

Management Message

FY2008, especially from the second half onward, was characterized by the global financial markets turmoil and a worldwide recession. In these conditions, the SFH Group strives to grow its value through expansion of each of its businesses, enhancing the group synergies and strengthening our management structure.

Q : Could you give us an overview of business environment and consolidated financial results in FY2008, the year ended March 31, 2009?

A : The financial market turmoil that started in the U.S. had a severe impact on the economies of other countries and snowballed into a worldwide recession. Affected by strong yen and a decline in stock market prices, Japan's economy remains in a serious state, with a growing trend of capital expenditure cutbacks and labor adjustment, and a slump in personal consumption.

The SFH Group's consolidated financial results were affected, because impairment losses on securities held mainly by Sony Life increased as a result of equity and corporate bond market declines. Sony Life's market consistent embedded value (MCEV, one of the benchmarks of life insurance companies' corporate value) fell sharply from ¥816.5 billion at the end of March 2008 to ¥400.9 billion at the end of March 2009. This reflects the fall of equity and corporate bond markets and the interest rate environment at the end of March 2009.

At the same time, the SFH Group steadily expanded business operations, posting an increase in ordinary revenue in all three business segments (life insurance, non-life insurance, and banking). We believe that our tireless management efforts have been supported by customers, as reflected in consistently high evaluations in third-party surveys of customer satisfaction and other measures.

SFH posted consolidated ordinary revenues of ¥860.3 billion, an increase of 4.6% year-on-year. Sony Life's premium income grew on the back of an increase in policy amount in force. Sony Assurance also recorded growth in

net premiums written on a rise in the number of policies in force, with the number of automobile insurance policies exceeding a million at the end of December 2008. Sony Bank recorded an increase in the balance of customer assets (the sum of deposits and investment trusts) to ¥1,403.6 billion.




However, consolidated ordinary expenses also increased in all three segments, rising 6.2% in total to ¥826.0 billion. This is due to higher investment expenses at Sony Life, including impairment losses on securities; an increase in insurance payouts at Sony Assurance because of natural disasters, and a rise in interest expenses at Sony Bank. Consequently all three business segments recorded lower profits, with consolidated ordinary profits down 23.0% year-on-year, to ¥34.2 billion. SFH recorded extraordinary gain of ¥20.4 billion, due to a partial reversal of reserve for price fluctuations at Sony Life, and an extraordinary losses of ¥3.9 billion on disposal of fixed assets (software in progress) at Sony Assurance. Consequently, net income grew 26.7% year-on-year, to ¥30.7 billion.

To expand the scope of its business, SFH increased the capital of Sony Life by ¥10 billion in FY2008 as a provision for establishing a joint-venture which was planned to develop and sell individual annuities, as well as the capital of Sony Bank by ¥12 billion to ensure capital adequacy.

Q : Could you give us details about major initiatives in each of your business segments? Let's start with life insurance.

A : Sony Life adheres to its corporate slogan of LIFEPLANNER VALUE and endeavors to provide unique services developed with the customer's perspective in mind. Sony Life adopts a consulting-based sales approach through its Lifeplanner sales employees and Partners (independent agencies) to offer protection tailored to each individual's life plan. In addition, Sony Life provides finely tuned after-sales follow-up services to enhance customer confidence further.

In FY2008, we exceeded the previous fiscal year's performance in both new policy amount and policy amount in force through our commitment to the consulting-based sales approach and strengthening after-sales follow-up services. Improving the quality and quantity of sales channels such as Lifeplanner sales employees is essential to the growth of Sony Life; the number of registered Lifeplanner sales employees increased to 3,891 at the end of March 2009.

Third-party assessments in FY2008		
 Sony Life	Shukan Economist Reliable life insurance ranking <small>Shukan Economist, August 26, 2008</small>	1st
 Sony Assurance	J.D. Power Asia Pacific Japan automobile insurance customer satisfaction survey <small>J.D. Power Asia Pacific, announced July 29, 2008</small>	1st
 Sony Bank	Nikkei financial institution ranking Customer satisfaction <small>Nihon Keizai Shimbun, December 14, 2008</small>	1st



Hiromichi Fujikata

Executive Vice President, Representative Director

Teruhisa Tokunaka

President, Representative Director

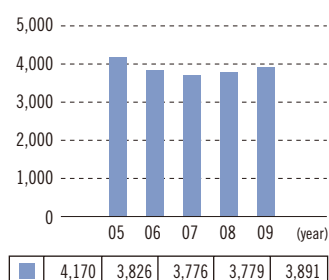
Katsumi Ihara

Executive Vice President, Representative Director

In October 2008, we introduced level premium term life insurance with no surrender value (no dividends) and level premium term life insurance rider with no surrender value (no dividends). These life insurance products feature reasonable premiums because they do not have a surrender value.

To prepare to do business in overseas markets other than the Philippines, Sony Life opened a representative office in Beijing in China in October 2008, and Taiwan, ROC in July 2009 to research the financial and life insurance markets in Greater China (including Taiwan, Hong Kong and the People's Republic of China).

Number of Lifeplanner sales employees in Sony Life



As of March 31

Q : Tell us about the non-life insurance business.

A : Sony Assurance employs the direct business model, communicating with customers directly over the telephone and via the Internet to provide quality insurance services with reasonable premiums. Operating under the slogan “Feel the Difference—a difference that will change insurance,” Sony Assurance seeks to provide services based on its deeply held commitment to help customers feel its value and difference that could only come from Sony Assurance.

In FY2008, Sony Assurance continued with its TV commercial-intensive advertising as well as starting a new online advertising campaign. These resulted in a steady increase in the total number of automobile insurance and medical and cancer insurance policies in force to 1.15 million at the end of March 2009. The number of automobile insurance policies in force topped 1 million at the end of December 2008, nine years and three months after the company began selling automobile insurance.

Sony Assurance increased the discount offered to new automobile insurance customers who had insurance quotes and signed up online, and whose cover started on or after February 1, 2009. In January 2009, the company set up a new insurance selection page on the website and began selling pet insurance through alliance with Anicom Insurance Inc. as Sony Assurance's first “recommended insurance product.”

In terms of service, Sony Assurance extended the free vehicle recovery towing distance for automobile policyholders in their first year to the same as that for those who have renewed their policies so that they could use their breakdown service menu with confidence. The company also launched the Car Life Discount Service*, which offers discounts for car rental and entry to leisure facilities as a new benefit for policyholders. As well, the company established a new claims service center for receiving accidents reports in Sapporo in July 2008 in addition to the

Tokyo center, to strengthen its accident resolution capability.

* The Car Life Discount Service is provided by Sony Assurance business partners.

Q : And what about the banking business?

A : Sony Bank provides highly convenient quality financial products and services to individual customers over the Internet, with a focus on asset management. In FY2008, Sony Bank took maximum advantage of its unique strengths and the management base it has built since its business launch June 2001. It has focused on accelerating the business expansion by strengthening products and services, and improving reliability.

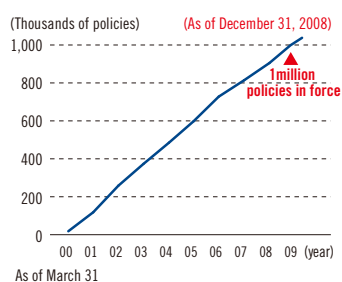
In May 2008, Sony Bank launched foreign exchange margin transactions as a foreign currency investment option, which has proved very popular with customers. In October 2008, Sony Bank strengthened its foreign currency service—one of its mainstay products—by introducing a credit card that makes available settlement in two currencies. Accordingly, the customers can debit cash from their foreign currency accounts at which they can also save foreign currency deposits.

For financial product intermediary services with Sony Bank Securities Inc., in October 2008, Sony Bank began a sweep service that automatically transfers funds for buying and selling stocks and other securities between bank and brokerage accounts to make it more convenient for customers. Sony Bank also strengthened investment trust services, including expanding its product range and reviewing the sales commission structure. Further, Sony Bank strengthened mortgage loan alliances to extend sales channels, signing up Seven Bank, Ltd. as a banking agent in FY2008.

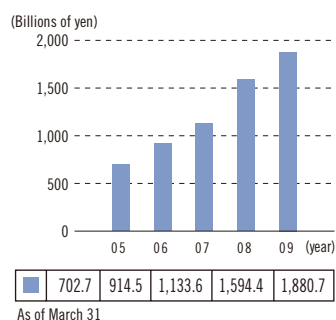
To improve security, Sony Bank made it possible for account holders to set a daily transfer limit online to help prevent bank transfer fraud.

As a result, Sony Bank's retail balance (sum of customers' yen deposits, foreign currency deposits, investment trusts, and personal loan balance) recorded solid year-on-year, growth to ¥1,880.7 billion.

Number of automobile insurance policies at Sony Assurance



Retail balance at Sony Bank



Q : How does the SFH Group harness synergies?

A : In addition to expanding business operations for individual companies, we leverage each company's operational base for cross selling to enhance synergies through increased collaboration between group companies. Cross selling utilizing the consulting capabilities of Sony Life's Lifeplanner sales employees has been particularly successful. In FY2008, Lifeplanner sales employees sold about 6% of Sony Assurance's new acquisition of automobile insurance policies and about 30% of the balance of Sony Bank's mortgage loans executed.

Q : Financial markets have experienced unprecedented disruption since the second half of FY2008. Has the SFH Group been able to maintain its financial soundness?

A : Indicators of financial soundness include the solvency margin ratio in insurance, which shows insurance claim payment capability, and the capital adequacy ratio in banking. At the end of March 2009, Sony Life and Sony Assurance had solvency margin ratios of 2,060.5% and 993.0%, respectively—both figures near the top end of the range in the industry. Sony Bank's consolidated capital adequacy ratio (domestic criteria) stood at 13.25% at the end of March 2009 (or 11.08% based on the previous standard, without applying the exceptions* provided in Financial Services Agency Public Announcement No. 79 of 2008). These figures are far higher than the required soundness standard of 4% under the Banking Law of Japan for banks without overseas business operations.

Financial and capital markets have been in turmoil since the second half of FY2008 in the wake of the Lehman Brothers collapse. The SFH Group has been affected by market conditions as a whole but has no exposure to securities associated with subprime loans or Lehman Brothers. The SFH Group is confident that it is capable of sustaining a sound financial position represented by the solvency margin ratio and capital adequacy ratio despite challenging business conditions.

* Financial institutions are allowed to calculate their capital adequacy ratios without deducting net unrealized losses on other securities.

Q : Finally, please tell us about the SFH Group's growth strategy.

A : SFH Group companies differentiate themselves from competitors in each industry by building unique and distinctive business models, and to provide customer-oriented and highly convenient products and services to individual customers. Going forward, the SFH Group plans to sustain growth by strengthening the competitive edge of each of its subsidiaries and establishing a solid presence in each industry where they are active.

Through increased collaboration between group companies, we work to enhance synergies in the provision

of products and services as well as in the sharing of each other's sales channels and infrastructure to offer high value-added products and services that other more-traditional financial institutions do not offer. We also strive to raise corporate value by aggressively exploring new business opportunities outside our existing domains of operations.

The SFH Group added a third representative director, Katsumi Ihara, to the management team as of June 23, 2009. Mr. Ihara joins us to help us further strengthen our management structure at a time of business expansion. We are fully committed to enhancing our management structure and expanding the operations of the SFH Group, and we are grateful to our stakeholders for their ongoing support and understanding.

July 1, 2009



Teruhisa Tokunaka
President, Representative Director



Hiromichi Fujikata
Executive Vice President, Representative Director



Katsumi Ihara
Executive Vice President, Representative Director