

DECEMBER 7, 2007

Nomura Investment Forum 2007

SONY FINANCIAL HOLDINGS



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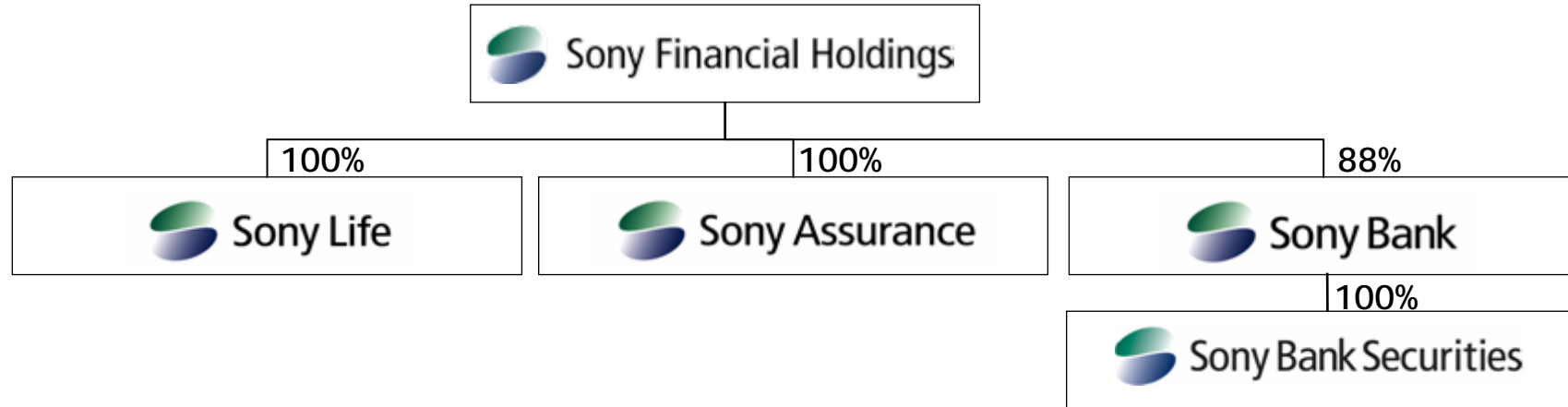
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# Investment Themes

1. ■ Tailored distribution channels with strong focus on retail market
2. ■ Steady earnings contribution
3. ■ Operations supported by our strong financial position
4. ■ Earnings growth strategy and capital strategy

# 1 Tailored distribution channels with strong focus on retail market

- Established a business models with strong focus on the retail market



	Sony Life	Sony Assurance	Sony Bank
<b>Sales channels</b>	<ul style="list-style-type: none"> <li>■ Consulting sales               <ul style="list-style-type: none"> <li>■ Lifeplanner sales employees</li> <li>■ Partners (independent agencies)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Direct sales               <ul style="list-style-type: none"> <li>■ Telephone</li> <li>■ Internet</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Internet</li> </ul>
<b>Main products</b>	<ul style="list-style-type: none"> <li>■ Death protection life insurance</li> <li>■ Medical insurance, etc.</li> </ul>	<ul style="list-style-type: none"> <li>■ Automobile insurance (risk segmented)</li> <li>■ Medical and cancer insurance</li> </ul>	<ul style="list-style-type: none"> <li>■ Deposits (yen, foreign currencies)</li> <li>■ Mortgage loans</li> <li>■ Investment trusts</li> </ul>
<b>Target customers</b>	<ul style="list-style-type: none"> <li>■ Individuals, Corporation</li> </ul>	<ul style="list-style-type: none"> <li>■ Individuals</li> </ul>	<ul style="list-style-type: none"> <li>■ Individuals</li> </ul>
<b>Rankings</b>	<ul style="list-style-type: none"> <li>■ Reliable Insurer: No. 1 (6/26/07, <i>Weekly Economist</i>)</li> </ul>	<ul style="list-style-type: none"> <li>■ Customer satisfaction, response to insurance claims: No. 2 (7/31/07, J.D. Power Asia Pacific Inc.)</li> </ul>	<ul style="list-style-type: none"> <li>■ Customer satisfaction: No. 3 On-line Bank(7/18/07, Gomez)</li> </ul>
<b>Scale<sup>1</sup></b>	<ul style="list-style-type: none"> <li>■ Policies in force<sup>2</sup>: 4.28 mn</li> <li>■ Capital<sup>3</sup>: ¥65.8 bn</li> <li>■ Total assets: ¥3,607.1 bn</li> </ul>	<ul style="list-style-type: none"> <li>■ Policies in force: 980 thousand</li> <li>■ Capital<sup>3</sup>: ¥40.0 bn</li> <li>■ Total assets: ¥73.4 bn</li> </ul>	<ul style="list-style-type: none"> <li>■ Accounts: 532 thousand</li> <li>■ Capital<sup>3</sup>: ¥40.0 bn</li> <li>■ Total assets: ¥966.1 bn</li> </ul>

SONY FINANCIAL HOLDINGS

<sup>1</sup> As of September 30, 2007, figures for Sony Bank are non-consolidated basis, which does not include those of Sony Bank Securities.

<sup>2</sup> Sony Life's policies in force are for individual life insurance and individual annuities.

<sup>3</sup> The amounts of capital above include capital surplus.

# 1 Tailored distribution channels with strong focus on retail market

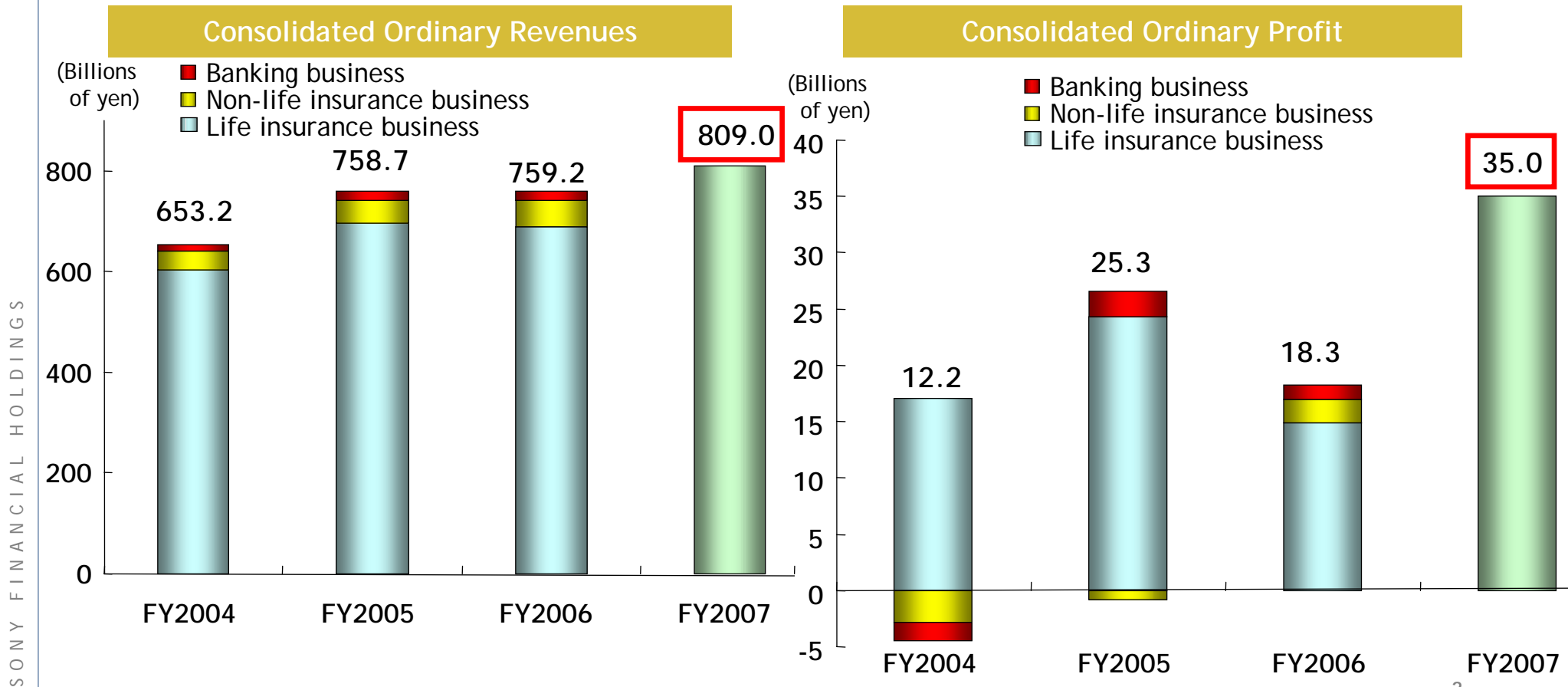
- Established a business model with strong focus on the retail market



(Billions of yen)

	FY2004	FY2005	FY2006	FY2007 (Forecast)	Percentage change
Consolidated ordinary revenues	653.2	758.7	759.2	809.0	+ 6.5%
Consolidated ordinary profit	12.2	25.3	18.3	35.0	+ 90.7%
Consolidated net income	6.3	11.5	10.0	21.0	+ 109.6%

Line item amounts are truncated below ¥100 million; changes are rounded.



# 1 Tailored distribution channels with strong focus on retail market

## • Sony Life: Offering high-quality services via consulting-based sales

- Sony Life has expanded its market share by offering primarily death protection life insurance, tailored to each customer through consulting-based sales and detailed after-sale follow-up services

### Distribution channels

- Sales force with strong consulting skills
  - Lifepanner sales employees /Partners (independent agencies)
    - Special knowledge and abundant experience
    - High morale and motivation
    - High productivity

### Strengths

- Offering insurance tailored to each customer through consulting-based sales and detailed after-sale follow-up services
  - Stable acquisition of new policies
  - Low lapse and surrender rate and a steady increase in policies in force
  - Maintaining a high level of customer satisfaction

### Growth strategies

- Sony Life's consulting-based sales approach is most effective at providing profitable death-protection products
  - Strength in distribution channels resulting in expansion of market share and profitability
- Focus on medical and nursing care business
  - Offering price-competitive products and services in markets that are expected to expand
- Expanding product development in individual annuities business by establishing a joint venture with AEGON

# 1. Tailored distribution channels with strong focus on retail market

## Sony Assurance: Providing high-quality services at reasonable prices through direct-marketing channels

- By providing high-quality services at reasonable prices through its direct marketing business model, Sony Assurance has gained a higher evaluation from customers than Japan's other direct insurance providers, as well as Japan's major non-life insurers. This has been the company's key driver of high growth.

### Distribution channels

- Direct marketing via telephone, Internet and advertisements

### Strengths

- Offers more reasonable prices than Japan's major non-life insurers and unique products
  - Risk-segmented automobile insurance tailored to customer attributes
  - "SURE" medical and cancer insurance
- Compared with other direct insurance providers, Sony Assurance offers a higher level of services and has higher brand awareness while maintaining price competitiveness
  - Maintaining a leading position (30%+ market share<sup>1</sup> in Japan among six direct insurers)
  - With dedicated staff members committed to responding to customers within three hours<sup>2</sup> of receiving an accident report. Commenced "**On the Day, Any Day, Response**" service<sup>3</sup> from October 2007, which involves Sony Assurance's commitment to making an initial response to accident claims on the day they are received, throughout the year—even on holidays and weekends.
  - Solicitous customer service contributes to maintaining high customer satisfaction

### Growth strategies

- While maintaining its leading position in the direct insurance market, Sony Assurance aims to expand the overall share of the direct market itself as well as its own market share
- Through reasonable pricing and appropriate control over expenses, Sony Assurance aims to achieve higher profitability than Japan's other direct insurance providers and major non-life insurers

<sup>1</sup> Direct premiums written basis. Source: The public disclosure materials of Japan's six direct non-life insurers

<sup>2</sup> This response time is for an accident reported on a weekday between 9 a.m. and 5 p.m.

<sup>3</sup> This response time is for an accident reported between midnight and 8 p.m.

# 1. Tailored distribution channels with strong focus on retail market

## • Sony Bank: Products and services capitalizing on the Internet

- Gained high customer satisfaction by providing products and services with interest rates and prices that are set fairly and closely tied to market rates

### Distribution Channels

- Internet bank offering financial services and products through the Internet
  - Offering services that customers can flexibly use for asset management

### Strengths

- Benefiting from a low cost structure as an Internet bank which has no branches
  - Maintaining competitive interest rates and fees/commissions
- Offering highly convenient product line-ups with low commissions
  - Foreign currency deposits in eight currencies with low commissions and exchange rates closely tied to market rates essentially 24 hours a day, 365 days a year
  - Mortgage loans can be obtained without visiting a bank branch, from initial application through to final contract

### Growth Strategies

- Expanding business while diversifying its revenue sources by continuously introducing new products and services
  - Offering full-fledged and more convenient securities intermediary services through its newly established internet securities subsidiary
  - Providing strategic products (foreign currency deposits, investment trusts, mortgage loans) that offer highly convenient merchantability and price competitiveness
- Targeting customers who possess a certain level of financial literacy and are active in utilizing IT and managing their assets

# Steady earnings contribution

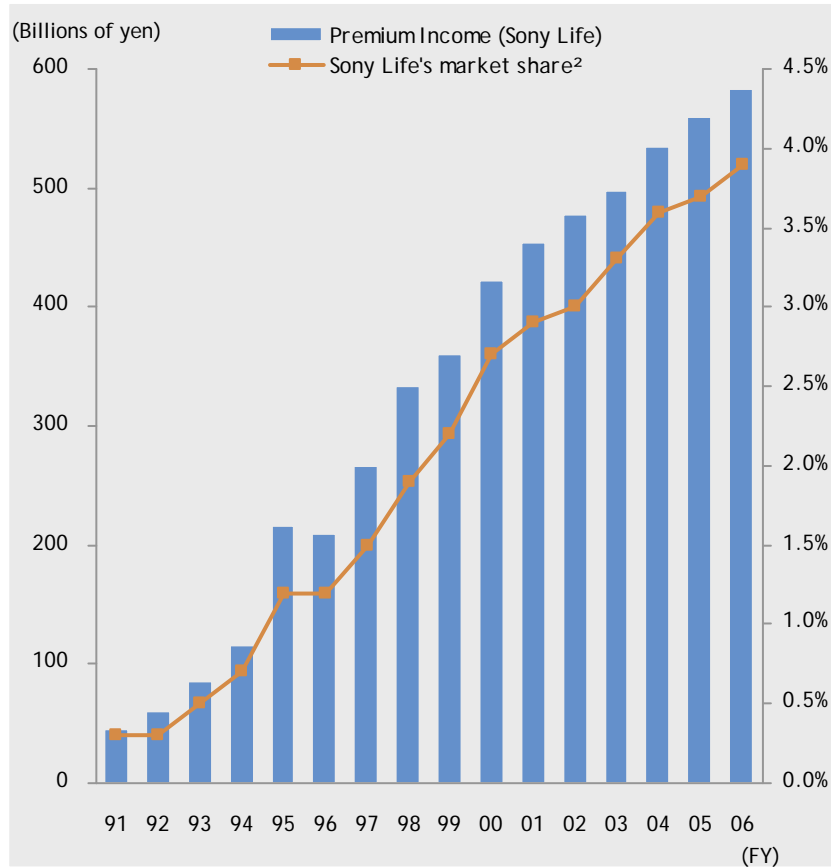
1. ■ Tailored distribution channels with strong focus on retail market
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# 2. Steady earnings contribution

## Sony Life: Steady expansion in market share, mainly in profitable death-protection products

- By expanding its business, Sony Life's premium income (individual life insurance) and its market share have increased steadily
- People in their 30s and 40s, Sony Life's primary target customer base, are expected to continue to account for a large portion of Japan's population, offering high growth potential

Individual Life Insurance Premium Income and Market Share Trends<sup>1</sup>

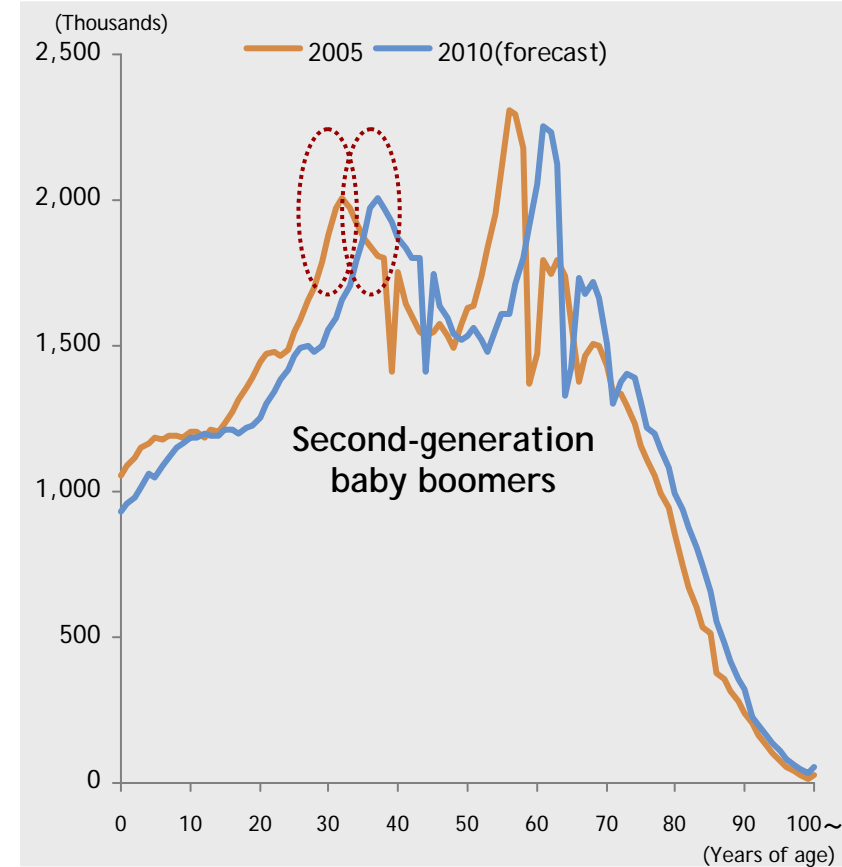


Sources: *Statistics of Life Insurance Business in Japan*, The Life Insurance Association of Japan, Sony Life

<sup>1</sup> Individual life insurance

<sup>2</sup> Sony Life's market share in the Japanese life insurance market

Changes in Population Composition



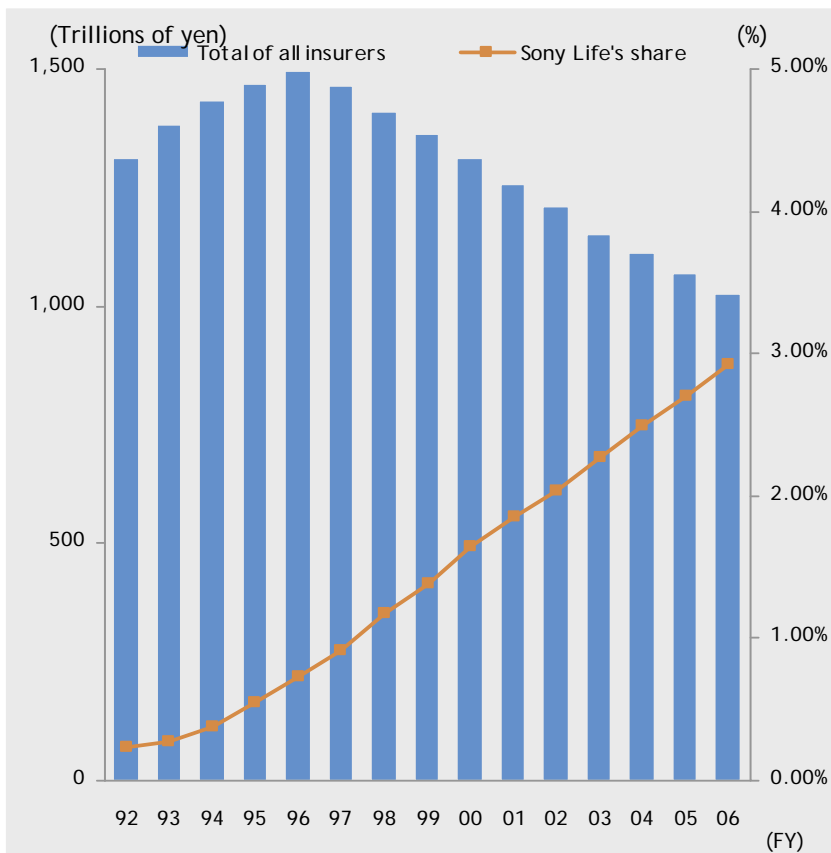
Sources: *Annual Report on Current Population Estimates* (Statistics Bureau, Ministry of Internal Affairs and Communications) and *Population Projections for Japan* (National Institute of Population and Social Security Research)

# 2. Steady earnings contribution

## Sony Life: Stable profit base

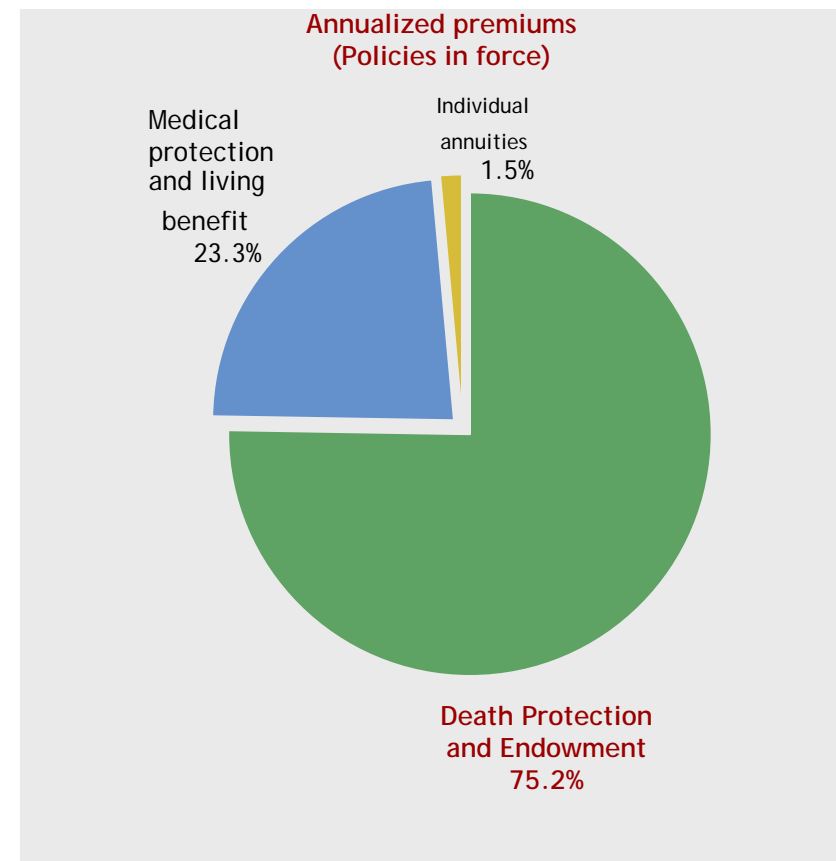
- While policy amount in force of the industry is declining, that of Sony Life is steadily increasing, principally for death protection insurance products
- Product portfolio mainly consists of profitable death-protection and medical protection insurance

Policy Amount in Force (Individual Life Insurance)



Source: Statistics of Life Insurance Business in Japan

Sony Life's Product Portfolio (As of September 30, 2007)



Source: Sony Life

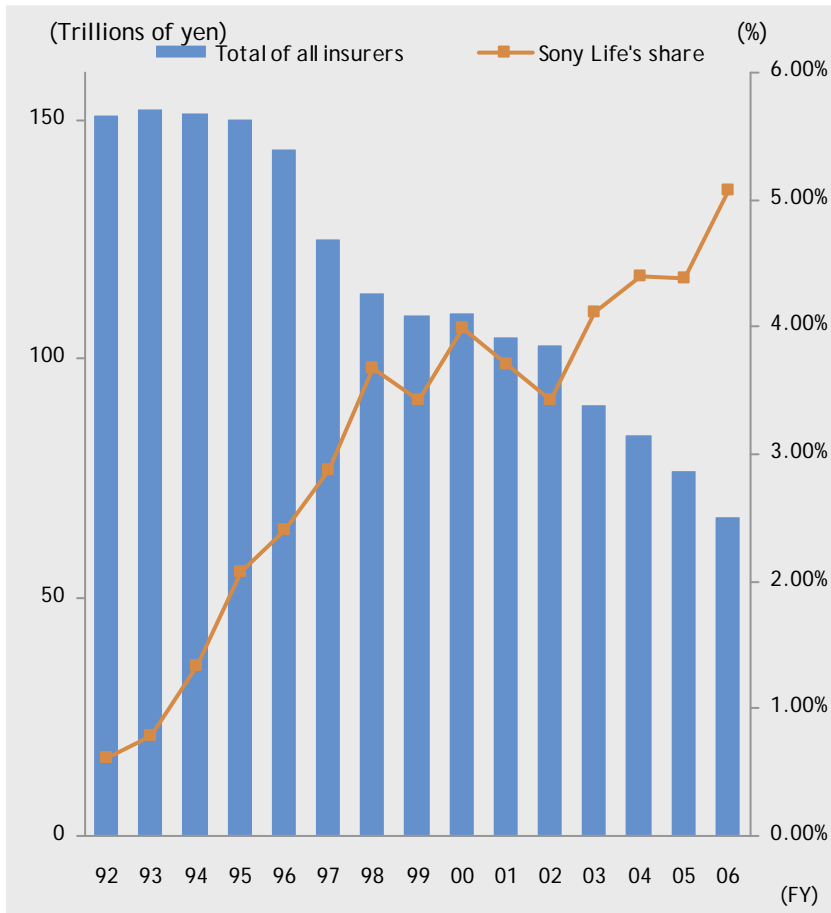
# 2. Steady earnings contribution

## Sony Life: Lifepanner sales capabilities of acquiring new policies support stable profit base



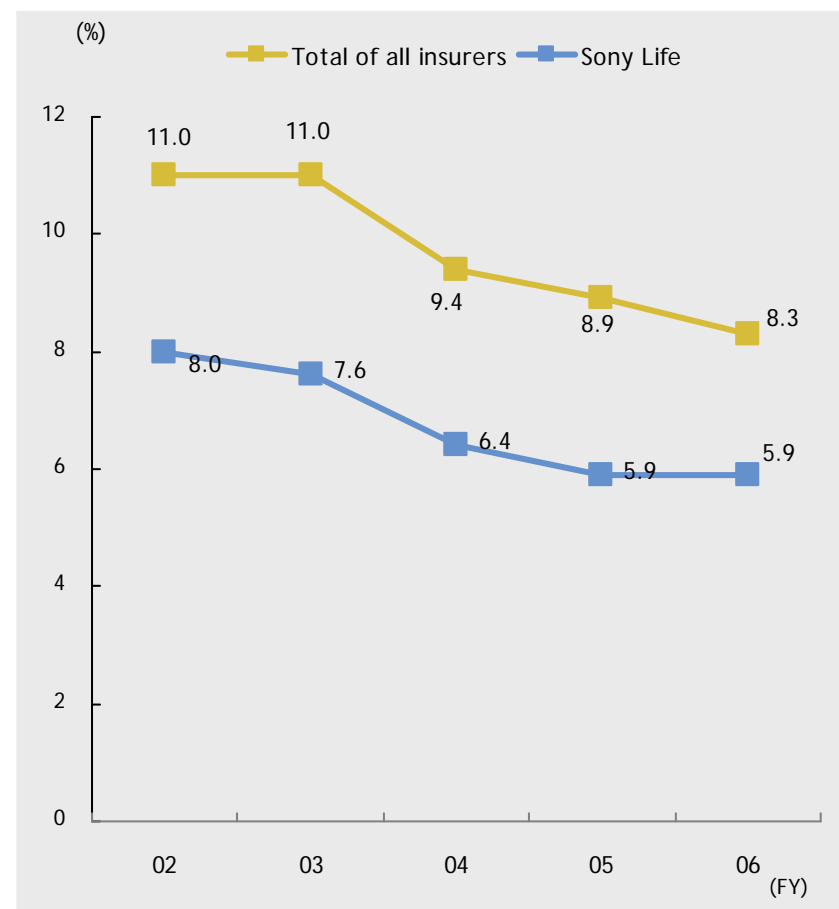
■ Sony Life's stable profitability base is supported by Lifepanner sales capabilities of acquiring new policies and its after-sales follow-up services, which are conducted by Lifepanner sales employees and independent agents

New Policy Amount (Individual Life Insurance)



Source: *Statistics of Life Insurance Business in Japan*  
 Note: New policy amount is calculated without adjusting for the impact of conversion.

Lapse and Surrender Rates (Individual Life Insurance)



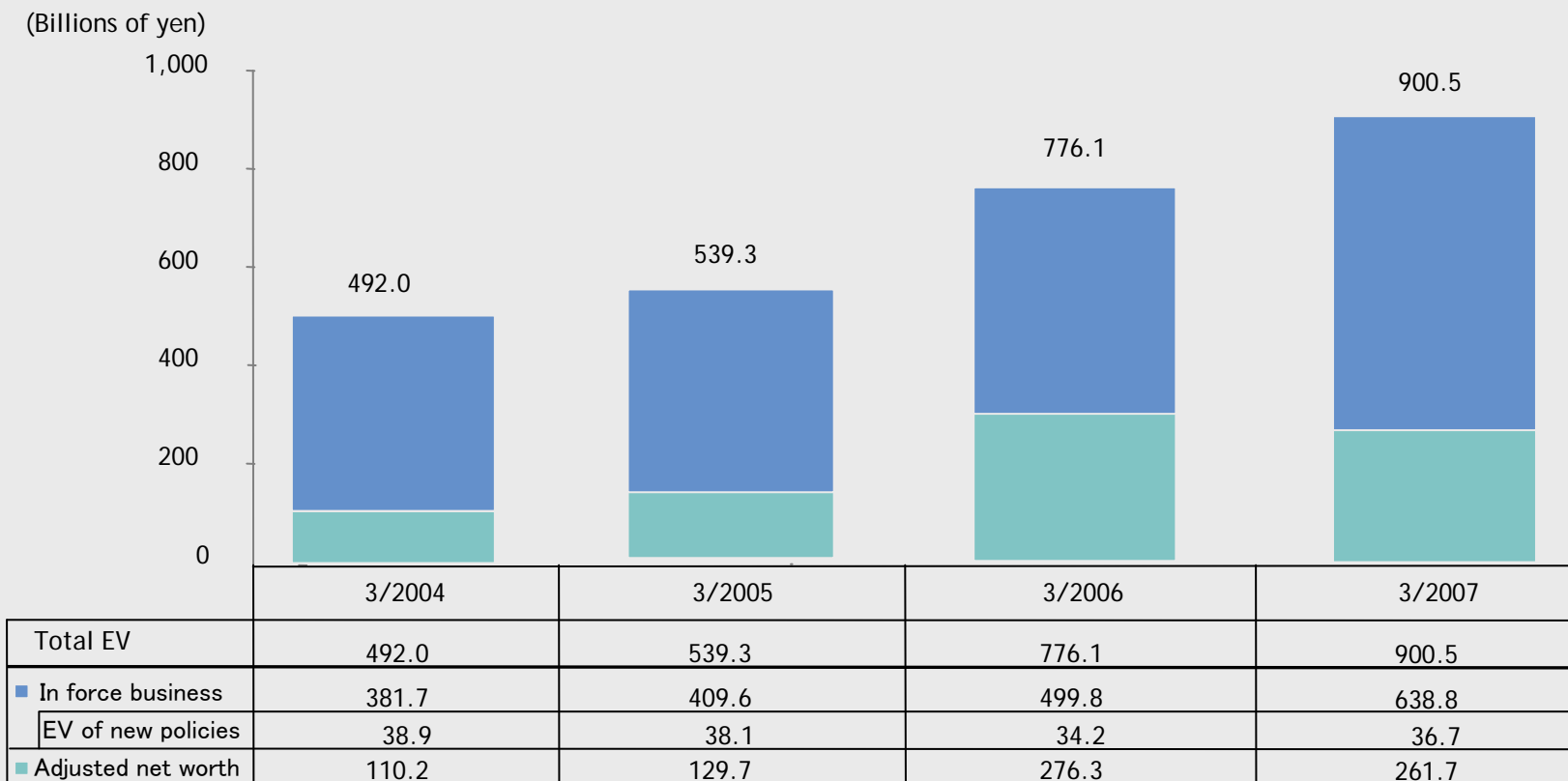
Sources: *Statistics of Life Insurance Business in Japan*  
 Note: The lapse and surrender rate is calculated as a ratio of the amount of lapse and surrender (including revisions due to the reduction/increase/reinstatement), against the total policy amount in force at the beginning of the fiscal year.

## 2. Steady earnings contribution

### Sony Life's Embedded Value (EV) (as of March 31, 2007)

- Sony Life's EV has steadily increased, principally through growth in the value of in-force business
- Rising interest rates should have a positive effect on EV, leading to higher investment yields

#### Embedded Value



Source: Sony Life

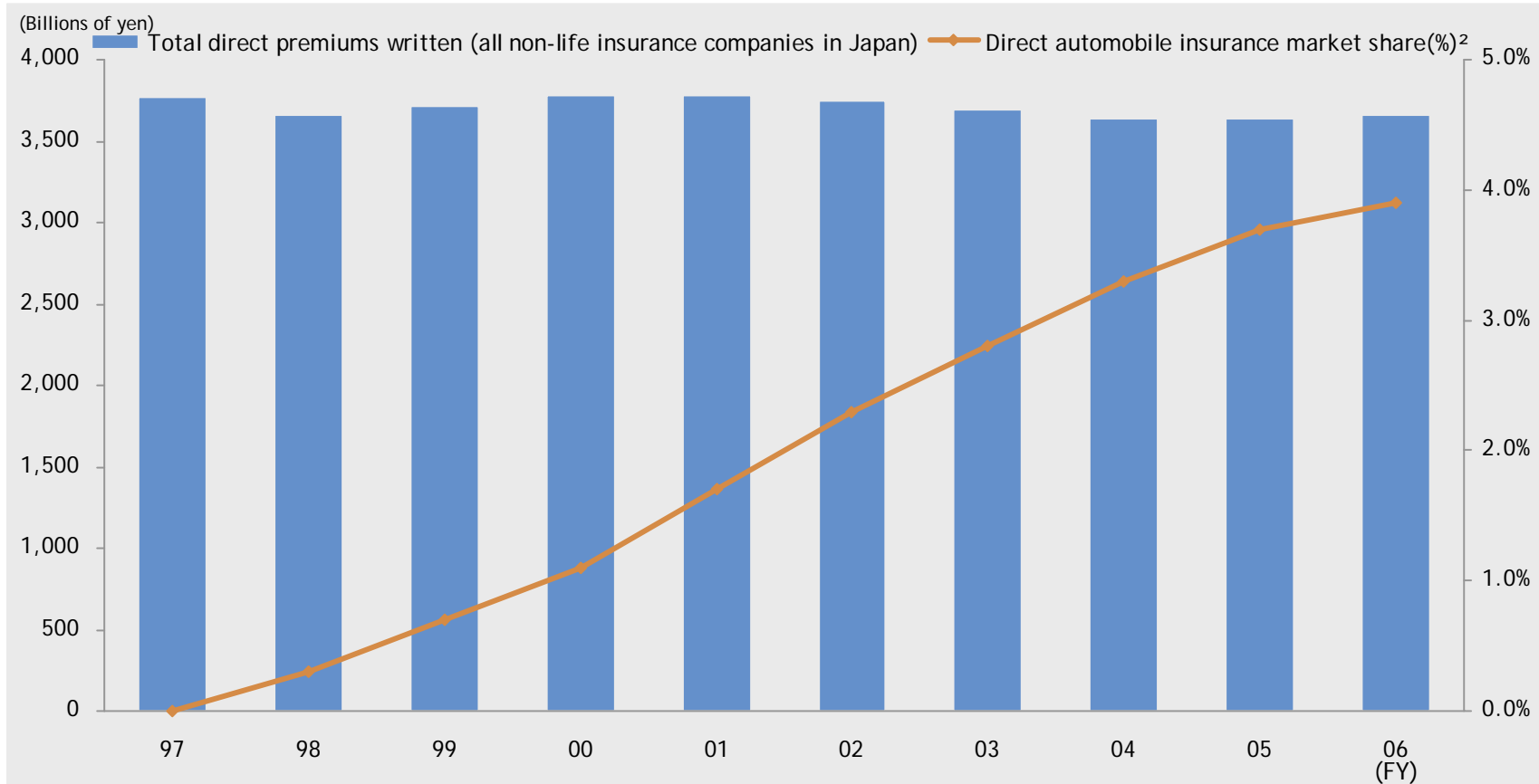
Note: Assumptions and calculation methods differ for EV calculated in March 2004, March 2005, March 2006, and March 2007.

## 2. Steady earnings contribution

### 2. Sony Assurance: High growth potential in the direct automobile insurance market

- Although the market for automobile insurance is flat, direct automobile insurance is steadily increasing its market share. We expect this trend to continue

Market Share of Direct Automobile Insurance<sup>1</sup>



Sources: *Statistics of Japanese Non-Life Insurance Business* and the public disclosure materials of Japan's direct non-life insurers. For FY2006, the public disclosure materials of Japan's direct non-life insurers and the Foreign Non-Life Insurance Association of Japan Inc. (*Hoken Mainichi Shimbun*, June 28, 2007)

<sup>1</sup> Direct premiums written basis

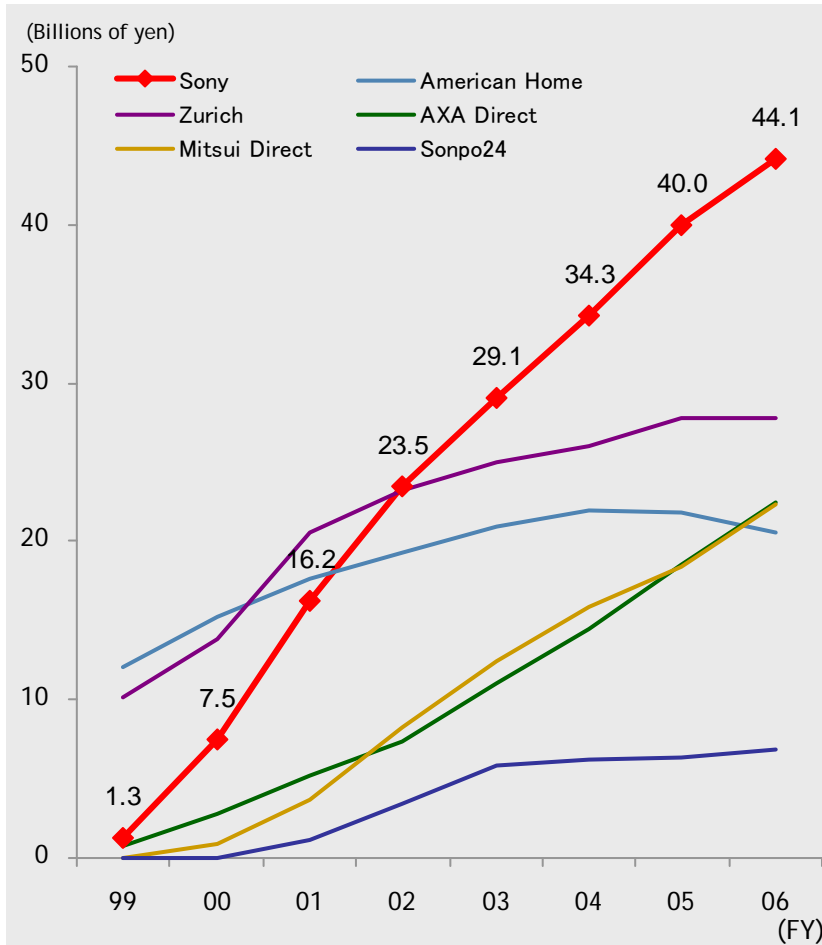
<sup>2</sup> The proportion of direct premiums written by all direct insurance providers in Japan (Sony Assurance, Zurich, Mitsui Direct, AXA Direct, Sonpo 24, American Home) as a percentage of total direct premiums written by all non-life insurance companies in Japan

# 2. Steady earnings contribution

## Sony Assurance: Accomplishment of high profitability in a growing market

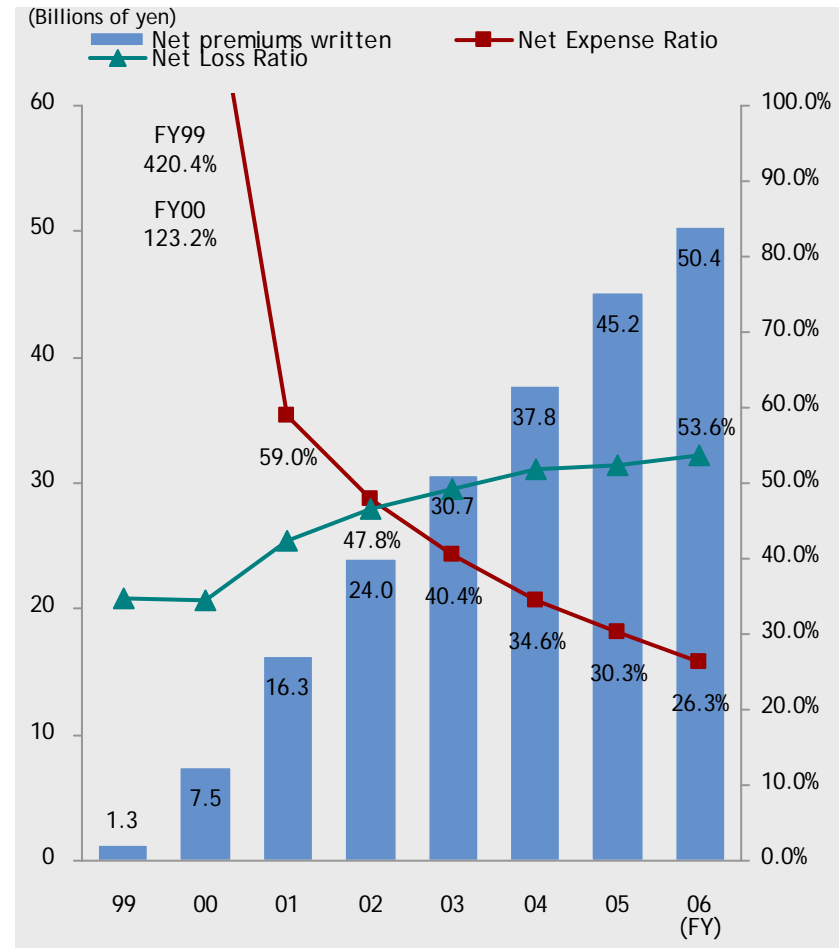
- As direct automobile insurance continues to garner a growing share of the overall market, Sony Assurance's rate of growth outpaces that of the direct automobile insurance market itself
- Reasonable pricing by risk segment and appropriate control over operating expenses enable Sony Assurance to achieve high profitability

Direct Premiums Written in Direct Automobile Insurance Market



Sources: The public disclosure materials of Japan's direct non-life insurers

Net Premiums Written, Net Expense Ratio and Net Loss Ratio of Sony Assurance



Source: Sony Assurance

<sup>1</sup> Net Expense Ratio is the ratio of the total amount of net commissions and brokerage fees plus underwriting expenses to net premiums written.

<sup>2</sup> Net Loss Ratio is the ratio of the total amount of net losses paid and loss adjustment expenses to net premiums written.

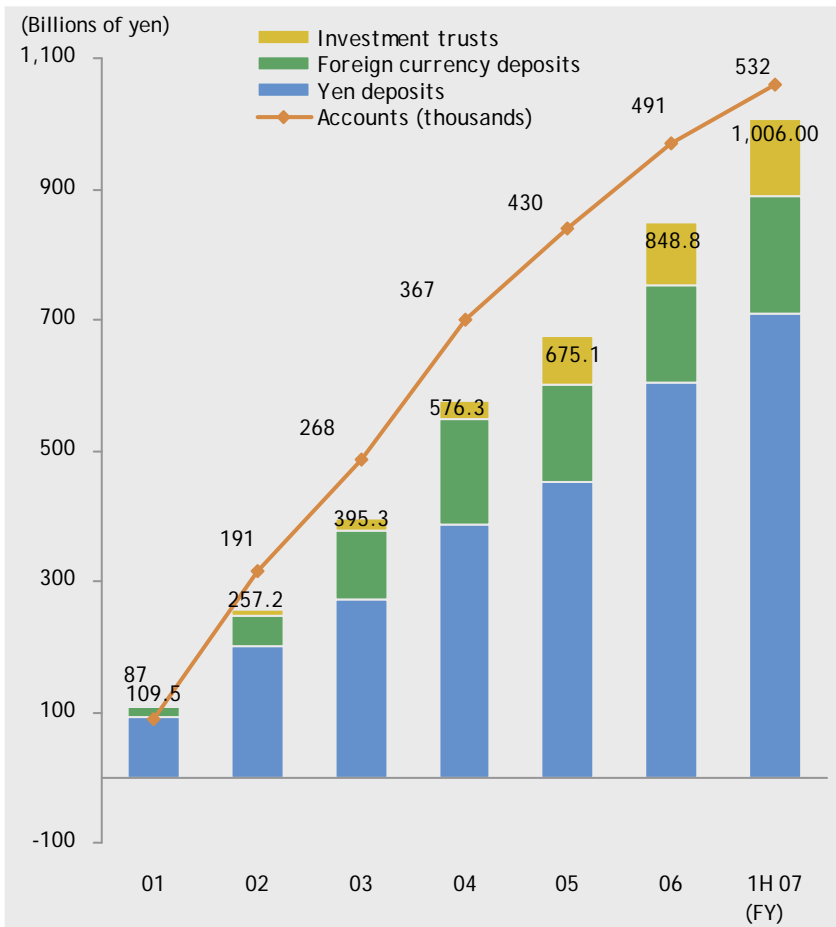
# 2. Steady earnings contribution



## Sony Bank: Growing profits supported by steady business expansion

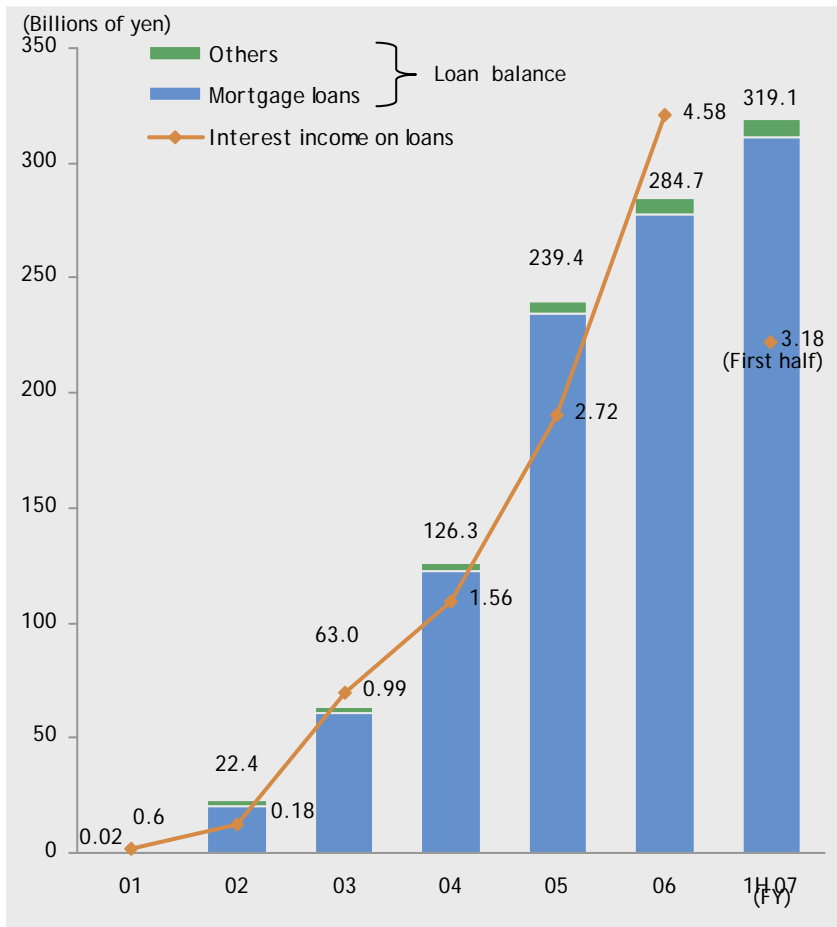
- Customer assets and loans are growing rapidly, moving the Bank into the black in its fifth year
- While providing customers with highly convenient products and services, the Bank plans to pursue further business initiatives

Customer Assets, Number of Accounts



Source: Sony Bank

Outstanding Loan Balance



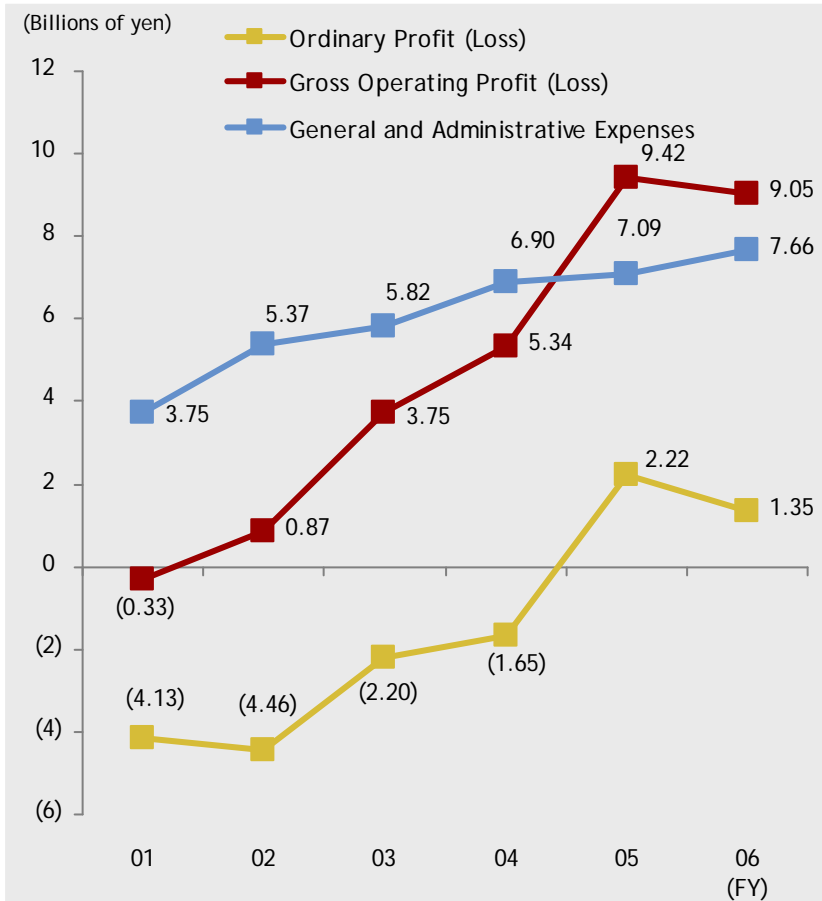
Source: Sony Bank

# 2. Steady earnings contribution

## Sony Bank: Revenue structure

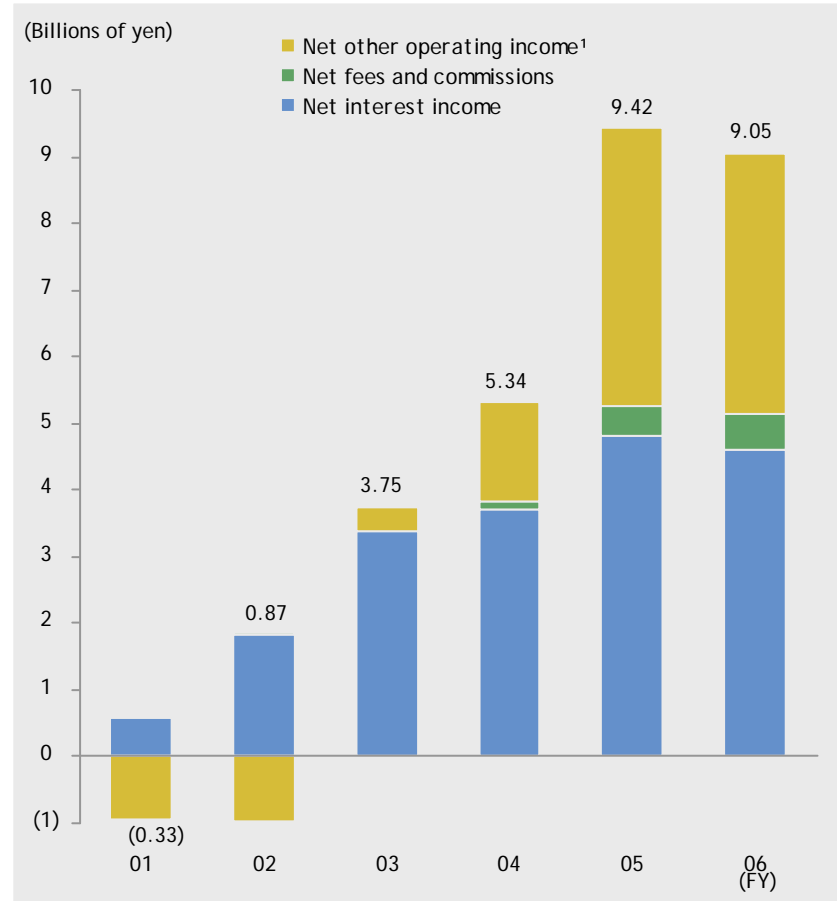
■ As Sony Bank's business scale has expanded, its gross operating profit has increased. Sony Bank succeeded in restraining operating expenses and successfully generated profits for two consecutive years from fiscal 2005

Sony Bank's Gross Operating Profit and General and Administrative Expenses, by Fiscal Year



Source: Sony Bank

Breakdown of Gross Operating Profit



Source: Sony Bank

<sup>1</sup> Net other operating income primarily consists of gains/losses associated with foreign exchange transactions (FY06: ¥4.3bn), gains/losses on sale of bonds and others (FY06: -¥0.1bn), derivatives (valuation gains/losses on derivative products including swaps held to hedge securities) (FY06: -¥0.3bn), and others (FY06: -¥0.04bn).

# Operations supported by our strong financial position

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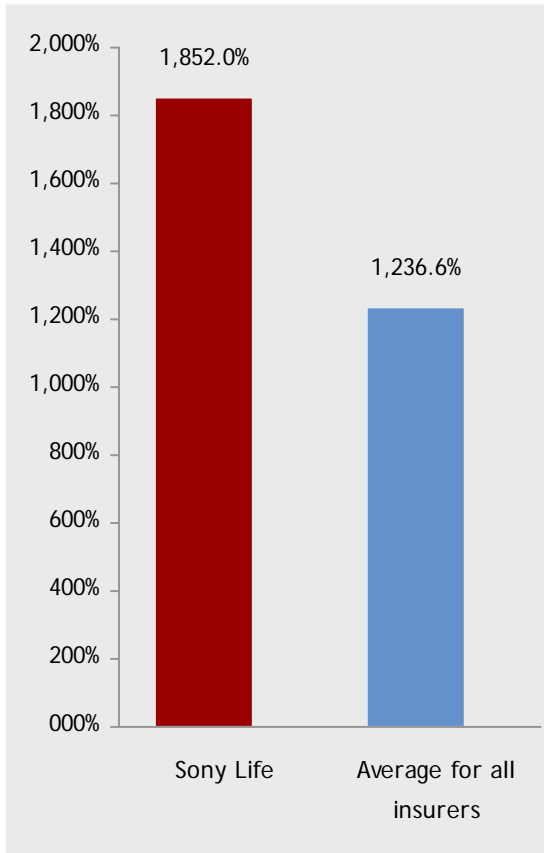
# 3. Operations supported by our strong financial position

## Three businesses maintain high financial soundness



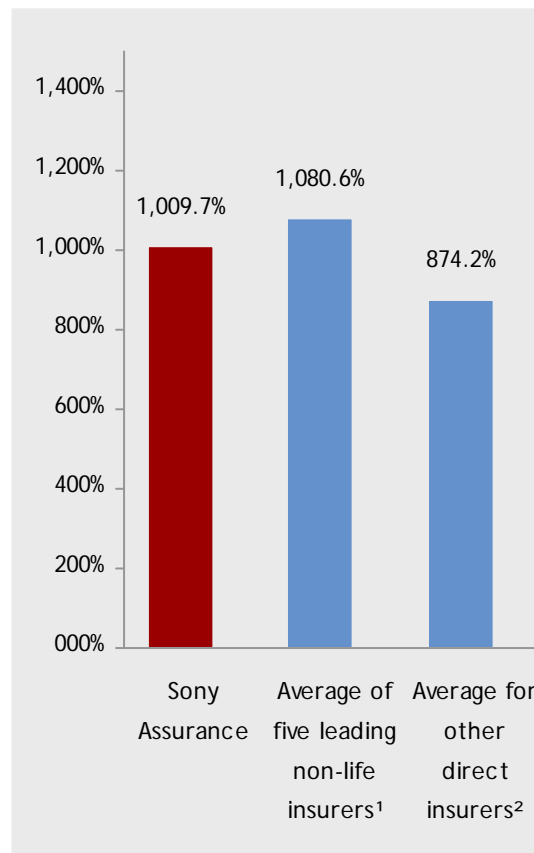
■ All three businesses maintain high levels of financial soundness compared with their Japanese peers

Life: Solvency Margin Ratio (FY06)



Source: Statistics of Life Insurance Business in Japan (2006)

Assurance: Solvency Margin Ratio (FY06)

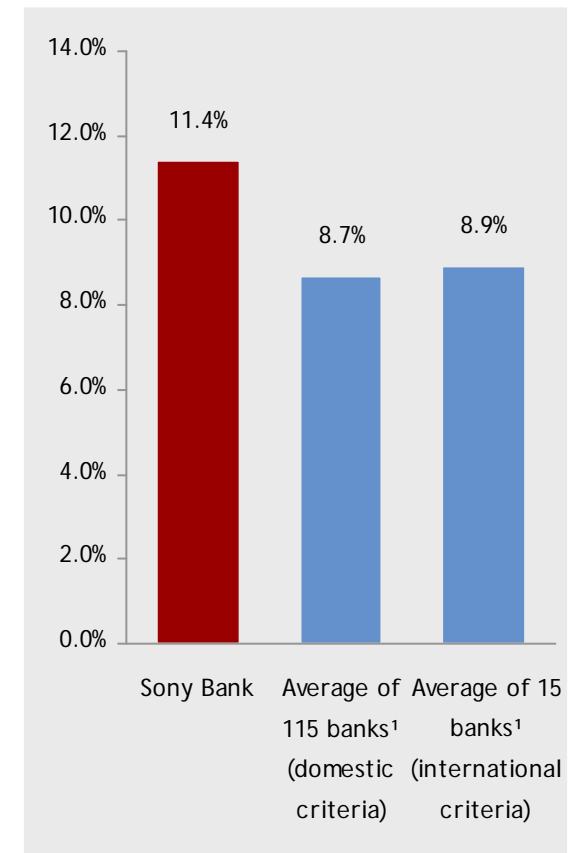


Sources: Sony Assurance and company reports

<sup>1</sup> Five leading non-life insurers: Tokio Marine and Nichido Fire, Mitsui Sumitomo, Sompo Japan, Nipponkoa, and Aiol. Shown as the ratio of the total of each numerator of solvency margin ratio to the total of each denominator

<sup>2</sup> Other direct insurers: Zurich, Mitsui Direct, AXA Direct, Sonpo 24, and American Home. Shown as the ratio of the total of each numerator of solvency margin ratio to the total of each denominator

Bank: Tier I Ratio (FY06)



Sources: Sony Bank and "The Financial Business Review" (Toyo Keizai Inc.)

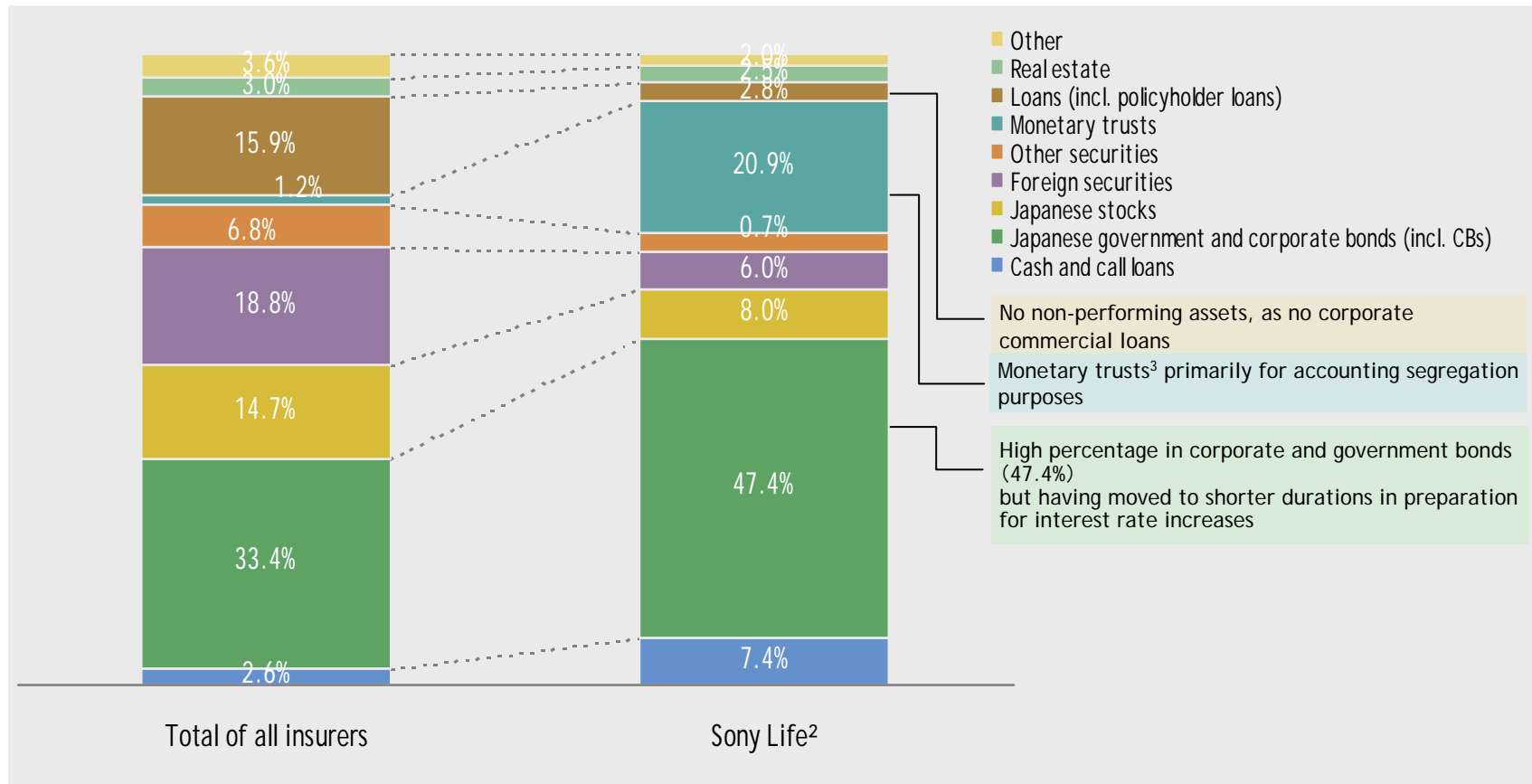
<sup>1</sup> 2007 Average of the "Financial Results Ranking of Japanese Banks for the year ended March 2007"

# 3. Operations supported by our strong financial position

## Sony Life's Asset Portfolio

- Compared with the average of the industry, Sony Life has formed an investment portfolio containing primarily corporate and government bonds
- In line with the current economic recovery and increases in interest rates, Sony Life is gradually expanding its investment in long-term bonds

Breakdown of Investment Assets<sup>1</sup> (as of March 31, 2007)



Source: *Statistics of Life Insurance Business in Japan (2006)*

<sup>1</sup> Percentage of the breakdown is calculated as a ratio to total assets

<sup>2</sup> CBs account for more than 10% of total assets (CBs within government and corporate bonds, CBs within monetary trusts and CBs within separate accounts). Excluding CBs, stocks account for less than 10% of total assets, including stocks in monetary trusts and stocks within separate accounts.

<sup>3</sup> Breakdown of monetary trusts (20.9%) - Japanese government and corporate bonds: 3/4; Japanese stocks: less than 10%; the remainder includes cash and call loans, others.

## Earnings growth strategy and capital strategy

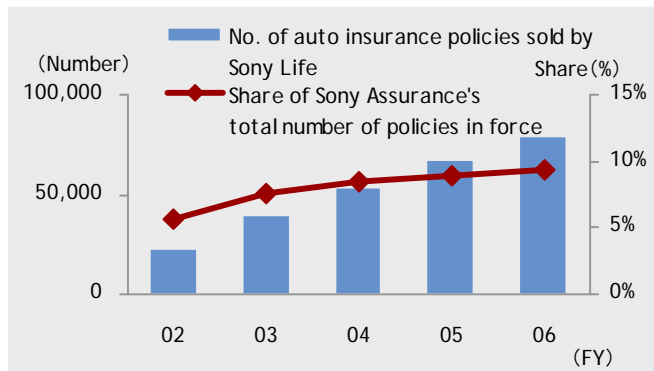
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# 4. Earnings growth strategy and capital strategy

## 4.1. Creating Group synergies through cross-selling

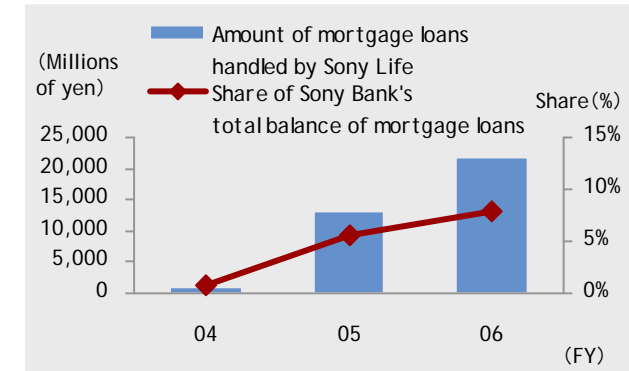
- The group companies are steadily producing results from their cross-selling efforts, notably in automobile insurance and mortgage loans
- We anticipate additional Group synergies through product provision and sales channel alliances

Automobile Insurance in Force Sold by Sony Life

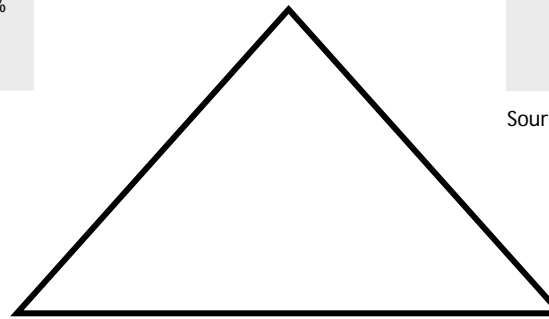


Source: Sony Assurance

Mortgage Loans Handled by Sony Life



Source: Sony Bank



# 4. Earnings growth strategy and capital strategy

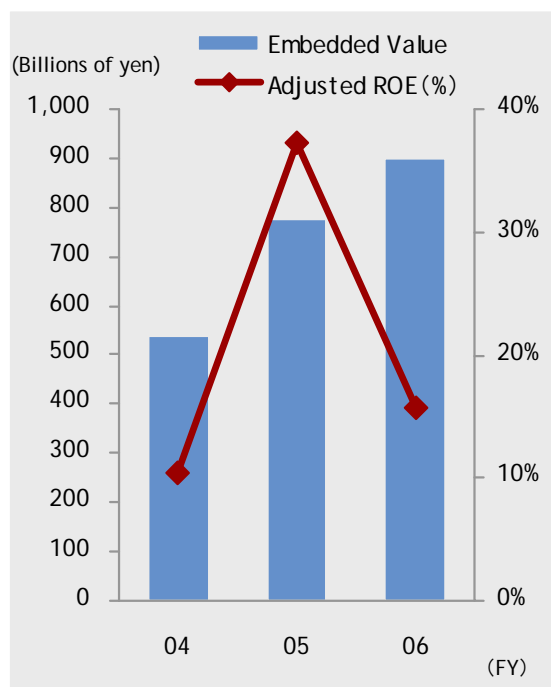
## SFH Group's Key Management Benchmarks

### Key Management Benchmarks

- Consolidated ordinary revenues, consolidated ordinary profit and consolidated net income
- Consolidated adjusted ROE

(Millions of yen, %)	FY2004	FY2005	FY2006
Consolidated ordinary revenues	653,259	758,711	759,280
Consolidated ordinary profit	12,269	25,377	18,354
Consolidated net income	6,375	11,537	10,021
Consolidated adjusted ROE	8.0%	35.1%	15.2%

### Sony Life Embedded Value and Adjusted ROE



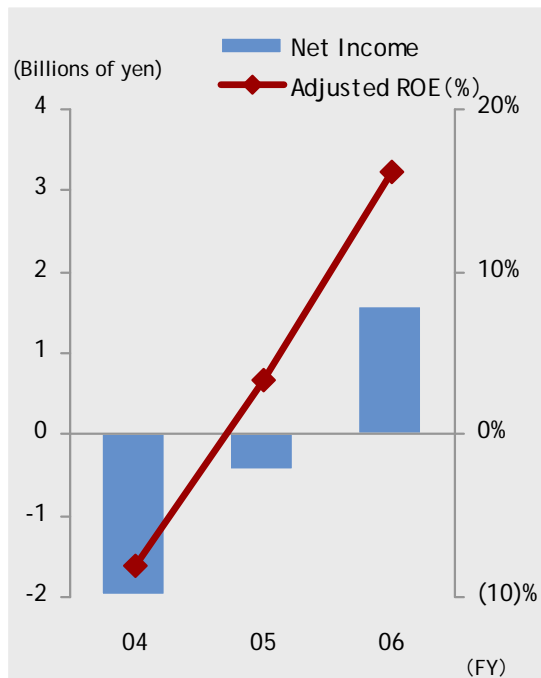
Source: Sony Life

Notes: Calculation of Adjusted ROE

Numerator: Net increase in EV plus dividend

Denominator: The average of (EV at previous fiscal year-end – dividend + EV at current fiscal year-end)

### Sony Assurance Net Income and Adjusted ROE

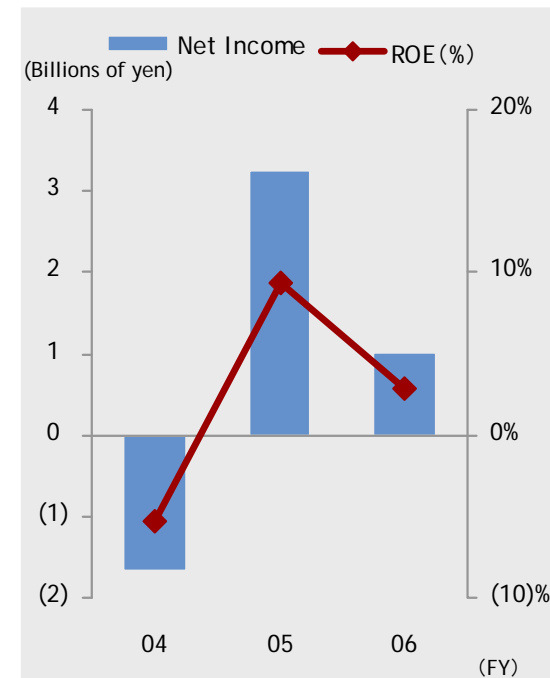


Source: Sony Assurance

Notes: Calculation of Adjusted ROE

Numerator: Net income plus an increase in provision for special catastrophe reserves (after-tax) and an increase in reserve for price fluctuations (after-tax)  
 Denominator: The average of (shareholders' equity or net assets + special catastrophe reserve and reserve for price fluctuations (after-tax)) as of the previous fiscal year-end and the current fiscal year-end

### Sony Bank Net Income and ROE



Source: Sony Bank

Notes: Calculation of ROE:

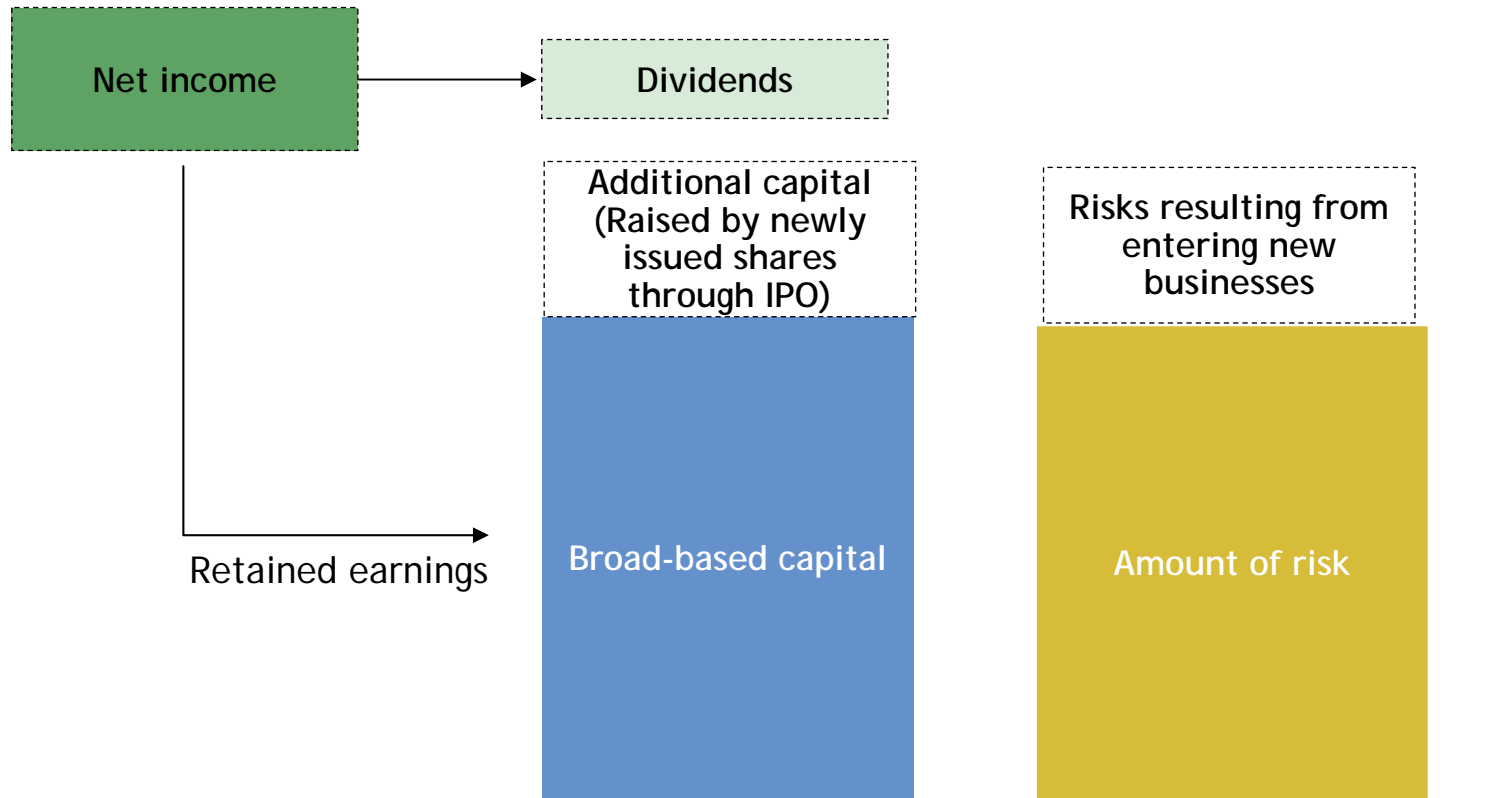
Numerator: Net income

Denominator: The average of shareholders' equity or net assets as of the previous fiscal year-end and the current fiscal year-end

# 4. Earnings growth strategy and capital strategy

## Capital Strategy

- Appropriate assessment of the risks that the Group faces and maintenance of adequate capital corresponding to that risk
- In principle the Company will ensure stable ongoing dividends to shareholders, taking into consideration industry trends and the Group's operating performance, as long as our ongoing soundness as a financial institution is ensured




# 4. Earnings growth strategy and capital strategy

## Sony Life's entry into the annuities businesses and Sony Bank's entry into the securities brokerage business

- Enter into new businesses offering integrated and diverse financial services such as savings, investment, borrowing and protection
- In midterm, Sony Life will enter into growing markets such as annuities businesses, while Sony Bank will enter into the securities brokerage business


Annuities  
and  
Savings

- Annuities and savings compete with other financial products, making it difficult to ensure high profitability. However, Sony Life focuses on these products as new growth areas to cultivate new customers as well as new needs of existing customers
- Sony Life plans to establish an individual annuity insurance company in Japan as a joint venture with Aegon N.V. The new insurer will aim to provide distinctive annuity products through Sony Life's Lifeplanner sales employees and via financial institutions. AEGON Sony Life Planning Co., Ltd. was established in August 2007 to conduct activities during its preoperational stage.
  - Planning to start sales in 2008



Securities

- Providing securities brokerage functions to Sony Bank's customers, as part of its line-up of asset management products and services
- Highly convenient securities services will be provided by capitalizing on the framework of the securities brokerage business. In the future, the Company will enhance convenience for Sony Life and Sony Assurance's customers
  - Sony Bank Securities Inc. commenced its operations in October 2007



## Wrap-Up

1. ■ Tailored distribution channels with strong focus on retail market
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