and retained earnings rose ¥105 million, while deferred tax liabilities decreased ¥56 million as of April 1, 2016.

Reflecting the amount of impact of net assets at the beginning of the year ended March 31, 2017 resulted in a ¥105 million increase in the beginning balance of retained earnings in the Consolidated Statements of Changes in Net Assets.

4 Notes to the Consolidated Balance Sheets

1. Securities with a book value of ¥398,025 million and loans of ¥87,626 million were pledged as collateral for the ¥310,608 million of collateral for securities lending transactions, ¥70,000 million of call money and bills sold and the ¥90,000 million of borrowed money at March 31, 2017. In addition to the assets described above, securities with a book value of ¥16,943 million and cash collateral paid for financial instruments of ¥21,650 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2017.

2. The consolidated balance sheet amount of securities loaned for consumption under the loan agreement was ¥248,024 million.

3. Securities include shares in non-consolidated subsidiaries and affiliates worth ¥11,032 million. Among this, investments in jointly controlled companies are ¥10,986 million.

4. The balance of loans includes ¥176 million in loans to bankrupt borrowers (before deductions for reserve for possible loan losses) and ¥1,580 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.

5. 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.

6. The balance of loans includes ¥1,227 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).

7. The total amount of loans to bankrupt borrowers, non-accrual delinquent loans, and restructured loans was ¥2,984 million (before deductions for reserve for possible loan losses).

8. 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, November 28, 2014) includes the consolidated balance sheet amount of ¥7,884 million.

9. Accumulated depreciation of tangible fixed assets as of March 31, 2017 was ¥34,611 million.

10. The balance sheet includes ¥989,605 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, 2017, at SFH's life insurance subsidiary.

11. Changes in the reserve for policyholders' dividends at SFH's life insurance subsidiary for the fiscal year ended March 31, 2017 are as follows:

Balance at the beginning of the period	¥5,006 million
Policyholders' dividends during the period	¥3,430 million
Increase in interest	¥0 million
Provision for reserve for policyholders' dividends	¥4,153 million
Balance at the end of the period	¥5,729 million

12. 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).

13. 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, 2017 was ¥31,447 million, and the amount of unused commitments whose original contract terms are within 1 year at March 31, 2017 was ¥29,629 million.

14. 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 ¥10,258 million. Such losses are recognized as expenses during the fiscal year in which they are contributed.

15. Net assets per share were ¥1,378.63.

16. Financial instruments

(1) Description of financial instruments

1) Policy on financial instruments

The Companies conduct the life insurance, non-life insurance and banking businesses, etc. 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 Companies hold 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 the Companies' financial liabilities. Although the Companies hold financial assets as well as financial liabilities, which are subject to the risk of interest rate and exchange rate fluctuations, they strive to protect themselves 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 the businesses. Furthermore, derivative transactions are used to control risks in the life insurance business and banking business.

2) Financial instruments and related risks

Securities and loans constitute the majority of the Companies' financial asset holdings. Most of the securities holdings are in Japanese government and corporate bonds. Other holdings include Japanese stocks, foreign securities and investment in partnership. These holdings are intended either for trading, for holding to maturity, for matching policy reserves or for available-for-sale. They are subject to various risks, including interest rate risk, credit risk, stock market price fluctuation risk and exchange rate risk. Furthermore, the Companies hold some of their 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. The life insurance business uses several derivative transactions such as interest rate swaps for hedging interest rate risks on assets and liabilities, forward foreign exchange transactions for hedging foreign exchange risks associated with assets as well as the minimum guarantees for individual variable life insurance, and stock index futures trading for hedging equity market price fluctuation risks associated with assets and the minimum guarantees for individual variable life insurance, and as a matter of policy, does not use derivative transactions for speculative purposes. Hedge accounting is not applied to derivative transactions used in the life insurance business.

The banking business uses several derivative transactions primarily as one aspect of ALM. In this category, hedge accounting is applied. Interest rate swaps are used to hedge against the interest rate risk of fixed-rate loans and deposits. In respect of loans, the banking subsidiary ensures hedge effectiveness by confirming at the commencement of hedging that the hedged loans and the interest rate swaps as hedging instruments are grouped on the basis of three months or less of the remaining maturity. In respect of deposits, the banking subsidiary ensures hedge effectiveness by confirming at the commencement of hedging that the hedged deposits and the interest rate swaps as hedging instruments share the same interest rate index, and are grouped on the basis of three months or less of the interest rate revision terms.

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 the Companies are forced to raise funds under unfavorable conditions in order to obtain cash to meet their 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 the Companies 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 Companies use the following methods to manage the credit risk of principal subsidiaries:

(a) At the life insurance subsidiary, the risk management division manages issuer credit risk on securities and counterparty risks by specifying details such as risk management methods and procedures in regulations. The risk management division periodically reports such information to the Board of Directors and the Executive Committee.

(b) The non-life insurance subsidiary ascertains issuer credit information and market values on securities in line with various regulations for asset management risk. The risk management division reports on the situation regularly to the Board of Directors and the Executive Committee.

(c) The banking subsidiary has formulated and conformed to various regulations for managing credit risks, and controls credit risk depending on the nature of each type of financial asset. In respect of individual loans, the subsidiary has developed a framework for managing individual credit, including credit screenings, management of credit information, setting of collateral and the handling of problem assets on a case-by-case basis.

In respect of corporate loans or bonds payable, the subsidiary has developed a framework for managing corporate credit and market credit, including credit screenings, credit limit control, the management of credit information, credit ratings, the setting of guarantees or collateral, and handling of problem assets on a case-by-case basis.

The subsidiary manages market credit risk, such as securities issuer credit risk and, on derivative transactions, counterparty risk, by periodically assessing market value information.

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

(ii) Market risk

The Companies use the following methods to manage the market risk of 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 the risk management division based on the regulations for interest rate risk management that specify details such as risk management methods and procedures. Based on ALM policies that are determined through such methods as deliberation by the Executive Committee, the subsidiary determines and confirms actual risk conditions with the Board of Directors. The division maintains an overall grasp on the interest rates and durations of financial instruments, and monitors them based on the analysis of the quantity of risk using value at risk ("VaR"), and it periodically reports such information to the Board of Directors and the Executive Committee.

• ***Exchange rate risk*** Exchange rate risk is managed by the risk management division based on the regulations for exchange rate risk management that specify details such as risk management methods and procedures. The division periodically reports such information to the Board of Directors and the Executive Committee.

• ***Equity market price fluctuation risk*** Equity market price fluctuation risk is managed by the risk management division based on the regulations for equity market price fluctuation risk management that specify details such as risk management methods and procedures. The division periodically reports such information to the Board of Directors and the Executive Committee.

• ***Derivative transactions*** Derivative transactions are managed by the risk management division based on the regulations for derivative transactions that specify details such as risk management methods and procedures. The division periodically reports such information to the Board of Directors and the Executive Committee.

(b) The 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 on the situation regularly to the Board of Directors and the Executive Committee.

• ***Price fluctuation risk*** Equity securities are held for strategic investments for the purpose of enhancing business partnerships. In accordance with regulations on asset management risk, the risk management division monitors the market environment and financial conditions, and reports on the situation regularly to the Board of Directors and the Executive Committee.

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

• ***Interest rate and exchange rate risk*** By formulating and conforming with market risk management regulations, the subsidiary manages the risk of loss from changes in the value of assets and liabilities (including off-balance-sheet items) as well as from changes in income from assets and liabilities, 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 VaR and interest rate sensitivity analysis, and ensures regulatory conformance. In relation to ALM, the subsidiary also conducts interest rate swaps, currency swaps, foreign exchange and other derivative transactions to hedge against interest and exchange rate fluctuation risks.

• ***Market price fluctuation risk*** The subsidiary manages the holding of investment products, including securities, in accordance with market risk management regulations as well as market credit risk. The investment division purchases securities externally, and risks associated with changes in the market price of such securities are managed through prior screening by the screening division, the setting and control of investment limits by the risk management division, and continuous monitoring by each responsible division.

• ***Derivative transactions*** Derivative 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 derivative transactions.

The impact of such risks on these financial assets and liabilities was calculated using the historical simulation method to determine gains or losses over a given period of 20 business days, assuming the fluctuation of interest and exchange rates within a rational forecast band determined over an observation period of 250 business days. The Companies then employed quantitative analysis to manage interest rate and exchange rate fluctuation risks. The resulting risk amount with a 99% confidence interval was ¥1,621 million as of March 31, 2017.

This amount of impact is based on the assumption that risk parameters other than interest rates and exchange rates are fixed. In the event that fluctuations exceed the rational forecast band for interest and exchange rates, the risk impact may exceed the amount calculated. The aforementioned market risk management is carried out primarily by the risk management division. The division periodically reports risk management conditions to the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

(iii) Liquidity risk

The Companies use the following methods to manage the liquidity risk of 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 such information to the Board of Directors and the Executive Committee.

(b) The 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 and reports on the situation regularly to the Board of Directors and the Executive Committee.

(c) The banking subsidiary has formulated and conformed with regulations for managing liquidity risk, and manages a variety of liquidity risks. Concerning the management of cash flow risks, cash flows are classified into phases based on the degree of pressure, and methods for risk management and reporting are set out for each phase, while guidelines are formulated and reviewed 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 aforementioned liquidity risk management is carried out by the risk management division. The division periodically reports risk management conditions to the Board of Directors and the Executive Committee. 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.

(2) Fair value information on financial instruments

Below is fair value information on financial instruments as of March 31, 2017, excluding securities whose fair values are not readily determinable (see Note 2).

Millions of yen

	2017		
As of March 31,	Consolidated balance sheet amount	Fair value	Difference
1) Cash and due from banks	¥ 206,481	¥ 206,481	¥ —
2) Call loans and bills bought	61,900	61,900	—
3) Money held in trust			
Other money held in trust	296,877	296,877	—
4) Securities			
Trading securities	921,319	921,319	—
Held-to-maturity securities	6,150,726	7,612,013	1,461,286
Policy-reserve-matching bonds	277,372	303,356	25,983
Available-for-sale securities	1,480,341	1,480,341	—
5) Loans	1,720,004		
Reserve for possible loan losses (*1)	(968)		
Loans (after deduction for reserve for possible loan losses)	1,719,035	1,894,612	175,577
Total Financial Assets	¥11,114,056	¥12,776,903	¥1,662,847
1) Deposits	¥ 2,071,091	¥ 2,073,033	¥ 1,941
2) Bonds payable	10,000	10,029	29
3) Collateral for securities lending transactions	310,608	310,608	—
Total Financial Liabilities	¥ 2,391,699	¥ 2,393,670	¥ 1,971
Derivative financial instruments (*2)			
Hedge accounting not applied	¥ 7,127	¥ 7,127	¥ —
Hedge accounting applied	[17,959]	[17,959]	—
Total Derivative Financial Instruments	¥ [10,832]	¥ [10,832]	¥ —

*(*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) Calculation 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) Money held in trust

In individual money held in trust mainly for investment purposes, the fair value of bonds is the market price on financial instrument exchanges or the price indicated by a financial institution. Please see "18. Fair value information on money held in trust," 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 "17. 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 calculated by type, 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 premium corresponding to the allowance rate of general provision for loan losses.

(ii) Policy loans in the life insurance business

The fair value of policyholder loans is valued by discounting future cash flows to their current value.

(iii) General loans in the life insurance business

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

Financial Liabilities

1) Deposits

The fair value of deposits is calculated by type, 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 premium corresponding to the banking subsidiary's cumulative default rate by rating.

2) Bonds payable

The fair value of bonds payable is the market price or the price indicated by a financial institution.

3) Collateral for securities lending transactions

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

Derivative Transactions

Please see "19. 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
	2017
As of March 31,	Consolidated balance sheet amount
1) Unlisted stocks in non-consolidated subsidiaries and affiliates (*1)	¥11,032
2) Unlisted stocks other than those in 1) above (*1)	169
3) Convertible bonds (*1)	2,000
4) Investment in partnership (*2)	14,474
Total	¥27,676

*(*1) Unlisted stocks and convertible bonds have no market prices and their fair values are not readily determinable.*
*(*2) Assets included in "investment in partnership" are stocks in unlisted companies.*
Note: Unlisted stocks, convertible bonds and investment in partnership are considered impaired if their actual value decreases materially below the acquisition cost and such decline is considered non-recoverable. Their actual value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss (hereinafter, "impairment") for the fiscal year.
Impairment losses on investment in partnership were recognized as ¥665 million for the year ended March 31, 2017.
Impairment losses are principally recorded when their actual 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

As of March 31,	2017 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	¥206,481	¥ —	¥ —	¥ —
Call loans and bills bought	61,900	—	—	—
Securities				
Held-to-maturity securities	6,976	19,724	333,910	5,940,738
Japanese government and corporate bonds	6,976	19,624	333,810	5,530,268
Japanese government and local government bonds	6,640	16,823	331,810	5,308,340
Japanese corporate bonds	336	2,801	2,000	221,928
Others	—	100	100	410,469
Policy-reserve-matching bonds	3,659	—	—	258,330
Japanese government and corporate bonds	3,659	—	—	258,330
Japanese government and local government bonds	3,100	—	—	182,630
Japanese corporate bonds	559	—	—	75,700
Available-for-sale securities	131,041	399,251	180,951	589,294
Japanese government and corporate bonds	43,643	141,957	128,267	541,350
Japanese government and local government bonds	35,273	78,432	120,367	541,350
Japanese corporate bonds	8,369	63,525	7,900	—
Others	87,397	257,293	52,683	47,944
Loans (*)	32,800	51,310	69,185	1,385,252
Total	¥442,858	¥470,286	¥584,047	¥8,173,614

(*) This figure excludes ¥180,339 million that have no fixed redemption such as policyholder loans.

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

Millions of yen

As of March 31,	2017 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
Deposits (*)	¥1,934,654	¥64,673	¥19,540	¥13,442	¥9,390	¥29,389
Collateral for securities lending transactions	310,608	—	—	—	—	—
Bonds payable	10,000	—	—	—	—	—
Total	¥2,255,262	¥64,673	¥19,540	¥13,442	¥9,390	¥29,389

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

17. Fair value information on securities as of March 31, 2017:

**In addition to "Securities" on the consolidated balance sheets, the figures in the following tables include beneficiary certificates of investment trust in "Monetary claims purchased."*

(1) Trading securities

Millions of yen

As of March 31,	2017
Valuation gains charged to income	¥45,396

(2) Held-to-maturity securities

Millions of yen

As of March 31,	2017 Consolidated balance sheet amount	Fair value	Difference
Fair values exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	¥5,418,222	¥6,953,045	¥1,534,823
Japanese government and local government bonds	5,356,295	6,878,763	1,522,468
Japanese corporate bonds	61,927	74,281	12,354
Others	26,476	29,308	2,831
Subtotal	5,444,698	6,982,353	1,537,655
Fair values not exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	475,997	423,332	(52,664)
Japanese government and local government bonds	307,930	277,328	(30,602)
Japanese corporate bonds	168,066	146,004	(22,062)
Others	230,031	206,327	(23,704)
Subtotal	706,028	629,659	(76,368)
Total	¥6,150,726	¥7,612,013	¥1,461,286

(3) Policy-reserve-matching bonds

Millions of yen

As of March 31,	2017 Consolidated balance sheet amount	Fair value	Difference
Fair values exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	¥230,196	¥258,073	¥27,876
Japanese government and local government bonds	189,899	210,237	20,337
Japanese corporate bonds	40,296	47,835	7,539
Subtotal	230,196	258,073	27,876
Fair values not exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	47,176	45,283	(1,893)
Japanese government and local government bonds	5,373	5,209	(163)
Japanese corporate bonds	41,803	40,073	(1,729)
Subtotal	47,176	45,283	(1,893)
Total	¥277,372	¥303,356	¥25,983

(4) Available-for-sale securities

Millions of yen

As of March 31,	2017 Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding the acquisition cost			
Japanese government and corporate bonds	¥ 947,033	¥ 819,619	¥127,414
Japanese government and local government bonds	881,470	755,625	125,844
Japanese corporate bonds	65,563	63,994	1,569
Equity securities	28,296	13,323	14,972
Others	286,296	280,666	5,629
Subtotal	1,261,626	1,113,609	148,016
Consolidated balance sheet amount not exceeding the acquisition cost			
Japanese government and corporate bonds	46,987	47,693	(706)
Japanese government and local government bonds	32,693	33,379	(686)
Japanese corporate bonds	14,294	14,314	(19)
Equity securities	833	891	(58)
Others	171,468	173,451	(1,983)
Subtotal	219,288	222,037	(2,748)
Total	¥1,480,914	¥1,335,646	¥145,268

Note: As the unlisted stocks of ¥169 million (consolidated balance sheet amount), convertible bonds of ¥2,000 million (consolidated balance sheet amount) and other securities of ¥14,474 million (consolidated balance sheet amount) have no market prices and their fair values are not readily determinable, they are not included in the table above.

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

There is no related information to be reported.

(6) Policy-reserve-matching bonds sold during the period

There is no related information to be reported.

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

Millions of yen

For the year ended March 31,	2017 Sales	2017 Total gains on sales	2017 Total losses on sales
Japanese government and corporate bonds	¥ 3,305	¥ 27	¥ 0
Japanese government and local government bonds	2,000	22	0
Japanese corporate bonds	1,304	4	—
Equity securities	937	679	—
Others	71,786	1,569	41
Total	¥76,029	¥2,275	¥41

(8) Impairment of available-for-sale securities

Available-for-sale securities with fair value are considered impaired if the fair value decreases materially below the acquisition cost and such decline is considered non-recoverable. The fair 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, 2017.

"Material decline" is indicated when the fair value declines by 30% or more from the acquisition cost.

18. Fair value information on money held in trust as of March 31, 2017:

(1) Money held in trust for trading

There is no related information to be reported.

(2) Money held in trust for held-to-maturity and policy-reserve-matching

There is no related information to be reported.

(3) Other money held in trust (other than for trading, held-to-maturity or policy-reserve-matching)

Millions of yen

As of March 31,	2017 Consolidated balance sheet amount	2017 Acquisition cost	2017 Difference	2017 Items whose consolidated balance sheet amount exceeds acquisition cost	2017 Items whose consolidated balance sheet amount does not exceed acquisition cost
Other money held in trust	¥296,877	¥254,957	¥41,919	¥41,919	¥—

Notes: 1. The amount of jointly invested monetary trusts that is included in the table above as of March 31, 2017 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 money held in trust

Securities with fair values that are included in other money held in trust are considered impaired if their fair value decreases materially below the acquisition cost and such decline is considered non-recoverable.

No impairment loss was recognized for the year ended March 31, 2017.

"Material decline" is indicated when the fair value declines by 30% or more from the acquisition cost.

19. Derivative financial instruments:

(1) Hedge accounting not applied

Below is a summary of contractual or notional amounts, current market or fair values, valuation gains or losses, 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 exposure to credit loss.

1) Interest rate derivatives

Millions of yen

As of March 31,		2017 Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions	Interest rate swaps				
	Fixed-rate receivable/Floating-rate payable	¥4,528	¥4,528	¥286	¥286
	Floating-rate receivable/Fixed-rate payable	3,528	3,528	50	50
Total		—	—	¥337	¥337

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 values are calculated using discounted cash flow and the price indicated by a financial institution.

2) Currency derivatives

Millions of yen

As of March 31,			2017 Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions	Forward foreign exchanges	Sold	¥288,772	¥—	¥3,868	¥3,868
		Bought	104,730	—	256	256
	Foreign exchange margin transactions	Sold	46,494	—	1,309	1,309
		Bought	18,449	—	1,018	1,018
	Currency options	Sold	214	—	(1)	0
		Bought	212	—	1	0
	Currency forward contracts	Bought	15,265	—	(126)	(126)
Total			—	—	¥6,327	¥6,328

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 the discounted cash flow and option pricing models.

3) Stock derivatives

Millions of yen

As of March 31,			2017 Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Listed	Stock index futures	Sold	¥96,016	¥—	¥462	¥462
Total			—	—	¥462	¥462

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 the closing price on the Exchange at the end of the fiscal year.

(2) Hedge accounting is applied

The following provides a summary of contractual or notional amounts, current market or fair values, valuation gains or losses, and the method of calculating the fair values of derivatives, classified by transactions, to which hedge accounting is applied. Notional amounts do not indicate exposure to credit loss.

1) Interest rate derivatives

Millions of yen

As of March 31, Hedge accounting	Hedging instrument	Hedged item	2017 Notional amount total	Notional amount over 1 year	Fair value
Deferred hedge accounting	Interest rate swaps				
	Floating-rate receivable/ Fixed-rate payable	Deposits	¥103,000	¥103,000	¥ 353
Fair value hedge accounting	Interest rate swaps				
	Floating-rate receivable/ Fixed-rate payable	Available-for-sale securities (bonds)	304,661	266,269	(17,639)
Total			—	—	¥(17,285)

Notes: 1. Deferred hedge accounting is applied in accordance with the Industry Audit Committee No. 24, along with fair value hedge accounting.
2. Fair value is calculated using discounted cash flow and other methods.

2) Currency derivatives

Millions of yen

As of March 31,			2017		
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)	¥14,645	¥4,700	¥(673)
Total			—	—	¥(673)

Notes: 1. Fair value hedge accounting is applied.
2. Fair value is calculated using discounted cash flow and other methods.

20. Information about retirement benefit obligations as of March 31, 2017:

(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 and some consolidated subsidiaries calculate 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 9))

Millions of yen

For the year ended March 31,	2017
Balance at the beginning of the period of retirement benefit obligations	¥39,800
Service cost	4,767
Interest cost	(37)
Net actuarial gain arising during the period	(163)
Retirement benefits paid	(1,799)
Balance at the end of the period of retirement benefit obligations	¥42,567

2) Reconciliation of beginning and ending balances of plan assets (excluding those listed in 9))

Millions of yen

For the year ended March 31,	2017
Balance at the beginning of the period of plan assets	¥12,844
Expected return on plan assets	194
Net actuarial gain arising during the period	198
Employer contribution	1,021
Retirement benefits paid	(227)
Balance at the end of the period of plan assets	¥14,032

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,	2017
Funded retirement benefit obligations	¥ 11,028
Plan assets	(14,032)
	(3,003)
Unfunded retirement benefit obligations	31,649
Net liabilities and assets recorded on the consolidated balance sheets	28,646
Net defined benefit liability	31,399
Net defined benefit asset	(2,752)
Net liabilities and assets recorded on the consolidated balance sheets	¥ 28,646

4) Components and amounts of retirement benefit expenses

For the year ended March 31,	Millions of yen 2017
Service cost	¥4,767
Interest cost	(37)
Expected return on plan assets	(194)
Amortization of net actuarial gain	1,059
Others	70
Retirement benefit expenses related to defined benefit plans	¥5,665

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

5) Remeasurements of defined benefit plans (before tax deductions)

For the year ended March 31,	Millions of yen 2017
Net actuarial gain	¥1,422
Total	¥1,422

6) Accumulated remeasurements of defined benefit plans (before tax deductions)

As of March 31,	Millions of yen 2017
Unrecognized net actuarial gain	¥(3,874)
Total	¥(3,874)

7) 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,	% 2017
Bonds	66
Equity securities	30
Others	4
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.

8) Basis for calculating actuarial gain or loss

Main basis for calculating actuarial gain or loss as of March 31, 2017

Discount rate	0.2%–0.8%
Long-term rate of expected return on plan assets	1.5%–2.7%

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

For the year ended March 31,	Millions of yen 2017
Balance at the beginning of the period of net defined benefit liability	¥ 91
Retirement benefit expenses	11
Contribution to the plan	(4)
Others	12
Balance at the end of the period of net defined benefit liability	¥111

(3) Defined contribution plans

The amount of contribution required for defined contribution plans by the Companies was ¥287 million.

21. Information on stock options as of March 31, 2017:

(1) Expenses and line items associated with stock options

Operating expenses, etc. ¥49 million

(2) Description and volume of stock options as well as their changes

1) Description of stock options

	The first series of stock acquisition rights of SFH
Category and number of eligible recipients	Four executive directors of SFH
Number of stock options granted by type of shares (Note)	Common stock 52,900 shares
Grant date	August 8, 2016
Vesting conditions	Options rights are to be vested upon grant. However, if the recipient loses the position of executive director of the Company prior to the Ordinary General Meeting of Shareholders in 2017, he/she can exercise the number of stock options calculated by multiplying the number of stock options granted, by the number of months he/she serves as executive director from July 2016 up to the month of losing his/her position, and dividing the value by 12. The rest of the stock options granted shall no longer be exercisable on or after the date of the recipient losing his/her position, and is cancelled.
Eligible period of service	From June 24, 2016 to the date of the Ordinary General Meeting of Shareholders in 2017
Exercise period	From August 9, 2016 to August 8, 2046 However, eligible recipients of stock acquisition rights may exercise all (but not part) of the stock acquisition rights held by him/her only during the period from the day immediately following the date on which such holder loses any and all of his/her office(s) as executive director of SFH up to ten days (in the event that the tenth day is a holiday, the following business day) thereafter.

Note: Stock options have been converted and stated as number of shares.

2) Volume of stock options and their changes

Stock options that existed in the year ended March 31, 2017, are presented as follows, and have been converted and stated as number of shares.

(i) Number of stock options

	The first series of stock acquisition rights of SFH
Before vesting (shares)	
At the end of March 2016	—
Granted	52,900
Lapsed	—
Vested	52,900
Number of unvested stock options	—
After vesting (shares)	
At the end of March 2016	—
Vested	52,900
Exercised	—
Lapsed	—
Number of unexercised stock options	52,900

(ii) Unit price information

	The first series of stock acquisition rights of SFH
Exercise price	¥1
Average share price at the time of exercise	—
Fairly assessed value on the grant date	¥1,236

(3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options that were granted in the year ended March 31, 2017 is as follows.

1) Assessment method used

Black-Scholes model

2) Main basic values and their estimation method

	The first series of stock acquisition rights of SFH
Volatility of share price (*1)	35.701%
Expected remaining period (*2)	3.8 years
Expected dividend (*3)	¥55/share
Risk-free rate (*4)	(0.188%)

*(*1) Calculated based on the past share prices during the period corresponding to the expected remaining period of 3.8 years in (*2).*
*(*2) Calculated by weighting and averaging the expected period of service by the amount to be granted.*
*(*3) Based on the actual dividends for the fiscal year ended March 31, 2016.*
*(*4) Calculated using the average compound yield of long-term JGB with the remaining period approximate to the expected remaining period of 3.8 years in (*2).*

(4) Method for estimating the number of stock options vested

As it is difficult, as a general rule, to reasonably estimate the number of stock options to lapse in the future, SFH adopts a method that only reflects the actual number lapsed.

22. Information on tax effect accounting as of March 31, 2017:

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

	Millions of yen
As of March 31,	2017
Deferred tax assets	
Policy reserves and others	¥ 34,696
Reserve for price fluctuations	12,931
Net defined benefit liability	8,053
Write-down of securities	3,006
Tax loss carried forward	431
Depreciation and amortization	3,781
Net deferred losses on hedging instruments	590
Others	7,445
Subtotal of deferred tax assets	70,936
Valuation allowance	(3,766)
Total deferred tax assets	67,169
Deferred tax liabilities	
Net unrealized gains on other securities	(51,265)
Others	(590)
Total deferred tax liabilities	(51,855)
Net deferred tax assets (liabilities)	¥ 15,313

Note: Net deferred tax assets for the year ended March 31, 2017 are included in the following items of the consolidated balance sheets.

	Millions of yen
As of March 31,	2017
Assets - Deferred tax assets	¥15,313
Liabilities - Deferred tax liabilities	—

(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,	% 2017
Statutory effective tax rate	30.9
(Adjustments)	
Difference in tax rate of subsidiaries	(2.4)
Increase (decrease) in valuation allowance	1.1
Others	1.0
Effective income tax rate after application of tax effect accounting	30.6

23. 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 obligation to restore sites to their original states under the lease agreement of commercial properties, as well as 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 and others.

(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 50 years from acquisition and then applying a 0.1% to 2.3% discount rate.

(3) Changes in the balance of asset retirement obligations

For the year ended March 31,	Millions of yen 2017
Balance at the beginning of the period	¥ 752
Increase due to purchase of tangible fixed assets	445
Changes resulting from the passage of time	18
Increase due to changes in estimation (Note)	1,047
Decrease due to performance of asset retirement obligations	(2)
Other increase (decrease)	(45)
Balance at the end of the period	¥2,214

Note: In the year ended March 31, 2017, changes were made to the estimation of asset retirement obligations required to be recorded as part of the obligation to restore sites to their original states under the real estate lease agreement, following acquisition of the latest information about the cost for restoring sites to their original states.

24. Fair value information on investment and rental property:

The life insurance subsidiary owns rental office buildings in Tokyo. Income related to investment and rental property amounted to ¥5,953 million for the year ended March 31, 2017. Below is the consolidated balance sheet amount, net of changes during the period, and the fair value at the end of the current period.

For the year ended March 31,	Millions of yen 2017
Consolidated balance sheet amount	
Balance at the beginning of the period	¥106,135
Changes during the period	(1,404)
Balance at the end of the period	104,731
Fair value at the end of the period	¥174,007

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 period is determined by a licensed third-party real estate appraisal agent.

5 Notes to the Consolidated Statements of Income

Profit attributable to owners of the parent 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, 2017, net income per share was ¥95.69.

The basis for this calculation for the year ended March 31, 2017 is profit attributable to owners of the parent of ¥41,621 million, the entire amount of which is applicable to common stock. The weighted-average number of shares outstanding for the year ended March 31, 2017 was 434,978 thousand shares.

Diluted net income per share attributable to owners of the parent was ¥95.68. There was no adjustment to profit attributable to owners of the parent for a basis for calculation, and common stock reflecting the dilutive shares increased by 28,000 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, 2017 are as follows:

	Millions of yen
For the year ended March 31,	2017
Net unrealized gains on other securities, net of taxes:	
Gains (losses) arising during the period	¥(25,307)
Reclassification adjustments	(6,081)
Pre-tax amount	(31,389)
Income tax benefit (expense)	8,873
Net unrealized gains (losses) on other securities, net of taxes	(22,515)
Net deferred losses on hedging instruments, net of taxes:	
Gains (losses) arising during the period	2,581
Reclassification adjustments	(862)
Pre-tax amount	1,719
Income tax benefit (expense)	(526)
Net deferred gains (losses) on hedging instruments, net of taxes	1,192
Remeasurements of defined benefit plans, net of taxes:	
Gains (losses) arising during the period	362
Reclassification adjustments	1,059
Pre-tax amount	1,422
Income tax benefit (expense)	(400)
Remeasurements of defined benefit plans, net of taxes	1,021
Total other comprehensive income	¥(20,301)

7 Notes to the Consolidated Statements of Changes in Net Assets

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

Thousands of shares

For the year ended March 31,	2017 Number of shares as of April 1, 2016	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2017
Issued shares				
Common stock	435,000	—	—	435,000
Total	435,000	—	—	435,000
Treasury stock				
Common stock	0	52	—	52
Total	0	52	—	52

Note: The increase of 52 thousand shares in common stock (of treasury stock) was due to purchase of treasury stock.

2. Information on stock acquisition rights is as follows:

	Detail of stock acquisition rights	Balance at the end of the period (Millions of yen)
SFH	Stock acquisition rights as stock options	49

3. 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 23, 2016	Common stock	¥23,924 million	¥55	March 31, 2016	June 24, 2016

(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 21, 2017	Common stock	¥23,922 million	Retained earnings	¥55	March 31, 2017	June 22, 2017

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, 2017, is as follows:

Millions of yen

As of March 31,	2017
Cash and due from banks	¥206,481
Call loans of life insurance subsidiary	61,900
Cash and cash equivalents	¥268,381

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, 2017

1 MCEV Results

Beginning with the disclosure as of March 31, 2017, the extrapolation methodology for ultra-long term risk-free rates was changed from assuming a flat forward rate after the last market data to applying an ultimate forward rate. Due to this change, Sony Life restated its MCEV as of March 31, 2016 and new business value during the fiscal year ended March 31, 2016 by applying the same methodology. Please refer to Section 8 for the risk-free rates used for restatement.

Sony Life's MCEV as of March 31, 2017 increased ¥111.0 billion, due to an increase in interest rates and other factors. Please note that the significant changes in adjusted net worth and value of existing business offset each other with the effect of ALM.

Billions of yen

As of March 31,	2016 (Restated)	2017	Change
MCEV	¥1,330.1	¥1,441.1	¥ 111.0
Adjusted net worth	2,074.4	1,657.7	(416.7)
Value of existing business	(744.4)	(216.7)	527.7

2 Adjusted Net Worth

The adjusted net worth as of March 31, 2017 decreased ¥416.7 billion, primarily because of the decrease in unrealized gain on held-to-maturity securities caused by an increase in interest rates. The breakdown is shown in the table below. Please note that the restatement as of March 31, 2016 had no impact on the adjusted net worth as of March 31, 2016.

Billions of yen

As of March 31,	2016	2017	Change
Adjusted net worth	¥2,074.4	¥1,657.7	¥(416.7)
Total net assets	482.2	473.6	(8.6)
Reserve for price fluctuations	44.3	46.0	1.7
Contingency reserve	75.2	82.5	7.3
Reserve for possible loan losses	0.0	0.0	0.0
Reinsurance debit for coinsurance-type reinsurance	—	1.2	1.2
Unrealized gains or losses on held-to-maturity securities	2,026.2	1,445.6	(580.6)
Unrealized gains or losses on policy-reserve-matching bonds	41.3	26.0	(15.3)
Unrealized gains or losses on land and buildings	56.5	71.0	14.5
Unfunded pension liabilities	(4.8)	(3.6)	1.3
Intangible fixed assets	(19.2)	(19.4)	(0.2)
Tax effect equivalent of above nine items	(621.4)	(461.8)	159.6
Valuation gain or loss on subsidiaries and affiliated companies	(5.8)	(3.4)	2.5

We set our required capital as the larger of the amount of Japanese regulatory minimum capital requirement at the solvency margin ratio of 200% or the amount of capital to cover risks based on an internal model based on economic value. The required capital as of March 31, 2017 decreased due to a decrease in the economic value of technical provisions that mainly resulted from an increase in interest rates.

Billions of yen

As of March 31,	2016 (Restated)	2017	Change
Adjusted net worth	¥2,074.4	¥1,657.7	¥(416.7)
Free surplus	394.0	496.1	102.0
Required capital	1,680.4	1,161.7	(518.7)

3 Value of Existing Business

The value of existing business as of March 31, 2017 increased ¥527.7 billion, primarily because of an increase in interest rates. The breakdown of the value of existing business is shown in the table below.

Billions of yen

As of March 31,	2016 (Restated)	2017	Change
Value of existing business	¥(744.4)	¥(216.7)	¥527.7
Present value of certainty-equivalent profit	(169.9)	350.0	519.9
Time value of options and guarantees	(137.3)	(145.2)	(7.8)
Frictional costs	(36.4)	(35.6)	0.8
Cost of non-hedgeable risks	(400.7)	(385.9)	14.8

4 New Business Value

In the year ended March 31, 2016, new business value was calculated quarterly using the assumptions as of the end of each quarter. From the year ended March 31, 2017, economic assumptions as of the end of each month are applied.

The new business value in fiscal 2016 decreased ¥21.3 billion, primarily because the overall level of interest rates throughout the year decreased compared with the previous fiscal year. The breakdown of new business value is as follows:

Billions of yen

For the year ended March 31,	2016 (Restated Note)	2017	Change
Value of new business	¥ 50.4	¥ 29.1	¥(21.3)
Present value of certainty-equivalent profit	114.2	68.3	(45.8)
Time value of options and guarantees	(29.6)	(9.1)	20.5
Frictional costs	(0.4)	(0.1)	0.3
Cost of non-hedgeable risks	(35.0)	(29.8)	5.2
Other profits or losses	1.3	(0.2)	(1.5)

Note: The new business value as of March 31, 2016 was restated for the change in extrapolation methodology for ultra-long term risk-free rates and calculated quarterly using the assumptions as of the end of each quarter.

5 New Business Margin

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

Billions of yen

For the year ended March 31,	2016 (Restated)	2017	Change
Value of new business	¥ 50.4	¥ 29.1	¥ (21.3)
Present value of premium income	1,475.9	1,297.4	(178.5)
Value of new business / Present value of premium income	3.4%	2.2%	(1.2)pt

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, 2017, from MCEV as of March 31, 2016.

Billions of yen

	Free surplus	Required capital	Value of existing business	MCEV
Opening MCEV (MCEV as of March 31, 2016) (restated)	¥394.0	¥1,680.4	¥(744.4)	¥1,330.1
Opening adjustments	(21.0)	—	—	(21.0)
Adjusted opening MCEV	373.0	1,680.4	(744.4)	1,309.1
New business value	(1.3)	1.1	29.3	29.1
Expected existing business contribution (risk-free rate)	(0.5)	(2.6)	23.6	20.4
Expected existing business contribution (in excess of risk-free rate)	0.9	4.2	10.5	15.6
Transfers from value of existing business and required capital to free surplus	18.2	(69.7)	51.5	—
Of which, on new business	(56.5)	—	56.5	—
Experience variances	47.0	(39.9)	3.3	10.4
Assumption changes	(61.9)	61.9	(45.0)	(45.0)
Other operating variance	0.0	(0.0)	0.0	0.0
Operating MCEV earnings	2.3	(44.9)	73.1	30.5
Economic variances	119.1	(472.2)	453.2	100.0
Other non-operating variance	1.6	(1.6)	1.4	1.4
Total MCEV earnings	123.0	(518.7)	527.7	132.0
Closing adjustments	—	—	—	—
Closing MCEV (MCEV as of March 31, 2017)	¥496.1	¥1,161.7	¥(216.7)	¥1,441.1

Notes: 1. As regards opening MCEV (restated), the extrapolation methodology for ultra-long term risk-free rates was changed from assuming a flat forward rate after the last market data to applying an ultimate forward rate. It also includes the impact of the change in inflation rates for the 41st year and later to assure consistency with the extrapolation methodology for ultra-long term risk-free rates.

2. Expected yield used for the fiscal year ended March 31, 2017 was 0.095%.

3. 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. While mortality and morbidity rates are declining, the value of existing business fell primarily because of a decrease in assumed lapse and surrender rates this fiscal year. The primary cause for this is higher persistency on those blocks of business for which risk-free rates are below the interest rates underlying statutory reserve in the low interest rates environment in Japan.

4. Other operating variance represents the impact of improvements and corrections of the model used in calculating MCEV.

5. As regards economic variances, the total amount of changes in MCEV are disaggregated into an increase of ¥117.6 billion as a result of changes in the market environment such as the increase in interest rates, and a decrease of ¥17.6 billion as a result of the increase in inflation rates.

6. Other non-operating variance includes the impact of the change in timing of the consumption tax increase.

7 Sensitivity Analysis

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

Sensitivities of MCEV

Billions of yen

Assumption	Change in assumption	MCEV	Change in amount	Rate of change
Base	No change	¥1,441.1	¥ —	—
Interest rates	50bp decrease	1,309.6	(131.4)	(9%)
	50bp increase	1,492.3	51.2	4%
	Swap rates	1,404.4	(36.7)	(3%)
Stock / Real estate market value	10% decrease	1,418.6	(22.5)	(2%)
Stock / Real estate implied volatility	25% increase	1,413.1	(27.9)	(2%)
Interest swaption implied volatility	25% increase	1,420.2	(20.9)	(1%)
Maintenance expenses	10% decrease	1,464.7	23.7	2%
Lapse and surrender rates	x 0.9	1,427.6	(13.5)	(1%)
Mortality rates	Death protection products x 0.95	1,503.7	62.6	4%
	Third-sector and annuity products x 0.95	1,429.5	(11.5)	(1%)
Morbidity rates	x 0.95	1,504.1	63.0	4%
Required capital	Regulatory minimum	1,472.7	31.6	2%
Foreign exchange rates	10% appreciation of JPY	1,432.6	(8.5)	(1%)

The breakdown of the changes in MCEV into the adjusted net worth and the value of existing business 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

Assumption	Change in assumption	MCEV	Adjusted net worth	Value of existing business
Interest rates	50bp decrease	¥(131.4)	¥ 695.0	¥(826.4)
	50bp increase	51.2	(664.4)	715.6
Stock / Real estate market value	10% decrease	(22.5)	(10.9)	(11.6)
Foreign exchange rates	10% appreciation of JPY	(8.5)	3.6	(12.1)

8 Main Assumptions

We have used the JGB yields and U.S. Treasury yields as of the end of March 2017 as reference rates for the certainty-equivalent projections. We have 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.

Previously, regarding the extrapolation for ultra-long term risk-free rates where there is no market data, flat forward rates were assumed after the latest market data (40 years for JPY and 30 years for USD). From this year-end disclosure, an ultimate forward rate was applied. More specifically, the ultimate forward rate was set at 3.5% and the last liquid point was set at 40 years (30 years for USD) and, based on Smith-Wilson methodology, forward rates on or after 41 years (31 years for USD) were extrapolated to converge to the ultimate forward rate over 20 years (30 years for USD). These parameters were set primarily in reference to the discussion on Insurance Capital Standard (ICS) being developed by the International Association of Insurance Supervisors (IAIS) for the international capital standard. The reasons for setting the last liquid point at 40 years (30 years for USD) are as follows:

- Government bonds with 40-year maturity (30-year maturity for USD) have high liquidity and observable market data.
- Consistency in valuation between assets and liabilities as Sony Life holds a large amount of government bonds with 30- to 40-year maturity (30-year maturity for USD).

The risk-free rates used in calculation for key terms (on a par-rate basis) are as follows:

	Japanese yen		U.S. dollar	
As of the end of March,	2016 (Restated)	**2017**	2016 (Restated)	**2017**
Term				
1 year	(0.15%)	**(0.25%)**	0.58%	**1.02%**
5 year	(0.19%)	**(0.12%)**	1.21%	**1.92%**
10 year	(0.05%)	**0.07%**	1.77%	**2.39%**
20 year	0.44%	**0.64%**	2.17%	**2.75%**
30 year	0.55%	**0.84%**	2.61%	**3.01%**
40 year	0.63%	**0.96%**	2.75%	**3.04%**
50 year	0.98%	**1.25%**	2.82%	**3.07%**
60 year	1.23%	**1.45%**	2.86%	**3.09%**
70 year	1.38%	**1.57%**	2.88%	**3.11%**
80 year	1.47%	**1.65%**	2.90%	**3.12%**

(Data: Ministry of Finance Japan for JGB [extrapolated] and Bloomberg for U.S. Treasury [extrapolated])

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 2017. 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, 2017" (http://www.sonyfh.co.jp/index_en.html) 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 increased ¥8.2 billion since March 31, 2016, to ¥980.6 billion, due mainly to an increase in market-related risk (mainly interest rate risk), despite a decrease in insurance risk associated with an increase in interest rates. The breakdown of the risk amount is as follows:

Billions of yen

As of March 31,	2016 (Restated)	**2017**
Insurance risk (Note 1)	¥ 989.3	**¥ 937.5**
Market-related risk	324.2	**405.1**
Of which, interest rate risk (Note 2)	*255.2*	***308.9***
Operational risk	31.4	**28.1**
Counterparty risk	2.0	**1.9**
Variance effect	(374.4)	**(392.0)**
Risk amount based on economic value	¥ 972.4	**¥ 980.6**

Notes: 1. Insurance risk excludes the variance effect within Life module and Health module.
2. Interest rate risk excludes the variance effect within market-related risk.

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 risk amount based on economic value 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 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

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.

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

Glossary (in Alphabetical Order)

A

ALM (asset liability management)

Life *Non-life* *Banking*

A method for maximizing and stabilizing net asset value, which is calculated by deducting the value of liabilities from the value of assets, through the comprehensive grasp and management of assets and liabilities in consideration of their special characteristics.

Annualized insurance premiums *Life*

An indicator of the approximate annual premium income from existing policies, which is used as a performance indicator. Annualized insurance premiums are calculated by adjusting differences in the payment methods since insurance premiums can be paid monthly, annually, or in a lump sum, and by assuming that average payments will be made over the term of the policy.

Assumed interest rate *Life* *Non-life*

Insurance companies anticipate a certain return on invested assets in advance and discount insurance premiums only by this amount. This discount rate is called the assumed interest rate.

Assumed mortality rate *Life*

The mortality rate is the percentage of people who die in a single year for a given large population. The assumed mortality rate is the mortality rate used when calculating the amount of insurance premiums needed to cover future benefit payments, and represents a projection of the number of deaths by gender and age based on past statistics.

Assumed rate of expense

Life *Non-life*

In operating their businesses, insurance companies forecast their expenses, then incorporate this amount in their insurance premiums. This expense rate is called the assumed rate of expense.

B

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*

The ratio of capital to total assets. 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 possible contingencies, including insurance risk and assumed interest rate risk.

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. Profit categories subtracted from ordinary profit include gains and losses on the sale of securities and one-time gains and losses, such as profits from the sale of assets owned by the insurance company.

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 and 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

Earned/incurred (E.I.) loss ratio

Non-life

An indicator that represents the loss ratio incurred during the current period that takes into account the provision and reversal of reserve for outstanding losses and ordinary underwriting reserves calculated using the following formula: Earned/incurred (E.I.) loss ratio = (Net losses paid + Provision for reserve for outstanding losses + Loss adjustment expenses) / Earned premiums (excluding earthquake insurance and compulsory automobile liability insurance)

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.

ERM (enterprise risk management)

Life *Non-life* *Banking*

An approach to accomplishing corporate strategic goals and sustainable growth in corporate value, by conducting integrated recognition and control of all risks a company faces and seeking to optimize the risk from a company-wide perspective.

ESR (economic solvency ratio) *Life*

ESR is one of the financial soundness indicators, which measures whether an organization possesses sufficient capital in relation to its risks.

Sony Life computes its ESR by dividing MCEV by the risk amount based on economic value. For details on MCEV and the risk amount based on economic value, please see “MCEV Results for Sony Life” in the Financial Data Book.

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.

Expense ratio *Life* *Non-life*

The ratio of expenses to insurance premiums. Used as an indicator of business efficiency at insurance companies. Expenses are used for soliciting, maintaining, and managing insurance as well as for payment of insurance claims.

F

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.

Fundamental internal rating based approach *Banking*

The amount of credit risk assets is calculated mainly by the standard approach or internal rating based approach for computing the capital adequacy ratio. The standard approach calculates the amount of credit risk assets by using the risk weight set by authorities. On the other hand, the internal rating based approach calculates the amount of credit risk assets by using the default rate, etc. as estimated internally by financial institutions that practice advanced risk management. This approach includes a fundamental internal rating based approach that partly uses the values set by authorities for loss rates at the time of default, and an advanced internal rating based approach that uses the values estimated internally by financial institutions in every situation.

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 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.

L

Lapse and surrender rate

Life *Non-life*

Surrender refers to the cancellation of an insurance policy at some point in the future. Upon surrender, the policy is terminated, and from that point protection or coverage is lost. On the other hand, a lapse is when a policyholder fails to pay premiums within the payment grace period, causing the policy to lapse, from which point the policy will no longer provide protection.

The lapse and surrender rate is the ratio of lapses and surrenders to policies in force at the beginning of the fiscal year. It is calculated by adding the total of lapses and surrenders for the year in question, and then dividing by the amount of policies in force at the beginning of the fiscal year.

Living benefit insurance *Life*

This insurance provides a lump-sum benefit payment when the insured is diagnosed with a disease such as one of the 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.

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.

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.

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 (Underwriting reserves) *Life* *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 and others (Underwriting reserves) *Life* *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 and policy reserves.

Policyholder loans *Life*
As one of the asset management operations of life insurance companies, 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

Reference loss cost rates *Non-life*
Non-life insurance premium rates comprise net insurance premium rates used for paying insurance claims and loading insurance premium rates used for operating insurance businesses. Net insurance premium rates calculated by the General Insurance Rating Organization of Japan are called reference loss cost rates. Member insurers of the organization can use the rates as the basis for calculating their own insurance premium rates.

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 in order to diversify risks on insurance policies.

Reserve for outstanding claims (Reserve for outstanding losses)

Life *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.

ROEV (return on embedded value)

Life

ROEV is an indicator that refers to the growth potential of corporate value. The amount of increase of EV (embedded value), an indicator of a life insurance company's corporate value, is deemed to be profit that takes into account the unique aspects of life insurance accounting.

Core ROEV is the growth rate of EV which excludes any fluctuation effects of the investment yield and discounted rate.

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 due to changes in the environment such as major disasters and substantial declines in stock prices. The solvency margin ratio is one measure used by regulatory authorities to determine how much an insurance company is able to pay in response to the risk of such unpredictable events.

Standard Mortality Table *Life*

The Institute of Actuaries of Japan prepares a table that compiles data including mortality rates and average life expectancies by gender and age. Of these data, mortality rates are verified by the Commissioner of Financial Services Agency of Japan, and then used as the assumed mortality rates in calculating standard policy reserves required under the Insurance Business Act of Japan.

Standard yield *Life* *Non-life*

The standard yield is the calculating rate insurance companies are required to use when accumulating policy reserves for future insurance payments.

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.

U

Underwriting profit *Non-life*

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

V

Variable life insurance *Life*

Insurance product in which assets are invested mainly in stocks and bonds, and claims and surrender payments increase or decrease depending on investment returns. The individual policyholder bears the asset management risk. The minimum insurance payment is guaranteed, regardless of investment performance.

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 an 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 SFH website is accessible via smartphone.

Financial Data Book

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

Press releases are sorted into SFH and four business segments. Headings make it easy to determine the content of each press release.

Click here for Corporate Governance.

Sony Financial Holdings