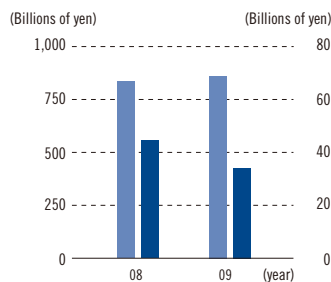


Analysis of Operating Performance for FY2008

Ordinary Revenues and Ordinary Profit



	08	09
Ordinary revenues	822.1	860.3
Ordinary profit	44.5	34.2

For the years ended March 31

SFH

Operating results

In FY2008, SFH's consolidated ordinary revenues grew 4.6% compared with the previous fiscal year, to ¥860.3 billion, owing to increases in ordinary revenues from all the businesses: life insurance, non-life insurance and banking. In the life insurance business, ordinary revenues grew 3.4% year-on-year, to ¥766.2 billion, owing to higher income from insurance premiums associated with a steady increase in policy amount in force. In the non-life insurance business, ordinary revenues rose 11.2% year-on-year, to ¥61.8 billion, due to higher net premiums written, resulting from strong sales of automobile insurance policies. In the banking business, ordinary revenues grew 28.5% year-on-year, to ¥33.3 billion, as a higher balance of investment assets in line with the bank's business expansion led to an increase mainly in interest income.

Consolidated ordinary expenses increased 6.2% compared with the previous fiscal year, to ¥826.0 billion, owing to increases in ordinary expenses from all the businesses. In the life insurance business, ordinary expenses increased 4.5% year-on-year, to ¥733.7 billion, due to increased investment expenses associated with a significant decline in Japanese stock market prices. In the non-life insurance business, ordinary expenses grew 13.0% year-on-year, to ¥59.7 billion, owing mainly to an increase in the amount of claims paid, led by those resulting from natural disasters. In the banking business, higher interest expenses, increased general and administrative expenses—mostly system-related expenses—and amortization of goodwill pushed up ordinary expenses 44.0% year-on-year, to ¥33.9 billion.

As a result, consolidated ordinary profit decreased 23.0% compared with the previous fiscal year, to ¥34.2 billion. Broken down by business, ordinary profit from the life insurance business declined 16.7% year-on-year, to ¥32.5 billion. Ordinary profit from the non-life insurance business decreased 22.7% year-on-year, to ¥2.1 billion. In the banking business, an ordinary loss of ¥0.5 billion was recorded, compared to ¥2.4 billion in ordinary profit in the previous fiscal year.

Extraordinary gains of ¥20.4 billion and extraordinary losses of ¥3.9 billion were recorded. Extraordinary gains were primarily due to a partial reversal of the reserve for price fluctuations in the life insurance business. Extraordinary losses were due mainly to losses on disposal of fixed assets in the non-life insurance business.

After accounting for extraordinary gains and losses, reversal for reserve for policyholders' dividends, and income taxes, net income increased 26.7% compared with the previous fiscal year, to ¥30.7 billion.

Financial condition

As of March 31, 2009, total assets amounted to ¥5,313.6 billion, up 6.8% from March 31, 2008. As for major components of assets, securities, mostly Japanese government bonds, amounted to ¥3,703.0 billion, up 26.4% from March 31, 2008. Monetary trusts amounted to ¥608.8 billion, down 32.0% from March 31, 2008, and loans amounted to ¥597.5 billion, up 31.1% from March 31, 2008.

Total liabilities amounted to ¥5,108.7 billion as of March 31, 2009, up 8.3% from March 31, 2008. As for major components of liabilities, policy reserve and others amounted to ¥3,680.7 billion, up 6.6% from March 31, 2008, and deposits amounted to ¥1,325.3 billion, up 15.9% from March 31, 2008.

Total net assets amounted to ¥204.8 billion as of March 31, 2009, down 21.7% from March 31, 2008. Net unrealized losses on other securities, net of taxes, of ¥4.8 billion were recorded, down by ¥79.7 billion from March 31, 2008, owing to a decrease in the fair market value of securities held, associated with a significant decline in Japanese stock market prices.

Cash flows

Net cash provided by operating activities in FY2008 was ¥730.0 billion, up ¥284.5 billion from FY2007. The major factors were an increase in inflows due to a net decrease in call loans,

although inflows from a net increase in deposits in the banking business decreased.

Net cash used in investing activities in FY2008 was ¥769.8 billion, up ¥164.5 billion from FY2007. The primary reasons were outflows due to payments for purchases of securities exceeding inflows from sales and redemption of securities, despite inflows owing to a net decrease in investment in monetary trusts.

Net cash used in financing activities in FY2008 was ¥4.5 billion, down ¥26.8 billion from FY2007. The decrease was due to an absence of inflows of ¥28.8 billion received from the issuance of common stock in FY2007, despite the proceeds from subordinated debts in the banking business, which aimed to strengthen the financial soundness in the banking business.

As a result of the above factors, cash and cash equivalents as of March 31, 2009, were ¥91.6 billion, down ¥44.5 billion from March 31, 2008.

Risk-monitored loans

As of March 31	(Millions of yen)	
Category	2008	2009
Bankrupt loans	15	64
Non-accrual delinquent loans	227	674
Past due loans (three months or more)	—	—
Restructured loans	244	225
Total	487	964

SFH's consolidated operating results come from its life insurance, non-life insurance, and banking businesses. Segment-by-segment reviews of FY2008 operating performance are presented below.

Life insurance business

SFH's life insurance business consists of Sony Life, a wholly-owned subsidiary of SFH; Sony Life Insurance (Philippines), a wholly-owned subsidiary of Sony Life; and AEGON Sony Life Planning, a 50%-owned affiliate of Sony Life and accounted for under the equity method.

Ordinary revenues in the life insurance business grew 3.4% year-on-year to ¥766.2 billion in FY2008, driven by growth in income from insurance premiums on firm policy amount in force. Operating expenses rose 4.5% to ¥733.7 billion on an increase in investment expenses accompanying a sharp drop in the stock market. Ordinary profit fell 16.7% to ¥32.5 billion.

Sony Life accounts for nearly all of SFH's life insurance business. A discussion of its non-consolidated operating performance of Sony Life follows.

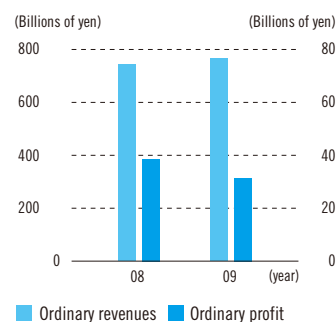
New policy amount

New policy amount—total policy amount of new insurance policies—for individual life insurance and individual annuities grew 1.9% year-on-year, to ¥3,873.3 billion in FY2008. The number of new policies rose 1.8% to 534 thousand. Sales of family income insurance were robust.

A breakdown of the new policy amount shows that individual life insurance was up 2.4% year-on-year at ¥3,834.6 billion, and individual annuities were down 32.5% at ¥39.1 billion. Additionally, group life insurance jumped 155.2% to ¥15.1 billion.

Annualized premiums from new policies for individual life insurance and individual annuities fell 2.8% to ¥61.6 billion. Within this, annualized premiums for medical

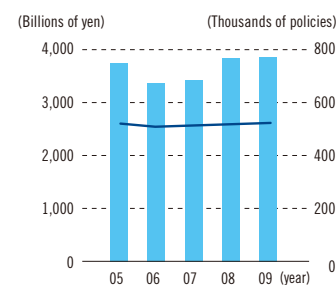
Ordinary Revenues and Ordinary Profit



Ordinary revenues	741.3	766.2
Ordinary profit	39.0	32.5

For the years ended March 31

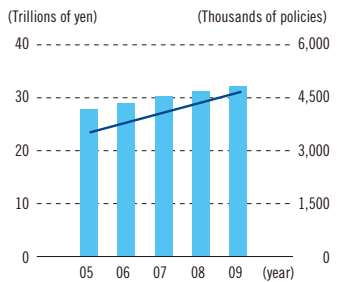
New Policy Amount and Number of New Policies (Individual life insurance + Individual annuities)



New policy amount	3,724.2	3,392.1	3,429.4	3,802.5	3,873.7
Number of new policies	534	512	517	524	534

For the years ended March 31

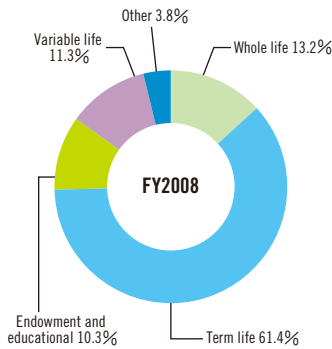
Policy Amount in Force and Number of Policies in Force
(Individual life insurance + Individual annuities in force)



Year	Policy amount in force (Trillions of yen)	Number of policies in force (Thousands of policies)
05	27.8	3,559
06	29.0	3,845
07	30.2	4,145
08	31.4	4,438
09	32.5	4,708

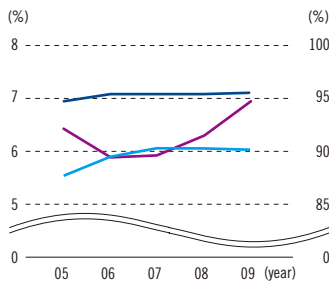
As of March 31

New Policy Amount by Type of Product
(Policy amount basis, FY08)



For the year ended March 31, 2009

Lapse and Surrender Rate and Persistency Rates
(Individual life insurance on a policy amount basis)



Year	Lapse and surrender rate (%)	13-month persistency rate (%)	25-month persistency rate (%)
05	6.39	94.6	87.6
06	5.88	95.5	89.3
07	5.90	95.5	90.7
08	6.27	95.5	90.5
09	6.98	95.2	90.2

For the years ended March 31

protection and living benefit protection products edged up 0.6% to ¥13.4 billion. Annualized premiums from new policies decreased due primarily to a decline in those from variable life insurance policies, though new policy amount increased.

Policy amount in force

Policy amount in force refers to the total amount of coverage that Sony Life provides to individual policyholders. The total policy amount in force for individual life insurance and individual annuities rose 3.2% year-on-year to ¥32,517.6 billion as of March 31, 2009. The number of policies in force increased 6.1% to 4,708 thousand. We believe these figures reflect a high level of customer satisfaction with policy details and high acclaim for after-sale follow-up services. Although the overall policy amount in force in Japan's life insurance industry has been declining since 1996, Sony Life's policy amount in force for individual life insurance and individual annuities increased by ¥1,020.3 billion in FY2008, maintaining steady growth for a 28th year since commencing operations.

A breakdown of policy amount in force shows that individual life insurance was up 3.2% year-on-year at ¥32,229.1 billion, and individual annuities were up 10.9% at ¥288.5 billion. Additionally, group life insurance was up 8.8% at ¥1,019.4 billion, and group annuities were up 0.3% at ¥73.4 billion.

Annualized premiums from insurance in force for individual life insurance and individual annuities grew 3.4% year-on-year, to ¥547.8 billion. Within this, annualized premiums for medical protection and living benefit protection products rose 3.1% to ¥126.6 billion.

Sales of products

Death protection type of products accounted for about 80% of new policies (policy amount basis) in FY2008. Within this, whole life insurance accounted for 13.2%, term life insurance for 61.4%, endowment and educational insurance for 10.3%, variable life insurance for 11.3%, and other for 3.8%. Term insurance products sold especially well, notably family income insurance. We believe these strong results stem from our ability to provide reasonable life insurance protection at relatively low premiums.

Lapse and surrender rate and persistency rates

The lapse and surrender rate* (policy amount basis) for individual life insurance rose 0.71 percentage points year-on-year to 6.98% in FY2008, due mainly to an increase in surrenders for corporate term life insurance and individual variable life insurance. We think this reflects a worsening economic and investment environment.

Persistency rates for individual life insurance (policy amount basis) remained high, with the 13-month rate down 0.3 percentage points year-on-year at 95.2% and the 25-month rate down 0.3 percentages points at 90.2%. We believe this reflects customer satisfaction with the way Lifeplanner sales employees and Partners (independent agencies) provide products tailored to the specific needs of each customer based on courteous consultation as well as meticulous after-sale follow-up services.

* The lapse and surrender rate shows the ratio derived by dividing the amount of lapses and surrenders, adjusted for policy amount decreases, increases, and reinstatements, by the policy amount in force at the beginning of the fiscal year.

Income from insurance premiums and insurance claims and other payments

Insurance premiums received from policyholders totaled ¥660.6 billion in FY2008, up nicely from ¥646.9 billion in FY2007, as a result of growth in the policy amount in force. Income from insurance premiums also rose 2.1% to ¥662.0 billion on growth in the policy amount in force. At the same time, insurance claims paid to policyholders totaled ¥62.0 billion in FY2008, versus ¥60.0 billion in FY2007; insurance benefits were ¥32.8 billion, versus ¥28.4 billion; annuity payments were ¥7.1 billion, versus ¥6.3 billion; and surrender payments were ¥168.1 billion, versus ¥141.8 billion. Insurance claims and other payments rose 14.0% year-on-year, to ¥274.7 billion.

Asset management

Sony Life's investment policy in its general account is to invest with an emphasis on balancing returns and market risk while seeking to ensure stable interest and dividend income and sound assets. We are working to extend the duration of our portfolio by investing in bonds, mainly Japanese government bonds, and shifting from bonds with short maturities to longer maturity ones.

We invested mainly in ultralong-term bonds with maturities of 10 years or more in FY2008. In response to market changes and issuance conditions, we reduced our holdings in equity-related assets, notably Japanese stocks and convertible bonds.

Assets in the general account totaled ¥3,535.7 billion as of March 31, 2009, up 5.9%, or ¥197.7 billion, from March 31, 2008. Within the general account, Japanese government and corporate bonds totaled ¥2,384.4 billion, accounting for 67.4% of the general account total; Japanese stocks ¥50.9 billion, accounting for 1.4%; foreign government and corporate bonds ¥93.7 billion, accounting for 2.7%; monetary trusts ¥607.6 billion, accounting for 17.2%; policyholder loans ¥120.4 billion, accounting for 3.4%; real estate ¥81.7 billion, accounting for 2.3%; and cash and call loans ¥58.0 billion, accounting for 1.6%.

Sony Life holds monetary trusts for accounting classification purposes, and these trusts also include convertible bonds and Japanese stocks. Adding the equity-related assets included in monetary trusts, our holdings in Japanese stocks totaled ¥61.3 billion, including ¥10.4 billion in monetary trusts, accounting for 1.7% of general account assets, down from 6.2% a year earlier. Our holdings in convertible bonds totaled ¥298.1 billion, including ¥96.8 billion in monetary trusts, accounting for 8.4% of general account assets, down from 12.8%.

Unrealized gains and losses on securities

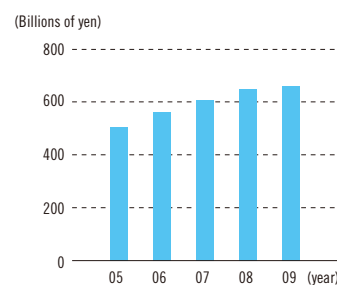
Unrealized gains and losses on securities* refer to the differences between the book values and fair values of securities. When the fair value of an asset is higher than its book value, the sale of the asset at fair value would result in a gain on the sale. Consequently, unrealized gains can function as a provision for various risks. A portion of unrealized gains and losses on securities and real estate are included in the total solvency margin (numerator) used in calculating the solvency margin ratio (see page 52).

Unrealized gains on securities in the general account totaled ¥50.9 billion as of March 31, 2009, down 60.2% from March 31, 2008. Of this, Japanese stocks had unrealized gains of ¥1.4 billion, versus ¥50.8 billion a year earlier; Japanese government and corporate bonds had unrealized gains of ¥53.8 billion, versus ¥83.4 billion; and foreign securities had unrealized losses of ¥3.8 billion, versus ¥9.5 billion. Further, convertible bonds had unrealized losses of ¥21.2 billion, versus unrealized gains of ¥9.2 billion a year earlier.

Reference: As of March 31, 2009, Sony Life assumed unrealized gains on stocks would be zero with the Nikkei Stock Average at ¥8,002 and TOPIX at 763.47 points.

* Unrealized gains and losses on securities list the total of net unrealized gains or losses on held-to-maturity bonds and other securities with fair values.

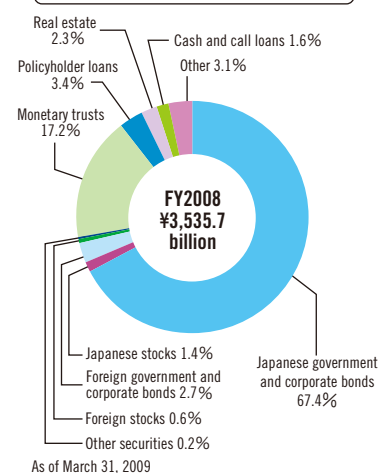
Income from Insurance Premiums



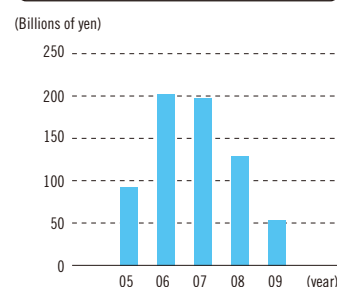
Year	Income from insurance premiums (Billions of yen)
05	551.6
06	580.5
07	605.5
08	648.4
09	662.0

For the years ended March 31

General Account Asset Composition



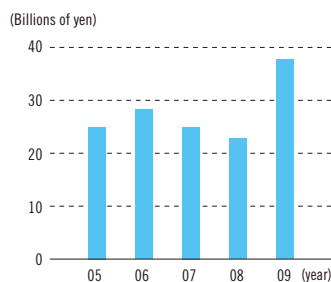
Unrealized Gains on Securities



Year	Unrealized gains on securities (Billions of yen)
05	88.0
06	202.8
07	198.2
08	127.8
09	50.9

As of March 31

Core Profit



Core profit	24.3	28.5	24.3	23.5	38.0
For the years ended March 31					

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, and to make policy reserve provisions for future payments. The addition to core profit of capital gains and losses, including gains and losses on the sale of securities, as well as one-time gains and losses, results in ordinary profit as listed in the statements of income.

Sony Life's core profit rose 61.2% to ¥38.0 billion in FY2008, buoyed by growth in premium income on an increase in policy amount in force and by growth in interest and dividend income from the purchase of ultralong-term bonds.

Note: Sony Life, similar to 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 profits. Mutual companies consequently tend to show relatively higher core profits than stock companies of similar scale.

Breakdown of Ordinary Profit (Core Profit)

For the years ended March 31

(Millions of yen)

	2008	2009
Core profit [A]	23,571	38,005
Capital gains	29,963	42,137
Gains on monetary trusts	5,304	—
Gains on investments in trading securities	324	1,084
Gains on sale of securities	24,023	32,115
Gains on financial derivatives	—	8,937
Gains on foreign exchange	310	—
Other capital gains	—	—
Capital losses	13,119	63,914
Losses on monetary trusts	—	12,842
Losses on investments in trading securities	—	—
Losses on sale of securities	1,563	16,157
Losses on valuation of securities	6,697	31,899
Losses on financial derivatives	4,858	—
Losses on foreign exchange	—	2,614
Other capital losses	—	399
Net capital gain (loss) [B]	16,844	(21,776)
Core profit plus net capital gains [A + B]	40,416	16,228
Other one-time gains	1,662	16,315
Reinsurance income	—	—
Reversal of contingency reserves	—	16,315
Other	1,662	—
Other one-time losses	2,787	134
Reinsurance premiums	—	—
Provisions for contingency reserves	2,776	—
Provisions for specific reserve for possible loan losses	10	134
Provisions for specific reserve for overseas loans	—	—
Loan amortization	—	—
Other extraordinary losses	—	—
Total other one-time gain (loss) [C]	(1,125)	16,180
Ordinary profit [A + B + C]	39,290	32,409

Notes: 1. Core profit in FY2008 includes ¥11,986 million in gains on monetary trusts related to income gains. Other capital losses comprise a ¥399 million impairment loss on an investment partnership.

2. Core profit in FY2007 includes ¥9,471 million in gains on monetary trusts related to income gains. Other one-time losses comprise ¥1,662 million in

Negative spread

Life insurers use a portion of the premiums received from policyholders to provide policy reserves for the payment of future claims. The policy reserves assume an annual return based on a fixed interest rate. This interest rate is known as the assumed interest rate. A negative spread occurs when the actual investment yield for some policies is lower than the assumed interest rate due to deterioration in the investment environment or other reasons.

Sony Life's negative spread decreased from ¥26.7 billion in FY2007 to ¥21.3 billion in FY2008 due to an increase in interest and dividend income. We are working to make our business more efficient to keep earnings at a level sufficient to withstand a continued negative spread. The investment yield for core profit was 1.90% in FY2008, up from 1.73% in FY2007; and the average assumed interest rate was 2.59%, down from 2.68%. The general account investment yield decreased from 2.17% in FY2007 to 1.11% in FY2008 as a result of impairment losses on securities held.

Formula for Calculating Negative Spread

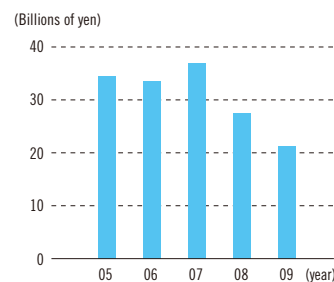
$$\left(\text{Investment yield for core profit}^1 - \text{Average assumed interest rate}^2 \right) \times \text{General account policy reserves}^3 = \text{Negative spread}$$

Notes: 1. Investment yield for core profit is the yield on general account policy reserves after subtracting provision for policyholder dividend reserve from 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 term + policy reserves at end of term – assumed interest) × 1/2

Ordinary profit and net income

Sony Life's ordinary revenues grew 3.3% year-on-year to ¥765.9 billion in FY2008, driven by growth in income from insurance premiums on firm policy amount in force. Despite firm income from insurance premiums on growth in policy amount in force, ordinary profit fell 17.5% to ¥32.4 billion as a result of higher investment expenses accompanying a sharp drop in the Japanese stock market. We reversed a portion of contingency reserves to respond to a decline in investment yields caused by worsening conditions in financial markets. Net income rose 82.5% to ¥33.7 billion due to the partial reversal of the reserve for price fluctuations.

Negative spread



■ Negative spread

05	34.5	33.1	37.3	26.7	21.3
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For the years ended March 31

Assumed interest rate, investment yield for core profit, and investment yield (general account)

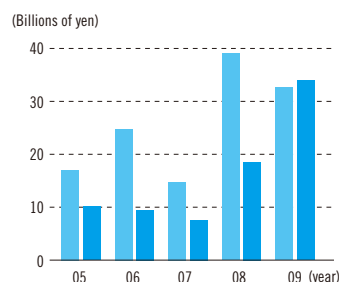


— Average assumed interest rate
— Investment yield (general account)
— Investment yield for core profit

05	3.08	2.92	2.77	2.68	2.59
06	1.70	2.22	2.02	2.17	1.11
07	1.38	1.45	1.31	1.73	1.90

For the years ended March 31

Ordinary profit and net income (Non-consolidated)

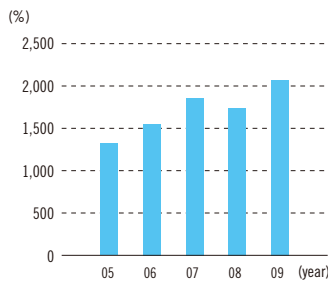


■ Ordinary profit ■ Net income

05	17.0	24.3	14.8	39.2	32.4
06	10.1	9.6	7.4	18.5	33.7

For the years ended March 31

Solvency margin ratio



■ Solvency margin ratio

■	1,317.1	1,547.0	1,852.0	1,747.9	2,060.5
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As of March 31

■ Solvency margin

The solvency margin is an indicator of payment ability. Life insurers accumulate policy reserves to prepare for the payment of future claims, allowing them to adequately respond to risks within a normally anticipated range. However, unforeseen events can occur as a result of changes in the environment, including major disasters and substantial declines in the stock market. The solvency margin ratio is one measure used by regulatory authorities to determine whether an insurer has the ability to pay in response to the risk of such unpredictable events.

Sony Life still had a high solvency margin ratio of 2,060.5% as of March 31, 2009, up 312.6 percentage points from March 31, 2008. Although net unrealized gains on other securities decreased within the solvency margin due to the impact of falling share prices, the solvency margin ratio increased from a year earlier due to a sharp decline in asset management risks on a reduction in stocks, convertible bonds, and other equity-related assets and purchases of held-to-maturity ultralong-term bonds.

Solvency margin ratio

As of March 31

(Millions of yen)

		2008	2009
Total solvency margin	[A]	604,078	531,321
Capital		94,407	131,190
Reserve for price fluctuations		24,099	3,653
Contingency reserve		61,807	45,491
Reserve for possible loan losses		0	0
Net unrealized gains on other securities × 90% (100% if losses)		116,735	17,679
Net unrealized gains on real estate × 85% (100% if losses)		5,172	4,899
Excess policy reserves based on Zillmer method		287,332	302,226
Unallocated portion of policyholder dividend reserve		2,347	382
Future profits		787	—
Deferred tax assets		11,388	25,797
Subordinated debt		—	—
Deductible items		—	—
Total risk	$\sqrt{(R_1+R_8)^2 + (R_2+R_3+R_7)^2} + R_4$ [B]	69,119	51,571
Insurance risk	R ₁	17,989	18,595
Third-sector insurance risk	R ₈	6,926	7,008
Assumed interest rate risk	R ₂	11,095	11,241
Asset management risk	R ₃	45,376	24,689
Business management risk	R ₄	1,750	1,375
Minimum guarantee risk	R ₇	6,120	7,243
Solvency margin ratio	$\frac{[A]}{([B] \times 1/2)} \times 100$	1,747.9%	2,060.5%

Notes: 1. The foregoing figures were calculated based on provisions in Articles 86 and 87 of the Insurance Business Law Enforcement Regulations and the Ministry of Finance Announcement No. 50 (1996). (Excess policy reserves based on Zillmer method were calculated based on Article 1-3-1 of the Ministry of Finance Announcement No. 50.)
2. Minimum guarantee risk was calculated based on the standardized approach.

■ Non-performing assets

Sony Life's asset assessment is shown below and we do not have any risk-monitored loans (loans for which repayment conditions are not ordinary). Moreover, all figures listed in the loans by borrower category are classified as normal loans.

Sony Life's loan balance was ¥120.4 billion as of March 31, 2009. As we do not engage in commercial lending, the entire loan balance consists of policyholder loans, which are limited to recoverable surrender payments.

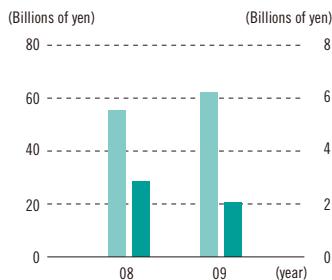
*Life insurers earn interest income by lending a portion of their assets under asset management. Loans are categorized as either policyholder loans provided as a service to customers or commercial loans. The loan balance comprises the sum of these two categories.

Risk-Monitored Loans

As of March 31	(Millions of yen)	
Category	2008	2009
Bankrupt loans	—	—
Non-accrual delinquent loans	—	—
Past-due loans (three months or more)	—	—
Restructured loans	—	—
Total	—	—

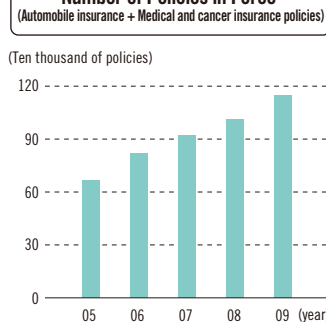
Loans by Borrower Category

As of March 31	(Millions of yen)	
Category	2008	2009
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	110,662	122,600
Total	110,662	122,600

Ordinary Revenues and Ordinary Profit

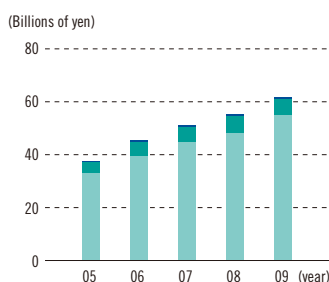
(Billions of yen)	08	09
Ordinary revenues	55.6	61.8
Ordinary profit	2.8	2.1

For the years ended March 31

Number of Policies in Force

(Automobile insurance + Medical and cancer insurance policies)	05	06	07	08	09
Number of policies in force	67	82	93	102	115

As of March 31

Net Premiums Written

(Billions of yen)	05	06	07	08	09
Voluntary automobile insurance	34.2	39.8	43.9	47.8	53.6
Personal accident insurance	3.1	4.8	5.9	6.5	6.9
Other	0.4	0.5	0.5	0.6	0.5
Total	37.8	45.2	50.4	55.0	61.1

For the years ended March 31

Non-life insurance business

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

The business's ordinary revenues rose 11.2% year-on-year to ¥61.8 billion in FY2008, driven by growth in net premiums written on strong acquisition of new automobile insurance policies. Operating expenses rose 13.0% to ¥59.7 billion, due partly to higher insurance claims paid for natural disasters. As a result, ordinary profit fell 22.7% to ¥2.1 billion.

A discussion of Sony Assurance's operating performance, which operates SFH's non-life insurance business, follows.

Policies in force

The number of policyholders of Sony Assurance's mainstay automobile insurance and medical and cancer insurance continued to grow steadily in FY2008. Number of policies in force—the sum of automobile insurance and medical and cancer insurance—rose by about 130 thousand year-on-year to over 1.15 million as of March 31, 2009. Automobile insurance policies in force reached 1 million as of December 31, 2008, marking nine years and three months since starting sales.

Net premiums written

Net premiums written correspond to 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). Sony Assurance's net premiums written rose 11.1% year-on-year to ¥61.1 billion in FY2008. Broken down by type of insurance, voluntary automobile insurance grew 12.1% to ¥53.6 billion, accounting for 87.7% of total net premiums written; personal accident insurance, consisting mainly of medical and cancer insurance, increased 6.6% to ¥6.9 billion, accounting for ¥11.3% of the total; non-voluntary-automobile, non-personal-accident insurance—i.e., fire, marine, and compulsory automobile liability insurance—was down 15.4% to ¥0.5 billion.

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. Sony Assurance's net loss ratio rose 1.5 percentage points, from 53.5% in FY2007 to 55.0% in FY2008, due to the impact of natural disasters and other factors. By type of insurance, net loss ratio on voluntary automobile insurance rose 1.2 percentage points, from 57.6% to 58.8%; and the ratio on personal accident insurance, including medical and cancer insurance, increased 1.4 percentage points, from 21.0% to 22.4%.

Net expense ratio

The net expense ratio is the ratio of the total cost for marketing and maintaining insurance to net premiums written. These expenses include company operating costs and new product development costs. Sony Assurance's net expense ratio was 26.7% in FY2008, on par with FY2007 thanks to efforts to enhance operating efficiency.

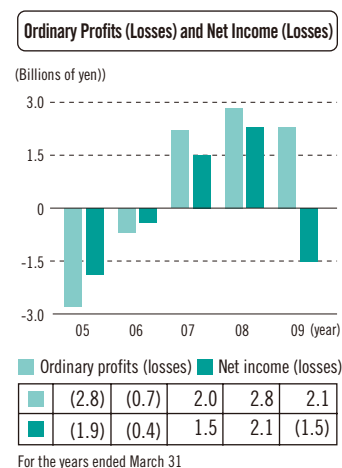
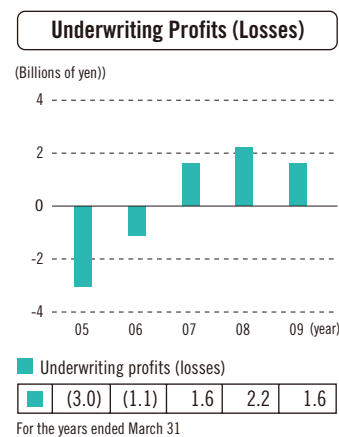
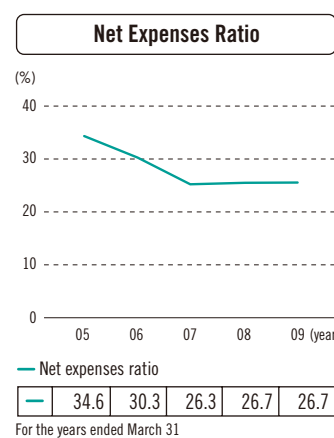
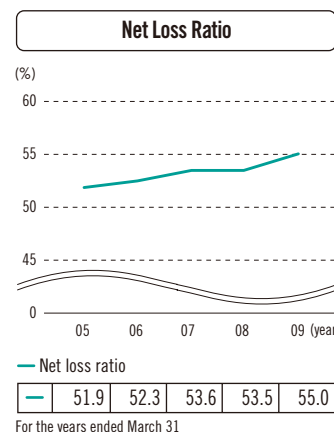
The combined ratio—the sum of the net loss ratio and the net expense ratio—rose 1.4 percentage points, from 80.3% in FY2007 to 81.7% in FY2008.

Underwriting profits

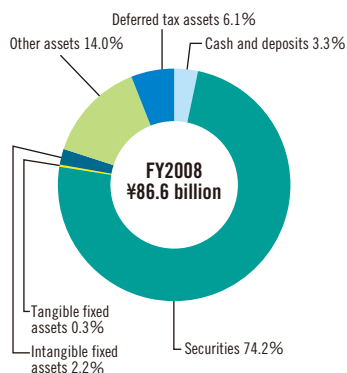
Underwriting profits indicate profits generated from underwriting insurance. Underwriting profits are calculated by subtracting from underwriting income (net premiums written, etc.), any underwriting expenses (net losses paid and loss adjustment expenses, etc.) and operating, general, and administrative expenses associated with underwriting, then adding or subtracting other income and expenses (corporate taxes associated with compulsory automobile liability insurance, etc.). Sony Assurance's underwriting profits fell 26.9% year-on-year to ¥1.6 billion in FY2008. Despite a rise in net premiums written, underwriting profits decreased due to a higher net loss ratio and the absence of a ¥0.5 billion boost in FY2007 resulting from a change in how underwriting reserves are calculated. By type of insurance, voluntary automobile insurance brought in underwriting profits of ¥1.0 billion, and personal accident insurance, including medical and cancer insurance, brought in profits of ¥0.3 billion.

Ordinary profits and net income (loss)

Sony Assurance's ordinary revenues grew 11.2% year-on-year to ¥61.8 billion in FY2008, driven by growth in net premiums written on robust sales of new automobile insurance policies. Despite an increase in premium income, ordinary profit fell 22.7% to ¥2.1 billion as a result of higher insurance claims paid for natural disasters. The company incurred a net loss of ¥1.5 billion in FY2008, versus net income of ¥2.1 billion in FY2007, due to recording losses on disposal of fixed assets under extraordinary losses. For the purpose of enhancing system and operational efficiency, Sony Assurance began developing new systems in FY2006. However, in FY2008, Sony Assurance decided to suspend this development and to overhaul its development policy. Accordingly, some software assets that were previously recorded as intangible fixed assets (software in progress) and for which future use is uncertain were disposed of, resulting in losses on disposal of fixed assets of ¥3.7 billion.



Composition of Total Assets



As of March 31, 2009

Total assets composition and investment policy

Sony Assurance's total assets grew 10.2% year-on-year to ¥86.6 billion as of March 31, 2009. Of total assets, cash and deposits totaled ¥2.8 billion, accounting for 3.3% of total assets; securities ¥64.3 billion, accounting for 74.2%; tangible fixed assets ¥0.2 billion, accounting for 0.3%; intangible fixed assets ¥1.8 billion, accounting for 2.2%; other assets ¥12.1 billion, accounting for 14.0%; and deferred tax assets ¥5.2 billion, accounting for 6.1%. Sony Assurance's basic investment policy is to invest in yen-denominated bonds in order to ensure stable investment returns over the medium to long term, taking into account the market environment and investment risks.

Solvency margin ratio



Solvency margin ratio

■	1,095.2	976.1	1,009.7	1,073.9	993.0
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As of March 31

Solvency margin ratio

The solvency margin ratio is an important indicator of the ability of non-life insurers to pay claims. Sony Assurance's solvency margin ratio was 993.0% as of March 31, 2009, down 80.9 percentage points from March 31, 2008, but still at a sound level.

As of March 31

(Millions of yen)

		2008	2009
Total solvency margin	[A]	23,977	24,195
Capital or treasury		15,408	13,852
Reserve for price fluctuations		36	12
Contingency reserve		2	3
Catastrophe reserve		8,553	10,500
Reserve for possible loan losses		—	—
Net unrealized gains on other securities (before subtracting tax effects)		(23)	(173)
Net unrealized gains on real estate		—	—
Excess refund reserve		—	—
Subordinated debt		—	—
Deductible items		—	—
Other		—	—
Total risk	$\sqrt{(R_1+R_2)^2 + (R_3+R_4)^2} + R_5 + R_6$ [B]	4,465	4,872
Ordinary insurance risk	R ₁	3,701	4,097
Third-sector insurance risk	R ₂	0	0
Assumed interest rate risk	R ₃	6	8
Asset management risk	R ₄	306	294
Business management risk	R ₅	138	150
Major catastrophe risk	R ₆	611	614
Solvency margin ratio	$\frac{[A]}{([B] \times 1/2)} \times 100$	1,073.9%	993.0%

Note: The forgoing figures were calculated based on provisions in Articles 86 and 87 of the Insurance Business Law Enforcement Regulations and the Ministry of Finance Announcement No. 50 (1996). Capital or treasury is derived by subtracting expected outflows, net unrealized valuation and translation gains/losses, and deferred tax assets from total net assets.

■ Non-performing assets

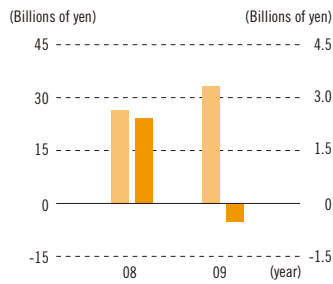
Sony Assurance's self-assessment indicates its assets are sound, as shown below.

Risk-Monitored Loans

As of March 31	(Millions of yen)	
Category	2008	2009
Bankrupt loans	—	—
Non-accrual delinquent loans	—	—
Past-due loans (three months or more)	—	—
Restructured loans	—	—
Total	—	—

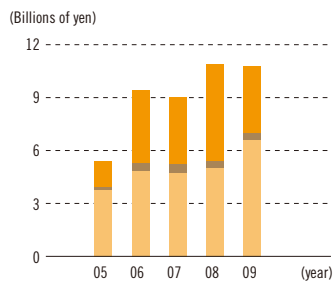
Loans by Borrower Category

As of March 31	(Millions of yen)	
Category	2008	2009
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	—	—
Total	—	—

Ordinary Revenues and Ordinary Profit (Loss)

	08	09
Ordinary revenues	25.9	33.3
Ordinary profit (loss)	2.4	(0.5)

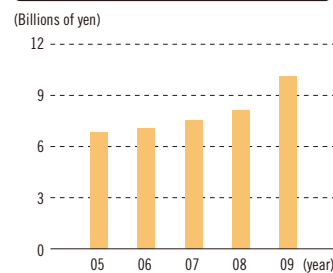
For the years ended March 31

Gross Operating Profit

Legend: Net interest income (light orange), Net fees and commissions (dark orange), Net other operating income (yellow)

	05	06	07	08	09
Net interest income	3.7	4.8	4.5	5.1	6.6
Net fees and commissions	0.1	0.4	0.5	0.3	0.3
Net other operating income	1.4	4.1	3.9	5.4	3.9
Total	5.3	9.4	9.0	10.9	10.8

For the years ended March 31

General and Administrative Expenses

	05	06	07	08	09
General and administrative expenses	6.9	7.0	7.6	8.1	10.3

For the years ended March 31

Banking business

SFH's banking business comprises Sony Bank*, a wholly-owned subsidiary, and Sony Bank Securities, a wholly-owned subsidiary of Sony Bank.

Ordinary revenues in this business grew 28.5% year-on-year to ¥33.3 billion, as a growing balance of investment assets in line with the bank's business expansion mainly led to an increase in interest income. Ordinary expenses rose 44.0% to ¥33.9 billion as a result of higher interest expenses, an increase in general and administrative expenses, mainly system-related expenses, and amortization of goodwill. As a result, the business posted an ordinary loss of ¥0.5 billion in FY2008, versus ordinary profit of ¥2.4 billion in FY2007.

* SFH raised its stake in Sony Bank from 88.0% in FY2006 to 100% in March 2008.

** Sony Bank Securities was established in June 2007 and commenced operations in October 2007.

Sony Bank accounts for nearly all of SFH's banking business. A discussion of the operating performance of Sony Bank (non-consolidated) and Sony Bank Securities follows.

■ Gross operating profit

Sony Bank's gross operating profit fell 0.8% year-on-year to ¥10.8 billion in FY2008, due mainly to a decline in net other operating income. The bank derives gross operating profit from net interest income, net fees and commissions, and net other operating income.

Sony Bank uses the deposits received from customers primarily to invest in securities and provide mortgage loans. Net interest income refers to the spread between funding costs, including interest paid on deposits, and the interest received on securities, loans, and other items. Net interest income jumped 30.2% year-on-year to ¥6.6 billion in FY2008, due partly to growth in interest and dividends on securities and interest on loans.

Net fees and commissions refers to the spread between the fees and commissions received from investment trust, foreign exchange, and other operations, and the fees and commissions paid for ATM usage, foreign exchange, and other operations. Net fees and commissions fell 21.3% year-on-year to ¥0.3 billion in FY2008, due mainly to lower brokerage fees and commissions received.

Net other operating income refers to income from operations not included in net interest income or net fees and commissions. These include gains and losses on foreign exchange transactions; gains and losses on the sale and purchase of bonds, including government bonds; and gains and losses on swaps and other financial derivatives held as hedges for securities and other investments. Despite an increase in income from foreign exchange transactions associated with investment into foreign currency deposits, net other operating income fell 28.3% year-on-year to ¥3.9 billion in FY2008 as a result of impairment losses on securities.

■ General and administrative expenses

General and administrative expenses rose 26.6% year-on-year to ¥10.3 billion, due mainly to higher system-related expenses.

■ Ordinary profit and net income (loss)

Sony Bank's ordinary revenues grew 28.4% year-on-year to ¥33.3 billion, buoyed mainly by higher interest income derived from a growing balance of investment assets in line with the bank's business expansion. Ordinary profit dropped 84.9% to ¥0.4 billion, due primarily to impairment losses on securities prompted by a worsening market environment. The bank had a net loss of ¥0.7 billion in FY2008, versus net income of ¥4.4 billion in FY2007, due to lower ordinary profit and higher income taxes (deferred).

■ Number of accounts

Sony Bank continued efforts to acquire new customers in FY2008 while working to expand its lineups of products and services and raise brand recognition. As a result, the number of customer accounts increased by 113 thousand year-on-year to 723 thousand as of March 31, 2009.

■ Customer assets

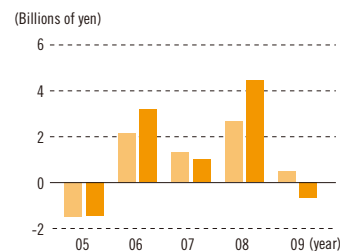
Customer assets (total of deposits and investment trusts) rose 12.5% year-on-year to ¥1,403.6 billion as of March 31, 2009, due mainly to growth in yen deposits. Yen deposits were up 17.0% at ¥1,044.2 billion, accounting for 74.4% of customer assets; and foreign currency deposits were up 12.1% at ¥282.1 billion, accounting for 20.1%. As a result, total deposits grew 15.9% to ¥1,326.3 billion, accounting for 94.5% of customer assets. Additionally, investment trusts fell 24.9% to ¥77.2 billion, accounting for 5.5% of customer assets. Yen time deposits increased on a boost from offering special bonus interest rates during the summer of 2008. Foreign currency deposits achieved robust growth due to the yen's appreciation from autumn 2008. The balance of investment trusts decreased as nearly all funds lost significant value due to the global stock market decline.

■ Loans

Loans rose 37.5% year-on-year to ¥477.0 billion as of March 31, 2009. Mortgage loans accounted for 98.2% of overall loans. In addition to mortgage loans, we provide credit card loans and special-purpose loans.

The balance of mortgage loans rose steadily in FY2008, buoyed by Sony Life providing banking agency services for Sony Bank, which it started in January 2008. As a result, the balance of mortgage loans was up 38.2% year-on-year to ¥468.3 billion as of March 31, 2009.

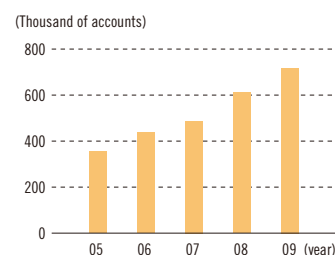
Ordinary Profit (Loss) and Net Income (Loss)



	05	06	07	08	09
Ordinary profit (loss)	(1.6)	2.2	1.3	2.7	0.4
Net income (loss)	(1.6)	3.2	1.0	4.4	(0.7)

For the years ended March 31

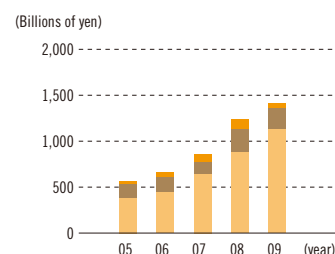
Number of Accounts



	05	06	07	08	09
Number of accounts	367	430	491	610	723

As of March 31

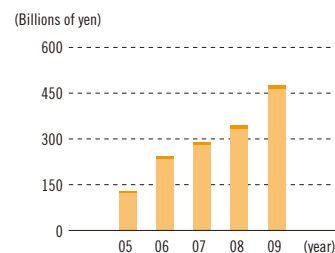
Customer Assets



	05	06	07	08	09
Yen deposits	387.6	451.0	604.4	892.6	1,044.2
Foreign currency deposits	159.1	148.9	147.8	251.7	282.1
Investment trusts	29.6	75.1	96.5	102.9	77.2
Total	576.3	675.1	848.8	1,247.3	1,403.6

As of March 31

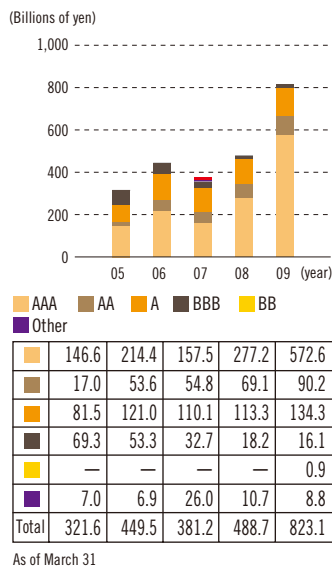
Loans



	05	06	07	08	09
Mortgage loans	122.7	234.3	278.0	338.8	468.3
Other	3.6	5.0	6.6	8.1	8.7
Total	126.3	239.4	284.7	347.0	477.0

As of March 31

Securities (by Ratings)



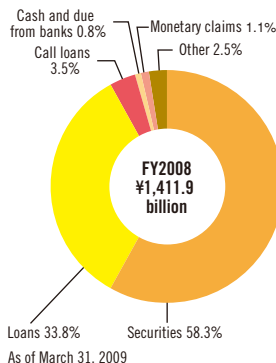
Securities

Sony Bank's securities investments* consist of investments with interest rate risk, mainly Japanese government bonds, and investments with credit risk, mainly investment grade corporate bonds. The balance of securities increased ¥334.3 billion year-on-year, or 68.4%, to ¥823.1 billion as of March 31, 2009, due to a shift in investments from call loans to securities. Japanese government bonds were up ¥171.1 billion at ¥288.3 billion; municipal bonds were up ¥5.3 billion at ¥5.3 billion; corporate bonds were up ¥152.1 billion at ¥303.3 billion; and other securities were up ¥60.6 billion at ¥223.1 billion. Additionally, securities rated AA or above accounted for 80.5% of the total.

Sony Bank's investment in Sony Bank Securities of ¥3.0 billion (¥1.5 billion in common stock and ¥1.5 billion in capital surplus) is recorded as Japanese stocks.

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

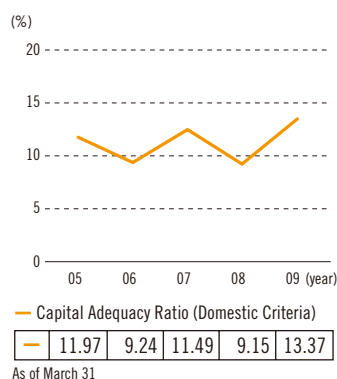
Composition of Total Assets



Total asset composition

Sony Bank's total assets grew 16.6% year-on-year to ¥1,411.9 billion as of March 31, 2009. For main items, securities totaled ¥823.1 billion, accounting for 58.3% of total assets; loans ¥477.0 billion, accounting for 33.8%; call loans ¥49.9 billion, accounting for 3.5%; and monetary claims bought ¥16.1 billion, accounting for 1.1%.

Capital Adequacy Ratio (Domestic Criteria)



Capital adequacy ratio

The capital adequacy ratio* is an important measure of a bank's financial soundness. Sony Bank's non-consolidated capital adequacy ratio (domestic criteria) was 13.37% as of March 31, 2009, up 4.22 percentage points from 9.15% a year earlier. This ratio is well above the 4.0% required by the Banking Law as a minimum for banks that operate only in Japan. This indicates that Sony Bank maintains a sound financial position. There are two main reasons for this increase in the capital adequacy ratio: (1) a capital increase of ¥12.0 billion through a private placement of shares with SFH in FY2008; and (2) the exclusion of net unrealized gains on other securities, net of taxes, from the calculation of capital adequacy, based on changes in standards according to a Financial Services Agency notification.

Note: Calculated based on FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank. Sony Bank has applied FSA Notification No. 79 (2008), which establishes exceptions to the standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank, since FY2009. Sony Bank applies domestic criteria.

Sony Bank non-consolidated capital adequacy ratio (domestic criteria)

As of March 31		(Millions of yen)	
Category		2008	2009
Capital			
Tier I (core) capital	[A]	37,241	57,586
Preferred securities with step-up interest rate provision		—	—
Common stock		25,000	31,000
Capital surplus		15,000	21,000
Retained earnings		6,296	5,586
Net unrealized losses on other securities		9,055	—
Tier II (supplementary) capital	[B]	161	2,211
General reserve for possible loan losses		161	211
Subordinated debt		—	2,000
Subordinated term debt and term preferred stock		—	2,000
Tier III (sub-supplementary) capital	[C]	—	—
Capital subtotal [A+B+C]	[D]	37,402	59,798
Deductions	[E]	—	—
Total capital [D]—[E]	[F]	37,402	59,798
Risk-adjusted assets			
Risk-adjusted assets	[G]	408,710	447,052
Balance sheet items		386,395	422,826
Off-balance sheet items		312	1,395
Result of dividing operational risk equivalent amount by 8%		22,002	22,830
Capital adequacy ratio (domestic criteria)	[F]/[G]	9.15%	13.37%
Reference: Tier I ratio (domestic criteria)	[A]/[G]	9.11%	12.88%

Note: Calculated based on FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank. Sony Bank has applied FSA Notification No. 79 (2008), which establishes exceptions to the standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank, since FY2008. Sony Bank applies domestic criteria.

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. As a result of these efforts, non-performing loans remain low in all categories as shown below, and the bank maintains a sound asset structure.

Risk-Monitored Loans

Category	(Millions of yen)	
	2008	2009
Bankrupt loans	15	64
Non-accrual delinquent loans	227	674
Past-due loans (three months or more)	—	—
Restructured loans	244	225
Total	487	964

Problem Loans Based on the Financial Reconstruction Law

Category	(Millions of yen)	
	2008	2009
Bankrupt and quasi-bankrupt loans	152	154
Doubtful loans	90	584
Sub-standard loans	244	225
Normal loans	350,854	485,603
Total	351,342	486,568

Sony Bank Securities

Sony Bank Securities opened for business in October 2007 and had a total of 28 thousand accounts as of March 31, 2009, up from 11 thousand accounts a year earlier. Deposited assets totaled ¥10.2 billion as of March 31, 2009, up from ¥3.8 billion a year earlier.