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**Presentation Material**

**Consolidated Financial Results  
for the Nine Months Ended December 31, 2016  
and  
Sony Life's MCEV as of December 31, 2016**

**Sony Financial Holdings Inc.  
February 14, 2017**

## Content



■ Consolidated Operating Results for the Nine Months Ended December 31, 2016 <FY16.3Q (9M)>	P.3
■ Forecast of Consolidated Financial Results for the Year Ending March 31, 2017 (FY16)	P.29
■ Sony Life's MCEV and ESR as of December 31, 2016	P.31
■ Appendix	P.34

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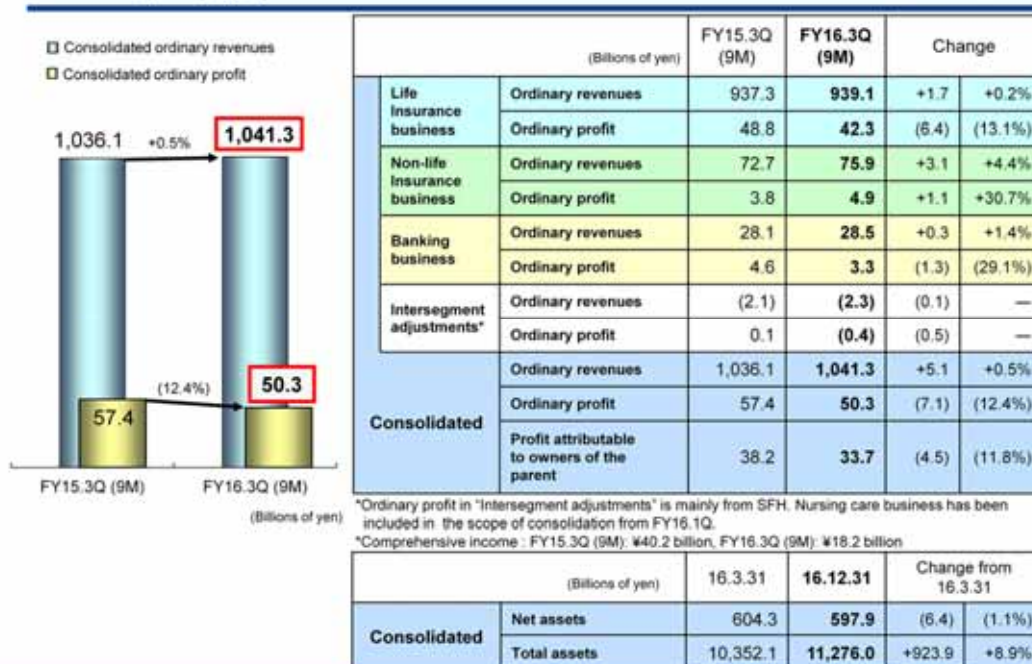
\*Unless otherwise indicated, in these materials figures less than the indicated unit have been truncated, while ratios and percentage changes have been rounded. Also, a “-” is used where percentage changes exceed 1,000% and in cases where one or both comparisons are negative.

\* “Lifeplanner” is a registered trademark of Sony Life.

## Content

**Consolidated Operating Results for  
the Nine Months Ended December 31, 2016  
<FY16.3Q (9M)>**

## Highlights of Consolidated Operating Performance for FY16.3Q (9M) (1)



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4

Consolidated ordinary revenues increased 0.5% year on year, to ¥1,041.3 billion. This is because ordinary revenues from the life insurance business were flat year on year, while ordinary revenues from the non-life insurance and the banking businesses increased.

Consolidated ordinary profit decreased 12.4% year on year, to ¥50.3 billion.

By business segment, ordinary profit from the life insurance and the banking businesses decreased, whereas ordinary profit from the non-life insurance business increased.

Profit attributable to owners of the parent was down 11.8% year on year, to ¥33.7 billion due to the decrease in consolidated ordinary profit.

## Highlights of Consolidated Operating Performance for FY16.3Q (9M) (2)



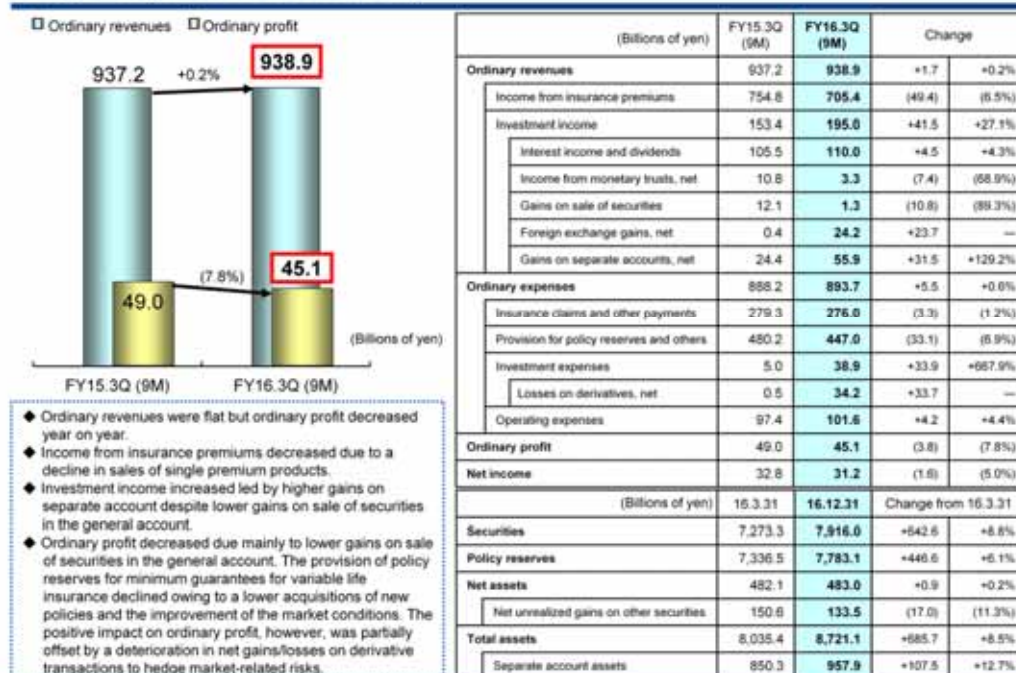
■ **Life Insurance Business:** Ordinary revenues were essentially flat year on year, because an increase in investment income was offset by a decrease in insurance premium revenues led by a decline in sales of single premium products. Ordinary profit decreased year on year due mainly to lower gains on sale of securities in the general account. The provision of policy reserves for minimum guarantees for variable life insurance declined owing to a lower acquisition of new policies and the improvement of the market conditions. This positive impact on ordinary profit, however, was partially offset by a deterioration in net gains/losses on derivative transactions to hedge market-related risks

■ **Non-life Insurance Business:** Ordinary revenues expanded year on year, owing mainly to an increase in net premiums written primarily for mainstay automobile insurance. Ordinary profit increased year on year, due mainly to the increase in ordinary revenues, including gains on sale of securities, and a lower expense ratio.

■ **Banking Business:** Ordinary revenues increased year on year due to an increase in interest income on loans in line with a favorably growing balance of mortgage loans and an increase in ordinary revenues from Sony Payment Services (Sony Bank's 57% owned subsidiary), partially offset by a decrease in interest and dividend income on securities. Ordinary profit decreased year on year due to the lower level of interest rates, an increase in initial expenses led by a higher execution of mortgage loans, and decreased volumes of foreign currency and investment trust transactions of customers.

■ Consolidated ordinary revenues increased 0.5% year on year, to ¥1,041.3 billion. Ordinary revenues from the life insurance business were flat year on year, while ordinary revenues from the non-life insurance and the banking businesses increased. Consolidated ordinary profit decreased 12.4% year on year, to ¥50.3 billion. By business segment, ordinary profit from the life insurance and the banking businesses decreased, whereas ordinary profit from the non-life insurance business increased. Profit attributable to owners of the parent was down 11.8% year on year, to ¥33.7 billion due to the decrease in consolidated ordinary profit.

## Highlights of Operating Performance: Sony Life (Non-consolidated)



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6

Sony Life's ordinary revenues were essentially flat year on year, to ¥938.9 billion, because an increase in investment income was offset by a decrease in insurance premium revenues led by a decline in sales of single premium products.

Ordinary profit decreased 7.8% year on year, to ¥45.1 billion, due mainly to lower gains on sale of securities in the general account. The provision of policy reserves for minimum guarantees for variable life insurance declined owing to a lower acquisition of new policies and the improvement of the market conditions. This positive impact on ordinary profit, however, was partially offset by a deterioration in net gains/losses on derivative transactions to hedge market-related risks.

Net income decreased 5.0% year on year, to ¥31.2 billion.



## Overview of Operating Performance: Sony Life (Non-consolidated)



(Billions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change	<Reasons for changes>
New policy amount	4,052.4	3,499.7	(13.6%)	◆ Decreased due to lower sales of variable life insurance despite favorable sales of U.S. dollar-denominated insurance and term life insurance.
Lapse and surrender amount	1,474.9	1,371.1	(7.0%)	
Lapse and surrender rate	3.60%	3.18%	(0.42pt)	
Policy amount in force	42,841.7	44,633.9	+4.2%	
Annualized premiums from new policies	65.8	54.1	(17.7%)	◆ Decreased due to lower sales of variable life insurance despite favorable sales of term life insurance and U.S. dollar-denominated insurance.
Of which, third-sector products	12.0	11.2	(7.0%)	
Annualized premiums from insurance in force	771.8	807.3	+4.6%	
Of which, third-sector products	178.3	185.1	+3.8%	

Notes:

- Figures for new policy amount, lapse and surrender amount, lapse and surrender rate, policy amount in force, annualized premiums from new policies and annualized premiums from insurance in force are calculated as the total of individual life insurance and individual annuities.
- 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.

(Billions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change	
Gains from investment, net (General account)	123.9	100.0	(19.3%)	
Core profit	35.1	65.8	+87.5%	◆ Increased due mainly to a decrease in the provision of policy reserves for minimum guarantees for variable life insurance reflecting a lower acquisition of new policies and the improvement of the market conditions.
Positive spread	11.7	11.1	(5.1%)	

	16.3.31	16.12.31	Change from 16.3.31
Non-consolidated solvency margin ratio	2,722.8%	2,731.1%	+8.3pt

## Operating Performance : Sony Life (Non-consolidated) (1)

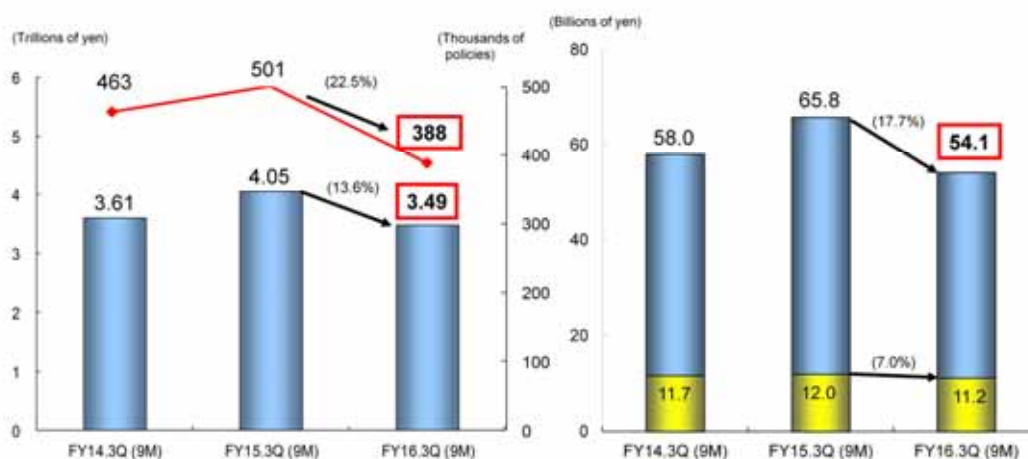


### Number and Amount of New Policies (Individual Life Insurance + Individual Annuities)

■ New policy amount    — Number of new policies

### Annualized Premiums from New Policies (Individual Life Insurance + Individual Annuities)

■ Annualized premiums from new policies    ■ Of which, third-sector



#### (Left-hand graph)

New policy amount for the total of individual life insurance and individual annuities decreased 13.6% year on year, to ¥3,499.7 billion.

This decrease was due to lower sales of variable life insurance, despite favorable sales of U.S. dollar-denominated insurance and term life insurance.

The number of new policies decreased 22.5% year on year, to 388 thousand policies.

#### (Right-hand graph)

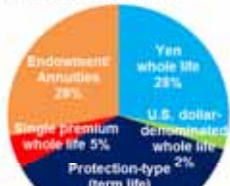
Annualized premiums from new policies decreased 17.7% year on year, to ¥54.1 billion, due to lower sales of variable life insurance, despite favorable sales of term life insurance and U.S. dollar-denominated insurance.

Of which, the figure for the third-sector products was down 7.0% year on year, to ¥11.2 billion.

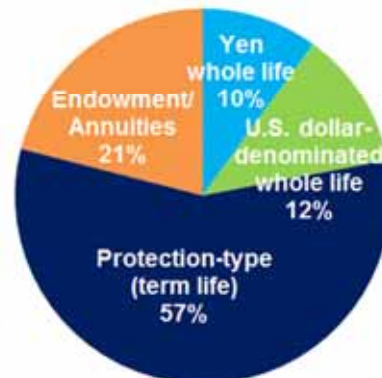


### Annualized Premiums from New Policies by Product

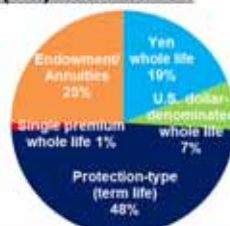
**FY15 (12M) ¥85.0 billion**



**FY16.3Q (3M) ¥15.3 billion**



**FY16.1H(6M) ¥38.7 billion**

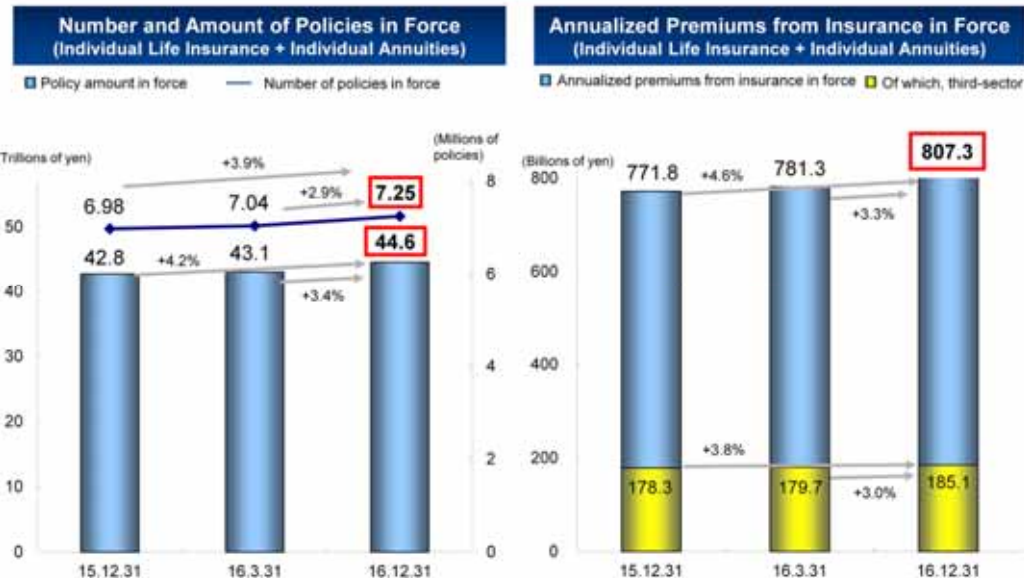


These graphs show Sony Life's product portfolio of annualized premiums from new policies by product.

(Right-hand graph)

Sony Life has been reinforcing its ability to offer U.S. dollar-denominated whole life insurance and term life insurance under the low interest rate environment. In FY16.3Q (3M), U.S. dollar-denominated whole life insurance accounts for 12% and protection-type products including term life insurance accounts for 57% of total product portfolio, showing a steady change in product portfolio with a focus on protection-type products.

## Operating Performance : Sony Life (Non-consolidated) (2)



Sony Life's policy amount in force which reflects new policy amount and lapse and surrender amount, is shown here.

(Left-hand graph)

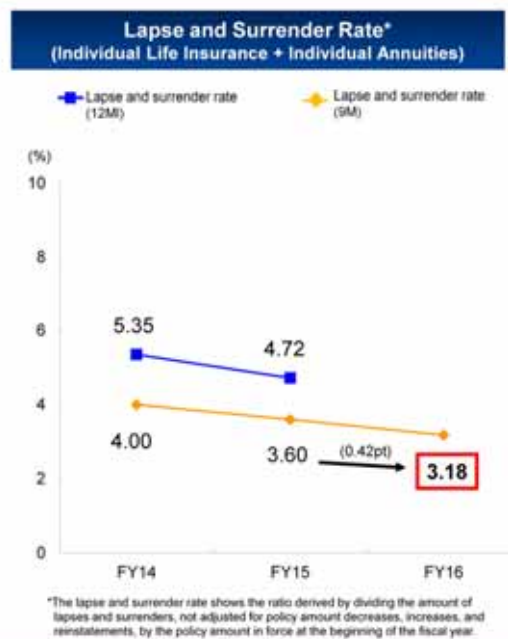
Policy amount in force for the total of individual life insurance and individual annuities increased 4.2% year on year, to ¥44.6 trillion.

The number of policies in force increased 3.9% year on year, to 7.25 million policies.

(Right-hand graph)

Annualized premiums from insurance in force increased 4.6% year on year, to ¥807.3 billion. Of which, the figure for the third-sector products was up 3.8% year on year, to ¥185.1 billion.

## Operating Performance : Sony Life (Non-consolidated) (3)

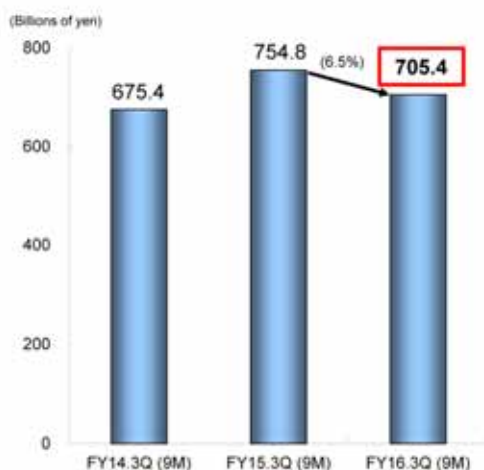


The lapse and surrender rate decreased 0.42 percentage points year on year, to 3.18%.

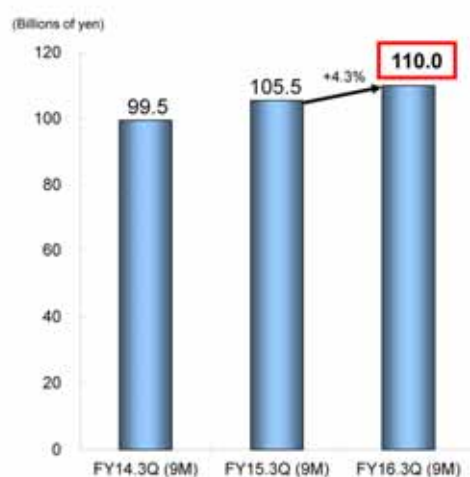
## Operating Performance : Sony Life (Non-consolidated) (4)



### Income from Insurance Premiums



### Interest Income and Dividends



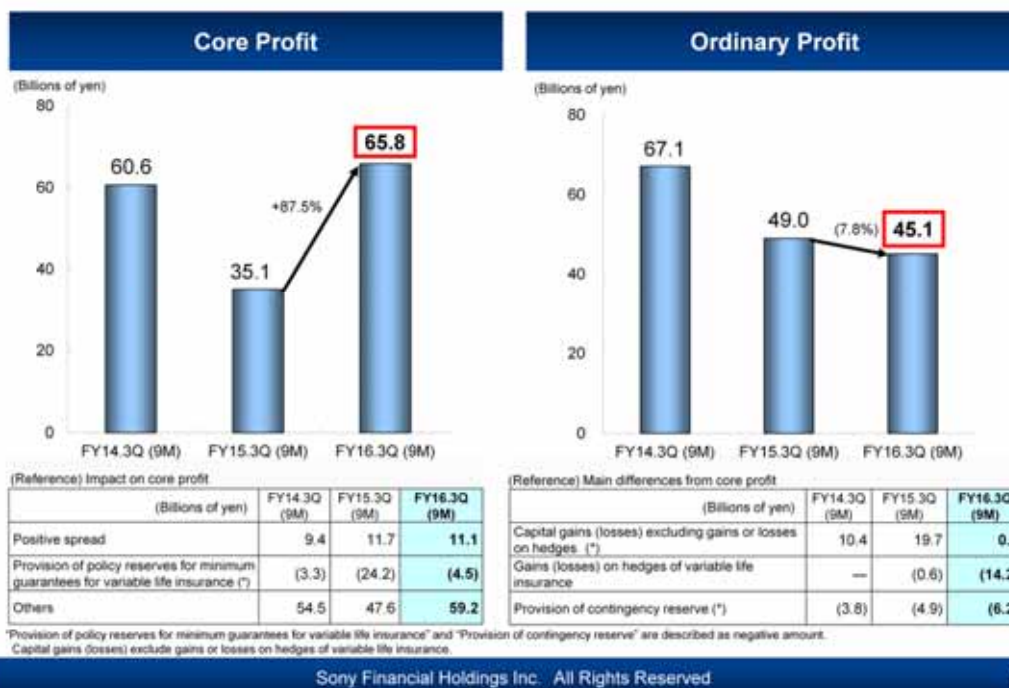
(Left-hand graph)

Income from insurance premiums decreased 6.5% year on year, to ¥705.4 billion led by a decline in sales of single premium products.

(Right-hand graph)

Interest income and dividends increased 4.3% year on year, to ¥110.0 billion, reflecting an expansion in investment assets along with the business expansion.

## Operating Performance : Sony Life (Non-consolidated) (5)



### (Left-hand graph)

Core profit rose 87.5% year on year, to ¥65.8 billion due mainly to a decrease in the provision of policy reserves for minimum guarantees for variable life insurance reflecting a lower acquisition of new policies and the improvement of the market conditions.

### (Right-hand graph)

Ordinary profit decreased 7.8% year on year, to ¥45.1 billion, due to lower gains on sale of securities in the general account and a deterioration in net gains/losses on derivative transactions to hedge market-related risks, despite a significant increase in core profit.

**Operating Performance :  
Sony Life (Non-consolidated) (6)**



The number of Lifeplanner sales employees as of December 31, 2016, was down 21 from September 30, 2016.

Since Sony Life does not hire new Lifeplanner sales employees in December, in addition to promoting Lifeplanner sales employees to unit manager in October, the number of Lifeplanner sales employees as of the end of December tends to be lower than that as of the end of September every year.

However, the number of Lifeplanner sales employees steadily increased, up 354 from a year earlier, to 4,730, reflecting Sony Life's initiative to promote skilled personnel to unit managers.



**Operating Performance :**  
**Sony Life (Non-consolidated) (7)**



**Breakdown of General Account Assets**

(Billions of yen)	16.3.31		16.12.31	
	Amount	%	Amount	%
Japanese government and corporate bonds	6,351.1	88.4%	6,722.1	86.6%
Japanese stocks	33.3	0.5%	34.9	0.5%
Foreign bonds	70.1	1.0%	234.1	3.0%
Foreign stocks	23.0	0.3%	31.4	0.4%
Monetary trusts	280.9	3.9%	273.9	3.5%
Policy loans	171.6	2.4%	176.8	2.3%
Real estate*	115.8	1.6%	117.7	1.5%
Cash and call loans	52.5	0.7%	55.4	0.7%
Others	86.4	1.2%	116.6	1.5%
<b>Total</b>	<b>7,185.0</b>	<b>100.0%</b>	<b>7,763.2</b>	<b>100.0%</b>

\*Real estate is the total of land, buildings, and construction in progress.

**<Asset management review>**

We have continued to accumulate ultralong-term bonds to match the liability characteristics of insurance policies with long-term maturities with the aim of reducing interest rate risk.



**<Bond duration>**

**Mar. 31, 2015: 20.3 years**

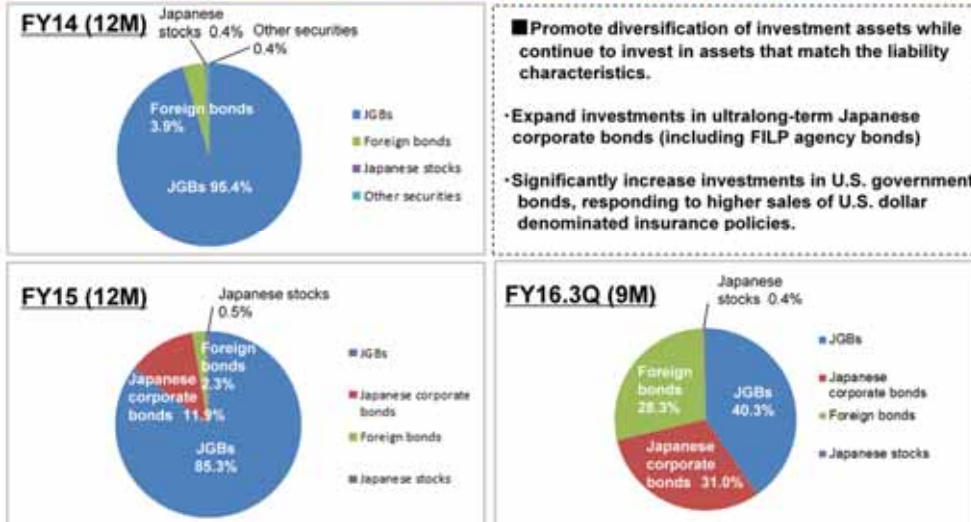
**Mar. 31, 2016: 21.8 years**

**Dec. 31, 2016: 21.5 years**

- Investment in the monetary trusts is mainly into Japanese government and corporate bonds.
- The holding ratio on the real status of Japanese government and corporate bonds including those invested in monetary trusts in the general account assets: As of Dec. 31, 2016: 90.1% (As of Mar. 31, 2016: 92.3%)

Here is a breakdown of Sony Life's general account assets as of December 31, 2016, compared with those as of March 31, 2016.

### Diversify asset management under the negative interest rate environment (purchase securities in the general account asset)



These graphs show Sony Life's new purchases of securities in the general account assets.

(Right-hand graph)

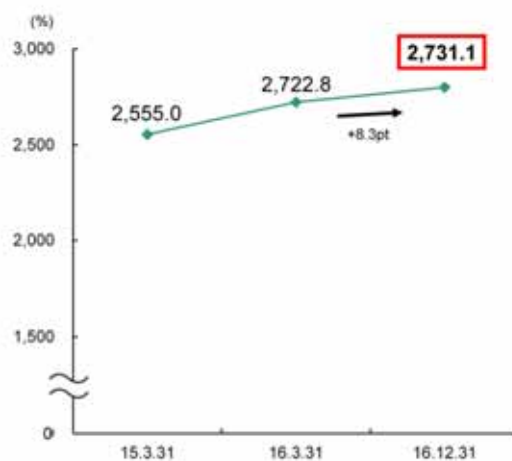
Based on ALM perspective, Sony Life has promoted diversification of investment assets while investing in assets that match the liability characteristics.

In FY16.3Q (9M), Sony Life invested 40.3% in Japanese government bonds (JGBs), 31.0% in Japanese corporate bonds and 28.3% in foreign bonds, showing that investment in securities other than JGBs has increased.

**Operating Performance :  
Sony Life (Non-consolidated) (8)**

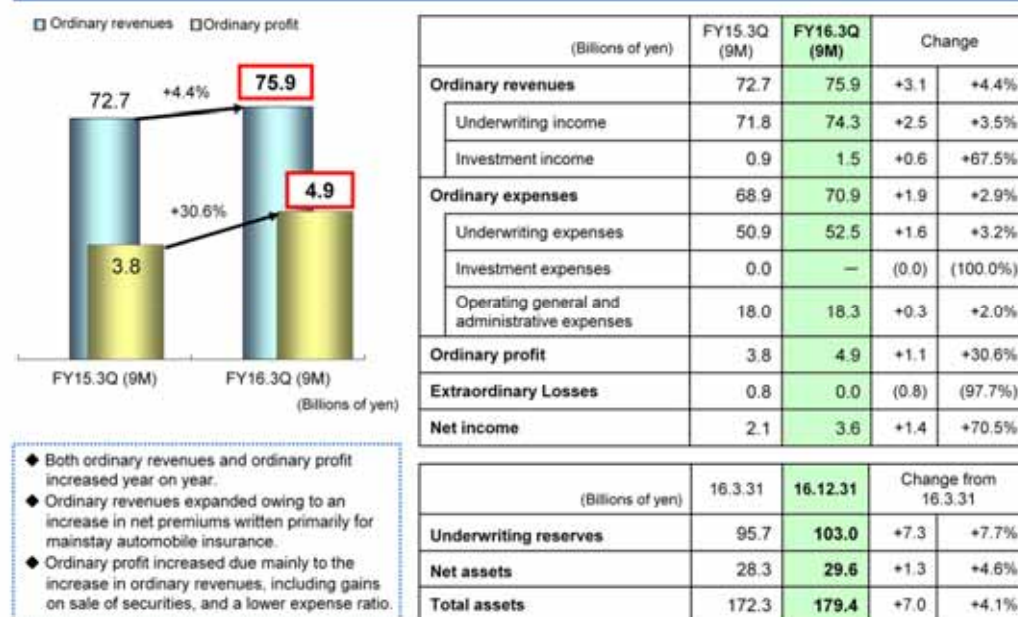


**Non-consolidated Solvency Margin Ratio**



As of December 31, 2016, Sony Life's non-consolidated solvency margin ratio was 2,731.1%, up 8.3 percentage points from March 31, 2016, remaining at a high level.

## Highlights of Operating Performance: Sony Assurance



Sony Assurance's ordinary revenues increased 4.4% year on year, to ¥75.9 billion, owing mainly to an increase in net premiums written primarily for mainstay automobile insurance.

Ordinary profit increased 30.6% year on year, to ¥4.9 billion due mainly to the increase in ordinary revenues, including gains on sale of securities, and a lower expense ratio.

Net income increased 70.5% year on year, to ¥3.6 billion.

## Overview of Operating Performance: Sony Assurance



(Billions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change	<Reasons for changes>
Direct premiums written	70.8	73.3	+3.5%	◆ Increased mainly in its mainstay automobile insurance.
Net premiums written	71.7	74.2	+3.5%	
Net losses paid	35.5	36.9	+4.0%	
Underwriting profit	2.9	3.4	+17.5%	
Net loss ratio	56.8%	57.2%	+0.4pt	
Net expense ratio	26.6%	26.3%	(0.3pt)	◆ Declined due to a proper control on overall operating expenses.
Combined ratio	83.4%	83.5%	+0.1pt	

Note:

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

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

	FY15.3Q (9M)	FY16.3Q (9M)	Change	
E. I. loss ratio	63.1%	62.9%	(0.2pt)	◆ Declined slightly due to a decrease in provision for reserve for outstanding losses in automobile insurance.
E. I. loss ratio + Net expense ratio	89.7%	89.2%	(0.5pt)	

Notes:

E. I. loss ratio = (Net losses paid + Provision for reserve for outstanding losses + Loss adjustment expenses) / Earned premiums  
[Earthquake insurance and compulsory automobile liability insurance are excluded from the above calculation.]

	16.3.31	16.12.31	Change from 16.3.31	
Number of policies in force	1.79 million	1.84 million	+0.04 million	+2.5%
Non-consolidated solvency margin ratio	693.5%	771.1%	+77.6pt	

Note: The number of policies in force is the total of automobile insurance and medical and cancer insurance, which accounts for 99% of net premiums written.

## Sony Assurance's Underwriting Performance by Type of Policy



### Direct Premiums Written

(Millions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change
Fire	259	170	(34.4%)
Marine	—	—	—
Personal accident	6,496	6,583	+1.3%
Voluntary automobile	64,053	66,563	+3.9%
Compulsory automobile liability	—	—	—
<b>Total</b>	<b>70,810</b>	<b>73,317</b>	<b>+3.5%</b>

### Net Premiums Written

(Millions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change
Fire	35	18	(48.9%)
Marine	36	(2)	—
Personal accident	6,721	6,811	+1.3%
Voluntary automobile	63,913	66,371	+3.8%
Compulsory automobile liability	1,055	1,074	+1.9%
<b>Total</b>	<b>71,762</b>	<b>74,273</b>	<b>+3.5%</b>

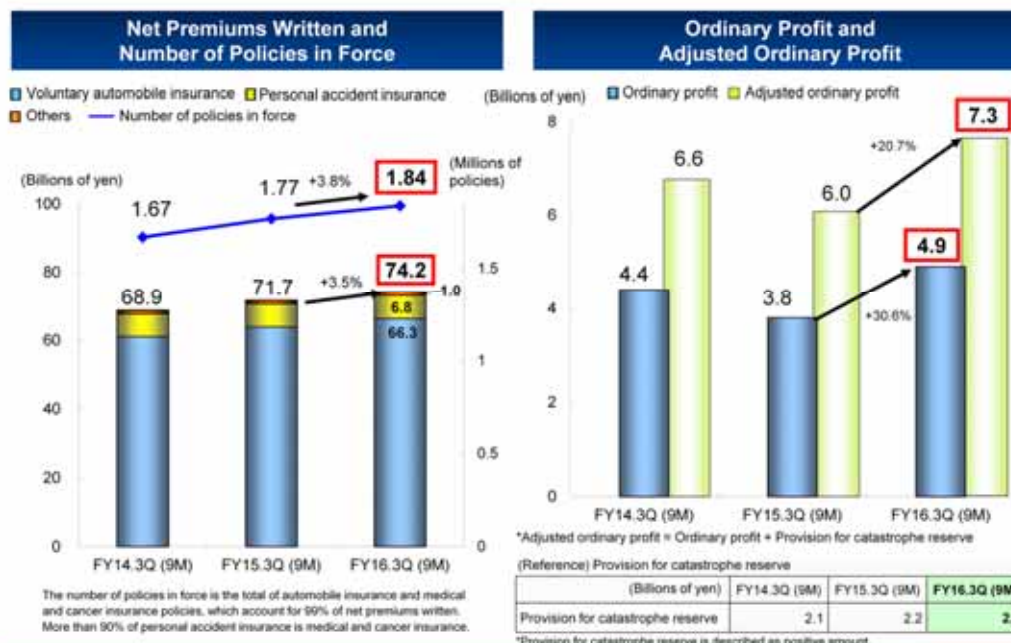
\*Medical and cancer insurance is included in personal accident.

### Net losses paid

(Millions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change
Fire	1	5	+335.4%
Marine	122	(9)	—
Personal accident	1,838	1,919	+4.4%
Voluntary automobile	32,587	34,034	+4.4%
Compulsory automobile liability	963	991	+2.9%
<b>Total</b>	<b>35,513</b>	<b>36,941</b>	<b>+4.0%</b>



## Operating Performance: Sony Assurance (1)



(Left-hand graph)

The number of policies in force for the total of automobile insurance and medical and cancer insurance increased 3.8% year on year, to 1.84 million policies.

Net premiums written increased 3.5% year on year, to ¥74.2 billion, due to stable sales of automobile insurance.

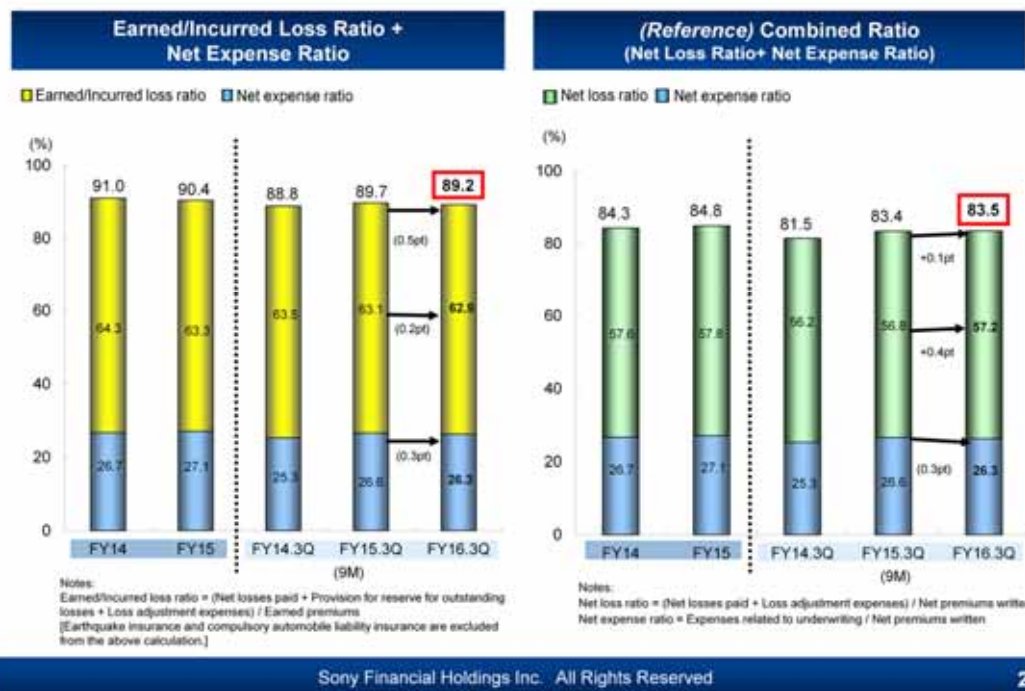
(Right-hand graph)

Ordinary profit increased year on year as described before.

Adjusted ordinary profit is a profit indicator on a managerial accounting basis. The figure is calculated by adjusting the amount of provision (reversal) for catastrophe reserve to ordinary profit.

Adjusted ordinary profit was ¥7.3 billion.

## Operating Performance: Sony Assurance (2)



### (Left-hand graph)

The Earned/Incurred (E.I.) loss ratio was down 0.2 percentage points year on year, to 62.9%, due to a decrease in provision for reserve for outstanding losses in automobile insurance.

The net expense ratio declined 0.3 percentage points year on year, to 26.3%, due to a proper control on overall operating expenses.

Consequently, the sum of the E.I. loss ratio and the net expense ratio was down 0.5 percentage points year on year, to 89.2%.

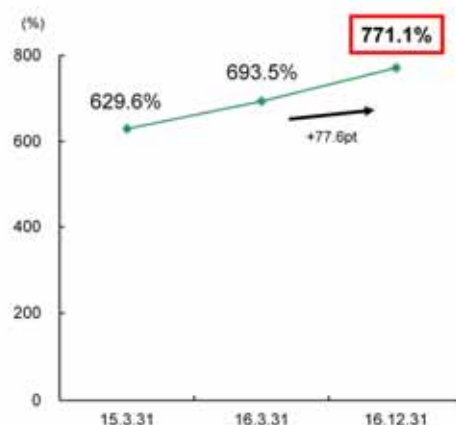
### (Right-hand graph)

The net loss ratio was up 0.4 percentage points year on year, to 57.2%.

This is different from the E.I. loss ratio, which reflects an increase or a decrease in provision for reserve for outstanding losses.

The combined ratio (the sum of the net loss ratio and the net expense ratio) was up 0.1 percentage points year on year, to 83.5%.

Non-consolidated Solvency Margin Ratio

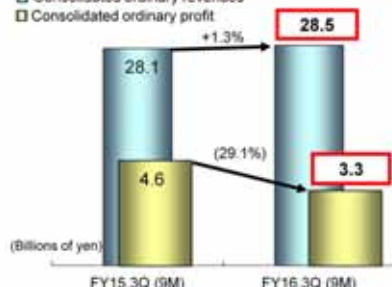


As of December 31, 2016, Sony Assurance's non-consolidated solvency margin ratio was 771.1%, up 77.6 percentage points from March 31, 2016, showing that Sony Assurance has maintained a financial soundness.

## Highlights of Operating Performance: Sony Bank (Consolidated/Non-consolidated)



■ Consolidated ordinary revenues  
 ■ Consolidated ordinary profit



### <Consolidated>

◆ Ordinary revenues increased due to an increase in interest income on loans in line with a favorably growing balance of mortgage loans and an increase in ordinary revenues from Sony Payment Services (Sony Bank's 57% owned subsidiary), partially offset by a decrease in interest and dividend income on securities.

◆ Ordinary profit decreased due to the lower level of interest rates, an increase in initial expenses led by a higher execution of mortgage loans, and decreased volumes of foreign currency and investment trust transactions of customers.

### <Non-consolidated>

◆ Both gross operating profit and net operating profit decreased.

◆ Net interest income increased due to a rise in interest income on loans despite a decrease in interest and dividend income on securities.

◆ Net fees and commissions decreased due to an increase in initial expenses led by a higher execution of mortgage loans and lower volumes of investment trust transactions.

◆ Net other operating income decreased due to lower fees and commissions from foreign currency transactions of customers.

### <Consolidated>

(Billions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change	
Consolidated ordinary revenues	28.1	28.5	+0.3	+1.3%
Consolidated ordinary profit	4.6	3.3	(1.3)	(29.1%)
Profit attributable to owners of the parent	3.0	2.1	(0.8)	(29.4%)

### <Non-consolidated>

(Billions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change	
Ordinary revenues	25.9	25.9	+0.0	+0.2%
Gross operating profit	16.2	15.5	(0.6)	(4.2%)
Net interest income	12.3	13.0	+0.7	+6.4%
Net fees and commissions	0.1	(1.1)	(1.2)	—
Net other operating income	3.8	3.5	(0.2)	(6.4%)
General and administrative expenses	11.6	12.4	+0.8	+7.4%
Net operating profit	4.6	3.0	(1.5)	(33.3%)
Ordinary profit	4.6	3.0	(1.5)	(34.1%)
Net income	3.0	2.0	(0.9)	(32.0%)

(Billions of yen)	16.3.31	16.12.31	Change from 16.3.31	
Net assets	77.4	79.5	+2.1	+2.8%
Net unrealized gains on other securities, net of taxes	3.3	4.3	+1.0	+30.9%
Total assets	2,126.5	2,392.9	+266.3	+12.5%

Sony Bank's consolidated ordinary revenues increased 1.3% year on year, to ¥28.5 billion, due to an increase in interest income on loans in line with a favorably growing balance of mortgage loans and an increase in ordinary revenues from Sony Payment Services (Sony Bank's 57% owned subsidiary), partially offset by a decrease in interest and dividend income on securities.

Consolidated ordinary profit decreased 29.1% year on year, to ¥3.3 billion, due to the lower level of interest rates, an increase in initial expenses led by a higher execution of mortgage loans, and decreased volumes of foreign currency and investment trust transactions of customers.

On a non-consolidated basis, Sony Bank's ordinary revenues were flat and ordinary profit decreased year on year.

Gross operating profit decreased 4.2% year on year, to ¥15.5 billion as the same reasons as described in the consolidated results.

Net operating profit decreased 33.3% year on year, to ¥3.0 billion due to an increase in general and administrative expenses.

## Overview of Operating Performance: Sony Bank (Non-consolidated) (1)



### <Reasons for changes>

(Billions of yen)	15.12.31	16.3.31	16.12.31	Change from 16.3.31	
<b>Customer assets</b>	1,980.5	2,034.4	<b>2,227.3</b>	+192.9	+9.5%
Deposits	1,866.4	1,923.5	<b>2,117.3</b>	+193.8	+10.1%
Yen	1,538.5	1,587.9	<b>1,772.1</b>	+184.2	+11.6%
Foreign currency	327.9	335.5	<b>345.1</b>	+9.6	+2.9%
Investment trusts	114.1	110.9	<b>110.0</b>	(0.9)	(0.8%)
<b>Loans outstanding</b>	1,293.6	1,344.1	<b>1,504.4</b>	+180.2	+11.9%
Mortgage loans	1,181.8	1,237.1	<b>1,409.0</b>	+171.8	+13.9%
Card loans	8.0	10.5	<b>17.0</b>	+6.4	+61.6%
Others	103.6	96.5	<b>78.3<sup>*1</sup></b>	(18.1)	(18.8%)
<b>Capital adequacy ratio<sup>*2</sup> (domestic criteria)</b>	10.50%	9.89%	<b>9.00%</b>	(0.89pt)	

◆ Yen deposit balance increased due to an increase in yen time deposit reflecting the special interest offering, as well as a rise in yen ordinary deposits converted from foreign currencies backed by yen depreciation.

◆ Yen-denominated balance of foreign currency deposit increased due to a favorable exchange rate even after the negative impact of the conversion from foreign currencies into yen led by yen depreciation.

◆ Loan balance expanded reflecting higher demand for refinancing mortgage loans.

<sup>\*1</sup> Loans in others include corporate loans of ¥78.3 billion

<sup>\*2</sup> Please refer to the graph of the non-consolidated capital adequacy ratio (Domestic criteria) on P28.

## Overview of Operating Performance: Sony Bank (Non-consolidated) (2)



<Reference> On Managerial Accounting Basis

(Billions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change	
Gross operating profit	16.1	15.5	(0.6)	(4.2%)
Net interest income <sup>*1</sup> ①	13.9	15.0	+1.0	+7.8%
Net fees and commissions <sup>*2</sup> ②	0.7	(0.6)	(1.4)	—
Net other operating income <sup>*3</sup> ③	1.4	1.0	(0.3)	(24.3%)
Gross operating profit (core profit) (A)=①+②	14.7	14.4	(0.3)	(2.3%)
Operating expenses and other expenses ④	11.6	12.4	+0.8	+7.2%
Net operating profit (core profit) = (A) - ④	3.1	1.9	(1.1)	(37.6%)

### ■ Managerial accounting basis

The following adjustments are made to the figures on a financial account for profits and losses more appropriately.

\*1: Net interest income: Includes profits and losses associated with fund investment recorded in net other operating income, including gains or losses from currency swap transactions.

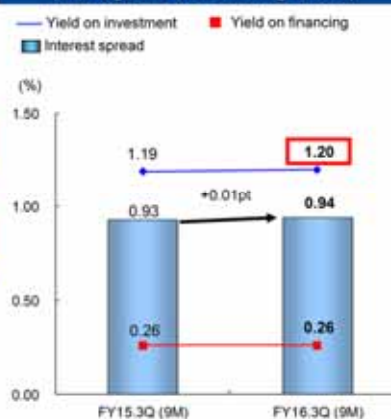
\*2: Net fees and commissions: Includes profits and losses for customer dealings in foreign currency transactions recorded in net other operating income.

\*3: Net other operating income: After the above adjustments (\*1 and \*2), mainly consists of profits and losses for bond and derivative dealing transactions.

### ■ Core profit

Profits and losses exclude net other operating income, which includes those on bond and derivative dealing transactions, and stands for Sony Bank's basic profits.

### <Reference> Interest Spread (Managerial Accounting Basis)



We break down gross operating profit on a managerial accounting basis to facilitate an understanding of operational sources of revenue and profits.

(Left-hand table)

Net interest income increased 7.8% year on year, to ¥15.0 billion, led by the growing balance of mortgage loans and an increase in investment income on foreign currencies.

Net fees and commissions was negative ¥0.6 billion while that for FY15.3Q was positive ¥0.7 billion. This is because of an increase in initial expenses led by a higher execution of mortgage loans, and a lower fees and commissions associated with decreased volumes of foreign currency and investment trust transactions of customers.

Consequently, gross operating profit on a core profit basis decreased 2.3% year on year, to ¥14.4 billion. Net operating profit on a core profit basis also decreased 37.6% year on year, to ¥1.9 billion.

(Right-hand graph)

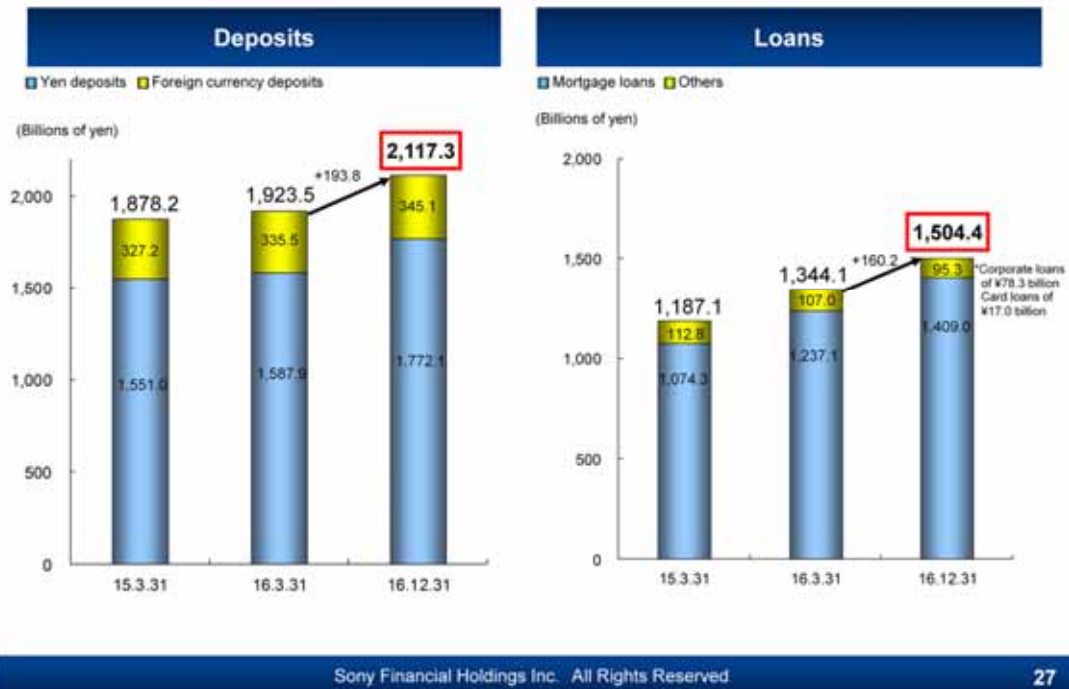
The yield on investment was 1.20%.

The yield on financing was 0.26%.

Consequently, interest spread was 0.94%.



## Operating Performance: Sony Bank (Non-consolidated) (1)



### (Left-hand graph)

As of December 31, 2016, deposits (the sum of Japanese yen and foreign currency deposits) amounted to ¥2,117.3 billion, up ¥193.8 billion from March 31, 2016. Of this amount, the yen deposit balance amounted to ¥1,772.1 billion, up ¥184.2 billion from March 31, 2016, due to an increase in yen time deposit reflecting the special interest offering, as well as a rise in yen ordinary deposits converted from foreign currencies backed by yen depreciation.

The yen-denominated balance of foreign currency deposits amounted to ¥345.1 billion, up ¥9.6 billion from March 31, 2016 due to a favorable exchange rate, even after the negative impact of the conversion from foreign currencies into yen led by yen depreciation.

### (Right-hand graph)

The loan balance as of December 31, 2016 expanded ¥160.2 billion from March 31, 2016, to ¥1,504.4 billion, reflecting higher demand for refinancing mortgage loans.

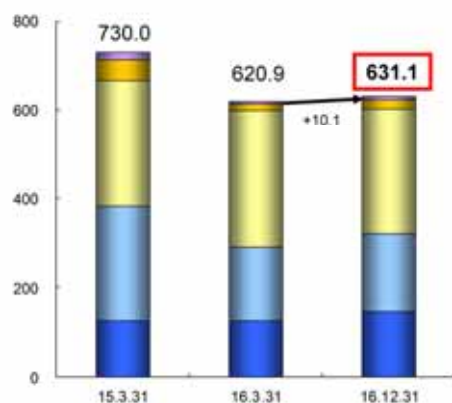
## Operating Performance: Sony Bank (Non-consolidated) (2)



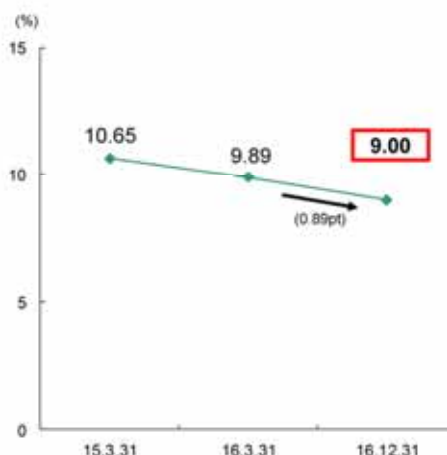
### Balance of Securities by Credit Rating

■ AAA ■ AA ■ A  
■ BBB ■ Others

(Billions of yen)



### Non-Consolidated Capital Adequacy Ratio (Domestic Criteria)



\*Calculated based on the standard FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Act of Japan for determining the capital adequacy of a bank in light of the assets held by the bank.

(Left-hand graph)

As of December 31, 2016, the balance of securities amounted to ¥631.1 billion, up ¥10.1 billion from March 31, 2016.

Sony Bank continuously invests in highly rated bonds.

(Right-hand graph)

As of December 31, 2016, Sony Bank's non-consolidated capital adequacy ratio (domestic criteria) was 9.00%, down 0.89 percentage points from March 31, 2016. Sony bank has maintained a financial soundness.

**Forecast of Consolidated Financial Results  
for the Year Ending March 31, 2017  
(FY16)**

## Forecast of Consolidated Financial Results for FY16



Forecast of consolidated financial results for FY16 is unchanged from the forecast announced on April 28, 2016

(Billions of yen)	FY15 (Actual)	FY16 (Forecast)	Change	FY16.3Q (9M Actual)	Progress rate
<b>Consolidated ordinary revenues</b>	1,362.0	1,450.0	+6.5%	1,041.3	71.8%
Life insurance business	1,230.2	1,309.8	+6.5%	939.1	71.7%
Non-life insurance business	96.9	101.6	+4.8%	75.9	74.8%
Banking business	37.9	37.9	(0.1%)	28.5	75.3%
<b>Consolidated ordinary profit</b>	71.1	71.0	(0.1%)	50.3	70.8%
Life insurance business	60.2	62.5	+3.8%	42.3	67.8%
Non-life insurance business	4.6	4.4	(6.0%)	4.9	113.6%
Banking business	5.9	4.5	(24.9%)	3.3	73.6%
<b>Profit attributable to owners of the parent</b>	43.3	46.0	+6.1%	33.7	73.3%

### ■ Life insurance business

In FY16.3Q (9M), ordinary revenues were below our initial expectations due to a decline in insurance premium revenues although investment income exceeded our initial expectations. Ordinary profit was nearly in line with our initial forecast. Therefore, we maintain our full year forecast of ordinary revenues and ordinary profit.

### ■ Non-life insurance business

Ordinary revenues for FY16.3Q (9M) were nearly the same as our initial forecast. Ordinary profit outpaced our initial expectations due mainly to higher gains on sale of securities recorded in FY16.1Q. As we expect higher expenses related to new policy acquisitions in FY16.4Q, we maintain our full year forecast of ordinary revenues and ordinary profit.

### ■ Banking business

We maintain our full year forecast of ordinary revenues and ordinary profit because the operating results in FY16.3Q (9M) were nearly the same as our initial forecast, and we expect this trend to continue in FY16.4Q.

Forecast of consolidated financial results for FY16 is unchanged from the forecast announced on April 28, 2016 since the FY16.3Q (9M) results were in line with our initial forecast.

## Sony Life's MCEV and ESR as of December 31, 2016

MCEV as of March 31, 2016 is restated by using ultimate forward rates (UFR).  
Please keep in mind that the validity of these calculations has not been verified by outside specialists.  
A part of the calculations of MCEV adopted simplified method except for that as of March 31, 2016.

\*In this part, figures, ratios and percentages changes have been rounded.

## Sony Life's MCEV as of December 31, 2016

(Billions of yen)	16.3.31	16.9.30	16.12.31	Change from 16.3.31	Change from 16.9.30
<b>MCEV</b>	1,330.1	1,229.3	<b>1,282.7</b>	(47.4)	+53.4
Adjusted net worth	2,074.4	2,187.8	<b>1,831.1</b>	(243.3)	(356.7)
Value of existing business	(744.4)	(958.5)	<b>(548.4)</b>	+196.0	+410.1

(Billions of yen)	FY15.4Q (3M)	FY16.1Q (3M)	FY16.2Q (3M)	FY16.3Q (3M)	FY16.3Q (9M)
<b>New business value</b>	3.9	(0.2)	5.0	<b>10.2</b>	<b>14.9</b>
<b>New business margin</b>	1.2%	(0.0%)	1.6%	<b>4.0%</b>	<b>1.6%</b>

**Notes:**

1. Calculated MCEV as of September 30, 2016 and December 31, 2016 by using updated economic assumptions and lapse and surrender rate from March 31, 2016.

2. New business value for FY16 is calculated accumulating new business value for each month based on economic assumptions at the end of each month.

New business value for FY15.4Q is calculated accumulating new business value for each quarter based on economic assumptions at the end of each quarter.

◆ **Reasons for changes in MCEV**

• MCEV as of December 31, 2016 increased ¥53.4 billion from September 30, 2016 due mainly to a rise in interest rates, decreased ¥47.4 billion from March 31, 2016 due mainly to a decrease in lapse and surrender rate and a rise in inflation rate despite a rise in interest rates.

◆ **New business value / New business margin**

• New business value for FY16.3Q (3M) was ¥10.2 billion.

New business margin was up 2.5pt from FY16.2Q (3M), due mainly to a rise in interest rates and an effect of premium revisions.

\*Please refer to the appendix page 45 for trend on JGB yield.

Sony Life's MCEV as of December 31, 2016 increased ¥53.4 billion from September 30, 2016, to ¥1,282.7 billion due mainly to a rise in interest rates.

MCEV as of December 31, 2016 decreased ¥47.4 billion from March 31, 2016 due mainly to a decrease in lapse and surrender rate and a rise in inflation rate despite a rise in interest rates.

New business value for FY16.3Q (3M) was ¥10.2 billion.

New business margin for FY16.3Q (3M) was 4.0%, up 2.5 percentage points from FY16.2Q (3M), due mainly to a rise in interest rates and an effect of premium revisions on whole life insurance in October 2016.



## Sony Life's ESR as of December 31, 2016

(Billions of yen)	16.3.31	16.9.30	16.12.31
Insurance risk*	989.3	1,042.7	980.2
Market-related risk	324.2	341.6	369.5
Of which, interest rate risk**	255.2	264.1	288.5
Operational risk	31.4	31.3	31.1
Counter party risk	2.0	1.9	2.4
Variance effect	(374.4)	(394.5)	(390.4)
<b>The risk amount based on economic value</b>	<b>972.4</b>	<b>1,023.0</b>	<b>992.9</b>

(\* ) Risk amount excluding the variance effect within Life module and Health module.

(\*\*) Risk amount excluding the variance effect within market-related risk.

(Billions of yen)	16.3.31	16.9.30	16.12.31
<b>MCEV + Frictional costs</b>	<b>1,366.5</b>	<b>1,266.2</b>	<b>1,325.5</b>
<b>ESR</b>	<b>141%</b>	<b>124%</b>	<b>134%</b>

Notes:

1. The risk amount based on economic value refers to the total amount of Sony Life's risks comprehensively examined by a market consistent approach, including insurance risk and market-related risk.

2. The solvency risk capital on an economic value basis is calibrated at VaR (99.5) over one year and based on the internal model, which is a similar but modified model based on the EU Solvency II standard method.

3. ESR=(MCEV + Frictional costs) / Risk amount based on economic value.

- ESR as of December 31, 2016 was up 10pt from September 30, 2016 due mainly to a rise in interest rates and new business value accumulated during FY16.3Q.
- Sony Life will continue to improve ESR levels by accumulating new business value through reinforcing its sales capabilities as well as ensuring profitability.

The risk amount based on economic value as of December 31, 2016 amounted to ¥992.9 billion, down ¥30.1 billion from September 30, 2016, due mainly to a decrease in insurance risk reflecting a rise in interest rates.

ESR as of December 31, 2016 was 134%, up 10 percentage points from September 30, 2016 due mainly to a rise in interest rates and new business value accumulated during FY16.3Q.

Going forward, Sony Life will continue to improve ESR levels by accumulating new business value through reinforcing its sales capabilities as well as ensuring profitability.

\*\*\*\*\*

In FY16, Sony Life has worked expeditiously to discontinue sales of saving-type products and revise insurance premiums on whole life insurance, aiming to improve profitability in response to the plunge in interest rates. (Please see page 37)

Moreover, Sony Life plans to revise insurance premiums on Long-term level premium plan term life insurance (with disability benefit), Cancer hospitalization insurance and other products.

Sony Life will continue to work on stable growth in corporate value while controlling profitability on an economic value basis.

## Appendix

## Recent Topics 1

### AEGON Sony Life Insurance

Launch of sales: December 1, 2009

Common stock: ¥14 billion

Equity ownership: Sony Life insurance Co Ltd 50%, AEGON international B.V. 50%

Marketing products: Individual Variable Annuities

Sales Channels: Lifeplanner sales employees and partner Banks (30\*) \*As of Feb 14, 2017



### SA Reinsurance Ltd

Established: October 29, 2009

Common stock: ¥13.4 billion

Equity ownership: Sony Life insurance Co., Ltd. 50%, AEGON international B.V. 50%

Business: Reinsurance business

\*AEGON Sony Life Insurance and SA Reinsurance are equity method companies, 50-50 joint ventures established by Sony Life and AEGON Group.

### Sony Bank's Mortgage Loans through Sony Life

■ Sony Life accounts for **21%** of the balance of mortgage loans as of December 31, 2016

Sony Life accounts for **21%** of the amount of new mortgage loans for FY16.3Q (9M)

\*Sony Life started handling banking agency business in January 2008.



### Sony Assurance's Auto Insurance Sold by Sony Life

■ Sony Life accounts for approx. **4%** of new automobile policies for FY16.3Q (9M)

\*Sony Life started handling automobile insurance in May 2001.



## Recent Topics 2



### <Highlights on and after FY16.3Q>

2016-10-01	Sony Life commenced sale of new product: "Non-participating Group Welfare Term Life Insurance"
2016-10-03	Sony Life adopted paperless insurance procedures for its policyholders
2016-10-25	Sony Life acquired an entity stake in ClearView Wealth Limited (Australia) and announced business alliance
2016-10-31	Sony Bank began offering U.S. dollar-denominated active funds on investment trusts and revised the service site
2016-11-01	Sony Lifecare Group started advertisement for residents for a newly build nursing care home "SONARE URAWA", scheduled to open in May 2017
2016-11-07	Sony Bank began offering foreign currency settlement services for teenage customers
2016-11-14	Sony Life introduced a new system to quickly pay insurance claims and benefits
2016-12-01	Sony Assurance began offering new discounted premiums for new customers who contracted automobile insurance via Internet (increased discount rate from ¥8,000 to ¥10,000)
2017-01-04	Sony Bank began offering new preferential services called "Club S"
2017-01-04	Sony Life enhanced its investment product lineups for defined contribution pension plan (individual-type)
2017-01-10	Sony Assurance commenced sale of new product: "ZIPPI" medical insurance to indemnify hospital inpatient expenses and revised "SURE" medical and cancer insurance
2017-02-01	Sony Assurance and Yahoo! JAPAN announced to begin joint research with a view to developing telematics insurance products and services for individuals using driving behavior data from car navigation systems

### ◆ FY16 Product Revisions

#### (Sales suspension)

**May:** Single premium whole life insurance (non-notification type), Semi-participating individual annuities, Semi-participating endowment insurance (short-term payment), and Non-participating endowment insurance (short-term payment)

**Jul.:** Single premium semi-participating whole life nursing-care insurance

**Oct.:** Interest rate-sensitive whole life insurance

#### (Premium revisions)

**Apr.:** Single premium whole life insurance (non-notification type)

**Jul.:** Semi-participating endowment insurance, Non-participating endowment insurance

**Oct.:** Variable life insurance (whole life type), Limited payment whole life insurance, Living benefit whole life insurance (living standard type), Living benefit insurance (whole life type), Whole life nursing-care insurance (reduced surrender value), Semi-participating whole life nursing-care insurance, Specialty endowment insurance, Whole-life cancer insurance

### ◆ FY17 Premium Revisions (plan)

**Apr.:** Long-term level premium plan term life insurance (with disability benefit), Cancer hospitalization insurance and other products

## Sony Life: Fair Value Information on Securities (General Account Assets)



### Fair Value Information on Securities

Fair value information on securities with market value (except trading-purpose securities)

(Billions of yen)

	15.3.31			16.3.31			16.12.31		
	Carrying amount	Fair value	Net unrealized gains (losses)	Carrying amount	Fair value	Net unrealized gains (losses)	Carrying amount	Fair value	Net unrealized gains (losses)
Held-to-maturity securities	4,878.7	5,718.2	839.4	5,383.9	7,410.1	2,026.2	5,921.3	7,607.7	1,686.3
Policy reserve matching bonds	-	-	-	251.2	292.5	41.3	279.3	312.2	32.9
Available-for-sale securities	1,007.8	1,170.6	168.8	887.9	1,091.6	203.6	889.1	1,070.2	181.1
Japanese government and corporate bonds	974.6	1,120.1	145.5	854.3	1,040.3	186.0	852.9	1,020.6	167.6
Japanese stocks	13.4	29.4	16.0	13.6	25.6	12.0	13.6	27.4	13.8
Foreign securities	19.4	26.4	6.9	19.8	25.2	5.4	22.4	21.8	(0.5)
Other securities	0.3	0.6	0.3	0.1	0.3	0.1	0.1	0.3	0.1
Total	5,886.6	6,894.9	1,006.3	6,523.1	8,794.3	2,271.1	7,089.8	8,990.2	1,900.3

Notes:

1. The above table includes monetary trusts other than trading-purpose securities.

2. Derivative financial products such as principal protected 30 year notes with Nikkei 225 index-linked coupons are included in the "Held-to-maturity-securities" above.

Principal protected 30 year notes with Nikkei 225 index-linked coupons

As of Mar. 31, 2015: Carrying amount: ¥44.2 billion; Fair market value: ¥57.5 billion; Net unrealized gain (losses): ¥13.2 billion

As of Mar. 31, 2016: Carrying amount: None

As of Dec. 31, 2016: Carrying amount: None

#### Valuation gains (losses) on trading-purpose securities

(Billions of yen)

15.3.31		16.3.31		16.12.31	
Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income
1.9	0.0	2.2	0.1	-	(0.1)

Note: The above chart includes trading-purpose securities included in "monetary trusts," etc.

## Sony Life's Interest Income and Dividends (Details)



(Millions of yen)

	FY15.3Q (9M)	FY16.3Q (9M)	Change
Cash and deposits	0	0	+166.1%
Japanese government and corporate bonds	85,907	90,445	+5.3%
Japanese stocks	356	345	(3.0%)
Foreign securities	5,653	6,017	+6.4%
Other securities	1,260	177	(85.9%)
Loans	4,616	4,784	+3.6%
Real estate	7,681	8,148	+6.1%
Others	47	144	+202.0%
Total	105,524	110,064	+4.3%



## Sony Life's Capital Gains/Losses

(Millions of yen)	FY15.3Q (9M)	FY16.3Q (9M)
<b>Capital gains</b>	<b>19,762</b>	<b>25,628</b>
Income from monetary trusts, net	7,119	—
Income from trading securities, net	—	103
Gains on sale of securities	12,193	1,306
Gains on derivatives, net	—	—
Foreign exchange gains, net	435	24,218
Gains (losses) on sale of foreign bonds	(54)	2,375
Other capital gains	13	—
<b>Capital losses</b>	<b>758</b>	<b>39,882</b>
Losses on monetary trusts, net	—	—
Losses on trading securities, net	143	—
Losses on sale of securities	—	—
Devaluation losses on securities	—	—
Losses on derivatives, net	515	34,275
Losses on hedges of variable life insurance	699	14,292
Losses on hedges of available-for-sale securities	—	2,265
Foreign exchange losses, net	—	—
Other capital losses	99	5,606
<b>Net capital gains (losses)</b>	<b>19,003</b>	<b>(14,253)</b>

◆ In FY16.3Q (9M), recorded ¥3,681 million as a total of gains on sale of securities and foreign exchange gains on sale of foreign bonds.

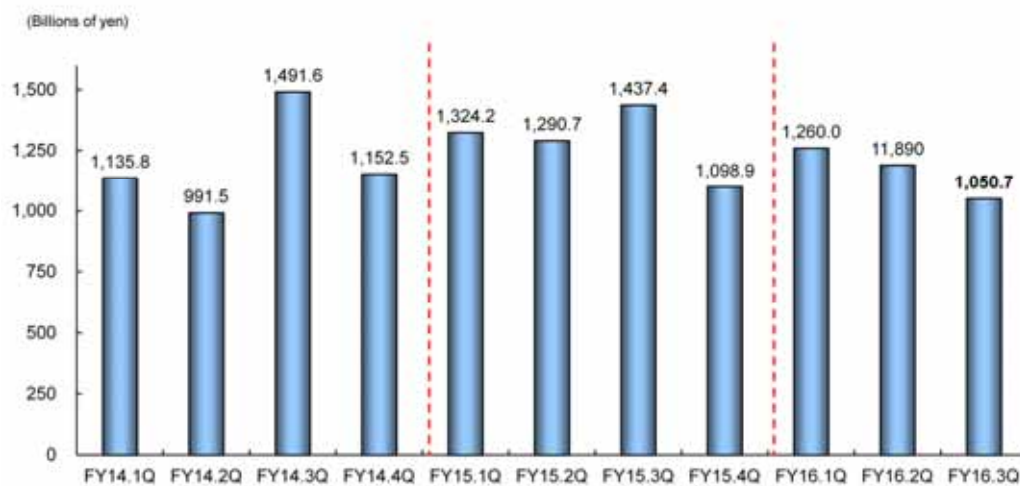
**Notes:**

1. Foreign exchange gains, net for FY16.3Q (9M) include foreign exchange gains of ¥21,805 million relating to U.S. dollar-denominated insurance. Losses on derivatives, net include foreign exchange losses relating to U.S. dollar-denominated insurance of ¥17,445 million. Moreover, other capital losses include the provision of policy reserves for U.S. dollar-denominated insurance of ¥4,541 million relating to foreign exchange fluctuation.
2. Foreign exchange gains, net for FY15.3Q (9M) include foreign exchange gains of ¥19 million relating to U.S. dollar-denominated insurance. Moreover, other capital gains include the reversal of policy reserves for U.S. dollar-denominated insurance of ¥13 million relating to foreign exchange fluctuation.
3. The figures of income (losses) from monetary trust, net, income (losses) from trading securities, net, gains (losses) on derivatives and foreign exchange gains (losses), net were recorded after offsetting gains and losses of each item.

## Sony Life's Quarterly Trend on New Policy Amount



### Quarterly Trend on New Policy Amount



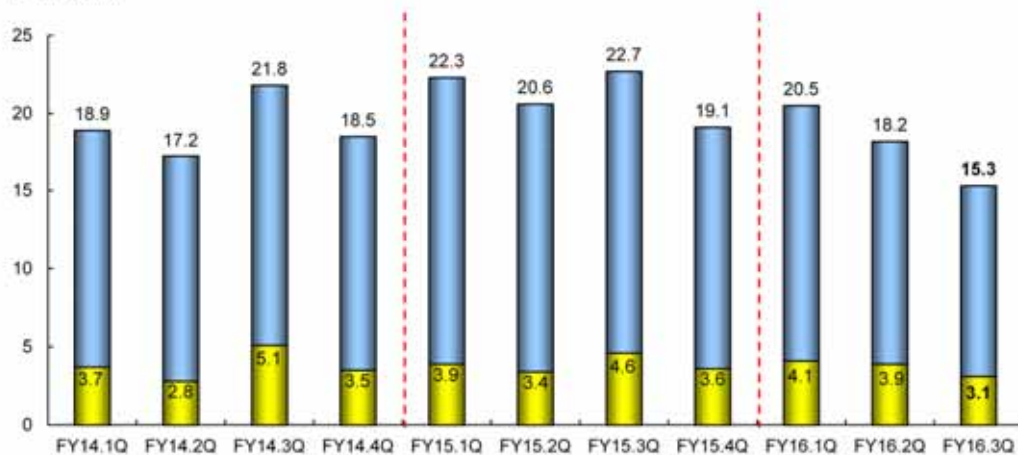
## Sony Life's Quarterly Trend on Annualized Premiums from New Policies



### Quarterly Trend on Annualized Premiums from New Policies

■ Annualized premiums from new policies ■ Of which, third-sector

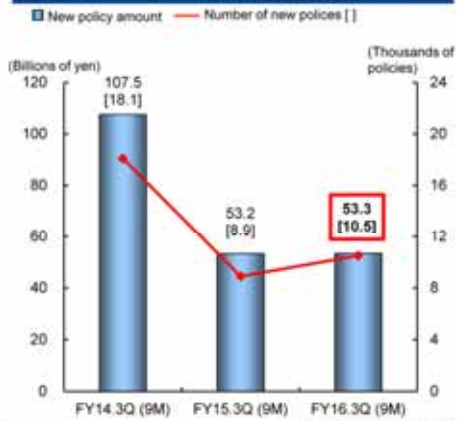
(Billions of yen)



## Operating Performance : AEGON Sony Life Insurance

\*AEGON Sony Life Insurance sells individual variable annuities.

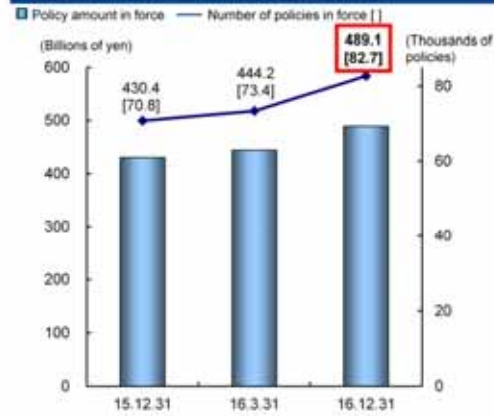
### Number and Amount of New Policies



	(Billions of yen)	FY15.3Q (9M)	FY16.3Q (9M)	Change
AEGON Sony Life Insurance		(1.5)	(3.1)	(1.6)
SA Reinsurance		0.8	(2.7)	(3.6)

AEGON Sony Life Insurance and SA Reinsurance are equity method companies, 50-50 joint venture established by Sony Life and AEGON Group. SA Reinsurance prepares its financial statements in accordance with U.S. GAAP. 50% of the net income (losses) for AEGON Sony Life Insurance and SA Reinsurance are recognized as investment profit (losses) on equity method in the SPH's consolidated net income.

### Number and Amount of Policies in Force



## Method of Measuring Risk Amount Based on Economic Value (1)

### ■ Market-related Risk<sup>1</sup>

	Sony Life	(Reference) EU Solvency II Implementing Measures (Delegated Regulation)
Interest rate risk <small>Fluctuations in net asset value based on economic value in response to the shocks in the right columns. The same applies below.</small>	Percentage increases or decreases differ for each currency and term. As for measuring interest rate risk in Japanese yen, introduced principal component analysis, where yield curve changes are disaggregated into three components, parallel shift, twist and butterfly, and the yield curve is shocked by each component.  (Example) For Yen 30-year, 33% decrease (parallel shift), 20% decrease (twist), 8% decrease (butterfly)	Different percentage changes in interest rates are set for each term, from one year to 20 years. For terms longer than 20 years and through 90 years, percentage changes are set using linear interpolation, with negative 29% as the percentage change for 20 years and negative 20% as the percentage change for 90 years.
Equity risk	Listed equities 45%, Other securities 70%	Global 39%, Others 49% <sup>2</sup>
Real estate risk	Actual real estate 25%	Same as on the left
Credit risk	Credit risk = (market value) x (risk coefficient for each credit rating) x duration  Note that durations have caps and floors, depending on credit ratings. (Example) Rating A: Risk coefficient (1.4%), cap (23), floor (1)	Credit risk = (market value) x (risk coefficient for each credit rating and duration) (Example) Rating A: Duration (Dur): 5-10 years Risk coefficient=7.0% + 0.7% x (Dur - 5)
Currency risk	35% downside fluctuation	25% downside fluctuation

**Notes**

1. Principal items as of December 31, 2016.

2. Symmetric adjustment (an adjustment of ±10% of the average value of the stock price index during a defined period in the past) is applied.

## Method of Measuring Risk Amount Based on Economic Value (2)

### ■ Insurance Risk<sup>1</sup>

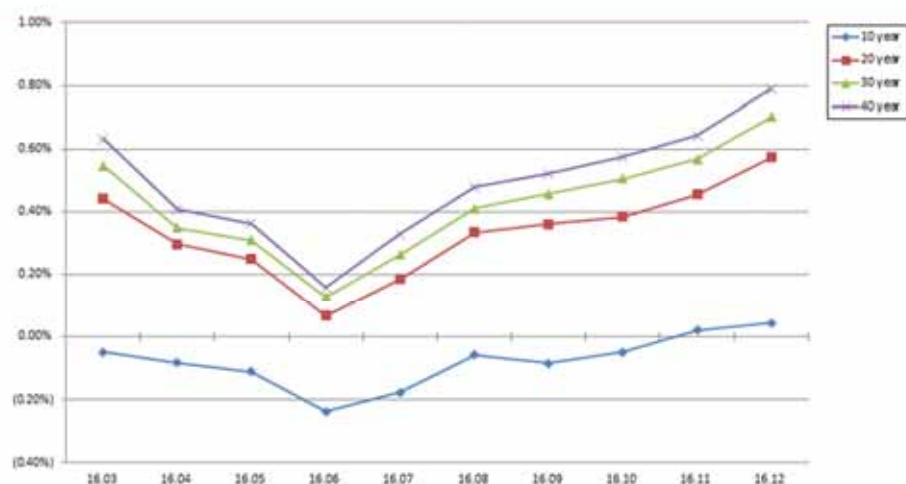
	Sony Life	(Reference) EU Solvency II Implementing Measures (Delegated Regulation)
Mortality risk	Mortality rate increases by 15% for each year elapsed	Same as on the left
Longevity risk	Mortality rate decreases by 20% for each year elapsed	Same as on the left
Lapse risk	The largest amount of these; <sup>2</sup> <ul style="list-style-type: none"> <li>· Lapse rate increases by 50% for each year elapsed</li> <li>· Lapse rate decreases by 50% for each year elapsed</li> <li>· 30% of policies on which surrender value is in excess of best estimate liability are immediately surrendered</li> </ul>	The largest amount of these; <ul style="list-style-type: none"> <li>· Increases by 50% in the assumed rates of lapsation for Life module, 50% for Health module</li> <li>· Decreases by 50% in the assumed rates of lapsation for Life module, 50% for Health module</li> <li>· 40% of policies (70% for group annuities, etc.) on which surrender value is in excess of best estimate liability are immediately surrendered</li> </ul>
Expense risk	Operating expenses increase by 10% for each year elapsed Rate of inflation rises by 1%	Same as on the left
Disability risk	Rate of occurrence increases by 35% in the first fiscal year, rising by 25% for each year thereafter	Rate of occurrence increases by 35% in the first fiscal year, rising by 25% for each year thereafter. Recovery rate decreases by 20%.

#### Notes

1. Principal Items as of December 31, 2016.

2. At Sony Life, lapse risk is calculated by computing and adding together the largest amount of three options for each insurance policy

## Trend on JGB Yields (Par rate)

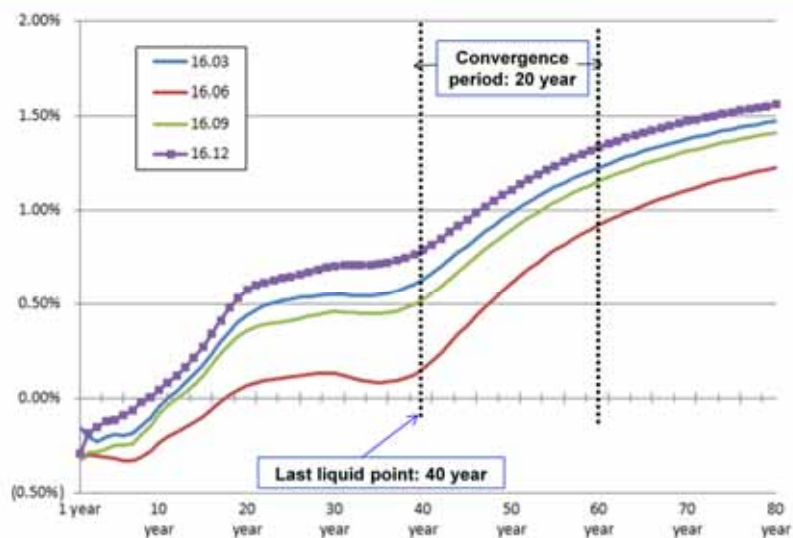


As of the end of each month

	16.03	16.04	16.05	16.06	16.07	16.08	16.09	16.10	16.11	16.12
10 year	(0.05%)	(0.08%)	(0.11%)	(0.24%)	(0.18%)	(0.06%)	(0.08%)	(0.05%)	0.02%	0.04%
20 year	0.44%	0.30%	0.25%	0.07%	0.18%	0.33%	0.36%	0.38%	0.46%	0.57%
30 year	0.55%	0.35%	0.31%	0.13%	0.26%	0.41%	0.46%	0.51%	0.57%	0.70%
40 year	0.63%	0.41%	0.36%	0.16%	0.33%	0.48%	0.52%	0.57%	0.64%	0.79%



## Trend on Risk-free Rate (Japanese yen/ Par rate)



\*For above risk-free rate, we employ the Smith-Wilson method for extrapolation so that the 60-year forward rate will coverage on the UFR (3.5%).



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