

[Reference Disclosure] Key Performance Figures Based on U.S. GAAP

October 31, 2017
Sony Financial Holdings Inc.

Sony Corporation (“Sony”), the parent company of Sony Financial Holdings Inc. (“SFH”), prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). This reporting in accordance with U.S. GAAP includes the disclosure of financial information for the Sony Group’s Financial Services segment, including the Sony Financial Group. On the other hand, the Sony Financial Group, which accounts for the majority of the Sony Group’s Financial Services segment, discloses financial information in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”). SFH has received inquiries from its shareholders and other investors about the differences between these two accounting standards.

In the insurance business, the differences between the two accounting standards are significant. These primarily derive from the differences of the accounting standards such as the liabilities for future insurance policy benefits and deferred insurance acquisition costs. Therefore, we provide supplementary information for Japanese and overseas investors to help their understanding of the Sony Financial Group’s operating performance. This document contains key financial information pertaining to the Sony Group’s Financial Services segment that Sony disclosed in accordance with U.S. GAAP.

Please note that the supplementary information has not been audited in accordance with the Companies Act, the Financial Instruments and Exchange Act or the standard of the Public Company Accounting Oversight Board (United States). SFH prepares its consolidated financial results on the basis of Japanese GAAP, and we therefore ask our shareholders and other investors to refer to figures based on Japanese GAAP. Furthermore, neither SFH nor the Sony Financial Group have closed their accounts for the quarter based on Japanese GAAP, although today, SFH announced its preliminary consolidated financial results and forecast based on Japanese GAAP. :

http://www.sonyfh.co.jp/en/news/article/171031_01.pdf

Note: This release only explains operating performance, which includes preliminary operating results for the six months ended September 30, 2017, and financial forecast for the fiscal year ending March 31, 2018 on the basis of U.S. GAAP and Japanese GAAP. SFH expects to announce its operating results for the six months ended September 30, 2017, on November 13, 2017. On November 13, 2017, we expect to release “[Reference Disclosure] Key Performance Figures Based on U.S. GAAP (Complete Edition),” indicating the differences between the key financial information for the Sony Group’s Financial Services segment under U.S. GAAP and the consolidated operating performance issued by the Sony Financial Group based on Japanese GAAP.

(1) Performance Trends

Sony Group's Financial Services Segment <U.S. GAAP>

<Fiscal year basis>

(Billions of yen)

	FY12	FY13	FY14	FY15	FY16
Revenue	1,002.4	993.8	1,083.6	1,073.1	1,087.5
Operating income	142.2	170.3	193.3	156.5	166.4
Net income	99.0	116.1	151.1	118.8	118.7
Stockholders' equity of Financial Services*	970.9	1,079.7	1,247.8	1,385.5	1,449.6
Total assets	8,570.1	9,347.9	10,089.9	10,915.5	12,063.9

<Quarterly basis>

(Billions of yen)

	FY16-1Q	FY16-2Q	FY16-3Q	FY16-4Q	FY17-1Q	FY17-2Q	FY17-3Q	FY17-4Q
Revenue	232.7	260.5	319.1	275.1	303.2	279.2	-	-
Operating income	48.5	33.6	29.0	55.3	46.2	36.6	-	-
Net income	35.1	23.6	20.6	39.4	32.7	26.2	-	-
Stockholders' equity of Financial Services*	1,426.0	1,414.9	1,417.2	1,449.6	1,457.8	1,485.3	-	-
Total assets	11,018.3	11,322.3	11,861.0	12,063.9	12,408.9	12,596.8	-	-

<Year-to-date basis>

(Billions of yen)

	FY16-1Q	FY16-2Q	FY16-3Q	FY16-4Q	FY17-1Q	FY17-2Q	FY17-3Q	FY17-4Q
Revenue	232.7	493.2	812.4	1,087.5	303.2	582.4	-	-
Operating income	48.5	82.1	111.1	166.4	46.2	82.8	-	-
Net income	35.1	58.7	79.3	118.7	32.7	58.9	-	-
Stockholders' equity of Financial Services*	1,426.0	1,414.9	1,417.2	1,449.6	1,457.8	1,485.3	-	-
Total assets	11,018.3	11,322.3	11,861.0	12,063.9	12,408.9	12,596.8	-	-

Note: Figures on a quarterly basis and those on a year-to-date basis are expressed in billions of yen. However, the totals for the figure provided on a year-to-date basis may not necessarily total those on a quarterly basis. Fractional amounts of less than ¥0.1 billion are rounded.

*The figure of Stockholders' equity of Financial Services substantially corresponds to net assets attributable to shareholders under Japanese GAAP.

Sony Financial Holdings (Consolidated) <Japanese GAAP>

<Fiscal year basis>

(Billions of yen)

	FY12	FY13	FY14	FY15	FY16
Ordinary revenues	1,259.0	1,320.4	1,352.3	1,362.0	1,381.6
Ordinary profit	79.2	76.1	90.0	71.1	66.3
Profit attributable to owners of the parent	45.0	40.5	54.4	43.3	41.6
Net assets attributable to shareholders	434.1	465.7	549.3	603.0	599.6
Total assets	8,096.1	8,841.3	9,545.8	10,352.1	11,471.8

<Quarterly basis>

(Billions of yen)

	FY16-1Q	FY16-2Q	FY16-3Q	FY16-4Q	FY17-1Q	FY17-2Q	FY17-3Q	FY17-4Q
Ordinary revenues	326.6	305.3	409.3	340.3	364.9	343.3	-	-
Ordinary profit	25.5	11.6	13.1	16.0	18.9	13.6	-	-
Profit attributable to owners of the parent	17.6	7.4	8.5	7.9	12.5	9.0	-	-
Net assets attributable to shareholders	608.7	597.2	596.4	599.6	589.6	596.2	-	-
Total assets	10,427.0	10,744.6	11,276.0	11,471.8	11,806.8	11,979.2	-	-

<Year-to-date basis>

(Billions of yen)

	FY16-1Q	FY16-2Q	FY16-3Q	FY16-4Q	FY17-1Q	FY17-2Q	FY17-3Q	FY17-4Q
Ordinary revenues	326.6	631.9	1,041.3	1,381.6	364.9	708.3	-	-
Ordinary profit	25.5	37.1	50.3	66.3	18.9	32.6	-	-
Profit attributable to owners of the parent	17.6	25.1	33.7	41.6	12.5	21.5	-	-
Net assets attributable to shareholders	608.7	597.2	596.4	599.6	589.6	596.2	-	-
Total assets	10,427.0	10,744.6	11,276.0	11,471.8	11,806.8	11,979.2	-	-

Note 1: Figures on a quarterly basis and those on a year-to-date basis are expressed in billions of yen. However, the totals for the figures provided on a year-to-date basis may not necessarily total those on a quarterly basis. Fractional amounts of less than ¥0.1 billion are discarded.

Note 2: When reporting its quarterly operating performance, SFH discloses figures on a year-to-date basis, so the figures provided on a quarterly basis are calculated as the difference of figures provided on a year-to-date basis.

(2) Financial Forecast for the Fiscal 2017

Sony Group's Financial Services Segment <U.S. GAAP>

<Fiscal year basis>

(Billions of yen)

	FY16 Results	FY17 Forecast
Revenue	1,087.5	1,170.0
Operating income	166.4	170.0

Sony Financial Holdings (Consolidated) <Japanese GAAP>

<Fiscal year basis>

(Billions of yen)

	FY16 Results	FY17 Forecast
Ordinary revenues	1,381.6	1,430.0
Ordinary profit	66.3	67.0

These Japanese GAAP's preliminary results for the six months ended September 30, 2017 are based on information available to SFH's management as of this date and may differ substantially from actual results expected to be announced on November 13, 2017 for a variety of reasons.

SFH's consolidated results* are prepared in accordance with Japanese GAAP. As such, these figures differ in significant respects from the financial information reported by Sony, SFH's parent company, which prepares its financial statements in accordance with U.S. GAAP.

Sony Financial Group's scope of consolidation and that of Sony Group's Financial Services segment are described below.

< Sony Financial Group's scope of consolidation under Japanese GAAP >

*SFH's scope of consolidation includes Sony Financial Holdings Inc., Sony Life Insurance Co. Ltd., Sony Assurance Inc., Sony Bank Inc., Sony Life Insurance (Philippines) Corporation, Sony Bank Securities Inc., Sony Payment Services Inc., and SmartLink Network Hong Kong Limited, Sony Lifecare Inc., Lifecare Design Inc. and Proud Life Inc. It also includes AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd., as affiliated companies accounted for under the equity method. SmartLink Network Hong Kong Limited was included in the scope of consolidation from the fourth quarter of the year ended March 31, 2014, and Sony Lifecare Inc. and Lifecare Design Inc. were included in the scope of consolidation from the first quarter of the year ended March 31, 2017, and Proud Life Inc. is included in the scope of consolidation from the second quarter of the year ending March 31, 2018, respectively. Sony Bank Securities Inc. and Sony Life Insurance (Philippines) Corporation were out of the scope of consolidation from the second quarter of the year ended March 31, 2013 and the third quarter of the year ended March 31, 2013, respectively and thereafter.

<Scope of consolidation of the Sony Group's Financial Services segment under U.S. GAAP >

Sony Group's Financial Services segment includes Sony Financial Holdings Inc., Sony Life Insurance Co. Ltd., Sony Assurance Inc., Sony Bank Inc., Sony Bank Securities Inc., Sony Payment Services Inc., SmartLink Network Hong Kong Limited, Sony Lifecare Inc., Lifecare Design Inc. and Proud Life Inc. as consolidated subsidiaries. It also includes AEGON Sony Life Insurance Co., Ltd., and SA Reinsurance Ltd. as affiliated companies accounted for under the equity method. Sony Lifecare Inc. and Lifecare Design Inc. were included in the scope of consolidation from the first quarter of the year ended March 31, 2017, and Proud Life Inc. is included in the scope of consolidation from the second quarter of the year ending March 31, 2018, respectively. Sony Bank Securities Inc. was out of the scope of consolidation from the second quarter of the year ended March 31, 2013 and thereafter.

Statements made in this press release concerning the current plans, expectations, strategies and beliefs of the Sony Financial Group. Any statements contained herein that are not historical facts are forward-looking statements or pro forma information. Forward-looking statements may include—but are not limited to—words such as “believe,” “anticipate,” “plan,” “strategy,” “expect,” “assume,” “forecast,” “predict,” “propose,” “intend” and “possibility” that describe future operating activities, business performance, events or conditions. Forward-looking statements, whether spoken or written, may also be included in other materials released to the public. These forward-looking statements and pro forma information are based on assumptions, decisions and judgments made by the management of Sony Financial Group companies, and are based on information that is currently available to them. As such, they are subject to various risks and uncertainties, and actual business results may vary substantially from the forecasts expressed or implied in forward-looking statements. Consequently, investors are cautioned not to place undue reliance on forward-looking statements. Sony Financial Group companies are under no obligation to revise forward-looking statements or pro forma information in light of new information, future events or other findings. The information contained in this press release does not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe to any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever in Japan or abroad.

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Appendix:

Significant Differences between Japanese GAAP and U.S. GAAP

SFH's consolidated results are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP") and provisions of the Insurance Business Act of Japan. As such, these figures differ in significant respects from the financial information reported by Sony Corporation, SFH's parent company, which prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant differences between Japanese GAAP and U.S. GAAP are described below:

(1) Standards for recognizing income from insurance premiums in the life insurance business

Under U.S. GAAP, premium income on traditional insurance products is recognized as revenues during the premium-paying period. Income other than premium payments received under investment agreements or for separate agreements under universal life insurance (*), which are equivalent to deposits, is recognized as revenue. Under Japanese GAAP, all premiums paid by policyholders are recognized as revenues.

*Note: For Sony Life Insurance Co., Ltd., investment agreements primarily include single premium endowment insurance, single premium educational endowment insurance and individual annuities. Universal insurance mainly includes variable life insurance and interest-rate sensitive whole life insurance.

(2) Standards for recognizing net gains from investment in the life insurance business

The recognition of net gains from investment in the life insurance business, which are classified in separate accounts defined under the Insurance Business Act of Japan and which directly belong to policyholders, differs between Japanese GAAP and U.S. GAAP. Under U.S. GAAP, net gains or losses are always recorded as revenues, whereas under Japanese GAAP such figures are recognized as ordinary revenues if they are positive, and as ordinary expenses if negative.

(3) Policy reserves (future insurance policy benefit, etc.) in the insurance business

Since the method of calculation differs between Japanese regulations and U.S. GAAP, profits and losses during the period differ as well. Under the Insurance Business Act of Japan, insurance companies in Japan are required to accumulate a policy reserve for the fulfillment of future obligations such as payment of insurance benefits based on the accumulation method and actuarial assumptions approved by the authorities of the supervisory administrative agencies in Japan, whereas under U.S. GAAP, liabilities for future insurance policy benefits are composed of the present value of estimated future payments to policyholders. Under U.S. GAAP, liabilities for future insurance policy benefits are computed based upon actuarial assumptions, such as future investment yield, mortality rates, morbidity rates, contingency rates and other factors, which are revised at least once a year. Future insurance policy benefits are remeasured and large impacts may be reflected to profit in variable insurance policies from revising investment yield due to fluctuations in the stock market or the bond market. Liabilities for future insurance policy benefits also include liabilities for minimum guaranteed benefits related to certain insurance products such as variable insurance policies. With respect to liabilities for minimum guaranteed benefits, the relevant insurance policies differ between Japanese GAAP and U.S. GAAP.

(4) Deferral and amortization of deferred insurance acquisition costs

Under Japanese GAAP, insurance acquisition costs in the life insurance and non-life insurance businesses are charged as costs when incurred, whereas under U.S. GAAP insurance acquisition costs are deferred and amortized, in general, equally over the premium-paying period of the related insurance policies or the policy term by using the same calculation basis used in computing future insurance policy benefit. The deferred insurance acquisition costs for interest rate-sensitive whole life insurance and variable insurance are amortized over the policy term in proportion to the estimated gross profits, which are revised at least once a year as well as the actuarial assumptions to evaluate liabilities for future insurance policy benefits. From revising the estimated gross profits large impacts may be reflected to profit. Under U.S. GAAP, insurance acquisition costs include such items as commissions and medical examination and inspection report fees that directly relate to the costs of acquiring new insurance policies and renewing policies, as long as they are recoverable.

(5) Contingency reserve

Pursuant to provisions of the Insurance Business Act of Japan, to ensure the fulfillment of future obligations, insurance companies in Japan are required to accumulate a contingency reserve to account for the risk of insurance payment events occurring at a higher-than-expected rate due to higher-than-expected mortality and morbidity rates (insurance risks), the risk of actual investment yields being lower than the assumed investment yields relating to outstanding policies (assumed interest rate risk), the risk of actual investment results being lower than the amount guaranteed relating to the minimum guaranteed portion of variable life insurance or variable annuities (minimum guarantee risks) and other risks. The Insurance Business Act of Japan establishes an accumulation standard and a maximum amount of reserve for each risk. The contingency reserve can be reversed in regards to each risk. Contingency reserve is recorded as a component of policy reserve on the balance sheet. Under U.S. GAAP, there is no requirement for the provision of such a legal reserve.

(6) Catastrophe reserve

Pursuant to the provisions of the Insurance Business Act of Japan, non-life insurance companies in Japan are required to accumulate an amount based on premium income to cover losses due to catastrophic events. The catastrophe reserve acts as a provision against risks to

which the law of large numbers is not applicable on a single-year basis, in consideration of the special characteristics of the non-life insurance business to cover a wide range of risks including disasters. The catastrophe reserve is reversed in fiscal years in which a catastrophe occurs. Furthermore, the catastrophe reserve is accounted for as a part of underwriting reserves on the balance sheet. There is no requirement for the accumulation of such a legal reserve under U.S. GAAP.

(7) Reserve for price fluctuations

Pursuant to provisions of the Insurance Business Act of Japan, insurance companies in Japan are required to accumulate a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stocks, bonds and foreign currency-denominated investments. The Insurance Business Act of Japan establishes the accumulation standard and a maximum amount of reserve for each asset. The reserve for price fluctuations may be reversed to reduce losses arising from price fluctuations of those assets. Under U.S. GAAP, there is no requirement for the provision of such a legal reserve.

(8) Foreign currency transactions

The majority of the Sony Financial Group's operations in the banking business involve transactions denominated in foreign currencies. Under Japanese GAAP, transactions involving assets and liabilities denominated in foreign currencies are in principal translated to yen at the exchange rate prevailing on the date of the settlement of accounts, and any gains and losses on translation are recorded in the statements of income as foreign exchange gains or losses. For that reason, in the banking business, gains and losses on translation of those investments coming from foreign currency deposits (liabilities) are offset partially in the statements of income by ones from investments in available-for-sale bonds denominated in foreign currency (assets) for the purpose of covering those foreign currency deposits. However, under U.S. GAAP, although gains and losses on translation on foreign currency deposits (liabilities) are recorded in the statements of income, gains and losses on translation of available-for-sale bonds denominated in foreign currency (assets) are posted directly to net assets in accordance with fluctuations in the fair market value of securities held, and are therefore not recorded in the statements of income until maturity or sale. As such, under U.S. GAAP, asset-side gains and losses on translation and liability-side gains and losses on translation are recorded differently. Therefore, foreign exchange gains or losses resulting from liability-side exchange rate fluctuations have a larger impact on profit under U.S. GAAP than is the case under Japanese GAAP.

Under U.S. GAAP, the fair value option has been elected for certain investments in available-for-sale bonds denominated in foreign currency (assets) in the banking business. The election was made to mitigate accounting mismatches related to fluctuations of foreign exchange rates. Under U.S. GAAP, unrealized gains and losses on items for which the fair value option have been elected shall be reported in current earnings, and the gains and losses on translation of these bonds to be recorded in the statements of income.

(9) Compound financial instruments (financial instruments including derivatives)

When accounting for compound financial instruments under U.S. GAAP, if such financial instruments are valued together, they are marked to market together regardless of the category in which they are held, and valuation gains or losses are recorded in the statements of income. However, under Japanese GAAP the method for valuing these instruments differs depending on the category in which they are held. Consequently, the amounts of valuation gains or losses, gains or losses on sale, and impairment losses differ depending on whether U.S. GAAP or Japanese GAAP is applied.

(10) Policy reserve matching bonds

Life insurance businesses maintain policy reserves to ensure their ability to meet their long-term insurance obligations, and use bonds to manage the interest rate risk associated with the characteristics of those obligations. With the aim of reflecting the reality of managing this interest rate risk, under Japanese GAAP the "Temporary Treatment of Accounting and Auditing concerning Policy-Reserve-Matching Bonds in the Insurance Industry" (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 21) categorizes bonds used for this purpose as "policy reserve matching bonds," authorizes their valuation and accounting treatment using the amortized cost method. Sony Life Insurance Co., Ltd. valued bonds categorized as "policy reserve matching bonds" using the amortized cost method in accordance with Japanese GAAP. However, as the accounting treatment recognized under Japanese GAAP is not applied under U.S. GAAP, such bonds are classified as securities available for sale, measured at fair value as of the date of the financial statements, and recorded the unrealized holding gains and losses (net of tax) in accumulated other comprehensive income. Gains or losses on sale of bonds are realized as profit or loss in the statements of income.

(11) Goodwill

Under Japanese GAAP, if acquisition cost excess net value of acquired assets and liabilities when an entity obtains the control of other entities or businesses, "goodwill" in the amount equal to the excess is recorded as an asset. Goodwill excludes the portion of the non-controlling interest and shall be amortized regularly over the effective period up to 20 years.

Under U.S. GAAP, goodwill includes the portion of the non-controlling interest and shall not be amortized. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss in the amount equal to the excess is recorded. Consequently the amounts of the balance of goodwill and the expenses or impairment losses on goodwill differ depending on whether U.S. GAAP or Japanese GAAP is applied.