Sony Financial Holdings

May 30, 2006

Sony Financial Holdings Inc.

Consolidated Financial Results for the Fiscal Year ended March 31, 2006 (Prepared in Accordance with Japanese GAAP)

Tokyo, May 30, 2006 -- Sony Financial Holdings Inc. ("SFH") today announced its consolidated financial results for the fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006). SFH maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the former Commercial Code of Japan, the Insurance Business Law of Japan and the Banking Law of Japan and in conformity with generally accepted accounting principles and practices in Japan ("Japanese GAAP"). Despite the information set forth herein, SFH's parent company, Sony Corporation, otherwise reports its financial statements in accordance with generally accepted accounting principles and practices in the United States ("U.S. GAAP"), which differ in some respects from Japanese GAAP. Those differences include derivative treatments for convertible bonds and insurance-related accounts such as insurance acquisition costs and policy reserve as described in Note on Page 2.

Highlights

Ordinary revenues increased 16.1% from the previous fiscal year to ¥758.7 billion.
Ordinary revenues from the life insurance business increased 15.3% year on year to ¥696.6 billion, mainly as a result of an improvement in gains and losses from investments and an increase in income from insurance premiums reflecting a stable increase of insurance-in-force in particular from individual life insurance policies. Ordinary revenues from the non-life insurance business increased 19.8% year on year to ¥45.7 billion as a result of a continued increase in net premiums written mainly from automobile insurance. Ordinary revenues from the banking business increased 51.7% year on year to ¥17.2 billion associated with steady business growth resulting mainly from a stable increase in deposited assets (deposits and investment trusts) and mortgage loans.

Ordinary profit increased 106.8% from the previous fiscal year to ¥25.3 billion.
Ordinary profit from the life insurance business increased 42.2% year on year to ¥24.3 billion, primarily as a result of an improvement in gains and losses on investments in the general account. In the non-life insurance business, ordinary loss improved ¥2.0 billion year on year to ¥0.7 billion, backed by an increase in net premiums written and an improvement in the expense ratio. The banking business recorded ordinary profit of ¥1.7 billion, a ¥3.8 billion improvement from the previous fiscal year. This was achieved as a result of an increase in gross operating profit associated with business expansion.

Net income increased 81.0% from the previous fiscal year to ¥11.5 billion.

Total assets as of March 31, 2006 increased 19.3% from March 31, 2005 to ¥3,917.0 billion.

In September 2005, SFH purchased 15,000 shares of common stock of Sony Bank Inc. ("Sony Bank") from LabMorgan Investment Corporation, a unit of JPMorgan. And in February 2006, SFH implemented a ¥2.5 billion capital increase of Sony Bank, for the purpose of further strengthening Sony Bank's financial position. As a result, SFH's ownership in Sony Bank has increased from 84.2% as of March 31, 2005 to 88.0% as of March 31, 2006.

【Segment Information】

Ordinary revenues

(Millions of Yen)

	For the year ended March 31, 2005	For the year ended March 31, 2006	Change (%)
Life insurance business	604,288	696,685	+15.3
Non-life insurance business	38,159	45,703	+19.8
Banking business	11,353	17,225	+51.7
Subtotal	653,802	759,614	+16.2
Corporate and elimination	(542)	(903)	-
Consolidated	653,259	758,711	+16.1

Ordinary profit (loss)

(Millions of Yen)

	For the year ended March 31, 2005	For the year ended March 31, 2006	Change (%)
Life insurance business	17,148	24,379	+42.2
Non-life insurance business	(2,806)	(764)	-
Banking business	(2,118)	1,705	-
Subtotal	12,222	25,320	+107.2
Corporate and elimination	46	57	-
Consolidated	12,269	25,377	+106.8

Banking business segment includes a one-time amortization of goodwill associated with purchase of Sony Bank's shares and acceptance of its capital increase in the fiscal year ended March 31, 2006 and acceptance of an increase in capital of Sony Bank in the previous fiscal year.

Note

As mentioned above, SFH prepares its financial statements in accordance with Japanese GAAP, which differs on some respects from U.S. GAAP. These differences between Japanese GAAP and U.S. GAAP include the following:
1) **derivative treatments** for changes in the fair value of convertible bonds, classified as available-for-sale debt securities, are recorded in stockholders' equity (as a component of accumulated other comprehensive income) under Japanese GAAP, whereas under U.S. GAAP the stock conversion rights embedded in convertible bonds are separately considered as derivative instruments and changes in their mark-to-market values are recognized in income;
2) **insurance-related accounts,** including (i) insurance acquisition costs, whereby acquisition costs for both life and non-life insurance policies are charged to income when incurred under Japanese GAAP, whereas under U.S. GAAP those costs are deferred and amortized generally over the premium-paying period of the related insurance policies, and (ii) the policy reserve, which under Japanese GAAP is caluculated under the authorization of the supervisory administrative agencies, whereas under U.S. GAAP future insurance policy benefits are comprehensively adjusted to a net level premium method with certain adjustments for actuarial assumptions for U.S. GAAP purposes.

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Consolidated Financial Summary
for the Fiscal Year ended March 31, 2006

May 30, 2006

Company name: Sony Financial Holdings Inc.
(URL: http://www.sonyfh.co.jp/english/)
Representative: Teruhisa Tokunaka, President, Representative Director
For inquiry: Hiroaki Kiyomiya, Chief Manager – Corporate Control Dept.

Consolidated financial results for the year ended March 31, 2006

Note: Since the company was established on April 1, 2004, there are no comparative data from the previous fiscal year for the year ended March 31, 2005.

(1) Operating results (in millions of yen by discarding fractional amounts of less than 1 million yen)

	Ordinary Revenues		Ordinary Profit		Net Income	
	million yen	%change	million yen	%change	million yen	%change
For the year ended March 31, 2006	758,711	(+16.1)	25,377	(+106.8)	11,537	(+81.0)
For the year ended March 31, 2005	653,259	(-)	12,269	(-)	6,375	(-)

	Net Income per Share	Net Income per Share (Fully Diluted)
	Yen	Yen
For the year ended March 31, 2006	5,494.28	-
For the year ended March 31, 2005	3,069.93	-

Notes: 1. Average number of shares outstanding (Consolidated): For the year ended March 31, 2006: 2,100,000 shares
For the year ended March 31, 2005: 2,076,712 shares

2. Changes in accounting policy: None

(2) Financial conditions

	Total Assets	Total Stockholders' Equity	Stockholders' Equity Ratio	Stockholders' Equity per Share	Capital Adequacy Ratio (domestic criteria)
	million yen	million yen	%	Yen	(Preliminary basis) %
As of March 31, 2006	3,917,048	263,040	6.7	125,257.54	9.99
As of March 31, 2005	3,282,269	182,817	5.6	87,056.14	12.17

Notes: 1. Number of shares outstanding (Consolidated): As of March 31, 2006: 2,100,000 shares
As of March 31, 2005: 2,100,000 shares

2. Pursuant to "Defining the Standards on the Consolidated Capital Adequacy Ratio under the Provision of Article 52-25 of the Banking Law (Ministry of Finance Directive 62, 1998)", insurance subsidiaries are excluded from calculation of the consolidated capital adequacy ratio.

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of fiscal year
	million yen	million yen	million yen	million yen
For the year ended March 31, 2006	425,411	(570,196)	-	109,263
For the year ended March 31, 2005	274,150	(286,192)	3,500	253,969

Consolidated Balance Sheets [Unaudited] (in millions of yen)

	As of March 31, 2005	As of March 31, 2006
Assets:		
Cash and due from banks	75,811	61,304
Call loans and bills bought	303,796	76,074
Commercial paper and other debt purchased	1,998	2,000
Monetary trusts	515,229	658,351
Securities	2,058,456	2,625,081
Loans	206,305	326,392
Property and equipment	51,668	76,588
Due from agencies	5	0
Due from reinsurers	252	419
Foreign exchanges	4,659	5,748
Other assets	62,562	82,046
Deferred tax assets	1,710	3,247
Reserve for possible loan losses	(187)	(205)
Total Assets	3,282,269	3,917,048
Liabilities:		
Policy reserve and others:		
Reserve for outstanding claims	25,363	28,418
Policy reserve	2,418,194	2,769,126
Reserve for policyholders' dividends	735	1,584
Due to agencies	1,155	1,415
Due to reinsurers	781	990
Deposits	546,717	599,952
Call money and bills sold	24,600	110,700
Foreign exchanges	13	5
Other liabilities	45,543	67,190
Reserve for employees' bonuses	1,495	1,735
Reserve for employees' retirement benefits	10,492	11,003
Reserve for directors' retirement benefits	77	202
Reserve for price fluctuations	12,672	20,124
Deferred tax liabilities	6,029	36,685
Deferred tax liabilities on land revaluation	-	706
Total Liabilities	3,093,875	3,649,842
Minority Interests	5,576	4,165
Stockholders' Equity:		
Common stock	5,500	5,500
Capital surplus	180,877	180,877
Retained earnings	(59,232)	(47,694)
Land revaluation	(768)	(1,475)
Net unrealized gains on other securities, net of taxes	56,817	125,720
Foreign currency translation adjustments	(374)	113
Total Stockholders' Equity	182,817	263,040
Total Liabilities, Minority Interests and Stockholders' Equity	3,282,269	3,917,048

Consolidated Statements of Income [Unaudited] (in millions of yen)

	For the year ended March 31, 2005	For the year ended March 31, 2006
Ordinary Revenues	653,259	758,711
Ordinary Revenues from the Life Insurance Business:		
Income from insurance premiums	551,447	580,171
Investment income	50,254	108,613
Other ordinary income	2,072	7,091
Ordinary Revenues from the Non-life Insurance Business:		
Underwriting income	37,862	45,298
Investment income	275	349
Other ordinary income	10	32
Ordinary Revenues from the Banking Business:		
Interest income	6,563	9,472
Fees and commissions	799	1,635
Other operating income	3,946	6,039
Other ordinary income	25	7
Ordinary Expenses	640,990	733,333
Ordinary Expenses from the Life Insurance Business:		
Insurance claims and other payments	194,141	231,885
Provision for policy reserve and others	299,508	344,939
Investment expenses	5,115	4,610
Operating expenses	79,682	81,982
Other ordinary expenses	8,603	8,744
Ordinary Expenses from the Non-life Insurance Business:		
Underwriting expenses	28,546	33,170
Investment expenses	21	8
Operating, general and administrative expenses	12,097	12,903
Other ordinary expenses	0	15
Ordinary Expenses from the Banking Business:		
Interest expenses	2,855	4,672
Fees and commissions	479	771
Other operating expenses	2,452	1,890
General and administrative expenses	6,902	7,088
Other ordinary expenses	582	650
Ordinary Profit	12,269	25,377
Extraordinary Gains	0	-
Extraordinary Losses	516	7,555
Provision for Reserve for Policyholders' Dividends	519	1,491
Income Before Income Taxes	11,233	16,330
Income Taxes - Current	13,570	17,236
- Deferred	(8,428)	(12,871)
Minority Interests	284	(427)
Net Income	6,375	11,537

Consolidated Statements of Cash Flows [Unaudited] (in millions of yen)

	For the year ended March 31, 2005	For the year ended March 31, 2006
Cash flows from operating activities:		
Income before income taxes	11,233	16,330
Depreciation and amortization	3,339	3,524
Impairment losses	-	5
Increase in policy reserve and others	307,989	355,467
Interest and dividends	(32,593)	(36,549)
Interest expenses	2,988	4,681
Net (increase) decrease in loans	(63,361)	(113,082)
Net increase (decrease) in deposits	168,060	53,417
Net (increase) decrease in call loans and bills bought	(86,729)	107,522
Net increase (decrease) in call money and bills sold	(40,400)	86,100
Others, net	(20,051)	(72,511)
Subtotal	250,474	404,905
Interest and dividends received	41,612	41,374
Interest paid	(2,413)	(4,535)
Policyholders’ dividends	(568)	(644)
Income taxes paid	(14,954)	(15,688)
Net cash provided by operating activities	274,150	425,411
Cash flows from investing activities:		
Investments in monetary trusts, net	(94,487)	(116,304)
Purchases of securities	(1,083,349)	(1,184,665)
Proceeds from sale and redemption of securities	906,646	767,116
Investments in loans	(37,146)	(39,996)
Collections of loans	28,653	32,723
Subtotal	(279,683)	(541,127)
Purchases of property and equipment	(5,358)	(25,845)
Proceeds from sale of property and equipment	1	-
Purchase of securities of a consolidated subsidiary	-	(1,571)
Others, net	(1,151)	(1,652)
Net cash used in investing activities	(286,192)	(570,196)
Cash flows from financing activities:		
Proceeds from borrowings	15	-
Repayments of borrowings	(15)	-
Proceeds from issuance of stocks	10,000	-
Cash dividends paid	(6,500)	-
Net cash provided by financing activities	3,500	-
Effect of exchange rate changes on cash and cash equivalents	(2)	79
Net decrease in cash and cash equivalents	(8,544)	(144,706)
Cash and cash equivalents at beginning of year	262,513	253,969
Cash and cash equivalents at end of year	253,969	109,263

Notes:

1. The reconciliation of “Cash and cash equivalents” in the consolidated statements of cash flows to “Cash and due from banks” in the consolidated balance sheets is as follows: (in millions of yen)

Cash and due from banks:	75,811	61,304
Call loans of domestic life insurance subsidiary:	176,100	55,900
Securities of non-life insurance subsidiary:	32,932	44,067
Securities other than cash equivalents of non-life insurance subsidiary:	(30,874)	(42,009)
Negotiable certified deposits of banking subsidiary:	-	(10,000)
Cash and cash equivalents:	253,969	109,263

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

Notes to the Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

Sony Financial Holdings Inc. (the "Company") 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 former Commercial Code of Japan, the Insurance Business Law of Japan and the Banking Law of Japan and in conformity with generally accepted accounting principles and practices in Japan, which are different in certain respects as compared to the application and disclosure requirements of generally accepted accounting principles and practices in the United States of America. The Company's overseas subsidiary maintains its accounting records and prepares its financial statements in conformity with generally accepted accounting principles and practices prevailing in its country of domicile.

The accompanying consolidated financial statements are prepared based on the consolidated financial statements of the Company and its subsidiaries (the "Companies") which are to be filed with the Financial Services Agency as required by the Insurance Business Law and the Banking Law. For the convenience of readers, the preparation is modified in certain respects from the original Japanese disclosed financial information.

2. Principles of Consolidation

(1) Scope of consolidation

The number of consolidated subsidiaries: 4

Consolidated subsidiaries: Sony Life Insurance Co., Ltd.
Sony Life Insurance (Philippines) Corporation
Sony Assurance Inc.
Sony Bank Inc.

(2) Application of the equity method

Not applicable

(3) Fiscal year of consolidated subsidiaries

The financial statements of Sony Life Insurance (Philippines) Corporation are prepared with a fiscal year end of December 31. Appropriate adjustments are made for material transactions between December 31 and March 31, the date of the consolidated financial statements. All the other subsidiaries prepare their respective financial statements with a fiscal year end of March 31, the same as the date of the consolidated financial statements.

(4) Valuation of assets and liabilities of consolidated subsidiaries

A portion of the assets and liabilities of consolidated subsidiaries are computed at fair value as of the respective dates when the subsidiaries were initially consolidated.

(5) Amortization of goodwill

Goodwill is charged to income directly when incurred.

3. Summary of Significant Accounting Policies

(1) Securities

Securities (including commercial paper and other debt purchased and monetary trusts) are stated in the following manner:
Securities held for trading purposes ("trading securities") are stated at fair value. The cost of securities sold is determined by the moving-average method. Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Other securities designated as available-for-sale securities with fair value are stated at fair value at fiscal year end, and its cost of securities sold is determined by the moving-average method. Other securities designated as available-for-sale securities with no available

fair value are stated at amortized cost (straight-line method) or at acquisition cost using the moving-average method. Net unrealized gains and losses on other securities above are reported, net of applicable income taxes, as a separate component of stockholders' equity.

(2) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(3) Property and equipment

Primarily, depreciation is computed by the straight-line method for buildings and by the declining-balance method for other property and equipment.

(4) Software for internal use

Capitalized software for internal use is amortized using the straight-line method over its estimated useful life of five years.

(5) Deferred charges

Stock issuance costs are fully charged to income when incurred.

(6) Reserve for possible loan losses

The reserve for possible loan losses is established in accordance with each company's Self-Assessment Guidelines and Write-offs and Reserve Guidelines. With respect to loans to borrowers subject to bankruptcy, court-guided rehabilitation or similar legal or formal proceedings, the Companies provide a specific reserve in the amount of the loan balance less amounts collectable from collateral, guarantees and by other means. For other loans, the Companies provide a general reserve by applying the historical loan loss ratio determined over a certain period. Each loan is subject to asset assessment by the operational departments in accordance with each company's Self-Assessment Guidelines, and the results of the assessment are reviewed by the internal audit departments, which are independent from the operational departments, before the reserve amount is finally determined.

(7) Reserve for employees' bonuses

The reserve for employees' bonus is provided for the payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the current fiscal year.

(8) Reserve for employees' retirement benefits

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

(9) Reserve for directors' retirement benefits

The reserve for directors' and statutory auditors' retirement benefits is provided based on its internal regulations and calculated as the amount that would be payable if all eligible directors and statutory auditors were to resign at the fiscal year end.

(10) Reserve for price fluctuations

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

(11) Translation of foreign currencies

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

(12) Leases transactions

Finance leases that have not been deemed to transfer ownership of the leased property to the lessees are accounted for as operating lease transactions.

(13) Hedge accounting

As for the hedge accounting method applied to hedging transactions for interest rate risk generated by financial assets and liabilities, the banking subsidiary applies deferred hedge accounting or fair value hedge accounting. Interest rate swaps are used as hedging instruments to offset fluctuations in interest rates on fixed-rate loans by identifying the hedged items via their grouping according to their maturity, in accordance with the “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” (Industry Audit Committee of Japanese Institute of Certified Public Accountants No. 24). Interest rate swaps and others are used as hedging instruments to offset fluctuations in the fair value of fixed-rate bonds, which are classified as other securities. Both of the above-mentioned hedging instruments are identified so that their significant terms are nearly identical to those of the hedged items. Accordingly, such hedges are considered as highly effective, resulting in a substitution for evaluating the effectiveness of the hedging transactions.

(14) Accounting for consumption taxes

The consumption taxes received or paid by the Company and its domestic subsidiaries, excluding loss adjustment expenses and operating, general and administrative expenses of the non-life insurance subsidiary, are not included in income and expenses. Under the Consumption Tax Law of Japan, the consumption taxes paid on property and equipment, which is not deductible from the consumption taxes received, are deferred as “other assets” and amortized over a five-year period on a straight-line basis, while other non-deductible consumption taxes are charged as expenses in the period in which the consumption taxes are paid.

(15) Policy reserve

Pursuant to Article 116 of the Insurance Business Law, the domestic life insurance subsidiary maintains a policy reserve for the fulfillment of future obligations under life insurance contracts, and the policy reserve is calculated in the following manner.

a. Policies subject to the standard policy reserve apply the method stipulated by the Financial Services Agency (Ministry of Finance Directive 48, 1996).

b. Policies not subject to the standard policy reserve apply the net level premium method.

(16) Application of consolidated tax provision

The consolidated tax provision, under which Sony Corporation is the parent company, is applied to the Company and its domestic subsidiaries wholly owned by Sony Corporation.