Sony Financial Holdings

Sony Financial Holdings Inc.

Annual Report 2010

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The SFH Group is a comprehensive financial services group comprising SFH, subsidiaries Sony Life, Sony Assurance, Sony Bank, and other group companies.

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The Sony Financial Holdings Group (SFH Group) works to differentiate itself in all three of its businesses, namely life insurance, non-life insurance and banking, by building business models based on our originality. The SFH Group also strives to provide customer-oriented and highly convenient financial products and services to individual customers.

The earnings generated through these business models based on our originality enhance our financial soundness, have led to the establishment of a strong financial base. From this strong financial base, the SFH Group is executing an effective overall strategy that responds flexibly to changes in its business environment.

Through these measures, the SFH Group will accelerate growth and enhance its presence within the industry.

Three Strengths for Accelerating Growth

"ORIGINALITY"

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"SOUNDNESS"

See Page 004

"STRATEGY"

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The SFH Group is a comprehensive financial services group comprising Sony Financial Holdings Inc. (SFH), subsidiaries Sony Life Insurance Co., Ltd. (Sony Life), Sony Assurance Inc. (Sony Assurance), Sony Bank Inc. (Sony Bank), and other group companies.

Our Vision

The SFH Group seeks to become the most highly trusted financial services group by customers. To this end, the SFH Group will combine many different financial functions (savings, investment, borrowing, and protection) to provide high-value-added financial products and high-quality services that meet every customer's financial needs.

Our Principles

Put the Customer First

We will provide financial products and services that satisfy customers by embracing their individual views, to ensure that we help them lead prosperous lives with financial security.

Give Back to Society

We believe that a special commitment to the public good is demanded of a financial services enterprise. Conscious of this, we will realize our vision by upholding the highest ethics and a strong sense of purpose, and thereby give back to society. In addition, we will fulfill our responsibilities as a good corporate citizen and member of society.

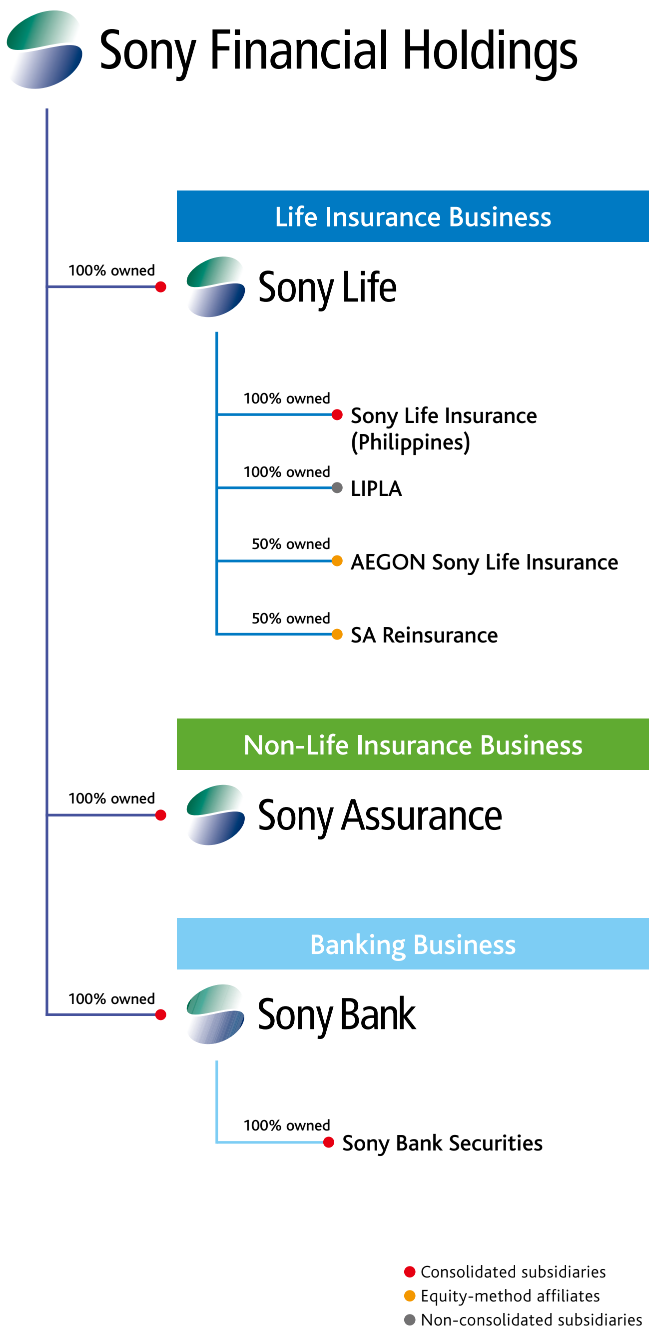
Strive for Originality

We will constantly strive to come up with fresh ideas from basic principles as we pursue creativity and innovation, instead of merely following custom and convention.

Foster an Open Corporate Culture

We believe that every employee's contribution is important to develop our ideal of a financial services enterprise. We will thus foster an open corporate culture where employees can freely express their individuality and demonstrate their abilities to the fullest.

Group Structure (As of July 1, 2010)



The SFH Group's core companies Sony Life, Sony Assurance and Sony Bank have each established business models based on our originality. This high degree of originality is one of the SFH Group's key strengths, and constitutes the engine behind its strong growth.

Sony Life

ともに生きるということ
LIFEPLANNER VALUE.
ライフプランナーバリュー

Main Sales Channels

Lifeplanner sales employees

Partners (Independent agencies)

Main Products

- Death-protection insurance
- Medical insurance and others

Strengths

Lifeplanner sales employees with outstanding consulting skills design and sell customized life insurance policies to each and every customer. Through extensive after-sales follow-up services, Sony Life builds strong relationships of trust with customers.

Sony Assurance

FEEL THE Difference
この違いが、保険を変えていく。

Main Sales Channels

Internet

Telephone

Main Products

- Automobile insurance (Risk segmented)
- SURE medical and cancer insurance

Strengths

Sony Assurance provides highly unique and distinctive products at more attractive and reasonable premiums than major non-life insurance companies. Furthermore, Sony Assurance has developed high-quality services while maintaining price competitiveness.

Sony Bank

MONEYKit

Main Sales Channels

Internet

Main Products

- Deposits (Yen, foreign currency)
- Mortgage loans
- Investment trusts, foreign-exchange margin trading, and others

Strengths

Sony Bank has established a low-cost business structure unique to an Internet bank. Through a lineup of highly convenient, high-quality products leveraging the advantages of the Internet, Sony Bank meets the asset management needs of individual customers.

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SOUNDNESS

The SFH Group has steadily generated earnings while maintaining financial soundness. This high degree of financial soundness is crucial to earning and maintaining the trust of customers, and is also an essential foundation for future growth.

Financial Highlights

Sony Financial Holdings (Consolidated)

(Millions of yen)

For the years ended March 31	2005	2006	2007	2008	2009	2010
Ordinary revenues	¥ 653,259	¥ 758,711	¥ 759,280	¥ 822,153	¥ 860,323	¥ 978,991
Ordinary profit	12,269	25,377	18,354	44,500	34,253	84,373
Net income	6,375	11,537	10,021	24,255	30,722	48,126
As of March 31						
Total assets	3,282,269	3,917,048	4,323,780	4,977,450	5,313,677	6,001,088
Net assets (Note 2)	182,817	263,040	270,179	261,627	204,897	269,439
Consolidated capital adequacy ratio (Domestic criteria) (Note 3)	12.17%	9.99%	12.01%	14.62%	13.32%	12.05%

Sony Life (Non-consolidated)

For the years ended March 31	2005	2006	2007	2008	2009	2010
Ordinary revenues	¥ 604,093	¥ 696,426	¥ 689,591	¥ 741,250	¥ 765,910	¥ 881,798
Ordinary profit	17,070	24,359	14,895	39,290	32,409	80,099
Net income	10,102	9,616	7,494	18,514	33,783	46,138
As of March 31						
Total assets	2,617,266	3,103,241	3,445,970	3,659,786	3,810,929	4,286,540
Net assets (Note 2)	141,142	217,833	216,568	182,671	140,730	191,312

Sony Assurance

For the years ended March 31	2005	2006	2007	2008	2009	2010
Ordinary revenues	¥ 38,159	¥ 45,703	¥ 51,020	¥ 55,649	¥ 61,882	¥ 68,174
Ordinary profit (loss)	(2,806)	(764)	2,044	2,817	2,178	2,565
Net income (loss)	(1,981)	(441)	1,598	2,185	(1,556)	1,604
As of March 31						
Total assets	46,685	56,103	67,468	78,645	86,698	98,340
Net assets (Note 2)	12,086	11,709	13,320	15,385	13,678	15,482

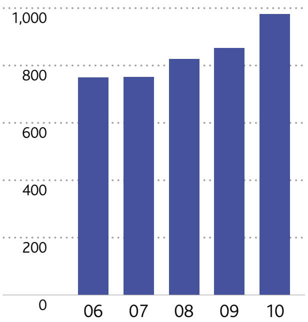
Sony Bank (Non-consolidated)

For the years ended March 31	2005	2006	2007	2008	2009	2010
Ordinary revenues	¥ 11,353	¥ 17,225	¥ 19,470	¥ 25,988	¥ 33,361	¥ 30,500
Ordinary profit (loss)	(1,659)	2,228	1,354	2,746	414	2,930
Net income (loss)	(1,663)	3,258	1,023	4,492	(710)	1,646
As of March 31						
Total assets	618,459	754,768	806,848	1,211,000	1,411,956	1,612,186
Net assets (Note 2)	35,318	34,715	36,878	35,712	46,264	58,989
Non-consolidated capital adequacy ratio (Domestic criteria) (Note 4)	11.97%	9.24%	11.49%	9.15%	13.37%	12.09%

Notes: 1. All figures have been rounded down to the nearest ¥1 million.
2. Net assets and total assets have been calculated based on the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No.5) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8) since FY2006.
3. SFH has calculated the consolidated capital adequacy ratio (domestic criteria) based on formulas stipulated in the FSA Notification No. 20 (2006), which is based on Article 52-25 of the Banking Law, since FY2006. The Company applies Standard Two. The Company calculated the consolidated capital adequacy ratio based on formulas stipulated in the Ministry of Finance Announcement No. 62 (1998), which is based on Article 52-25 of the Banking Law, through FY2005. Calculations in all periods do not include insurance subsidiaries within the scope of consolidation. The Company has applied FSA Notification No. 79 (2008), which establishes exceptions to the standards based on Article 52-25 of the Banking Law for determining the capital adequacy of a bank holding company in light of the assets held by the bank holding company and its subsidiaries, since the end of March 2009.
4. Sony Bank has calculated its non-consolidated capital adequacy ratio (domestic criteria) 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, since the end of March 2007. The Bank applied previous standards through FY2005. The Bank has applied FSA Notification No. 79 (2008), which establishes exceptions to the standards in 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, since the end of March 2009.

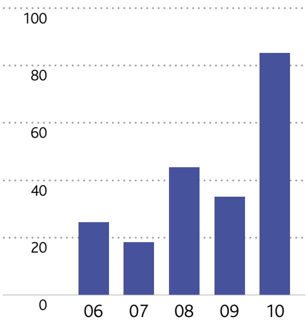
Sony Financial Holdings (Consolidated)

Ordinary revenues
(Billions of yen)



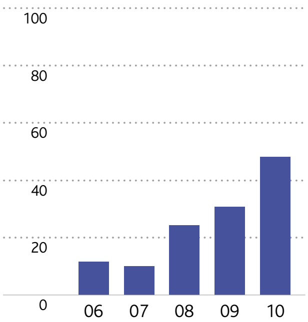
For the years ended March 31

Ordinary profit
(Billions of yen)



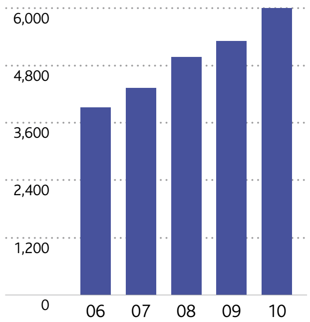
For the years ended March 31

Net income
(Billions of yen)



For the years ended March 31

Total assets
(Billions of yen)

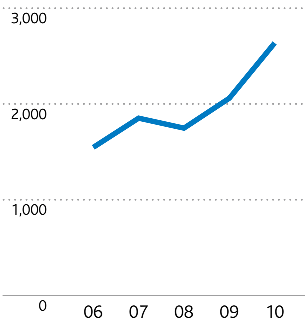


As of March 31

Financial Soundness Indicators (As of March 31)

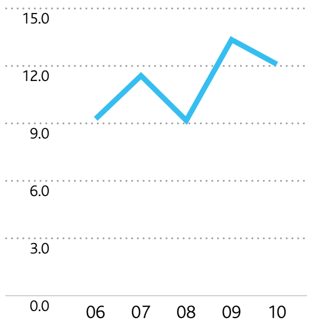
The SFH Group strives to ensure a high degree of financial soundness, in order to earn and maintain the trust of customers as a financial institution.

Sony Life
Solvency margin ratio
(%)



Sony Assurance
Solvency margin ratio
(%)

Sony Bank
Capital adequacy ratio
(Non-consolidated basis; Domestic criteria)
(%)



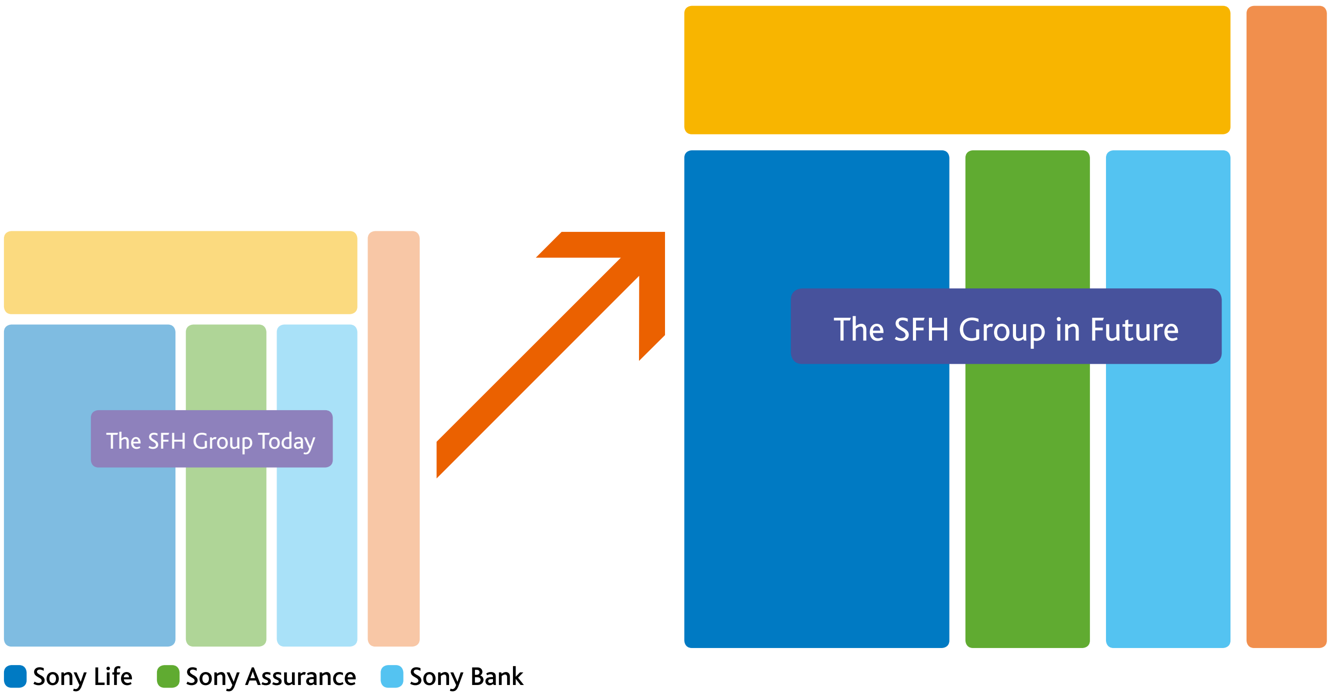
Credit Ratings (As of July 1, 2010)

	Rating			
Sony Financial Holdings — Rating Agency	Rating and Investment Information (R&I)			
	Issuer ratings			
	AA–			
Sony Life — Rating Agency	Rating and Investment Information (R&I)	Japan Credit Rating Agency (JCR)	Standard & Poor's (S&P)	Moody's Investors Service
	Insurance claims paying ability	Ability to pay insurance claims	Insurer financial strength rating	Insurance financial strength rating
	AA	AA	A+ (Outlook "Positive")	Aa3
Sony Bank — Rating Agency		Japan Credit Rating Agency (JCR)	Standard & Poor's (S&P)	
		Long-term senior debts rating	Long-term counterparty credit rating	Short-term counterparty credit rating
		AA– (Outlook "Stable")	A– (Outlook "Positive")	A–2

Backed by a strong financial base, the SFH Group is executing effective business strategies that respond flexibly to changes in its business environment, with the aim of enhancing corporate value.

The SFH Group Growth Strategies

The SFH Group seeks to increase corporate value based on steady growth at its three main subsidiaries. We are also working to enhance the corporate value of the SFH Group by generating synergies through cross selling and other measures and by entering new business fields.



Driving Growth in the Three Core Businesses

Sony Life, Sony Assurance and Sony Bank have set themselves apart by developing business models that differ from their existing competitors. As a result, the three companies have provided customer-oriented and high-quality financial products and services to individual customers. Looking ahead, the SFH Group will achieve sustained growth by strengthening the competitive advantages of each company while enhancing their presence in each industry.

Promoting Group-wide Synergies Through Cross Selling and Other Measures

As deregulation proceeds in the financial services industry, the SFH Group believes that it will be able to enhance collaboration among Group companies on the sale of financial products to individual customers. By strengthening and expanding collaboration among its businesses, the SFH Group will work to more efficiently develop new customer bases.

Strengthening Fields Recently Entered While Entering New Business Fields

At AEGON Sony Life Insurance and Sony Bank Securities, the SFH Group is working to continuously enhance products and services that meet customer expectations, while steadily expanding business volume. In fields it has yet to enter, the SFH Group will actively consider entering fields that contribute to realizing its vision, as it strives to diversify earnings sources and expand earnings.

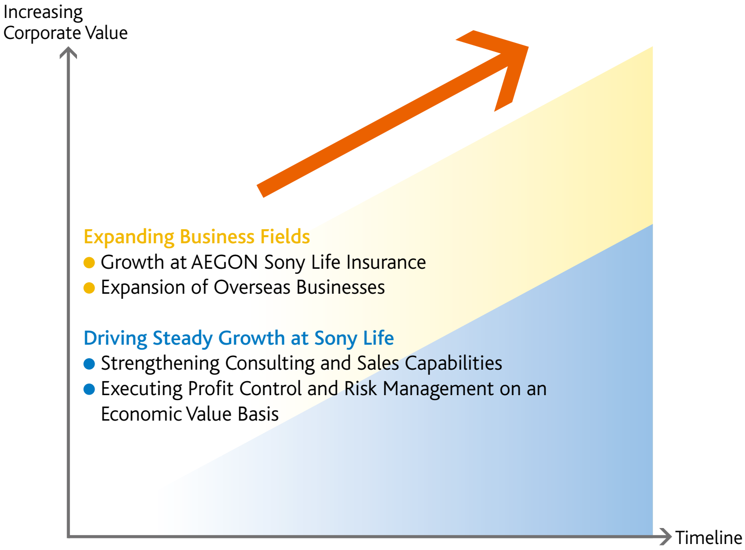
Sony Life

Mid-term Strategies

- Establish a dominant presence in the domestic life insurance market by working to strengthen consulting and sales capabilities based on life planning consultations and after-sales follow-up services
- Maintain and enhance sustainable growth by expanding business fields
- Consistently increase MCEV*, a measure of corporate value

* MCEV: market consistent embedded value

Growth Strategies

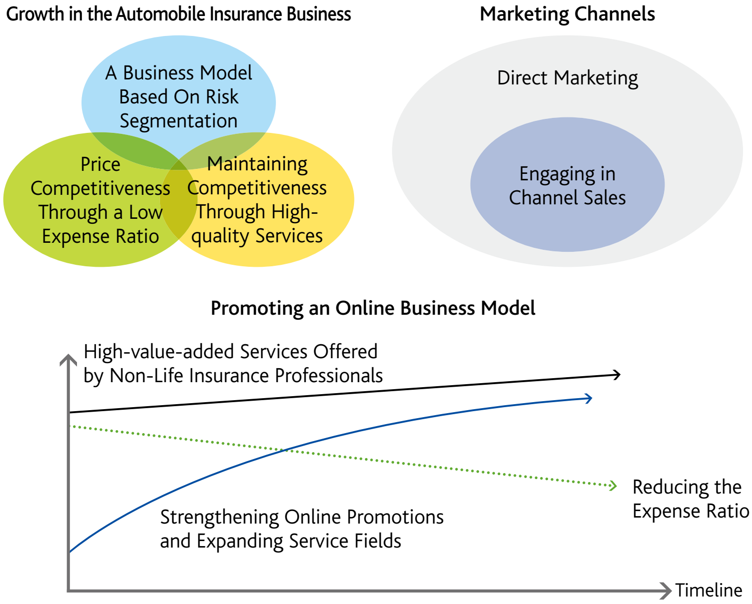


Sony Assurance

Mid-term Strategies

- Conduct proactive marketing activities and enhance service levels, with aim of increasing direct premiums written
- Secure profitability by growing business operations while properly controlling the loss ratio and expense ratio
- Promote the online business model and strengthen the website system, including the system for the mobile phone website

Growth Strategies

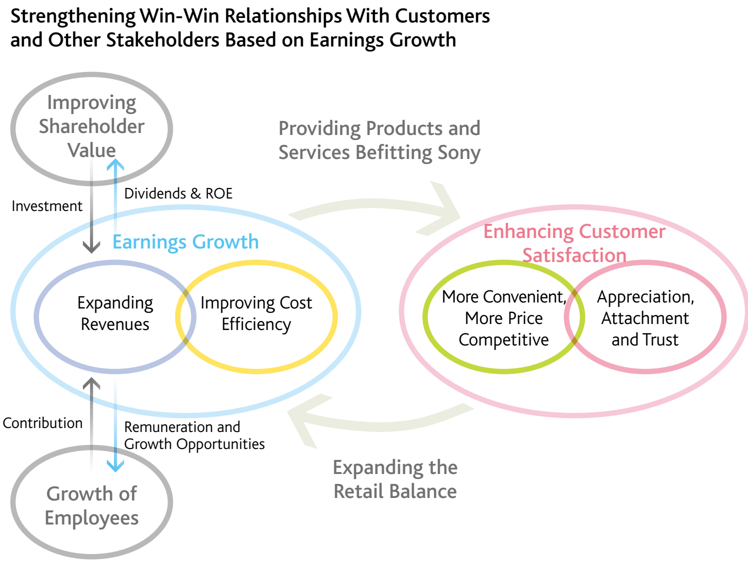


Sony Bank

Mid-term Strategies

- Continuously grow business operations (Retail balance)
- Raise the efficiency of operations and enhance profitability by improving risk management
- Maintain financial soundness

Growth Strategies



Message From Management

Katsumi Ihara
President, Representative Director

Teruhisa Tokunaka
Chairman, Representative Director

Hiromichi Fujikata
Executive Vice President, Representative Director

Stakeholders hold high expectations for the SFH Group precisely because times are tough. The entire SFH Group will make a united effort to meet those expectations.

The global financial market turmoil seen in 2009 has largely settled down, and despite some disruptive factors, strong economic growth in China, India and other newly emerging countries is supporting a recovery in global economic conditions. On the other hand, although the Japanese economy is gradually improving, it has yet to stage a self-sustained recovery, mainly as a result of stagnant personal consumption accompanying job uncertainty and weak growth in personal income.

Under these conditions, the SFH Group conducted business operations aimed at becoming the most highly trusted financial services group by customers through the provision of value-added products and high-quality services.

In FY2009 the SFH Group maintained financial soundness, while steadily expanding business volume in all of its businesses, namely life insurance, non-life insurance, and banking. Consequently, consolidated ordinary revenues increased 13.8% year on year to ¥978.9 billion. Consolidated ordinary profit rose 146.3% to ¥84.3 billion, and net income increased 56.7% to ¥48.1 billion.

In addition, Sony Life's market consistent embedded value (MCEV), an important benchmark of its corporate value, increased ¥493.1 billion from March 31, 2009 to ¥894.0 billion as of March 31, 2010, finishing higher than at March 31, 2008. This increase was supported by an increase in new business value, the introduction of asset management portfolio changes, the revised asset management policies for certain insurance products, and a rise in interest rates. Having positioned the lowering of interest rate risk as a priority, Sony Life strove to reduce the duration mismatch risk between assets and liabilities by promoting the purchase of ultralong-term bonds. Looking ahead, Sony Life will continue making active efforts to address the management issues arising from MCEV evaluations, with the aim of continuously improving corporate value.

We recognize that it is precisely because of these difficult, worrisome times that our customers and shareholders hold particularly high expectations for the SFH Group. Sony Life celebrated its 30th founding anniversary in August 2009, while in October 2009 Sony Assurance marked the 10th anniversary of the start of its business operations. Sony Bank will also mark its 10th founding anniversary in 2011. In every business, management and employees will make every effort to drive business development and raise corporate value so as to fulfill the expectations of all stakeholders.

From June 2010, SFH adopted a new management structure. In order to lay stronger management foundations at the SFH Group for the future, Teruhisa Tokunaka and Katsumi Ihara were appointed Chairman, Representative Director and President, Representative Director of Sony Financial Holdings Inc., respectively. Together with Executive Vice President, Representative Director Hiromichi Fujikata, we are determined to lead the SFH Group into the future.

We look forward to your continued support and understanding as we endeavor to reach our goals.

July 2010

Teruhisa Tokunaka
Chairman, Representative Director

Katsumi Ihara
President, Representative Director

Hiromichi Fujikata
Executive Vice President, Representative Director

Management Policies and Mid-term Targets

Question 1

What are the SFH Group's management policies and what actions were taken in FY2009 to achieve them? What are your mid-term management benchmarks?

Answer:

Based on steady growth in its three main businesses, the SFH Group is working to increase group-wide corporate value by generating synergies among its three main subsidiaries through cross selling and other measures, and by developing business fields it has recently entered and entering new business domains.

The SFH Group positions consolidated ordinary revenues, consolidated ordinary profit and consolidated net income, as well as consolidated adjusted ROE as its key management benchmarks, and aims to steadily expand each of them.

The SFH Group's basic approach to enhancing corporate value is based on steady growth in its three main businesses. SFH group companies differentiate themselves from competitors in each industry by building unique and distinctive business models, and provide customer-oriented and highly convenient products and services to individual customers. Going forward, the SFH Group plans to sustain growth by strengthening the competitive edge of its subsidiaries and to establish a solid presence in each industry.

Moreover, the SFH Group intends to enhance the corporate value of the entire group by generating synergies among its three main subsidiaries through cross selling and other measures, and by developing business fields it has recently entered and entering new business domains.

Through increased collaboration among group companies, the provision of products and services, and the promotion of sharing and mutual use of each other's sales channels and infrastructure, we seek to enhance synergies within the group in order to provide comprehensive financial services that other more-traditional financial institutions do not offer. At AEGON Sony Life Insurance Co., Ltd. (hereafter AEGON Sony Life Insurance) and Sony Bank Securities Inc. (hereafter Sony Bank Securities), we intend to continuously enhance the range of products and services that satisfy the expectations of customers, as we steadily expand business volume. Furthermore, we are actively considering new business initiatives in fields that traverse existing business lines, in an effort to increase the SFH Group's corporate value.

In regard to FY2009 measures, we worked to reduce the duration mismatch risk between assets and liabilities primarily in the asset management operations of our life insurance business. This measure was aimed at stabilizing earnings. Specifically, we lengthened asset duration by promoting the purchase of ultralong-term bonds. As a result, we reduced the impact of financial market movements on the fluctuation of MCEV by lowering its sensitivity to interest swap rates. This means that expansion in business volume is more directly reflected in MCEV growth. As a result of efforts to increase the financial soundness of our asset portfolio, we now have ample capital strength in terms of not only current solvency standards but also MCEV calculations.

Looking ahead, we will promote investment in growth fields across the financial services sector from a group-wide perspective.

The SFH Group positions consolidated ordinary revenues, consolidated ordinary profit and consolidated net income, as well as consolidated adjusted ROE, as its key management benchmarks, and aims to steadily expand each of them.

Reference: Consolidated adjusted ROE is calculated using the following formula.

■ Consolidated adjusted ROE=consolidated adjusted profit divided by consolidated adjusted capital

- Consolidated adjusted profit is the total of the following amounts:
  1) Sony Life: The amount of increase in embedded value ("EV*," adjusted net worth plus value of in-force business) during the fiscal year plus dividends paid;
  2) Sony Assurance: Net income plus provision for catastrophe reserve and provision for reserve for price fluctuations, in each case after taxes; and
  3) Sony Bank: Net income
- Consolidated adjusted capital is the total of the following amounts:
  1) Sony Life:
     EV* as of the beginning of the fiscal year less dividends paid plus EV* as of the end of the fiscal year, divided by two;
  2) Sony Assurance:
     The average amount of net assets plus the sum of catastrophe reserve and reserve for price fluctuations, in each case after taxes; and
  3) Sony Bank: The average amount of net assets

* Sony Life has adopted market consistent embedded value (MCEV) as its measure of embedded value (EV). (MCEV: EV that conforms with the MCEV Principles, a unified international standard for MCEV reporting that was issued by the European Insurance CFO Forum attended by the Chief Financial Officers of major European insurance companies.)

Synergies and New Businesses

Question 2

Could you explain your measures to expand business domains by generating synergies and developing new businesses?

Answer:

In terms of generating synergies within the SFH Group, cross selling initiatives by Sony Life's Lifeplanner sales employees have delivered significant results.

In regard to entering new business domains, one example is the start of business operations in Japan at AEGON Sony Life Insurance, a 50-50 joint venture between Sony Life and AEGON International B.V. of the AEGON Group of the Netherlands. Through a 50-50 investment with AEGON International B.V., Sony Life established an overseas joint venture life reinsurance company called SA Reinsurance Ltd.

In terms of generating synergies within the SFH Group, cross selling initiatives harnessing the consulting skills of Sony Life's Lifeplanner sales employees produced significant results. Sony Assurance and Sony Bank's products are sold primarily through "virtual" sales channels such as the telephone and the Internet. By selling these products through a "real" sales channel, i.e. Sony Life's Lifeplanner sales employees, we are able to expand customer contact points while enhancing the content of their life planning proposals. In FY2009, Lifeplanner sales employees sold about 5% of Sony Assurance's new acquisition of automobile insurance policies, and about 37% of the balance of Sony Bank's mortgage loans executed in this period.

We also took steps to enter new business domains. Two main examples were Sony Life's annuity business and its overseas business development initiatives.

In the annuity business, AEGON Sony Life Insurance commenced business operations for Japanese market in December 2009. This company is a 50-50 joint venture between Sony Life and AEGON International B.V. (hereafter AEGON) of the AEGON Group of the Netherlands. In Japan's aging society with fewer children, we believe that a life insurance company devoted to individual annuities is needed to address a broad range of customer needs for annuities. This belief prompted us to establish AEGON Sony Life Insurance. Through a 50-50 investment with AEGON, Sony Life also established a joint venture life reinsurance company called SA Reinsurance Ltd. (hereafter SA Reinsurance) in British Bermuda.

In overseas business development, Sony Life opened a representative office in Taipei in July 2009, after opening one in Beijing in October 2008, targeting the greater China region covering Taiwan, Hong Kong and mainland China. The purpose is to gather information and conduct surveys concerning local financial services and insurance markets.

Furthermore, Sony Life and Sony Bank launched business operations from over-the-counter branches in response to diversifying customer needs. Sony Life established a wholly owned subsidiary LIPLA Co., Ltd. (hereafter LIPLA) as an exclusive life insurance agency. In May 2010, LIPLA opened a one-stop insurance shop in Yokohama, Kanagawa Prefecture. In addition to Sony Life insurance products, the shop helps customers open Sony Bank yen ordinary deposit accounts and handles its mortgage loans, as well as Sony Assurance's automobile insurance. In these ways, LIPLA aims to operate a shop that addresses a broad range of customer needs for SFH Group products.

In June 2010, Sony Bank opened "Housing Loan Plaza," its first over-the-counter branch, in the Yaesu district of Chuo-ku, Tokyo, to enhance services for customers seeking face-to-face loan consultations.

In other areas, M&As will be carefully considered as a means of entering new business domains in light of current financial market conditions. In order to make the most of the competitive advantages presented by the unique and distinctive business models of each SFH Group company, we will focus on M&As that support the unique growth path of each company from a functional perspective.

Life Insurance Business Management Policies and Mid-term Targets

Question 3

What are your growth strategies and mid-term targets for the life insurance business? What actions were taken in FY2009 to achieve them?

Answer:

In the life insurance business, we aim to drive expansion in our business domains based on steady growth in the domestic life insurance business. Sony Life manages its business operations using many different mid-term management benchmarks, including policy amount and the size of sales channels, in addition to MCEV, which was introduced as an indicator of corporate value.

Our growth strategy for the life insurance business is based on steady growth in the domestic life insurance business. Since its founding, Sony Life's corporate mission has been "To work for customers' financial security and stability by offering optimal life insurance products and high-quality services." Guided by this mission, Sony Life has pursued its original ideals for life insurance by providing value as only Sony Life can. Going forward, Sony Life will continue to provide optimal protection through a consulting-sales approach based on each customer's life plan. At the same time, Sony Life will work to provide high-quality services by maintaining optimal protection after they sign up for insurance policies. This will involve finely tuned follow-up services and continuous maintenance of appropriate insurance coverage. Efforts will also be focused on raising the sophistication of risk-return management systems in response to future regulatory changes, including changes in accounting and solvency standards. Aiming to expand business domains, Sony Life will work to put AEGON Sony Life Insurance, an annuities company which started business operations in December 2009, on a firm growth trajectory, while striving to develop overseas businesses with significant growth potential.

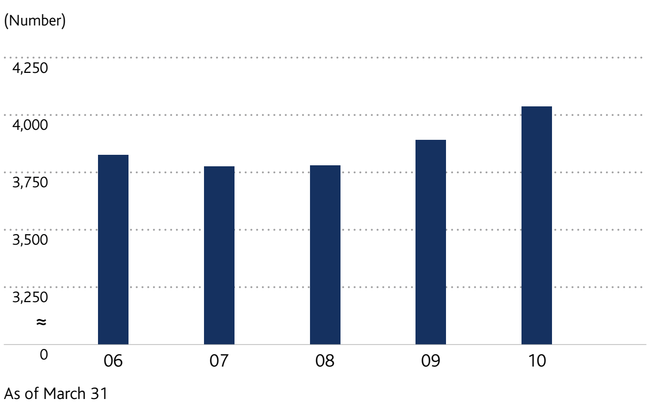
In FY2009, Sony Life reported higher new policy amount and policy amount in force than in the previous fiscal year, as a result of the rigorous implementation of a consulting-sales approach and follow-up services. The size of the Lifeplanner channel, which is Sony Life's primary sales channel, increased by 145 individuals from March 31, 2009 to 4,036 individuals at March 31, 2010. This increase reflected rigorous recruitment screening and enhanced education and training programs. On the product front, in November 2009 Sony Life launched a new income protection-type insurance product featuring low-priced premiums for particularly healthy individuals.

Raising the sophistication of risk-return management systems was an important priority for Sony Life. In this area, Sony Life continuously reviewed its asset portfolio so as to reduce interest rate risk, and achieved a substantial reduction in risk.

Next is AEGON Sony Life Insurance. With Sony Life as its sales agent, Lifeplanner sales employees are conducting sales activities on behalf of AEGON Sony Life Insurance. Sales are also commissioned to several financial institutions. In overseas business development, we opened a representative office in Taipei in July 2009, after opening one in Beijing in October 2008, for the purpose of conducting market surveys and other activities in the greater China region.

Sony Life manages its business operations using many different mid-term management benchmarks, including policy amount and the size of sales channels, in addition to MCEV, which was introduced as an indicator of corporate value.

Number of Lifeplanner Sales Employees at Sony Life



Non-Life Insurance Business Management Policies and Mid-term Targets

Question 4

What are your growth strategies and mid-term targets for the non-life insurance business? What actions were taken in FY2009 to achieve them?

Answer:

Our growth strategies for the non-life insurance business are: actively improve the level of marketing and services in order to increase direct premiums written; ensure profitability by appropriately controlling the loss ratio and the expense ratio; promote an Internet-based business model and strengthen Internet-based systems, including mobile communication systems. Over the mid-term, we aim to achieve and maintain targets set for each indicator, including direct premiums written, ordinary profit, net income, adjusted ROE and the solvency margin ratio.

In the non-life insurance business, Sony Assurance will work to actively improve the level of marketing and services, with the aim of increasing direct premiums written. Adjusted ROE will be maintained at a certain level by ensuring profitability through the appropriate control of the loss ratio and the expense ratio. Furthermore, Sony Assurance will promote an Internet-based business model that is cognizant of the full-scale advent of the Internet era, while strengthening Internet-based systems including mobile communication systems.

On the marketing front, Sony Assurance has long made strategic advertising investments, taking into account market conditions and effective advertising media. In light of growth in the direct insurance market in recent years, Sony Assurance's advertising investments will increase, but will be kept within the scope of growth in premium income in order to maintain the ratio of advertising expenses at a constant level relative to overall business expenses. In terms of general advertising spending in Japan, in FY2009 Internet advertising took on a stronger presence than newspaper advertising. Therefore, Sony Assurance will also focus its efforts on Internet advertising going forward.

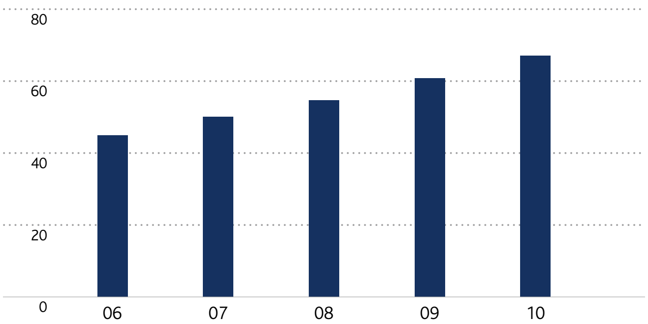
Ensuring profitability is also important to Sony Assurance. In this regard, Sony Assurance will maintain its competitiveness while ensuring that it takes steps to improve profitability. In automobile insurance, Sony Assurance is considering revising insurance premium rates based on a projected increase in the loss ratio resulting from increased driving distances and other factors, as well as a revision to the industry's "reference loss cost rates".

In FY2009, Sony Assurance accelerated the transition from contracting new policies via telephone calls at its call center or mail, to Internet-based policy contracting via its website. From February 2009, Sony Assurance expanded Internet discounts for customers who complete all contracting procedures for new insurance policies through its website, ranging from obtaining insurance estimates to signing up. As a result, the ratio of new policies contracted via the Internet reached a record high in FY2009. Accordingly, Sony Assurance reduced the acquisition cost for new policies, including personnel expenses at its call center. Sony Assurance rolled out a new marketing slogan, "Closer to you, with your car" and conducted an advertising campaign involving TV commercials featuring its accident response services. In over-the-counter sales of automobile insurance at banks, Sony Assurance strengthened marketing activities mainly by increasing the number of tie-up banks and expanding its sales channels. By actively working in these ways to expand business volume and ensure profitability through improved operating efficiency, Sony Assurance achieved steady growth in its business results.

Over the mid-term, Sony Assurance aims to achieve and maintain targets set for each indicator, including direct premiums written, ordinary profit, net income, adjusted ROE and the solvency margin ratio.

Direct Premiums Written at Sony Assurance

(Billions of yen)



For the years ended March 31

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Banking Business Business Management Policies and Mid-term Targets

Question 5

What are your growth strategies and mid-term targets for the banking business? What actions were taken in FY2009 to achieve them?

Answer:

We believe that three themes are important to our growth strategies for the banking business: achieving sustained growth in business volume; pursuing a low-cost business model and improved profitability by raising the sophistication of operations; and maintaining financial soundness. We have positioned management indicators such as the retail balance, gross operating profit and capital adequacy ratio as mid-term targets.

In the banking business, Sony Bank seeks to achieve sustained growth in business volume, improve profitability and maintain financial soundness.

Sony Bank intends to achieve sustained growth in business volume by approaching customers who it has yet to reach, through new sales methods and channels. Sony Bank aims to achieve sustained growth in the retail balance, which is the sum of customers' yen deposits, foreign currency deposits, investment trusts, and personal loan balance. Because its share of the overall retail financial market is still small, Sony Bank believes that there is substantial room for expansion.

Sony Bank intends to enhance ALM efficiency and profitability. It will maximize risk-return profiles through risk diversification and enhance efficiency in step with its expanding asset volume. Leveraging the features of its low-cost business model driven by Internet banking, Sony Bank will redouble efforts to raise the sophistication of operations, as it works to enhance customer satisfaction and cost efficiency.

To maintain financial soundness, Sony Bank will maintain the capital adequacy ratio at a certain satisfactory level.

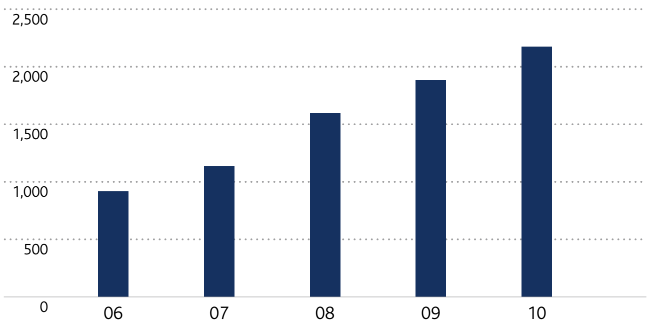
In FY2009, Sony Bank continued to pursue customer satisfaction as an asset management bank for individual customers, while striving to expand the range of services from a customer perspective. In order to capture growth opportunities arising when the financial market improves, Sony Bank began offering margin trading and contract for difference (CFD) transactions as part of its securities services. Additionally, Sony Bank launched stock trading services from its mobile banking site for mobile phone users, and began offering stock investment information from its Internet banking site for PC users. In another initiative, Sony Bank commenced syndicated loan operations to strengthen its revenue base by diversifying investment methods.

Looking ahead, Sony Bank aims to establish a dominant presence as an asset management bank for individual customers, while achieving sound growth through the pursuit of higher efficiency.

Sony Bank positions management indicators such as the retail balance, gross operating profit and capital adequacy ratio as its mid-term targets.

Retail Balance at Sony Bank

(Billions of yen)



As of March 31

Question 6

Capital and Dividend Policies

Could you please outline the SFH Group's capital and dividend policies?

Answer:

The indicators of financial soundness for SFH Group companies currently remain at satisfactory levels. At this time, we believe that there is no need to increase capital in response to revisions in solvency margin standards in the insurance business that will come into force in FY2011. For the time being, however, while maintaining our policy of paying stable dividends, we will secure an adequate level of internal reserves in preparation for future demand for growth funds from SFH Group companies and the anticipated enforcement of stricter capital regulations and introduction of International Financial Reporting Standards (IFRS).

In the insurance and banking sectors, business operations are currently being reviewed in preparation for stricter capital regulations. Another important development is the introduction of IFRS. In light of these future developments, it has become increasingly important for SFH Group companies to ensure financial soundness and formulate capital policies for future growth.

Indicators of financial soundness include the solvency margin ratio in the insurance sector, which shows an insurance company's ability to pay insurance claims, and the capital adequacy ratio in the banking sector. At the end of March 2010, Sony Life and Sony Assurance had solvency margin ratios of 2,637.3% and 1,018.5%, respectively—with both figures near the top end of the range in the industry. Sony Bank's non-consolidated capital adequacy ratio (domestic criteria) stood at 12.09% at the end of March 2010. This figure was far higher than the required soundness standard of 4% under the Banking Law of Japan for banks without overseas business operations. At this time, we believe that there is no need to increase capital in response to stricter domestic solvency standards that will be applied to insurance companies in Japan from FY2011.

On the other hand, the basic tenet of our shareholder return policy has been to achieve stable dividend payments. Because SFH is a holding company, shareholder dividends are primarily funded by dividend income from its subsidiaries. However, Sony Assurance has yet to fill a retained deficit that has built up since its founding, and Sony Bank is expected to need funds to increase shareholders' equity in line with future growth. For these reasons, we must focus on retaining internal reserves in the near term. Furthermore, financial soundness standards are expected to become increasingly strict, mainly because of the introduction of IFRS and stricter solvency standards (involving risk management based on economic value) in the insurance sector. Therefore, management has decided to continue retaining internal reserves in the near term, while setting the annual dividend for FY2009 at ¥3,000 per share, the same as in FY2008.

Please see page 5 for further details on financial soundness.
Please see page 39 for further details on dividends.

Developments in the Past Year

Life Insurance Business

Expanding Into New Business Fields

~December 2009: AEGON Sony Life Insurance Begins Sales of Variable Individual Annuities~

AEGON Sony Life Insurance was established as a 50-50 joint venture between Sony Life and AEGON and obtained its life insurance business license from the Financial Services Agency in August 2009. It is a life insurance company specializing in individual annuities that aims to meet the varied pension needs of its customers in Japan's aging society with a falling birthrate. In December last year, the company began selling variable individual annuities through Sony Life's Lifeplanner sales employees and steadily expanded the number of financial institutions handling these products, starting with the conclusion of business agency agreements with The Tokyo Star Bank, Limited and Sumitomo Mitsui Banking Corporation.

Product brochure

~January 2010: Sony Life Establishes Reinsurance Company and Completes License Registration~

As part of collaboration between the two companies, Sony Life and AEGON established reinsurance company SA Reinsurance as a 50-50 joint venture in British Bermuda in October 2009. The company completed the registration of its license with the Bermuda Monetary Authority in January 2010.

~February 2010: Sony Life Establishes LIPLA to Operate a One-stop Insurance Shop~

In February 2010, Sony Life established LIPLA as a wholly owned subsidiary to operate a one-stop insurance shop as its directly run sales agency. As Sony Life's exclusive life insurance agency, LIPLA provides optimal protection to customers based on life planning consultations. Moreover, LIPLA helps customers open Sony Bank yen ordinary deposit accounts and handles its mortgage loans as well as Sony Assurance's automobile insurance. The company started operations in May this year and opened its shop in Yokohama, Kanagawa Prefecture.


"LIPLA" shop

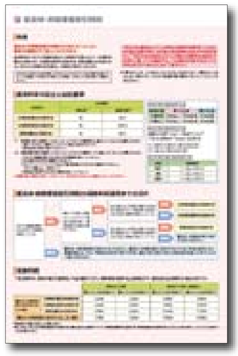
Launching New Products

~April 2009: Sony Life Launches Cancer Hospitalization Insurance, Advanced Medical Treatment Rider and Hospitalization Surgical Benefits Rider~

To enhance its product lineup in response to a broader range of customer needs, Sony Life commenced sales of the following new products in April 2009: Cancer Hospitalization Insurance, Advanced Treatment Rider and Hospitalization Surgical Benefits Rider. As part of its social contribution efforts, Sony Life has revised the terms for paying benefits for medical insurance and other policies, and has begun paying surgical procedure benefits to bone marrow donors.

~November 2009: Sony Life Begins Offering Discount Rider for Nonsmokers and Others in Excellent Health and Raised the Maximum Policy Amount for Self-Reported Applications~

Sony Life commenced sales of a new product, namely a Discount Rider for Nonsmokers and Others in Excellent Health, in November 2009. The rider can be added to family income insurance (including riders and special provisions of living standard insurance). One of three insurance premium rates—the rate for nonsmokers in excellent health, nonsmokers in normal health or smokers in excellent health—is applied to reduce insurance premiums, according to the policyholder's health and smoking status. To enhance customer convenience, Sony Life also raised the maximum policy amount for self-reported applications from ¥15 million to ¥30 million.


Product brochure

Overseas Expansion

~July 2009: Sony Life Opens Representative Office in Taipei~

In July 2009, Sony Life opened a representative office in Taipei to research the financial and insurance markets of the Republic of China (Taiwan). Sony Life also opened a representative office in Beijing in the People's Republic of China (China) in October 2008.

Please see page 42 and the following pages for further details on the life insurance business.

Non-Life Insurance Business

Improving Services

~October 2009: Sony Assurance Launches "Committed Service" to Provide E-mail Responses Within Three Hours~

In October 2009, Sony Assurance started a service that makes a commitment to responding within three hours to customer e-mail inquiries received between 9:00 and 17:00 on weekdays. Although the service is available only within limited time periods, Sony Assurance has facilitated the use of e-mail inquiries from customers by committing in advance to an e-mail response time.

Expanding Sales Channels

~October 2009: Sony Assurance Launches Automobile Insurance Sales via Jibun Bank~

Sony Assurance is striving to expand sales channels that leverage the features of its direct business model. It is expanding over-the-counter bank sales as one of its important sales channels. Since October 2009, it has been possible to obtain a product overview and request a brochure for Sony Assurance's automobile insurance products on the mobile phone website of Jibun Bank Corporation. Since March 2010, Sony Assurance has been supplying quotations and application services for automobile insurance products on the website of The Bank of Fukuoka, Ltd. Moreover, from April of the same year, Sony Assurance began offering bank over-the-counter services for the first time through the branch representatives of The Bank of Yokohama, Ltd.

Launching New Products

~May 2009: Sony Assurance Starts Sales of Overseas Travel Accident Insurance on Website~

Sony Assurance started sales of overseas travel accident insurance on its PC and mobile phone websites in May 2009. Sony Assurance's overseas travel accident insurance offers the convenience of being able to complete contract procedures as late as 21:00 on the day of departure and provides a rational and discounted paperless service that eliminates the need to send documents by mail. Through its business alliance with JI Accident & Fire Insurance Co., Ltd., a member of the JTB Group, Sony Assurance is able to make use of the Group's worldwide network to provide an even better level of service. The JTB Group commands extensive experience in overseas travel accident insurance.

Overseas travel accident insurance site (PC version) (Japanese only)

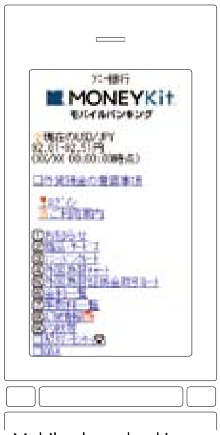
Please see page 56 and following pages for further details on the non-life insurance business.

Banking Business

Broadening the Range of Securities Trading Services (Financial Products Intermediary Services)

~January 2010: Sony Bank Offers Stock Trading Through Mobile Phones~

In January 2010, Sony Bank began offering a stock trading service on its mobile phone banking service site to bolster financial products intermediary services with Sony Bank Securities, in response to the wide-ranging asset management needs of its customers.



Mobile phone banking service site (Japanese only)

~February 2010: Sony Bank Begins Providing "Stock Investment Information"~

In February 2010, Sony Bank started to supply its customers, through the financial products intermediary services provided by Sony Bank Securities, with "Stock Investment Information." It provides an easy-to-use compilation of the information needed to make stock investment decisions. It features a search function that enables users to locate stocks even if they do not know the names and stock code numbers of companies, by entering product names and other keywords. It also features a function for visually displaying shareholder benefits (*Kabunushi yutai*), which are a topic of high interest to customers, with photographs. Additionally, Sony Bank Securities broadened its range of services by offering margin trading (standardized margin transactions) in August 2009 and contract for difference (CFD) services in December 2009.

Expanding into New Business Fields

~October 2009: Sony Bank to Enter Syndicated Loan Business~

In October 2009, Sony Bank commenced corporate financing through syndicated loans to diversify its investment portfolio of more than ¥1 trillion. Sony Bank aims to expand its range of fund investment methods and strengthen its revenue base by adding wholesale corporate loans to its investment portfolio. The existing portfolio mainly consists of securities, primarily Japanese government and corporate bonds, as well as mortgage and other loans for individual customers.

Please see page 58 and the following pages for further details on the banking business.

Stance on CSR

The SFH Group believes that a special commitment to the public good is demanded of a financial services enterprise, and seeks to achieve its corporate vision and thus give back to society by upholding the highest ethics and a strong sense of purpose. The SFH Group's corporate vision is to become the most highly trusted financial services group by customers. The SFH Group will combine many different financial functions (savings, investment, borrowing, and protection) to provide high-value-added financial products and high-quality services that meet every customer's financial needs. The SFH Group believes that the pursuit of greater corporate value through sound business activities is the basis of its responsibility to society as a company.

Furthermore, in order to fulfill its responsibilities as a member of society, the SFH Group actively gives back to society, and believes that the continuation of these activities will earn it even greater trust from local communities and customers. To this end, the SFH Group is aware that it must treasure its relationships with customers, shareholders, employees, business partners, local communities and all other stakeholders and make management decisions mindful of the interests of each group.

Every company in the SFH Group conducts various CSR activities based on these approaches.

Environmental Protection Activities

System for Using Green Power

In April 2005, Sony Life became the first company in the Japanese life insurance industry to employ the Green Power Certification System* and has utilized this system since then. This system promotes the use of green power in business activities to help protect the environment by reducing CO_2 emissions. At present, Sony Assurance and Sony Bank are also participating in this system, thereby helping to promote solar, wind-powered, geothermal, biomass, and other power generation that uses natural energy resources.

* Green Power Certification System
By trading the natural electric power (green power) generated from solar, wind, geothermal, biomass, and other natural energy resources as a form of certification, companies need not build their own power generating facilities. Even when distance to a green generation facility makes direct consumption of green power unfeasible, this system includes companies that consume green power indirectly. Consequently, this system helps companies contribute to the proliferation of natural electric power generation and to protect the environment as part of their voluntary measures. For more details on the green power certification system, please refer to the website of Japan Natural Energy Company Limited.
(http://www.natural-e.co.jp/english/).

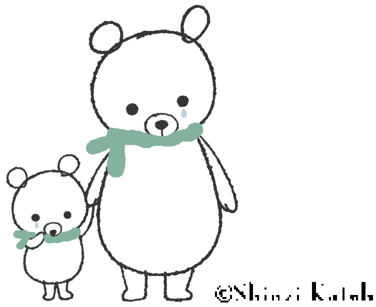
Green Power Certification

Donating to the "Sorabear Foundation"

In collaboration with the "Sorabear Foundation" a non-profit organization (NPO) engaged in global warming prevention activities, Sony Assurance has launched a program to install solar power generators at kindergartens by capitalizing on its method of calculating automobile insurance premiums based on the distance driven in a year. The program is linked to the calculation of actual distances driven when renewing policies. Policyholders whose actual distance driven is less than their forecast amount are considered to be contributing to environmental conservation through this reduction in the estimated emission of carbon dioxide. Sony Assurance further enhances its policyholders' contribution to environmental conservation by donating ¥1 per 100 kilometers of distance not driven to the "Sorabear Foundation." Money raised through Sony Assurance's donations is used by the "Sorabear Foundation" to install solar power generators, "Sorabear Power Generation Equipments," at kindergartens and nursery schools across Japan. "Sorabear Power Generation Equipments" were donated to the Souzou-no-Mori Nursery School in Nasushiobara City, Tochigi Prefecture, in November 2009 and to the Nagano Nursery School in Minamishimabara City, Nagasaki Prefecture, in March 2010.

Moreover, Sony Life in March 2010 began offering policy guides and agreements on CD-ROM. If policyholders choose to receive a CD-ROM when they sign up for insurance, Sony Life donates some of the paper and printing cost savings to the "Sorabear Foundation."

The brothers Sora (left) and Bear (right) are the characters of the "Sorabear Foundation." Designer Shinzi Katoh modeled them on polar bears which are gradually losing their habitat as the northern polar cap recedes due to global warming.



Acquisition of ISO 14001 Certification

Sony Life, Sony Assurance and Sony Bank have acquired ISO 14001 certification, the international standard for environmental management systems. All three companies pursue energy-saving and natural resource-saving activities, such as working toward targets for the reduced consumption of energy and photocopier paper, and promote green procurement to raise the portion of eco-products used as office supplies.

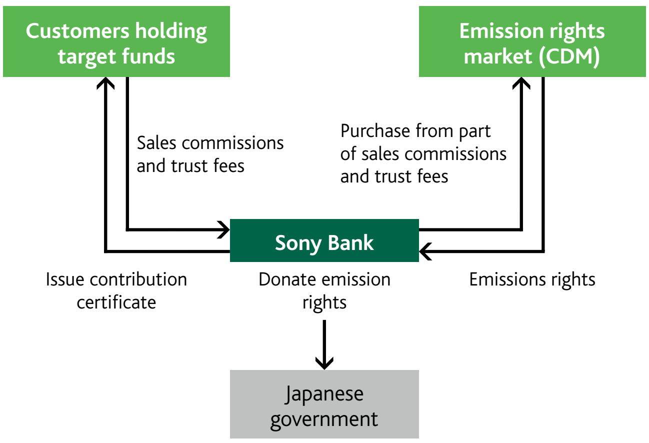
Participation in the "Climate & Children Supporters"* Program

Since FY2008, Sony Bank has participated in the "Climate & Children Supporters" program, which simultaneously supports a project to prevent global warming and help children in developing countries. Through participation in this program, Sony Bank supports global warming prevention activities that purchase and redeem emission rights. In addition, Sony Bank has donated a fixed amount (¥2 million) annually for three years to UNICEF in support of a water and sanitation project in the Republic of Mozambique.

* "Climate & Children Supporters" helps combat global warming by purchasing emissions rights and makes a donation to UNICEF at the time of purchase. Many companies participate in the program as a way of supporting children in developing countries that are affected by natural disasters.

Helping Reduce Greenhouse Gas Emissions Through an Investment Trust

Since FY2008, Sony Bank has purchased emissions rights on behalf of customers investing above a certain amount of money in eligible funds and donated these rights to the Japanese government. In this way, Sony Bank is offering individual customers the opportunity to contribute to the reduction of greenhouse gas emissions through investments that offset their CO_2 emissions. The emission rights are purchased by Sony Bank from some of the sales commissions and trust fees earned as the sales company of eligible funds. This allows customers to participate in environmental protection activities while investing their assets.



Social Contribution Activities

Sony Life Volunteers' Club

The Sony Life Volunteers' Club was established by a Sony Life volunteer group in 1995, after the Great Hanshin-Awaji Earthquake. Each member of the group participates in running the club with their donations.

The club continues to support the elderly victims of the earthquake. Sony Life Volunteers' Club also supports a wide range of activities, including hosting youth education events at care houses, operational support for the "Oita International Wheelchair Marathon," a worldwide wheelchair marathon tournament, and support for the "Relay For Life."*

* Relay For Life
Relay for Life is a worldwide charity movement that organizes events to increase cancer awareness as well as raise funds for fighting the disease. Patients, survivors, and their families participate in day-long (usually 24-hour) relay races, held so far at over 5,000 locations in more than 20 countries. Japan's first event took place in Tsukuba, Ibaraki Prefecture, when participants walked around the track of a Tsukuba University stadium for eight hours in 2006. The events are gaining traction in Japan and were held at 15 locations in 2009, a year when over 1,700 Sony Life employees and family members participated, walking in the 24-hour-long relays together with current cancer patients and their families as well as helping to organize and run the events.
Sony Life Volunteers' Club supports Relay for Life throughout Japan as its way of contributing to the creation of a society that does not fear cancer, and embraces life together with patients.

Support for Special Olympics Nippon (Japan)

Since FY1996, Sony Life has been offering financial support to Special Olympics Nippon, an accredited nonprofit organization that helps people with intellectual disabilities by providing independence and opportunities to participate in the community through sports. Employees also volunteer to help conduct the events. Sony Life is increasing awareness and understanding of Special Olympics Nippon's activities through establishing regional organizations and, by supporting daily activities, movie events, and charity events. In FY2009, Sony Life provided financial support of ¥5 million, and in FY2010 is planning to take part as a volunteer in the 5th Special Olympics Nippon National Summer Games Osaka 2010 scheduled in November 2010.

(Left) Ms. Yuko Arimori, Director of Special Olympics Nippon (Japan)
(Right) Mr. Taro Okuda, President, Representative Director of Sony Life

Eye Mate Fund

Since FY1997, Sony Life has made financial donations every year to the Eye Mate Fund, established by The Eye Mate, Inc., which aims to help visually-challenged people participate in society. Sony Life makes a donation matching the total raised by employees. The funds are donated to The Eye Mate for training guide dogs. In FY2009, Sony Life and its employees donated a total of ¥11.03 million to the Eye Mate, bringing cumulative donations for training guide dogs to more than ¥140 million.

A guide dog walking experience for the general public

Volunteer Activities

Sony Life established a Social Contribution Department to strengthen support and share information on volunteer activities undertaken by its employees throughout Japan. Along the same lines, Sony Life created the Volunteer Activity Coordination Committee.

Sony Life designates the anniversary of its founding as Volunteer Day, when all employees are encouraged to consider and implement local clean-up activities and other activities like donating blood that benefit their community.

To help its employees actively contribute to society, Sony Life has established a volunteer leave program and implemented a leave program for bone marrow donors. The company also holds lifesaving training events using automated external defibrillators (AED) and other equipment.

Sony Assurance participates in fundraising activities for the Japan Committee for UNICEF. Sony Assurance also collects used stamps to help organizations that provide medical care overseas.

Volunteer activities

"Life Planning Courses" Offered at 190 Schools

Since FY2005, Sony Life has provided students from elementary school to university, but mainly high school students, the opportunity to take part in Life Planning Courses given by Lifeplanner sales employees throughout Japan. Under the guidance of Lifeplanners, students begin to create a hypothetical family and then envisage the birth of children, education, buying a house and other dreams and aspirations. While receiving advice on the funds required for the simulated life plan, they learn what is needed to achieve their goals and dreams. As of July 1, 2010, Life Planning Courses had been given at 190 schools.

Life planning course held by Sony Life

Corporate Governance

Internal Control System

In FY2006, SFH's Board of Directors stipulated a Basic Policy on Establishing an Internal Control System in compliance with the Companies Act of Japan to ensure the appropriateness of company business activities. In line with this policy, SFH has established and operates an appropriate internal control system.

In FY2008, SFH also introduced an Internal Control and Financial Reporting System in accordance with the Financial Instruments and Exchange Law of Japan, with the aim of strengthening internal control governing financial reporting. As a listed company, SFH has put in place and operates the necessary organizational system and operational rules for disclosing proper financial information.

■ Basic Policy on Establishing an Internal Control System

1. System to ensure that the execution of duties by directors and employees is legally compliant and in accordance with the Articles of Incorporation

i. The Board of Directors has established a code of conduct as a basic policy for compliance and made this code clear to SFH's executives, employees and subsidiaries.

ii. The Board of Directors has created a compliance manual that provides specific compliance guidelines and a compliance program that defines specific plans.

iii. The Board of Directors has created a compliance supervisory department to promote its compliance program. The compliance supervisory department regularly reports to the Board of Directors on the progress of the compliance program.

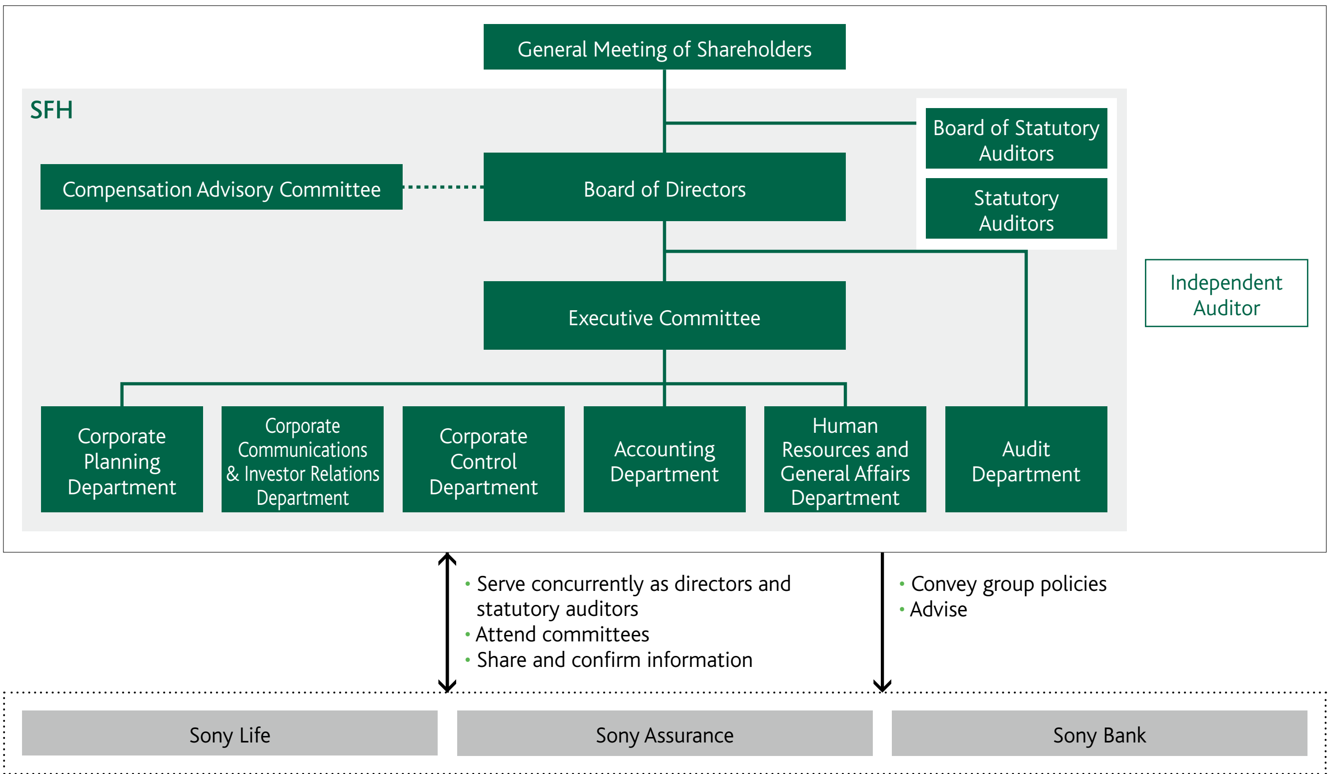
iv. The Board of Directors has formulated the Basic Group Policy on Eradicating Criminal Influences. This policy describes the firm stance the group takes to counter anti-social influences and build the structure necessary to fulfill this policy.

v. The Board of Directors has established an internal hotline system and informed SFH's executives, employees and subsidiaries about the system. This system allows employees or others who become aware of business policies, operations or other activities that contravene (or are in danger of contravening) laws and regulations to report directly to a hotline desk. The system prohibits any action from being taken against employees or others who provide such notification.

vi. The Board of Directors has established an internal audit supervisory department, which is independent from other operating departments. The internal audit supervisory department liaises and cooperates with the statutory auditors and the accounting auditor; monitors and verifies, from an independent and objective viewpoint, the implementation and operational status of the internal control system; and reports regularly to the Board of Directors the status of internal audits.

vii. The Board of Directors has formulated internal audit regulations, which define the basic policy regarding internal audits, and informs SFH's executives and employees and subsidiaries of these.

SFH Group Internal Control



2. System for preserving and managing information related to the execution of duties by directors

SFH has established record-keeping regulations to ensure that documents pertaining to the execution of duties by directors, such as records of decisions at Board of Directors and Executive Committee meetings, are appropriately preserved and managed in accordance with these regulations and laws.

3. Systems on regulations related to risk management

i. The Board of Directors has formulated the fundamental principles for risk management activities as a basic policy for group risk management and informs SFH's executives, employees and subsidiaries of these.
ii. The Board of Directors has established a risk management supervisory department to manage risks appropriately for SFH and its subsidiaries, in accordance with each entity's scale, characteristics and type of business. This department reports regularly to the Board of Directors on the status of risk management.
iii. The Board of Directors evaluates the capital adequacy of subsidiaries to ensure that their levels of capitalization are sufficient in light of the risks the SFH Group directly faces and to implement appropriate capital allocations. If necessary, the Board of Directors takes measures designed to strengthen capital bases.
iv. The Board of Directors formulates contingency plans to build a system that enables the SFH Group to respond rapidly to a crisis and take measures to minimize the impact of these risks. The Board of Directors makes these plans known to SFH's executives, employees and subsidiaries.

4. Systems to ensure the efficient execution of duties by directors

i. The Board of Directors formulates approval regulations, organizational and task-sharing regulations and other internal provisions, and creates an appropriate structure for the efficient execution of duties.
ii. The Board of Directors formulates business plan control regulations, which are employed to control non-consolidated and consolidated medium-term business plans and annual business plans.
iii. The department in charge of business planning reports regularly to the Board of Directors regarding the progress of groupwide plans.

5. System to ensure the appropriateness of operations by SFH and the corporate group, including SFH's parent company and subsidiaries

i. In addition to exercising shareholder rights as a financial holding company, SFH ensures the appropriateness of its subsidiaries' operations by exercising management control in accordance with the management control agreements made between SFH and its subsidiaries.
ii. SFH deliberates and examines the appropriateness and compliance of groupwide transactions, alliances or new business by subsidiaries that have the potential to significantly impact the management of the group before the commencement of those transactions. Such issues are resolved at or reported to the Board of Directors.
iii. SFH's Audit Department takes responsibility for ensuring that subsidiaries have appropriate internal control systems in place and monitors and verifies the results of internal and third-party audits of subsidiaries.
iv. SFH and its subsidiaries submit management information about the group as needed to SFH's parent company and interact with the parent company's internal audit supervisory department.

6. Items pertaining to employees who are requested to assist statutory auditors in their duties

If directors receive requests from statutory auditors for employees to be allocated to assist them in their duties, the directors assign such personnel without delay.

7. Independence from directors of employees assigned as mentioned directly above

Statutory auditors must agree to the appointment, removal and evaluations of employees assigned to assist them in their duties.

8. System for directors and employees to report to statutory auditors, and other reporting system

i. If directors or employees are requested to provide business reports to statutory auditors, they do so without delay.
ii. If directors or employees receive notification via the internal hotline system, they report immediately to the statutory auditors.

9. Other systems to ensure the effectiveness of audits by statutory auditors

Representative directors endeavor to forge and deepen relationships with statutory auditors based on mutual understanding and trust by fostering the environment that is necessary for audits by statutory auditors.

Management Systems

SFH uses the statutory auditor system. It appoints outside directors who work with statutory auditors to supervise management, thereby strengthening corporate governance.

SFH is a listed company with a listed parent company (Sony Corporation, hereafter Sony, which holds 60% of SFH's shares). For this reason, SFH has specified a Policy Concerning the Measures to Protect Minority Shareholders in Transactions with the Controlling Shareholder to protect the interests of minority shareholders.

* SFH prepares and discloses a Corporate Governance Report and Information Pertaining to Controlling Shareholders in accordance with the regulations of Tokyo Stock Exchange Group, Inc. These documents can be viewed at the Tokyo Stock Exchange or SFH's website (http://www.sonyfh.co.jp/index_en.html).

■ Board of Directors (As of July 1, 2010)

SFH, as a pure holding company, allows its three representative directors to concurrently serve as non-executive directors of subsidiaries, with the aim of integrating its management system and strengthening its corporate governance. Furthermore, from the perspective of group-wide efficiency in business operations, the three representative directors of SFH's subsidiaries serve as non-executive directors of SFH.

SFH's Board of Directors is made up of nine members, of whom one is an outside director. The outside director is appointed as an independent director of SFH as required by the Tokyo Stock Exchange to protect ordinary shareholders.

In order to receive general management advice concerning the SFH Group, SFH has appointed directors from outside the SFH Group. These two individuals serve as a director and a corporate executive officer of parent company, Sony.

SFH's Articles of Incorporation stipulate that there can be up to 12 directors.

■ Statutory Audits, Internal Audits and Accounting Audits (As of July 1, 2010)

(Statutory Audits)

SFH's Board of Statutory Auditors has five members, of whom three are outside statutory auditors. Statutory auditors audit the execution of duties by directors based on the audit policy, audit plan, audit methodology and assignment of audit duties stipulated by the Board of Statutory Auditors.

Statutory auditors attend important meetings, including Board of Directors' meetings, review the details of reports received from directors, key personnel and other people, and examine SFH's operations and financial condition. At the same time, statutory auditors maintain close collaboration with outside directors, the director and employees in charge of internal audits to enhance the supervisory function with respect to corporate management.

SFH's Articles of Incorporation stipulate that there can be up to five statutory auditors.

(Internal Audits)

SFH performs internal audits through its Audit Department. The Audit Department reports directly to the director in charge of internal audits (the chairman and representative director of SFH) and is independent of the company's operating divisions. It conducts internal audits from an independent and objective standpoint.

Please see page 28 for further details.

(Accounting Audits)

The names, accounting firm and back-up team of the Certified Public Accountants (CPAs) who acted as the accounting auditors of SFH are as follows.

Accounting firm	PricewaterhouseCoopers Aarata
CPAs	Keiichi Otsuka, Takuei Maruyama
Accounting audit team	Three CPAs, five others

■ Compensation for SFH's Directors and Statutory Auditors

The policy for determining the compensation of executive directors and outside directors stipulated by resolution of the Board of Directors and the policy for determining the compensation of statutory auditors stipulated by resolution of the Board of Statutory Auditors is as follows. Directors with no executive duties, except outside directors, and non-executive statutory auditors are, in principle, paid no compensation.

The compensation of individual executive directors and outside directors is deliberated by the Compensation Advisory Committee and determined by resolution of the Board of Directors based on the committee's report. Meanwhile, the compensation of individual statutory auditors is determined by resolution of the Board of Statutory Auditors.

(1) Executive Directors

The main responsibility of executive directors is to continuously increase corporate value as managers of SFH and the SFH Group. Consequently, SFH's basic policy is to determine compensation for executive directors, considering a balance between a fixed portion and a results-linked portion with a focus on securing talented human resources and ensuring that compensation serves as an effective incentive for improving business performance.

a) Compensation

Compensation consists of a fixed portion depending on position such as president and representative director and executive vice president and representative director, and a results-linked portion depending on the performance of SFH and the SFH Group as a whole and individual responsibilities.

The results-linked portion could range from 0% to 200% of the standard amount subject to achievement of management targets for SFH and the SFH Group and discharge of responsibilities.

b) Level

A suitable level of compensation shall be paid in order to secure talented individuals. In determining the level, consideration is given to the results of third-party surveys of the compensation levels of corporate managers and other information.

c) Retirement benefits

SFH sets aside an amount equivalent to a defined portion of compensation for every year in office and pays the full amount on retirement. A defined portion of the reserved amount is converted into shares of SFH and granted, with the aggregate number of shares converted at the market price and paid on retirement.

(2) Outside Directors

The main responsibility of outside directors is to enhance the transparency and objectivity of corporate management through the oversight and supervision of the performance of duties by executive directors. Consequently, SFH's basic policy is to determine compensation for outside directors as fixed compensation with a focus on securing talented human resources and ensuring that supervision and oversight function effectively.

a) Compensation

Compensation is paid in a fixed amount according to role.

b) Level
A suitable level of compensation shall be paid in order to secure talented individuals. In determining the level, consideration is given to the results of third-party surveys of the compensation levels of corporate managers and other information.
c) Retirement benefits
None
(3) Statutory Auditors
The main responsibility of statutory auditors is to ensure the transparency and objectivity of corporate management by conducting operational and accounting audits. Consequently, SFH's policy is to determine compensation for statutory auditors as fixed compensation with a focus on securing talented individuals and ensuring that the audit function is working effectively.
a) Compensation
Compensation is paid in a fixed amount according to role.
b) Level
A suitable level of compensation shall be paid in order to secure talented individuals. In determining the level, consideration is given to the results of third-party surveys of the compensation levels of statutory auditors.
c) Retirement benefits
A fixed amount is paid according to role.

SFH has formulated Compensation Advisory Committee Regulations to clarify the process for determining the compensation of directors of SFH and representative directors of subsidiaries, and established the Compensation Advisory Committee to deliberate these matters. Consisting of a small number of SFH directors, including the outside director, the Compensation Advisory Committee receives advice from the Board of Directors of SFH and the boards of directors of subsidiaries as necessary, and reports the results of its deliberations to the respective boards of directors. The above policies are also deliberated by the Compensation Advisory Committee.

Details of compensation for SFH's directors and statutory auditors for the fiscal year ended March 31, 2010 were as follows:

Category	Number of payees	Compensation (Amounts other than compensation (Note 1))
Compensation for directors	4	¥180 million (¥26 million)
Compensation for statutory auditors	1	¥ 21 million (¥1 million)
Total	5	¥202 million (¥28 million)

(Note 1) Amounts other than compensation include a provision for reserve for directors' retirement benefits for the fiscal year.

Details of compensation for outside directors for the fiscal year ended March 31, 2010 were as follows:

Category	Number of payees	Compensation (Amounts other than compensation)	Compensation from SFH parent company, etc. (Note 2)
Outside directors	3	¥27 million (¥1 million)	¥20 million

(Note 2) Compensation from SFH parent company, etc. shows compensation received as a director or statutory auditor from the parent company Sony or its subsidiaries, etc. (including subsidiaries of SFH, etc.).

■ Environment Relating to the Exercise of Voting Rights
SFH does the following to make it easier for shareholders to exercise their voting rights.
<General Meeting of Shareholders>
- SFH sets the meeting date to avoid dates on which other companies' annual general meetings are concentrated.
- SFH posts the Notice of Convocation on its website.
- SFH provides a partial translation of the Notice of Convocation in English.
- SFH uses an electronic voting platform.
- SFH posts the results of voting on its website.

Compliance
■ Basic Stance on Compliance
To ensure the ongoing health and appropriateness of business operations, SFH must encourage all executives and employees to deepen their understanding of SFH's corporate philosophy and the laws and regulations that pertain to its businesses, foster compliance with these laws and regulations, and manage its operations in a transparent and appropriate manner based on a strong sense of ethics. Including all these factors in its definition of "compliance," SFH considers compliance one of its most important management tasks. Accordingly, SFH has established systems to ensure that all executives and employees are fully aware of their duties and responsibilities under laws and regulations.

As a financial holding company with insurance and banking subsidiaries, SFH is responsible for understanding the state of compliance of its group companies and advising these companies on compliance issues as it deems necessary. The first level of compliance-related responsibility lies with individual group companies, which are responsible for establishing systems to raise their level of compliance in line with their specific industry, type of operations and scale of business. SFH, on the other hand, has the role of maintaining an ongoing understanding of and promoting group companies' compliance from the viewpoint of group management.

■ Compliance Systems at SFH and SFH Group Companies
• SFH's Compliance Systems

SFH's Board of Directors has established a compliance manual* and compliance program**. SFH mounts ongoing efforts to ascertain the state of conformance and progress of compliance and takes the initiative in establishing compliance systems for itself and its group companies.

Under authority delegated by the Board of Directors, SFH's Executive Committee directs each department to plan and enforce necessary compliance-related measures.

SFH's Corporate Control Department takes overall control of compliance planning, proposal creation and promotion. This department also monitors the compliance status of group companies.

* Compliance manual
This manual outlines SFH's compliance system, describes the group's corporate philosophy and indicates laws and regulations for conformance of which executives and employees should be aware. The manual also establishes measures for handling situations discovered to be in conflict with laws and regulations—non-compliant activities—and for confirming the compliance status.
** Compliance program
This program, conducted annually, in principle, defines a specific set of actions for confirming the state of compliance, as well as training and other related items.

• Compliance Systems at SFH Group Companies
Group companies are responsible for establishing effective compliance systems in line with their specific industry and type of operations.
• Compliance Meetings
SFH holds regular Compliance Meetings with group companies to conduct prior consultation on compliance-related issues and exchange information regarding the state of compliance promotion and legal issues. The Corporate Control Department serves as the secretariat for these meetings, whose members include SFH and group company executives, general managers and other staff in charge of compliance, depending on items being discussed. The results of meeting deliberations are reported to the Board of Directors and at meetings of other bodies.

■ Internal Hotline System
An internal hotline system is in place to enable executives and employees of SFH and the SFH Group companies, as well as temporary employees and the employees of business partners, to report business policies of the Sony Group, SFH and the SFH Group or operating or other activities that they are convinced contravene (or are in danger of contravening) laws and regulations or the internal regulations of the Sony Group, SFH or SFH Group companies. Informants may notify any of the hotline desks that have been established at each SFH Group company or the Compliance Hotline at Sony Corporation, which serves as the desk for the Sony Group, as appropriate. SFH is responsible for taking appropriate measures to protect informants and strictly managing and responding to any information they provide.

SFH communicates with Sony regarding appropriate responses to notifications received via the Compliance Hotline at Sony Corporation, as well as about notifications of issues having the potential to affect Sony Group companies other than those in the SFH Group.

Conflicts of Interest Policy (Summary)
SFH has formulated a Management Policy Concerning Conflicts of Interest and established the structures required by the Banking Law of Japan, the Insurance Business Law of Japan, and the Financial Instruments and Exchange Law of Japan. The policy and structures are designed to ensure that customers' interests are not harmed by SFH Group companies.

■ Summary of Conflicts of Interest Policy
I. Basic Policy
The SFH Group* has established a structure under the provisions of the Banking Law of Japan, the Insurance Business Law of Japan, and the Financial Instruments and Exchange Law of Japan to ensure that customers' interests are not harmed when making transactions with SFH Group companies* in circumstances of potential conflict of interest between customers of SFH Group companies and Sony Group finance companies* or between customers of SFH Group companies and customers of Sony Group finance companies.

* Under this policy, "SFH Group companies" represents Sony Life, Sony Life Insurance (Philippines), Sony Assurance, Sony Bank, Sony Bank Securities, AEGON Sony Life Insurance and SA Reinsurance; "SFH Group" represents SFH and SFH Group companies; and "Sony Group finance companies" represents SFH Group companies and Sony Finance International, Inc.

II. Transactions to Be Managed
1. SFH has established a structure and takes all necessary action to prevent customers' interests from being harmed by the transactions outlined below ("transactions to be managed").
1) Transactions that put the SFH Group's interest first in circumstances where there is a conflict of interest between the SFH Group and customers
2) Transactions that profit from customer information
3) Transactions that profit from competing interests between customers
4) Other transactions in which it is evident that the interests of customers may be harmed by SFH Group companies

2. For the purposes of the Management Policy Concerning Conflicts of Interest, "customers" whose interest should be protected are customers of the following businesses that SFH Group companies engage in.
1) Sony Life Insurance Co., Ltd.
Life insurance business, business of registered financial institutions, and other businesses that can be conducted by Sony Life under relevant laws.
2) Sony Life Insurance (Philippines) Corporation
Life insurance business and other business that can be conducted by Sony Life Insurance (Philippines) under relevant local laws.
3) Sony Assurance Inc.
Non-life insurance business and other business that can be conducted by Sony Assurance under relevant laws.
4) Sony Bank Inc.
Banking business (including bank agency business by banking agents), business of registered financial institutions, and other business that can be conducted by Sony Bank under relevant laws.
5) Sony Bank Securities Inc.
Trading of financial instruments and other businesses that can be conducted by Sony Bank Securities under relevant laws.
6) AEGON Sony Life Insurance Co., Ltd.
Life insurance business and other business that can be conducted by AEGON Sony Life Insurance under relevant laws and regulations.
7) SA Reinsurance Ltd.
Reinsurance business and other business that can be conducted by SA Reinsurance under relevant local laws and regulations.

III. Structure for Management of Conflicts of Interest

1. Structure

SFH has established a structure to manage conflicts of interest in the SFH Group by making the director who is head of the Corporate Control Department responsible for managing conflicts of interest, and the Corporate Control Department the business unit responsible for managing conflicts of interest.

2. Action

The director responsible for oversight of the management of conflicts of interest shall order SFH Group companies to take the actions outlined below when the director deems them necessary on the basis of reports from SFH Group companies, customer complaints, or other sources:

1) Block the flow of information between divisions where a conflict of interest may arise
2) Suspend the transaction concerned, or change the terms and conditions or method of the transaction
3) Disclose the conflict of interest, or the potential for a conflict of interest, to customers
4) Take any other action deemed necessary by the business unit responsible for managing conflicts of interest

3. Record-keeping

The division responsible for managing conflicts of interest shall maintain records as outlined below and retain them for five years.

1) Records that specify transactions to be managed
2) Records associated with actions taken to appropriately protect customers

Basic Policy on Eradicating Criminal Influences

SFH has formulated a Basic Group Policy on Eradicating Criminal Influences, as follows. SFH and the SFH Group companies have built the structures to take a firm stance on countering criminal influences.

■ Basic Group Policy on Eradicating Criminal Influences

1. The SFH Group recognizes the importance of strictly avoiding any association with criminal elements from the perspectives of social responsibility, compliance, and corporate defense. It has therefore implemented frameworks to shut out criminal influences.

2. The SFH Group strictly rejects unfounded demands by criminal influences. Furthermore, the Group has put in place a framework for acting firmly, on an organizational basis, against those who make unfounded demands.

3. The SFH Group works closely with the police and external specialist entities, even during ordinary times, to ensure appropriate assistance and cooperation should it be threatened by criminal influences.

Structures for Eradicating Criminal Influences

SFH has put in place the following structures for strictly avoiding any association with criminal elements.

- SFH has established a department for dealing with criminal influences and appointed a person responsible for preventing unfounded demands.
- SFH collects information on criminal influences by cooperating with external specialists.

Risk Management

One of SFH's roles as a financial holding company is to further enhance and integrate group-wide risk management by centralizing the Group's management resources.

■ Basic Policy on Group Risk Management

- As a financial holding company, SFH enhances the corporate value of the group by aligning risk management with group-wide strategic objectives and management policies, while tailoring operating subsidiaries' risk management to the types of risk inherent in their respective lines of business.
- SFH adopts all necessary supplemental measures to ensure effective risk management, after confirming each operating subsidiary has independently and responsibly established its own risk management structure to achieve its own management objectives.
- SFH takes steps to eliminate excessive concentration of risk in specific areas, establish appropriate controls over intra-group transactions and control the ripple effect of risk within the group.

■ SFH and the SFH Group Risk Management Structure

SFH's Board of Directors formulates fundamental principles for risk management and communicates them to directors, employees, and throughout the SFH Group. The Board also identifies the types of risks specific to subsidiaries' scale, business, and other attributes and establishes structures designed to manage them effectively. SFH's Executive Committee, which is appointed by the Board of Directors, executes routine tasks pertaining to group risk management; specifically, while subsidiaries each assess, monitor, and manage their risks on their own, the Corporate Control Department, which is responsible for SFH's risk management, controls risks through monitoring and holding Risk Management Meetings with subsidiaries' risk management divisions. The Corporate Control Department also reports its findings on the state of risk management regularly to SFH's Board of Directors and Executive Committee.

■ Types of Risk Managed by SFH and Subsidiaries

The types of risk managed by SFH and subsidiaries are as follows:

Market Risk	Credit Risk
Real Estate Investment Risk	Liquidity Risk
Insurance Underwriting Risk	Administrative Risk
Systems Risk	Legal Risk
Reputational Risk	Going Concern Risk

The types and definitions of risk that SFH and its subsidiaries must manage are as follows:

Each Group company establishes its own framework for managing risk as appropriate for its scale and the attributes and type of its business, and optimizes its frameworks for the types of risks faced according to internal definitions.

As the operating and business environment changes, subsidiaries' risk management departments review the risk types and definitions set forth below, amending them as appropriate for new conditions.

Market Risk

Risks associated with losses due to changes in the value of assets and liabilities, including off-balance-sheet items such as derivative instruments, as a result of unfavorable fluctuations in interest rates, the value of securities held, exchange rates, and other factors.

Credit Risk

Risks associated with losses due to declines or loss in the value of assets, including off-balance-sheet items such as derivative instruments, resulting from deterioration in the financial position of retail and corporate customers, of issuers of the debt obligations held, or of counterparties to derivatives and other contracts entered into.

Real Estate Investment Risk

Risks associated with losses due to declines in the market value of owned real estate or in the profitability of real estate holdings on account of unfavorable trends in prices and rents, respectively.

Liquidity Risk

Risks associated with losses are as follows:

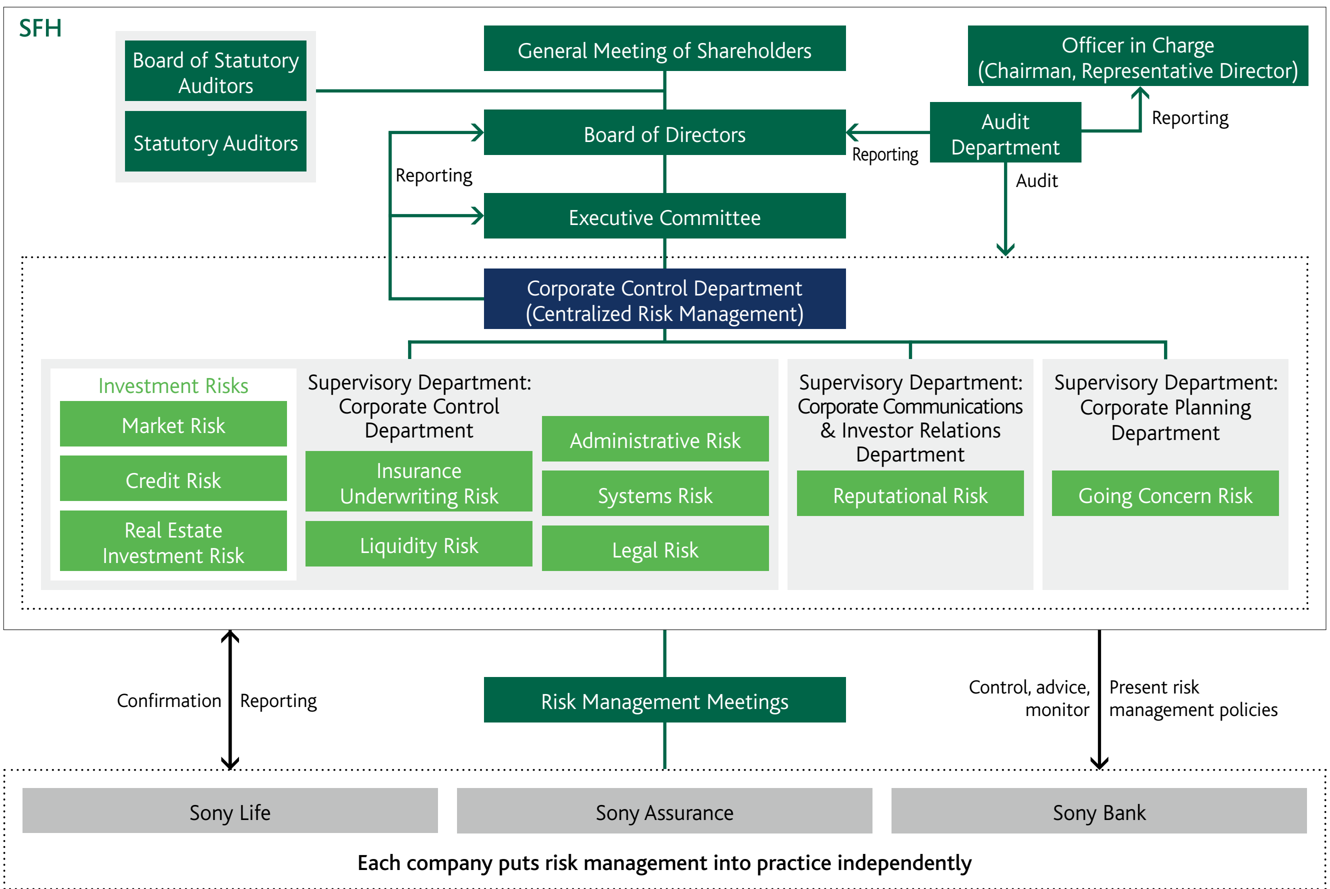
• Cash Flow Risk

Risks associated with losses due to our inability to make cash payments because of failure to maintain sufficient cash reserves at settlement, as well as risks associated with losses if SFH and group companies are forced to raise funds under unfavorable conditions in order to fulfill cash payment obligations.

• Market Liquidity Risk

Risks associated with losses due to inability to conduct market transactions, in particular from an inability to unwind our market position at a given time, as well as risks associated with losses if we are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.

Risk Management Structure



Insurance Underwriting Risk

Risks associated with losses due to significant differences between the assumptions SFH and group companies use to establish appropriate premium levels, including assumptions regarding the expected frequency and scale of insured events and future economic conditions.

Administrative Risk

Risks associated with losses due to errors, misconduct, malfunction, and other factors related to problems with our internal administrative processes.

Systems Risk

Risks associated with losses arising from IT-system malfunction or breakdown, improper use or leakage of confidential information stemming from IT system problems.

Legal Risk

Risks associated with losses due to violations of applicable laws, rules and regulations occurring during the course of doing business operations, as well as the risk of loss due to litigation. In particular, we are exposed to legal risk with respect to:

- the provision of services, including the introduction of new businesses, products and services;
- entry into various legal agreements, as well as the renewal, amendment, termination or rescission of agreements; and
- various legal and administrative proceedings.

Reputational Risk

Risks associated with losses resulting from harm to our reputation in the market and among customers as a result of unethical behavior, unfair business practices, improper disclosure, or other factors.

Going Concern Risk

The risk that SFH and group companies will be unable to continue operations as the result of a deterioration in financial position, liquidity problems, system failures, scandals, accidents, and other crises.

Privacy Policy

SFH has formulated a Privacy Policy* governing the handling of personal information. It sets out the company's policies on its use of personal information within the specific purposes and its acquisition of personal information to ensure compliance with applicable laws and regulations. SFH has also established and observes Rules on Information Security that set out specific security control protocols.

SFH monitors how SFH Group companies' security control protocols are working. Specific group measures include the formulation of and revision of the Privacy Policy, setting up an organization to protect personal information and appointing persons responsible, preparing a set of rules and a manual covering the handling of personal information, and education and training programs on the handling of personal information and information security.

SFH and SFH Group companies strive to maintain entrusted personal information so that it is accurate and up-to-date to the extent necessary for the purposes of its use, and to protect personal information through steps to prevent unauthorized access, leakage, falsification, loss, destruction, and other incidents.

* Visit SFH website at (http://www.sonyfh.co.jp/index_en.html) for more about Privacy Policy.

Internal Audits

SFH performs internal audits through its Audit Department. Reporting directly to the director in charge of internal audits (chairman and representative director), this department operates outside the other lines of operational reporting and, from an independent and objective standpoint, conducts internal audits to check and evaluate the appropriateness of work processes and risk management. SFH subsidiaries each have their own internal audit divisions to perform internal audits designed to match their specific industry, the scale of their businesses, and the types of risk they face. SFH's Audit Department monitors the results of internal audits and external audits of group companies with the aim of ensuring the soundness of management of operations. When necessary, SFH's Audit Department provides advice and proposals to subsidiaries' internal audit divisions. SFH's Audit Department regularly reports the results of its monitoring activities to the director in charge and the Board of Directors. Should the director in charge perceive it necessary, as a result of the monitoring, SFH's Audit Department may directly audit subsidiaries within the scope of governing laws and regulations.

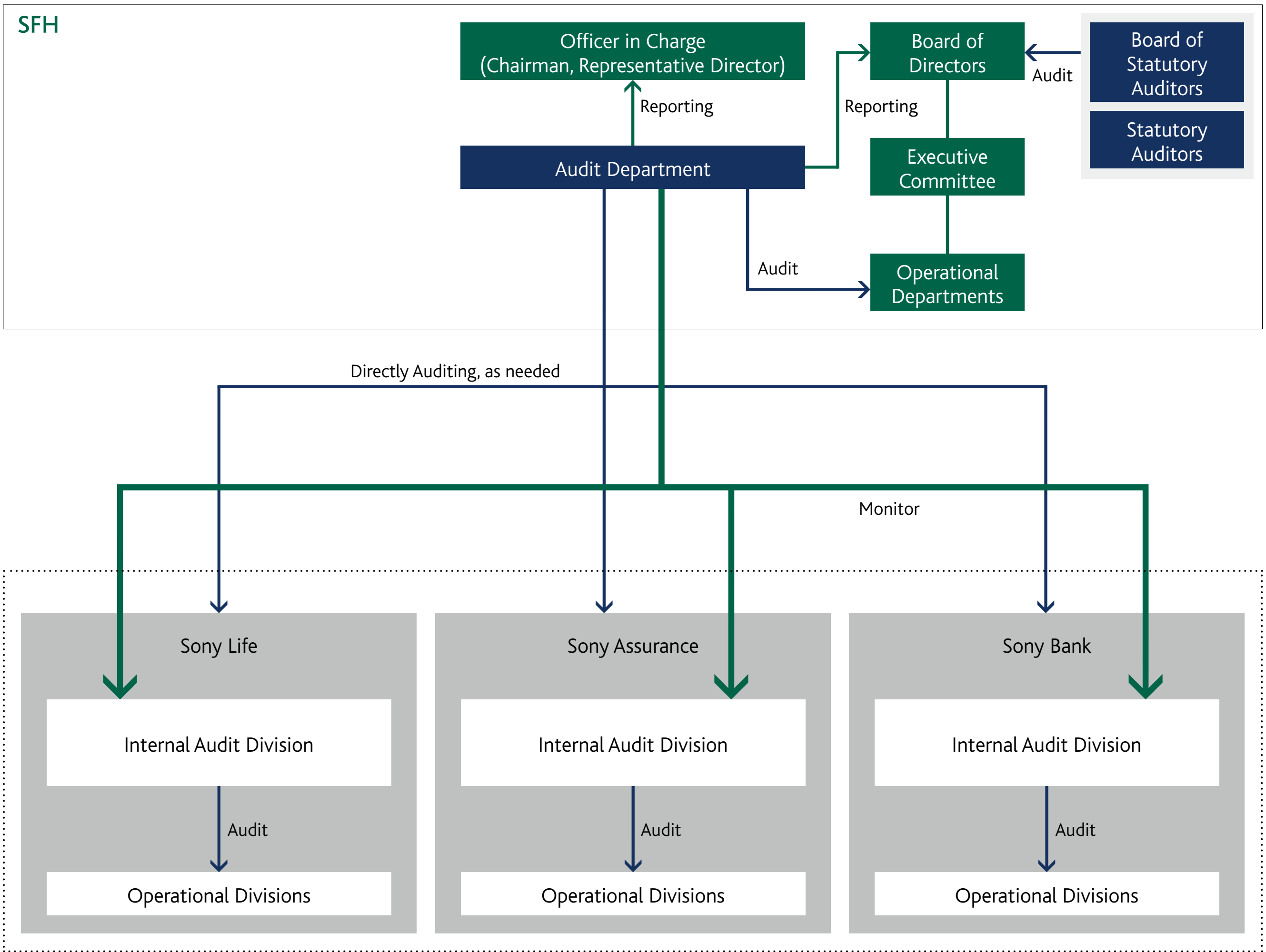
The Audit Department also cooperates with SFH's statutory auditors and external auditors, such as the independent auditor.

Relationship With Parent Company, Sony Corporation

■ Capital and Personnel Relationships

SFH is a financial holding company established by a corporate spin-off from Sony on April 1, 2004. On October 11, 2007, SFH's shares were listed on the First Section of the Tokyo Stock Exchange, the initial public offering was conducted in Japan and overseas, after which Sony's shareholding became 60%. As a result of this capital relationship, SFH may be subject to the influence of Sony, irrespective of the intentions and interests of other shareholders with regard to all matters requiring shareholder approval. These matters include the appointment and dismissal of SFH directors and statutory auditors, mergers and other organizational restructuring, material asset and business transfers, amendments to the Articles of Incorporation, and the payment of dividends.

Internal Auditing Structure



In order to receive general management advice concerning the SFH Group and strengthen the audit system, SFH has appointed directors from outside the company. Of these, two directors and one statutory auditor serve concurrently as directors or corporate executive officers of Sony. Moreover, one statutory auditor each of Sony Assurance and Sony Bank serves concurrently as an employee of Sony.

■ Ensuring Independence in Business Activities and Using the "Sony" Trade Name and Trademark

The SFH Group is developing business activities based on a management policy and management strategy that are independent from Sony, from the standpoint of protecting policyholders and depositors. At the same time, group companies have entered into royalty agreements with Sony for the use of the "Sony" trade name and trademark for the purpose of raising each company's profile and trustworthiness. However, these agreements can be rescinded by Sony under certain conditions such as if Sony's share of voting rights in SFH falls below a majority, or SFH's percentage ownership of the voting rights of SFH Group companies drops. Furthermore, SFH Group companies pay royalty fees to Sony based on these agreements.

Corporate Section

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032 SFH Group Company Profiles
034 Senior Management of SFH
035 Senior Management of Three Main Subsidiaries
036 History
038 Stock Information

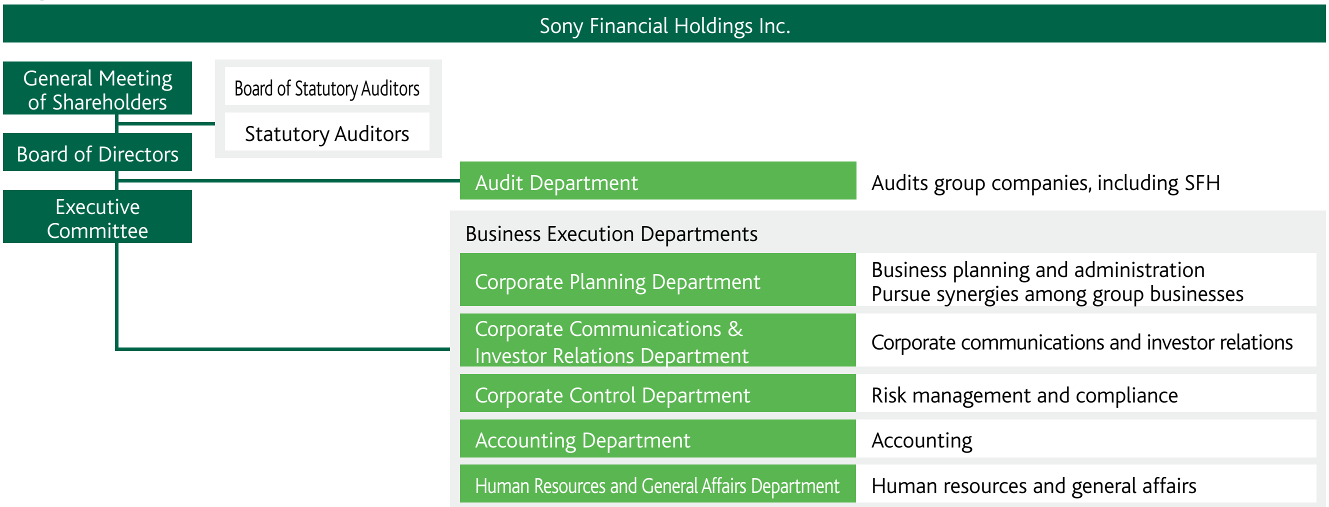
Corporate Information

Corporate Information (As of March 31, 2010)

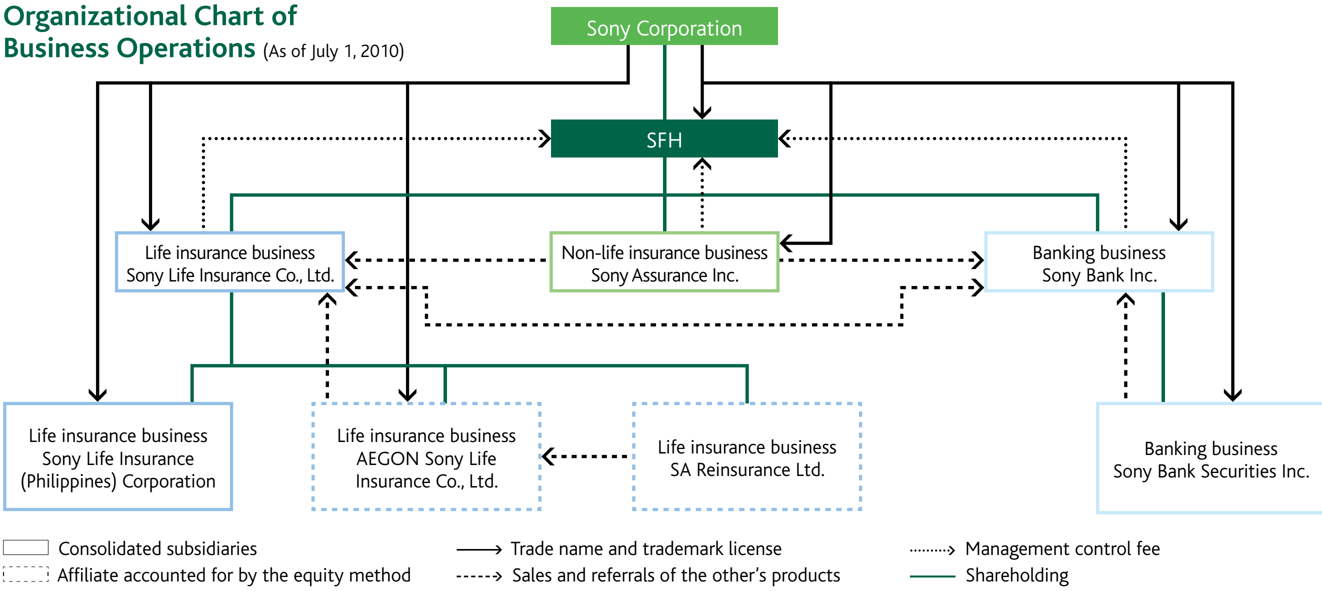
Name	Sony Financial Holdings Inc.
Established	April 1, 2004
Head office	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business	Management control of subsidiaries (life insurance companies, non-life insurance companies, banks and others) specified by the Insurance Business Law of Japan and the Banking Law of Japan and all duties incidental to that role.
Number of Employees	SFH: 36 (Consolidated: 6,982; Life insurance business: 5,879; Non-life insurance business: 813; Banking business: 254)
Common Stock	¥19,900 million

Note: The number of employees of SFH includes employees on loan from Sony, Sony Life Insurance, Sony Assurance and Sony Bank. In regard to the number of employees, the life insurance business includes employees of Sony Life Insurance and Sony Life Insurance (Philippines); the non-life insurance business includes employees of Sony Assurance; and the Banking business includes employees of Sony Bank and Sony Bank Securities.

Organizational Chart (As of July 1, 2010)

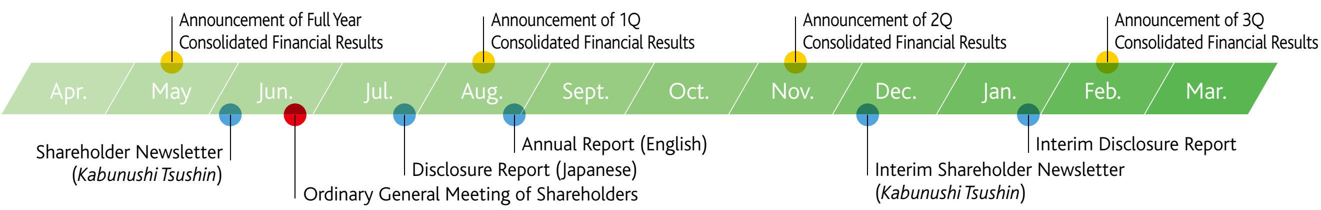


Organizational Chart of Business Operations (As of July 1, 2010)



Note: The information for each business is based on SFH's classification of segment information.

Annual Schedule



SFH Group Company Profiles

As of July 1, 2010

Sony Life Insurance Co., Ltd.

Established	August 10, 1979
Head office	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business	Life insurance
Common Stock	¥70,000 million
Share ownership	Sony Financial Holdings Inc. 100%

www.sonylife.co.jp (Japanese only)

Sony Assurance Inc.

Established	June 10, 1998
Head office	37-1, Kamata 5-chome, Ota-ku, Tokyo, Japan
Business	Non-life insurance
Common Stock	¥20,000 million
Share ownership	Sony Financial Holdings Inc. 100%

www.sonysonpo.co.jp (Japanese only)

Sony Bank Inc.

Established	April 2, 2001
Head office	3-26, Kanda-Nishikicho, Chiyoda-ku, Tokyo, Japan
Business	Banking
Common Stock	¥31,000 million
Share ownership	Sony Financial Holdings Inc. 100%

sonybank.net (Japanese only)

Sony Life Insurance (Philippines) Corporation

Established	August 26, 1998
Head office	Makati City, Philippines
Business	Life insurance
Common Stock	937 million Philippine pesos
Share ownership	Sony Life Insurance Co., Ltd. 100%

www.sonylife.com.ph

LIPLA Co., Ltd.

Established	February 22, 2010
Head office	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business	Life insurance sales, Non-life insurance sales, Banking agency business
Common Stock	¥150 million
Share ownership	Sony Life Insurance Co., Ltd. 100%

www.lipla.co.jp (Japanese only)

Sony Bank Securities Inc.

Established	June 19, 2007
Head office	3-26, Kanda-Nishikicho, Chiyoda-ku, Tokyo, Japan
Business	Financial products and exchange business
Common Stock	¥2,500 million
Share ownership	Sony Bank Inc. 100%

sonybank-sec.net (Japanese only)

AEGON Sony Life Insurance Co., Ltd.

Established	August 29, 2007
Head office	9-11, Akasaka 2-chome, Minato-ku, Tokyo, Japan
Business	Life insurance business
Common Stock	¥10,000 million
Share ownership	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%

www.aegonsonylife.co.jp (Japanese only)

SA Reinsurance Ltd.

Established	October 29, 2009
Head office	British Bermuda
Business	Reinsurance business
Common Stock	¥5,000 million
Share ownership	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%

Senior Management of SFH

As of July 1, 2010

Chairman, Representative Director

Teruhisa Tokunaka
In charge of Audit Department

President, Representative Director

Katsumi Ihara
In Charge of Corporate Planning Department, Corporate Control Department and Human Resources and General Affairs Department

Executive Vice President, Representative Director

Hiromichi Fujikata
In Charge of Corporate Communications & Investor Relations Department and Accounting Department

Director

Taro Okuda
President, Representative Director of Sony Life Insurance Co., Ltd.

Director

Shinichi Yamamoto
President, Representative Director of Sony Assurance Inc.

Director

Shigeru Ishii
President, Representative Director of Sony Bank Inc.

Director

Masaru Kato
EVP, CFO[Note 1] of Sony Corporation

Director (Outside)

Yasushi Ikeda[Note 2]
Attorney and Partner, Miyake Imai & Ikeda

Director

Ryuji Yasuda
Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
Outside Director of Sony Corporation

Standing Statutory Auditor (Outside)

Hiroshi Sano
Statutory Auditor of Sony Life Insurance Co., Ltd.
Statutory Auditor of Sony Assurance Inc.
Statutory Auditor of Sony Bank Inc.

Statutory Auditor (Outside)

Takemi Nagasaka
SVP[Note 1], Senior General Manager, Accounting Division of Sony Corporation

Statutory Auditor (Outside)

Hiroshi Ueda
Standing Statutory Auditor of Sony Bank Inc.

Statutory Auditor

So Sato
Standing Statutory Auditor of Sony Life Insurance Co., Ltd.

Statutory Auditor

Takatoshi Yajima
Standing Statutory Auditor of Sony Assurance Inc.
Statutory Auditor of Sony Life Insurance Co., Ltd.

Notes: 1. EVP stands for Executive Vice President, CFO stands for Chief Financial Officer and SVP stands for Senior Vice President.
2. Yasushi Ikeda is an Independent Director ("Dokuritsu Yakuin"), whose appointment is required by Tokyo Stock Exchange Group Inc. in order to protect the interests of general shareholders.

Senior Management of Three Main Subsidiaries

As of July 1, 2010

Sony Life

Title	Name	Concurrent Positions at Sony and Main SFH Group Companies
Chairman, Director	Kunitake Ando	—
President, Representative Director	Taro Okuda	Director of Sony Financial Holdings Inc.
Director	Masamitsu Shimaoka	—
Director	Mitsuhiro Koizumi	—
Director	Teruhisa Tokunaka	Chairman, Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc.
Director	Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc. Director of Sony Bank Inc.
Director	Hiromichi Fujikata	Executive Vice President, Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc. Director of Sony Bank Inc.
Standing Statutory Auditor	So Sato	Statutory Auditor of Sony Financial Holdings Inc.
Statutory Auditor	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Assurance Inc. Statutory Auditor of Sony Bank Inc.
Statutory Auditor	Takatoshi Yajima	Standing Statutory Auditor of Sony Assurance Inc. Statutory Auditor of Sony Financial Holdings Inc.

Sony Assurance

Title	Name	Concurrent Positions at Sony and Main SFH Group Companies
President, Representative Director	Shinichi Yamamoto	Director of Sony Financial Holdings Inc.
Director	Norio Misaka	—
Director	Teruhisa Tokunaka	Chairman, Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd.
Director	Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Bank Inc.
Director	Hiromichi Fujikata	Executive Vice President, Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Bank Inc.
Standing Statutory Auditor	Takatoshi Yajima	Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Life Insurance Co., Ltd.
Statutory Auditor	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Life Insurance Co., Ltd. Statutory Auditor of Sony Bank Inc.
Statutory Auditor	Yoshiki Matsuyama	General Manager, Accounting Department, Accounting Division of Sony Corporation

Sony Bank

Title	Name	Concurrent Positions at Sony and Main SFH Group Companies
President, Representative Director	Shigeru Ishii	Director of Sony Financial Holdings Inc.
Director	Hidehiko Nakamura	—
Director	Masahiko Tokuyama	—
Director	Sumio Kanzawa	—
Director	Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
Director	Hiromichi Fujikata	Executive Vice President, Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
Director	Manabu Idei	General Manager, Corporate Planning Department of Sony Financial Holdings Inc.
Director	Tohru Nakajima	—
Standing Statutory Auditor	Hiroshi Ueda	Statutory Auditor of Sony Financial Holdings Inc.
Statutory Auditor	Hidemichi Takenaka	Planning Manager, International Tax Planning Section, Planning and Administration Department, Accounting Division of Sony Corporation
Statutory Auditor	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Life Insurance Co., Ltd. Statutory Auditor of Sony Assurance Inc.

History

1979	August	Life	"Sony Prudential Life Insurance Co., Ltd." (Sony Prudential Life, currently Sony Life) is established
1981	April	Life	Sony Prudential Life commences operations with the launch of Lifeplanner system
1987	July	Life	Sony Prudential Life agrees with Prudential Financial, Inc. to terminate joint venture
1991	April	Life	Sony Pruco Life Insurance Co., Ltd. (renamed from Sony Prudential Life in September 1987) changes name to "Sony Life Insurance Co., Ltd." (Sony Life)
1998	June	Non-Life	"Sony Insurance Planning Co., Ltd." (Sony Insurance Planning, currently Sony Assurance) is established
	August	Life	Sony Life establishes "Sony Life Insurance (Philippines) Corporation" as a wholly owned subsidiary in the Philippines
1999	September	Non-Life	Sony Insurance Planning changes name to "Sony Assurance Inc." (Sony Assurance) Sony Assurance launches sales of automobile insurance (Sales commenced over the Internet in September and telephone in October)
2001	April	Banking	"Sony Bank Inc." (Sony Bank) is established
	May	Group	Sony Life's Lifeplanner sales employees begin selling Sony Assurance automobile insurance
	June	Banking	Sony Bank commences operations Sony Bank launches the "MONEYKit" service site
2002	March	Group	Sony Life begins underwriting group credit life insurance for Sony Bank's mortgage loans
	June	Non-Life	Sony Assurance launches sales of medical and cancer insurance
2004	April	SFH	"Sony Financial Holdings Inc." (Sony Financial Holdings) is established as a financial holding company
	June	Group	Sony Bank launches sales of individual annuities offered by Sony Life
	October	Group	Sony Assurance begins offering fire insurance to Sony Bank's mortgage loan customers
	December	Group	Sony Life's Lifeplanner sales employees begin brokering Sony Bank's mortgage loans
2005	December	Banking	Sony Bank begins handling credit cards and commences financial products intermediary services
2006	June	Banking	Sony Bank launches mobile banking service
2007	June	Banking	Sony Bank establishes "Sony Bank Securities Inc." (Sony Bank Securities) as a wholly owned subsidiary
	August	Life	Sony Life establishes "AEGON Sony Life Planning Co., Ltd." (AEGON Sony Life Planning, currently AEGON Sony Life Insurance)
	October	SFH	Sony Financial Holdings is listed on the First Section of the Tokyo Stock Exchange
		Banking	Sony Bank Securities starts business operations Sony Bank and Sony Bank Securities launch financial products intermediary services
	December	Group	Sony Life is permitted to handle banking agency business for Sony Bank

2008	March	SFH	Sony Bank becomes a wholly owned subsidiary of Sony Financial Holdings
	May	Banking	Sony Bank begins handling foreign exchange margin transactions
	August	Banking	Sony Bank ties up with Seven Bank, Ltd. in banking agency business
	October	Life	Sony Life opens a representative office in Beijing
2009	January	Non-Life	Sony Assurance establishes the "insurance selection" page on its website to offer recommended insurance products of other insurance companies and began selling a pet insurance product on this site
	May	Non-Life	Sony Assurance launches sales of overseas travel accident insurance
	June	Non-Life	Sony Assurance launches sales of MEDCOM, an additional cancer treatment insurance policy, offered by SECOM General Insurance Co., Ltd.
	July	Life	Sony Life opens Representative Office in Taipei
	August	Banking	Sony Bank begins offering margin trading through the financial products intermediary services offered by Sony Bank Securities
		Life	AEGON Sony Life Planning obtains life insurance business license from the Financial Services Agency and changes its name to "AEGON Sony Life Insurance Co., Ltd." (AEGON Sony Life Insurance)
	October	Banking	Sony Bank commences corporate financing through entry into the syndicated loan business and other measures
		Life	Sony Life establishes "SA Reinsurance Ltd." (SA Reinsurance) in British Bermuda as a reinsurance company specializing in variable annuities
	December	Life	Sony Life begins sales of the variable individual annuity products of AEGON Sony Life Insurance
		Banking	Sony Bank forms tie-up with F&M Co., Ltd. in conducting banking agency business
		Banking	Sony Bank Securities begins offering contract for difference (CFD) services
2010	January	Life	SA Reinsurance completes license registration in British Bermuda
	February	Life	AEGON Sony Life Insurance concludes business agency agreement with Sumitomo Mitsui Banking Corporation (SMBC) and begins sales of variable individual annuity products at SMBC
		Life	Sony Life establishes "LIPLA Co., Ltd.," a wholly owned subsidiary, to operate one-stop insurance shop as its directly run sales agency
	May	Group	Sony Life begins sales of the products of Sony Life, Sony Assurance and Sony Bank through "LIPLA" shop
	June	Banking	Sony Bank opens its first over-the-counter branch called "Housing Loan Plaza"

Stock Information

Information on Common Stock, Shares Outstanding

Date	Increase in Issued Shares	Total Number of Shares Issued	Increase in Common Stock (Millions of yen)	Common Stock (Millions of yen)	Increase in Capital Surplus (Millions of yen)	Capital Surplus (Millions of yen)
April 1, 2004 (Note 2)	2,000,000	2,000,000	500	500	175,877	175,877
June 25, 2004 (Note 3)	100,000	2,100,000	5,000	5,500	5,000	180,877
October 10, 2007 (Note 4)	75,000	2,175,000	14,400	19,900	14,400	195,277

Notes: 1. SFH is authorized to issue 8,000,000 shares of common stock. The shares outstanding listed above are all common stock with full voting rights and no restrictions, which is the standard share for SFH. SFH does not use a trading unit system.
2. Issued when the company was established.
3. Issued in a private placement of 100,000 shares (0.05 shares for each share) to shareholders for an issue price of ¥100,000 per share. The amount added to common stock was ¥50,000 per share.
4. Issued in a general book-building offering for an issue price of ¥400,000 per share and an underwriting price of ¥384,000 per share. The amount added to common stock was ¥192,000 per share and the total amount paid was ¥28.8 billion.

Stock Exchange Listing (As of July 1, 2010)

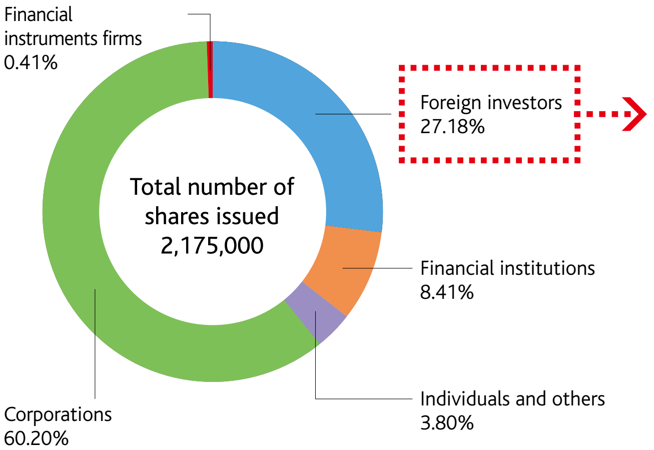
The First Section of the Tokyo Stock Exchange (Securities code: 8729)

Major Shareholders (As of March 31, 2010)

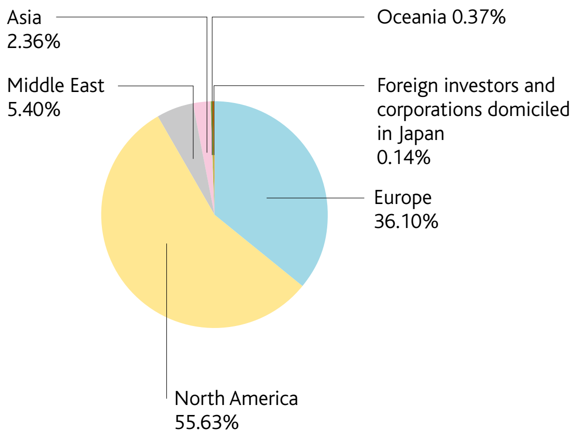
Name	Number of Shares Held	Percentage of Ownership (%)
Sony Corporation	1,305,000	60.00
The Chase Manhattan Bank NA London SL Omnibus Account	69,034	3.17
Goldman Sachs and Company Regular Account	55,289	2.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,091	1.98
Japan Trustee Services Bank, Ltd. (Trust Account)	42,390	1.94
The Chase Manhattan Bank 385036	34,510	1.58
State Street Bank and Trust Company	28,404	1.30
Japan Trustee Services Bank, Ltd. (Trust Account 9)	21,294	0.97
State Street Bank and Trust Company 505103	19,508	0.89
Mellon Bank NA Treaty Client Omnibus	18,196	0.83

Distribution of Share Ownership (As of March 31, 2010)

By type of shareholder



By geographic region (foreign investors)



Dividend Policy

Dividends

For the years ended March 31		2009	2010	2011 (Forecast)
Dividend per Share	Year-end	¥3,000	¥3,000	¥3,000
	Annual	¥3,000	¥3,000	¥3,000
Annual Dividend Amount		¥6,525 million	¥6,525 million	—
Dividend Payout Ratio (Consolidated)		21.2%	13.6%	16.3%
Dividend on Net Assets (Consolidated)		2.8%	2.8%	—

Basic Policy on Returning Profits to Shareholders

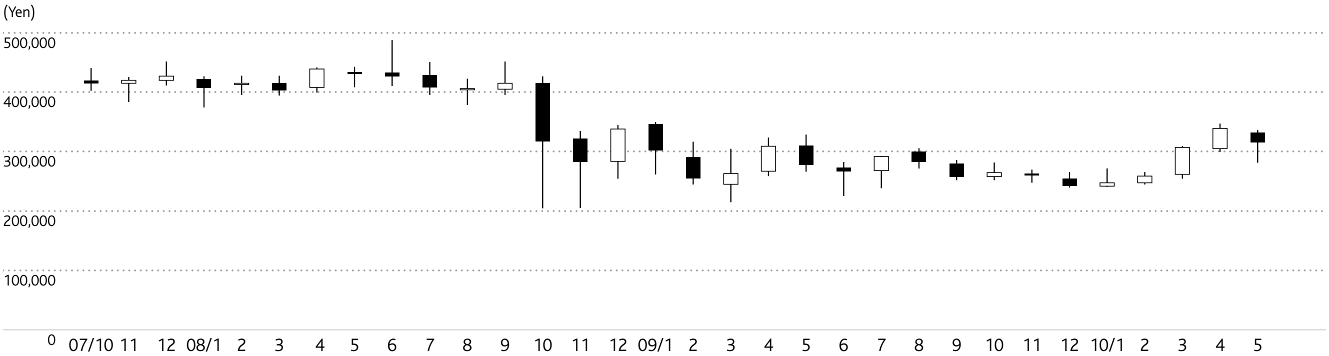
SFH places priority on returning profits to shareholders and raising return on equity. Our basic policy is to pay a stable dividend to shareholders while ensuring the high financial soundness needed to gain and maintain the confidence of customers of group companies as well as the internal reserves needed for future business development.

SFH pays dividends from surplus once yearly as a year-end dividend. SFH's articles of incorporation allow for the payment of interim dividends. The General Meeting of Shareholders is responsible for deciding on year-end dividends and the Board of Directors decides on interim dividends.

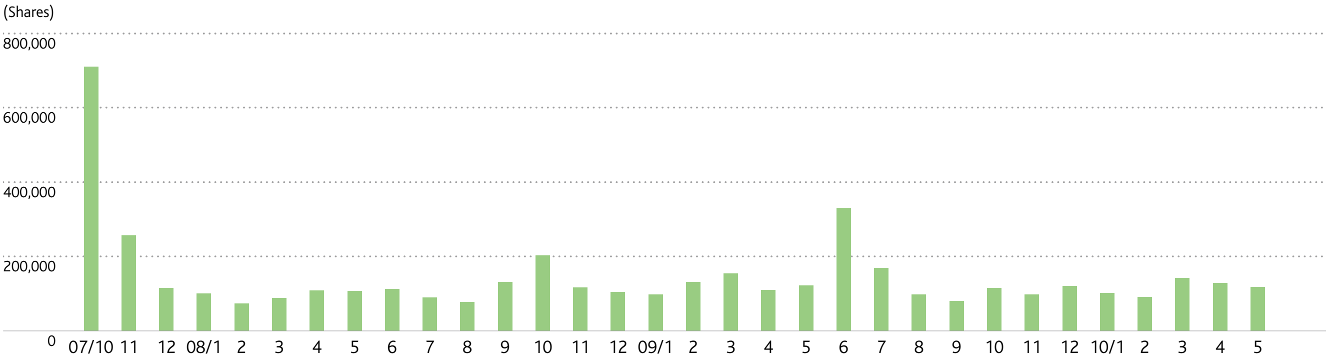
Based on a resolution at the General Meeting of Shareholders held on June 25, 2010, SFH paid an annual dividend of ¥3,000 per share in FY2009, for a total payment of ¥6,525 million, in accordance with the foregoing basic policy.

We will use internal reserves to meet the financial requirements of developing and driving the growth of new businesses while effectively using internal reserves to invest in IT systems as the businesses of our existing group companies expand. In this manner, we will work to return profits to shareholders, with the aim of enhancing our corporate value.

Share Prices



Trading Volume



Review of Operations

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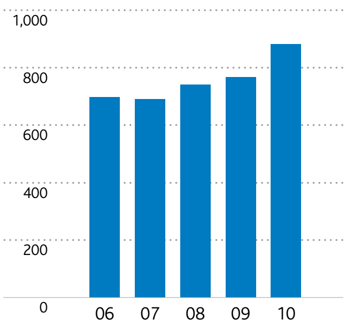
At a Glance

Life Insurance Business

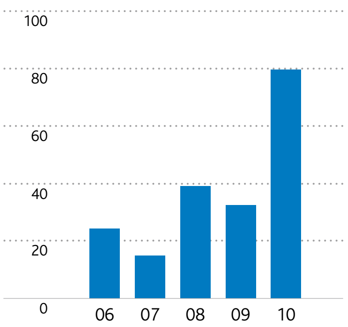
Ordinary Revenues

(Billions of yen)



Ordinary Profit

(Billions of yen)



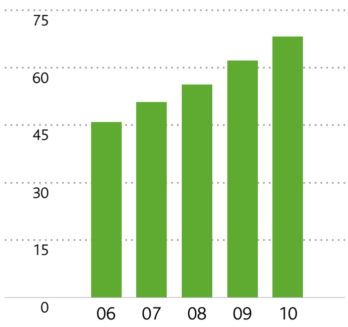
Operating Company

- Sony Life
- Sony Life Insurance (Philippines)
- LIPLA
- AEGON Sony Life Insurance
- SA Reinsurance

Non-Life Insurance Business

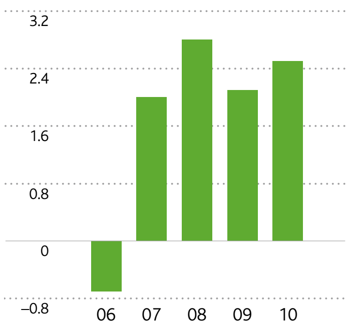
Ordinary Revenues

(Billions of yen)



Ordinary Profit (Loss)

(Billions of yen)



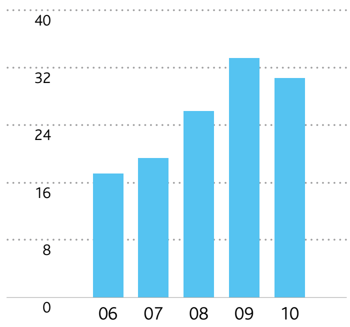
Operating Company

- Sony Assurance

Banking Business

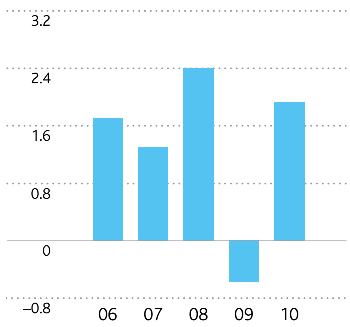
Ordinary Revenues

(Billions of yen)



Ordinary Profit (Loss)

(Billions of yen)



Operating Company

- Sony Bank
- Sony Bank Securities

* Figures in the above graphs are for the years ended March 31.

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Financial Section P.060–199
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Life Insurance Business

SFH's life insurance business comprises Sony Life, a wholly owned subsidiary of SFH; Sony Life Insurance (Philippines) (established in 1998), a wholly owned subsidiary of Sony Life; and LIPLA (established in 2010), which operates a directly run sales agency. Other companies include AEGON Sony Life Insurance (established in 2007), an equity-method affiliate 50% owned by Sony Life that specializes in individual annuities; and the reinsurance company SA Reinsurance (established in 2009).

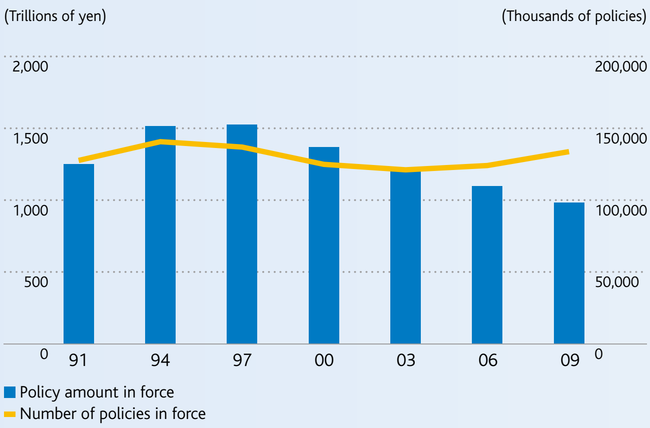
Sony Life was established in August 1979 as Sony Prudential Life Insurance Co., Ltd, a joint venture between Sony Corporation and the major U.S. insurance company, Prudential Financial, Inc. The company's mission is "To work for customers' financial security and stability by offering optimal life insurance products and high-quality services." Sony Life's innovative systems and high-quality services are rooted in offering customized life insurance through consulting by Lifeplanner sales employees with extensive financial knowledge, in order to derive the greatest intrinsic value from life insurance. These systems and services brought innovation to Japan's life insurance industry. In 1989, Sony Life introduced a new sales channel called the Partner (independent agencies) system.

Market Conditions

Japan's life insurance market grew consistently after World War II, driven by Japan's economic growth and an increasing prevalence of nuclear families, as well as the government's support measures for systems designed to assist individual efforts to prepare for social security programs (such as tax deductions for life insurance premiums). Together with the entry into the market by new players such as foreign life insurance companies and the life insurance companies affiliated with non-life insurance firms, the household subscription rate in Japan for life insurance reached a peak of 95.0% (total of all life insurance) in FY1994. However, as a result of declines in individual income following the collapse of the economic bubble, and a loss of trust in life insurance stemming from a string of bankruptcies among life insurance companies beginning in 1997, the total policy amount in force for the life insurance industry steadily declined from its peak in FY1996, with the household subscription rate falling to 86.0% in FY2009.

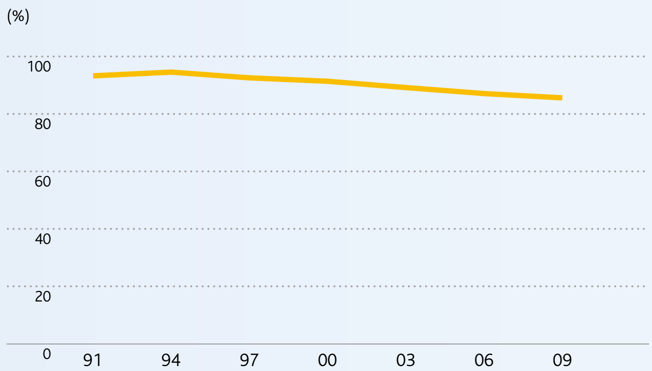
At the same time, Japan's aging population and falling birthrate have led to a shift in customer needs from traditional death protection products to "third sector" insurance such as individual annuities, which are intended to provide for living expenses after retirement, and medical and nursing care insurance. Since 2007, competition for sales of medical insurance has also intensified following the full liberalization of over-the-counter sales of insurance products at banks.

Size of Life Insurance Market
Industry-wide Policy Amount in Force*1 and Number of Policies in Force*2



For calendar years
*1 The policy amount in force is the total of individual life insurance and individual annuities.
*2 The number of policies in force is the total of individual life insurance and individual annuities.
Source: Summary of Life Insurance Business by the Life Insurance Association of Japan

Household Life Insurance Subscription Rate (All Conventional Life Insurance*)



For calendar years
* All Conventional Life Insurance is the total of private-sector insurance (including Japan Post Insurance), Postal Life Insurance, and JA Cooperative Insurance.
Source: FY2009 Nationwide Survey on Life Insurance by the Japan Institute of Life Insurance

Business Strengths

During the three decades since its founding, Sony Life has steadily expanded its operations and increased its share of business in a shrinking life insurance market by designing and selling customized life insurance based on consultations by Lifeplanner sales employees, and by providing extensive after-sale follow-up services. With these high-quality sales channels, Sony Life has distinguished itself from its competitors, and achieved a competitive advantage in the industry. This competitive advantage is maintained through careful recruitment and training of personnel with a wealth of sales experience and exceptional abilities to attract new customers, as well as a unique sales method that includes the design and sale of customized products developed through life planning consultations; performance-linked compensation; and the mutual sharpening of skills among Lifeplanner sales employees. This sales method has raised awareness among customers of the need for death protection products*, and such products account for approximately 90% of Sony Life's product portfolio. In addition, after the sale they conduct appropriate follow-up activities in line with changes in the customer's lifestyle, not only to review their life plans and maintain the necessary security, but to provide appropriate information and propose solutions through consultations on matters other than insurance, such as referrals for nursing care facilities, hospitals and attorneys. These efforts have allowed Sony Life to gain the trust of customers as a "Life-long escort." Sony Life had a total of 4,036 Lifeplanner sales employees as of March 31, 2010, an increase of 145 from March 31, 2009. Sony Life will continue to strengthen its recruitment and training programs for Lifeplanner sales employees, while enhancing its unique sales support system, with the view to improving the quality of Lifeplanner sales employees.

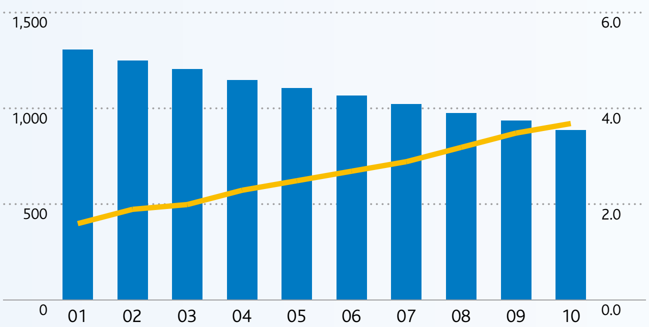
The number of people in their 30s and 40s, Sony Life's main customer base, should remain stable for the time being. However, Sony Life must respond to structural changes, including the growing need among seniors in their 50s and 60s for asset management after retirement, and the future decline in the population of our main customer base. In December 2009, Sony Life began selling variable individual annuity products via AEGON Sony Life Insurance, which specializes in individual annuities, through its Lifeplanner sales employees and over-the-counter sales at banks.

As a result of implementing the aforementioned measures, as of March 31, 2010, Sony Life had a 3.7% share of the industry-wide policy amount in force, ranking 7th among 47 life insurance companies, and a 7.0% share of the new policy amount, ranking 5th in the industry.

* Death protection products in this case represents the total new policy amount after deduction of endowment and educational insurance, individual annuities, and medical insurance.

Industry-wide Policy Amount in Force* and Sony Life's Market Share

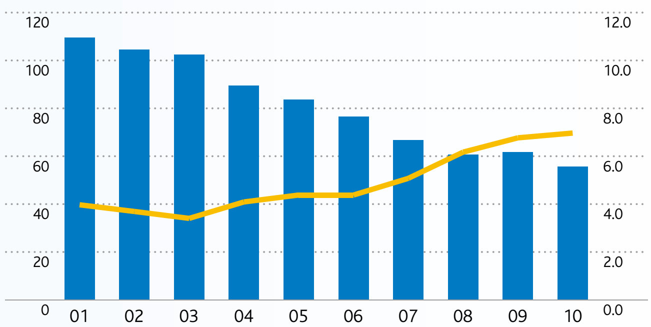
(Trillions of yen) (%)



■ Policy amount in force
▬ Sony Life's share (excluding Japan Post Insurance)
As of March 31

Industry-wide Net New Policy Amount* and Sony Life's Market Share

(Trillions of yen) (%)



■ New policy amount
▬ Sony Life's share (excluding Japan Post Insurance)
For the years ended March 31
* Excludes increases or decreases in policy conversions

Source: Data officially disclosed by individual life insurers
* All figures for individual life insurance

Topics

During the past year, Sony Life made proactive efforts to develop new business fields and sales channels. In December 2009 Sony Life began selling variable individual annuities through AEGON Sony Life Insurance. In January 2010, SA Reinsurance, which was established in British Bermuda as a 50-50 joint venture between Sony Life and AEGON, completed the registration of its license with the Bermuda Monetary Authority. In February 2010, Sony Life established LIPLA to operate a one-stop insurance shop as its directly run sales agency. Of these developments, the start of sales of variable individual annuities at AEGON Sony Life Insurance is detailed below.

• **December 2009: Launch of Sales of Variable Individual Annuities**

AEGON Sony Life Insurance was established as a 50-50 joint venture between Sony Life and AEGON. It is a life insurance company specializing in individual annuities. In December 2009, the company began selling variable individual annuities through Sony Life's Lifeplanner sales employees. Based on business agency agreements, the company also started sales at The Tokyo Star Bank, Limited, followed by the launch of sales at Sumitomo Mitsui Banking Corporation in February 2010 as well as The Minato Bank, Ltd. and The Fukushima Bank, Ltd. in April 2010. AEGON Sony Life Insurance plans to continue steadily expanding the network of financial institutions offering AEGON Sony Life Insurance products. The variable individual annuity products offered through these institutions include the guaranteed lifetime withdrawal benefit (GLWB type) products "Winning Road" and "My History," and the guaranteed minimum accumulation benefit (GMAB type) product "Victory Run."

Overview of Market Consistent Embedded Value (Positioning for Management and Upcoming Initiatives)

Sony Life regards embedded value (EV) as an important indicator for determining corporate value and announces this figure at the end of each fiscal year. EV is a tool that permits measuring the corporate value of a life insurance company from many perspectives. This tool is widely used in other countries, particularly in Europe. Sony Life bases its decision to disclose EV on the belief that current life insurance accounting measures using methods legally mandated in Japan are insufficient to provide information about results of operation and profitability in each fiscal period. For example, in the first year of a new life insurance policy, the income statement includes expenses that may exceed the policy's annual premium income. Life insurers cover this expense and produce a profit during the entire term of the policy. As a result, it is impossible to accurately determine a life insurer's performance by looking at financial statements for only a single fiscal year. This is particularly true for a fiscal year when sales are strong because the new policies cause up-front expenses to climb. Higher sales thus cause profit to fall at first. EV is a means of providing financial information that supplements the financial statements. Furthermore, Sony Life believes that EV, which is a method for assessing corporate value based on economic value, is also a valuable indicator for managing business operations.

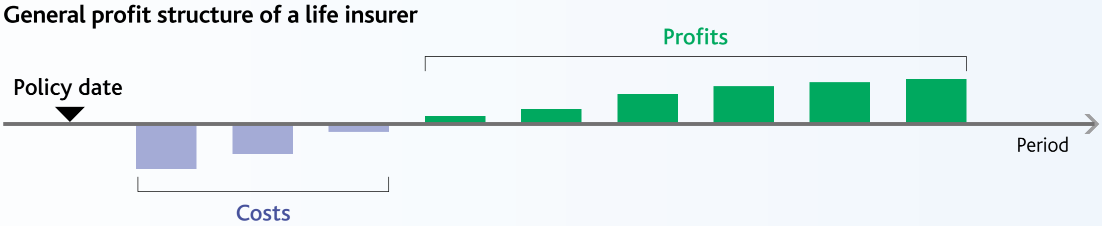
In November 2008, Sony Life started announcing market consistent embedded value (MCEV) instead of traditional EV. To establish uniform rules for calculating and disclosing EV, the

The Composition of MCEV

What is EV?

- EV is one measure of corporate value for life insurers.
- Life insurers have a profit structure in which initial costs exceed annual premiums in the initial fiscal year of a new policy, and profits are made by recovering these costs during the period of insurance. Consequently, business management cannot be accurately assessed based solely on results data for a single fiscal year.
- Accordingly, EV is widely used overseas, especially in Europe, as a tool for comprehensively evaluating life insurers.

General profit structure of a life insurer



EV structure

MCEV =

Adjusted net worth calculated from balance sheets
1 Adjusted net worth
(Results of business activities to date)
Total of the following amounts on the balance sheet date

Total net assets
+ Reserve for price fluctuations
+ Contingency reserves
+ Reserve for possible loan losses
+ Unrealized gains or losses on held-to-maturity securities
+ Unrealized gains or losses on land and buildings
+ Unfunded pension liabilities
+ Intangible fixed assets
– Tax effect equivalent of above seven items
+ Valuation gain or loss on subsidiaries and affiliated companies

+

Future value of in-force business
2 (Value of existing business)
(Expected future profits from existing policies)

Calculate the total amount of future profits from policies in force on the balance sheet date: Profits in one year + profits in two years + profits in three years ... profits in 50 years.

However, this total is discounted to give a present value because these profits are not obtainable on the balance sheet date, nor are they guaranteed to be earned in the future. (Valuations reflect future assumptions about changes in interest rates and mortality rates.)

Sony Life concludes policies with new customers each year, but EV represents the future value of net assets and policies in force on a certain balance sheet date, and does not include the value of new policies it may write in the future.

European Insurance CFO Forum, which is made up of major European insurance companies, published the Market Consistent Embedded Value Principles©*1 (MCEV Principles) in June 2008. This rule will most likely result in the uniform use of MCEV in the future. Furthermore, economic value standards or market consistent evaluations will probably become even more important as methods for determining corporate value. This is why Sony Life decided to use an MCEV that conforms to the MCEV Principles.

Sony Life regards MCEV as an extremely useful indicator. One reason is that MCEV allows it to analyze specific causes of changes in corporate value. MCEV is also essential for reflecting the above analysis in management strategies, with the aim of achieving consistent growth in corporate value mainly by acquiring new policies. In addition, to prepare for the start of corporate value evaluations based on economic value, Sony Life is also using MCEV methodology to perform market consistent asset and liability evaluation and risk management. Sony Life, through the use of MCEV evaluation, ascertains the magnitude of interest rate risk and the reduction of that risk as an important issue for management. To lower exposure to interest rate risk, Sony Life is making investments in ultralong-term bonds. In addition, it controls profit from in-force policies and designs new policies while paying attention to MCEV. Along with these measures, Sony Life is constantly working on raising corporate value by increasing sales of new policies, lowering the lapse and surrender rate, reducing the operating expense ratio, and making other improvements.

*1 Copyright© Stichting CFO Forum Foundation 2008

① Adjusted net worth

Adjusted net worth is calculated as the market value of assets allocated for the covered business in excess of statutory policy reserve and other liabilities as of the valuation date. It is the total amount of the net assets line on the balance sheets, adding a reserve for price fluctuations, contingency reserves, reserve for possible loan losses, along with unrealized gains or losses on held-to-maturity securities and unrealized gains or losses on land and buildings, deducting unfunded pension liabilities and intangible fixed assets, and adjusting for the amount of tax effect equivalent to these seven items, on which valuation gains or losses on subsidiaries and affiliated companies are added (see below). Adjusted net worth is divided into required capital and the free surplus.

② Value of existing business

The value of existing business is the present value of certainty-equivalent profit deducting the time value of options and guarantees, and frictional costs and the cost of non-hedgeable risks. The new business value is calculated in the same way.

- Present value of certainty-equivalent profit

Present value of certainty-equivalent profit is the present value of profit based on the future cash flows generated from the covered business. The risk-free rate is used for assuming investment return on all assets and the discount rate. The present value of certainty-equivalent profit reflects the intrinsic value of options and guarantees.

- Time value of options and guarantees

Sony Life has calculated the time value of options and guarantees using the stochastic method with risk-neutral scenarios. The time value of options and guarantees is calculated as the difference between the present value of certainty-equivalent profit and the present value of stochastic future profits. Time value of options and guarantees incorporates the minimum guarantees of variable life insurance, minimum interest-rate guarantee for interest rate-sensitive whole life insurance, the interest dividend for semi-participating products, and surrender options.

- Frictional costs

Sony Life has calculated frictional costs as the present value of investment costs and taxes on assets backing the required capital at each point of time in the future.

- Cost of non-hedgeable risks

The present value of the cost to hold required capital to cover future non-hedgeable risks. Sony Life has reflected allowance for uncertainty of non-economic assumptions and the portion of economic assumptions considered non-hedgeable in this cost. Specifically, Sony Life has assumed a risk margin based on the method prescribed in QIS4 of the EU Solvency II framework as the cost of non-hedgeable risks and calculated it using the cost of capital approach.

● New business value (① + ②: a component of MCEV)

Business included in the calculation of new business value is only that acquired during the one-year period ended at the calculation date, which is consistent with the financial information Sony Life has disclosed, and does not include the value of new business expected to be acquired in the future. The value of new business is the value as of the calculation date and is calculated based on the same assumptions used for the value of existing business on the same date. As the value of new business includes profits and losses from the point of sale to the calculation date, actual investment gains and losses during the year ended at the same date are reflected.

MCEV as of March 31, 2010

The MCEV of Sony Life as of March 31, 2010 is as follows. New business value indicates the value of new business acquired during the year ended March 31, 2010.

Value of existing business has largely increased due to a change in the market environment including steepening of the yield curve for interest swap rates, which helped to increase MCEV. Also Sony Life has been working to reduce the duration mismatch risk between assets and liabilities. As already announced in the press release "Impact of Asset Management Policy Changes and Other Factors on Sony Life's Market Consistent Embedded Value" on March 15, 2010, the time value of options and guarantees which is an item to reduce MCEV, has been largely declined, which also had a large effect.

(Billions of yen)

As of March 31	2009	2010	Change
MCEV	¥ 400.9	¥ 894.0	¥493.1
Adjusted net worth	195.4	206.2	10.8
Total net assets	140.7	191.3	50.6
Reserve for price fluctuations	3.7	9.6	6.0
Contingency reserves	45.5	48.5	3.0
Reserve for possible loan losses	0.0	0.0	0.0
Unrealized gains or losses on held-to-maturity securities	26.7	(20.5)	(47.2)
Unrealized gains or losses on land and buildings	28.9	12.5	(16.4)
Unfunded pension liabilities	(6.8)	(6.6)	0.1
Intangible fixed assets	(12.2)	(13.9)	(1.7)
Tax effect equivalent of above seven items	(31.1)	(10.7)	20.3
Valuation gain or loss on subsidiaries and affiliated companies	—	(4.0)	(4.0)
Value of existing business	205.4	687.8	482.4
Present value of certainty-equivalent profit	673.1	887.2	214.0
Time value of options and guarantees	(228.7)	(37.7)	191.1
Frictional costs	(58.5)	(11.5)	47.0
Cost of non-hedgeable risks	(180.5)	(150.2)	30.3
Of which, new business value	15.4	55.6	40.2
Present value of certainty-equivalent profit	62.8	76.9	14.1
Time value of options and guarantees	(28.1)	(4.1)	23.9
Frictional costs	(1.7)	(0.3)	1.3
Cost of non-hedgeable risks	(17.7)	(16.8)	0.9

(Free surplus and required capital in adjusted net worth)

(Billions of yen)

As of March 31	2009	2010	Change
Adjusted net worth	¥ 195.4	¥206.2	¥ 10.8
Free surplus	(173.8)	206.2	380.0
Required capital	369.2	—	(369.2)

There was a big improvement in the free surplus from negative ¥173.8 billion as of March 31, 2009 to positive ¥206.2 billion as of March 31, 2010. The free surplus improved because required capital was zero at the end of March 2010, resulting from the reduction in the duration mismatch risk between assets and liabilities and the steepening of the yield curve for interest swap rates.

Sony Life set its required capital as the larger of the amount of capital required for the current solvency margin ratio of 600% and the amount of capital to cover risks based on an internal model based on economic value. While the Japanese solvency regime will be revised at the end of March 2012, the calculation is based on the current solvency margin regime, because it is expected that MCEV would not be materially different even if required capital were set to the revised regulatory minimum solvency capital from the end of March 2012.

(New business margin)

The new business margin described below is the ratio of the value of new business to the present value of premium income. The new business margin has largely increased due to the same reasons for the increase in value of existing business. The primary reasons are the change in the market environment including steepening of the yield curve for interest swap rates and decrease in the time value of options and guarantees as a result of asset management policy changes to reduce the duration mismatch risk between assets and liabilities. The present value of premium income is calculated applying the same assumptions as those for the calculation of new business value, and is based on the premium before the deduction of the reinsurance premium.

(Billions of yen)

As of March 31	2009	2010	Change
New business value	¥ 15.4	**¥ 55.6**	¥40.2
Present value of premium income	866.9	**875.4**	8.5
New business value/Present value of premium income	1.8%	**6.4%**	4.6 points

Relationships between the acquired annualized premiums from new policies and the present value of premium income from new business for the year ended March 31, 2010 are as follows:

(Billions of yen)

As of March 31	2009	2010	Change
Single premium from new business	¥35.3	**¥44.9**	¥9.6
Annualized premiums from level premium new business*1	75.4	**83.2**	7.8
Average annualization multiplier*2	11.03	**9.99**	(1.04)

*1 Annualized premiums from level premium new business is calculated by multiplying the number of payments in a year by the amount of premiums received at a time. It should be noted that the definition of annualized premiums here is different from that used in disclosure such as financial results and annual reports.

*2 The average annualization multiplier is calculated as (Present value of premium income – Single premium from new business) / Annualized premiums from level premium new business.

(The covered business in the MCEV calculations)

The covered business is the business operated by Sony Life, its subsidiary and its affiliate company.

(Treatment of subsidiaries and affiliated companies in the MCEV calculation)

Sony Life's calculations of adjusted net worth include the following values regarding subsidiaries and affiliated companies:

- AEGON Sony Life Insurance is valued at net asset value minus intangible fixed assets and Insurance Business Law Article 113 deferred assets, multiplied by the participation rate, which is ¥6.1 billion.
- Sony Life Insurance (Philippines) is valued at book value under Japanese GAAP adjusted for unrealized gains/losses due to foreign exchange rate movement (after-tax), which is ¥2.8 billion.
- Other companies are valued at book value under Japanese GAAP, which is ¥2.8 billion.

There are no other values reflected in the values of subsidiaries and affiliated companies except for the above, and all other results solely reflect Sony Life itself (on a non-consolidated basis).

Reconciliation Analysis from MCEV at the End of the Prior Year

The table below shows the reconciliation analysis of MCEV as of March 31, 2010, from MCEV as of March 31, 2009, of which format is in line with the one prescribed by MCEV Principles.

(Billions of yen)

	Free surplus	Required capital	Value of existing business	MCEV
Opening MCEV (MCEV as of March 31, 2009)	¥(173.8)	¥ 369.2	¥205.4	¥400.9
Opening adjustments	(7.0)	—	—	(7.0)
Adjusted opening MCEV	(180.8)	369.2	205.4	393.9
New business value	—	—	55.6	55.6
Expected existing business contribution (risk-free rate)	(1.5)	2.9	17.0	18.4
Expected existing business contribution (in excess of risk-free rate)	(1.0)	1.9	10.5	11.5
Transfers from value of existing business and required capital to free surplus	36.0	(23.3)	(12.7)	—
On new business	(31.3)	—	31.3	—
Experience variances	0.0	—	(1.1)	(1.0)
Assumption changes	22.5	(22.5)	(26.4)	(26.4)
Other operating variance	245.7	(245.7)	215.3	215.3
Operating MCEV earnings	301.7	(286.6)	258.2	273.3
Economic variances	85.4	(82.6)	224.1	227.0
Other non operating variance	—	—	—	—
Total MCEV earnings	387.1	(369.2)	482.4	500.3
Closing adjustments	¥ (0.2)	¥ —	¥ —	¥ (0.2)
Closing MCEV (MCEV as of March 31, 2010)	¥ 206.2	¥ —	¥687.8	¥894.0

(1) Opening adjustments

These adjustments reflect changes in dividends paid to shareholders.

(2) New business value

This figure reflects increases resulting from the acquisition of new business during the year ended March 31, 2010.

(3) Expected existing business contribution (risk-free rate)

This figure includes the release of the portion for the year ended March 31, 2010, of the time value of options and guarantees and the cost of non-hedgeable risks, in addition to the release of the expected existing business contributions at a risk-free rate from the opening MCEV (as of March 31, 2009).

(4) Expected existing business contribution (in excess of risk-free rate)

This figure reflects the profit expected in excess of the risk-free rate generated by holding assets such as ordinary corporate bonds, convertible bonds, loans, stocks and real estate. The expected yield used to calculate the expected existing business contribution in excess of the risk-free rate for the year ended March 31, 2010, was 1.245%, which was developed by reflecting Sony Life's view of the market environment and annual investment plans for the year against the asset balance at the end of the previous fiscal year.

(5) Transfer from value of existing business and required capital to free surplus

This figure indicates changes in the free surplus by transferring the profit for the year ended March 31, 2010, from the existing business value to the free surplus and from changes in the required capital. The transfer of profit, the first item, includes the transfer of expected profit that it was assumed would be realized during the year ended March 31, 2010, under the MCEV calculation as of March 31, 2009, and the transfer of profit for the year ended March 31, 2010, calculated under the new business value for the year ended March 31, 2010, which is added in (2) above.

The value of MCEV itself does not change as a result of this transfer as the transfer merely constitutes an internal shift among MCEV components.

(6) Experience variances

These variances show the impact on MCEV of the actual versus assumed differences in non-economic expected profit for the year ended March 31, 2010, under the MCEV calculation as of March 31, 2009, and of the differences between actual policies in force as of March 31, 2010, and those that were projected to be in force on March 31, 2009, using persistency assumptions. The primary causes are changes in unfunded pension liabilities and intangible fixed assets reflected in adjusted net worth.

These variances reflect the impact of one-time expenses incurred during the year ended March 31, 2010, if applicable.

Please see page 53 for information about one-time expenses.

(7) Assumption changes

This figure indicates the impact of changes in the assumptions, mainly on mortality and morbidity rates, lapse and surrender rates and operating expense rates.

In addition to the impact of the regular annual update of the assumptions, the figure also includes the impact of the update of mortality and other rates for accidental and health (A&H) products as announced in the press release "Impact of Asset Management Policy Changes and Other Factors on Sony Life's Market Consistent Embedded Value" on March 15, 2010. It is to change mortality rates for A&H products from those based on the company's own experience of life insurance products to those based on the company's own experience of A&H products. It also includes the application of morbidity deterioration trends to those products for which such trends are observed.

(8) Other operating variance

In addition to the impact of improvements and corrections of the model used in calculating MCEV, the figure also includes the impact of the following two changes as announced in the press release "Impact of Asset Management Policy Changes and Other Factors on Sony Life's Market Consistent Embedded Value" on March 15, 2010, which resulted in an increase of ¥225.3 billion in MCEV.

a) Change to interest rate sensitive whole life insurance

Sony Life has decided no investments will be made in stocks or other risk assets, but only in bonds, aiming at stable asset management regarding this product.

b) Change to semi-participating products

Sony Life has decided it will invest in no stocks or other risk assets, and rather, it will aim to achieve stable asset management by investing only in bonds. In accordance with this change, Sony Life changed its calculation method of dividends to policyholders from its method of adding gains/losses on sale of securities to interest income and dividends as dividend resources, to a method of providing dividends based on interest income, which is unaffected by fluctuations in asset market value.

Sony Life has been selling interest rate sensitive whole life insurance, which generates increased benefits in line with asset investment performance, and semi-participating products, which pay a fair share of dividends from the asset investment gains in excess of the assumed interest rate. With regard to these products, Sony Life had mainly conducted bond-based asset management, but part of its assets had also been invested in risk assets, including stocks. Meanwhile, Sony Life has recognized it necessary to mitigate the mismatch risk from the asset–liability duration gap for the purpose of ensuring financial health in its practice of risk management on an economic value basis. Accordingly, Sony Life has increased its investment ratio of ultralong-term bonds and drastically reduced its holding ratio of stocks and other risk assets in an attempt to revise its asset portfolio. As a result, investment income primarily consists of interest income from bonds, and the volatility risk on the rate of return on the held assets has been mitigated by the reduction in risk assets. Regarding the above two products, Sony Life has regarded it necessary to mitigate the mismatch risk from the asset-liability duration gap for the purpose of ensuring financial health. Sony Life also believes that continued investment in long-term bonds contributes to providing policyholders with stable returns over the long term. Sony Life believes these revisions help to reduce interest rate risks and allow a more stable return (through increased benefits and interest dividends every 5 years) to policyholders than before in the long run.

(9) Operating MCEV earnings

This figure shows the aggregate amount of items (2) through (8).

(10) Economic variances

These variances show the impact of actual to assumed differences in economic assumptions, such as market interest rates and implied volatilities, that were reflected in the market environment when calculating MCEV as of March 31, 2009, on future values and the impact of the actual to assumed difference in expected asset investment income that were assumed would be realized during the year ended March 31, 2010, under MCEV as of March 31, 2009.

Most of the difference is created by the former factor, of which major reasons for increases in the value of existing business include the update of economic scenarios due to the change in the market environment such as steepening of the yield curve for interest swap rates and a change in the implied volatilities, accounting for an increase in the present value of certainty-equivalent profit by ¥182.0 billion, as well as decreases in the time value of options and guarantees, in the cost of non-hedgeable risks, and in the frictional costs by ¥3.8 billion, ¥23.3 billion and ¥17.5 billion, respectively.

(11) Other non operating variance

There are no differences based on other factors.

(12) Closing adjustments

These adjustments reflect the impact of valuation gains or losses by the foreign exchange rate on Sony Life Insurance (Philippines).

Sensitivity Analysis

The impact of changing the underlying assumptions of MCEV is as follows:

Sensitivities

(Billions of yen)

Assumption	Change in Assumption	MCEV	Change in Amount	Rate of Change
Base	No change	¥894.0	¥ —	—
Interest rates	100bp decrease	782.9	(111.1)	(12%)
	100bp increase	918.5	24.5	3%
Stock/real estate market value	10% decrease	878.2	(15.8)	(2%)
Stock/real estate implied volatility	25% increase	890.0	(4.1)	(0%)
Interest swaption implied volatility	25% increase	888.5	(5.5)	(1%)
Maintenance expenses	10% decrease	904.8	10.8	1%
Lapse and surrender rates	x 0.9	919.9	25.8	3%
Mortality rates	Death protection products: x 0.95	925.4	31.3	4%
	Third-sector/annuity products: x 0.95	890.9	(3.1)	(0%)
Morbidity rates	x 0.95	920.5	26.5	3%

Changes in adjusted net worth within the amount of change in MCEV are shown in the table below. Of items not specified in this table, only the value of existing business has been changed while adjusted net worth remains the same.

(Billions of yen)

Interest rates	100bp decrease	¥ 391.0
	100bp increase	(326.3)
Stock/real estate market value	10% decrease	(13.3)
Stock/real estate implied volatility	25% increase	(0.1)

Sensitivity of new business value

(Billions of yen)

Assumption	Change in Assumption	New Business Value	Change in Amount	Rate of Change
Base	No change	¥55.6	¥ —	—
Interest rates	100bp decrease	25.8	(29.8)	(54%)
	100bp increase	70.1	14.5	26%
Stock/real estate market value	10% decrease	55.6	(0.0)	(0%)
Stock/real estate implied volatility	25% increase	55.4	(0.2)	(0%)
Interest swaption implied volatility	25% increase	54.3	(1.3)	(2%)
Maintenance expenses	Decrease 10%	56.8	1.2	2%
Lapse and surrender rates	x 0.9	60.4	4.8	9%
Mortality rates	Death protection products: x 0.95	57.9	2.3	4%
	Third-sector/annuity products: x 0.95	55.4	(0.2)	(0%)
Morbidity rates	x 0.95	58.4	2.8	5%

(1) Interest rates

This sensitivity represents the impact of an immediate parallel shift of the swap curve as of March 31, 2010. Adjusted net worth would change as the market value of bonds and other assets held were to change. At the same time, the value of existing business would also change as interest rates, the discount rate, yields of new bonds to be purchased in the future as the existing bonds mature, and the investment return on stocks, real estate, and other assets were to change. Here, the sensitivity scenarios were established so that the parameters related to interest rate volatility were equal to those derived for the base case. Only the parameters related to the interest rate term structure were altered when scenarios were developed using the interest rate model. The floor in downward changes in interest rates was set at 0%.

(2) Stock and real estate market value

This sensitivity represents the impact of immediate changes in market values of stock and real estate as of March 31, 2010. Adjusted net worth would change if the market value of stock and real estate were to change. At the same time, the value of existing business would change as the amount of assets changes. Here, Sony Life has excluded ¥15.8 billion of stocks of subsidiaries and affiliated companies recorded on the balance sheet from the scope of this sensitivity.

(3) Implied volatility of stock and real estate

This sensitivity represents the impact of an increase in the implied volatilities of stock and real estate used in calculating the time value of options and guarantees. The value of convertible bonds and others would also change. If stock implied volatilities were changed, the value of convertible bonds and others would change and thus adjusted net worth would change. At the same time, the value of existing business would also change as the time value of options and guarantees is affected.

(4) Interest swaption implied volatility

This sensitivity represents the impact of an increase in the implied volatility of interest swaptions used in calculating the time value of options and guarantees. The value of existing business would change as the time value of options and guarantees changes.

(5) Maintenance expenses

This sensitivity represents the impact of a decrease in maintenance expenses. It should be noted that maintenance expenses do not include sales commissions from the in-force policies payable to Sony Life's Lifeplanner sales employees in future periods.

(6) Lapse and surrender rates

This sensitivity represents the impact of a decrease in lapse and surrender rates.

(7) Mortality rates

This sensitivity represents the impact of a decrease in the mortality rates. Sony Life has shown the impact on death protection products and the impact on third-sector insurance and annuity products separately, as they would have different impacts. Sony Life has covered base policies and riders of which the principal benefits are accidental death, disability, cancer, medical and nursing benefits, and individual annuities with respect to the third-sector insurance and annuity product segment. No management actions were reflected.

(8) Morbidity rates

This sensitivity represents the impact of a decrease in the morbidity rates of sickness and others in third-sector products.

(9) Required capital

While the Japanese solvency regime will be revised at the end of March 2012, the calculation is based on the current solvency margin regime, because it is expected that MCEV would not be materially different even if required capital were set to the revised regulatory minimum solvency capital from the end of March 2012. Accordingly, sensitivity to using the current regulatory minimum solvency capital is not presented.

(10) Other

The following points should be noted regarding sensitivity:

- Frictional costs and the cost of non-hedgeable risks do not change in the sensitivity tests.
- Values of a subsidiary and an affiliated company are not changed.
- The impact of changing more than one assumption at a time is not congruent with the sum of impacts for each assumption.

Primary Assumptions

■ Economic Assumptions

(1) Risk-free rate

Sony Life has used the interest swap rate of Japanese yen as of March 31, 2010 as a risk-free rate for the certainty equivalent projections. As there are no data available beyond 50 years, Sony Life assumed that forward rates in the 51st year and beyond were equal to those in the 50th year. Sony Life has used Bloomberg's interest swap rate as its data source. The spot yields of the swap rate for key terms are as follows:

As of March 31	2009	2010
Term		
1 year	0.75%	**0.45%**
5 years	0.97	**0.76**
10 years	1.31	**1.46**
20 years	1.79	**2.19**
30 years	1.88	**2.32**
40 years	1.89	**2.37**
50 years	1.92	**2.42**

Sony Life has not added liquidity premium on the risk free rate, as there are no products which are considered appropriate to apply liquidity premium as they have reasonably predictable cash flow and are considered illiquid.

(2) Interest rate model

Sony Life has calibrated the interest rate model to the market as of March 31, 2010. Sony Life has estimated parameters for the interest rate model from the yield curve and the implied volatilities of interest swaptions with different terms. Sony Life has used 1,000 scenarios generated by Milliman, Inc. in calculating the time value of options and guarantees under the stochastic method, where interest rate is floored at 0%.

The implied volatilities of the interest swaptions used in Sony

Life's estimation are as follows:

As of March 31		%			
		2009			
Term of swap (in years)	Term of option (in years)	Japanese yen	U.S. dollar	Euro	UK pound
1 year	1 year	38.4%	54.5%	34.5%	42.5%
5 years	1 year	42.2	40.3	27.6	30.1
5 years	5 years	29.7	27.6	17.5	15.8
5 years	7 years	25.1	24.8	16.0	13.2
5 years	10 years	22.0	22.1	14.5	11.0
10 years	1 year	35.4	35.7	27.0	26.8
10 years	5 years	25.2	25.7	17.5	14.7
10 years	7 years	22.3	23.8	15.9	12.9
10 years	10 years	20.0	22.1	15.3	11.8
15 years	1 year	31.3	33.7	25.4	25.1
15 years	5 years	23.0	24.5	17.7	14.8
15 years	7 years	21.3	23.5	16.7	13.2
15 years	10 years	20.2	21.4	16.6	12.1

As of March 31		%			
		2010			
Term of swap (in years)	Term of option (in years)	Japanese yen	U.S. dollar	Euro	UK pound
1 year	1 year	40.3%	60.8%	50.5%	53.0%
5 years	1 year	41.8	31.4	25.3	23.3
5 years	5 years	27.1	21.0	16.4	14.9
5 years	7 years	23.4	19.0	14.6	13.1
5 years	10 years	20.9	16.6	13.6	11.6
5 years	15 years	20.5	14.8	13.8	12.0
5 years	20 years	22.5	13.5	16.1	12.9
10 years	1 year	30.3	24.8	19.8	17.2
10 years	5 years	23.6	19.2	15.9	13.5
10 years	7 years	21.4	17.8	14.9	12.5
10 years	10 years	20.4	16.0	14.4	11.7
10 years	15 years	21.1	14.2	15.2	12.1
10 years	20 years	22.5	12.7	17.5	12.8
15 years	1 year	25.2	22.3	18.5	15.8
15 years	5 years	22.2	17.7	15.6	13.5
15 years	7 years	21.4	16.4	14.9	12.6
15 years	10 years	21.0	14.7	14.7	11.8
15 years	15 years	21.7	12.9	15.6	12.1
15 years	20 years	22.5	11.7	17.7	12.5
20 years	1 year	23.7	20.5	18.4	15.2
20 years	5 years	22.3	17.0	16.0	13.6
20 years	7 years	21.5	15.8	15.5	12.6
20 years	10 years	21.5	14.0	15.2	11.8
20 years	15 years	22.0	12.6	15.9	11.8
20 years	20 years	22.4	11.5	17.7	12.0

■ Other Assumptions

Assumptions including mortality and morbidity rates, lapse and surrender rates, and operating expense rates, were developed based on product best estimates as of March 31, 2010. Best-estimate assumptions are developed to reflect past and current experiences as well as expected experiences in the future. Expected future changes in assumptions should be reflected only when they are supported by sufficient reasons. With the exception of deteriorating trends in morbidity rates, no other expected future changes are assumed in the best estimate assumptions applied. Assumptions were developed as follows:

(1) Mortality and morbidity rates

Developed based on experiences over the three most recent years. Deteriorating trends in morbidity rates are taken into account for those A&H products to which deteriorating trends were observed when the experience data were analyzed in conducting the statutory stress test.

(2) Lapse and surrender rates

Lapse and surrender rates for the base case were developed based on experiences over the three most recent years. Sony Life has also developed dynamic assumptions in accordance with the level of interest rate or investment performance. The dynamic assumptions are made for the following products:

- Variable life insurance
- Semi-participating products
- Non-participating whole life insurance
- Non-participating endowment insurance

Since Sony Life has not identified explicit correlations between interest rates or account values to the amount of minimum guarantee and the lapse and surrender rates regarding products other than variable insurance, Sony Life has developed dynamic surrender rates by referring to the experience with similar products and domestic and overseas trends of practice. Going forward, Sony Life will strive to improve dynamic surrender rates for the relevant products by carefully monitoring experiential data and referring to experience with similar products and trends of practice in Japan and other countries.

(3) Operating expense ratio

Sony Life has developed unit costs of the expenses incurred for maintenance and administration of policies and payments of claims based on the actual operating expenses in the most recent year.

Sony Life Insurance (Philippines), a subsidiary, is evaluated as its equity converted into a yen amount and its profits and losses are not reflected as a life insurance business. So, Sony Life has not reflected administration expenses incurred at the company regarding management of the relevant subsidiary in the unit costs.

While AEGON Sony Life Insurance, an affiliated company, is not evaluated as a life insurance business, it is not just valued at its book value but valued at net asset value minus intangible fixed assets and Insurance Business Law Article 113 deferred assets, multiplied by the participation rate. So, administration expenses incurred at Sony Life regarding management of this company are reflected in the unit costs.

Administration expenses of other subsidiaries and affiliated companies are not excluded from the unit costs as their impact is limited. The look-through effect of the relationship with subsidiaries and affiliated companies is not considered except for the points described above.

There are no one-time expenses which were incurred during the year ended March 31, 2010 and excluded from the unit costs.

Expenses that were not reflected in the unit costs accounted for less than 1% of total operating expenses.

The unit costs include management administration charges payable to the parent company, SFH. The look-through effect has not been considered with regards to the relationship with Sony Financial Holdings Inc., except for the points described above.

Sony Life has obtained an opinion on the disclosure of MCEV results as of March 31, 2010, from Milliman, Inc., which is an external actuarial consulting firm with expertise concerning MCEV valuations, to review the calculations of MCEV.

* Full information about MCEV including the opinion from Milliman, Inc. is available on the SFH Group's website at http://www.sonyfh.co.jp/en/news_e/article_e/100528_01.pdf

Glossary of MCEV-related Terminology (in Alphabetical Order)

A

Appraisal value

- A corporate value based on projected cash flows receivable for shareholders from existing business and future new business. It is defined as the current MCEV plus new business value acquired in the future.

Asymmetric risk

- The risk where symmetric upward and downward changes on assumptions do not result in symmetric changes in cash flow. Such risk includes minimum guarantee of variable life insurance and policyholder dividend payment. These risks are evaluated with a stochastic method and presented as time value of options and guarantees.

B

Best estimate assumption

- The assumption that is most expected to occur in the future.

C

Calibration

- To set various stochastic model parameters in a market consistent manner.

Cost of capital approach

- One of the approaches to calculate risk margin. The cost of risk is determined by taking the present value of the cost to hold capital required in the future periods.

Cost of non-hedgeable risks

- The present value of the cost to hold required capital to cover future non-hedgeable risks. As risks regarding the asymmetric nature of cash flows not reflected in the present value of certainty-equivalent profit are fully reflected in the time value of options and guarantees, Sony Life has reflected the allowance for uncertainty of non economic assumptions and the portion of economic assumptions considered non-hedgeable of economic assumptions with respect to the cost of non-hedgeable risks in this cost.

F

Free surplus

- The portion of adjusted net worth other than the required capital.

Frictional costs

- The present value of investment costs and taxes on assets backing the required capital at each point of time in the future.

I

Implied volatility

- The expected rate of future variability embedded in current option prices, and represents the expected value of the market against the price fluctuation.

L

Look through

- To measure the impact of an action on an entire business group, rather than only on a particular part of the group.

N

Non-financial risk

- Examples are mortality risk, longevity risk, disability risk, operating expense risk, surrender risk and operational risk.

Non-hedgeable non-financial risk

- A non-financial risk such that deep and liquid capital markets do not exist to hedge such risk.

Non-hedgeable risk

- Non-hedgeable risk is composed of non-hedgeable financial risk and non-hedgeable non-financial risk.

O

Options and guarantees

- The following are some features of options and guarantees:
- Policy cash flow would be changed by exercising options granted to the policyholder, which may or may not be exercisable at the discretion of the policyholder. An example of such features is the exercise of surrender option.
- It includes guarantee of benefits or policyholder values. An example is a minimum death benefit guarantee for variable life insurance.

P

Present value of certainty-equivalent profit

- Present value of certainty equivalent profit is the present value of profit based on the future cash flows generated from the covered business.

Q

QIS4

- Quantitative Impact Study. Conducted prior to implementation of the EU Solvency II. The 4th study was conducted in May 2008 and is referred as QIS4.

QIS5

- The latest Quantitative Impact Study following the QIS4. It is expected to be executed between August and November 2010. The European Commission has published its draft on April 15, 2010.

R

Required capital

- MCEV Principles define required capital as the capital necessary to hold in excess of statutory policy reserve (excluding contingency reserve), and the larger of the solvency capital to meet the statutory required minimum level and the capital necessary to meet the internal objectives or to achieve the company's targeted credit rating.

  Required capital of Sony Life is set as the larger of the amount of capital corresponding to the solvency margin ratio of 600% and the amount of capital to cover risks based on the internal model.

Risk-free rate

- The reference rate defined in MCEV Principles. MCEV Principles states that it should be the swap rate to the currency of the cash flows.

Risk margin

- The cost to hold capital to cover non-hedgeable risks reflected in evaluating the insurance liability on an economic value basis.

Risk neutral probability

- A pseudo probability derived so that the present value of future expected values under multiple scenarios discounted with current risk-free rates is equal to the current value.

Risk neutral scenario

- An interest rate scenario generated under risk-neutral probabilities.

S

Solvency II

- A new solvency regulation base on economic value to be applied uniformly within the EU that the European Commission is preparing to implement from 2012.

T

Technical provision

- The value of liability on an economic value basis, which equals to the present value of best estimate cash flows plus Risk Margin.

Time value and intrinsic value

- An option value that has two elements, time value and intrinsic value. Intrinsic value is the option value under certainty equivalent conditions. Time value is the value of options other than intrinsic value, which is calculated as the difference between the present value of certainty-equivalent profit and the present value of stochastic future profit.

Non-Life Insurance Business

Because non-life insurance must reassure both individuals and companies, there are many different types of non-life insurance. Broken down by category, non-life insurance includes automobile, fire, marine and personal accident insurance, as well as compulsory automobile liability insurance.

SFH's non-life insurance business is conducted by a wholly owned subsidiary Sony Assurance. Sony Assurance's core products are automobile insurance, and medical and cancer insurance. It also sells overseas travel accident insurance and other insurance products. Sony Assurance began business operations in September 1999. Since then, the company has met the challenge of valuing the direct relationship with each customer, and always providing new value for customers over the Internet and telephone.

Market Conditions

Japan's non-life insurance industry saw a steady stream of mergers among large non-life insurers in the early 2000s. Recently, several major non-life insurers—feeling a stronger sense of urgency regarding domestic market conditions, where no growth is expected given the maturing market—have conducted another series of mergers to form three major non-life insurance groups. Meanwhile, direct insurance companies funded by capital from the major non-life insurance companies have entered the market, and there has been steady progress with the liberalization of insurance products and premiums as a result of deregulation. Under these conditions, the non-life insurance industry is expected to face increasingly fierce competition going forward.

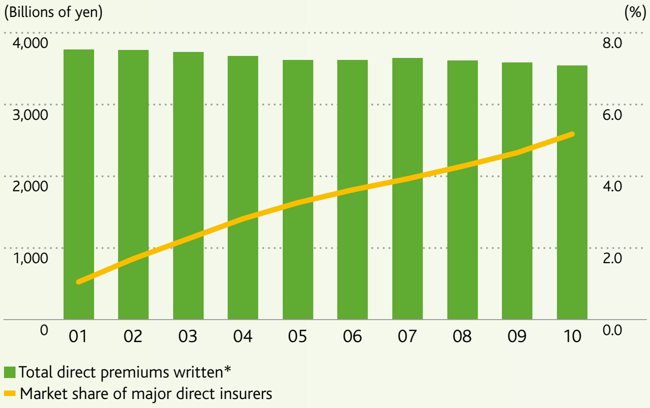
The automobile insurance category, which is positioned as Sony Assurance's core product category, accounts for the largest share of Japan's non-life insurance industry. When compulsory automobile liability insurance is included, automobile insurance accounts for approximately half of industry-wide non-life insurance premium revenues. In addition, the leading non-life insurance companies, which sell automobile insurance through agencies and other means nationwide, account for approximately 90% of all non-life insurance premium revenues in Japan's automobile insurance market.

However, growth of automobile insurance premium revenues has been weak in recent years because of several factors, including declining auto sales, a shift in demand to light motor vehicles, for which premium rates are low, and reduced premium rates based on good driving records at renewal of policies. Looking ahead, Sony Assurance cannot expect a substantial increase in car ownership or growth in Japan's automobile insurance market, due in part to the economic recession triggered by the global financial crisis.

In this climate, there has been steady growth in insurance premium revenues at direct non-life insurance companies, which emerged in the late 1990s as a result of deregulation. Their share of the automobile insurance market has also increased year by year.

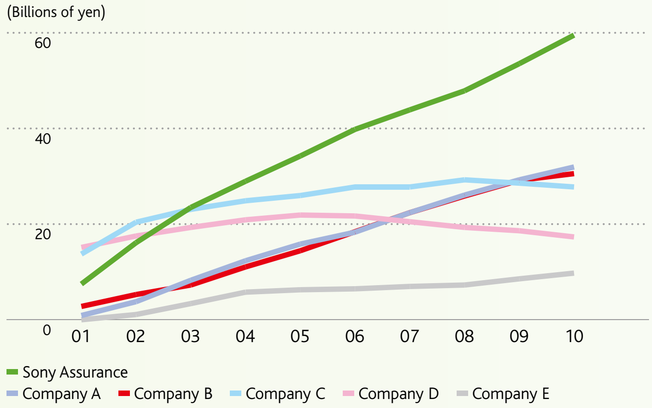
Direct non-life insurance companies are able to offer more attractive premiums than the non-direct non-life insurance majors because they enjoy a superior cost structure, supported by more concentrated and efficient operations through direct sales over the Internet or telephone. Consumers have also gradually become increasingly aware that direct non-life insurers provide consistent, high-quality services. In addition, steady increases in insurance premium revenues and market share are projected even amid intensifying competition, in a maturing market. This projected growth is driven in part by the stronger price-consciousness of customers in the prevailing recessionary environment.

Automobile Insurance Market and Market Share of Major Direct Non-Life Insurers



For the years ended March 31
* Total for all domestic and foreign-owned insurers
Source: Data officially disclosed by individual non-life insurers, etc.

Direct Premiums Written (Automobile Insurance) of the Top Six Major Direct Insurers



For the years ended March 31

Business Strengths

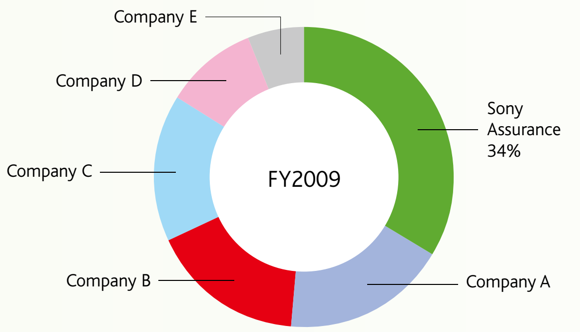
Sony Assurance provides automobile insurance featuring outstanding coverage at reasonable premiums by segmenting risk into categories such as customers' driving distance. On the services front, Sony Assurance takes extra steps to allow customers to experience in advance its high-quality services in regard to accident responses. For example, Sony Assurance commits to a high level of service quality beforehand to reassure its customers. With broad customer appreciation for both its pricing and services, Sony Assurance commands an approximate 34% market share* among the top six major direct insurers in Japan. Sony Assurance has also maintained the leading position in terms of direct premiums written for the past eight consecutive years.

Sony Assurance has also secured a high degree of profitability by properly controlling operating expenses through a business structure based on the direct insurer model, in addition to the aforementioned rational pricing system for insurance premiums.

Meanwhile, Sony Assurance has enhanced its product lineup in areas other than automobile insurance. One is SURE medical and cancer insurance, which is based on the concept of providing a wide range of insurance protection at reasonable premiums. The other is an overseas travel accident insurance product, which was launched in 2009.

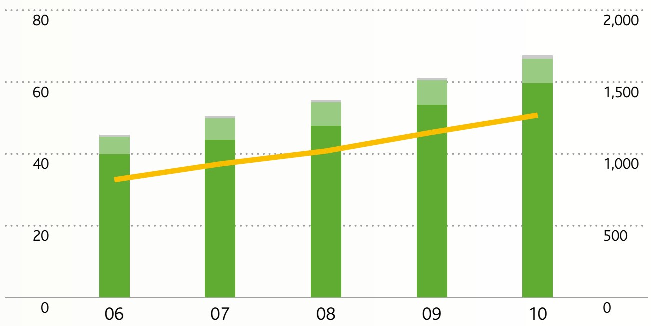
* Refers to FY2009 market share based on direct premiums written by the top six major direct insurers for automobile insurance.

Share of Direct Premiums Written (Automobile Insurance) of the Six Major Direct Insurers



Source: Data officially disclosed by individual non-life insurers, etc.

Net Premiums Written and the Number of Policies in Force at Sony Assurance



* The number of policies in force refers to the sum of automobile insurance, and medical and cancer insurance, which together account for 99% of net premiums written.

Topics

• Enhancing Insurance Products Other Than Automobile Insurance

• Overseas Travel Accident Insurance

In May 2009, Sony Assurance started sales of overseas travel accident insurance on its PC and mobile phone websites through a business alliance with JI Accident & Fire Insurance Co., Ltd. Sony Assurance's overseas travel accident insurance offers the convenience of being able to complete contract procedures as late as 21:00 on the day of departure and provides rational features such as a discounted paperless service that eliminates the need to send documents by mail.

• Insurance Selection

Sony Assurance operates an insurance selection page on its website to offer the recommended insurance products of other insurance companies. In January 2009, Sony Assurance began selling a pet insurance product offered by Anicom Insurance, Inc. In June 2009, it also launched an additional cancer treatment insurance policy, MEDCOM, offered by SECOM General Insurance Co., Ltd.

• Enhancing Over-the-counter Bank Sales

Sony Assurance is working to expand automobile insurance sales channels that leverage the characteristics of its direct business model. In December 2007, over-the-counter sales of insurance products at banks were fully liberalized. Since then, Sony Assurance has actively promoted over-the-counter sales of its insurance products at banks. Its first step was to commence sales of automobile insurance on the website of The Hiroshima Bank, Ltd. in May 2008. Sony Assurance began providing product overviews and accepting brochure requests for its automobile insurance products on the mobile phone website of Jibun Bank Corporation in October 2009. Since March 2010, Sony Assurance has been supplying quotations and application services for automobile insurance products on the website of The Bank of Fukuoka, Ltd. Moreover, from April of the same year, Sony Assurance began offering bank over-the-counter services for the first time through the branch representatives of The Bank of Yokohama, Ltd.

Overseas travel accident insurance site (mobile phone version) (Japanese only)

Banking Business

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

Sony Bank is an Internet bank that provides highly convenient, high-quality financial products and services centered on asset management to individual customers. Sony Bank began operations in June 2001. Since then, we have offered yen and foreign currency deposits, investment trusts, foreign-exchange margin transactions, and other asset management products as well as mortgage loans at rates that are fair, reasonable, and close to market prices. Now that the Internet has found its way into every aspect of life, Sony Bank aims to provide services that earn the long-term trust of customers through its MONEYKit service site. Service offerings include information that enables customers to proactively consider financial choices and take action, and user-friendly functions, along with highly transparent, easy-to-understand financial products and services.

Market Conditions

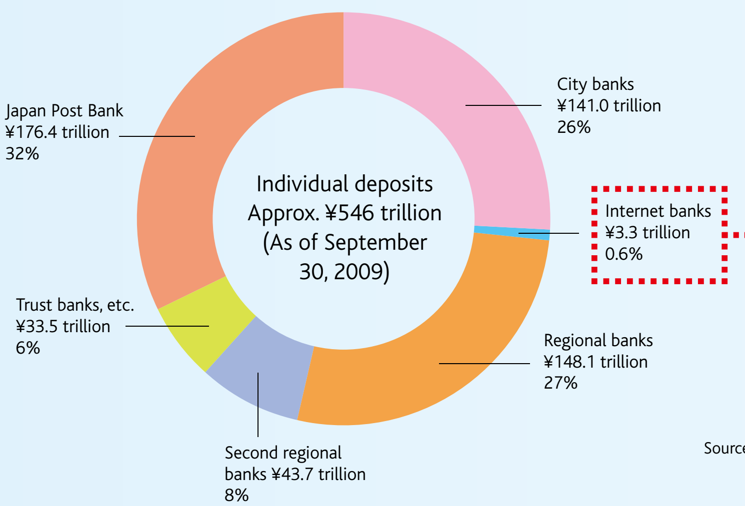
While acknowledging signs of an upturn in domestic and overseas economic conditions, the Bank of Japan has maintained monetary policies that are conscious of concerns over fiscal deterioration mainly in Europe, as well as the risk of a downturn in future economic conditions and price levels. Under these policies, the Bank of Japan has maintained its stance on proactive monetary easing. Against this backdrop, long-term interest rates (yields on ten-year Japanese government bonds) have remained mainly at around 1.3%. Amid stronger awareness of increasing deflation as well as an economic slowdown caused by weak internal demand, there may be stronger calls for the introduction of additional monetary easing measures going forward.

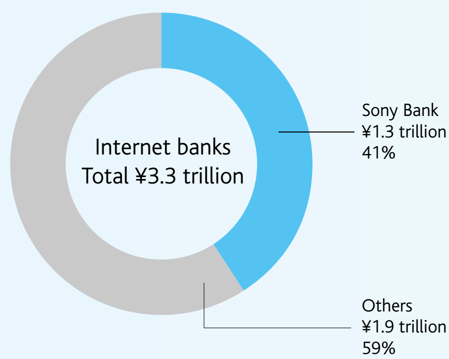
Meanwhile, Japan's personal financial assets currently total approximately ¥1,400 trillion, representing nearly three times the nation's GDP. Furthermore, when considering future changes in Japan's demographic structure and its maturing economy, one extremely important issue is how individuals will manage and invest their financial assets. In this context, the asset management needs of individuals have grown.

Sony Bank's services are designed to address these needs. It is widely expected that improving the quality of financial services and raising their efficiency will encourage more efficient economic activities, and ultimately contribute to a better quality of life for Japanese people. In fact, advancements in information and communications technologies have driven operational and technical innovation in the financial services sector, leading to improvements in the quality of financial services. The rapid penetration of the Internet and the development of related technologies in recent years have made banking operations—such as deposits, loans, asset management, fund transfers and fund settlement—accessible to individuals in an even more comfortable environment for them.

Sony Bank intends to develop banking operations that fully harness evolving Internet technologies, with the aim of increasing convenience for its customers.

Growth Potential in the Retail Financial Services Market



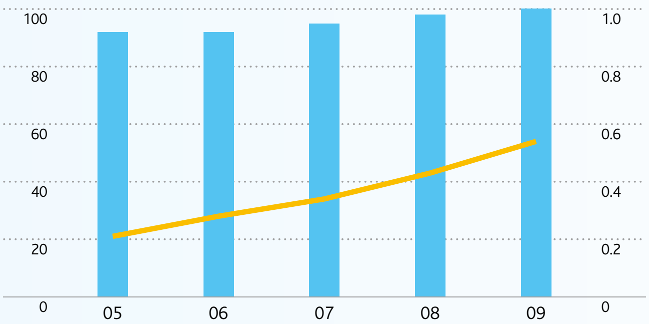


Sources: Prepared based on the Nikkin Report by The Japan Financial News Co., Ltd. and data officially disclosed by various financial institutions. Excludes data for Shinkin banks, credit associations, labor credit associations, agricultural cooperatives and certain other organizations.

Business Strengths

In finance, trading prices and commissions relative to constantly changing interest rates and exchange rates are determined through the process of competition. This has long remained confined to the world of professional investors, who painstakingly manage large investments backed by tremendous funding power. Through advancement in information processing and communications technologies, Sony Bank believes that it is possible for individual investors to also receive industry-standard financial services. Based on this approach, Sony Bank has made a point of setting trading prices and commissions closer to actual market prices, while providing easy-to-understand financial products and services, with the aim of delivering such financial services that professional investors enjoy. Sony Bank sets itself apart from traditional, full-service banks with bricks-and-mortar branches by providing highly convenient, high-quality financial products and services centered on asset management to individual customers over the Internet. With broad customer appreciation for its consistent emphasis on customers and its services, Sony Bank has steadily increased its retail balance. In addition, Sony Bank has consistently scored high in customer satisfaction surveys issued by various media organizations.

Industry-wide Mortgage Loan Balance and Sony Bank's Share

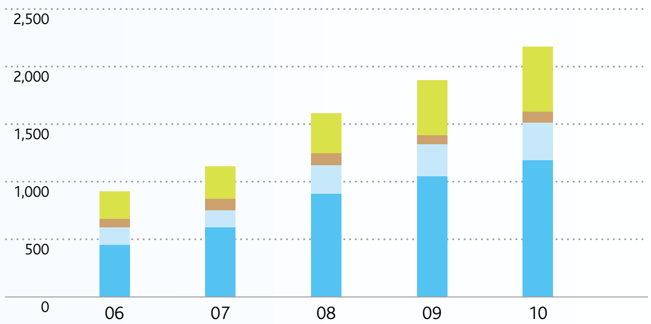


■ Mortgage loan balance (domestically licensed banks)
■ Sony Bank's share

Notes: 1. For the calendar year
2. Total of banking accounts of domestically licensed banks, trust accounts and overseas branch accounts (for Japan), excluding The Resolution and Collection Corporation, Kii Deposit Management Bank (dissolved on March 31, 2002), the Bridge Bank of Japan (dissolved on March 8, 2004), the Second Bridge Bank of Japan and the Japan Post Bank.
3. The largest estimated size of the mortgage loan market was approximately ¥170 trillion in 2009, including Shinkin banks, credit associations, Japan Agricultural Cooperatives, Japan Housing Finance Agency and certain other organizations.

Source: "Loans to Individuals (Housing Funds)" from Bank of Japan statistics.

Retail Balance at Sony Bank



■ Yen deposits
■ Foreign currency deposits
■ Investment trusts
■ Personal loan balance

As of March 31

Topics

In FY2009, Sony Bank and Sony Bank Securities continued to launch new financial products. The two companies also extended business hours at the Customer Center and took other steps to continuously enhance services, with details as follows:

• **Enhancing Securities Investment Services**

In August 2009, Sony Bank began offering margin trading (standardized margin transactions) through the financial products intermediary services of its wholly owned subsidiary, Sony Bank Securities, to expand the range of its services as an asset management bank. With this move, Sony Bank now offers a larger range of securities investment options on its MONEYKit service site. In January 2010, Sony Bank launched stock trading services for mobile phone users. In February 2010, Sony Bank revised the post-login financial products intermediary services screen to begin providing 'Stock Investment Information,' which is an easy-to-use compilation of the information needed to make stock investment decisions.

• **Entry into the Syndicated Loan Business**

In October 2009, Sony Bank commenced corporate financing through syndicated loans to diversify its investment portfolio of more than ¥1 trillion. Sony Bank aims to expand its range of fund investment methods and strengthen its revenue base by adding wholesale corporate loans to its investment portfolio. The existing portfolio mainly consists of securities, primarily Japanese government and corporate bonds, as well as mortgage and other loans for individual customers.

• **Commencement of CFD Services**

Sony Bank Securities began offering contract for difference (CFD) services in December 2009. CFDs, which are available in many countries throughout the world on major stock price indexes, stock price index futures, individual equities and such commodities as gold and crude oil, stipulate that the seller will pay to the buyer the difference between the current value of an asset and its value at contract time. These services allow investors to speculate on price movements on margin without the need to own the underlying assets. By commencing CFD services, Sony Bank Securities is offering investors global investment opportunities and hedging instruments for only a small outlay.

Sony Bank Securities is providing these services through collaboration with FXOnline Japan Co., Ltd., a group company of IG Group Holdings plc, a U.K.-based leader in CFD services.

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Analysis of the SFH Group Operating Performance for FY2009

SFH (Consolidated)

Operating Results

In FY2009, SFH posted consolidated ordinary revenues of ¥978.9 billion, up 13.8% from the previous fiscal year. This increase was due to ordinary revenue growth in the life and non-life insurance businesses, which contrasted with a decline in ordinary revenues in the banking business. In the life insurance business, ordinary revenues rose 15.1%, to ¥882.0 billion, owing to higher income from insurance premiums associated with a steady increase in policy amount in force, as well as an increase in investment income amid relatively favorable conditions in the financial markets. In the non-life insurance business, ordinary revenues grew 10.2% year on year, to ¥68.1 billion, thanks to higher net premiums written, resulting from an increase in the number of its mainstay automobile insurance policies in force. In the banking business, ordinary revenues declined 8.6% year on year, to ¥30.5 billion, due to the impact of declining worldwide interest rates. This was despite higher interest income on loans stemming from an increase in the balance of mortgage loans.

Consolidated ordinary expenses rose 8.3% compared with the previous fiscal year, to ¥894.6 billion, due to increases in ordinary expenses in the life and non-life insurance businesses, despite lower ordinary expenses in the banking business. In the life insurance business, ordinary expenses increased 9.3% year on year, to ¥802.2 billion, due to an increase in provision for policy reserve and others stemming from improved asset management conditions of the separate account, despite a large drop in investment expenses due to a recovery in the stock market. In the non-life insurance business, ordinary expenses grew 9.9% year on year, to ¥65.6 billion, due mainly to an increase in the net losses paid accompanying a rise in the number of insurance policies in force. In the banking business, ordinary expenses fell 15.8%, to ¥28.5 billion, reflecting a decline in interest expenses due to falling interest expenses on deposits stemming from lower interest rates.

As a result, consolidated ordinary profit surged 146.3% from the previous fiscal year, to ¥84.3 billion. Broken down by business, ordinary profit from the life insurance business jumped 145.2% year on year, to ¥79.7 billion. Ordinary profit from the non-life insurance business climbed 17.8% year on year, to ¥2.5 billion. In the banking business, ordinary profit totaled ¥1.9 billion, compared with an ordinary loss of ¥0.5 billion in the previous fiscal year.

SFH posted extraordinary losses of ¥7.0 billion. This was mainly due to ¥5.9 billion in provision for reserve for price fluctuations in the life insurance business. This compares with ¥20.4 billion in reversal of such reserve for price fluctuations recorded under extraordinary gains in the previous fiscal year.

After accounting for extraordinary gains and losses, provision for reserve for policyholders' dividends, and income taxes, net income increased 56.7% compared with the previous fiscal year, to ¥48.1 billion.

Financial Position

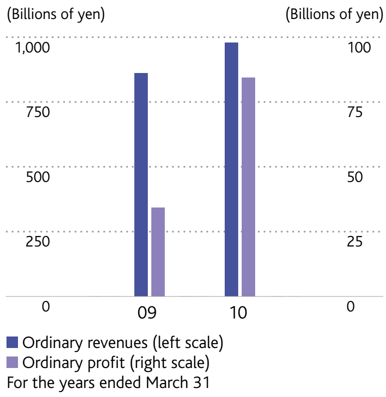
As of March 31, 2010, total assets amounted to ¥6,001.0 billion, up 12.9% from a year earlier.

The major components of assets were securities (mostly Japanese government bonds) of ¥4,488.4 billion, up 21.2% from March 31, 2009; monetary trusts of ¥300.7 billion, down 50.6% from March 31, 2009; and loans of ¥714.4 billion, up 19.6% from March 31, 2009.

Total liabilities amounted to ¥5,731.6 billion at fiscal year-end, up 12.2% from a year earlier. The major components of liabilities were policy reserve and others of ¥4,088.1 billion, up 11.1% from March 31, 2009; and deposits of ¥1,509.2 billion, up 13.9% from March 31, 2009.

Total net assets amounted to ¥269.4 billion at March 31, 2010, up 31.5% from a year earlier. Net unrealized gains on other securities, net of taxes, totaled ¥17.5 billion, a substantial improvement from net unrealized losses on other securities, net of taxes, of ¥4.8 billion in the previous fiscal year. This was because of an increase in the fair market value of securities held, associated with a recovery in financial market conditions.

Ordinary Revenues and Ordinary Profit



For the years ended March 31

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Cash Flows

Net cash provided by operating activities in FY2009 amounted to ¥494.2 billion, down ¥235.8 billion from FY2008. This was mainly due to a significant increase in inflows in the previous fiscal year stemming from a net decrease in call loans in the banking business.

Net cash used in investing activities totaled ¥378.7 billion, down ¥391.1 billion from the previous fiscal year. This was due to a substantial year-on-year decline in outflows of payments for purchases of securities in the banking business.

Net cash used in financing activities was ¥6.5 billion, up ¥1.9 billion from the previous fiscal year. The increase stemmed from an increase in subordinated borrowings aimed at strengthening the financial soundness of the banking business.

As a result of the above factors, cash and cash equivalents as of March 31, 2010 stood at ¥200.5 billion, up ¥108.9 billion from a year earlier.

Risk-monitored Loans

(Millions of yen)

As of March 31	2009	2010
Category		
Bankrupt loans	¥ 64	**¥ 295**
Non-accrual delinquent loans	674	**1,007**
Past due loans (3 months or more)	—	**—**
Restructured loans	225	**621**
Total	¥964	**¥1,924**

SFH's consolidated operating results come from its life insurance, non-life insurance, and banking businesses. Segment-by-segment reviews of FY2009 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 Insurance and SA Reinsurance—both equity method affiliates 50% owned by Sony Life.

Sony Life accounts for nearly all of SFH's life insurance business. A discussion of the 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 4.5% year on year, to ¥4,049.2 billion in FY2009. The number of new policies rose 9.0% to 582 thousand. Sales of family income insurance were robust thanks to the release in November 2009 of a Discount Rider for Nonsmokers and Others in Excellent Health.

A breakdown of the new policy amount shows that individual life insurance was up 4.8% year on year, to ¥4,017.5 billion, and individual annuities were down 18.9%, to ¥31.7 billion. Additionally, group life insurance declined 52.2% to ¥7.2 billion.

Annualized premiums from new policies for individual life insurance and individual annuities increased 11.5% to ¥68.7 billion. Within this, annualized premiums for medical protection, living benefit and other products climbed 21.0% to ¥16.2 billion.

The rate of increase in annualized premiums from new policies exceeded that of the new policy amount. This was due to solid sales of a cancer hospitalization insurance product, launched in April 2009. This product does not have death protection and is not included in the new policy amount, but is included in annualized premiums from new policies.

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 2.9% year on year, to ¥33,470.7 billion at March 31, 2010. The number of policies in force increased 6.4% to 5,010 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 ¥953.1 billion in FY2009, maintaining steady growth for the 29th straight year since commencing operations.

A breakdown of policy amount in force shows that individual life insurance was up 2.9% year on year, to ¥33,164.1 billion, and individual annuities were up 6.3% at ¥306.6 billion. Additionally, group life insurance was up 10.6% at ¥1,127.4 billion, while group annuities were down 1.6% at ¥72.3 billion.

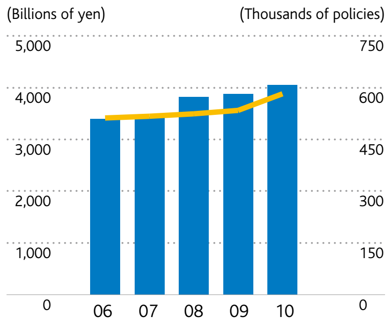
Annualized premiums from insurance in force for individual life insurance and individual annuities grew 4.6% year on year, to ¥573.3 billion. Within this, annualized premiums for medical protection, living benefit and other products rose 5.0%, to ¥133.0 billion.

Sales of Products

Death protection type of products* accounted for around 90% of new policies (policy amount basis) in FY2009. Within this, whole life insurance accounted for 11.8%, term life insurance for 73.1%, endowment and educational insurance and individual annuities for 7.6%, variable life insurance for 5.2%, and other for 2.3%. FY2009 saw robust sales of family income insurance following the launch in November 2009 of a Discount Rider for Nonsmokers and Others in Excellent Health.

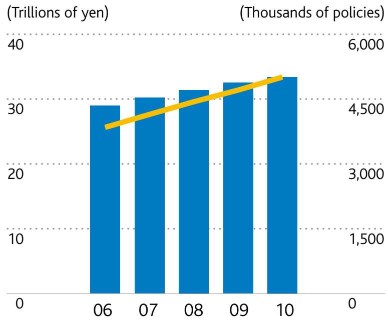
* The new policy amount for death protection type of products represents the total new policy amount after deduction of those for endowment and educational insurance, individual annuities, and medical insurance.

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



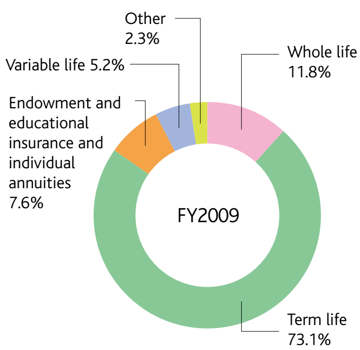
■ New policy amount (left scale)
▬ Number of new policies (right scale)
For the years ended March 31

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



■ Policy amount in force (left scale)
▬ Number of policies in force (right scale)
As of March 31

New Policy Amount by Type of Product
(Individual life insurance + Individual annuities; Policy amount basis)



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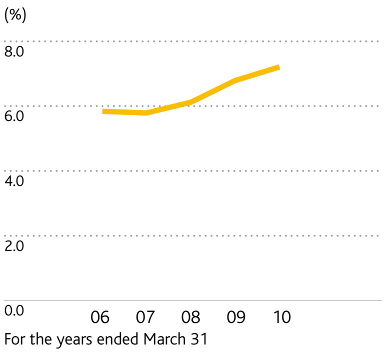
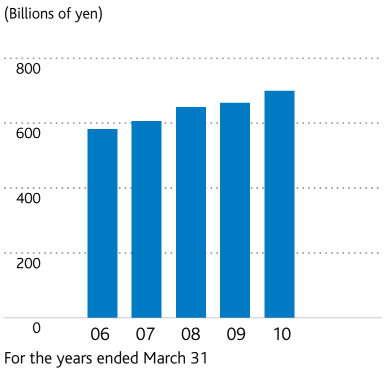
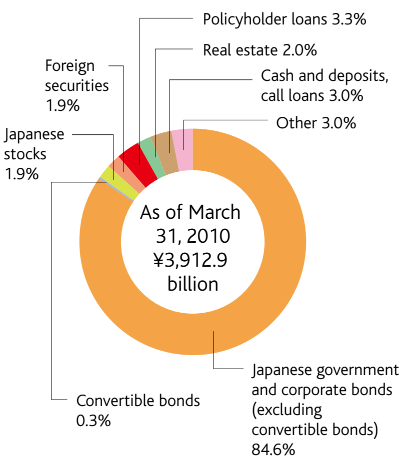
Lapse and Surrender Rate
(Individual life insurance + Individual annuities; Policy amount basis)



Income from Insurance Premiums



General Account Asset Composition (Real Term)



Lapse and Surrender Rate

The lapse and surrender rate* (policy amount basis) for individual life insurance and individual annuities rose 0.42 of a percentage point year on year, to 7.21% in FY2009. One reason for the increase in lapse and surrender rate was that some customers switched to more rational insurance products following the launch in November 2009 of a family income insurance discount rider for nonsmokers and others in excellent health.

Going forward, Sony Life will continue striving to maintain an acceptable lapse and surrender rate by providing customized protection based on the life plan of each customer, as well as providing enhanced after-sale follow-up services.

* The lapse and surrender rate shows the ratio derived by dividing the amount of lapses and surrenders, not adjusted for policy amount decreases, increases, and reinstatements, by the policy amount in force at the beginning of the fiscal year.

Income from Insurance Premiums and Insurance Claims and Other Payments

Insurance premiums received from policyholders totaled ¥698.1 billion in FY2009, up steadily from ¥660.6 billion in FY2008, mainly as a result of growth in the policy amount in force. Income from insurance premiums rose 5.8% to ¥700.1 billion on growth in the policy amount in force. At the same time, insurance claims paid to policyholders totaled ¥64.8 billion in FY2009, versus ¥62.0 billion in FY2008; insurance benefits were ¥34.6 billion, versus ¥32.8 billion; annuity payments were ¥7.7 billion, versus ¥7.1 billion; and surrender payments were ¥162.6 billion, versus ¥168.1 billion. Insurance claims and other payments edged down 0.2% year on year, to ¥274.2 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. Sony Life is working to extend the duration of its portfolio by investing in bonds, mainly Japanese government bonds, and shifting from bonds with short maturities to longer maturity ones.

Sony Life invested mainly in ultralong-term bonds with maturities of 20 years or more in FY2009. In response to changes in market conditions, Sony Life reduced its holdings of convertible bonds. After reducing its holdings of Japanese stocks in FY2008, Sony Life maintained such holdings at just under 2% of its portfolio in FY2009.

General account assets totaled ¥3,912.9 billion as of March 31, 2010, up 10.7%, or ¥377.1 billion, from a year earlier. Within the general account, Japanese government and corporate bonds (excluding convertible bonds) totaled ¥3,310.4 billion, accounting for 84.6% of the general account total; convertible bonds ¥13.2 billion, accounting for 0.3%; Japanese stocks ¥72.5 billion, accounting for 1.9%; foreign securities ¥75.2 billion, accounting for 1.9%; policyholder loans ¥127.5 billion, accounting for 3.3%; real estate ¥79.9 billion, accounting for 2.0%; and cash and deposits, call loans ¥116.4 billion, accounting for 3.0%.

Sony Life holds monetary trusts for accounting classification purposes. The above asset breakdown shows Sony Life's asset composition in real terms, reflecting assets included in monetary trusts, which have been summed together by type of security. Although these trusts also include convertible bonds and Japanese stocks, the balances of such assets at fiscal year-end were both zero.

Unrealized Gains and Losses on Securities

Unrealized gains and losses on securities* refer to the differences between the carrying amounts and fair values of securities. When the fair value of an asset is higher than its carrying amount, 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 pages 67 and 68).

Unrealized gains on securities in the general account totaled ¥19.9 billion at March 31, 2010, down ¥30.9 billion from March 31, 2009. Of this, Japanese stocks had unrealized gains of ¥10.4 billion, versus ¥1.4 billion a year earlier; Japanese government and corporate bonds had unrealized gains of ¥37 million, versus ¥53.8 billion; and foreign securities had unrealized gains of ¥7.8 billion, versus ¥3.8 billion in unrealized losses a year earlier. Further, convertible bonds had unrealized losses of ¥0.3 billion, versus unrealized losses of ¥21.2 billion a year earlier.

Reference: As of March 31, 2010, Sony Life assumed unrealized gains on stocks would be zero with the Nikkei Stock Average at 9,167 and TOPIX at 809.

* Unrealized gains and losses on securities list the total of net unrealized gains or losses on held-to-maturity bonds and available-for-sale securities with fair values. The total of securities includes investments in monetary trusts.

Core Profit

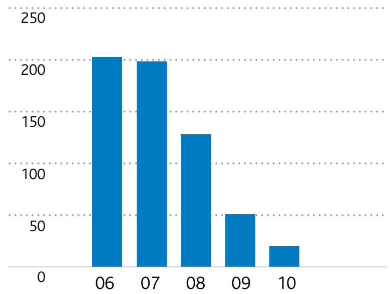
Core profit is an indicator of the profit-earning capacity of the primary insurance business over a one-year period. Primary insurance business refers to the management of insurance premiums received from policyholders, along with investment income to pay insurance claims, benefits, and annuities, as well as to making 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 69.8%, to ¥64.5 billion in FY2009, buoyed by an increase in premium income, growth in interest income and dividends, and a decline in policy reserve provision related to minimum guarantees on variable insurance policies.

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.

Unrealized Gains on Securities

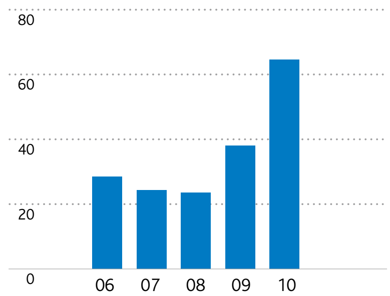
(Billions of yen)



As of March 31

Core Profit

(Billions of yen)



For the years ended March 31

Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

For the years ended March 31		2009	2010
Core profit	[A]	¥ 38,005	¥64,517
Capital gains		42,137	29,947
Income from monetary trusts, net		—	14,839
Income from trading securities, net		1,084	—
Gains on sale of securities		32,115	15,107
Gains on derivatives, net		8,937	—
Foreign exchange gains, net		—	—
Other capital gains		—	—
Capital losses		63,914	11,355
Losses on monetary trusts, net		12,842	—
Losses on trading securities, net		—	—
Losses on sale of securities		16,157	10,073
Devaluation losses on securities		31,899	—
Losses on derivatives, net		—	—
Foreign exchange losses, net		2,614	833
Other capital losses		399	449
Net capital gains (losses)	[B]	(21,776)	18,591
Core profit plus net capital gains (losses)	[A] + [B]	16,228	83,108
Other one-time gains		16,315	—
Gains from reinsurance		—	—
Reversal of contingency reserve		16,315	—
Other		—	—
Other one-time losses		134	3,009
Losses from reinsurance		—	—
Provisions for contingency reserve		—	3,005
Provisions for specific reserve for possible loan losses		134	3
Provisions for reserve for loan losses from borrowers in specific foreign countries		—	—
Write-off of loans		—	—
Other		—	—
Net other one-time gains (losses)	[C]	16,180	(3,009)
Ordinary profit	[A] + [B] + [C]	¥ 32,409	¥80,099

Notes: 1. Core profit for the fiscal year ended March 31, 2009 [A] includes income gains of ¥11,986 million in income from monetary trusts; other capital losses include impairment losses of ¥399 million from investment partnership.
2. Core profit for the fiscal year ended March 31, 2010 [A] includes income gains of ¥8,047 million in income from monetary trusts; other capital losses include impairment losses of ¥449 million from investment partnership.

Negative Spread

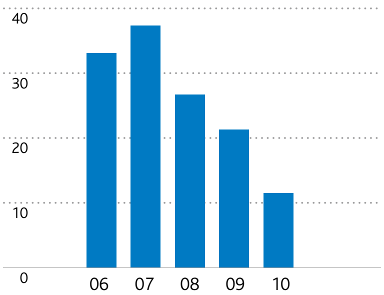
Life insurers use a portion of the premiums received from policyholders to provide policy reserves for the payment of future claims. The policy reserves assume an annual return based on a fixed interest rate. This interest rate is known as the assumed interest rate. A negative spread occurs when the 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 ¥21.3 billion in FY2008 to ¥11.5 billion in FY2009. This negative spread amount can be offset by other income sources. Including the negative spread, core profit was ¥64.5 billion.

The investment yield for core profit was 2.17% in FY2009, up from 1.90% in FY2008; and the average assumed interest rate was 2.51%, compared with 2.59% in FY2008. The general account investment yield increased substantially, from 1.11% in FY2008 to 2.54% in FY2009 due to the recording of impairment losses on securities held in FY2008.

Negative Spread

(Billions of yen)



For the years ended March 31

Formula for Calculating Negative Spread

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

*1 Investment yield for core profit is the yield on general account policy reserves after subtracting the provision for policyholder dividend reserve from the 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) x 1/2

Ordinary Profit and Net Income

Sony Life's ordinary revenues grew 15.1% year on year to ¥881.7 billion in FY2009, driven by growth in income from insurance premiums on firm policy amount in force, as well as by higher investment income in a relatively favorable financial market environment. Ordinary profit surged 147.1%, to ¥80.0 billion, buoyed by higher ordinary revenues and a significant year-on-year decline in impairment loss on securities held. Net income jumped 36.6%, to ¥46.1 billion, due to the substantial increase in ordinary profit. In FY2009, we made a ¥5.9 billion provision for reserve for price fluctuations (treated as an extraordinary loss). In FY2008, we made a ¥20.4 billion reversal of reserve for price fluctuations (treated as extraordinary gains).

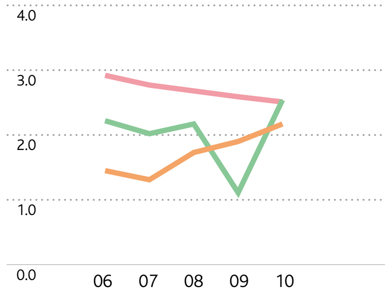
Solvency Margin Ratio

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's solvency margin ratio remained high as of March 31, 2010, at 2,637.3%, up 576.8 percentage points from a year earlier. The higher solvency margin ratio stemmed from a number of factors, including an increase in capital owing to improved net income, as well as an increase in unrealized gains on securities amid more favorable market conditions and a decline in asset management risks reflecting a reduction in equity-related assets.

Average Assumed Interest Rate, Investment Yield for Core Profit, and Investment Yield (General Account)

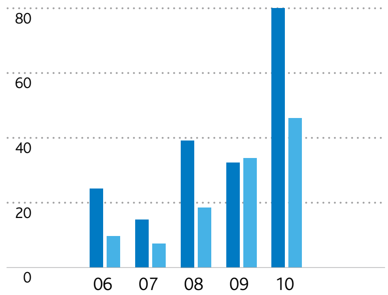
(%)



Average assumed interest rate
Investment yield (general account)
Investment yield for core profit
For the years ended March 31

Ordinary Profit and Net Income (Non-consolidated)

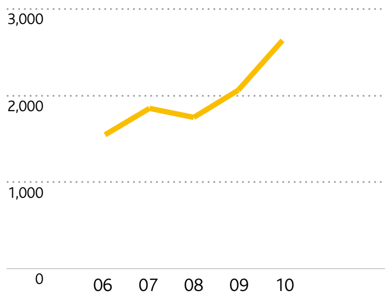
(Billions of yen)



Ordinary profit
Net income
For the years ended March 31

Solvency Margin Ratio

(%)



As of March 31

Solvency Margin Ratio

As of March 31	2009	2010
		(Millions of yen)
(A) Total solvency margin	¥531,321	¥630,237
Common stock, etc.	131,190	170,329
Reserve for price fluctuations	3,653	9,637
Contingency reserve	45,491	48,497
Reserve for possible loan losses	0	0
Net unrealized gains on other securities x 90% (100% if losses)	17,679	33,040
Net unrealized gains on real estate x 85% (100% if losses)	4,899	1,633
Excess amount of policy reserves based on Zillmer method	302,226	316,510
Unallotted portion of reserve for policyholders' dividends	382	2,346
Future profits	—	1,022
Deferred tax assets	25,797	47,219
Subordinated debt	—	—
Deductible items	—	—
(B) Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	51,571	47,792
Insurance risk R_1	18,595	19,199
Third-sector insurance risk R_8	7,008	7,094
Assumed interest rate risk R_2	11,241	11,395
Asset management risk R_3	24,689	18,932
Business management risk R_4	1,375	1,292
Minimum guarantee risk R_7	7,243	8,023
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	2,060.5%	2,637.3%

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 amount of 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. Sony Life does 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 ¥127.5 billion as of March 31, 2010. 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

(Millions of yen)

As of March 31	2009	2010
Category		
Bankrupt loans	¥—	¥—
Non-accrual delinquent loans	—	—
Past-due loans (three months or more)	—	—
Restructured loans	—	—
Total	¥—	¥—

Loans by Borrower Category

(Millions of yen)

As of March 31	2009	2010
Category		
Bankrupt and quasi-bankrupt loans	¥ —	¥ —
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	122,600	129,867
Total	¥122,600	¥129,867

Non-life Insurance Business

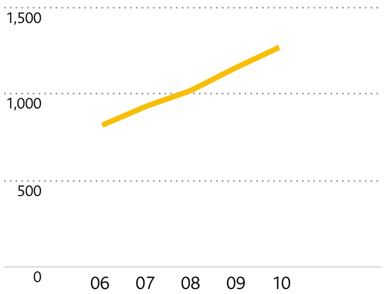
SFH's non-life insurance business is conducted by a wholly owned subsidiary Sony Assurance.

A discussion of the operating performance of Sony Assurance, 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 FY2009. Number of policies in force—the sum of automobile insurance and medical and cancer insurance—rose by about 120 thousand year on year, to around 1.27 million as of March 31, 2010.

Number of Policies in Force
(Automobile insurance + Medical and cancer insurance policies)
(Thousands of policies)

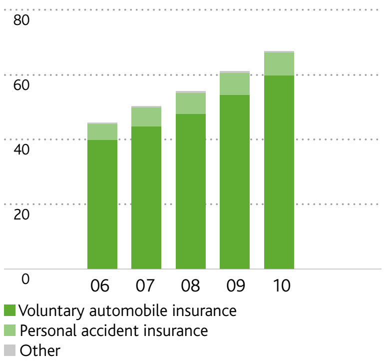


As of March 31

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 10.4% year on year, to ¥67.4 billion in FY2009. Broken down by type of insurance, voluntary automobile insurance grew 11.2% to ¥59.6 billion, accounting for 88.4% of total net premiums written, and personal accident insurance, consisting mainly of medical and cancer insurance, increased 3.4% to ¥7.1 billion, accounting for 10.6% of the total. Non-voluntary-automobile and non-personal-accident insurance—i.e., fire, marine, and compulsory automobile liability insurance—increased 20.3%, to ¥0.6 billion.

Net Premiums Written
(Billions of yen)

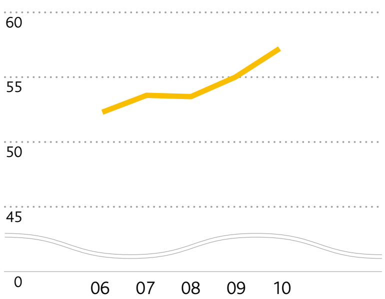


For the years ended March 31

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 2.2 percentage points, to 57.2% in FY2009, due to an increase in the rate of accidents for automobile insurance. By type of insurance, net loss ratio on voluntary automobile insurance rose 2.3 percentage points, to 61.1%; and the ratio on personal accident insurance, including medical and cancer insurance, increased 0.5 of a percentage point, to 22.9%.

Net Loss Ratio
(%)



For the years ended March 31

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. In FY2009, Sony Assurance's net expense ratio declined 0.6 of a percentage point, to 26.1%, thanks to ongoing enhancement of operating efficiency.

The combined ratio—the sum of the net loss ratio and the net expense ratio—rose 1.6 percentage points, from 81.7% in FY2008 to 83.3% in FY2009.

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 grew 18.9% year on year, to ¥1.9 billion in FY2009 due to higher net premiums written and a lower net expense ratio.

Ordinary Profit (Loss) and Net Income (Loss)

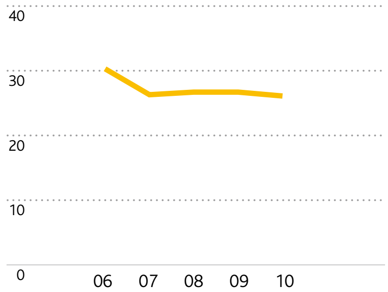
Sony Assurance's ordinary revenues increased 10.2% year on year, to ¥68.1 billion in FY2009, driven by growth in net premiums written on robust sales of new automobile insurance policies. Despite an increase in the net loss ratio, ordinary profit rose 17.8% to ¥2.5 billion, mainly due to the increase in ordinary revenues and a decline in the net expense ratio. Net income in FY2009 totaled ¥1.6 billion, compared with a net loss of ¥1.5 billion in FY2008. This was due to a large year-on-year decline in extraordinary losses, following losses on disposal of fixed assets in FY2008.

Total Assets Composition and Investment Policy

Sony Assurance's total assets grew 13.4% from March 31, 2009, to ¥98.3 billion as of March 31, 2010. Of total assets, cash and deposits totaled ¥3.5 billion, accounting for 3.6% of total assets; securities ¥73.2 billion, accounting for 74.5%; tangible fixed assets ¥0.3 billion, accounting for 0.3%; intangible fixed assets ¥1.9 billion, accounting for 1.9%; and other assets ¥19.3 billion, accounting for 19.7%. 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 asset management risks.

Net Expense Ratio

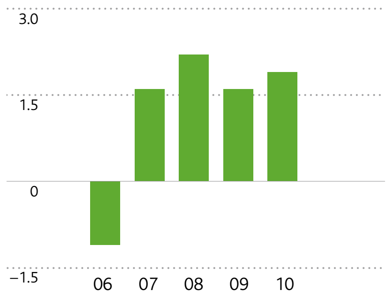
(%)



For the years ended March 31

Underwriting Profits (Loss)

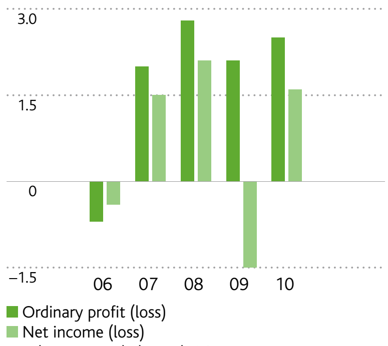
(Billions of yen)



For the years ended March 31

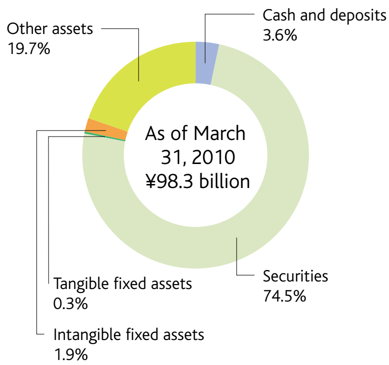
Ordinary Profit (Loss) and Net Income (Loss)

(Billions of yen)



For the years ended March 31

Composition of Total Assets



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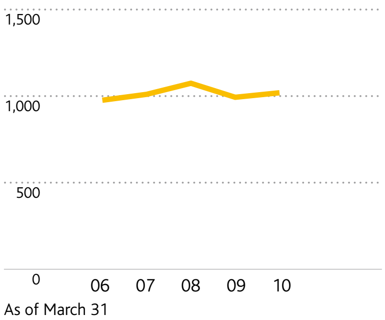
Financial Section P.060–199
Glossary P.200–203

Solvency Margin Ratio

(%)



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 1,018.5% as of March 31, 2010, up 25.5 percentage points from March 31, 2009, remaining at a sound level.

(Millions of yen)

As of March 31	2009	2010
(A) Total solvency margin	¥24,195	**¥27,444**
Capital or treasury	13,852	**15,456**
Reserve for price fluctuations	12	**27**
Contingency reserve	3	**6**
Catastrophe reserve	10,500	**11,918**
Reserve for possible loan losses	—	**—**
Net unrealized gains on other securities x 90% (100% if losses)	(173)	**36**
Net unrealized gains on real estate x 85% (100% if losses)	—	**—**
Excess refund reserve	—	**—**
Subordinated debt	—	**—**
Deduction by intentional possession	—	**—**
Other	—	**—**
(B) Total risk $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	4,872	**5,388**
Ordinary insurance risk [R_1]	4,097	**4,599**
Third-sector insurance risk [R_2]	0	**0**
Assumed interest rate risk [R_3]	8	**10**
Asset management risk [R_4]	294	**288**
Business management risk [R_5]	150	**165**
Major catastrophe risk [R_6]	614	**614**
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	993.0%	**1,018.5%**

Note: 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). 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

(Millions of yen)

As of March 31	2009	2010
Category		
Bankrupt loans	¥—	**¥—**
Non-accrual delinquent loans	—	**—**
Past-due loans (3 months or more)	—	**—**
Restructured loans	—	**—**
Total	¥—	**¥—**

Loans by Borrower Category

(Millions of yen)

As of March 31	2009	2010
Category		
Bankrupt and quasi-bankrupt loans	¥—	**¥—**
Doubtful loans	—	**—**
Sub-standard loans	—	**—**
Normal loans	—	**—**
Total	¥—	**¥—**

Banking Business

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

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 derives gross operating profit from net interest income, net fees and commissions, and net other operating income. In FY2009, Sony Bank's gross operating profit jumped 37.6% year on year to ¥14.9 billion, owing to an increase in net interest income, despite declines in net other operating income and net fees and commissions.

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 rose 96.1% year on year, to ¥13.0 billion in FY2009, owing to a decline in interest expenses on deposits stemming from falling deposit interest rates, as well as to an increase in interest income on loans stemming from growth in the mortgage loan balance.

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 to negative ¥0.1 billion in FY2009, from a positive ¥0.3 billion in FY2008, due mainly to an increase in expenses incurred in handling mortgage loans.

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. Although there were no impairment losses on securities, Sony Bank posted a decline in income from foreign exchange transactions for foreign currency deposits due to falling interest rates and a decrease in valuation gain on financial derivatives held as hedges. Accordingly, net other operating income fell 45.6% year on year to ¥2.1 billion in FY2009.

General and Administrative Expenses

General and administrative expenses rose 13.3% year on year, to ¥11.6 billion, due mainly to higher system-related expenses.

Ordinary Profit and Net Income (Loss)

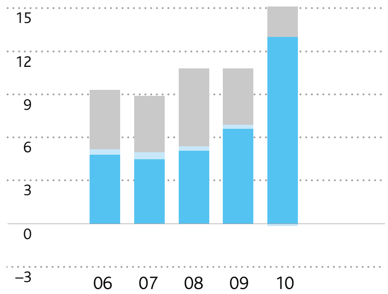
Sony Bank's ordinary profit surged 606.5% year on year to ¥2.9 billion, owing to a decline in interest expenses on deposits accompanying lower interest rates, as well as an increase in net interest income reflecting higher interest income on loans due to an increase in the mortgage loan balance. Sony Bank posted net income of ¥1.6 billion in FY2009, versus a net loss of ¥0.7 billion in FY2008.

Number of Accounts

Sony Bank continued efforts to acquire new customers in FY2009 while working to expand its lineup of products and services and raise brand recognition. As a result, the number of customer accounts increased steadily to 796 thousand at March 31, 2010, up 72 thousand from a year earlier.

Gross Operating Profit

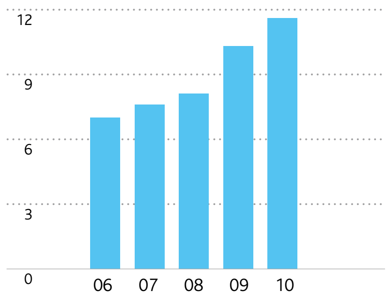
(Billions of yen)



Net interest income
Net fees and commissions
Net other operating income
For the years ended March 31

General and Administrative Expenses

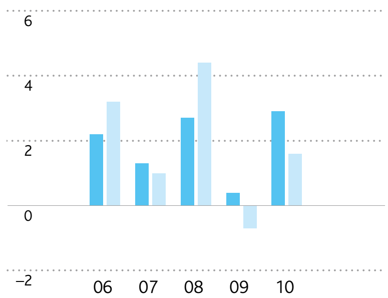
(Billions of yen)



For the years ended March 31

Ordinary Profit and Net Income (Loss)

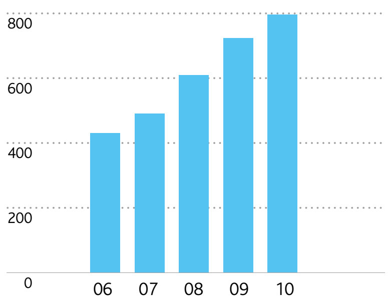
(Billions of yen)



Ordinary profit
Net income (loss)
For the years ended March 31

Number of Accounts

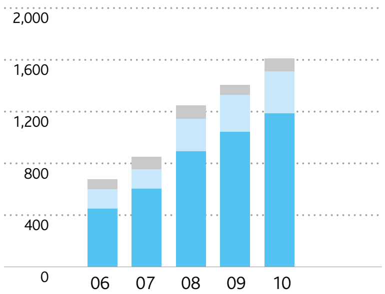
(Thousands of accounts)



As of March 31

Customer Assets

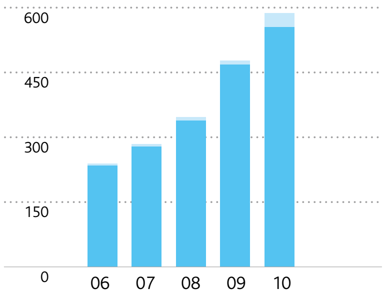
(Billions of yen)



Yen deposits
Foreign currency deposits
Investment trusts
As of March 31

Loans

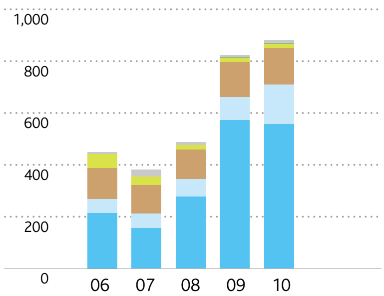
(Billions of yen)



Mortgage loans
Other
As of March 31

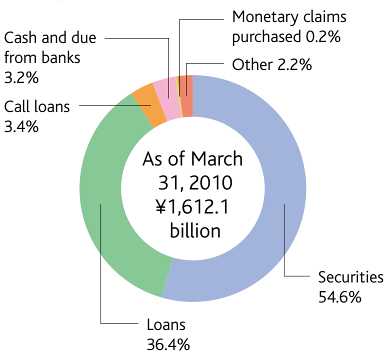
Securities (by Ratings)

(Billions of yen)



AAA AA A
BBB BB Other
As of March 31

Composition of Total Assets



Customer Assets (Total of Deposits and Investment Trusts)

Customer assets (total of deposits and investment trusts) rose 14.7% year on year to ¥1,610.0 billion as of March 31, 2010, due mainly to growth in yen deposits. Yen deposits were up 13.5% at ¥1,184.9 billion, accounting for 73.6% of customer assets; and foreign currency deposits were up 15.2% at ¥325.0 billion, accounting for 20.2%. As a result, total deposits grew 13.8% to ¥1,510.0 billion, accounting for 93.8% of customer assets. Additionally, investment trusts increased 29.4% to ¥100.0 billion, accounting for 6.2% of customer assets.

Yen time deposits performed favorably, boosted by special bonus interest rates offered during the winter 2009 bonus season. The balance of investment trusts grew in line with improved base values accompanying worldwide increases in stock prices.

Loans

Loans rose 23.0% from a year earlier to ¥586.6 billion as of March 31, 2010. In addition to a steady increase in the balance of mortgage loans, this was due to growth in corporate loans, driven by a syndicated loan product launched in October 2009. The corporate loan balance at fiscal year-end was ¥23.3 billion.

The balance of mortgage loans rose steadily in FY2009, 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 18.5% from a year earlier to ¥555.1 billion as of March 31, 2010. Mortgage loans accounted for 94.6% of overall loans. In addition to mortgage loans, we provide credit card loans and special-purpose loans.

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 ¥56.9 billion, or 6.9%, from a year earlier to ¥880.1 billion as of March 31, 2010. Japanese government bonds were down ¥24.8 billion at ¥263.5 billion; municipal bonds were up ¥1.7 billion at ¥7.0 billion; corporate bonds were up ¥23.0 billion at ¥326.3 billion; and other securities were up ¥57.0 billion at ¥280.1 billion. Additionally, securities rated AA or above accounted for 80.8% 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. On June 1, 2010, Sony Bank increased its equity stake by ¥2.0 billion, to ¥5.0 billion (¥2.5 billion in common stock and ¥2.5 billion in capital surplus) as of July 1, 2010.

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.

Total Asset Composition

Sony Bank's total assets grew 14.2% from a year earlier to ¥1,612.1 billion as of March 31, 2010. For main items, securities totaled ¥880.1 billion, accounting for 54.6% of total assets; loans ¥586.6 billion, accounting for 36.4%; call loans ¥55.0 billion, accounting for 3.4%; and monetary claims purchased ¥3.2 billion, accounting for 0.2%.

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 12.09% as of March 31, 2010, down 1.28 percentage points from 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, indicating that Sony Bank maintains a sound financial position.

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.

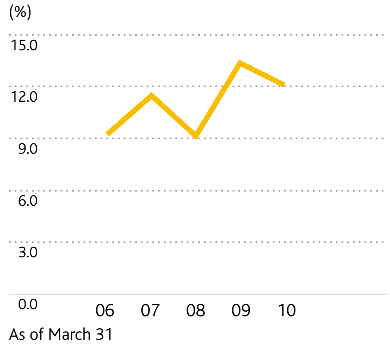
Sony Bank Non-consolidated Capital Adequacy Ratio (Domestic Criteria)

(Millions of yen)

As of March 31			2009	2010
Capital	Common stock		¥ 31,000	¥ 31,000
	Capital surplus		21,000	21,000
	Retained earnings		5,586	7,232
Tier I (core) capital		[A]	57,586	59,232
Preferred securities with step-up interest rate provision			—	—
	General reserve for possible loan losses		211	321
	Subordinated debt		2,000	2,000
	Subordinated term debt and term preferred stock		2,000	2,000
Tier II (supplementary) capital		[B]	2,211	2,321
Tier III (sub-supplementary) capital		[C]	—	—
Capital subtotal [A + B + C]		[D]	59,798	61,554
Deductions		[E]	—	—
Total capital [D] – [E]		[F]	59,798	61,554
Risk-adjusted assets	Balance sheet items		422,826	476,683
	Off-balance sheet items		1,395	4,334
	Result of dividing operational risk equivalent amount by 8%		22,830	27,784
Total risk assets		[G]	447,052	508,802
Capital adequacy ratio (domestic criteria)		[F] / [G]	13.37%	12.09%
Reference: Tier I ratio (domestic criteria)		[A] / [G]	12.88%	11.64%

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-consolidated Capital Adequacy Ratio (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. In lending to corporate customers, Sony Bank sets maximum loan limits according to customer credit and adheres to standards that prevent excessive lending to particular borrowers. The sales division also works independently of the screening division, and the bank ensures that financing proceeds only following due diligence via relevant deliberative entities. In addition, Sony Bank has established a meticulous loan management and screening system. 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

(Millions of yen)

As of March 31	2009	2010
Category		
Bankrupt loans	¥ 64	¥ 295
Non-accrual delinquent loans	674	1,007
Past-due loans (three months or more)	—	—
Restructured loans	225	621
Total	¥964	¥1,924

Problem Loans Based on the Financial Reconstruction Law

(Millions of yen)

As of March 31	2009	2010
Category		
Bankrupt and quasi-bankrupt loans	¥ 154	¥ 641
Doubtful loans	584	670
Sub-standard loans	225	621
Normal loans	485,603	593,165
Total	¥486,568	¥595,100

Sony Bank Securities

Sony Bank Securities opened for business in October 2007 and had a total of 42 thousand accounts as of March 31, 2010, up from 28 thousand accounts a year earlier. Deposited assets totaled ¥18.6 billion as of March 31, 2010, up from ¥10.2 billion a year earlier.

SFH Consolidated Financial Statements

Consolidated Balance Sheets

Sony Financial Holdings Inc.
As of March 31, 2009 and 2010

(Millions of yen)

	2009	2010
Assets:		
Cash and due from banks	¥ 42,794	¥ 103,649
Call loans and bills bought	95,709	146,879
Monetary claims purchased	16,163	3,292
Monetary trusts	608,846	300,743
Securities	3,703,062	4,488,458
Loans	597,542	714,486
Tangible fixed assets	83,619	81,931
Land	33,076	33,076
Buildings	47,790	47,176
Leased assets	340	274
Construction in progress	1,179	—
Other tangible fixed assets	1,232	1,405
Intangible fixed assets	18,788	20,687
Software	16,710	19,120
Goodwill	2,004	1,503
Leased assets	0	0
Other intangible fixed assets	72	64
Due from agencies	1	—
Due from reinsurers	144	205
Foreign exchanges	6,355	5,100
Other assets	91,424	101,684
Deferred tax assets	49,889	34,987
Reserve for possible loan losses	(665)	(1,019)
Total Assets	¥5,313,677	¥6,001,088

(Millions of yen)

	2009	2010
Liabilities:		
Policy reserves and others	¥3,680,731	**¥4,088,186**
Reserve for outstanding claims	34,843	**39,151**
Policy reserves	3,643,348	**4,043,958**
Reserve for policyholders' dividends	2,539	**5,076**
Due to agencies	1,216	**1,445**
Due to reinsurers	1,042	**853**
Deposits	1,325,320	**1,509,295**
Call money and bills sold	10,000	**10,000**
Borrowed money	2,000	**2,000**
Foreign exchanges	8	**20**
Other liabilities	68,086	**90,699**
Reserve for employees' bonuses	2,251	**2,496**
Reserve for employees' retirement benefits	13,435	**15,915**
Reserve for directors' retirement benefits	310	**360**
Special reserves	3,667	**9,667**
Reserve for price fluctuations	3,666	**9,665**
Reserve for financial products transaction liabilities	1	**2**
Deferred tax liabilities	0	**0**
Deferred tax liabilities on land revaluation	706	**706**
Total Liabilities	5,108,779	**5,731,648**
Net Assets:		
Shareholders' equity		
Common stock	19,900	**19,900**
Capital surplus	195,277	**195,277**
Retained earnings (deficits)	(2,251)	**39,350**
Total shareholders' equity	212,925	**254,527**
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities, net of taxes	(4,853)	**17,511**
Net deferred losses on hedging instruments, net of taxes	(1,449)	**(960)**
Land revaluation, net of taxes	(1,475)	**(1,475)**
Foreign currency translation adjustments	(248)	**(163)**
Total valuation and translation adjustments	(8,028)	**14,912**
Total Net Assets	204,897	**269,439**
Total Liabilities and Net Assets	¥5,313,677	**¥6,001,088**

See accompanying "Notes to the Consolidated Financial Statements."

Consolidated Statements of Income

Sony Financial Holdings Inc.
For the years ended March 31, 2009 and 2010

		(Millions of yen)
	2009	2010
Ordinary Revenues	¥860,323	¥978,991
Ordinary Revenues from the Life Insurance Business:	765,145	880,353
Income from insurance premiums	661,676	699,459
Insurance premiums	660,308	697,525
Ceded reinsurance commissions	1,368	1,933
Investment income	99,064	175,374
Interest income and dividends	56,056	70,599
Income from monetary trusts, net	—	22,887
Income from trading securities, net	1,084	—
Gains on sale of securities	32,145	15,153
Gains on redemption of securities	807	3,939
Gains on derivatives, net	8,937	—
Other investment income	33	37
Gains on separate accounts, net	—	62,757
Other ordinary income	4,404	5,519
Ordinary Revenues from the Non-life Insurance Business:	61,872	68,172
Underwriting income	61,137	67,468
Net premiums written	61,106	67,440
Interest and dividends on deposits of premiums	31	27
Investment income	718	681
Interest income and dividends	685	688
Gains on sale of securities	61	7
Gains on redemption of securities	3	12
Transfer to interest and dividends on deposits of premiums	(31)	(27)
Other ordinary income	16	22
Ordinary Revenues from the Banking Business:	33,306	30,466
Interest income	22,046	23,393
Interest income on loans	9,293	11,962
Interest income and dividends on securities	10,452	10,930
Interest income on call loans and bills bought	2,021	86
Interest income on deposits with banks	10	53
Interest income on interest rate swaps	10	2
Other interest income	258	358
Fees and commissions	2,106	1,924
Other operating income	9,035	5,122
Gains on foreign exchange transactions, net	7,938	4,723
Others	1,096	398
Other ordinary income	118	26

(Continued on next page)

(Millions of yen)

	2009	2010
Ordinary Expenses	¥826,070	¥894,618
Ordinary Expenses from the Life Insurance Business:	733,544	801,870
Insurance claims and other payments	274,793	274,285
Insurance claims	62,102	64,859
Annuity payments	7,111	7,742
Insurance benefits	32,898	34,670
Surrender payments	168,137	162,697
Other payments	2,172	1,950
Reinsurance premiums	2,371	2,366
Provision for policy reserves and others	219,075	395,583
Provision for reserve for outstanding claims	1,708	2,311
Provision for policy reserves	217,327	393,267
Interest portion of reserve for policyholders' dividends	39	4
Investment expenses	133,545	20,411
Interest expenses	42	29
Losses on monetary trusts, net	856	—
Losses on sale of securities	16,157	10,078
Devaluation losses on securities	31,899	—
Losses on redemption of securities	262	361
Foreign exchange losses, net	2,382	870
Provision for reserve for possible loan losses	134	3
Depreciation of real estate for rent and others	2,932	2,693
Other investment expenses	6,664	6,373
Losses on separate accounts, net	72,212	—
Operating expenses	93,883	96,777
Other ordinary expenses	12,246	14,813
Ordinary Expenses from the Non-life Insurance Business:	59,257	65,164
Underwriting expenses	43,829	48,807
Net losses paid	29,952	34,573
Loss adjustment expenses	3,632	4,009
Net commission and brokerage fees	681	893
Provision for reserve for outstanding losses	1,482	1,996
Provision for underwriting reserves	8,079	7,334
Other underwriting expenses	0	0
Investment expenses	177	13
Losses on sale of securities	143	12
Devaluation losses on securities	29	—
Losses on redemption of securities	4	1
Operating, general and administrative expenses	15,242	16,322
Other ordinary expenses	7	20

(Continued on next page)

Consolidated Statements of Income (Continued)

(Millions of yen)

	2009	2010
Ordinary Expenses from the Banking Business:	¥ 33,268	¥ 27,583
Interest expenses	15,394	10,364
Interest expenses on deposits	14,501	8,535
Interest expenses on call money and bills sold	58	31
Interest on borrowed money	38	50
Interest expenses on interest rate swaps	796	1,745
Other interest expenses	0	1
Fees and commissions	1,225	1,204
Other operating expenses	5,107	2,986
General and administrative expenses	11,264	12,621
Other ordinary expenses	275	407
Ordinary Profit	34,253	84,373
Extraordinary Gains	20,471	0
Gains on disposal of fixed assets	1	0
Reversal of reserve for price fluctuations	20,470	—
Extraordinary Losses	3,917	7,056
Losses on disposal of fixed assets	3,879	1,051
Impairment losses	20	5
Provision for reserve for price fluctuations	—	5,998
Others	16	—
Provision (Reversal) for Reserve for Policyholders' Dividends	(429)	3,516
Income Before Income Taxes	51,238	73,799
Income Taxes—current	14,915	24,079
Income Taxes—deferred	5,600	1,593
Total Income Taxes	20,516	25,673
Net Income	¥ 30,722	¥ 48,126

See accompanying "Notes to the Consolidated Financial Statements."

Consolidated Statements of Changes in Net Assets

Sony Financial Holdings Inc.
For the years ended March 31, 2009 and 2010

		(Millions of yen)
	2009	2010
Shareholders' Equity		
Common stock		
Balance at the end of the previous period	¥ 19,900	¥ 19,900
Changes during the period		
Total changes during the period	—	—
Balance at the end of the current period	19,900	19,900
Capital surplus		
Balance at the end of the previous period	195,277	195,277
Changes during the period		
Total changes during the period	—	—
Balance at the end of the current period	195,277	195,277
Retained earnings (deficits)		
Balance at the end of the previous period	(26,417)	(2,251)
Changes during the period		
Dividends from surplus	(6,525)	(6,525)
Net income	30,722	48,126
Decrease resulting from change in scope of application of equity method	(31)	—
Total changes during the period	24,166	41,601
Balance at the end of the current period	(2,251)	39,350
Total shareholders' equity		
Balance at the end of the previous period	188,759	212,925
Changes during the period		
Dividends from surplus	(6,525)	(6,525)
Net income	30,722	48,126
Decrease resulting from change in scope of application of equity method	(31)	—
Total changes during the period	24,166	41,601
Balance at the end of the current period	212,925	254,527

(Continued on next page)

Consolidated Statements of Changes in Net Assets (Continued)

(Millions of yen)

	2009	2010
Valuation and Translation Adjustments		
Net unrealized gains (losses) on other securities, net of taxes		
Balance at the end of the previous period	¥ 74,902	¥ (4,853)
Changes during the period		
Net changes of items other than shareholders' equity	(79,756)	22,365
Total changes during the period	(79,756)	22,365
Balance at the end of the current period	(4,853)	17,511
Net deferred losses on hedging instruments, net of taxes		
Balance at the end of the previous period	(1,345)	(1,449)
Changes during the period		
Net changes of items other than shareholders' equity	(104)	489
Total changes during the period	(104)	489
Balance at the end of the current period	(1,449)	(960)
Land revaluation, net of taxes		
Balance at the end of the previous period	(1,475)	(1,475)
Changes during the period		
Total changes during the period	—	—
Balance at the end of the current period	(1,475)	(1,475)
Foreign currency transaction adjustments		
Balance at the end of the previous period	786	(248)
Changes during the period		
Net changes of items other than shareholders' equity	(1,035)	85
Total changes during the period	(1,035)	85
Balance at the end of the current period	(248)	(163)
Total valuation and translation adjustments		
Balance at the end of the previous period	72,868	(8,028)
Changes during the period		
Net changes of items other than shareholders' equity	(80,896)	22,940
Total changes during the period	(80,896)	22,940
Balance at the end of the current period	(8,028)	14,912
Total Net Assets		
Balance at the end of the previous period	¥261,627	¥204,897
Changes during the period		
Dividends from surplus	(6,525)	(6,525)
Net income	30,722	48,126
Decrease resulting from change in scope of application of equity method	(31)	—
Net changes of items other than shareholders' equity	(80,896)	22,940
Total changes during the period	(56,730)	64,541
Balance at the end of the current period	¥204,897	¥269,439

See accompanying "Notes to the Consolidated Financial Statements."

Consolidated Statements of Cash Flows

Sony Financial Holdings Inc.
For the years ended March 31, 2009 and 2010

	2009	2010
		(Millions of yen)
Cash flows from operating activities:		
Income before income taxes	¥ 51,238	¥ 73,799
Depreciation of real estate for lease	2,932	2,693
Depreciation and amortization	3,243	3,971
Impairment losses	20	5
Amortization of goodwill	501	501
Increase in reserve for outstanding claims	3,190	4,307
Increase in policy reserve	225,407	400,601
Increase in interest portion of reserve for policyholders' dividends	39	4
Increase (decrease) in reserve for policyholders' dividends	(429)	3,516
Increase in reserve for possible loan losses	338	354
Increase in reserve for employees' retirement benefits	1,936	2,550
Increase in reserve for directors' retirement benefits	57	50
Increase (decrease) in reserve for price fluctuations	(20,470)	5,998
Increase in reserve for financial products transaction liabilities	0	1
Interest income and dividends	(78,789)	(94,681)
(Gains) losses on securities	87,400	(74,733)
Interest expenses	15,437	10,394
Exchange losses	8,416	2,395
Losses on disposal of tangible fixed assets	68	198
Equity in losses of affiliates	173	307
Net increase in loans	(130,007)	(109,797)
Net increase in deposits	182,175	183,758
Net (increase) decrease in call loans and bills bought	302,659	(5,170)
Net (increase) decrease in foreign exchanges (assets)	(4,671)	1,254
Net increase in foreign exchanges (liabilities)	8	11
Others, net	22,823	10,578
Subtotal	673,703	422,874
Interest and dividends received	81,813	99,486
Interest paid	(14,567)	(11,165)
Policyholders' dividends paid	(1,577)	(983)
Income taxes paid	(9,334)	(15,985)
Net cash provided by operating activities	730,038	494,225

(Continued on next page)

(Millions of yen)

	2009	2010
Cash flows from investing activities:		
Investments in monetary trusts	¥ (34,758)	¥ (55,750)
Proceeds from sale of monetary trusts	316,794	372,000
Purchases of securities	(2,288,460)	(1,441,592)
Proceeds from sale and redemption of securities	1,285,092	770,912
Investments in loans	(47,351)	(46,145)
Proceeds from collections of loans	13,683	17,840
Others, net	(2,655)	13,583
Total of net cash used in investment transactions	(757,656)	(369,151)
Total of net cash provided by (used in) operating activities and investment transactions	(27,618)	125,073
Purchases of tangible fixed assets	(2,413)	(2,514)
Proceeds from sale of tangible fixed assets	1	0
Purchases of intangible fixed assets	(9,745)	(6,739)
Purchases of securities of subsidiaries	—	(300)
Net cash used in investing activities	(769,813)	(378,706)
Cash flows from financing activities:		
Increase in subordinated borrowings	2,000	—
Cash dividends paid	(6,515)	(6,521)
Others, net	(76)	(59)
Net cash used in financing activities	(4,591)	(6,580)
Effect of exchange rate changes on cash and cash equivalents	(184)	20
Net increase (decrease) in cash and cash equivalents	(44,551)	108,959
Cash and cash equivalents at beginning of the fiscal year	136,186	91,634
Cash and cash equivalents at end of the fiscal year	91,634	200,593

See accompanying "Notes to the Consolidated Financial Statements."

Note: The above Consolidated Statements of Cash Flows have been prepared based on Article 210-10 of the Insurance Business Law Enforcement Regulations.

Notes to the Consolidated Financial Statements (For the year ended March 31, 2010)

1. Basis of Presenting Consolidated Financial Statements

Sony Financial Holdings Inc. ("SFH") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in Japanese yen in accordance with the provisions set forth in the Company Law of Japan, the Insurance Business Law of Japan and the Banking Law of Japan and in conformity with generally accepted accounting principles and practices in Japan, which differ in certain respects from the application and disclosure requirements of generally accepted accounting principles and practices under the International Financial Reporting Standards. SFH's overseas subsidiary, located in the Philippines, maintains its accounting records and prepares its financial statements in conformity with generally accepted accounting principles and practices prevailing in the Philippines.

2. Principles of Consolidation

(1) Scope of consolidation

Number of consolidated subsidiaries: 5

Consolidated subsidiaries: Sony Life Insurance Co., Ltd., Sony Life Insurance (Philippines) Corporation, Sony Assurance Inc., Sony Bank Inc., Sony Bank Securities Inc.

Number of non-consolidated subsidiaries: 1

Non-consolidated subsidiary: LIPLA Co., Ltd.
LIPLA Co., Ltd. is excluded from the scope of consolidation because its assets, ordinary revenues, net income and retained earnings are so immaterial that its exclusion from the scope of consolidation does not hinder a rational judgment of the SFH Group's financial position and results of operations.

(2) Application of the equity method

Number of affiliates accounted for by the equity method: 2

Affiliates accounted for by the equity method: AEGON Sony Life Insurance Co., Ltd., SA Reinsurance Ltd.
The name of AEGON Sony Life Insurance Co., Ltd. was changed from AEGON Sony Life Planning Co., Ltd. in August 2009. SA Reinsurance Ltd. newly became an affiliate accounted for by the equity method due to establishment of the company.

Number of non-consolidated subsidiaries and affiliates that are not accounted for by the equity method: 1

Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method: LIPLA Co., Ltd.
LIPLA Co., Ltd., a subsidiary, is not accounted for by the equity method because its net income and retained earnings are so immaterial that its exclusion does not hinder a rational judgment of the SFH Group's financial position and results of operations.

(3) Fiscal year-end of consolidated subsidiaries

The financial statements of Sony Life Insurance (Philippines) Corporation are prepared with a fiscal year-end of December 31. Appropriate adjustments are made for material transactions between December 31 and March 31, the date of the consolidated financial statements of SFH. All other subsidiaries prepare their respective financial statements as of March 31, the same date as the consolidated financial statements of SFH.

(4) Valuation of assets and liabilities of consolidated subsidiaries

All of the assets and liabilities of the acquired subsidiaries are stated at fair value as of the date of acquisition of control.

(5) Amortization of goodwill

Goodwill is amortized using the straight-line method over 5 years.

3. Summary of Significant Accounting Policies

(1) Securities

Securities are stated in the following manner: Securities held for trading purposes ("trading securities") are stated at fair value with unrealized gains and losses charged to income. The cost of such securities sold is determined by the moving-average method. Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Available-for-sale securities whose fair values are readily determinable are stated at fair value in the consolidated balance sheets based on market prices prevailing at each balance sheet date, with unrealized gains (losses), net of taxes, included in net assets and acquisition costs calculated using the moving-average method. Available-for-sale securities whose fair values are deemed extremely difficult to determine are stated at acquisition cost based on the moving-average method.

(2) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value included in income for the period in which they arise, except for derivatives that are designated by SFH and its domestic subsidiaries (the "Companies") as "hedging instruments."

(3) Tangible fixed assets (excluding leased assets)

All tangible fixed assets, including real estate for lease, are initially recorded at cost. Subsequent expenses related to asset improvements are capitalized or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Companies and the cost of the item can be measured reliably. All other repairs and maintenance charges are charged to income when incurred.

Depreciation is generally computed by the straight-line method for buildings and by the declining-balance method for other tangible fixed assets over the estimated useful lives of the assets, as follows:

- Buildings 2 to 47 years
- Other tangible fixed assets 2 to 20 years

(4) Intangible fixed assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method mainly over 5 years, its estimated useful life.

(5) Leased assets

All leased assets with respect to non-ownership-transfer finance leases are amortized by the straight-line method over the lease term, without any residual value.

(6) Reserve for possible loan losses

The reserve for possible loan losses is calculated by the Companies in accordance with self-assessment guidelines and write-off and reserve guidelines established at each subsidiary. With respect to loans to borrowers subject to bankruptcy, court-guided rehabilitation, or similar legal or formal proceedings, the Companies provide a specific reserve in the amount of the loan balance less amounts collectable from collateral, guarantees and other means. For other loans, the Companies provide a general reserve by applying the historical loan loss ratio determined over certain periods. Each loan is subject to asset assessment by the operational department of the relevant company in accordance with its self-assessment guidelines, and the results of the assessment are reviewed by the respective internal audit departments, which are independent from the operational departments, before the amount of reserve is finalized.

(7) Reserve for employees' bonuses

The reserve for employees' bonuses is provided for the estimated amount of bonuses the Companies are required to pay for services provided during the current fiscal year.

(8) Reserve for employees' retirement benefits

The reserve for employees' retirement benefits is provided for the payment of retirement benefits to employees, in the amount deemed accrued at the fiscal year-end, based on the projected retirement benefit obligation and the fair value of plan assets at the fiscal year-end. Unrecognized prior service cost is amortized using the straight-line method over 10 years within the employees' average remaining service period at incurrence. Unrecognized net actuarial gain (loss) is amortized using the straight-line method over 7 to 10 years within the employees' average remaining service period, commencing from the fiscal year immediately following incurrence. Unrecognized net obligation at transition is amortized using the straight-line method over 15 years.

<Change in accounting policies>

The Companies adopted the Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19, July 31, 2008) effective April 1, 2009. As a result, unrecognized net actuarial gain (loss) decreased by ¥5 million. However, this had no impact on ordinary profit and income before income taxes because actuarial gain (loss) is amortized commencing from the fiscal year immediately following incurrence.

(9) Reserve for directors' retirement benefits

The reserve for directors' and statutory auditors' retirement benefits is provided based on the internal regulations of SFH and its domestic subsidiaries and calculated at the amount that would be payable if all eligible directors and statutory auditors were to resign at the fiscal year-end.

(10) Reserve for price fluctuations

Pursuant to requirements under the Insurance Business Law, the reserve for price fluctuations is provided for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets which are exposed to losses due to market price fluctuations. This reserve is only used to reduce losses arising from price fluctuations on those assets.

(11) Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates in effect at each balance sheet date, whereas components of net assets denominated in foreign currencies are translated at historical rates. The current year's profit and loss accounts are translated into yen using the average exchange rate for the fiscal year.

(12) Hedge accounting

SFH's banking subsidiary applies either deferred hedge accounting or fair value hedge accounting to account for transactions it enters into to hedge interest rate risks on financial assets. SFH's banking subsidiary uses interest rate swaps to offset fluctuations in interest rates on fixed-rate loans by identifying the hedged items that are grouped based on their maturity, in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of Japanese Institute of Certified Public Accountants Statement No. 24). Interest rate swaps and others are used as hedging instruments to offset fluctuations in the fair value of fixed-rate bonds which are classified as available-for-sale securities. Both of the above-mentioned hedging instruments are identified so that their significant terms are nearly identical to those of the hedged items. Accordingly, such hedges are considered as highly effective, resulting in a substitution for evaluating the effectiveness of the hedging transactions.

(13) Accounting for consumption taxes

The consumption taxes received and paid by the Companies, excluding loss adjustment expenses and operating, general and administrative expenses of SFH's non-life insurance subsidiary, are not included in income and expenses. Under the Consumption Tax Law of Japan, the consumption taxes paid on property and equipment are not deductible from the consumption taxes received; they are recorded as "other assets" and amortized on a straight-line basis over 5 years. Other non-deductible consumption taxes are charged to income as incurred.

(14) Policy reserves

Pursuant to the Insurance Business Law, SFH's domestic life insurance subsidiary maintains a policy reserve for the fulfillment of future obligations under life insurance contracts. The policy reserve is established by the net level premium reserve method, which assumes a constant or level amount of net insurance premiums over the term of the relevant policy when calculating the amount of the reserve required to fund all future policy claims. The net insurance premium is a portion of the premium covering insurance underwriting risk, which is estimated based on factors such as mortality rates, investment yield, surrender rates and other factors. The net level premium reserve for individual insurance contracts underwritten from FY1996 is calculated using mortality and interest rates set by the Financial Services Agency as standard policy reserve. Additionally, the net level premium reserve for individual insurance contracts underwritten before FY1996 is calculated using mortality and interest rates approved by the supervisor of insurance business in Japan.

(15) Cash and cash equivalents

Cash equivalents consist of highly liquid investments without significant market risks, such as demand deposits and short-term investments with an original maturity of 3 months or less.

(16) Changes in accounting policies, procedures and presentation rules

Not applicable

(17) Changes in presentation

Not applicable

(18) Additional information

Changes in the method of calculating the fair value of available-for-sale securities

Following the announcement of Practical Issue Task Force No. 25 "Practical Solution on Measurement of Fair Value for Financial Assets" (October 28, 2008), SFH's banking subsidiary examined its accounting treatment of the floating-rate Japanese government bonds it held within "available-for-sale securities" and determined that the fair market values as of March 31, 2009, could not be deemed fair values. Therefore, SFH had evaluated these bonds based on reasonably estimated amounts. However, after examining the recent market environment, SFH determined that market values as of March 31, 2010, could be considered fair values. Therefore, SFH evaluated these bonds accordingly, based on their market values.

4. Notes to the Consolidated Balance Sheet

1 The balance of loans includes ¥295 million in loans to debtors in bankruptcy (before deductions for reserve for possible loan losses) and ¥1,007 million in "non-accrual delinquent loans" (before deductions for reserve for possible loan losses). Loans to debtors in bankruptcy include debtors that have been in arrears on principal or interest payments for a considerably long period of time or loans (before deductions for reserve for possible loan losses) on which principal or interest payments are considered unlikely to occur in the future for other reasons and on which interest income is not recognized. These loans are with reasons defined under Article 96-1-3, i through v of the Corporate Income Tax Law Enforcement Guidelines (Enforcement Order 97 of 1965), or 96-1-4 of the same guidelines.

"Non-accrual delinquent loans" are loans on which accrued interest income is not recognized, excluding "bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

2 The balance of loans includes ¥621 million in "restructured loans" (before deductions for reserve for possible loan losses). "Restructured loans" are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt waiver) in order to support the borrowers' recovery from financial difficulties, excluding "bankrupt loans," "non-accrual delinquent loans" and "past due loans (3 months or more)."

3 On March 31, 2002, SFH's domestic life insurance subsidiary revalued its land for operating purposes, as permitted by the Land Revaluation Law (Law No. 34, enacted March 31, 1998—the "Law"). The tax effect of the revaluation difference is accounted for differently, depending on whether there are gains or losses; when there is a loss, a valuation allowance is fully provided for the tax effect of the loss, and when there is a gain, the tax effect is recorded in "deferred tax liabilities on land revaluation." After excluding these amounts, the net revaluation difference is reported as "land revaluation" in net assets. The revaluation method stipulated by Article 3-3 of the Law was based on the land appraisal in conformity with Article 2-5 of the Law Enforcement Order related to the Law (Government Ordinance No. 119, effective from March 31, 1998).

4 Accumulated depreciation of tangible fixed assets as of March 31, 2010 was ¥17,138 million.

5 The balance sheet includes ¥373,604 million of assets and liabilities in equal amounts related to separate accounts as of March 31, 2010, at SFH's domestic life insurance subsidiary.

6 Securities include shares in non-consolidated subsidiaries and affiliates worth ¥12,236 million. Among this, investments in jointly controlled companies are ¥11,936 million.

7 Changes in the reserve for policyholders' dividends at SFH's domestic life insurance subsidiary for the fiscal year ended March 31, 2010, are as follows:

Balance at beginning of the fiscal year	¥2,539 million
Policyholders' dividends during the fiscal year	¥983 million
Increase in interest	¥4 million
Provision for reserve for policyholders' dividends	¥3,516 million
Balance at end of the fiscal year	¥5,076 million

8 Securities with a book value of ¥10,479 million were pledged as collateral for ¥10,000 million of call money and bills sold at March 31, 2010. In addition to the assets described above, securities with a book value of ¥69,256 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2010.

9 Net assets per share amounted to ¥123,880.11.

10 Financial Instruments

<Additional information>

As ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (March 10, 2008) and ASBJ Guidance No. 19 "Guidance on Disclosures about Fair Value of Financial Instruments" (March 10, 2008) went into effect for fiscal years beginning on or after April 1, 2009, SFH adopted this Accounting Standard and Guidance in the fiscal year ended March 31, 2010.

(1) Description of financial instruments

(i) Policy on financial instruments

The SFH Group conducts its life insurance, non-life insurance and banking businesses in accordance with the provisions of the Insurance Business Law of Japan, the Banking Law of Japan and other relevant provisions. With regard to financial assets (except for assets in separate accounts as stipulated in Item 1, Article 118 of the Insurance Business Law of Japan in the life insurance business), to ensure steady investment income SFH holds various investment assets, including Japanese government and corporate bonds, foreign government and corporate bonds, Japanese stocks and loans. Deposits from individual customers in the banking business account for nearly all of SFH's financial liabilities. Although SFH holds financial assets as well as financial liabilities, which are subject to the risk of interest rate and exchange rate fluctuations, it strives to protect itself from the negative effects of these fluctuations by maintaining an appropriate balance between assets and liabilities by conducting asset-liability management (ALM) in each of its businesses. In addition, the banking subsidiary conducts derivatives transactions as one aspect of its ALM.

(ii) Financial instruments and related risk

Securities and loans constitute the majority of the SFH Group's financial asset holdings. Most of its securities holdings are in Japanese government and corporate bonds. Other holdings include Japanese stocks, convertible bonds, foreign securities and funds invested in investment associations. These holdings are intended either for holding to maturity or for purely investment purposes, and they are subject to various risks, including interest rate fluctuation risk, issuer credit risk, stock price fluctuation risk and exchange rate fluctuation risk. Furthermore, the Group holds some of its financial assets in the shares of overseas unlisted companies, which have limited liquidity.

The majority of loans are policy loans in the life insurance business, and individual mortgage loans in the banking business. These loans carry the credit risk of default, as well as interest rate risk. However, policy loans are limited to the amount of surrender payments, and mortgage loans are backed by real estate. Consequently, loan-related risks are relatively low.

Financial liabilities, meanwhile, are mainly deposits from individual customers, which are subject to interest rate risk. As some of these deposits are denominated in foreign currencies, they are subject to exchange rate fluctuation risk, as well as interest rate risk.

Derivatives transactions in the banking business are conducted primarily as one aspect of ALM. In this category, we apply hedge accounting. Interest rate swap transactions are used to hedge against the interest rate risk of fixed-rate loans. When hedges commence, the banking subsidiary ensures hedge effectiveness by confirming that the finance receivables to be hedged and the interest rate swaps (the hedging method used) are grouped to within 3 months of each other. Interest rate swaps and others are used as hedging instruments to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities. When the hedge is implemented, the banking subsidiary determines hedge effectiveness by confirming that the cash flows of the securities to be hedged match those of the hedging method (such as interest rate swaps). In addition to hedging purposes, derivatives transactions are conducted based on short-term interest rate and exchange rate forecasts within a limit set forth in advance and are subject to interest rate and exchange rate risk.

Transactions involving financial instruments are subject to liquidity risk. Liquidity risk includes cash flow risk and market liquidity risk. Cash flow risk is the risk of our inability to make cash payments when due because of an inability to maintain sufficient cash reserves, as well as the risk of loss if we are forced to raise funds under unfavorable conditions in order to obtain cash to meet our payment obligations. Market liquidity risk is risk of loss due to an inability to conduct market transactions, in particular from an inability to change our market position at a given time, as well as the risk of loss if we are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.

(iii) Risk management of financial instruments

SFH formulates fundamental principles for risk management and manages risks specific to its subsidiaries' scale, business content and other attributes. Our Risk Management Guidelines establish specific conditions for managing group risks, while each of the subsidiaries manages risks on its own. SFH's Corporate Control Department submits periodic reports to SFH's Board of Directors and Executive Committee on subsidiaries' risk management conditions recognized through monitoring or by holding Risk Management Meetings.

① Credit risk

The SFH Group uses the following methods to manage the credit risk of its principal subsidiaries:

(a) To manage issuer credit risk on securities, at SFH's life insurance subsidiary, the risk management division periodically obtains credit and market value information.

(b) In line with various provisions for asset management risk, at SFH's non-life insurance subsidiary, the investment division is the operating division that determines issuer credit risk and market values on securities. The risk management division periodically submits reports to the Executive Committee on a monthly basis.

(c) In line with various provisions for managing credit risks, SFH's banking subsidiary manages risks involving lending to individual customers. For each loan, the subsidiary conducts credit screenings, manages credit information, determines collateral and handles problem assets. In this manner, the banking subsidiary operates a system to manage individual credit.

With regard to lending to corporate customers, for each loan, the banking subsidiary performs credit screenings, sets credit limits, manages credit information such as credit ratings by outside agencies, determines security and collateral and handles problem assets. In this manner, the banking subsidiary operates a system to manage risk. The subsidiary manages market credit risk, such as securities issuer credit risk and, on derivatives transactions, counterparty risk, by periodically determining credit and market value information.

The risk management division manages credit. The division periodically reports risk management conditions to management via Executive Committee and Board of Directors meetings. In addition, the internal audit division conducts regular audits.

② Market risk

The SFH Group uses the following methods to manage the market risk of its principal subsidiaries:

(a) The life insurance subsidiary manages various market-related risks in the following manner:

- Interest rate risk

  Asset management risk management provisions clearly spell out such details as risk management methods and procedures. Based on ALM policies that are determined through such methods as deliberation by the Executive Committee, the subsidiary determines and confirms actual risk conditions at Board of Directors meetings. The subsidiary's risk management division maintains an overall grasp on the interest rates and durations of financial assets, and monitors risk through gap analysis and interest rate sensitivity analysis, among other methods. The division periodically reports such information to the Board of Directors and the Executive Committee.

- Exchange rate risk

  With regard to the risk of exchange rate fluctuations, in accordance with ALM policy, the subsidiary allocates assets to ensure the amount of its securities denominated in foreign currencies remain within a specified percentage of total assets.

- Price fluctuation risk

  The subsidiary's risk management division periodically analyzes the amount of risk on its securities holdings by determining their basis point value. The risk management division reports this information regularly to the Board of Directors and the Executive Committee.

(b) SFH's non-life insurance subsidiary manages various market-related risks in the following manner:

- Interest rate risk

  Asset management risk provisions clearly spell out such details as risk management methods and procedures based on risk management policies determined by the Board of Directors. Accordingly, the investment division manages risk on an ongoing basis. The risk management division monitors individual risks and reports to the Executive Committee on a monthly basis.

- Price fluctuation risk

  The risk management division sets the risk tolerance limits on available-for-sale securities holdings, monitors these holdings to ensure that they do not exceed the prescribed risk amount, and reports to the Executive Committee on a monthly basis.

(c) SFH's banking subsidiary manages various market-related risks in the following manner. The risk management division handles each of these risks and reports risk management conditions regularly to management via Executive Committee and Board of Directors meetings. In addition, the internal audit division conducts regular audits.

- Interest rate and exchange rate risk

  In accordance with market risk management provisions, the subsidiary manages the risk of changes in value and losses in income resulting from changes in the value of assets and liabilities (including off-balance-sheet items), owing to fluctuations in various market risk factors, such as interest rates, exchange rates and stock prices. Market risk management provisions clearly spell out such details as risk management methods and procedures. Based on ALM policies that are determined through such methods as deliberation by the Board of Directors, an ALM committee meets—typically once each month—to understand and confirm actual conditions and deliberate future responses and risk conditions. On a daily basis, the risk management division maintains an overall understanding of interest and exchange rates on financial assets and liabilities, as well as their durations, conducts monitoring that includes value at risk (VaR) and interest rate sensitivity analysis, and ensures regulatory conformance. The subsidiary also uses ALM to conduct interest-rate swaps, currency swaps, foreign exchange and other derivatives transactions to hedge against interest and exchange rate fluctuation risks.

- Market price fluctuation risk

  The subsidiary manages holdings of investment products, including securities, in accordance with market risk management provisions. Of these, the investment division, which primarily purchases securities externally, strives to reduce market price fluctuation risk by conducting pre-screening, setting investment limits and monitoring investments on an ongoing basis. In addition, based on short-term interest and exchange rate forecasts, the risk management division uses VaR to understand the amount of trading-related market risk involved in securities held for trading purposes, as well as currency and interest-rate related derivatives transactions. The division also ensures regulatory conformance.

- Derivatives transactions

  The subsidiary manages derivatives transactions in accordance with market risk and credit risk provisions. The subsidiary also separates and conducts internal checks of individual departments' execution of transactions, evaluation of hedge effectiveness and operations management.

③ Liquidity risk

The SFH Group uses the following methods to manage the liquidity risk of its principal subsidiaries.

(a) At the life insurance subsidiary, in line with liquidity risk management provisions the accounting division prepares and updates cash flow plans in a timely manner based on the reports it receives from individual divisions, and the risk management division manages on-hand liquidity.

(b) SFH's non-life insurance subsidiary establishes provisions related to liquidity risk. Its cash flow management division prepares and updates cash flow plans. The risk management division manages liquidity risk by monitoring the situations.

(c) SFH's banking subsidiary manages cash flow by dividing the situation into phases, depending on the degree of pressure on cash flow. In addition to establishing reporting methods, the subsidiary establishes and revises guidelines as necessary. To manage market liquidity risk, the subsidiary works to understand market liquidity conditions that pertain to the types of products it handles. The subsidiary formulates and revises guidelines on a product by product basis, as necessary. The risk management division handles the liquidity management mentioned above, and the division reports risk management conditions regularly to management via Board of Directors and Executive Committee meetings. In addition, the internal audit division conducts regular audits.

(iv) Supplementary explanation of the fair value of financial instruments

Market prices of financial instruments are considered to indicate their fair value, unless market prices are not available. In this case, rational methods are used to measure their fair values. Although these measurements use assumptions that are believed to be reasonable under the circumstances, the resulting values may differ if measured using different assumptions.

Derivatives transaction contract amounts indicated in "(2) Fair value information on financial instruments" do not themselves indicate the volume of market risk related to derivatives transactions.

(2) Fair value information on financial instruments

Below is fair value information on financial instruments as of March 31, 2010, excluding securities whose fair values are deemed extremely difficult to determine.

(Millions of yen)

As of March 31	2010 Consolidated balance sheet amount	2010 Fair value	2010 Difference
(1) Cash and due from banks	¥ 103,649	¥ 103,649	¥ —
(2) Call loans and bills bought	146,879	146,879	—
(3) Monetary claims purchased	3,292	3,292	—
(4) Monetary trusts			
Monetary trusts for trading purposes	681	681	—
Other monetary trusts	300,061	300,061	—
(5) Securities			
Trading securities	350,255	350,255	—
Held-to-maturity securities	2,346,789	2,327,483	(19,305)
Available-for-sale securities	1,757,936	1,757,936	—
(6) Loans	714,486		
Reserve for possible loan losses*1	(807)		
Loans (after deduction for reserve for possible loan losses)	713,678	782,898	69,220
Total Financial Assets	¥5,723,225	¥5,773,139	¥ 49,914
(1) Deposits	¥1,509,295	¥1,508,525	¥ (770)
(2) Call money and bills sold	10,000	10,000	—
Total Financial Liabilities	¥1,519,295	¥1,518,525	¥ (770)
Derivative financial instruments*2			
Hedge accounting not applied	¥ 4,740	¥ 4,740	¥ —
Hedge accounting applied	[7,525]	[7,525]	—
Total Derivative Financial Instruments	¥ [2,784]	¥ [2,784]	¥ —

*1. Excludes general and specific reserves for possible loan losses.
*2. Figures are totals resulting from derivatives transactions, which are accounted for as other assets and liabilities on the consolidated balance sheets. If the total is a debt amount, the above figure is shown in [ ].

(Note 1) Measurement of the fair value of financial instruments

Financial Assets

(1) Cash and due from banks, (2) Call loans and bills bought, and (3) Monetary claims purchased

The fair value is regarded as the carrying amount, as they are approximately equal.

(4) Monetary trusts

In individual monetary trusts mainly for investment purposes, the fair value of stocks is the market price on stock market, and that of bonds is the market price on financial instrument exchanges or the price indicated by a financial institution. Please see the "Fair value information on monetary trusts," which indicates fair values by purpose.

(5) Securities

The fair value of stocks is the market price on stock market or financial instrument exchanges. The fair value of bonds and investment funds is the market price or the price indicated by a financial institution. Please see the "Fair value information on securities," which indicates fair values by purpose.

(6) Loans

① Loans in the banking business

The fair value of these loans is measured by estimating their future cash flows and then applying a prescribed discount rate. The discount rate is determined by adding to the Libor-based yield curve a rate corresponding to a set risk premium. On loans to individual customers, the risk premium equals the rate used to determine the reserve for possible loan losses. For loans to corporate customers, the rate equals the cumulative default rate, determined by rating.

② Policy loans in the life insurance business

Policyholder loans are valued by discounting future cash flows to their current value. For automatic premium loans, the book value is used as a near approximation of their fair value.

Financial Liabilities

(1) Deposits

The fair value of deposits is measured according to type by estimating the deposits' future cash flows and then applying a prescribed discount rate. The discount rate is determined by adding to the Libor-based yield curve a premium corresponding to the banking subsidiary's cumulative default rate by rating.

(2) Call money and bills sold

The fair value is regarded as the carrying amount, as they are approximately equal.

Derivative Transactions

Please see "Derivative financial instruments," which indicates measurement of fair value.

(Note 2) Securities whose fair values are deemed extremely difficult to determine are as follows. They are not included in "(5) Securities" of Financial Assets in (Note 1) above.

	(Millions of yen)
	2010
As of March 31	Consolidated balance sheet amount
① Unlisted stocks in non-consolidated subsidiaries and affiliates*1	¥12,236
② Unlisted stocks other than ① above*1	90
③ Investment in partnership*2 *3	21,151
Total	¥33,477

*1. As unlisted stocks have no market prices and their fair values are deemed extremely difficult to determine, they are not included in the scope of fair value disclosure.
*2. As assets included in "investment in partnership" are stocks in unlisted companies and their fair values are deemed extremely difficult to determine, they are not included in the scope of fair value disclosure.
*3. Impairment losses of ¥449 million were recorded for the year ended March 31, 2010. Impairment losses are principally recorded when their fair value as of the end of the fiscal year has declined by 50% or more from the acquisition cost.

(Note 3) Future redemption schedule of monetary claims and securities with maturities

				(Millions of yen)
	2010			
As of March 31	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Cash and due from banks	¥103,649	¥ —	¥ —	¥ —
Call loans and bills bought	146,879	—	—	—
Monetary claims purchased	3,310	—	—	—
Securities				
Held-to-maturity securities	7,745	45,939	9,127	2,298,223
Bonds	7,645	45,239	9,022	2,243,131
Japanese government and municipal bonds	6,103	38,007	8,817	2,220,203
Japanese corporate bonds	1,542	7,232	205	22,928
Others	100	700	104	55,092
Available-for-sale securities	218,242	577,069	447,802	397,923
Bonds	176,402	368,376	421,882	396,680
Japanese government and municipal bonds	67,449	140,522	400,061	396,083
Japanese corporate bonds	108,953	227,853	21,821	597
Others	41,839	208,693	25,920	1,242
Loans*	8,500	22,374	22,071	533,924
Total	¥488,327	¥645,383	¥479,002	¥3,230,071

* This figure excludes ¥127,615 million of loans such as policyholder loans that have no fixed redemption period.

(Note 4) Future return schedule of deposits and other liabilities with interest

(Millions of yen)

As of March 31	2010 1 year or less	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
Deposits*	¥1,440,003	¥26,619	¥17,241	¥3,307	¥2,028	¥20,095
Call money and bills sold	10,000	—	—	—	—	—
Total	¥1,450,003	¥26,619	¥17,241	¥3,307	¥2,028	¥20,095

* Demand deposits are included in "1 year or less."

11 The following provides fair value information on securities as of March 31, 2010:

• Trading-purpose securities

(Millions of yen)

As of March 31	2010
Valuation gains charged to income	¥67,293

• Held-to-maturity securities

(Millions of yen)

As of March 31	2010 Consolidated balance sheet amount	Fair value	Difference
Fair values exceeding the consolidated balance sheet amount			
Bonds	¥ 290,788	¥ 294,619	¥ 3,831
Japanese government and municipal bonds	278,989	282,671	3,681
Japanese corporate bonds	11,798	11,948	150
Others	42,503	50,448	7,945
Subtotal	333,291	345,068	11,777
Fair values not exceeding the consolidated balance sheet amount			
Bonds	2,013,099	1,982,022	(31,076)
Japanese government and municipal bonds	1,992,857	1,962,100	(30,756)
Japanese corporate bonds	20,241	19,922	(319)
Others	399	392	(6)
Subtotal	2,013,498	1,982,415	(31,083)
Total	¥2,346,789	¥2,327,483	¥(19,305)

• Available-for-sale securities

(Millions of yen)

As of March 31	2010 Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding the acquisition cost			
Bonds	¥1,171,105	¥1,140,664	¥30,441
Japanese government and municipal bonds	876,312	849,676	26,636
Japanese corporate bonds	294,792	290,987	3,804
Equity securities	51,198	40,242	10,956
Others	171,815	166,246	5,568
Subtotal	1,394,119	1,347,153	46,966
Consolidated balance sheet amount not exceeding the acquisition cost			
Bonds	221,977	226,139	(4,161)
Japanese government and municipal bonds	152,549	156,126	(3,576)
Japanese corporate bonds	69,427	70,012	(584)
Equity securities	10,984	11,481	(497)
Others	134,147	136,825	(2,677)
Subtotal	367,109	374,446	(7,336)
Total	¥1,761,229	¥1,721,599	¥39,629

Notes: 1. As unlisted stocks of ¥42 million in the consolidated balance sheet amount and an investment in partnership of ¥21,151 million in the consolidated balance sheet amount have no market prices and their fair values are deemed extremely difficult to determine, they are not included in the table above.
2. Commercial paper of "Monetary claims purchased" is included in the table above.

• Held-to-maturity securities sold during the period

Not applicable

• Available-for-sale securities sold during the period

(Millions of yen)

For the year ended March 31	2010 Sales	Gains on sales	Losses on sales
Bonds	¥319,100	¥ 8,112	¥ 7,550
Japanese government and municipal bonds	180,599	4,139	277
Japanese corporate bonds	138,500	3,972	7,272
Equity securities	32,028	6,712	581
Others	48,386	734	2,307
Total	¥399,516	¥15,559	¥10,438

• Reclassification of debt securities

In accordance with the Practical Issue Task Force No. 26 "Tentative Solution on Reclassification of Debt Securities" (December 5, 2008), some securities (bonds linked to the Nikkei 225 stock index) were reclassified from "available-for-sale securities" to "held-to-maturity securities" on December 17, 2008.

(1) Fair value: ¥49,832 million

(2) Consolidated balance sheet amount: ¥41,904 million

(3) Net unrealized losses on other securities, net of taxes*: ¥(8,353) million

* When reclassifying, the difference (after tax effect accounting) between the fair value at time of reclassification and the acquisition cost is recorded in net assets as "net unrealized gains (losses) on other securities, net of taxes." The amount is amortized over the period until maturity in the similar manner as the amortized cost method.

12 The fair value information on monetary trusts as of March 31, 2010, is as follows:

• Monetary trusts for trading purposes

(Millions of yen)

As of March 31	2010
Monetary trusts for trading purposes	
Consolidated balance sheet amount	¥ 681
Valuation gains/losses charged to income	5,711

Note: Valuation gains or losses charged to income includes reversal of valuation gains or loss recorded at the end of the previous period.

• Other monetary trusts

(Millions of yen)

	2010				
As of March 31	Consolidated balance sheet amount	Acquisition cost	Difference	Items whose consolidated balance sheet amount exceeds acquisition cost	Items whose consolidated balance sheet amount does not exceed acquisition cost
Other monetary trusts	¥300,061	¥297,546	¥2,514	¥2,968	¥(453)

Notes: 1. The amount of jointly invested monetary trusts that is included in the table above for the year ended March 31, 2010 is ¥271 million.
2. "Items whose consolidated balance sheet amount exceeds acquisition cost" and "Items whose consolidated balance sheet amount does not exceed acquisition cost" are the breakdown of the difference.

13 Derivative financial instruments

I. Derivatives to which hedge accounting is not applied

(1) Interest rate derivatives

(Millions of yen)

	2010			
As of March 31	Notional amount total	Notional amount over 1 year	Fair value	Valuation gains/losses
Over-the-counter transactions				
Interest rate swaps	¥52,820	¥52,820	¥(200)	¥(200)
Total	¥ —	¥ —	¥(200)	¥(200)

Notes: 1. The above transactions are valued at the market value, and valuation losses are recorded in the consolidated statements of income.
2. Market values of over-the-counter transactions are calculated mainly using discounted present value and other methods.

(2) Currency derivatives

(Millions of yen)

	2010			
As of March 31	Notional amount total	Notional amount over 1 year	Fair value	Valuation gains/losses
Over-the-counter transactions				
Forward foreign exchanges				
Sold	¥ 58,692	¥—	¥ (62)	¥ (62)
Bought	170,793	—	4,197	4,197
Foreign exchange margin transactions				
Sold	32,680	—	503	503
Bought	13,818	—	346	346
Currency options				
Sold	406	—	(10)	(5)
Total	¥ —	¥—	¥4,974	¥4,980

Notes: 1. The above transactions are valued at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income.
2. Market value is measured mainly using discounted present value and other methods.
3. Figures include discounted forward forex contracts.

(3) Credit derivatives transactions

(Millions of yen)

As of March 31	Notional amount total (2010)	Notional amount over 1 year (2010)	Fair value (2010)	Valuation gains/losses (2010)
Over-the-counter transactions				
Credit default options				
Sold	¥ 932	¥ 932	¥(100)	¥(100)
Bought	9,564	6,138	66	66
Total	¥ —	¥ —	¥(33)	¥ (33)

Notes: 1. The above transactions are valued at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income.
2. Market value is measured mainly using discounted present value.
3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

II. Derivatives to which hedge accounting is applied

(1) Interest rate derivatives

(Millions of yen)

As of March 31 Hedge accounting	Hedging instrument	Hedged item	Notional amount total (2010)	Notional amount over 1 year (2010)	Fair value (2010)
Deferred hedge accounting	Interest rate swaps	Loans	¥164,970	¥164,592	¥(2,301)
Fair value hedge accounting	Interest rate swaps	Available-for-sale securities (bonds)	160,791	140,398	(7,121)
Total			¥ —	¥ —	¥(9,422)

Notes: 1. SFH applies deferred hedge accounting and fair value hedge accounting in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of Japanese Institute of Certified Public Accountants Statement No. 24).
2. Fair value is measured using discounted present value.

(2) Currency derivatives

(Millions of yen)

As of March 31 Hedge accounting	Hedging instrument	Hedged item	Notional amount total (2010)	Notional amount over 1 year (2010)	Fair value (2010)
Fair value hedge accounting	Currency swaps	Available-for-sale securities (bonds)	¥45,651	¥32,300	¥1,897
Total			¥ —	¥ —	¥1,897

Notes: 1. SFH applies mainly fair value hedge accounting.
2. Fair value is measured mainly using discounted present value.

14 Fair value information on investment and rental property

<Additional information>

As ASBJ Statement No. 20 "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (November 28, 2008) and ASBJ Guidance No. 23 "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (November 28, 2008) became effective for fiscal years beginning on or after April 1, 2009, SFH adopted this Accounting Standard and Guidance from the fiscal year ended March 31, 2010.

SFH's domestic life insurance subsidiary owns rental office buildings in Tokyo and other cities. Income related to investment and rental property amounted to ¥3,641 million for the year ended March 31, 2010. Its main revenues were accounted for in the life insurance business' "interest income and dividends," and its main expenses were accounted for in the life insurance business' "depreciation of real estate for rent and others" and "other investment expenses."

Below is the consolidated balance sheet amount, net of changes, and the fair value. The fair value is measured by a licensed third-party real estate appraisal agent.

As of March 31	(Millions of yen) 2010
Consolidated balance sheet amount	
Balance at the end of the previous period	¥79,111
Changes during the period	(6,910)
Balance at the end of the current period	72,200
Fair value	¥82,973

Notes: 1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and impairment losses.
2.The gross decrease is due mainly to the change in purpose of property as a result of the banking subsidiary starting to use a portion of rental office buildings. The amount due to this change is ¥4,575 million.

15 Retirement benefit obligations and its supplemental information as of March 31, 2010 were as follows:

(i) Overview of retirement benefit plans

The domestic life insurance subsidiary provides a lump-sum retirement benefit plan to sales staff and a defined benefit corporate pension plan and defined contribution pension plan to internal office staff. The non-life insurance subsidiary provides a lump-sum retirement benefit plan and a defined contribution pension plan. SFH and its banking subsidiary mainly provide a lump-sum retirement benefit plan.

(ii) Retirement benefit obligations

As of March 31	(Millions of yen) 2010
Retirement benefit obligations	¥(26,949)
Plan assets	5,716
Unfunded retirement benefit obligations	(21,232)
Unrecognized net obligation at transition	2,071
Unrecognized net actuarial gain	5,209
Unrecognized prior service cost	(645)
Net retirement benefit obligations	(14,597)
Prepaid pension costs	1,317
Reserve for employees' retirement benefits	¥(15,915)

Note: SFH and certain consolidated subsidiaries calculate retirement benefit obligations based on the simplified method.

(iii) Retirement benefit expenses

For the year ended March 31	(Millions of yen) 2010
Service cost	¥2,476
Interest cost	300
Expected return on plan assets	(168)
Amortization of net obligation at transition	414
Amortization of net actuarial gain	635
Amortization of prior service cost	(129)
Other	285
Retirement benefit expenses	¥3,816

Notes: 1. SFH and certain consolidated subsidiaries include the retirement benefit expenses in the service cost based on the simplified method.
2. Other includes defined contribution pension plan payments.

(iv) Basis for calculating retirement benefit obligations

	2010
Method of allocating projected retirement benefits	Straight-line or point method
Discount rate	1.3%–1.5%
Expected return on plan assets	3.7%
Prior service cost amortization period	10 years
Net actuarial gain amortization period	7–10 years
Net obligation at transition amortization period	15 years

16 Contracts of commitments to provide credit line and overdrafts of the banking subsidiary are agreements to lend to customers, up to a prescribed amount, as long as there is no violation of any condition established in the contracts.

The amount of unused commitments at March 31, 2010 was ¥14,988 million and the amount of unused commitments whose original contract terms are within 1 year at March 31, 2010 was ¥14,988 million.

17 Borrowed money includes subordinated borrowings of ¥2,000 million subject to a special contract that subordinates the fulfillment of this obligation to other obligations.

18 Expected future losses of the domestic life insurance subsidiary under the life insurance policyholder protection structure stipulated under Article 259 of the Insurance Business Law amounted to ¥7,987 million. Such losses are recognized as expenses during the fiscal year in which they are contributed.

5. Notes to the Consolidated Statement of Income

1 Net income per share is calculated based on the weighted-average number of shares of common stock outstanding during the period. For the year ended March 31, 2010, net income per share was ¥22,127.13. There were no potential dilutive securities.

The basis for this calculation for the year ended March 31, 2010 is net income of ¥48,126 million, the entire amount of which is applicable to common stocks. The weighted-average number of shares outstanding for the year ended March 31, 2010 was 2,175,000 shares.

6. Notes to the Consolidated Statement of Changes in Net Assets

1 Types and numbers of shares issued are as follows:

(Thousands of shares)

For the year ended March 31	2010 Number of shares as of March 31, 2009	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2010
Issued shares				
Common stock	2,175	—	—	2,175
Total	2,175	—	—	2,175
Treasury stock				
Common stock	—	—	—	—
Total	—	—	—	—

2 Information on dividends is as follows:

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2009	Common stock	¥6,525 million	¥3,000	March 31, 2009	June 24, 2009

(2) Dividends to be paid in the next fiscal year

Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2010	Common stock	¥6,525 million	Retained earnings	¥3,000	March 31, 2010	June 28, 2010

7. Notes to the Consolidated Statement of Cash Flows

1 The reconciliation of cash and cash equivalents in the statements of cash flows to cash and cash deposits as stated in the consolidated balance sheets as of March 31, 2010, is as follows:

(Millions of yen)

As of March 31	2010
Cash and due from banks	¥103,649
Call loans of domestic life insurance subsidiary	91,800
Securities of the non-life insurance subsidiary maturing within 3 months of the acquisition date	5,144
Cash and cash equivalents	¥200,593

2 Cash flows from investing activities include cash flows from lending operations of the insurance business.

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Sony Life Financial Data (Consolidated)

Consolidated Balance Sheets

Sony Life Insurance Co., Ltd. and consolidated subsidiaries
As of March 31, 2009 and 2010

(Millions of yen)

	2009	2010
Assets:		
Cash and deposits	¥ 25,675	¥ 46,112
Call loans	45,800	91,800
Monetary trusts	607,625	288,772
Securities	2,818,578	3,538,090
Loans	120,469	127,615
Tangible fixed assets	82,806	80,937
Land	33,076	33,076
Buildings	47,499	46,839
Leased assets	337	272
Construction in progress	1,179	–
Other tangible fixed assets	714	749
Intangible fixed assets	12,187	13,863
Software	12,137	13,815
Leased assets	0	0
Other intangible fixed assets	49	47
Due from agencies	1	–
Due from reinsurers	104	120
Other assets	61,989	71,239
Deferred tax assets	35,439	27,705
Reserve for possible loan losses	(208)	(212)
Total Assets	¥3,810,470	¥4,286,045

(Millions of yen)

	2009	2010
Liabilities:		
Policy reserves and others	¥3,614,211	¥4,012,335
Reserve for outstanding claims	19,114	21,425
Policy reserves	3,592,557	3,985,833
Reserve for policyholders' dividends	2,539	5,076
Due to agencies	1,216	1,445
Due to reinsurers	880	716
Other liabilities	36,924	55,539
Reserve for employees' retirement benefits	12,728	14,991
Reserve for directors' retirement benefits	95	118
Reserve for price fluctuations	3,653	9,637
Reserve for price fluctuations	3,653	9,637
Deferred tax liabilities	0	0
Deferred tax liabilities on land revaluation	706	706
Total Liabilities	3,670,417	4,095,492
Net Assets:		
Common stock	70,000	70,000
Capital surplus	5,865	5,865
Retained earnings	61,986	100,825
Total shareholders' equity	137,851	176,690
Net unrealized gains on other securities, net of taxes	3,925	15,501
Land revaluation, net of taxes	(1,475)	(1,475)
Foreign currency translation adjustments	(248)	(163)
Total valuation and translation adjustments	2,201	13,862
Total Net Assets	140,052	190,553
Total Liabilities and Net Assets	¥3,810,470	¥4,286,045

Consolidated Statements of Income

Sony Life Insurance Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2009 and 2010

(Millions of yen)	2009	2010
Ordinary Revenues	¥766,245	¥882,045
Income from insurance premiums	662,078	700,158
Investment income	99,049	175,640
Interest income and dividends	56,041	70,864
Income from monetary trusts, net	–	22,887
Income from trading securities, net	1,084	–
Gains on sale of securities	32,145	15,153
Gains on redemption of securities	807	3,939
Gains on derivatives, net	8,937	–
Other investment income	33	37
Gains on separate accounts, net	–	62,757
Other ordinary income	5,117	6,247
Ordinary Expenses	733,704	802,264
Insurance claims and other payments	274,793	274,285
Insurance claims	62,102	64,859
Annuity payments	7,111	7,742
Insurance benefits	32,898	34,670
Surrender payments	168,137	162,697
Other payments	4,544	4,316
Provision for policy reserves and others	219,075	395,583
Provision for reserve for outstanding claims	1,708	2,311
Provision for policy reserves	217,327	393,267
Interest on policyholders' dividend reserve	39	4
Investment expenses	133,545	20,627
Interest expenses	42	29
Losses on monetary trusts, net	856	–
Losses on sale of securities	16,157	10,078
Devaluation losses on securities	31,899	–
Losses on redemption of securities	262	361
Foreign exchange losses, net	2,382	870
Provision for reserve for possible loan losses	134	3
Depreciation of real estate for rent and others	2,932	2,763
Other investment expenses	6,664	6,519
Losses on separate accounts, net	72,212	–
Operating expenses	94,091	97,003
Other ordinary expenses	12,198	14,763
Ordinary Profit	32,540	79,781

(Continued on next page)

(Millions of yen)

	2009	2010
Extraordinary Gains	¥ 20,447	¥ 0
Gains on sale of fixed assets	1	0
Reversal of reserve for price fluctuations	20,446	–
Reversal of reserve for price fluctuations	20,446	–
Extraordinary Losses	97	6,107
Losses on disposal of fixed assets	60	116
Impairment losses	20	5
Provision for reserve for price fluctuations	–	5,984
Provision for reserve for price fluctuations	–	5,984
Other extraordinary losses	16	–
Provision (Reversal) for Reserve for Policyholders' Dividends	(429)	3,516
Income Before Income Taxes	53,320	70,157
Income Taxes—current	14,087	22,688
Income Taxes—deferred	5,317	1,630
Total Income Taxes	19,405	24,318
Net Income	¥ 33,915	¥ 45,839

Consolidated Statements of Changes in Net Assets

Sony Life Insurance Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2009 and 2010

(Millions of yen)

	2009	2010
Shareholders' Equity		
Common stock		
Balance at the end of the previous period	¥ 65,000	¥ 70,000
Changes during the period		
Issuance of new shares	5,000	–
Total changes during the period	5,000	–
Balance at the end of the current period	70,000	70,000
Capital surplus		
Balance at the end of the previous period	865	5,865
Changes during the period		
Issuance of new shares	5,000	–
Total changes during the period	5,000	–
Balance at the end of the current period	5,865	5,865
Retained earnings		
Balance at the end of the previous period	35,102	61,986
Changes during the period		
Dividends from surplus	(7,000)	(7,000)
Net income	33,915	45,839
Decrease resulting from change in scope of application of equity method	(31)	–
Total changes during the period	26,884	38,839
Balance at the end of the current period	61,986	100,825
Total shareholders' equity		
Balance at the end of the previous period	100,967	137,851
Changes during the period		
Issuance of new shares	10,000	–
Dividends from surplus	(7,000)	(7,000)
Net income	33,915	45,839
Decrease resulting from change in scope of application of equity method	(31)	–
Total changes during the period	36,884	38,839
Balance at the end of the current period	137,851	176,690

(Continued on next page)

(Millions of yen)

	2009	2010
Valuation and Translation Adjustments		
Net unrealized gains on other securities, net of taxes		
Balance at the end of the previous period	¥ 82,898	¥ 3,925
Changes during the period		
Net changes of items other than shareholders' equity	(78,972)	11,576
Total changes during the period	(78,972)	11,576
Balance at the end of the current period	3,925	15,501
Land revaluation, net of taxes		
Balance at the end of the previous period	(1,475)	(1,475)
Changes during the period		
Total changes during the period	–	–
Balance at the end of the current period	(1,475)	(1,475)
Foreign currency translation adjustments		
Balance at the end of the previous period	786	(248)
Changes during the period		
Net changes of items other than shareholders' equity	(1,035)	85
Total changes during the period	(1,035)	85
Balance at the end of the current period	(248)	(163)
Total valuation and translation adjustments		
Balance at the end of the previous period	82,209	2,201
Changes during the period		
Net changes of items other than shareholders' equity	(80,008)	11,661
Total changes during the period	(80,008)	11,661
Balance at the end of the current period	2,201	13,862
Total Net Assets		
Balance at the end of the previous period	183,177	140,052
Changes during the period		
Issuance of new shares	10,000	–
Dividends from surplus	(7,000)	(7,000)
Net income	33,915	45,839
Decrease resulting from change in scope of application of equity method	(31)	–
Net changes of items other than shareholders' equity	(80,008)	11,661
Total changes during the period	(43,124)	50,500
Balance at the end of the current period	¥140,052	¥190,553

Consolidated Statements of Cash Flows

Sony Life Insurance Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2009 and 2010

		(Millions of yen)
	2009	2010
Cash flows from operating activities		
Income before income taxes	¥ 53,320	¥ 70,157
Depreciation on leased real estate	2,932	2,763
Depreciation and amortization	1,843	2,339
Impairment losses	20	5
Increase in reserve for outstanding claims	1,708	2,311
Increase in policy reserves	217,327	393,267
Increase in interest of reserve for policyholders' dividends	39	4
Increase (decrease) in reserve for policyholders' dividends	(429)	3,516
Increase in reserve for possible loan losses	134	3
Increase in reserve for employees' retirement benefits	1,820	2,333
Increase in reserve for directors' retirement benefits	24	22
Increase (decrease) in reserve for price fluctuations	(20,446)	5,984
Interest income and dividends	(56,041)	(70,864)
(Gains) losses on securities	84,082	(75,231)
Interest expenses	42	29
Exchange losses	2,382	870
Losses on disposal of tangible fixed assets	66	116
Equity in losses of affiliates	173	307
(Increase) decrease in due from agencies	(1)	1
(Increase) decrease in due from reinsurers	39	(15)
Decrease in other assets (excluding those related to investing and financing activities)	19,728	20,501
Increase (decrease) in due to agencies	(92)	229
Increase (decrease) in due to reinsurers	139	(163)
Increase in other liabilities (excluding those related to investing and financing activities)	427	449
Others, net	1,018	(12,520)
Subtotal	310,261	346,422
Interest and dividends received	58,971	74,976
Interest paid	(42)	(29)
Policyholders' dividends paid	(1,577)	(983)
Other, net	(1,903)	(4,955)
Income taxes paid	(8,480)	(15,275)
Net cash provided by operating activities	357,228	400,153

(Continued on next page)

	2009	2010
		(Millions of yen)
Cash flows from investing activities		
Investments in monetary trusts	¥ (34,758)	¥ (45,000)
Proceeds from sale of monetary trusts	316,294	372,000
Purchases of securities	(1,520,347)	(1,111,839)
Proceeds from sale and redemption of securities	900,207	488,949
Investments in loans	(47,351)	(46,145)
Proceeds from collections of loans	13,683	17,840
Other, net	(2,655)	13,583
Total of net cash used in investment transactions	(374,927)	(310,611)
[Total of net cash provided by (used in) operating activities and investment transactions]	[(17,699)]	[89,542]
Purchases of tangible fixed assets	(2,122)	(1,908)
Proceeds from sale of tangible fixed assets	1	0
Purchases of securities of subsidiaries	–	(300)
Purchases of securities of affiliates	(2,000)	(9,500)
Other, net	(5,908)	(4,358)
Net cash used in investing activities	(384,956)	(326,678)
Cash flows from financing activities		
Proceeds from issuance of shares	10,000	–
Cash dividends paid	(7,000)	(7,000)
Other, net	(76)	(58)
Net cash provided by (used in) financing activities	2,923	(7,058)
Effect of exchange rate changes on cash and cash equivalents	(184)	20
Net increase (decrease) in cash and cash equivalents	(24,989)	66,437
Cash and cash equivalents at beginning of the fiscal year	96,465	71,475
Cash and cash equivalents at end of the fiscal year	¥ 71,475	¥ 137,912

Sony Life Financial Data (Non-consolidated)

Non-consolidated Balance Sheets

Sony Life Insurance Co., Ltd.
As of March 31, 2009 and 2010

(Millions of yen)

	2009		2010	
	Amount	Composition (%)	Amount	Composition (%)
Assets:				
Cash and deposits	¥ 25,174	0.7%	¥ 45,707	1.1%
Cash	15		13	
Deposits	25,158		45,693	
Call loans	45,800	1.2	91,800	2.1
Monetary trusts	607,625	15.9	288,772	6.7
Securities	2,819,638	74.0	3,539,114	82.6
Japanese government bonds	2,196,830		3,023,972	
Japanese municipal bonds	29,190		28,433	
Japanese corporate bonds	270,253		99,351	
Japanese stocks	70,620		103,098	
Foreign securities	189,426		186,043	
Other securities	63,317		98,214	
Loans	120,462	3.2	127,599	3.0
Policy loans	120,462		127,559	
Tangible fixed assets	82,793	2.2	80,923	1.9
Land	33,076		33,076	
Buildings	47,498		46,839	
Leased assets	337		272	
Construction in progress	1,179		–	
Other tangible fixed assets	701		735	
Intangible fixed assets	12,187	0.3	13,862	0.3
Software	12,136		13,814	
Leased assets	0		0	
Other intangible fixed assets	49		47	
Due from agencies	1	0.0	–	–
Due from reinsurers	104	0.0	120	0.0
Other assets	61,911	1.6	71,165	1.7
Other receivables	29,096		41,580	
Prepaid expenses	992		1,288	
Accrued income	11,252		22,399	
Money on deposits	3,969		3,875	
Collateral pledged on forward transactions	13,583		–	
Advance payments	1,336		322	
Other	1,679		1,699	
Deferred tax assets	35,439	0.9	27,686	0.6
Reserve for possible loan losses	(208)	(0.0)	(212)	(0.0)
Total Assets	¥3,810,929	100.0%	¥4,286,540	100.0%

(Millions of yen)

	2009 Amount	2009 Composition (%)	2010 Amount	2010 Composition (%)
Liabilities:				
Policy reserves and others	¥3,614,027	94.8%	**¥4,012,112**	**93.6%**
Reserve for outstanding claims	19,111		**21,424**	
Policy reserves	3,592,376		**3,985,610**	
Reserve for policyholders' dividends	2,539		**5,076**	
Due to agencies	1,216	0.0	**1,445**	**0.0**
Due to reinsurers	880	0.0	**716**	**0.0**
Other liabilities	36,891	1.0	**55,501**	**1.3**
Accrued income tax	9,530		**16,943**	
Other payables	6,032		**16,772**	
Accrued expenses	11,883		**12,088**	
Unearned income	883		**949**	
Deposits received	360		**372**	
Deposits received for guarantee	6,252		**5,627**	
Lease obligations	388		**325**	
Policy suspense and other suspense	1,560		**2,420**	
Reserve for employees' retirement benefits	12,727	0.3	**14,989**	**0.3**
Reserve for directors' retirement benefits	95	0.0	**118**	**0.0**
Reserve for price fluctuations	3,653	0.1	**9,637**	**0.2**
Reserve for price fluctuations	3,653		**9,637**	
Deferred tax liabilities on land revaluation	706	0.0	**706**	**0.0**
Total Liabilities	3,670,198	96.3	**4,095,228**	**95.5**
Net Assets:				
Common stock	70,000	1.8	**70,000**	**1.6**
Capital surplus	5,865	0.2	**5,865**	**0.1**
Capital reserve	5,865		**5,865**	
Retained earnings	62,325	1.6	**101,464**	**2.4**
Earned reserve	8,478		**9,878**	
Other retained earnings	53,847		**91,585**	
Unappropriated retained earnings for the period	53,847		**91,585**	
Total shareholders' equity	138,190	3.6	**177,329**	**4.1**
Net unrealized gains on other securities, net of taxes	4,015	0.1	**15,458**	**0.4**
Land revaluation, net of taxes	(1,475)	(0.0)	**(1,475)**	**(0.0)**
Total valuation and translation adjustments	2,539	0.1	**13,982**	**0.3**
Total Net Assets	140,730	3.7	**191,312**	**4.5**
Total Liabilities and Net Assets	¥3,810,929	100.0%	**¥4,286,540**	**100.0%**

Non-consolidated Statements of Income

Sony Life Insurance Co., Ltd.
For the years ended March 31, 2009 and 2010

		(Millions of yen)
	2009	2010
Ordinary Revenues	¥765,910	¥881,798
Income from insurance premiums	662,011	700,101
Insurance premiums	660,642	698,168
Ceded reinsurance commissions	1,368	1,932
Investment income	98,781	175,397
Interest income and dividends	55,803	70,668
Interest income from deposits	0	0
Interest income and dividends from securities	39,033	54,662
Interest income from loans	4,732	4,991
Rent revenue from real estate	11,632	10,942
Other interest income and dividends	404	71
Income from monetary trusts, net	–	22,887
Income from trading securities, net	1,084	–
Gains on sale of securities	32,115	15,107
Gains on redemption of securities	807	3,939
Gains on derivatives, net	8,937	–
Other investment income	32	37
Gains on separate accounts, net	–	62,757
Other ordinary income	5,117	6,299
Income for annuity riders	1,779	1,449
Income for deferred payment of claims	2,351	3,591
Other ordinary income	987	1,258

(Continued on next page)

(Millions of yen)

	2009	2010
Ordinary Expenses	¥733,500	¥801,698
Insurance claims and other payments	274,778	274,278
Insurance claims	62,090	64,855
Annuity payments	7,111	7,742
Insurance benefits	32,898	34,670
Surrender payments	168,135	162,694
Refund to policyholders	2,172	1,950
Reinsurance premiums	2,370	2,364
Provision for policy reserves and others	219,031	395,551
Provision for reserve for outstanding claims	1,706	2,312
Provision for policy reserves	217,285	393,234
Interest on policyholders' dividend reserve	39	4
Investment expenses	133,777	20,584
Interest expenses	42	29
Losses on monetary trusts, net	856	–
Losses on sale of securities	16,157	10,073
Devaluation losses on securities	31,899	–
Losses on redemption of securities	262	361
Foreign exchange losses, net	2,614	833
Provision for reserve for possible loan losses	134	3
Depreciation of real estate for rent and others	2,932	2,763
Other investment expenses	6,664	6,518
Losses on separate accounts, net	72,212	–
Operating expenses	93,928	96,860
Other ordinary expenses	11,983	14,424
Payments of deferred claims	1,898	2,611
Taxes	6,226	6,470
Depreciation	1,836	2,334
Provision for reserve for employees' retirement benefits	1,995	2,982
Provision for reserve for directors' retirement benefits	24	22
Other	2	2
Ordinary Profit	32,409	80,099

(Continued on next page)

Non-consolidated Statements of Income (Continued)

(Millions of yen)

	2009	2010
Extraordinary Gains	¥ 20,446	¥ –
Reversal of reserve for price fluctuations	20,446	–
Reversal of reserve for price fluctuations	20,446	–
Extraordinary Losses	97	**6,107**
Losses on disposal of fixed assets	60	**116**
Impairment losses	20	**5**
Provision for reserve for price fluctuations	–	**5,984**
Provision for reserve for price fluctuations	–	**5,984**
Other extraordinary losses	16	–
Provision (Reversal) for Reserve for Policyholders' Dividends	(429)	**3,516**
Income Before Income Taxes	53,188	**70,475**
Income Taxes—current	14,087	**22,688**
Income Taxes—deferred	5,317	**1,649**
Total Income Taxes	19,404	**24,337**
Net Income	¥ 33,783	**¥ 46,138**

Non-consolidated Statements of Changes in Net Assets

Sony Life Insurance Co., Ltd.
For the years ended March 31, 2009 and 2010

(Millions of yen)

	2009	2010
Shareholders' Equity		
Common stock		
Balance at the end of the previous period	¥ 65,000	¥ 70,000
Changes during the period		
Issuance of new shares	5,000	–
Total changes during the period	5,000	–
Balance at the end of the current period	70,000	70,000
Capital surplus		
Capital reserve		
Balance at the end of the previous period	865	5,865
Changes during the period		
Issuance of new shares	5,000	–
Total changes during the period	5,000	–
Balance at the end of the current period	5,865	5,865
Total capital surplus		
Balance at the end of the previous period	865	5,865
Changes during the period		
Issuance of new shares	5,000	–
Total changes during the period	5,000	–
Balance at the end of the current period	5,865	5,865
Retained earnings		
Earned reserve		
Balance at the end of the previous period	7,078	8,478
Changes during the period		
Dividends from surplus	1,400	1,400
Total changes during the period	1,400	1,400
Balance at the end of the current period	8,478	9,878
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous period	28,464	53,847
Changes during the period		
Dividends from surplus	(8,400)	(8,400)
Net income	33,783	46,138
Total changes during the period	25,383	37,738
Balance at the end of the current period	53,847	91,585
Total retained earnings		
Balance at the end of the previous period	35,542	62,325
Changes during the period		
Dividends from surplus	(7,000)	(7,000)
Net income	33,783	46,138
Total changes during the period	26,783	39,138
Balance at the end of the current period	62,325	101,464
Total shareholders' equity		
Balance at the end of the previous period	101,407	138,190
Changes during the period		
Issuance of new shares	10,000	–
Dividends from surplus	(7,000)	(7,000)
Net income	33,783	46,138
Total changes during the period	36,783	39,138
Balance at the end of the current period	138,190	177,329

(Continued on next page)

Non-consolidated Statements of Changes in Net Assets (Continued)

(Millions of yen)

	2009	2010
Valuation and Translation Adjustments		
Net unrealized gains on other securities, net of taxes		
Balance at the end of the previous period	¥ 82,739	¥ 4,015
Changes during the period		
Net changes of items other than shareholders' equity	(78,723)	11,442
Total changes during the period	(78,723)	11,442
Balance at the end of the current period	4,015	15,458
Land revaluation, net of taxes		
Balance at the end of the previous period	(1,475)	(1,475)
Changes during the period		
Total changes during the period	–	–
Balance at the end of the current period	(1,475)	(1,475)
Total valuation and translation adjustments		
Balance at the end of the previous period	81,263	2,539
Changes during the period		
Net changes of items other than shareholders' equity	(78,723)	11,442
Total changes during the period	(78,723)	11,442
Balance at the end of the current period	2,539	13,982
Total Net Assets		
Balance at the end of the previous period	182,671	140,730
Changes during the period		
Issuance of new shares	10,000	–
Dividends from surplus	(7,000)	(7,000)
Net income	33,783	46,138
Net changes of items other than shareholders' equity	(78,723)	11,442
Total changes during the period	(41,940)	50,581
Balance at the end of the current period	¥140,730	¥191,312

Loans by Borrower Category

(Millions of yen)

As of March 31	2009	2010
Bankrupt and quasi-bankrupt loans	¥ –	¥ –
Doubtful loans	–	–
Sub-standard loans	–	–
Subtotal	–	–
[% to total]	[–]	[–]
Normal loans	122,600	129,867
Total	¥122,600	¥129,867

Notes: 1. Bankrupt and quasi-bankrupt loans are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
2. Doubtful loans are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
3. Sub-standard loans are loans on which principal and/or interest are past due for three months or more and loans with a concessionary interest rate, as well as loans with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the loans described in notes 1. and 2. above.
4. Normal loans are all other loans.

Risk-monitored Loans

Not applicable

Accounting Indicators

Reserve for outstanding claims

(Millions of yen)

As of March 31	2009	2010
Insurance claims		
Death benefits	¥ 5,295	¥ 7,126
Accidental benefits	246	251
Disability payments	992	1,358
Maturity benefits	1,241	1,111
Other	854	879
Subtotal	8,630	10,727
Annuity payments	45	56
Insurance benefits	4,349	4,657
Surrender payments	5,591	5,880
Deferred insurance benefits	23	44
Total, including others	¥19,111	¥21,424

Policy reserves

As of March 31	2009	2010
		(Millions of yen)
Policy reserves (excluding contingency reserve)		
Individual life insurance	¥3,373,573	**¥3,750,483**
General accounts	3,129,779	**3,419,682**
Separate accounts	243,794	**330,801**
Individual annuities	99,668	**114,166**
General accounts	75,084	**81,529**
Separate accounts	24,584	**32,636**
Group life insurance	142	**114**
General accounts	142	**114**
Separate accounts	–	**–**
Group annuties	73,499	**72,348**
General accounts	73,499	**72,348**
Separate accounts	–	**–**
Other	0	**–**
General accounts	0	**–**
Separate accounts	–	**–**
Subtotal	3,546,884	**3,937,113**
General accounts	3,278,505	**3,573,675**
Separate accounts	268,378	**363,437**
Contingency reserve	45,491	**48,497**
Total	¥3,592,376	**¥3,985,610**
General accounts	¥3,323,997	**¥3,622,172**
Separate accounts	268,378	**363,437**

Breakdown of policy reserves

As of March 31	2009	2010
		(Millions of yen)
Premium reserve	¥3,416,915	**¥3,801,870**
Unearned premiums	129,969	**135,242**
Refund reserve	–	**–**
Contingency reserve	45,491	**48,497**
Total	¥3,592,376	**¥3,985,610**

Policy reserves calculation methods, ratios, and balance involving individual life insurance and individual annuities by contract year

Policy reserves calculation methods and ratios

As of March 31	2009	2010
Calculation method		
Policies subject to standard policy reserve method		
Pure death-protection insurance	Net level premium reserve method	**Net level premium reserve method**
Mixed insurance	Net level premium reserve method	**Net level premium reserve method**
Pure endowment insurance	Net level premium reserve method	**Net level premium reserve method**
Annuities	Net level premium reserve method	**Net level premium reserve method**
Policies not subject to standard policy reserve method		
Pure death-protection insurance	Net level premium reserve method	**Net level premium reserve method**
Mixed insurance	Net level premium reserve method	**Net level premium reserve method**
Pure endowment insurance	Net level premium reserve method	**Net level premium reserve method**
Annuities	Net level premium reserve method	**Net level premium reserve method**
Ratio of "amount of the company's policy reserves (excluding contingency reserve)" to "policy reserves required by regulatory standards"	100.0%	**100.0%**

Notes: 1. The calculating methods and ratios are set for individual life insurance and individual annuities. The concept of accumulation method is not targeted at policy reserves for group life insurance and group annuities, so these insurance policies are not included.
2. The ratio for policies to which the standard policy reserve method is applied is indicated in the method laid down in Ministry of Finance Announcement No. 48 (1996). The ratio for policies to which the standard policy reserve method is not applied is indicated for premium reserve and unearned premiums calculated with the net level premium reserve method.

Balance of policy reserves by contract year

(Millions of yen)

Fiscal year issued	Balance of policy reserves	Assumed interest rate (%)
Up to FY1980	¥ –	–%
FY1981 to FY1985	30,107	6.00–6.25
FY1986 to FY1990	50,895	6.00–6.25
FY1991 to FY1995	510,879	2.75–6.25
FY1996 to FY2000	1,147,568	1.90–4.00
FY2001 to FY2005	1,146,162	1.50
FY2006	206,455	1.50
FY2007	160,676	1.50
FY2008	133,600	1.50
FY2009	114,866	1.50

Notes: 1. The balance of policy reserves shows the total of those for individual life insurance and individual annuities, excluding those of separate account assets, contingency reserve and additional policy reserve.
2. The assumed interest rate shows the assumed interest rate of the majority of policy reserves for each contract fiscal year.

Balance, calculating method, and coefficient of policy reserves of general accounts related to policies with minimum guarantees which insurance policies are invested in separate accounts

Balance of policy reserves (general accounts)

(Millions of yen)

As of March 31	2009	2010
Balance of policy reserves (general accounts)	¥23,732	**¥24,519**

Notes: 1. Calculations employed in the table above apply to the insurance policies subject to the standard policy reserve method provided for under Article 68 of the Insurance Business Law of Japan enforcement regulations.
2. Each of the balances of policy reserves of the general accounts show the total of premium reserve related to minimum guarantees and unearned premiums.

Calculating method and coefficient

1. Policy reserves related to minimum guarantees are calculated using the standard policy reserve method based on the Ministry of Finance Announcement No. 48 of 1996 "Comprehensive Supervisory Guidelines for Insurance Companies. (II-2-1-3-1)"
2. Coefficients used in the calculations are stipulated in Article 5, Paragraph 1-4 of the above announcement. The assumed surrender rates consist of an annual rate of 5.0% during payment of premiums, and an annual rate of 3.0% after payment of premiums.

Reserve for policyholders' dividends

(Millions of yen)

For the year ended March 31	2009 Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other	Total
At the end of the last fiscal year	¥ 2,649	¥ 492	¥ 979	¥384	¥ –	¥ 0	¥4,506
Increase due to interest	33	6	0	–	–	–	39
Decrease due to dividend payment	59	57	1,077	382	–	0	1,577
Provision for the current fiscal year	(1,475)	(177)	1,222	0	–	0	(429)
At the end of the current fiscal year	1,148	263	1,124	3	–	0	2,539
	[584]	[64]	[0]	[–]	[–]	[–]	[649]

(Millions of yen)

For the year ended March 31	2010 Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other	Total
At the end of the last fiscal year	**¥1,148**	**¥263**	**¥1,124**	**¥ 3**	**¥ –**	**¥ 0**	**¥2,539**
Increase due to interest	**4**	**0**	**0**	**–**	**–**	**–**	**4**
Decrease due to dividend payment	**46**	**53**	**880**	**3**	**–**	**0**	**983**
Provision for the current fiscal year	**2,195**	**325**	**993**	**2**	**–**	**0**	**3,516**
At the end of the current fiscal year	**3,301**	**534**	**1,237**	**2**	**–**	**–**	**5,076**
	[818]	**[78]**	**[0]**	**[–]**	**[–]**	**[–]**	**[896]**

Note: Figures in [ ] are dividends from reserve for accumulated dividends.

Other reserves

(Millions of yen)

For the years ended March 31	2009 Balance at the end of the previous period	2009 Balance at the end of the current period	2009 Increase (decrease)	2010 Balance at the end of the previous period	2010 Balance at the end of the current period	2010 Increase (decrease)
Reserve for possible loan losses						
General reserve for possible loan losses	¥ 0	¥ 0	¥ (0)	**¥ 0**	**¥ 0**	**¥ 0**
Specific reserve for possible loan losses	74	208	134	**208**	**212**	**3**
Reserve for loan losses from borrowers in specific foreign countries	–	–	–	**–**	**–**	**–**
Reserve for employees' retirement benefits	11,324	12,727	1,402	**12,727**	**14,989**	**2,261**
Reserve for directors' retirement benefits	71	95	24	**95**	**118**	**22**
Reserve for price fluctuations	24,099	3,653	(20,446)	**3,653**	**9,637**	**5,984**

Insurance premiums

(Millions of yen)

For the years ended March 31	2009	2010
Individual life insurance	¥642,194	**¥680,105**
Lump-sum payment	30,457	**41,072**
Annual payment	158,923	**171,417**
Semi-annual payment	7,880	**8,188**
Monthly payment	444,933	**459,427**
Individual annuities	11,343	**10,977**
Lump-sum payment	4,908	**3,894**
Annual payment	1,227	**1,467**
Semi-annual payment	102	**108**
Monthly payment	5,104	**5,507**
Group life insurance	2,886	**3,302**
Group annuities	4,217	**3,782**
Total, including others	¥660,642	**¥698,168**

Insurance claims

(Millions of yen)

For the years ended March 31	2009 Total	2010 Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other	Total
Death benefits	¥38,523	¥37,204	¥–	¥1,606	¥–	¥–	¥–	¥38,811
Accidental benefits	729	952	–	0	–	–	–	952
Disability payments	1,860	2,190	–	158	–	–	–	2,349
Maturity benefits	18,217	19,119	–	–	–	–	–	19,119
Other	2,760	3,570	–	52	–	–	–	3,622
Total	¥62,090	¥63,039	¥–	¥1,816	¥–	¥–	¥–	¥64,855

Annuity payments

(Millions of yen)

For the years ended March 31	2009 Total	2010 Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other	Total
Annuity payments	¥7,111	¥–	¥5,874	¥30	¥1,836	¥–	¥–	¥7,742

Insurance benefits

(Millions of yen)

For the years ended March 31	2009 Total	2010 Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other	Total
Death benefits	¥ 1,380	¥ 1,472	¥ 64	¥–	¥ –	¥–	¥–	¥ 1,537
Hospitalization benefits	8,086	8,158	–	1	–	–	0	8,159
Surgery benefits	7,126	7,267	–	–	–	–	–	7,267
Disability benefits	200	192	–	2	–	–	–	194
Living benefits	3,169	4,831	–	–	–	–	–	4,831
Other	12,934	8,890	394	–	3,393	–	–	12,679
Total	¥32,898	¥30,812	¥459	¥3	¥3,393	¥–	¥0	¥34,670

Surrender payments

(Millions of yen)

For the years ended March 31	2009 Total	2010 Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other	Total
Surrender payments	¥168,135	¥159,838	¥2,421	¥–	¥435	¥–	¥–	¥162,694

Depreciation and amortization

(Millions of yen)

For the years ended March 31	2009 Acquisition cost	2009 Depreciation expenses	2009 Accumulated depreciation	2009 Balance at the end of the current period	2009 Ratio of depreciation (%)	2010 Acquisition cost	2010 Depreciation expenses	2010 Accumulated depreciation	2010 Balance at the end of the current period	2010 Ratio of depreciation (%)
Tangible fixed assets . . .	¥ 2,693	¥ 316	¥1,520	¥ 1,173	56.4%	**¥ 4,387**	**¥ 507**	**¥1,635**	**¥ 2,751**	**37.3%**
Buildings	1,621	149	799	821	49.3	**3,185**	**299**	**850**	**2,334**	**26.7**
Leased assets	206	60	141	64	68.7	**133**	**42**	**111**	**22**	**83.6**
Other tangible fixed assets	866	106	579	286	66.9	**1,068**	**166**	**673**	**394**	**63.0**
Intangible fixed assets . .	15,736	1,517	3,598	12,137	22.9	**18,818**	**1,823**	**5,003**	**13,814**	**26.6**
Other	19	2	9	9	49.5	**24**	**2**	**10**	**13**	**44.9**
Total	¥18,449	¥1,836	¥5,128	¥13,320	27.8%	**¥23,230**	**¥2,334**	**¥6,650**	**¥16,580**	**28.6%**

Operating expenses

(Millions of yen)

For the years ended March 31	2009	2010
Sales and marketing expenses	¥46,547	**¥46,661**
Sales administrative expenses	12,001	**11,984**
General administrative expenses	35,380	**38,214**
Total	¥93,928	**¥96,860**

Note: Contribution to the Life Insurance Policyholders Protection Corporation of Japan prescribed by Article 259 of the Insurance Business Law is as follows:

(Millions of yen)

For the years ended March 31	2009	2010
Life Insurance Policyholders Protection Corporation of Japan	¥747	**¥798**

Reconciliation to Core Profit and Non-consolidated Ordinary Profit

(Millions of yen)

For the years ended March 31		2009	2010
Core profit	(A)	¥ 38,005	¥64,517
Capital gains		42,137	29,947
Income from monetary trusts, net		–	14,839
Income from trading securities, net		1,084	–
Gains on sale of securities		32,115	15,107
Gains on derivatives, net		8,937	–
Foreign exchange gains, net		–	–
Other capital gains		–	–
Capital losses		63,914	11,355
Losses on monetary trusts, net		12,842	–
Losses on trading securities, net		–	–
Losses on sale of securities		16,157	10,073
Devaluation losses on securities		31,899	–
Losses on derivatives, net		–	–
Foreign exchange losses, net		2,614	833
Other capital losses		399	449
Net capital gains (losses)	(B)	(21,776)	18,591
Core profit plus net capital gains (losses)	(A) + (B)	16,228	83,108
Other one-time gains		16,315	–
Gains from reinsurance		–	–
Reversal of contingency reserve		16,315	–
Other		–	–
Other one-time losses		134	3,009
Losses from reinsurance		–	–
Provision for contingency reserve		–	3,005
Provision for specific reserve for possible loan losses		134	3
Provision for reserve for loan losses from borrowers in specific foreign countries		–	–
Write-off of loans		–	–
Other		–	–
Net other one-time gains (losses)	(C)	16,180	(3,009)
Ordinary profit	(A) + (B) + (C)	¥ 32,409	¥80,099

Notes: 1. Core profit for the fiscal year ended March 31, 2009 (A) includes income gains of ¥11,986 million in income from monetary trusts; other capital losses include impairment losses of ¥399 million from investment partnership.
2. Core profit for the fiscal year ended March 31, 2010 (A) includes income gains of ¥8,047 million in income from monetary trusts; other capital losses include impairment losses of ¥449 million from investment partnership.

Fair Value Information on Securities (General Account)

Fair value information on securities

Valuation gains (losses) on trading-purpose securities

(Millions of yen)

	2009		2010	
As of March 31	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income
Trading-purpose securities	¥22,871	¥(4,318)	¥–	¥5,711

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

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Fair value information on securities

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

(Millions of yen)

As of March 31	2009 Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥1,399,011	¥1,425,713	¥26,702	¥28,991	¥ 2,288
Policy reserve matching bonds	–	–	–	–	–
Stocks of subsidiaries and affiliated companies	–	–	–	–	–
Available-for-sale securities	1,675,529	1,699,732	24,202	56,286	32,083
Domestic bonds	1,546,918	1,573,911	26,993	51,624	24,630
Domestic stocks	56,950	58,371	1,421	4,510	3,088
Foreign securities	64,210	60,569	(3,641)	150	3,791
Bonds	64,210	60,569	(3,641)	150	3,791
Stocks, etc.	–	–	–	–	–
Other securities	7,450	6,879	(570)	1	572
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Other	–	–	–	–	–
Total	¥3,074,540	¥3,125,446	¥50,905	¥85,277	¥34,372
Domestic bonds	¥2,904,503	¥2,958,363	¥53,860	¥80,615	¥26,755
Domestic stocks	56,950	58,371	1,421	4,510	3,088
Foreign securities	105,636	101,831	(3,805)	150	3,955
Bonds	105,636	101,831	(3,805)	150	3,955
Stocks, etc.	–	–	–	–	–
Other securities	7,450	6,879	(570)	1	572
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–

(Millions of yen)

As of March 31	2010 Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥2,275,629	¥2,255,176	¥(20,453)	¥10,572	¥31,026
Policy reserve matching bonds	–	–	–	–	–
Stocks of subsidiaries and affiliated companies	–	–	–	–	–
Available-for-sale securities	1,126,543	1,166,944	40,401	42,252	1,850
Domestic bonds	1,061,593	1,090,012	28,418	29,677	1,259
Domestic stocks	51,723	62,183	10,459	10,956	497
Foreign securities	8,084	8,010	(74)	19	93
Bonds	8,084	8,010	(74)	19	93
Stocks, etc.	–	–	–	–	–
Other securities	5,140	6,738	1,597	1,598	0
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–
Total	¥3,402,172	¥3,422,120	¥ 19,947	¥52,824	¥32,877
Domestic bonds	¥3,295,318	¥3,295,356	¥ 37	¥32,323	¥32,285
Domestic stocks	51,723	62,183	10,459	10,956	497
Foreign securities	49,989	57,843	7,853	7,947	93
Bonds	49,989	57,843	7,853	7,947	93
Stocks, etc.	–	–	–	–	–
Other securities	5,140	6,738	1,597	1,598	0
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–

Notes: 1. The above table includes assets such as certificates of deposit which are permitted to be treated as equivalent to securities defined in the Financial Instruments and Exchange Law of Japan.
2. Carrying amount and net unrealized gains (losses) on monetary trusts, including items other than trading-purpose securities, amounted to ¥288,289 million and ¥2,514 million as of and for the year ended March 31, 2010.
3. Carrying amount represents the amount after deductions for depreciable costs and impairment losses, before mark-to-market.

b. Carrying amounts of securities without market value

(Millions of yen)

As of March 31	2009	2010
Held-to-maturity securities	¥ –	¥ –
Unlisted foreign bonds	–	–
Others	–	–
Policy reserve matching bonds	–	–
Stocks of subsidiaries and affiliated companies	6,047	15,847
Available-for-sale securities	24,721	24,883
Unlisted domestic stocks (except OTC stocks)	4	42
Unlisted foreign stocks (except OTC stocks)	739	885
Unlisted foreign bonds	–	–
Others	23,977	23,955
Total	¥30,769	¥40,731

c. Fair value information consisting of that stated in the previous table-a and foreign exchange and other gains (losses) for table-b

(Millions of yen)

	2009				
As of March 31	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥1,399,011	¥1,425,713	¥26,702	¥28,991	¥ 2,288
Policy reserve matching bonds	–	–	–	–	–
Stocks of subsidiaries and affiliated companies	6,047	6,047	–	–	–
Available-for-sale securities	1,700,251	1,719,894	19,643	56,761	37,117
Domestic bonds	1,546,918	1,573,911	26,993	51,624	24,630
Domestic stocks	56,954	58,376	1,421	4,510	3,088
Foreign securities	64,950	61,275	(3,675)	150	3,825
Bonds	64,210	60,569	(3,641)	150	3,791
Stocks, etc.	739	705	(33)	–	33
Other securities	31,427	26,331	(5,095)	476	5,572
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–
Total	¥3,105,310	¥3,151,656	¥46,346	¥85,752	¥39,406
Domestic bonds	¥2,904,503	¥2,958,363	¥53,860	¥80,615	¥26,755
Domestic stocks	59,954	61,376	1,421	4,510	3,088
Foreign securities	109,424	105,585	(3,838)	150	3,988
Bonds	105,636	101,831	(3,805)	150	3,955
Stocks, etc.	3,787	3,753	(33)	–	33
Other securities	31,427	26,331	(5,095)	476	5,572
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–

(Millions of yen)

As of March 31	2010 Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥2,275,629	¥2,255,176	¥(20,453)	¥10,572	¥31,026
Policy reserve matching bonds	–	–	–	–	–
Stocks of subsidiaries and affiliated companies	15,847	15,847	–	–	–
Available-for-sale securities	1,151,426	1,188,138	36,711	42,946	6,234
Domestic bonds	1,061,593	1,090,012	28,418	29,677	1,259
Domestic stocks	51,766	62,225	10,459	10,956	497
Foreign securities	8,970	8,809	(160)	19	180
Bonds	8,084	8,010	(74)	19	93
Stocks, etc.	885	798	(86)	–	86
Other securities	29,095	27,090	(2,005)	2,292	4,298
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–
Total	¥3,442,904	¥3,459,162	¥ 16,258	¥53,519	¥37,261
Domestic bonds	¥3,295,318	¥3,295,356	¥ 37	¥32,323	¥32,285
Domestic stocks	62,066	72,525	10,459	10,956	497
Foreign securities	56,422	64,189	7,766	7,947	180
Bonds	49,989	57,843	7,853	7,947	93
Stocks, etc.	6,433	6,346	(86)	–	86
Other securities	29,095	27,090	(2,005)	2,292	4,298
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–

Fair value information on monetary trusts (general account)

(Millions of yen)

As of March 31	2009 Balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Monetary trusts	¥607,625	¥607,625	¥–	¥–	¥–

(Millions of yen)

As of March 31	2010 Balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Monetary trusts	¥288,772	¥288,772	¥–	¥–	¥–

Note: The table above includes ¥50 million of jointly invested monetary trusts.

Monetary trusts for investment

(Millions of yen)

As of March 31	2009		2010	
	Balance sheet amount	Net valuation gains (losses)	Balance sheet amount	Net valuation gains (losses)
Monetary trusts for investment	¥32,020	¥(4,413)	¥681	¥5,711

Monetary trusts for held-to-maturity and policy reserve matching and other monetary trusts

(Millions of yen)

As of March 31	2009 Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Monetary trusts for held-to-maturity	¥ –	¥ –	¥ –	¥ –	¥ –
Monetary trusts for policy reserve matching	–	–	–	–	–
Other monetary trusts	567,248	575,554	8,306	17,478	9,172

(Millions of yen)

As of March 31	2010 Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Monetary trusts for held-to-maturity	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Monetary trusts for policy reserve matching	**–**	**–**	**–**	**–**	**–**
Other monetary trusts	**285,525**	**288,039**	**2,514**	**2,968**	**453**

Fair value information on derivative transactions (general account)

Qualitative information

With regard to investment, Sony Life's basic policy is to create portfolios that, while mitigating risk, ensure stable revenues and profits over the medium to long term. To restrain price fluctuation risk, foreign exchange risk and credit risk, Sony Life allocates a relatively small percentage of assets to stocks and securities denominated in foreign currencies. In addition, although Sony Life provides policy loans, it does not provide commercial loans.

1. Transactions

When creating portfolios, Sony Life concentrates primarily on Japanese government and corporate bonds. Although Japanese government and corporate bonds help ensure stable revenues and profits over the medium to long term, they involve asset value fluctuation risk, owing to interest rate fluctuations. In addition to price fluctuation risk, bonds denominated in foreign currencies involve foreign exchange risk. Depending on financial market conditions, Sony Life employs such derivative instruments as over-the-counter bond options, stock index options, and currency options.

2. Policy and purpose of derivative transactions

Sony Life purchases derivative products primarily to hedge existing assets.

3. Risks

The derivative instruments that Sony Life uses are susceptible to fluctuations in market prices and risk, but as Sony Life principally hedges existing assets, the risk on its total portfolio, including the underlying assets, is offset to some degree by risks on the off-balance-sheet transactions themselves. Credit risk is inherent to derivative instruments, but as the off-balance-sheet transactions that Sony Life conducts involve instruments that are listed on Japanese stock exchanges, we believe that credit risks are small. In addition, when conducting over-the-counter transactions, Sony Life selects parties that we believe pose little risk of defaults.

4. Risk management systems

Sony Life's balance of derivative transactions is within the limits that Sony Life has set in-house. On transactions conducted by the division in charge of investment, the administrative division receives reports directly from the transaction counterparty. This system enables the administrative division and the investment division to independently determine derivative positions and transaction profits and losses.

Quantitative information

① Gains (losses) on derivatives with and without hedge accounting—Not applicable

② Interest-related transactions—Not applicable

③ Currency-related transactions—Not applicable

④ Stock-related transactions—Not applicable

⑤ Bond-related transactions—Not applicable

⑥ Other—Not applicable

<Reference> Holdings of securitized papers and other sub-prime related investments

(Billions of yen)

	2009				2010			
As of March 31	Fair Value	As of March 31, 2008	Unrealized gains (losses)	Gains (losses) recorded in income	Fair Value	As of March 31, 2009	Unrealized gains (losses)	Gains (losses) recorded in income
Total securitized papers	¥60.4	¥63.4	¥(1.6)	¥1.8	**¥49.8**	**¥60.4**	**¥7.9**	**¥(0.8)**
Of which, sub-prime linked	[–]	[–]	[–]	[–]	**[–]**	**[–]**	**[–]**	**[–]**
SPEs	–	–	–	–	**–**	**–**	**–**	**–**
CDO	–	–	–	–	**–**	**–**	**–**	**–**
Other sub-prime or Alt-A exposure	–	–	–	–	**–**	**–**	**–**	**–**
CMBSs	–	–	–	–	**–**	**–**	**–**	**–**
Leveraged finance	–	–	–	–	**–**	**–**	**–**	**–**
RMBS	–	–	–	–	**–**	**–**	**–**	**–**
Credit link note/loan	–	–	–	–	**–**	**–**	**–**	**–**
Others	60.4	63.4	(1.6)	1.8	**49.8**	**60.4**	**7.9**	**(0.8)**

Notes: 1. "Others" as of March 31, 2009 consists of CB repackage bonds, market value of ¥19.1 billion and unrealized loss of ¥1.4 billion and principal protected 30-year notes with Nikkei 225 index-linked coupons, fair market value of ¥41.2 billion and unrealized loss of ¥0.1 billion.

2. "Others" as of March 31, 2010 consists of principal protected 30-year notes with Nikkei 225 index-linked coupons, market value of ¥49.8 billion and unrealized gain of ¥7.9 billion.

Fair Value Information on Securities (Company Total)

Fair value information on securities

Valuation gains (losses) on trading-purpose securities

(Millions of yen)

	2009		2010	
As of March 31	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income
Trading-purpose securities	¥283,272	¥(77,934)	**¥350,302**	**¥73,005**

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

Fair value information on securities

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

(Millions of yen)

As of March 31	2009 Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥1,399,011	¥1,425,713	¥26,702	¥28,991	¥ 2,288
Policy reserve matching bonds	–	–	–	–	–
Stocks of subsidiaries and affiliated companies	–	–	–	–	–
Available-for-sale securities	1,675,529	1,699,732	24,202	56,286	32,083
Domestic bonds	1,546,918	1,573,911	26,993	51,624	24,630
Domestic stocks	56,950	58,371	1,421	4,510	3,088
Foreign securities	64,210	60,569	(3,641)	150	3,791
Bonds	64,210	60,569	(3,641)	150	3,791
Stocks, etc.	–	–	–	–	–
Other securities	7,450	6,879	(570)	1	572
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–
Total	¥3,074,540	¥3,125,446	¥50,905	¥85,277	¥34,372
Domestic bonds	¥2,904,503	¥2,958,363	¥53,860	¥80,615	¥26,755
Domestic stocks	56,950	58,371	1,421	4,510	3,088
Foreign securities	105,636	101,831	(3,805)	150	3,955
Bonds	105,636	101,831	(3,805)	150	3,955
Stocks, etc.	–	–	–	–	–
Other securities	7,450	6,879	(570)	1	572
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–

(Millions of yen)

As of March 31	2010 Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥2,275,629	¥2,255,176	¥(20,453)	¥10,572	¥31,026
Policy reserve matching bonds	–	–	–	–	–
Stocks of subsidiaries and affiliated companies	–	–	–	–	–
Available-for-sale securities	1,126,543	1,166,944	40,401	42,252	1,850
Domestic bonds	1,061,593	1,090,012	28,418	29,677	1,259
Domestic stocks	51,723	62,183	10,459	10,956	497
Foreign securities	8,084	8,010	(74)	19	93
Bonds	8,084	8,010	(74)	19	93
Stocks, etc.	–	–	–	–	–
Other securities	5,140	6,738	1,597	1,598	0
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–
Total	¥3,402,172	¥3,422,120	¥ 19,947	¥52,824	¥32,877
Domestic bonds	¥3,295,318	¥3,295,356	¥ 37	¥32,323	¥32,285
Domestic stocks	51,723	62,183	10,459	10,956	497
Foreign securities	49,989	57,843	7,853	7,947	93
Bonds	49,989	57,843	7,853	7,947	93
Stocks, etc.	–	–	–	–	–
Other securities	5,140	6,738	1,597	1,598	0
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–

Notes: 1. The above table includes assets such as certificates of deposit which are permitted to be treated as equivalent to securities defined in the Financial Instruments and Exchange Law of Japan.

2. Carrying amount and net unrealized gains (losses) on monetary trusts, including items other than trading-purpose securities, amounted to ¥288,289 million and ¥2,514 million as of and for the year ended March 31, 2010.

3. Carrying amount represents the amount after deductions for depreciable costs and impairment losses, before mark-to-market.

O Held-to-maturity securities

(Millions of yen)

As of March 31	2010 Balance sheet amount	2010 Fair value	2010 Difference
Held-to-maturity securities whose fair value exceeds balance sheet amount	¥ 266,057	¥ 276,630	¥ 10,572
Domestic bonds	224,152	226,797	2,645
Foreign securities	41,904	49,832	7,927
Other securities	–	–	–
Held-to-maturity securities whose fair value does not exceed balance sheet amount	2,009,572	1,978,546	(31,026)
Domestic bonds	2,009,572	1,978,546	(31,026)
Foreign securities	–	–	–
Other securities	–	–	–

Note: The above table is disclosed starting from the end of the fiscal year ended March 31, 2010.

O Policy-reserve-matching bonds—Not applicable

O Available-for-sale securities

(Millions of yen)

As of March 31	2010 Carrying amount	2010 Balance sheet amount	2010 Difference
Available-for-sale securities whose balance sheet amount exceeds carrying amount	¥974,336	¥1,016,588	¥42,252
Domestic bonds	924,153	953,831	29,677
Domestic stocks	40,242	51,198	10,956
Foreign securities	4,805	4,825	19
Other securities	5,134	6,732	1,598
Monetary claims purchased	–	–	–
Certificates of deposit	–	–	–
Others	–	–	–
Available-for-sale securities whose balance sheet amount does not exceed carrying amount	152,206	150,356	(1,850)
Domestic bonds	137,440	136,180	(1,259)
Domestic stocks	11,481	10,984	(497)
Foreign securities	3,278	3,185	(93)
Other securities	5	5	(0)
Monetary claims purchased	–	–	–
Certificates of deposit	–	–	–
Others	–	–	–

Note: The above table is disclosed starting from the end of the fiscal year ended March 31, 2010.

b. Carrying amounts of securities without market value

(Millions of yen)

As of March 31	2009	2010
Held-to-maturity securities	¥ –	¥ –
Unlisted foreign bonds	–	–
Others	–	–
Policy reserve matching bonds	–	–
Stocks of subsidiaries and affiliated companies	6,047	15,847
Available-for-sale securities	24,721	24,883
Unlisted domestic stocks (except OTC stocks)	4	42
Unlisted foreign stocks (except OTC stocks)	739	885
Unlisted foreign bonds	–	–
Others	23,977	23,955
Total	¥30,769	¥40,731

c. Fair value information consisting of that stated in the previous table-a and foreign exchange and other gains (losses) for table-b is as follows:

(Millions of yen)

As of March 31	2009 Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥1,399,011	¥1,425,713	¥26,702	¥28,991	¥ 2,288
Policy reserve matching bonds	–	–	–	–	–
Stocks of subsidiaries and affiliated companies	6,047	6,047	–	–	–
Available-for-sale securities	1,700,251	1,719,894	19,643	56,761	37,117
Domestic bonds	1,546,918	1,573,911	26,993	51,624	24,630
Domestic stocks	56,954	58,376	1,421	4,510	3,088
Foreign securities	64,950	61,275	(3,675)	150	3,825
Bonds	64,210	60,569	(3,641)	150	3,791
Stocks, etc.	739	705	(33)	–	33
Other securities	31,427	26,331	(5,095)	476	5,572
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–
Total	¥3,105,310	¥3,151,656	¥46,346	¥85,752	¥39,406
Domestic bonds	¥2,904,503	¥2,958,363	¥53,860	¥80,615	¥26,755
Domestic stocks	59,954	61,376	1,421	4,510	3,088
Foreign securities	109,424	105,585	(3,838)	150	3,988
Bonds	105,636	101,831	(3,805)	150	3,955
Stocks, etc.	3,787	3,753	(33)	–	33
Other securities	31,427	26,331	(5,095)	476	5,572
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–

(Millions of yen)

As of March 31	2010 Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥2,275,629	¥2,255,176	¥(20,453)	¥10,572	¥31,026
Policy reserve matching bonds	–	–	–	–	–
Stocks of subsidiaries and affiliated companies	15,847	15,847	–	–	–
Available-for-sale securities	1,151,426	1,188,138	36,711	42,946	6,234
Domestic bonds	1,061,593	1,090,012	28,418	29,677	1,259
Domestic stocks	51,766	62,225	10,459	10,956	497
Foreign securities	8,970	8,809	(160)	19	180
Bonds	8,084	8,010	(74)	19	93
Stocks, etc.	885	798	(86)	–	86
Other securities	29,095	27,090	(2,005)	2,292	4,298
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–
Total	¥3,442,904	¥3,459,162	¥ 16,258	¥53,519	¥37,261
Domestic bonds	¥3,295,318	¥3,295,356	¥ 37	¥32,323	¥32,285
Domestic stocks	62,066	72,525	10,459	10,956	497
Foreign securities	56,422	64,189	7,766	7,947	180
Bonds	49,989	57,843	7,853	7,947	93
Stocks, etc.	6,433	6,346	(86)	–	86
Other securities	29,095	27,090	(2,005)	2,292	4,298
Monetary claims purchased	–	–	–	–	–
Certificates of deposit	–	–	–	–	–
Others	–	–	–	–	–

Fair value information on monetary trusts (company total)

(Millions of yen)

As of March 31	2009 Balance sheet amount	2009 Fair value	2009 Net unrealized gains (losses)	2009 Unrealized gains	2009 Unrealized losses	2010 Balance sheet amount	2010 Fair value	2010 Net unrealized gains (losses)	2010 Unrealized gains	2010 Unrealized losses
Monetary trusts	¥607,625	¥607,625	¥–	¥–	¥–	**¥288,772**	**¥288,772**	**¥–**	**¥–**	**¥–**

Note: The table above includes ¥50 million of jointly invested monetary trusts.

Monetary trusts for investment

(Millions of yen)

As of March 31	2009 Balance sheet amount	2009 Net valuation gains (losses) recorded in income	2010 Balance sheet amount	2010 Net valuation gains (losses) recorded in income
Monetary trusts for investment	¥32,020	¥(4,413)	**¥681**	**¥5,711**

Monetary trusts for held-to-maturity and policy reserve matching and other monetary trusts

(Millions of yen)

As of March 31	2009 Carrying amount	2009 Fair value	2009 Net unrealized gains (losses)	2009 Unrealized gains	2009 Unrealized losses	2010 Carrying amount	2010 Fair value	2010 Net unrealized gains (losses)	2010 Unrealized gains	2010 Unrealized losses
Monetary trusts for held-to-maturity ...	¥ –	¥ –	¥ –	¥ –	¥ –	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Monetary trusts for policy reserve matching	–	–	–	–	–	**–**	**–**	**–**	**–**	**–**
Other monetary trusts	¥567,248	¥575,554	¥8,306	¥17,478	¥9,172	**¥285,525**	**¥288,039**	**¥2,514**	**¥2,968**	**¥453**

Fair value information on derivative transactions (company total)

Qualitative Information

With regard to investment, Sony Life's basic policy is to create portfolios that, while mitigating risk, ensure stable revenues and profits over the medium to long term. To restrain price fluctuation risk, foreign exchange risk and credit risk, Sony Life allocates a relatively small percentage of assets to stocks and securities denominated in foreign currencies. In addition, although Sony Life provides policy loans, it does not provide commercial loans.

1. Transactions

When creating portfolios, Sony Life concentrates primarily on Japanese government and corporate bonds. Although Japanese government and corporate bonds help ensure stable revenues and profits over the medium to long term, they involve asset value fluctuation risk, owing to interest rate fluctuations. In addition to price fluctuations risk, bonds denominated in foreign currencies involve foreign exchange risk. Depending on financial market conditions, Sony Life employs such derivative instruments as over-the-counter bond options, stock index options, and currency options.

2. Policy and purpose of derivative transactions

Sony Life purchases derivative products primarily to hedge existing assets.

3. Risks

The derivative instruments that Sony Life uses are susceptible to fluctuations in market prices and risk, but as Sony Life principally hedges existing assets, the risk on its total portfolio, including the underlying assets, is offset to some degree by risks on the off-balance-sheet transactions themselves. Credit risk is inherent to derivative instruments, but as the off-balance-sheet transactions that Sony Life conducts involve instruments that are listed on Japanese stock exchanges, we believe that credit risks are small. In addition, when conducting over-the-counter transactions, Sony Life selects parties that we believe pose little risk of defaults.

4. Risk management systems

Sony Life's balance of derivative transactions is within the limits that Sony Life has set in-house. On transactions conducted by the division in charge of investment, the administrative division receives reports directly from the transaction counterparty. This system enables the administrative division and the investment division to independently determine derivative positions and transaction profits and losses.

Quantitative information

① Gains (losses) on derivatives with and without hedge accounting—Not applicable

② Derivatives transactions without hedge accounting—Not applicable

③ Derivatives transactions with hedge accounting—Not applicable

Performance Indicators of Sony Life (Non-consolidated)

Key Performance Indicators for Past Five Years

(Millions of yen)

For the years ended March 31	2006	2007	2008	2009	2010
Policy amount in force	¥30,007,828	¥31,152,672	¥32,434,587	¥33,537,084	**¥34,598,244**
Individual life insurance	28,908,802	30,038,118	31,237,078	32,229,100	**33,164,100**
Individual annuities	175,735	206,374	260,268	288,559	**306,661**
Group life insurance	923,289	908,179	937,241	1,019,424	**1,127,481**
Policy amount in force for group annuities	71,400	72,633	73,307	73,499	**72,348**
Annualized premiums from insurance in force	474,296	504,691	530,011	547,898	**573,331**
Of which, medical protection, living benefit protection and other products	109,432	117,466	122,854	126,662	**133,023**
New policy amount	3,401,226	3,437,215	3,808,542	3,888,906	**4,056,495**
Individual life insurance	3,361,271	3,396,867	3,744,680	3,834,610	**4,017,527**
Individual annuities	30,864	32,590	57,908	39,100	**31,709**
Group life insurance	9,090	7,757	5,953	15,196	**7,258**
Annualized premiums from new policies	61,791	65,541	63,475	61,693	**68,780**
Of which, medical protection, living benefit protection and other products	14,543	14,479	13,358	13,443	**16,264**
Ordinary revenues	696,426	689,591	741,250	765,910	**881,798**
Of which, income from insurance premiums	580,516	605,561	648,406	662,011	**700,101**
Of which, investment income	108,438	78,722	87,493	98,781	**175,397**
Ordinary expenses	672,067	674,696	701,959	733,500	**801,698**
Of which, insurance claims and other payments	231,881	219,347	241,106	274,778	**274,278**
Of which, investment expenses	4,561	8,184	69,895	133,777	**20,584**
Of which, operating expenses	82,040	87,328	94,367	93,928	**96,860**
Ordinary profit	24,359	14,895	39,290	32,409	**80,099**
Net income	9,616	7,494	18,514	33,783	**46,138**
Core profit	28,564	24,366	23,571	38,005	**64,517**
Common stock	65,000	65,000	65,000	70,000	**70,000**
Number of shares issued and outstanding (thousands of shares)	65,000	65,000	65,000	70,000	**70,000**
Total assets	3,103,241	3,445,970	3,659,786	3,810,929	**4,286,540**
Of which, separate account assets	280,682	322,672	321,789	275,160	**373,604**
Policy reserves	2,739,264	3,088,888	3,375,090	3,592,376	**3,985,610**
Loans	86,918	96,804	108,688	120,462	**127,599**
Securities	2,132,216	2,217,902	2,388,932	2,819,638	**3,539,114**
Solvency margin ratio	1,547.0%	1,852.0%	1,747.9%	2,060.5%	**2,637.3%**
Number of employees	5,250	5,253	5,372	5,599	**5,835**

Notes: 1. Policy amount in force is the total of individual life insurance, individual annuities and group life insurance. Policy amounts for individual annuities are equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserves for policies for which payments have commenced.
2. Policy amount in force for group annuity products is equal to the amount of outstanding policy reserves.
3. New policy amount is the total of individual life insurance, individual annuities and group life insurance. New policy amounts for individual annuities are equal to the funds to be held at the time annuity payments commence.
4. Annualized premiums, which include individual life insurance and individual annuities, are converted to a per-year premium amount by multiplying individual premiums by a coefficient corresponding to the premium payment method. (For lump-sum payment policies, premiums are divided by the number of coverage years.)
5. "Medical protection, living benefit protection and other products" is the portion of the annualized premium for medical protection benefits (hospitalization benefits, surgical benefits, etc.) and living benefit protection (benefits for specific diseases, nursing care benefits, etc.).

Key Performance Indicators

Policy amount in force and new policy amount

Policy amount in force

(Millions of yen)

As of March 31	2009 Number	2009 Change from March 31, 2008 (%)	2009 Amount	2009 Change from March 31, 2008 (%)	2010 Number	2010 Change from March 31, 2009 (%)	2010 Amount	2010 Change from March 31, 2009 (%)
Individual life insurance	4,657,604	106.0%	¥32,229,100	103.2%	4,954,761	106.4%	¥33,164,100	102.9%
Individual annuities	51,192	112.3	288,559	110.9	55,673	108.8	306,661	106.3
Group life insurance	–	–	1,019,424	108.8	–	–	1,127,481	110.6
Group annuities	–	–	73,499	100.3	–	–	72,348	98.4

Notes: 1. Policy amounts for individual annuities are equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserves for policies for which payments have commenced.
2. The policy amount in force for group annuities is equal to the amount of outstanding policy reserves.

New policy amount

(Millions of yen)

For the year ended March 31	2009 Number	YoY change (%)	Amount	YoY change (%)	New policies	Increase from conversion
Individual life insurance	526,766	102.4%	¥3,834,610	102.4%	¥3,834,610	¥–
Individual annuities	7,372	70.3	39,100	67.5	39,100	–
Group life insurance	–	–	15,196	255.2	15,196	–
Group annuities	–	–	–	–	–	–

(Millions of yen)

For the year ended March 31	2010 Number	YoY change (%)	Amount	YoY change (%)	New policies	Increase from conversion
Individual life insurance	575,712	109.3%	¥4,017,527	104.8%	¥4,017,527	¥–
Individual annuities	6,496	88.1	31,709	81.1	31,709	–
Group life insurance	–	–	7,258	47.8	7,258	–
Group annuities	–	–	–	–	–	–

Notes: 1. The new policy amount including increase from conversion for individual annuities is equal to the funds held at the time annuity payments commence.
2. The new policy amount for group annuities is equal to the initial premium payment.

Annualized premiums

Policy amount in force

(Millions of yen)

As of March 31	2009 Amount	2009 Change from March 31, 2008 (%)	2010 Amount	2010 Change from March 31, 2009 (%)
Individual life insurance	¥538,252	103.3%	¥563,002	104.6%
Individual annuities	9,646	109.4	10,329	107.1
Total	¥547,898	103.4%	¥573,331	104.6%
Of which, medical protection, living benefit protection and other products	¥126,662	103.1%	¥133,023	105.0%

New policies

(Millions of yen)

For the years ended March 31	2009 Amount	2009 YoY change (%)	2010 Amount	2010 YoY change (%)
Individual life insurance	¥60,108	98.1%	¥67,332	112.0%
Individual annuities	1,585	71.2	1,447	91.3
Total	¥61,693	97.2%	¥68,780	111.5%
Of which, medical protection, living benefit protection and other products	¥13,443	100.6%	¥16,264	121.0%

Notes: 1. Annualized premiums refer to an amount that is calculated by multiplying individual premium amounts by a coefficient that differs depending on the premium payment methods, thereby converting the figure to a per-year premium. (For lump-sum payment policies, premiums are divided by the number of coverage years.)
2. "Medical protection, living benefit protection and other products" indicates the portion of annualized premiums for medical protection benefits (hospitalization benefits, surgical procedure benefits, etc.) and products with living benefit protection (benefits for specific illness, nursing care benefits, etc.).

Policy amount in force and new policy amount by product

Policies and policy amount in force by product

(Millions of yen)

As of March 31	2009 Number	2009 Amount	2010 Number	2010 Amount
Individual life insurance products				
Pure death-protection insurance	3,677,273	¥30,037,466	3,870,831	¥30,842,528
Variable life insurance (whole life type)	483,591	2,832,957	511,988	2,895,561
Modified payment whole life insurance	18,124	185,771	17,386	174,634
Limited payment whole life insurance	366,292	3,138,275	354,323	3,009,950
Family insurance	1,429	13,402	1,374	12,834
Interest rate-sensitive whole life insurance	410,979	2,445,758	444,161	2,601,849
Whole life insurance (no selection type)	5,734	11,052	5,406	10,238
Living benefit insurance (whole life type)	213,936	679,717	252,115	800,586
Variable life insurance (term type)	1,706	59,386	1,678	56,139
Family income insurance	106,691	2,641,124	126,133	3,214,133
Living standard insurance	5,743	117,289	5,043	97,172
Level premium plan term life insurance	123,045	2,700,740	111,294	2,402,005
Decreasing term life insurance	55,262	1,093,035	55,085	1,032,262
Living benefit insurance (term type)	19,658	165,891	26,098	218,466
Level premium plan term life insurance (non-smoker preferred risk)	23,459	981,352	22,151	918,464
Decreasing term life insurance (non-smoker preferred risk)	32,163	939,680	33,158	925,035
Family income insurance (non-smoker preferred risk)	60,581	2,181,437	64,247	2,217,742
Increasing term life insurance	453	25,446	313	18,516
Long-term level premium plan term life insurance (with disability benefit)	15,293	704,516	18,323	826,607
Increasing term life insurance (reduced surrender value)	4,346	151,822	4,145	146,613
Level premium plan term life insurance (no surrender value)	6,164	120,294	17,076	314,687
Income protection insurance to cover three major diseases	2,707	2,609	4,394	3,548
Semi-participating whole life nursing-care insurance	23,091	94,414	33,856	138,180
Cancer insurance	253,769	38,054	241,708	34,992
Whole-life cancer insurance (08)	11,399	1,504	23,203	2,762
Cancer hospitalization insurance	–	–	15,676	–
Comprehensive medical insurance	1,414,918	782,014	1,464,870	757,429
Long-term comprehensive medical insurance	16,659	6,629	15,543	6,280
Semi-participating living standard insurance (joint type)	81	1,740	84	1,792
Term riders and others(1)	[419,779]	7,921,542	[438,914]	8,004,039
Mixed insurance	294,565	1,096,128	292,819	1,068,528
Variable life insurance (limited term type)	41,236	124,543	42,950	125,912
Endowment insurance	209,441	832,293	203,880	801,878
Semi-participating endowment insurance	43,888	139,292	45,989	140,736
Pure endowment insurance	685,766	1,095,504	791,111	1,253,043
Semi-participating educational endowment insurance	685,766	1,095,504	791,111	1,253,043
Living benefit rider	–	–	–	–
Total individual life insurance products(2)	4,657,604	32,229,100	4,954,761	33,164,100
Individual annuity products(3)				
Semi-participating individual annuities	18,450	¥ 93,092	21,690	¥ 106,760
Variable individual annuities	28,025	152,525	28,728	154,707
Others(4)	4,717	42,941	5,255	45,193
Total individual annuity products	51,192	288,559	55,673	306,661
Group life insurance products(5)				
Group term life insurance	97,770	249,798	112,542	252,719
Group welfare term life insurance	127,670	86,095	127,460	82,853
Group credit life insurance	2,700,760	683,414	2,430,708	791,822
Annuity payment rider(3)	157	115	136	86
Total group life insurance products	2,926,357	1,019,424	2,670,846	1,127,481
Group annuity products(5)(6)				
New-type corporate annuities	30,774	5,927	29,312	5,318
Defined contribution corporate annuities	347,450	67,571	343,982	67,029
Total group annuity products	378,224	73,499	373,294	72,348
Medical protection insurance (group-type)(5)(7)	129	0	–	–
Reinsurance recipients(5)	–	–	–	–

Notes: 1. This category includes, in addition to term riders, living benefit whole life policy riders and semi-participating lump sum nursing-care riders every five years.
2. Total number of policies in force for term riders and others, and living benefit riders is excluded from total individual life insurance products.
3. The policy amount in force for individual annuity products and annuity payment riders is equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserves for policies for which payments have commenced.
4. Others under individual annuity products include semi-participating nursing-care riders, semi-participating fixed individual annuity riders, and the policies for which annuity payments have commenced.
5. The number of policies for group life insurance products, group annuity products, medical protection insurance (group-type) and reinsurance recipients reflects the total number of insured parties.
6. The policy amount in force for group annuity products is the amount of outstanding policy reserves.
7. The amount of medical protection insurance (group-type) is equal to the daily claims for hospitalization.

New policies and new policy amount by product

(Millions of yen)

For the years ended March 31	2009 Number	2009 Amount	2010 Number	2010 Amount
Individual life insurance products				
Pure death-protection insurance	368,310	¥3,517,412	426,559	¥3,732,145
Variable life insurance (whole life type)	61,504	296,186	47,701	196,923
Modified payment whole life insurance	166	4,508	147	2,679
Limited payment whole life insurance	1	50	3	63
Family insurance	9	53	1	7
Interest rate-sensitive whole life insurance	49,285	286,808	55,486	315,631
Whole life insurance (no selection type)	322	524	302	449
Living benefit insurance (whole life type)	26,434	86,595	46,319	151,235
Variable life insurance (term type)	223	7,294	143	2,623
Family income insurance	14,390	435,313	30,618	962,232
Living standard insurance	–	–	–	–
Level premium plan term life insurance	5,657	100,455	2,539	47,936
Decreasing term life insurance	5,935	124,890	5,176	104,727
Living benefit insurance (term type)	5,978	52,662	8,237	68,962
Level premium plan term life insurance (non-smoker preferred risk)	1,603	66,099	685	34,118
Decreasing term life insurance (non-smoker preferred risk)	3,787	123,738	3,030	95,000
Family income insurance (non-smoker preferred risk)	14,260	505,967	8,217	284,082
Increasing term life insurance	–	–	–	–
Long-term level premium plan term life insurance (with disability benefit)	5,158	221,684	4,439	180,994
Increasing term life insurance (reduced surrender value)	337	11,045	230	7,653
Level premium plan term life insurance (no surrender value)	6,239	121,678	11,715	209,127
Income protection insurance to cover three major diseases	986	949	1,915	1,142
Semi-participating whole life nursing-care insurance	9,204	38,725	12,291	50,221
Cancer insurance	3,067	367	3,106	294
Whole-life cancer insurance (08)	11,629	1,536	12,646	1,375
Cancer hospitalization insurance	–	–	15,811	–
Comprehensive medical insurance	141,613	67,221	155,442	39,053
Long-term comprehensive medical insurance	516	231	346	156
Semi-participating living standard insurance (joint type)	7	170	14	336
Term riders and others(1)	[47,284]	962,654	[51,542]	975,116
Mixed insurance	36,220	129,339	31,693	107,931
Variable life insurance (limited term type)	8,396	20,857	3,923	9,445
Endowment insurance	22,149	88,758	21,037	79,769
Semi-participating endowment insurance	5,675	19,723	6,733	18,715
Pure endowment insurance	122,236	187,857	117,460	177,450
Semi-participating educational endowment insurance	122,236	187,857	117,460	177,450
Living benefit rider	–	–	–	–
Total individual life insurance products(2)	526,766	3,834,610	575,712	4,017,527
Individual annuity products(3)				
Semi-participating individual annuities	3,114	¥ 15,755	4,297	¥ 20,020
Variable individual annuities	4,258	23,345	2,199	11,689
Others	–	–	–	–
Total individual annuity products	7,372	39,100	6,496	31,709
Group life insurance products(4)				
Group term life insurance	–	–	8,262	2,371
Group welfare term life insurance	4,216	15,196	3,188	4,886
Group credit life insurance	–	–	–	–
Annuity payment rider	–	–	–	–
Total group life insurance products	4,216	15,196	11,450	7,258
Group annuity products(4)(5)				
New-type corporate annuities	–	–	–	–
Defined contribution corporate annuities	–	–	–	–
Total group annuity products	–	–	–	–
Medical protection insurance (group-type)(4)(6)	–	–	–	–
Reinsurance recipients(4)	–	–	–	–

Notes: 1. This category includes, in addition to term riders, living benefit whole life policy riders and semi-participating lump sum nursing-care riders every five years.
2. Total number of policies in force for term riders and others is excluded from total individual life insurance products.
3. The new policy amount for individual annuity products is equal to the funds to be held at the time annuity payments commence.
4. The number of new policies for group life insurance products, group annuity products, medical protection insurance (group-type) and reinsurance recipients reflects the total number of insured parties.
5. The new policy amount for group annuity products is equal to the sum of the initial premium payments.
6. The amount of medical protection insurance (group-type) is equal to the daily claims for hospitalization.

Policy amount in force by insurance function

(Millions of yen)

As of March 31	2009	2010
Death protection		
Ordinary death		
Individual life insurance	¥31,133,595	¥31,911,056
Individual annuities	[61,709]	[74,242]
Group life insurance	1,019,308	1,127,395
Group annuities	–	–
Total	32,152,904	33,038,452
Accidental death		
Individual life insurance	[8,304,381]	[7,957,074]
Individual annuities	–	–
Group life insurance	[3,250]	[3,041]
Group annuities	–	–
Total	[8,307,632]	[7,960,115]
Death protection with other conditions		
Individual life insurance	[356,036]	[834,742]
Individual annuities	–	–
Group life insurance	–	–
Group annuities	–	–
Total	[356,036]	[834,742]
Living protection		
Maturity and living benefits		
Individual life insurance	¥ 1,095,504	¥ 1,253,043
Individual annuities	245,657	261,593
Group life insurance	0	–
Group annuities	–	–
Total	1,341,161	1,514,636
Annuities		
Individual life insurance	–	–
Individual annuities	[36,681]	[38,616]
Group life insurance	[24]	[21]
Group annuities	–	–
Total	[36,706]	[38,637]
Other		
Individual life insurance	–	–
Individual annuities	42,902	45,068
Group life insurance	115	86
Group annuities	73,499	72,348
Total	116,517	117,503
Hospitalization protection		
Accidental hospitalization		
Individual life insurance	[16,088]	[16,814]
Individual annuities	–	–
Group life insurance	[18]	[18]
Group annuities	–	–
Total	[16,107]	[16,833]
Sickness hospitalization		
Individual life insurance	[16,088]	[16,814]
Individual annuities	–	–
Group life insurance	–	–
Group annuities	–	–
Total	[16,088]	[16,814]
Hospitalization with other conditions		
Individual life insurance	[7,112]	[7,404]
Individual annuities	–	–
Group life insurance	–	–
Group annuities	–	–
Total	[7,112]	[7,404]

Notes: 1. Figures in [ ] show additional coverage and rider coverage attached to primary policies. However, ordinary death protections and others are recorded under primary coverage.
2. Figures for maturity and living benefits of living protection show the funds to be held at the time annuity payments are to commence for policies for individual annuities and group life insurance (annuity payment rider) for which annuity payments have not yet commenced.
3. Figures for annuities within living protection show annual annuity amounts.
4. Figures for other within living protection show policy reserves for individual annuities (after commencement of annuity payments), group life insurance (after commencement of annuity payments of annuities payment rider) and group annuities.
5. Figures for hospitalization protection show the daily claims for hospitalization.
6. Figures for total in sickness hospitalization within hospitalization protection show the total including primary coverage and rider coverage.

* Figures for primary coverage, if any, are shown without [ ]. If there is no primary coverage, figures for additional coverage are shown in [ ].

Change in policy amount in force

Individual life insurance

(Millions of yen)

For the years ended March 31	2009 Number	2009 Amount	2010 Number	2010 Amount
Balance at the beginning of the fiscal year	4,392,838	¥31,237,078	**4,657,604**	**¥32,229,100**
New policy amount	526,766	3,834,610	**575,712**	**4,017,527**
Increase from renewal	17,573	49,569	**17,076**	**48,861**
Increase from reinstatement	21,867	133,021	**21,718**	**129,474**
Increase in policy amount	–	3,640	**–**	**2,841**
Increase from conversion	–	–	**–**	**–**
Increase for other reasons	3,284	41,492	**3,393**	**27,809**
Decrease from death	6,771	49,075	**7,216**	**51,449**
Decrease for maturity	28,463	89,346	**28,416**	**90,986**
Decrease in policy amount	–	193,314	**–**	**211,238**
Decrease from conversion	–	–	**–**	**–**
Surrender amount	216,140	1,819,244	**231,857**	**2,035,463**
Lapse amount	45,990	303,966	**45,810**	**293,726**
Decrease for other reasons	7,360	615,363	**7,443**	**608,649**
Balance at the end of the fiscal year	4,657,604	32,229,100	**4,954,761**	**33,164,100**
[Increase ratio (%)]	[6.0%]	[3.2%]	**[6.4%]**	**[2.9%]**
Net increases	264,766	992,022	**297,157**	**934,999**
[Increase ratio (%)]	[(6.4%)]	[(17.3%)]	**[12.2%]**	**[(5.7%)]**

Note: Each amount above is the total of pure death-protection insurance, mixed insurance and pure endowment insurance.

Individual annuities

(Millions of yen)

For the years ended March 31	2009 Number	2009 Amount	2010 Number	2010 Amount
Balance at the beginning of the fiscal year	45,568	¥260,268	**51,192**	**¥288,559**
New policy amount	7,372	39,100	**6,496**	**31,709**
Increase from reinstatement	219	1,146	**264**	**1,328**
Increases from conversion	–	–	**–**	**–**
Increase for other reasons	546	2,901	**554**	**2,322**
Decrease from death	23	133	**51**	**394**
Decrease for maturity	–	–	**–**	**–**
Decrease in annuity amount	–	725	**–**	**1,639**
Decrease from conversion	–	–	**–**	**–**
Surrender amount	1,776	9,866	**1,953**	**11,056**
Lapse amount	395	2,102	**441**	**2,218**
Decrease for other reasons	319	2,029	**388**	**1,949**
Balance at the end of the fiscal year	51,192	288,559	**55,673**	**306,661**
[Increase ratio (%)]	[12.3%]	[10.9%]	**[8.8%]**	**[6.3%]**
Net increases	5,624	28,291	**4,481**	**18,102**
[Increase ratio (%)]	[(41.6%)]	[(47.5%)]	**[(20.3%)]**	**[(36.0%)]**

Note: The above amounts are equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserves for policies for which payments have commenced.

Group life insurance

(Millions of yen)

For the years ended March 31	2009 Number	2009 Amount	2010 Number	2010 Amount
Balance at the beginning of the fiscal year	3,161,434	¥ 937,241	2,926,357	¥1,019,424
New policy amount	4,216	15,196	11,450	7,258
Increase from renewal	222,266	324,116	231,450	332,294
Increase from reinstatement	28	158	–	–
Increase in policy amount (increase by additional purchase of riders)	57,189	168,446	61,423	162,384
Increase in policy amount	1,521	1,073	5,696	1,270
Increase for other reasons	97	114	248	38,087
Decrease from death	12,432	1,294	11,956	1,714
Decrease for maturity	234,806	330,165	224,962	330,776
Withdrawals	270,828	40,908	322,768	56,161
Decreases in policy amount	187,381	39,976	238,899	42,347
Surrender amount	662	2,278	282	1,360
Lapse amount	82	395	10	50
Decrease for other reasons	63	11,876	104	829
Balance at the end of the fiscal year	2,926,357	1,019,424	2,670,846	1,127,481
[Increase ratio (%)]	[(7.4%)]	[8.8%]	[(8.7%)]	[10.6%]
Net increases	(235,077)	82,183	(255,511)	108,056
[Increase ratio (%)]	[–]	[182.8%]	[–]	[31.5%]

Notes: 1. Each amount above is the total of pure death-protection insurance, mixed insurance and pure endowment insurance.
2. The number of policies reflects the total number of insured parties.

Group annuities

(Millions of yen)

For the years ended March 31	2009 Number	2009 Amount	2010 Number	2010 Amount
Balance at the beginning of the fiscal year	393,386	¥73,307	378,224	¥73,499
New policy amount	–	–	–	–
Annuity payment	220,383	1,694	239,185	1,836
Lump-sum payment	20,034	2,913	20,005	3,393
Surrender amount	563	154	1,071	443
Balance at the end of the fiscal year	378,224	73,499	373,294	72,348
[Increase ratio (%)]	[(3.9%)]	[0.3%]	[(1.3%)]	[(1.6%)]
Net increases	(15,162)	191	(4,930)	(1,150)
[Increase ratio (%)]	[–]	[(71.6%)]	[–]	[–]

Notes: 1. The amounts at the beginning and end of the fiscal year are equal to policy reserves at those times.
2. New policy amounts are equal to the sum of initial premium payments.
3. The number of policies reflects the total number of insured parties.

Dividends to policyholders

1. Standard dividend yields for semi-participating individual life Insurance and individual annuities with policyholder dividends every five years

For the years ended March 31	2009	2010
Policies with assumed interest rates of 2.00% or less	0.20%	2.80%
Policies with assumed interest rates of more than 2.00% and 2.50% or less	0.10%	2.70%
Policies with assumed interest rates of more than 2.50%	0.00%	2.60%

2. Below is an example of policyholder dividends for semi-participating endowment insurance using figures for the fiscal year ended March 31, 2010.

Example: Semi-participating endowment insurance with policyholder dividends every five years

Entered at age 30, 10-year maturity, male, lump-sum payment, policy amount of ¥1 million

Contract Date	Assumed interest rate	Years elapsed	Ongoing policy (yen)	Policies ending at maturity or death of policy-holder (yen)
2-Aug-09	1.50%	1 year	¥ –	¥11,541
2-Aug-08	1.50	2	–	106
2-Aug-07	1.50	3	–	7,370
2-Aug-06	1.00	4	–	32,111
2-Aug-05	1.00	5	39,726	39,726
2-Aug-04	1.00	6	–	17,406
2-Aug-03	1.50	7	–	115
2-Aug-02	1.50	8	–	7,874
2-Aug-01	1.50	9	–	13,404
2-Aug-00	1.90	10	–	0

Notes: 1. The policies ending at maturity or death of policyholder column shows the amount receivable at maturity or upon death. The number of years elapsed is the number through August 2, 2010.
2. The above-stated dividend amount is the sum of the pro-rated dividend amount (policy reserve x dividend participation ratio) and interest through August 2, 2010 (excluding dividends already paid).
Note: Dividend participation ratio = Standard dividend yield – Assumed interest rate

3. Standard dividend yield on group annuities

The standard dividend yield on group annuities is 1.05%, using figures for the year ended March 31, 2010.

Note: Dividend participation is calculated as follows:
Dividend amount = Policy reserves x Dividend participation ratio
Dividend participation ratio = Standard dividend yield – Assumed interest rate

4. For group annuities and other products, a reserve for policyholders' dividends is accumulated in accordance with each product's characteristics.

Indicators for Insurance Policies

Increase ratio of policy amount in force

%

For the years ended March 31	2009	2010
Individual life insurance	3.2%	**2.9%**
Individual annuities	10.9	**6.3**
Group life insurance	8.8	**10.6**
Group annuities	0.3	**(1.6)**

Average policy amount for new policies and policies in force (individual life insurance)

(Thousands of yen)

For the years ended March 31	2009	2010
Average policy amount for new policies	¥7,279	**¥6,978**
Average policy amount for policies in force	6,919	**6,693**

Note: The above figures do not include the increase from the conversion for average policy amount for new policies.

Ratio of new policy amount (to policy amount in force at the beginning of the fiscal year)

%

For the years ended March 31	2009	2010
Individual life insurance	12.3%	**12.5%**
Individual annuities	17.8	**12.9**
Group life insurance	1.6	**0.7**

Note: The above figures do not include the increase from the conversion.

Lapse and surrender rate (to policy amount in force at the beginning of the fiscal year)

The lapse and surrender rate is expressed as a ratio calculated by dividing the amounts of cancellations and lapses modified for decreases, increases or reinstatements by the total policy amount in force at the beginning of the fiscal year.

For the years ended March 31	2009	2010 (%)
Individual life insurance	6.98%	**7.47%**
Individual annuities	5.24	**5.53**
Subtotal	6.97	**7.46**
Group life insurance	4.42	**4.17**

The lapse and surrender rate is expressed as a ratio calculated by dividing the amounts of cancellations and lapses not modified for decreases, increases or reinstatements by the total policy amount in force at the beginning of the fiscal year.

For the years ended March 31	2009	2010 (%)
Individual life insurance + Individual annuities	6.79%	**7.21%**

Average premium for new policies of individual life insurance (monthly payment contracts)

For the years ended March 31	2009	2010 (Yen)
Average premiums for new policies	¥10,506	**¥10,070**

Note: The above figures do not include increase from conversion.

Mortality rate (individual life insurance: primary coverages)

For the years ended March 31	2009	2010 (‰)
Based on number of policies	1.50‰	**1.50‰**
Based on policy amount	1.55	**1.57**

Incidence rates of riders (individual life insurance)

	2009		2010 (‰)	
For the years ended March 31	Number of policies	Policy amount	Number of policies	Policy amount
Accidental death protection	0.098‰	0.094‰	**0.097‰**	**0.151‰**
Disability protection	0.116	0.044	**0.117**	**0.108**
Accidental hospitalization protection	3.616	87.782	**3.484**	**83.792**
Sickness hospitalization protection	35.396	575.605	**34.501**	**564.366**
Lifestyle-related disease hospitalization protection	12.414	334.318	**12.290**	**338.946**
Sickness and accidental surgery protection	40.052		**39.527**	
Lifestyle-related disease surgery protection	6.754		**7.181**	

Operating expense ratio (to insurance premiums)

For the years ended March 31	2009	2010 (%)
Operating expense ratio	14.2%	**13.9%**

Indicators Related to Asset Management (General Account)

Overview of asset management (general account)

Overview of the asset management for the fiscal year ended March 31, 2010

(1) Investment environment

During the fiscal year ended March 31, 2010, the Japanese economy began to rebound. Real GDP grew at a rate of 6.0% during the April—June quarter, negative 0.6% in the July—September quarter and 3.8% in the October—December quarter. Real GDP growth is also expected to have been positive during the January—March quarter. Recovery in China and other segments of the world economy encouraged export-centered growth in the Japanese economy.

Following a bond market downturn (yields increased) through June 2009, interest rates fluctuated within the long-term range. An increased supply of Japanese government bonds (JGBs), coupled with concerns about worsening government finances, caused long-term interest rates to rise, temporarily exceeding 1.5% at one point. The trend then reversed, with long-term interest rates plunging to around 1.2% as Dubai government-owned firms experienced cash flow difficulties and concerns about Greece's national finances mounted. Lower House elections swept the Democratic Party of Japan (DPJ) to power in August, and the Hatoyama Cabinet was established. DPJ policies, which called for greater government spending in many areas, had a negative effect on the bond markets, creating an environment that hindered interest rate increases. On March 31, 2010, 10-year JGB yields were 1.400%, 0.047 of a percentage point higher than one year earlier.

Stock market conditions improved significantly, reflecting a recovery in corporate performance. In its fluctuations throughout the year, the Nikkei stock average never fell below ¥8,109.53, the ending average on March 31, 2009, and ongoing buying pushed the average above ¥11,000 in March 2010. Although prices faltered in the face of concerns about the situations in Dubai and Greece, firm overseas stock market results buoyed Japanese market prices. On March 31, 2010, the Nikkei closed at ¥11,089.94, up ¥2,980.41 from one year earlier.

In foreign exchange markets, the yen continued the previous fiscal year's trend, appreciating against the U.S. dollar. After falling to ¥101.44 in April 2009, the yen continued to strengthen, appreciating sharply to ¥84.83 in November as a result of the Dubai crisis. After that point, U.S. economic recovery and a rise in long-term interest rates caused the yen to depreciate against the dollar. As of March 31, 2010, the yen was trading at ¥93.04 to the U.S. dollar, up ¥5.19 from one year earlier.

(2) Investment policy

Our basic investment policy on general account assets is to secure stable investment income and target asset soundness. Our investment focuses on achieving a balance between profitability and market risk. In our bonds investments, which center on JGBs, we are working to extend the duration of our portfolio by switching over our balance of bonds that have a short time remaining to maturity for bonds with a longer remaining period.

(3) Results of investment

As of March 31, 2010, general account assets totaled ¥3,912.9 billion, up 10.7% or ¥377.1 billion from March 31, 2009. Within the general account, domestic bond investment totaled ¥3,032.9 billion (accounting for 77.5% of total general account assets), domestic stocks ¥72.5 billion (1.9%), foreign bonds ¥49.9 billion (1.3%), monetary trusts ¥288.7 billion (7.4%), policyholder loans ¥127.5 billion (3.3%), cash and deposits, call loans ¥116.4 billion (3.0%) and real estate ¥79.9 billion (2.0%).

Portfolio of general account assets

General account assets

(Millions of yen)

As of March 31	2009 Amount	2009 % of total	2010 Amount	2010 % of total
Cash and deposits, call loans	¥ 58,051	1.6%	¥ 116,442	3.0%
Securities repurchased under resale agreements	–	–	–	–
Pledged money for bond borrowing transaction	–	–	–	–
Monetary claims purchased	–	–	–	–
Securities under proprietary accounts	–	–	–	–
Monetary trusts	607,625	17.2	288,772	7.4
Securities	2,559,237	72.4	3,188,812	81.5
Domestic bonds	2,384,467	67.4	3,032,933	77.5
Domestic stocks	50,974	1.4	72,525	1.9
Foreign securities	115,279	3.3	75,285	1.9
Foreign bonds	93,709	2.7	49,915	1.3
Foreign stocks and other securities	21,569	0.6	25,370	0.6
Other securities	8,516	0.2	8,067	0.2
Loans	120,462	3.4	127,599	3.3
Policyholder loans	120,462	3.4	127,599	3.3
Commercial loans	–	–	–	–
Real estate	81,754	2.3	79,915	2.0
Deferred tax assets	35,439	1.0	27,686	0.7
Other assets	73,407	2.1	83,918	2.1
Reserve for possible loan losses	(208)	(0.0)	(212)	(0.0)
Total	¥3,535,769	100.0%	¥3,912,935	100.0%
Of which, foreign-currency-denominated assets	34,299	1.0	21,724	0.6

Changes in general account assets by categories

(Millions of yen)

For the years ended March 31	2009	2010
Cash and deposits, call loans	¥ (24,055)	¥ 58,390
Securities repurchased under resale agreements	–	–
Pledged money for bond borrowing transaction	–	–
Monetary claims purchased	–	–
Securities under proprietary accounts	–	–
Monetary trusts	(286,326)	(318,853)
Securities	472,680	629,574
Domestic bonds	661,663	648,465
Domestic stocks	(121,936)	21,551
Foreign securities	(63,516)	(39,993)
Foreign bonds	(60,485)	(43,794)
Foreign stocks and other securities	(3,030)	3,800
Other securities	(3,530)	(448)
Loans	11,773	7,137
Policyholder loans	11,773	7,137
Commercial loans	–	–
Real estate	(1,113)	(1,838)
Deferred tax assets	35,439	(7,753)
Other assets	(10,491)	10,511
Reserve for possible loan losses	(134)	(3)
Total	¥ 197,772	¥ 377,165
Of which, foreign-currency-denominated assets	(72,062)	(12,574)

Investment yield by type of asset (general account)

For the years ended March 31	2009	2010
		%
Cash and deposits, call loans	0.33%	**0.08%**
Securities repurchased under resale agreements	–	**–**
Pledged money for bond borrowing transaction	–	**–**
Monetary claims purchased	–	**–**
Securities under proprietary accounts	–	**–**
Monetary trusts	(0.11)	**4.76**
Securities	0.89	**2.16**
Domestic bonds	1.70	**2.12**
Domestic stocks	(14.69)	**13.13**
Foreign securities	1.37	**(2.21)**
Loans	4.14	**4.05**
Real estate	5.38	**4.73**
Total	1.11%	**2.54%**

Notes: 1. The denominator of investment yield calculation is a daily averaged carrying amount, while the numerator is investment income minus investment expenses.
2. Valuation gains for Article 112 of the Insurance Law is not accounted for.

Average balance by type of asset (general account)

For the years ended March 31	2009	2010
		(Millions of yen)
Cash and deposits, call loans	¥ 122,581	**¥ 84,936**
Securities repurchased under resale agreements	–	**–**
Pledged money for bond borrowing transaction	–	**–**
Monetary claims purchased	–	**–**
Securities under proprietary accounts	–	**–**
Monetary trusts	825,752	**481,099**
Securities	2,153,056	**2,800,103**
Domestic bonds	1,872,822	**2,632,552**
Domestic stocks	102,796	**53,771**
Foreign securities	168,192	**106,286**
Loans	114,428	**123,266**
Real estate	80,148	**78,123**
Total	¥3,356,741	**¥3,630,845**
Of which, overseas investment	168,240	**106,333**

Investment income (general account)

For the years ended March 31	2009	2010
		(Millions of yen)
Interest income and dividends	¥55,803	**¥ 70,668**
Gains on securities under proprietary accounts	–	**–**
Income from monetary trusts, net	–	**22,887**
Income from trading securities, net	1,084	**–**
Gains on sale of securities	32,115	**15,107**
Gains on redemption of securities	807	**3,939**
Gains on derivatives, net	8,937	**–**
Foreign exchange gains, net	–	**–**
Other investment income	32	**37**
Total	¥98,781	**¥112,639**

Investment expenses (general account)

For the years ended March 31	2009	2010
		(Millions of yen)
Interest expense	¥ 42	¥ 29
Losses on securities under proprietary accounts	–	–
Losses on monetary trusts, net	856	–
Losses on trading securities, net	–	–
Losses on sale of securities	16,157	10,073
Devaluation losses on securities	31,899	–
Losses on redemption of securities	262	361
Losses on derivatives, net	–	–
Foreign exchange losses	2,614	833
Provision for reserve for possible loan losses	134	3
Write-off of loans	–	–
Depreciation of real estate for rent and others	2,932	2,763
Other investment expenses	6,664	6,518
Total	¥61,564	¥20,584

Interest income and dividends (general account)

For the years ended March 31	2009	2010
		(Millions of yen)
Interest income from deposits	¥ 0	¥ 0
Interest income and dividends from securities	39,033	54,662
Interest income from domestic bonds	30,228	51,554
Dividends from domestic stocks	1,995	937
Interest income and dividends from foreign securities	6,242	1,806
Interest income from loans	4,732	4,991
Income from real estate for rent	11,632	10,942
Total, including others	¥55,803	¥70,668

Gains on sale of securities (general account)

For the years ended March 31	2009	2010
		(Millions of yen)
Gains on sale of domestic bonds (including JGBs)	¥18,321	¥ 4,126
Gains on sale of domestic stocks	12,409	10,614
Gains on sale of foreign securities	1,384	367
Total	¥32,115	¥15,107

Losses on sale of securities (general account)

For the years ended March 31	2009	2010
		(Millions of yen)
Losses on sale of domestic bonds (including JGBs)	¥ 316	¥ –
Losses on sale of domestic stocks	15,725	7,904
Losses on sale of foreign securities	114	2,168
Total	¥16,157	¥10,073

Devaluation losses on securities (general account)

(Millions of yen)

For the years ended March 31	2009	2010
Devaluation losses on domestic bonds (including JGBs)	¥ –	¥–
Devaluation losses on domestic stocks	30,708	–
Devaluation losses on foreign securities	1,191	–
Total	¥31,899	¥–

Securities (general account)

(Millions of yen)

	2009		2010	
As of March 31	Amount	% of total	Amount	% of total
Japanese government bonds	¥2,138,237	83.5%	¥2,955,399	92.7%
Japanese municipal bonds	19,494	0.8	19,752	0.6
Japanese corporate bonds	226,735	8.9	57,780	1.8
Of which, public corporation bonds	18,455	0.7	37,585	1.2
Japanese stocks	50,974	2.0	72,525	2.3
Foreign securities	115,279	4.5	75,285	2.4
Foreign bonds	93,709	3.7	49,915	1.6
Foreign stocks and other securities	21,569	0.8	25,370	0.8
Other securities	8,516	0.3	8,067	0.3
Total	¥2,559,237	100.0%	¥3,188,812	100.0%

Balance of securities by remaining period (general account)

(Millions of yen)

	2009						
As of March 31	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years (including no fixed maturity)	Total
Japanese government bonds	¥ –	¥ 8,120	¥ 44,814	¥196,146	¥332,126	¥1,557,030	¥2,138,237
Japanese municipal bonds	40	1,687	3,307	1,028	13,430	–	19,494
Japanese corporate bonds	64,382	66,445	36,191	16,492	27,629	15,594	226,735
Japanese stocks	–	–	–	–	–	50,974	50,974
Foreign securities	9,024	19,503	22,604	6,810	11,830	45,505	115,279
Foreign bonds	8,853	18,350	19,530	1,139	4,213	41,623	93,709
Foreign stocks and other	171	1,152	3,073	5,671	7,617	3,882	21,569
Other securities	56	–	398	443	738	6,879	8,516
Total	¥73,504	¥95,756	¥107,315	¥220,920	¥385,755	¥1,675,984	¥2,559,237

(Millions of yen)

	2010						
As of March 31	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years (including no fixed maturity)	Total
Securities	¥4,457	¥12,438	¥85,251	¥274,338	¥156,490	¥2,655,835	¥3,188,812
Japanese government bonds	–	–	66,085	240,011	142,419	2,506,883	2,955,399
Japanese municipal bonds	1,648	–	4,401	13,702	–	–	19,752
Japanese corporate bonds	265	7,997	10,058	10,427	7,306	21,726	57,780
Japanese stocks	–	–	–	–	–	72,525	72,525
Foreign securities	2,544	4,404	4,063	10,196	6,115	47,961	75,285
Foreign bonds	2,068	3,113	–	1,116	1,712	41,904	49,915
Foreign stocks and other	475	1,291	4,063	9,079	4,403	6,056	25,370
Other securities	–	36	642	–	649	6,738	8,067
Monetary claims purchased	–	–	–	–	–	–	–
Certificates of deposit	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
Total	¥4,457	¥12,438	¥85,251	¥274,338	¥156,490	¥2,655,835	¥3,188,812

Fiscal year-end yields on bonds (general account)

As of March 31	2009	2010
		%
Domestic bonds	1.83%	2.07%
Foreign bonds	1.51	0.82

Japanese stock holdings by industry (general account)

(Millions of yen)

As of March 31	2009 Amount	2009 Composition (%)	2010 Amount	2010 Composition (%)
Fisheries, agriculture and forestry	¥ –	–%	¥ 59	0.1%
Mining	102	0.2	217	0.3
Construction	55	0.1	1,175	1.6
Manufacturing industries				
Food products	1,468	2.9	1,976	2.7
Textiles and clothing	339	0.7	485	0.7
Pulp and paper	59	0.1	220	0.3
Chemicals	3,971	7.8	3,524	4.9
Medical products	3,570	7.0	2,373	3.3
Oil and coal products	219	0.4	388	0.5
Rubber products	98	0.2	321	0.4
Glass and stone products	120	0.2	725	1.0
Steel	1,250	2.5	1,583	2.2
Non-steel metals	2,218	4.4	686	0.9
Metal products	439	0.9	428	0.6
Machinery	1,535	3.0	2,733	3.8
Electric appliances	5,825	11.4	8,743	12.1
Transportation vehicles	4,616	9.1	5,768	8.0
Precision machinery	1,734	3.4	918	1.3
Others	701	1.4	1,521	2.1
Electric and gas utilities	1,431	2.8	2,926	4.0
Transportation/Information telecommunications				
Ground transportation	1,253	2.5	2,248	3.1
Water transportation	14	0.0	313	0.4
Air transportation	364	0.7	252	0.3
Warehouses/transportation	–	–	141	0.2
Information/telecommunications	2,514	4.9	3,117	4.3
Commerce				
Wholesalers	4,268	8.4	3,235	4.5
Retailers	5,130	10.1	5,741	7.9
Financial services/insurance				
Banking	1,560	3.1	5,353	7.4
Securities and commodity futures trading	5	0.0	1,058	1.5
Insurance	3,697	7.3	11,593	16.0
Other financial services	95	0.2	483	0.7
Real estate	2,255	4.4	1,327	1.8
Service companies	54	0.1	882	1.2
Total	¥50,974	100.0%	¥72,525	100.0%

Note: Categories of stock holdings by industry are based on the classification by the Securities Identification Code Committee of Japan.

Loans (general account)

(Millions of yen)

As of March 31	2009	2010
Policyholder loans	¥120,462	¥127,599
Premium loans	107,291	113,455
Policyholder loans	13,170	14,144
Commercial loans	–	–
[Of which, loans to borrowers located outside of Japan]	[–]	[–]
Corporate loans	–	–
[Of which, corporate loans—domestic]	[–]	[–]
Loans to national, international and government affiliated organizations	–	–
Loans to public entities	–	–
Mortgage loans	–	–
Consumer loans	–	–
Other loans	–	–
Total	¥120,462	¥127,599

Tangible fixed assets (general account)

Tangible fixed assets

(Millions of yen)

2009

For the year ended March 31	Balance at the previous fiscal year-end	Increase in the current year	Decrease in the current year	Amount of depreciation in the current year	Balance at the current fiscal year-end	Amount of accumulated depreciation	% of accumulated depreciation
Land	¥32,996	¥ 79	¥ –	¥ –	¥33,076	¥ –	–%
Buildings	49,787	661	58 [15]	2,892	47,498	11,401	19.4
Leased assets	–	420	1	82	337	196	36.8
Construction in progress	84	1,174	78	–	1,179	–	–
Other tangible assets	783	145	11 [4]	216	701	919	56.7
Total	¥83,651	¥2,482	¥149 [20]	¥3,190	¥82,793	¥12,517	20.5%

(Millions of yen)

2010

For the year ended March 31	Balance at the previous fiscal year-end	Increase in the current year	Decrease in the current year	Amount of depreciation in the current year	Balance at the current fiscal year-end	Amount of accumulated depreciation	% of accumulated depreciation
Land	¥33,076	¥ –	¥ –	¥ –	¥33,076	¥ –	–%
Buildings	47,498	2,335	103 [3]	2,891	46,839	14,026	23.0
Leased assets	337	–	0	64	272	188	40.8
Construction in progress	1,179	–	1,179	–	–	–	–
Other tangible assets	701	307	15 [0]	257	735	1,104	60.0
Total	¥82,793	¥2,642	¥1,299 [3]	¥3,213	¥80,923	¥15,318	24.3%
Of which, investment and rental properties	79,111	462	120	2,686	76,767	13,683	23.3

Note: Figures in [ ] in the "Decrease in the current year" describe the amount of impairment losses.

Balance of real estate and number of buildings for rent

(Millions of yen)

As of March 31	2009	2010
Real estate balance	¥81,754	**¥79,915**
For corporate use	3,330	**3,739**
For rent	78,423	**76,175**
Number of buildings for rent	5	**5**

Overseas investment

Details by assets

(Millions of yen)

	2009		2010	
As of March 31	Amount	% of total	Amount	% of total
Assets denominated in foreign currency (yen amount not fixed)				
Foreign bonds	¥ 13,766	11.0%	**¥ –**	**–%**
Foreign stocks	3,753	3.0	**3,846**	**5.1**
Cash, deposits and other	16,777	13.4	**17,876**	**23.7**
Subtotal	34,297	27.4	**21,723**	**28.8**
Assets denominated in foreign currency (yen amount fixed)				
Foreign bonds	–	–	**–**	**–**
Cash, deposits and other	–	–	**–**	**–**
Subtotal	–	–	**–**	**–**
Assets denominated in yen				
Loans to borrowers located outside of Japan	–	–	**–**	**–**
Foreign bonds and others	90,692	72.6	**53,600**	**71.2**
Subtotal	90,692	72.6	**53,600**	**71.2**
Total				
Overseas investment	¥124,990	100.0%	**¥75,323**	**100.0%**

Note: Assets denominated in foreign currency (yen amount fixed) are recorded under assets on the balance sheets at the fixed yen value that was determined at settlement with foreign exchange forward contracts.

Overseas investment by region

(Millions of yen)

	2009							
	Foreign securities		Of which, foreign bonds		Of which, foreign stocks, etc.		Loans to borrowers located outside of Japan	
As of March 31	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
North America	¥ 20,985	16.8%	¥ 13,766	13.3%	¥ 7,218	33.5%	¥–	–%
Europe	54,878	44.0	48,465	47.0	6,413	29.7	–	–
Oceania	–	–	–	–	–	–	–	–
Asia	3,048	2.4	–	–	3,048	14.1	–	–
Latin America	38,759	31.1	33,870	32.8	4,889	22.7	–	–
Middle East	–	–	–	–	–	–	–	–
Africa	7,102	5.7	7,102	6.9	–	–	–	–
International organizations	–	–	–	–	–	–	–	–
Total	¥124,774	100.0%	¥103,204	100.0%	¥21,569	100.0%	¥–	–%

(Millions of yen)

As of March 31	2010							
	Foreign securities		Of which, foreign bonds		Of which, foreign stocks, etc.		Loans to borrowers located outside of Japan	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
North America	¥ 7,174	9.5%	¥ –	–%	¥ 7,174	28.3%	¥–	–%
Europe	50,264	66.8	43,021	86.2	7,242	28.5	–	–
Oceania	–	–	–	–	–	–	–	–
Asia	3,047	4.0	–	–	3,047	12.0	–	–
Latin America	7,904	10.5	–	–	7,904	31.2	–	–
Middle East	–	–	–	–	–	–	–	–
Africa	6,894	9.2	6,894	13.8	–	–	–	–
International organizations	–	–	–	–	–	–	–	–
Total	¥75,285	100.0%	¥49,915	100.0%	¥25,370	100.0%	¥–	–%

Foreign-currency-denominated assets by currency

(Millions of yen)

As of March 31	2009		2010	
	Amount	% of total	Amount	% of total
U.S. dollar	¥26,201	76.4%	¥12,579	57.9%
Euro	4,731	13.8	5,762	26.5
Canadian dollar	–	–	–	–
Australian dollar	–	–	–	–
British pound	316	0.9	332	1.5
Danish krone	–	–	–	–
Norwegian krone	–	–	–	–
Philippine peso	3,047	8.9	3,047	14.0
Chinese yuan	0	0.0	0	0.0
New Taiwanese dollar	–	–	0	0.0
Total	¥34,297	100.0%	¥21,723	100.0%

Yield on overseas investments (general account)

%

For the years ended March 31	2009	2010
Yield on overseas investments	1.38%	(2.22%)

Note: Yield on overseas investments is a total of foreign-currency-denominated assets and yen-denominated assets.

Status of Insurance Claims Paying Ability

Solvency margin ratio

(Millions of yen)

As of March 31	2009	2010
(A) Total solvency margin	¥531,321	¥630,237
Common stock, etc.	131,190	170,329
Reserve for price fluctuations	3,653	9,637
Contingency reserve	45,491	48,497
Reserve for possible loan losses	0	0
Net unrealized gains on other securities multiplied by 90% if gains or 100% if losses	17,679	33,040
Net unrealized gains on real estate multiplied by 85% if gains or 100% if losses	4,899	1,633
Excess amount of policy reserves based on Zillmer method	302,226	316,510
Unallotted portion of reserve for policyholders' dividends	382	2,346
Future profits	–	1,022
Deferred tax assets	25,797	47,219
Subordinated debt	–	–
Deductible items	–	–
(B) Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	51,571	47,792
Insurance risk R_1	18,595	19,199
Third-sector insurance risk R_8	7,008	7,094
Assumed interest rate risk R_2	11,241	11,395
Asset management risk R_3	24,689	18,932
Business management risk R_4	1,375	1,292
Minimum guarantee risk R_7	7,243	8,023
Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	2,060.5%	2,637.3%

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 amount of 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.

<Reference>

Real net assets

(Billions of yen)

As of March 31	2009	2010
(1) Total amount to be recorded as assets (=①+②+③+④–⑤)	¥3,844.1	¥4,268.7
① Total assets on the balance sheet	3,810.9	4,286.5
② Difference between fair value and balance sheet amount of securities	26.7	(20.4)
③ Unrealized gain or loss on tangible fixed assets	6.5	2.6
④ Unrealized gain or loss other than tangible fixed assets	–	–
⑤ Deferred tax assets for available-for-sale securities	–	–
(2) An amount calculated based on total amount to be recorded as liabilities (=①–②–③–④–⑤)	3,311.4	3,705.3
① Total liabilities on the balance sheet	3,670.1	4,095.2
② Reserve for price fluctuations	3.6	9.6
③ Contingency reserve	45.4	48.4
④ Part of reserves for future insurance claim payment	302.6	318.8
Excess of amount equivalent to surrender values (④(a))	302.2	316.5
Unallocated amount in reserve for policyholders' dividends (④(b))	0.3	2.3
⑤ Deferred tax liabilities for available-for-sale securities	6.9	12.8
Real net assets (A) (1)–(2) (including unrealized gains and losses on held-to-maturity securities)	532.6	563.4
(3) Unrealized gains and losses on held-to-maturity securities	26.7	(20.4)
Real net assets (B) (1)–(2)–(3) (excluding unrealized gains and losses on held-to-maturity securities)	505.9	583.8

Note: According to the "Comprehensive Guideline for Insurance Companies" defined by the regulatory authority, when the amount (actual difference between assets and liabilities (B)) obtained by deducting unrealized gains and losses on held-to-maturity bonds and on policy reserve matching bonds which are not accounted for in the balance sheets as mark-to-market from the actual difference between assets and liabilities (A) is positive, and liquid assets are held, the regulatory authority will not, in principle, take early corrective actions even if the actual difference between assets and liabilities becomes negative.

Balance of Separate Account Assets

(Millions of yen)

As of March 31	2009	2010
Individual variable life insurance and individual variable annuities	¥275,160	**¥373,604**
Group annuities	–	**–**
Total separate account	¥275,160	**¥373,604**

Note: Assets relating to individual variable life insurance and individual variable annuities are jointly invested at Sony Life.

Status of Individual Variable Life Insurance and Individual Variable Annuities

Policy amount in force

Individual variable life insurance

(Millions of yen)

	2009		2010	
As of March 31	Number	Amount	Number	Amount
Variable life insurance (whole life type)	483,591	¥6,404,908	**511,988**	**¥6,622,140**
Variable life insurance (limited term type)	41,236	136,557	**42,950**	**141,951**
Variable life insurance (term type)	1,706	62,517	**1,678**	**58,800**
Total	526,533	¥6,603,983	**556,616**	**¥6,822,892**

Note: Amounts include the rider portion of variable life insurance.

Individual variable annuities

(Millions of yen)

	2009		2010	
As of March 31	Number	Amount	Number	Amount
Individual variable annuities	28,025	¥152,525	**28,732**	**¥154,718**

Note: The figure indicated in the amount column is for annuity resources.

Portfolio of separate account assets in individual variable life insurance and individual variable annuities

(Millions of yen)

	2009		2010	
As of March 31	Amount	% of total	Amount	% of total
Cash and deposits, call loans	¥ 12,923	4.7%	**¥ 21,064**	**5.6%**
Securities	260,401	94.6	**350,302**	**93.8**
Domestic bonds	111,806	40.6	**118,824**	**31.8**
Domestic stocks	19,645	7.1	**30,572**	**8.2**
Foreign securities	74,147	26.9	**110,758**	**29.6**
Foreign bonds	35,566	12.9	**38,931**	**10.4**
Foreign stocks, etc.	38,581	14.0	**71,826**	**19.2**
Other securities	54,801	19.9	**90,147**	**24.1**
Loans	–	–	**–**	**–**
Other	1,836	0.7	**2,237**	**0.6**
Reserve for possible loan losses	–	–	**–**	**–**
Total	¥275,160	100.0%	**¥373,604**	**100.0%**

Note: Assets relating to individual variable life insurance and individual variable annuities are jointly invested at Sony Life.

Net investment gains (losses) of separate account assets in individual variable life insurance and individual variable annuities

(Millions of yen)

For the years ended March 31	2009	2010
Interest income and dividends	¥ 5,854	¥ 6,063
Gains on sale of securities	1,865	1,955
Gains on redemption of securities	77	410
Valuation gains on securities	22,727	93,561
Foreign exchange gains, net	–	0
Gains on derivatives, net	85	82
Other investment income	0	0
Losses on sale of securities	3,712	8,959
Losses on redemption of securities	236	50
Devaluation losses on securities	96,344	26,268
Foreign exchange losses, net	2,298	3,831
Losses on derivatives, net	–	0
Other investment expenses	232	205
Net investment gains (losses)	¥(72,212)	¥62,757

Note: Assets relating to individual variable life insurance and individual variable annuities are jointly invested at Sony Life.

Fair values of securities relating to separate account assets in individual variable life insurance and individual variable annuities

Valuation gains (losses) on trading-purpose securities

(Millions of yen)

	2009		2010	
As of March 31	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income
Trading-purpose securities	¥260,401	¥(73,616)	¥350,302	¥67,293

Note: Assets relating to individual variable life insurance and individual variable annuities are jointly invested at Sony Life.

Fair value information on monetary trusts

Not applicable

Fair value information on derivative transactions (total of derivatives with hedge accounting and those without hedging accounting)

Qualitative Information

With regard to investment, Sony Life's basic policy is to create portfolios that, while mitigating risk, ensure stable revenues and profits over the medium to long term. To restrain price fluctuation risk, foreign exchange risk and credit risk, Sony Life allocates a relatively small percentage of assets to stocks and securities denominated in foreign currencies. In addition, although Sony Life provides policy loans, it does not provide commercial loans.

1. Transactions

When creating portfolios, Sony Life concentrates primarily on Japanese government and corporate bonds. Although Japanese government and corporate bonds help ensure stable revenues and profits over the medium to long term, they involve asset value fluctuation risk, owing to interest rate fluctuations. In addition to price fluctuations risk, bonds denominated in foreign currencies involve foreign exchange risk. Depending on financial market conditions, Sony Life employs such derivative instruments as over-the-counter bond options, stock index options, and currency options.

2. Policy and purpose of derivative transactions

Sony Life purchases derivative products primarily to hedge existing assets.

3. Risks
The derivative instruments that Sony Life uses are susceptible to fluctuations in market prices and risk, but as Sony Life principally hedges existing assets, the risk on its total portfolio, including the underlying assets, is offset to some degree by risks on the off-balance-sheet transactions themselves. Credit risk is inherent to derivative instruments, but as the off-balance-sheet transactions that Sony Life conducts involve instruments that are listed on Japanese stock exchanges, we believe that credit risks are small. In addition, when conducting over-the-counter transactions, Sony Life selects parties that we believe pose little risk of defaults.
4. Risk management systems
Sony Life's balance of derivative transactions is within the limits that Sony Life has set in-house. On transactions conducted by the division in charge of investment, the administrative division receives reports directly from the transaction counterparty. This system enables the administrative division and the investment division to independently determine derivative positions and transaction profits and losses.

Quantitative information
① Gains (losses) on derivatives with and without hedge accounting—Not applicable
② Interest-related transactions—Not applicable
③ Currency-related transactions—Not applicable
④ Stock-related transactions—Not applicable
⑤ Bond-related transactions—Not applicable
⑥ Other—Not applicable

Number of Agencies

As of March 31	2009	2010
Number of agencies	2,112	**2,089**

Number of Employees and Recruits

Number of employees

As of March 31	2009	2010
Office employees	1,237	**1,318**
[Male]	[767]	**[807]**
[Female]	[470]	**[511]**
Sales employees	4,362	**4,517***
[Male]	[4,336]	**[4,486]**
[Female]	[26]	**[31]**

* Number of Lifeplanner sales employees is 4,036 as of March 31, 2010.

Number of recruits

For the years ended March 31	2009	2010
Office employees	164	**117**
[Male]	[85]	**[49]**
[Female]	[79]	**[68]**
Sales employees	404	**389**
[Male]	[393]	**[378]**
[Female]	[11]	**[11]**

Average age and year of services

	2009		2010	
As of March 31	Average age	Average years of services	Average age	Average years of services
Office employees	38.1	8.2	**38.4**	**8.5**
[Male]	[39.7]	[8.6]	**[40.2]**	**[9.0]**
[Female]	[35.6]	[7.5]	**[35.6]**	**[7.6]**
Sales employees	44.5	8.8	**44.2**	**9.1**
[Male]	[44.5]	[8.8]	**[44.2]**	**[9.2]**
[Female]	[39.4]	[2.2]	**[39.7]**	**[2.5]**

Average Salary

Average salary (office employees)

(Thousands of yen)

For the years ended March 31	2009	2010
Office employees	¥467	**¥469**

Note: The average monthly salary is the tax-inclusive standard salary in March for each fiscal year, excluding bonuses and overtime pay.

Average compensation (sales employees)

(Thousands of yen)

For the years ended March 31	2009	2010
Sales employees	¥595	**¥584**

Note: The average monthly compensation is the tax-inclusive compensation in March for each fiscal year, excluding bonuses and commuting allowances.

Sony Assurance Financial Data

Balance Sheets

Sony Assurance Inc.
As of March 31, 2009 and 2010

(Millions of yen)

	2009 Amount	2009 (%)	2010 Amount	2010 (%)	Change
Assets:					
Cash and deposits	¥ 2,819	3.25%	¥ 3,507	3.57%	¥ 688
Cash	0		0		
Deposits	2,819		3,507		
Securities	64,309	74.18	73,234	74.47	8,924
Japanese government bonds	14,502		29,333		
Japanese municipal bonds	31,870		25,656		
Japanese corporate bonds	13,797		12,101		
Foreign securities	1,097		997		
Other securities	3,040		5,144		
Tangible fixed assets	270	0.31	325	0.33	55
Buildings	220		223		
Other tangible fixed assets	50		102		
Intangible fixed assets	1,898	2.19	1,912	1.94	14
Software	744		1,250		
Software in progress	1,134		648		
Other intangible fixed assets	20		13		
Other assets	12,139	14.00	13,553	13.78	1,413
Accrued premiums	1,018		1,021		
Due from reinsurers	38		85		
Due from foreign reinsurers	1		–		
Accounts receivable	8,384		9,326		
Accrued income	149		149		
Deposits	356		405		
Deposits for earthquake insurance	22		23		
Suspense payments	2,169		2,540		
Deferred tax assets	5,260	6.07	5,807	5.91	546
Total Assets	¥86,698	100.00%	¥98,340	100.00%	¥11,642

(Millions of yen)

	2009 Amount	2009 (%)	2010 Amount	2010 (%)	Change
Liabilities:					
Underwriting reserves	¥ 66,520	76.73%	¥ 75,851	77.13%	¥ 9,330
Reserve for outstanding losses	15,729		17,725		
Underwriting reserves	50,791		58,125		
Other liabilities	5,411	6.24	5,809	5.91	398
Due to reinsurers	158		125		
Due to foreign reinsurers	3		10		
Income taxes payable	556		565		
Deposits received	5		7		
Accounts payable	1,847		2,076		
Suspense receipt	2,839		3,024		
Lease obligations	1		–		
Reserve for employees' retirement benefits	462	0.53	552	0.56	90
Reserve for directors' retirement benefits	37	0.04	28	0.03	(9)
Reserve for employees' bonuses	575	0.66	589	0.60	14
Reserve for price fluctuations and others	12	0.01	27	0.03	14
Reserve for price fluctuations	12		27		
Total Liabilities	73,020	84.22	82,858	84.26	9,838
Net Assets:					
Common stock	20,000	23.07	20,000	20.34	–
Capital surplus	20,000	23.07	20,000	20.34	–
Capital reserve	20,000		20,000		
Retained deficits	(26,147)	(30.16)	(24,543)	(24.96)	1,604
Other retained deficits	(26,147)		(24,543)		
Unappropriated retained deficits	(26,147)		(24,543)		
Total shareholders' equity	13,852	15.98	15,456	15.72	1,604
Net unrealized gains (losses) on other securities, net of taxes	(173)	(0.20)	25	0.03	199
Total valuation and translation adjustments	(173)	(0.20)	25	0.03	199
Total Net Assets	13,678	15.78	15,482	15.74	1,804
Total Liabilities and Net Assets	¥ 86,698	100.00%	¥ 98,340	100.00%	¥11,642

Statements of Income

Sony Assurance Inc.
For the years ended March 31, 2009 and 2010

(Millions of yen)

	2009	2010	Change
Ordinary Revenues	¥61,882	¥68,174	¥ 6,291
Underwriting income	61,137	67,468	6,330
Net premiums written	61,106	67,440	6,334
Interest and dividends on deposits of premiums	31	27	(3)
Investment income	717	681	(36)
Interest income and dividends	684	688	4
Gains on sale of securities	61	7	(53)
Gains on redemption of securities	3	12	9
Transfer to interest and dividends on deposits of premiums	(31)	(27)	3
Other ordinary income	28	24	(3)
Ordinary Expenses	59,704	65,609	5,904
Underwriting expenses	44,211	49,185	4,974
Net losses paid	29,952	34,573	4,620
Loss adjustment expenses	3,632	4,009	377
Net commissions and brokerage fees	1,063	1,271	208
Provision for reserve for outstanding losses	1,482	1,996	513
Provision for underwriting reserves	8,079	7,334	(745)
Other underwriting expenses	0	0	0
Investment expenses	177	13	(164)
Losses on sale of securities	143	12	(131)
Devaluation losses on securities	29	–	(29)
Losses on redemption of securities	4	1	(3)
Operating, general and administrative expenses	15,308	16,389	1,081
Other ordinary expenses	7	20	13
Ordinary Profit	2,178	2,565	386
Extraordinary Gains	23	–	(23)
Reversal of reserve for price fluctuations and others	23	–	(23)
Reversal of reserve for price fluctuations	23	–	(23)
Extraordinary Losses	3,819	863	(2,956)
Losses on sale or disposal of fixed assets	3,819	848	(2,970)
Provision for reserve for price fluctuations and others	–	14	14
Provision for reserve for price fluctuations	–	14	14
Income (Loss) Before Income Taxes	(1,617)	1,702	3,319
Income Taxes—current	765	658	(107)
Income Taxes—deferred	(826)	(561)	265
Total Income Taxes	(60)	97	158
Net Income (Loss)	¥ (1,556)	¥ 1,604	¥ 3,161

Statements of Changes in Net Assets

Sony Assurance Inc.
For the years ended March 31, 2009 and 2010

		(Millions of yen)
	2009	2010
Shareholders' Equity		
Common stock		
Balance at the end of the previous period	¥ 20,000	¥ 20,000
Changes during the period		
Total changes during the period	–	–
Balance at the end of the current period	20,000	20,000
Capital surplus		
Capital reserve		
Balance at the end of the previous period	20,000	20,000
Changes during the period		
Total changes during the period	–	–
Balance at the end of the current period	20,000	20,000
Total capital surplus		
Balance at the end of the previous period	20,000	20,000
Changes during the period		
Total changes during the period	–	–
Balance at the end of the current period	20,000	20,000
Retained deficits		
Other retained deficits		
Unappropriated retained deficits for the period		
Balance at the end of the previous period	(24,591)	(26,147)
Changes during the period		
Net income (loss)	(1,556)	1,604
Total changes during the period	(1,556)	1,604
Balance at the end of the current period	(26,147)	(24,543)
Total retained deficits		
Balance at the end of the previous period	(24,591)	(26,147)
Changes during the period		
Net income (loss)	(1,556)	1,604
Total changes during the period	(1,556)	1,604
Balance at the end of the current period	(26,147)	(24,543)
Total shareholders' equity		
Balance at the end of the previous period	15,408	13,852
Changes during the period		
Net income (loss)	(1,556)	1,604
Total changes during the period	(1,556)	1,604
Balance at the end of the current period	13,852	15,456

(Continued on next page)

Statements of Changes in Net Assets (Continued)

	2009	2010
	(Millions of yen)	
Valuation and Translation Adjustments		
Net unrealized gains (losses) on other securities, net of taxes		
Balance at the end of the previous period	¥ (23)	¥ (173)
Changes during the period		
Net changes of items other than shareholders' equity	(150)	199
Total changes during the period	(150)	199
Balance at the end of the current period	(173)	25
Total valuation and translation adjustments		
Balance at the end of the previous period	(23)	(173)
Changes during the period		
Net changes of items other than shareholders' equity	(150)	199
Total changes during the period	(150)	199
Balance at the end of the current period	(173)	25
Total Net Assets		
Balance at the end of the previous period	15,385	13,678
Changes during the period		
Net income (loss)	(1,556)	1,604
Net changes of items other than shareholders' equity	(150)	199
Total changes during the period	(1,706)	1,804
Balance at the end of the current period	¥ 13,678	¥ 15,482

Statements of Cash Flows

Sony Assurance Inc.
For the years ended March 31, 2009 and 2010

(Millions of yen)

	2009	2010	Change
Cash flows from operating activities			
Income (loss) before income taxes	¥ (1,617)	¥ 1,702	¥ 3,319
Depreciation and amortization	501	509	8
Increase in reserve for outstanding losses	1,482	1,996	513
Increase in underwriting reserves	8,079	7,334	(745)
Increase in reserve for employees' retirement benefits	50	90	40
Decrease in reserve for directors' retirement benefits	(1)	(9)	(8)
Increase in reserve for employees' bonuses	45	14	(31)
Increase (decrease) in reserve for price fluctuations	(23)	14	38
Interest income and dividends	(684)	(688)	(4)
(Gains) losses on securities	113	(7)	(120)
Losses on tangible fixed assets	2	8	5
Losses on intangible fixed assets	3,816	840	(2,976)
Increase in other assets (excluding those related to investing and financing activities)	(1,392)	(1,412)	(20)
Increase in other liabilities (excluding those related to investing and financing activities)	123	390	267
Subtotal	10,497	10,782	285
Interest and dividends received	801	852	50
Income taxes paid	(769)	(651)	118
Net cash provided by operating activities	10,529	10,983	453
Cash flows from investing activities			
Purchases of securities	(37,590)	(26,309)	11,281
Proceeds from sale and redemption of securities	28,338	19,546	(8,792)
Total of net cash used in investment transactions	(9,251)	(6,763)	2,488
[Total of net cash used in operating activities and investment transactions]	[1,278]	[4,220]	[2,942]
Purchases of tangible fixed assets	(98)	(134)	(36)
Proceeds from sale of tangible fixed assets	–	0	0
Others, net	(2,078)	(1,293)	784
Net cash used in investing activities	(11,427)	(8,191)	3,236
Cash flows from financing activities			
Net cash provided by (used in) financing activities	–	–	–
Effect of exchange rate changes on cash and cash equivalents	–	–	–
Net increase (decrease) in cash and cash equivalents	(898)	2,792	3,690
Cash and cash equivalents at beginning of the fiscal year	6,757	5,859	(898)
Cash and cash equivalents at end of the fiscal year	¥ 5,859	¥ 8,652	¥ 2,792

Loans by Borrower Category

(Millions of yen)

As of March 31	2009	2010
Bankrupt and quasi-bankrupt loans	¥–	¥–
Doubtful loans	–	–
Sub-standard loans	–	–
Normal loans	–	–
Total	¥–	¥–

Risk-monitored Loans

(Millions of yen)

As of March 31	2009	2010
Bankrupt loans	¥–	¥–
Non-accrual delinquent loans	–	–
Past due loans (3 months or more)	–	–
Restructured loans	–	–
Total	¥–	¥–

Notes: 1. Bankrupt loans
There are loans that have been in arrears on principal or interest payments for a considerably long period of time, or loans (before deductions for reserve for possible loan losses) on which principal or interest payments are considered unlikely to occur in the future for other reasons and on which accrued interest income is not recorded. Of these, bankrupt loans are loans with reasons defined under Article 96-1-3, i through v (allowed limits for uncollectible accounts) of the Corporate Income Tax Law Enforcement Guidelines (Enforcement Order 97 of 1965), or 96-1-4 of the same guidelines.
2. Non-accrual delinquent loans
Non-accrual delinquent loans are loans on which accrued interest income is not recorded, excluding bankrupt loans and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
3. Past due loans (three months or more)
Past due loans are loans to which the repayments of principles of interests are past due date over three months or more and which are not classified to bankrupt loans or non-accrual delinquent loans.
4. Restructured loans
Restructured loans are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt waiver) in order to support the borrowers' recovery from financial difficulties, excluding bankrupt loans, non-accrual delinquent loans and past due loans (three months or more).

Assets and Liabilities

Policy reserves and others

Reserves for outstanding losses

(Millions of yen)

As of March 31	2009	2010
Fire	¥ 0	¥ 0
Marine	5	6
Personal accident	666	753
Voluntary automobile	14,875	16,750
Compulsory automobile liability	182	215
Other	–	–
Total	¥15,729	¥17,725

Underwriting reserves

(Millions of yen)

As of March 31	2009	2010
Fire	¥ 105	¥ 84
Marine	191	56
Personal accident	14,731	18,382
Voluntary automobile	34,539	38,267
Compulsory automobile liability	1,223	1,333
Other	–	–
Total	¥50,791	¥58,125

Breakdown of the balance of underwriting reserves

(Millions of yen)

As of March 31	2009 Unearned premium reserve	Catastrophe reserve	Contingency reserve	Refund reserve	Reserve for policyholders' dividends	Total
Fire	¥ 101	¥ 4	¥0	¥–	¥–	¥ 105
Marine	183	7	–	–	–	191
Personal accident	13,784	939	3	3	–	14,731
Voluntary automobile	25,012	9,527	–	–	–	34,539
Compulsory automobile liability	1,223	–	–	–	–	1,223
Other	–	–	–	–	–	–
Total	¥40,304	¥10,478	¥3	¥3	¥–	¥50,791

(Millions of yen)

As of March 31	2010 Unearned premium reserve	Catastrophe reserve	Contingency reserve	Refund reserve	Reserve for policyholders' dividends	Total
Fire	¥ 78	¥ 5	¥0	¥–	¥–	¥ 84
Marine	48	8	–	–	–	56
Personal accident	17,204	1,168	5	3	–	18,382
Voluntary automobile	27,555	10,712	–	–	–	38,267
Compulsory automobile liability	1,333	–	–	–	–	1,333
Other	–	–	–	–	–	–
Total	¥46,220	¥11,895	¥6	¥3	¥–	¥58,125

Note: The underwriting reserves for earthquake insurance and compulsory automobile liability insurance are included in the unearned premium reserve.

Calculation method for underwriting reserves

For the years ended March 31	2009	2010
Calculation method		
Policies subject to the standard underwriting reserves	Standard underwriting reserves	Standard underwriting reserves
Policies not subject to the standard underwriting reserves	–	–
Rate of reserve funding	100.0%	100.0%

Notes: 1. The calculation method and the rate of reserve funding are not applied for policies as pertaining to the classes of insurance listed in Article 3 Paragraph 5 Item 1 of the Insurance Business Law of Japan and those whose principal insurance is pertaining to such classes of insurance.

2. The calculation method is described for refund reserve for insurance due reserves and deposits of premiums because the concept of a calculation method does not exist for other items.

3. Calculation rate = (Unearned premium reserves actually accumulated + Refund reserves) / (Sum of (1) – (3) below)

(1) Insurance due reserves and refund reserves calculated by the method stipulated in the 1996 Ministry of Finance Official Notification No. 48 for policies subject to the standard policy reserve (limited to policies as defined in Article 68 Paragraph 2 of the Insurance Business Law of Japan enforcement regulations).

(2) Insurance due reserves for policies of which terms started after July 1, 2001 calculated by the net level premium reserve method for policies not subject to the standard policy reserve, refund reserves for policies of which terms started after July 1, 2001 and for policies other than policies as defined in Article 68 Paragraph 2 of the Insurance Business Law of Japan enforcement regulations, and underwriting reserves and refund reserves for policies of which terms started before July 1, 2001.

(3) Prepaid premiums for policies of which terms started after July 1, 2001.

Other reserves

(Millions of yen)

	2008 As of March 31	2009 For the year ended March 31: Increase	Decrease—specific	Decrease—other	As of March 31
Reserve for possible loan losses					
General reserve for possible loan losses	¥ –	¥ –	¥ –	¥–	¥ –
Specific reserve for possible loan losses	–	–	–	–	–
Reserve for loan losses from borrowers in specific foreign countries	–	–	–	–	–
Total	–	–	–	–	–
Reserve for directors' retirement benefits	39	8	9	–	37
Reserve for employees' bonuses	529	575	529	–	575
Reserve for price fluctuations	36	12	36	–	12

(Millions of yen)

	2009	2010			
		For the year ended March 31			
	As of March 31	Increase	Decrease —specific	Decrease —other	As of March 31
Allowance for loan losses					
General allowance for loan losses	¥ –	¥ –	¥ –	¥–	¥ –
Specific allowance for loan losses	–	–	–	–	–
Allowance for loan losses from borrowers in specific foreign countries	–	–	–	–	–
Total	–	–	–	–	–
Reserve for directors' retirement benefits	37	6	16	–	28
Reserve for employees' bonuses	575	589	575	–	589
Reserve for price fluctuations	12	14	–	–	27

Profit and Loss

Gains/losses on the sale of securities and devaluation losses on securities

(Millions of yen)

	2009			2010		
For the years ended March 31	Gains on sales	Losses on sales	Devaluation losses	Gains on sales	Losses on sales	Devaluation losses
Japanese government bonds, etc.	¥61	¥143	¥29	¥7	¥12	¥–
Japanese stocks	–	–	–	–	–	–
Foreign securities	–	–	–	–	–	–
Total	¥61	¥143	¥29	¥7	¥12	¥–

Gains/losses on trading securities

Not applicable

Operating expenses (including loss adjustment expenses)

(Millions of yen)

For the years ended March 31	2009	2010
Personnel expenses	¥ 5,252	¥ 5,819
Non-personnel expenses	13,154	13,985
Taxes	509	566
Contributions to fire prevention and traffic accident prevention	0	0
Contribution to Non-life Insurance Policyholders Protection Corporation of Japan	23	27
Net commission and brokerage fees	1,063	1,271
Total	¥20,004	¥21,671

Note: The totals of operating expenses above include loss adjustment expenses, operating, general and administrative expenses, and net commission and brokerage fees for the statements of income of Sony Assurance.

Losses on sale or disposal of fixed assets

(Millions of yen)

	2009		2010	
For the years ended March 31	Gains	Losses	Gains	Losses
Land and buildings	¥–	¥ 1	¥–	¥ 5
Other tangible fixed assets	–	1	–	2
Intangible fixed assets	–	3,816	–	840
Total	¥–	¥3,819	¥–	¥848

Market Value Information, etc.

Securities

[For the year ended March 31, 2009]

Trading-purpose securities

Not applicable

Held-to-maturity securities with fair value

(Millions of yen)

As of March 31	Balance sheet amount 2009	Fair value 2009	Difference 2009
Fair value is higher than balance sheet amount			
Domestic bonds	¥42,106	¥42,618	¥512
Foreign securities	488	504	15
Subtotal	42,594	43,122	527
Fair value is lower than balance sheet amount			
Domestic bonds	1,571	1,570	(1)
Foreign securities	609	605	(3)
Subtotal	2,181	2,175	(5)
Total	¥44,776	¥45,298	¥522

Stock of subsidiaries and affiliated companies with fair value

Not applicable

Available-for-sale securities with fair value

(Millions of yen)

As of March 31	Acquisition cost 2009	Balance sheet amount 2009	Difference 2009
Balance sheet amount is higher than acquisition cost			
Domestic bonds	¥12,151	¥12,213	¥ 62
Foreign securities	–	–	–
Subtotal	12,151	12,213	62
Balance sheet amount is lower than acquisition cost			
Domestic bonds	4,514	4,278	(235)
Foreign securities	–	–	–
Subtotal	4,514	4,278	(235)
Total	¥16,666	¥16,492	¥(173)

Note: As of March 31, 2009, Sony Assurance recorded ¥29 million in impairment losses on its holdings of available-for-sale securities with market value. Sony Assurance posts impairment losses on investment securities when their market value has declined by 30% or more from the acquisition cost.

Available-for-sale securities sold during the year

(Millions of yen)

For the year ended March 31	Amount of sales 2009	Total gains on sales 2009	Total losses on sales 2009
Available-for-sale securities	¥5,674	¥61	¥143

Balance sheet amount of major securities that are not marked to market

As of March 31		2009
1. Held-to-maturity securities		Not applicable
2. Stock of subsidiaries and affiliated companies		Not applicable
3. Available-for-sale securities	Other	3,040 million yen

Expected redemption value of available-for-sale securities with maturity and held-to-maturity securities

(Millions of yen)

As of March 31	2009 1 year or less	More than 1 year and 5 years or less	More than 5 years and 10 years or less	More than 10 years
Japanese government bonds	¥ 2,502	¥ 9,887	¥ –	¥2,111
Japanese municipal bonds	9,948	19,266	953	1,702
Japanese corporate bonds	4,586	7,452	585	1,172
Foreign securities	99	801	–	196
Total	¥17,137	¥37,408	¥1,538	¥5,184

[For the year ended March 31, 2010]

Trading-purpose securities

Not applicable

Held-to-maturity securities

(Millions of yen)

As of March 31	2010 Balance sheet amount	Fair value	Difference
Fair value is higher than balance sheet amount			
Domestic bonds	¥50,936	¥51,543	¥607
Foreign securities	598	616	18
Subtotal	51,534	52,159	625
Fair value is lower than balance sheet amount			
Domestic bonds	3,526	3,476	(50)
Foreign securities	399	392	(6)
Subtotal	3,926	3,869	(56)
Total	¥55,460	¥56,028	¥568

Stock of subsidiaries and affiliated companies

Not applicable

Available-for-sale securities

(Millions of yen)

As of March 31	2010 Balance sheet amount	Acquisition cost	Difference
Balance sheet amount is higher than acquisition cost			
Domestic bonds	¥10,063	¥ 9,983	¥ 79
Foreign securities	–	–	–
Subtotal	10,063	9,983	79
Balance sheet amount is lower than acquisition cost			
Domestic bonds	2,565	2,605	(39)
Foreign securities	5,144	5,144	–
Subtotal	7,710	7,750	(39)
Total	¥17,773	¥17,733	¥ 40

Available-for-sale securities sold during the year

(Millions of yen)

For the year ended March 31	2010 Amount of sales	Total gains on sales	Total losses on sales
Domestic bonds	¥249	¥7	¥12

Performance Indicators of Sony Assurance

Principal Indicators of Operating Performance

(Millions of yen)

For the years ended March 31	2006	2007	2008	2009	2010
Net premiums written	¥45,278	¥50,467	¥55,001	¥61,106	¥67,440
Year-on-year change	19.6%	11.5%	9.0%	11.1%	10.4%
Underwriting profits (losses)	(1,108)	1,610	2,277	1,665	1,979
Year-on-year change	–	–	41.4%	(26.9%)	18.9%
Ordinary revenues	45,703	51,020	55,649	61,882	68,174
Year-on-year change	19.8%	11.6%	9.1%	11.2%	10.2%
Ordinary profit (loss)	(764)	2,044	2,817	2,178	2,565
Year-on-year change	–	–	37.8%	(22.7%)	17.8%
Net income (loss)	(441)	1,598	2,185	(1,556)	1,604
Year-on-year change	–	–	36.7%	(171.2%)	–
Net loss ratio	52.3%	53.6%	53.5%	55.0%	57.2%
Net expense ratio	30.3%	26.3%	26.7%	26.7%	26.1%
Interest income and dividends	298	442	578	684	688
Year-on-year change	8.9%	48.2%	30.9%	18.2%	0.6%
Yield on investments (income basis)	0.71%	0.86%	0.99%	1.06%	0.93%
Yield on investments (realized basis)	0.86%	0.96%	1.02%	0.89%	0.94%
Securities	44,067	51,155	56,237	64,309	73,234
Loans	–	–	–	–	–
Underwriting reserves	29,785	36,104	42,711	50,791	58,125
Common stock	20,000	20,000	20,000	20,000	20,000
Number of shares issued and outstanding (shares)	400,000	400,000	400,000	400,000	400,000
Total net assets	11,709	13,320	15,385	13,678	15,482
Total assets	56,103	67,468	78,645	86,698	98,340
Assets accounted for as deposit premium accounts	–	–	–	–	–
Capital adequacy ratio	20.9%	19.7%	19.6%	15.8%	15.7%
Dividend payout ratio	–	–	–	–	–
Solvency margin ratio	976.1%	1,009.7%	1,073.9%	993.0%	1,018.5%
Number of employees	532	593	651	752	814

Underwriting Performance

Direct premiums written

(Millions of yen)

For the years ended March 31	2009 Amount	2009 Composition	2009 YoY change	2010 Amount	2010 Composition	2010 YoY change
Fire	¥ 379	0.6%	38.6%	¥ 278	0.4%	(26.6%)
Marine	–	–	–	–	–	–
Personal accident	6,653	10.9	5.4	6,941	10.4	4.3
Voluntary automobile	53,835	88.4	12.0	59,849	89.2	11.2
Compulsory automobile liability	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	¥60,868	100.0%	11.4%	¥67,069	100.0%	10.2%
Direct net premiums written per employee	¥ 80		(3.6%)	¥ 82		1.8%

Notes: 1. Direct premiums written = Direct premiums written – (Returned premiums based on cancellations + Other returned premiums)
2. Direct net premiums written per employee = Direct net premiums written / Number of employees
3. Sony Assurance has no deposits of premiums.

Net premiums written

(Millions of yen)

For the years ended March 31	2009 Amount	2009 Composition	2009 YoY change	2010 Amount	2010 Composition	2010 YoY change
Fire	¥ 18	0.0%	15.7%	¥ 12	0.0%	(32.9%)
Marine	41	0.1	(21.6)	2	0.0	(94.2)
Personal accident	6,932	11.3	6.6	7,168	10.6	3.4
Voluntary automobile	53,619	87.7	12.1	59,604	88.4	11.2
Compulsory automobile liability	493	0.8	(15.7)	651	1.0	32.0
Other	–	–	–	–	–	–
Total	¥61,106	100.0%	11.1%	¥67,440	100.0%	10.4%

Note: Net premiums written = Direct net premiums written + Assumed net premiums written – Ceded net premiums written

Net losses paid, net loss ratio

(Millions of yen)

For the years ended March 31	2009 Amount	2009 Composition	2009 Net loss ratio	2010 Amount	2010 Composition	2010 Net loss ratio
Fire	¥ 0	0.0%	69.4%	¥ 0	0.0%	75.9%
Marine	12	0.0	30.8	2	0.0	125.4
Personal accident	1,368	4.6	22.4	1,479	4.3	22.9
Voluntary automobile	28,088	93.8	58.8	32,555	94.2	61.1
Compulsory automobile liability	484	1.6	98.0	535	1.5	82.1
Other	–	–	–	–	–	–
Total	¥29,952	100.0%	55.0%	¥34,573	100.0%	57.2%

Notes: 1. Net losses paid = Direct net losses paid + Assumed net losses paid – Reinsurance losses recovered
2. Net loss ratio = (Net losses paid + Loss adjustment expenses) / Net premiums written

Expenses and net expense ratio related to underwriting

(Millions of yen)

For the years ended March 31	2009	2010
Expenses related to underwriting	¥16,323	¥17,573
Operating and general administrative expenses related to underwriting	15,259	16,301
Net commissions and brokerage fees	1,063	1,271
Net expense ratio	26.7%	26.1%

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

Underwriting profit

(Millions of yen)

For the years ended March 31	2009	2010
Underwriting income	¥61,137	¥67,468
Underwriting expenses	44,211	49,185
Operating and general administrative expenses	15,259	16,301
Other income (expenses)	(0)	(0)
Underwriting profit	¥ 1,665	¥ 1,979

Notes: 1. Operating and general administrative expenses is the amount related to underwriting in "Operating and general administrative expenses" in the statements of income of Sony Assurance.
2. Other income (expenses) is the amount equivalent to the corporate income taxes for compulsory automobile liability insurance, etc.

Underwriting profit by type of policy

(Millions of yen)

For the years ended March 31	2009	2010
Fire	¥ 32	¥ 43
Marine	228	167
Personal accident	353	277
Voluntary automobile	1,050	1,491
Compulsory automobile liability	–	–
Other	–	–
Total	¥1,665	¥1,979

Net loss ratio, net expense ratio and combined ratio

%

	2009			2010		
For the years ended March 31	Net loss ratio	Net expense ratio	Combined ratio	Net loss ratio	Net expense ratio	Combined ratio
Fire	69.4%	(341.3%)	(271.8%)	75.9%	(152.5%)	(76.6%)
Marine	30.8	(348.9)	(318.2)	125.4	(1,456.9)	(1,331.5)
Personal accident	22.4	19.4	41.7	22.9	21.1	44.0
Voluntary automobile	58.8	28.3	87.1	61.1	27.0	88.1
Compulsory automobile liability	98.0	–	98.0	82.1	–	82.1
Other	–	–	–	–	–	–
Total	55.0%	26.7%	81.7%	57.2%	26.1%	83.3%

Note: Combined ratio = Net loss ratio + Net expense ratio

Asset Management

Asset management policy

The goal is to assure stable mid- to long-term returns taking into consideration the market environment and asset management risk, as well as current level and future fluctuations of interest rates.

Investments are primarily made by Japanese yen-denominated bonds. Investments are also made based upon the consideration of diversification of timing of investments as well as the timing of re-investments. Thus, the investment portfolio is built in such a way that stable returns are assured.

Overview of asset management

(Millions of yen)

	2009		2010	
As of March 31	Amount	Composition (%)	Amount	Composition (%)
Cash and deposits	¥ 2,819	3.3%	¥ 3,507	3.6%
Call loans	–	–	–	–
Bond trading with repurchase agreement	–	–	–	–
Bonds paid for transactions in debentures	–	–	–	–
Monetary claims purchased	–	–	–	–
Securities under proprietary accounts	–	–	–	–
Money trusts	–	–	–	–
Securities	64,309	74.2	73,234	74.5
Loans	–	–	–	–
Land and buildings	220	0.3	223	0.2
Total	67,348	77.7	76,964	78.3
Total assets	¥86,698	100.0%	¥98,340	100.0%

Interest income and dividends, yield on investments (income basis)

(Millions of yen)

For the years ended March 31	2009 Amount	2009 Yield (%)	2010 Amount	2010 Yield (%)
Cash and deposits	¥ 3	0.20%	¥ 1	0.05%
Call loans	–	–	–	–
Bond trading with repurchase agreement	–	–	–	–
Bonds paid for transactions in debentures	–	–	–	–
Monetary claims purchased	–	–	–	–
Securities under proprietary accounts	–	–	–	–
Money trusts	–	–	–	–
Securities	680	1.09	686	0.97
Loans	–	–	–	–
Land and buildings	–	–	–	–
Total	684	1.06	688	0.93
Total assets	0		0	
Total	¥684		¥688	
Yield on investments (realized basis)		0.89%		0.94%
(Reference) Yield on investments (market value basis)		0.65		1.24

Notes: 1. Total revenues are equal to interest income and dividends of statements of income of Sony Assurance.
2. In principle, average balance of investments is calculated by adding either acquisition cost or amortized cost at the end of each month, then divided by 12.
3. Calculation method for yield on investments
(1) Yield on investments (income basis)
The results of investment in assets are indicated as income revenues (interest income and dividends). Interest income and dividends on investment assets is the numerator, and acquisition cost is the denominator.
• Numerator: Interest income and dividends
• Denominator: Average balance of either acquisition cost or amortized cost
(2) Yield on investments (realized basis)
The results of investment in assets are indicated as the contribution to net income (loss) for the period (statements of income). Realized profit and loss is the numerator, and acquisition cost is the denominator.
• Numerator: Investment income + Interest and dividends on deposits of premiums – Investment expenses
• Denominator: Average balance of either acquisition cost or amortized cost
(3) (Reference) Yield on investments (market value basis)
An indicator of investment efficiency based on market value. Realized profit and loss plus net unrealized gains is the numerator, and market value is the denominator.
• Numerator = (Investment income + Interest and dividends on deposits of premiums – Investment expenses) + (Net unrealized gains at end of period* – Net unrealized gains at end of previous period*)
• Denominator = Average balance according to the acquisition cost or amortized cost + Net unrealized gains on other securities at end of previous period*
* Amounts before tax deductions

Overseas investment

(Millions of yen)

As of March 31	2009 Amount	2009 (%)	2010 Amount	2010 (%)
Foreign currency denominated				
Foreign bonds	¥ –	–%	¥ –	–%
Foreign stocks	–	–	–	–
Other	–	–	–	–
Subtotal	–	–	–	–
Yen denominated				
Loans to borrowers outside Japan	–	–	–	–
Foreign bonds	1,097	100.0	997	100.0
Other	–	–	–	–
Subtotal	1,097	100.0	997	100.0
Total	¥1,097	100.0%	¥997	100.0%
Yield on overseas investments				
Yield on investments (income basis)		2.18%		2.22%
Yield on investments (realized basis)		2.18%		2.22%
(Reference) Yield on investments (market value basis)		2.18%		2.22%

Notes: 1. Yield on investments (income basis) within "yield on overseas investments" is calculated by dividing interest income and dividends by the average balance of either the acquisition cost or amortized cost for assets relating to overseas investments.
2. Yield on investments (realized basis) within "yield on overseas investments" is calculated by dividing (investment income + interest and dividends on deposits of premiums – investment expenses) by average balance of either acquisition cost or amortized cost for assets relating to overseas investments.

Solvency Margin Ratio

(Millions of yen)

As of March 31	2009	2010
(A) Total solvency margin	¥24,195	**¥27,444**
Capital or treasury (Net assets, excluding the amount of expected outflow from the company and the amount of valuation and translation adjustments and deferred assets)	13,852	**15,456**
Reserve for price fluctuations	12	**27**
Contingency reserve	3	**6**
Catastrophe reserve	10,500	**11,918**
Reserve for possible loan losses	–	**–**
Net unrealized gains on other securities multiplied by 90% (100% if losses)	(173)	**36**
Net unrealized gains on real estate multiplied by 85% (100% if losses)	–	**–**
Excess refund reserve	–	**–**
Subordinated debt	–	**–**
Deduction by intentional possession	–	**–**
Other	–	**–**
(B) Total risk $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	4,872	**5,388**
Ordinary insurance risk (R_1)	4,097	**4,599**
Third-sector insurance risk (R_2)	0	**0**
Assumed interest rate risk (R_3)	8	**10**
Asset management risk (R_4)	294	**288**
Business management risk (R_5)	150	**165**
Major catastrophe risk (R_6)	614	**614**
(C) Solvency margin ratio [(A)/{(B) × 1/2}] × 100	993.0%	**1,018.5%**

Note: 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).

Solvency Margin Ratio

Non-life insurance companies maintain reserves to ensure their ability to pay claims when accidents occur and return contracted amounts at maturity on savings-type insurance. Non-life insurance companies must also maintain sufficient ability to pay in the event of a major catastrophe or a dramatic drop in the value of the assets they hold—risk events outside the normal scope of expectations.

Total risk (item (B) in the table above) indicates dangers outside the general scope of expectations. The solvency margin ratio (item (C) in the table above) is an indicator of an insurer's ability to pay, calculated as prescribed by the Insurance Business Law of Japan, based on its percentage holdings of capital and other reserves (in other words, the total solvency margin: as indicated by (A) above).

$$\text{Solvency Margin Ratio (\%)} = \frac{\text{Ability to pay, indicated by such factors as capital and reserves}}{\text{Risk events outside the normal scope of expectations x 1/2}} \text{ x 100}$$

• "Risk events outside the normal scope of expectations" refers to the total of the amounts represented by the following risks:

① Insurance underwriting risk (Ordinary insurance risk, Third-sector insurance risk)
Risk outside the scope of risk incorporated into the rate of accident occurrence (excluding major catastrophe risk)

② Assumed interest rate risk
Risk that actual investment yields will fall below the investment yield assumed when calculating premiums

③ Asset management risk
Risk arising from such factors as unexpectedly large fluctuations in prices on held securities and other assets

④ Business management risk
Unexpected risk to business management other than ① through ③ above and ⑤

⑤ Major catastrophe risk
Risk arising from major catastrophes (such as the Great Kanto Earthquake and the Ise Bay Typhoon)

- A non-life insurer's ability to pay (total solvency margin), as indicated by such factors as its capital and reserves is the total of the insurer's net assets (excluding the amount of expected outflow from the company), reserves (such as the reserve for price fluctuations and catastrophe reserve) and a portion of its net unrealized gains on real estate.

- The solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurers. If this ratio is 200% or higher, an insurer is judged to have sufficient ability to satisfy claims and other payments.

- Breakdown of Solvency Margin

1. Capital or treasury
   Net assets of the balance sheet, excluding the amount of expected outflow from the company, such as dividends to shareholders and directors' bonuses, deferred tax assets, and the amount of valuation and translation adjustments.
2. Reserve for price fluctuations
   The reserve for price fluctuations shown on the balance sheet.
3. Contingency reserve
   The contingency reserve included in underwriting reserves shown on the balance sheet.
4. Catastrophe reserve
   The total amount of both the catastrophe reserve, which is included in underwriting reserves shown on the balance sheet, and the catastrophe reserve concerning residential earthquake insurance.
5. Reserve for possible loan losses
   The general reserve for possible loan losses included in the reserve for possible loan losses shown on the balance sheet. This does not apply to Sony Assurance.
6. Net unrealized gains on other securities
   Net unrealized gains on other securities (marketable securities other than securities held for trading purposes, held-to-maturity securities, stock of subsidiaries and affiliated companies).
7. Net unrealized gains on real estate
   Net unrealized gains on real estate, representing the difference between the fair value of land, leaseholds and other properties and their respective balance sheet amount (amounts shown on the balance sheet). This does not apply to Sony Assurance.
8. Excess refund reserve
   Excess refund reserve refers to the surplus refund reserve included in underwriting reserves shown on the balance sheet. This does not apply to Sony Assurance.
9. Subordinated debt
   Subordinated debt refers to those funds raised by taking out subordinated loans, issuing subordinated bonds or through other means that meet a certain set of conditions. This does not apply to Sony Assurance.
10. Deduction by intentional possession
    If an insurance company owns the stock of other insurance companies, financial institutions or possesses other such means of raising funds, and that ownership qualifies as "intentional possession" as governed by the overall supervisory guidelines for insurance companies, then those funds must be deducted from the solvency margin. This does not apply to Sony Assurance.
11. Other
    Other refers to deferred tax assets related to other retained deficits included in the net assets section of the balance sheet. This does not apply to Sony Assurance.

Sony Bank Financial Data (Consolidated)

Consolidated Balance Sheets

Sony Bank Inc., and a consolidated subsidiary
As of March 31, 2009 and 2010

	2009	2010
		(Millions of yen)
Assets:		
Cash and due from banks	¥ 12,164	¥ 51,501
Call loans and bills bought	49,909	55,079
Monetary claims purchased	16,163	3,292
Monetary trusts	1,220	11,970
Securities	820,174	877,133
Loans	477,072	586,870
Foreign exchanges	6,355	5,100
Other assets	16,129	15,964
Tangible fixed assets	521	649
Buildings	58	102
Leased assets	1	1
Other tangible fixed assets	460	545
Intangible fixed assets	2,668	3,385
Software	2,665	3,382
Other intangible fixed assets	3	3
Deferred tax assets	9,106	1,364
Allowance for loan losses	(456)	(807)
Total Assets	¥1,411,029	¥1,611,506

(Millions of yen)

	2009	2010
Liabilities:		
Deposits	¥1,325,320	¥1,509,488
Call money and bills sold	10,000	10,000
Borrowed money	2,000	2,000
Foreign exchanges	8	20
Other liabilities	27,699	31,527
Reserve for employees' bonuses	291	459
Reserve for employees' retirement benefits	213	299
Reserve for directors' retirement benefits	61	70
Reserve under Specific Law	1	2
Total Liabilities	1,365,596	1,553,867
Net Assets:		
Common stock	31,000	31,000
Capital surplus	21,000	21,000
Retained earnings	4,754	5,882
Total shareholders' equity	56,754	57,882
Net unrealized gains (losses) on other securities, net of taxes	(9,688)	900
Net deferred losses on hedging instruments, net of taxes	(1,633)	(1,143)
Total valuation and translation adjustments	(11,322)	(243)
Total Net Assets	45,432	57,638
Total Liabilities and Net Assets	¥1,411,029	¥1,611,506

Consolidated Statements of Income

Sony Bank Inc., and a consolidated subsidiary
For the years ended March 31, 2009 and 2010

	(Millions of yen)	
	2009	2010
Ordinary Revenues	¥33,378	¥30,520
Interest income	22,045	23,393
Interest income on loans	9,293	11,962
Interest income and dividends on securities	10,452	10,930
Interest income on call loans and bills bought	2,021	86
Interest income on deposits with banks	8	53
Other interest income	268	360
Fees and commissions	2,180	1,979
Other operating income	9,035	5,122
Other ordinary income	118	26
Ordinary Expenses	33,449	28,091
Interest expenses	15,394	10,364
Interest expenses on deposits	14,501	8,535
Interest expenses on call money and bills sold	58	31
Interest expenses on borrowed money	38	50
Other interest expenses	796	1,747
Fees and commissions	1,902	2,153
Other operating expenses	5,107	2,986
General and administrative expenses	10,768	12,179
Other ordinary expenses	275	407
Provision of allowance for loan losses	223	388
Other ordinary expenses	52	18
Ordinary Profit (Loss)	(70)	2,429
Extraordinary Losses	–	86
Losses on disposal of tangible fixed assets	–	86
Income (Loss) Before Income Taxes	(70)	2,342
Income Taxes—current	4	663
Income Taxes—deferred	1,121	552
Total Income Taxes	1,125	1,215
Net Income (Loss)	¥ (1,196)	¥ 1,127

Consolidated Statements of Changes in Net Assets

Sony Bank Inc., and a consolidated subsidiary
For the years ended March 31, 2009 and 2010

		(Millions of yen)
	2009	2010
Shareholders' Equity		
Common stock		
Balance at the end of the previous period	¥25,000	¥31,000
Changes during the period		
Issuance of new shares	6,000	–
Total changes during the period	6,000	–
Balance at the end of the current period	31,000	31,000
Capital surplus		
Balance at the end of the previous period	15,000	21,000
Changes during the period		
Issuance of new shares	6,000	–
Total changes during the period	6,000	–
Balance at the end of the current period	21,000	21,000
Retained earnings		
Balance at the end of the previous period	5,951	4,754
Changes during the period		
Net income (loss)	(1,196)	1,127
Total changes during the period	(1,196)	1,127
Balance at the end of the current period	4,754	5,882
Total shareholders' equity		
Balance at the end of the previous period	45,951	56,754
Changes during the period		
Issuance of new shares	12,000	–
Net income (loss)	(1,196)	1,127
Total changes during the period	10,803	1,127
Balance at the end of the current period	56,754	57,882

(Continued on next page)

Consolidated Statements of Changes in Net Assets (Continued)

	2009	2010
	(Millions of yen)	
Valuation and Translation Adjustments		
Net unrealized gains (losses) on other securities, net of taxes		
Balance at the end of the previous period	¥ (9,055)	¥ (9,688)
Changes during the period		
Net changes of items other than shareholders' equity	(633)	10,589
Total changes during the period	(633)	10,589
Balance at the end of the current period	(9,688)	900
Net deferred losses on hedging instruments, net of taxes		
Balance at the end of the previous period	(1,529)	(1,633)
Changes during the period		
Net changes of items other than shareholders' equity	(104)	489
Total changes during the period	(104)	489
Balance at the end of the current period	(1,633)	(1,143)
Total valuation and translation adjustments		
Balance at the end of the previous period	(10,584)	(11,322)
Changes during the period		
Net changes of items other than shareholders' equity	(737)	11,079
Total changes during the period	(737)	11,079
Balance at the end of the current period	(11,322)	(243)
Total Net Assets		
Balance at the end of the previous period	35,366	45,432
Changes during the period		
Issuance of new shares	12,000	–
Net income (loss)	(1,196)	1,127
Net changes of items other than shareholders' equity	(737)	11,079
Total changes during the period	10,065	12,206
Balance at the end of the current period	¥ 45,432	¥ 57,638

Consolidated Statements of Cash Flows

Sony Bank Inc., and a consolidated subsidiary
For the years ended March 31, 2009 and 2010

(Millions of yen)

	2009	2010
Cash flows from operating activities		
Income (loss) before income taxes	¥ (70)	¥ 2,342
Depreciation and amortization	886	1,038
Increase in allowance for loan losses	203	350
Interest income	(22,045)	(23,393)
Interest expenses	15,394	10,364
Losses on securities	3,211	511
Gains on monetary trusts	–	(6)
Exchange losses	6,034	1,525
Losses on disposal of tangible fixed assets	–	86
Net increase in loans	(130,007)	(109,797)
Net increase in deposits	182,175	183,950
Net (increase) decrease in call loans and bills bought	302,659	(5,170)
Net (increase) decrease in foreign exchange (assets)	(4,671)	1,254
Net increase in foreign exchange (liabilities)	8	11
Interest income	22,021	23,923
Interest expenses	(14,524)	(11,135)
Others, net	2,390	7,318
Subtotal	363,668	83,177
Income taxes paid	(4)	(4)
Net cash provided by operating activities	363,663	83,172
Cash flows from investing activities		
Purchases of securities	(728,522)	(293,943)
Proceeds from sale of securities	79,227	45,359
Proceeds from redemption of securities	277,318	217,056
Investments in monetary trusts	–	(10,750)
Proceeds from sale of monetary trusts	499	–
Purchases of tangible fixed assets	(190)	(470)
Purchases of intangible fixed assets	(1,748)	(1,086)
Net cash used in investing activities	(373,416)	(43,834)
Cash flows from financing activities		
Increase in subordinated borrowings	2,000	–
Proceeds from issuance of new shares	12,000	–
Payments for leased obligations	(0)	(0)
Net cash provided by (used in) financing activities	13,999	(0)
Effect of exchange rate changes on cash and cash equivalents	–	–
Net increase in cash and cash equivalents	4,246	39,337
Cash and cash equivalents at beginning of the fiscal year	7,917	12,164
Cash and cash equivalents at end of the fiscal year	¥ 12,164	¥ 51,501

Sony Bank Financial Data (Non-consolidated)

Non-consolidated Balance Sheets

Sony Bank Inc.
As of March 31, 2009 and 2010

(Millions of yen)

	2009	2010
Assets:		
Cash and due from banks	¥ 11,705	¥ 51,184
Due from banks	11,705	51,184
Call loans	49,909	55,079
Monetary claims purchased	16,163	3,292
Monetary trusts	–	10,750
Securities	823,174	880,133
Japanese government bonds	288,348	263,516
Japanese municipal bonds	5,305	7,050
Japanese corporate bonds	303,353	326,378
Japanese stocks	3,000	3,000
Other securities	223,168	280,188
Loans	477,072	586,654
Loans on deed	468,975	578,454
Overdrafts	8,096	8,199
Foreign exchanges	6,355	5,100
Due from foreign banks	6,355	5,100
Other assets	16,095	15,818
Domestic exchange settlement account debit	51	38
Prepaid expenses	35	60
Accrued income	3,140	3,336
Initial margin of futures markets	2,831	1,325
Derivatives	8,099	9,104
Accounts receivable	933	1,244
Other	1,004	710
Tangible fixed assets	504	637
Buildings	53	99
Leased assets	1	1
Other tangible fixed assets	449	536
Intangible fixed assets	2,324	2,977
Software	2,321	2,974
Other intangible fixed assets	3	2
Deferred tax assets	9,106	1,364
Allowance for loan losses	(456)	(807)
Total Assets	¥1,411,956	¥1,612,186

	2009	2010
		(Millions of yen)
Liabilities:		
Deposits	¥1,326,360	¥1,510,051
Ordinary deposits	280,297	278,492
Time deposits	763,161	905,362
Other deposits	282,901	326,197
Call money	10,000	10,000
Borrowed money	2,000	2,000
Borrowed money	2,000	2,000
Foreign exchanges	8	20
Foreign bills sold	–	1
Foreign bills payable	8	18
Other liabilities	26,773	30,329
Unsettled exchange payable	–	3
Income taxes payable	84	727
Accrued expenses	6,788	5,429
Unearned revenue	1	1
Initial margins of futures markets	7,328	11,411
Derivatives	9,392	11,788
Leased obligation	1	1
Other	3,176	965
Reserve for employees' bonuses	274	424
Reserve for employees' retirement benefits	213	299
Reserve for directors' retirement benefits	61	70
Total Liabilities	1,365,692	1,553,196
Net Assets:		
Common stock	31,000	31,000
Capital surplus	21,000	21,000
Capital reserves	21,000	21,000
Retained earnings	5,586	7,232
Other retained earnings	5,586	7,232
Unappropriated retained earnings	5,586	7,232
Total shareholders' equity	57,586	59,232
Net unrealized gains (losses) on other securities, net of taxes	(9,688)	900
Net deferred losses on hedging instruments, net of taxes	(1,633)	(1,143)
Total valuation and translation adjustments	(11,322)	(243)
Total Net Assets	46,264	58,989
Total Liabilities and Net Assets	¥1,411,956	¥1,612,186

Non-consolidated Statements of Income

Sony Bank Inc.
For the years ended March 31, 2009 and 2010

	(Millions of yen)	
	2009	2010
Ordinary Revenues	¥33,361	¥30,500
Interest income	22,044	23,389
Interest income on loans	9,293	11,960
Interest income and dividends on securities	10,452	10,930
Interest income on call loans and bills bought	2,021	86
Interest income on deposits with banks	7	53
Interest income on interest rate swaps	10	2
Other interest income	258	356
Fees and commissions	2,171	1,945
Fees and commissions on domestic and foreign exchanges	197	188
Other fees and commissions	1,973	1,756
Other operating income	9,035	5,122
Gains on foreign exchange transactions	7,938	4,723
Gains on sales of bonds	250	398
Gains on redemption of bonds	0	0
Income from derivatives other than for trading or hedging	846	–
Other ordinary income	111	43
Income from monetary trusts, net	–	3
Other	111	40
Ordinary Expenses	32,947	27,570
Interest expenses	15,397	10,362
Interest expenses on deposits	14,503	8,535
Interest expenses on call money and bills sold	58	31
Interest expenses on borrowed money	38	50
Interest expenses on interest rate swaps	796	1,745
Other interest expenses	0	–
Fees and commissions	1,857	2,133
Fees and commissions on domestic and foreign exchanges	76	75
Other fees and commissions	1,780	2,058
Other operating expenses	5,107	2,986
Loss on sales of bonds	2,634	2,569
Loss on redemption of bonds	2,473	–
Expenses from derivatives other than for trading or hedging	–	416
General and administrative expenses	10,309	11,675
Other ordinary expenses	274	411
Provision of allowance for loan losses	223	388
Written-off of loans	0	–
Other	51	23
Ordinary Profit	414	2,930
Extraordinary Losses	–	69
Losses on disposal of tangible fixed assets	–	69
Income Before Income Taxes	414	2,861
Income Taxes—current	3	662
Income Taxes—deferred	1,121	552
Total Income Taxes	1,124	1,214
Net Income (Loss)	¥ (710)	¥ 1,646

Non-consolidated Statements of Changes in Net Assets

Sony Bank Inc.
For the years ended March 31, 2009 and 2010

(Millions of yen)	2009	2010
Shareholders' Equity		
Common stock		
Balance at the end of the previous period	¥ 25,000	¥ 31,000
Changes during the period		
Issuance of new shares	6,000	–
Total changes during the period	6,000	–
Balance at the end of the current period	31,000	31,000
Capital surplus		
Capital reserve		
Balance at the end of the previous period	15,000	21,000
Changes during the period		
Issuance of new shares	6,000	–
Total changes during the period	6,000	–
Balance at the end of the current period	21,000	21,000
Total capital surplus		
Balance at the end of the previous period	15,000	21,000
Changes during the period		
Issuance of new shares	6,000	–
Total changes during the period	6,000	–
Balance at the end of the current period	21,000	21,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous period	6,296	5,586
Changes during the period		
Net income (loss)	(710)	1,646
Total changes during the period	(710)	1,646
Balance at the end of the current period	5,586	7,232
Total retained earnings		
Balance at the end of the previous period	6,296	5,586
Changes during the period		
Net income (loss)	(710)	1,646
Total changes during the period	(710)	1,646
Balance at the end of the current period	5,586	7,232
Total shareholders' equity		
Balance at the end of the previous period	46,296	57,586
Changes during the period		
Issuance of new shares	12,000	–
Net income (loss)	(710)	1,646
Total changes during the period	11,289	1,646
Balance at the end of the current period	57,586	59,232

(Continued on next page)

Non-consolidated Statements of Changes in Net Assets (Continued)

		(Millions of yen)
	2009	2010
Valuation and Translation Adjustments		
Net unrealized gains (losses) on other securities, net of taxes		
Balance at the end of the previous period	¥ (9,055)	¥ (9,688)
Changes during the period		
Net changes of items other than shareholders' equity	(633)	10,589
Total changes during the period	(633)	10,589
Balance at the end of the current period	(9,688)	900
Net deferred losses on hedging instruments, net of taxes		
Balance at the end of the previous period	(1,529)	(1,633)
Changes during the period		
Net changes of items other than shareholders' equity	(104)	489
Total changes during the period	(104)	489
Balance at the end of the current period	(1,633)	(1,143)
Total valuation and translation adjustments		
Balance at the end of the previous period	(10,584)	(11,322)
Changes during the period		
Net changes of items other than shareholders' equity	(737)	11,079
Total changes during the period	(737)	11,079
Balance at the end of the current period	(11,322)	(243)
Total Net Assets		
Balance at the end of the previous period	35,712	46,264
Changes during the period		
Issuance of new shares	12,000	–
Net income (loss)	(710)	1,646
Net changes of items other than shareholders' equity	(737)	11,079
Total changes during the period	10,551	12,725
Balance at the end of the current period	¥ 46,264	¥ 58,989

Loans by Borrower Category

(Millions of yen)

As of March 31	2009	2010
Category		
Bankrupt and quasi-bankrupt loans	¥ 154	¥ 641
Doubtful loans	584	670
Sub-standard loans	225	621
Normal loans	485,603	593,165
Total	¥486,568	¥595,100

Notes: 1. Fractional amounts of less than ¥1 million are discarded.
2. The above table is based on "The law concerning Emergency Measures for the Revitalization of the Financial Functions."

Risk-monitored Loans

(Millions of yen)

As of March 31	2009	2010
Bankrupt loans	¥ 64	¥ 295
Non-accrual delinquent loans	674	1,007
Past due loans (3 months or more)	–	–
Restructured loans	225	621
Total	¥964	¥1,924

Profit and Loss

Gross operating profit

(Millions of yen)

	2009			2010		
For the years ended March 31	Domestic division	International division	Total	Domestic division	International division	Total
Net interest income	¥ 6,724	¥ (77)	¥ 6,647 [386]	¥ 9,429	¥3,608	¥13,038 [396]
Interest income	15,093	7,337	22,044 [386]	17,118	6,667	23,389 [396]
Interest expenses	8,368	7,415	15,397	7,688	3,059	10,351
Net fees and commissions	(778)	1,091	313	(1,200)	1,012	(188)
Fees and commissions received	1,074	1,096	2,171	928	1,017	1,945
Fees and commissions paid	1,853	4	1,857	2,128	4	2,133
Net trading income	–	–	–	–	–	–
Trading income	–	–	–	–	–	–
Trading expenses	–	–	–	–	–	–
Net other operating income	(2,762)	6,690	3,927	(2,010)	4,146	2,136
Other operating income	939	8,095	9,035	115	5,006	5,122
Other operating expenses	3,702	1,405	5,107	2,125	860	2,986
Gross operating profit	3,183	7,704	10,887	6,218	8,766	14,985
Gross operating profit ratio	0.28%	2.70%	0.80%	0.51%	2.54%	1.02%

Notes: 1. The Domestic division deals with transactions denominated in Japanese yen, whereas the International division deals with transactions denominated in foreign currencies (foreign currency deposits, foreign securities). Non-resident transactions denominated in Japanese yen are included in the International division.
2. Interest expenses excludes estimated interest expenses on monetary trusts (Not applicable—FY2008, ¥11 million—FY2009).
3. Amounts in [ ] indicate interest on borrowed funds between the Domestic division and the International division.
4. Gross operating profit ratio = Gross operating profit for the period / Average balance of investment accounts x 100

Average balances, interests, yields and interest spreads of major investment and financing accounts

Domestic division

(Millions of yen)

For the years ended March 31	2009 Average balance	2009 Interest	2009 Yield (%)	2010 Average balance	2010 Interest	2010 Yield (%)
Investment accounts	¥1,132,451	¥15,093	1.33%	¥1,199,962	¥17,118	1.42%
Of which, loans	399,537	9,282	2.32	532,454	11,945	2.24
Securities	530,951	4,599	0.86	584,129	5,068	0.86
Call loans	198,696	1,192	0.59	25,284	48	0.19
Due from banks	3,264	7	0.23	58,093	53	0.09
Monetary claims purchased	–	–	–	–	–	–
	[56,218]	[386]		[78,474]	[396]	
Financing accounts	1,096,313	8,368	0.76	1,167,561	7,688	0.65
Of which, deposits	1,025,596	7,088	0.69	1,067,370	5,476	0.51
Call money	12,989	58	0.45	21,487	31	0.14
Borrowed money	1,506	38	2.52	2,000	50	2.52

Notes: 1. Amounts in [ ] indicate the average balance or interest of borrowed funds between the Domestic division and the International division, and the total is presented in net.
2. In the investment accounts, the average balance of non-interest-bearing deposits (¥7,327 million—FY2008, ¥1,785 million—FY2009) is excluded. In the financing accounts, the average balance of funds for investing monetary trusts (Not applicable—FY2008, ¥1,773 million—FY2009) and the estimated interest expenses on monetary trusts (Not applicable—FY2008, ¥11 million—FY2009) are excluded respectively.

International division

(Millions of yen)

For the years ended March 31	2009 Average balance	2009 Interest	2009 Yield (%)	2010 Average balance	2010 Interest	2010 Yield (%)
	[56,218]	[386]		[78,474]	[396]	
Investment accounts	¥284,735	¥7,337	2.57%	¥344,696	¥6,667	1.93%
Of which, loans	476	10	2.29	616	14	2.31
Securities	195,541	5,852	2.99	235,908	5,861	2.48
Call loans	21,295	828	3.89	9,782	37	0.38
Due from banks	–	–	–	–	–	–
Monetary claims purchased	5,947	230	3.87	14,177	356	2.51
	[–]	[–]		[–]	[–]	
Financing accounts	260,770	7,415	2.84	308,570	3,059	0.99
Of which, deposits	260,764	7,415	2.84	308,555	3,059	0.99
Call money	–	–	–	–	–	–
Borrowed money	–	–	–	–	–	–

Note: Amounts in [ ] indicate the average balance or interest of borrowed funds between the Domestic division and the International division, and the total is presented in net.

Total

(Millions of yen)

For the years ended March 31	2009 Average balance	2009 Interest	2009 Yield (%)	2010 Average balance	2010 Interest	2010 Yield (%)
Investment accounts	¥1,360,968	¥22,044	1.61%	¥1,466,184	¥23,389	1.59%
Of which, loans	400,014	9,293	2.32	533,070	11,960	2.24
Securities	726,493	10,452	1.43	820,038	10,930	1.33
Call loans	219,992	2,021	0.91	35,067	86	0.24
Due from banks	3,264	7	0.23	58,093	53	0.09
Monetary claims purchased	5,947	230	3.87	14,177	356	2.51
Financing accounts	1,300,864	15,397	1.18	1,397,657	10,351	0.74
Of which, deposits	1,286,361	14,503	1.12	1,375,926	8,535	0.62
Call money	12,989	58	0.45	21,487	31	0.14
Borrowed money	1,506	38	2.52	2,000	50	2.52

Note: In the investment accounts, the average balance of non-interest-bearing deposits (¥7,327 million—FY2008, ¥1,785 million—FY2009) is excluded. In the financing accounts, the average balance of funds for investing monetary trusts (Not applicable—FY2008, ¥1,773 million—FY2009) and the estimated interest expenses on monetary trusts (Not applicable—FY2008, ¥11 million—FY2009) are excluded respectively.

Interest spread

For the years ended March 31	2009 Domestic division	2009 International division	2009 Total	2010 Domestic division	2010 International division	2010 Total
						%
Yield on investment	1.33%	2.57%	1.61%	1.42%	1.93%	1.59%
Yield on financing	0.76	2.84	1.18	0.65	0.99	0.74
Interest spread	0.56	(0.26)	0.43	0.76	0.94	0.85

Interest income and interest expenses

Domestic division

(Millions of yen)

For the years ended March 31	2009 Increase (decrease) due to balance	2009 Increase (decrease) due to yield	2009 Net increase (decrease)	2010 Increase (decrease) due to balance	2010 Increase (decrease) due to yield	2010 Net increase (decrease)
Interest income	¥4,846	¥ (604)	¥4,241	¥ 899	¥ 1,125	¥ 2,025
Of which, loans	1,896	349	2,245	3,088	(425)	2,663
Securities	2,287	(32)	2,255	460	8	468
Call loans	23	(162)	(138)	(1,040)	(103)	(1,143)
Due from banks	(0)	0	(0)	131	(85)	45
Monetary claims purchased	(36)	–	(36)	–	–	–
Interest expenses	2,262	1,117	3,380	543	(1,223)	(679)
Of which, deposits	1,774	1,022	2,797	288	(1,900)	(1,612)
Call money	(59)	(15)	(74)	38	(65)	(27)
Borrowed money	38	–	38	12	–	12

International division

(Millions of yen)

For the years ended March 31	2009 Increase (decrease) due to balance	2009 Increase (decrease) due to yield	2009 Net increase (decrease)	2010 Increase (decrease) due to balance	2010 Increase (decrease) due to yield	2010 Net increase (decrease)
Interest income	¥3,363	¥(2,361)	¥1,001	¥1,545	¥(2,215)	¥ (670)
Of which, loans	2	0	2	3	0	3
Securities	1,552	(675)	876	1,208	(1,199)	8
Call loans	(295)	(191)	(487)	(448)	(342)	(791)
Due from banks	–	–	–	–	–	–
Monetary claims purchased	–	230	230	319	(193)	126
Interest expenses	3,509	(3,186)	322	1,359	(5,715)	(4,356)
Of which, deposits	3,507	(3,181)	326	1,359	(5,715)	(4,356)
Call money	–	–	–	–	–	–
Borrowed money	–	–	–	–	–	–

Total

(Millions of yen)

For the years ended March 31	2009 Increase (decrease) due to balance	2009 Increase (decrease) due to yield	2009 Net increase (decrease)	2010 Increase (decrease) due to balance	2010 Increase (decrease) due to yield	2010 Net increase (decrease)
Interest income	¥7,073	¥(2,182)	¥4,891	¥ 1,704	¥ (359)	¥ 1,344
Of which, loans	1,898	349	2,248	3,091	(424)	2,666
Securities	5,408	(2,277)	3,131	1,345	(868)	477
Call loans	(32)	(593)	(626)	(1,698)	(235)	(1,934)
Due from banks	(0)	0	(0)	131	(85)	45
Monetary claims purchased	452	(259)	193	319	(193)	126
Interest expenses	4,923	(1,573)	3,350	1,145	(6,191)	(5,046)
Of which, deposits	4,885	(1,761)	3,123	1,009	(6,978)	(5,968)
Call money	(59)	(15)	(74)	38	(65)	(27)
Borrowed money	38	–	38	12	–	12

Note: Where the reason for increase or decrease is overlapping between "due to balance" and "due to yield," the amount of increase or decrease is included in "due to yield."

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General and administrative expenses

(Millions of yen)

For the years ended March 31	2009	2010
Salaries	¥ 1,742	¥ 2,134
Employee retirement benefits	63	80
Fringe benefit expenses	197	245
Depreciation and amortization	809	929
Leases on land, buildings and machinery	620	1,144
Maintenance fees	1,771	1,872
Repairs and utilities	8	50
Supplies expenses	139	163
Heat, light and water	31	28
Travel expenses	3	2
Communication expenses	626	665
Advertising expenses	807	755
Membership fees, donations and social expenses	14	18
Outsourcing	1,883	1,577
Taxes and public dues	516	519
Deposit insurance	587	831
Other	484	656
Total	¥10,309	¥11,675

Fair Value Information

Besides “securities” in the balance sheets, “commercial paper” in monetary claims purchased is included.

Fair value information on securities

Trading-purpose securities

Not applicable

Held-to-maturity bonds

(Millions of yen)

As of March 31	2009				
	Balance sheet amount	Fair value	Difference	Difference of which, gain	Difference of which, loss
Japanese government bonds	¥19,916	¥20,396	¥479	¥479	¥ –
Japanese corporate bonds	1,895	1,906	11	21	10
Total	¥21,812	¥22,303	¥490	¥501	¥10

As of March 31	Balance sheet amount	Fair value	Difference
			(Millions of yen)
			2010
Held-to-maturity bonds of which fair value exceeds balance sheet amount			
Japanese government bonds	¥13,925	¥14,472	¥547
Japanese corporate bonds	1,774	1,806	32
Subtotal	15,699	16,278	579
Held-to-maturity bonds of which fair value does not exceed non-consolidated balance sheet amount			
Japanese government bonds	–	–	–
Japanese corporate bonds	–	–	–
Subtotal	–	–	–
Total	¥15,699	¥16,278	¥579

Notes: 1. Fair value is based upon the value measured at the year-end.
2. "Difference" consists of "Difference of which, gain" and "Difference of which, loss" as of March 31, 2009.
3. The table includes only held-to-maturity bonds with fair market value as of March 31, 2009.

Available-for-sale securities

As of March 31	Acquisition cost	Balance sheet amount	Unrealized gain (loss)	Unrealized gain	Unrealized loss
					(Millions of yen)
					2009
Bond	¥577,109	¥575,194	¥ (1,915)	¥2,419	¥ 4,334
Japanese government bonds	270,860	268,431	(2,428)	1,187	3,615
Japanese municipal bonds	5,318	5,305	(13)	–	13
Japanese corporate bonds	300,930	301,457	526	1,232	705
Other	250,864	237,331	(13,532)	561	14,094
Foreign bonds	227,356	215,319	(12,036)	560	12,597
Other	23,507	22,011	(1,495)	1	1,496
Total	¥827,973	¥812,525	¥(15,447)	¥2,981	¥18,428

As of March 31	Balance sheet amount	Acquisition cost	Unrealized gain (loss)
			(Millions of yen)
			2010
Available-for-sale securities of which balance sheet amount exceeds acquisition cost			
Bond	¥442,004	¥438,352	¥ 3,651
Japanese government bonds	167,410	166,255	1,154
Japanese municipal bonds	5,364	5,302	62
Japanese corporate bonds	269,229	266,795	2,434
Other	159,152	155,279	3,873
Foreign bonds	156,262	152,993	3,269
Other	2,890	2,286	604
Subtotal	601,157	593,631	7,525
Available-for-sale securities of which balance sheet amount does not exceed acquisition cost			
Bond	139,241	142,557	(3,316)
Japanese government bonds	82,181	85,342	(3,161)
Japanese municipal bonds	1,685	1,688	(2)
Japanese corporate bonds	55,374	55,526	(152)
Other	124,328	126,888	(2,560)
Foreign bonds	115,099	116,550	(1,450)
Other	9,228	10,338	(1,109)
Subtotal	263,569	269,446	(5,876)
Total	¥864,727	¥863,078	¥ 1,648

Notes: 1. Fair value is based upon the value measured at the year-end.
2. "Unrealized gain (loss)" consists of "Unrealized gain" and "Unrealized loss" as of March 31, 2009.
3. The table includes only available-for-sale bonds with fair market value as of March 31, 2009.

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Securities without fair market value

As of March 31	2009	2010
	Balance sheet amount	
Stocks of subsidiaries and affiliated companies		
Stocks of subsidiaries	¥3,000	¥3,000
Available-for-sale securities		
Investment trusts	2,000	–

(Millions of yen)

Fair value information on monetary trusts

As of March 31, 2009

Not applicable

(Millions of yen)

As of March 31	2010 Balance sheet amount	Acquisition cost	Difference	Of which, balance sheet amount exceeds acquisition cost	Of which, balance sheet amount does not exceed acquisition cost
Other monetary trusts	¥10,750	¥10,750	¥–	¥–	¥–

Note: "Difference" consists of "Of which, balance sheet amount exceeds acquisition cost" and "Of which, balance sheet amount does not exceed acquisition cost."

Fair value information on derivatives

Interest rate derivatives

[For the year ended March 31, 2009]

(Millions of yen)

As of March 31 Category	Type	2009 Notional amount	Fair value	Valuation gains (losses)
OTC:	Interest rate swaps			
	Fixed rate receive/Floating rate pay	¥ 32,820	¥ 375	¥ 375
	Floating rate receive/Fixed rate pay	137,044	(5,114)	(5,114)
Total		¥ –	¥(4,738)	¥(4,738)

Notes: 1. The above transactions are evaluated at fair market value, and valuation gains (losses) are recorded in the statements of income.
The above table excludes derivatives for which hedge accounting is applied in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of Japanese Institute of Certified Public Accountants No. 24).
2. Fair market value is calculated using discounted present value.

[For the year ended March 31, 2010]

Derivatives for which hedge accounting is not applied

(Millions of yen)

As of March 31 Category	Type	2010 Notional amount	Notional amount over 1 year	Fair value	Valuation gains (losses)
OTC:	Interest rate swaps				
	Fixed rate receive/Floating rate pay	¥32,820	¥32,820	¥ 433	¥ 433
	Floating rate receive/Fixed rate pay	20,000	20,000	(634)	(634)
Total		¥ –	¥ –	¥(200)	¥(200)

Notes: 1. The above transactions are evaluated at fair market value, and valuation gains (losses) are recorded in the statements of income.
2. Fair market value is calculated using discounted present value.

Derivatives for which hedge accounting is applied

(Millions of yen)

As of March 31 Method	Type	Hedged item	2010 Notional amount	2010 Notional amount over 1 year	2010 Fair value
Deferred hedge accounting	Interest rate swaps Fixed rate receive/ Floating rate pay	Loans	¥164,970	¥164,592	¥(2,301)
Fair value hedge accounting	Interest rate swaps Floating rate receive/ Fixed rate pay	Available-for-sale securities (bonds)	160,791	140,398	(7,121)
Total			¥ –	¥ –	¥(9,422)

Notes: 1. The above table includes derivatives for which deferred hedge accounting is applied in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of Japanese Institute of Certified Public Accountants No. 24) and derivatives for which fair value accounting is applied.
2. Fair market value is calculated using discounted present value.

Currency derivatives

[For the year ended March 31, 2009]

(Millions of yen)

As of March 31 Category	Type	2009 Notional amount	2009 Fair value	2009 Valuation gains (losses)
OTC:	Currency swaps	¥ 1,791	¥ (11)	¥ (11)
	Forward foreign exchanges			
	Sold	115,880	(1,053)	(1,053)
	Bought	268,513	4,716	4,716
	Foreign exchange margin transactions			
	Sold	15,668	451	451
	Bought	14,009	393	393
	Currency options			
	Sold	404	(13)	(5)
	Bought	–	–	–
Total		¥ –	¥ 4,482	¥ 4,490

Notes: 1. The above transactions are evaluated at fair market value, and valuation gains (losses) are recorded in the statements of income.
The above table excludes currency swaps for which hedge accounting is applied.
2. Fair market value is calculated using the discounted present value or the option pricing model.

[For the year ended March 31, 2010]

Derivatives for which hedge accounting is not applied

(Millions of yen)

As of March 31 Category	Type	2010 Notional amount	2010 Notional amount over 1 year	2010 Fair value	2010 Valuation gains (losses)
OTC:	Forward foreign exchanges				
	Sold	¥ 58,692	¥–	¥ (62)	¥ (62)
	Bought	170,793	–	4,197	4,197
	Foreign exchange margin transactions				
	Sold	32,680	–	503	503
	Bought	13,818	–	346	346
	Currency options				
	Sold	406	–	(10)	(5)
	Bought	–	–	–	–
Total		¥ –	¥–	¥4,974	¥4,980

Notes: 1. The above transactions are evaluated at fair market value, and valuation gains (losses) are recorded in the statements of income.
2. Fair market value is calculated using the discounted present value or the option pricing model.

Derivatives for which hedge accounting is applied

(Millions of yen)

As of March 31 Method	Type	Hedged item	2010 Notional amount	2010 Notional amount over 1 year	2010 Fair value
Fair value hedge accounting	Currency swaps	Available-for-sale securities (bonds) . . .	¥45,651	¥32,300	¥1,897
Total . . .			¥ –	¥ –	¥1,897

Notes: 1. Fair value hedge accounting is mainly applied.
2. Fair market value is calculated using discounted present value.

Credit derivatives

[For the year ended March 31, 2009]

(Millions of yen)

As of March 31 Category	Type	2009 Notional amount	2009 Fair value	2009 Valuation gains (losses)
OTC:	Credit default options			
	Sold . . .	¥ 981	¥ (223)	¥ (223)
	Bought . . .	10,837	1,135	1,135
Total . . .		¥ –	¥ 912	¥ 912

Notes: 1. The above transactions are evaluated at fair market value, and valuation gains (losses) are recorded in the statements of income.
2. Fair market value is calculated using the discounted present value.
3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

[For the year ended March 31, 2010]

Derivatives for which hedge accounting is not applied

(Millions of yen)

As of March 31 Category	Type	2010 Notional amount	2010 Notional amount over 1 year	2010 Fair value	2010 Valuation gains (losses)
OTC:	Credit default options				
	Sold . . .	¥ 932	¥ 932	¥(100)	¥(100)
	Bought . . .	9,564	6,138	66	66
Total . . .		¥ –	¥ –	¥ (33)	¥ (33)

Notes: 1. The above transactions are evaluated at fair market value, and valuation gains (losses) are recorded in the statements of income.
2. Fair market values are calculated using the discounted present value and other methods.
3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

Derivatives for which hedge accounting is applied

Not applicable

Performance Indicators of Sony Bank (Non-consolidated)

Key Performance Indicators

(Millions of yen)

For the years ended March 31	2006	2007	2008	2009	2010
Ordinary revenues	¥ 17,225	¥ 19,470	¥ 25,988	¥ 33,361	¥ 30,500
Ordinary profit	2,228	1,354	2,746	414	2,930
Net (loss) income	3,258	1,023	4,492	(710)	1,646
Common stock	25,000	25,000	25,000	31,000	31,000
Number of shares issued and outstanding (shares)	500,000	500,000	500,000	620,000	620,000
Net assets	34,715	36,878	35,712	46,264	58,989
Total assets	754,768	806,848	1,211,000	1,411,956	1,612,186
Deposits	599,952	752,366	1,144,398	1,326,360	1,510,051
Loans	239,467	284,712	347,065	477,072	586,654
Securities	449,549	381,234	488,777	823,174	880,133
Non-consolidated capital adequacy ratio	9.24%	11.49%	9.15%	13.37%	12.09%
Dividend payout ratio	–	–	–	–	–
Number of employees	120	152	165	205	241

Status of Operation (Deposits)

Average and year-end balance of deposits by category

Average balance

(Millions of yen)

	2009			2010		
For the years ended March 31	Domestic division	International division	Total	Domestic division	International division	Total
Floating deposits	¥ 255,515	¥ 82,655	¥ 338,170	¥ 275,173	¥121,743	¥ 396,916
Time and saving deposits	770,044	178,108	948,153	792,147	186,805	978,953
Other deposits	36	0	37	49	7	57
Total	¥1,025,596	¥260,764	¥1,286,361	¥1,067,370	¥308,555	¥1,375,926

Year-end balance

(Millions of yen)

	2009			2010		
As of March 31	Domestic division	International division	Total	Domestic division	International division	Total
Floating deposits	¥ 280,297	¥ 99,097	¥ 379,395	¥ 278,492	¥132,431	¥ 410,923
Time and saving deposits	763,161	183,781	946,942	905,362	193,756	1,099,119
Other deposits	22	–	22	9	–	9
Total	¥1,043,481	¥282,879	¥1,326,360	¥1,183,864	¥326,187	¥1,510,051

Note: Floating deposits of the Domestic division include deposits from the parent company and its subsidiaries in the amount of ¥1,045 million and ¥756 million as of March 31, 2009 and 2010, respectively.

Balance of time deposit by remaining period

(Millions of yen)

As of March 31	2009 Fixed rate time deposits	2009 Floating rate time deposits	2009 Total	2010 Fixed rate time deposits	2010 Floating rate time deposits	2010 Total
Less than 3 months	¥324,922	¥–	¥324,922	¥ 278,701	¥–	¥ 278,701
3 months or more, less than 6 months	272,477	–	272,477	280,529	–	280,529
6 months or more, less than 1 year	261,450	–	261,450	443,960	–	443,960
1 year or more, less than 2 years	27,061	–	27,061	23,846	–	23,846
2 years or more, less than 3 years	18,746	–	18,746	13,915	–	13,915
3 years or more	18,912	–	18,912	25,447	–	25,447
Total	¥923,570	¥–	¥923,570	¥1,066,400	¥–	¥1,066,400

Note: The table above does not include thrift saving deposits.

Status of Operating (Loans)

Average and year-end balance of loans by category

Average balance

(Millions of yen)

For the years ended March 31	2009 Domestic division	2009 International division	2009 Total	2010 Domestic division	2010 International division	2010 Total
Loans on bills	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Loans on deeds	391,745	476	392,221	524,443	616	525,060
Overdrafts	7,792	–	7,792	8,010	0	8,010
Bills discounted	–	–	–	–	–	–
Total	¥399,537	¥476	¥400,014	¥532,454	¥616	¥533,070

Year-end balance

(Millions of yen)

As of March 31	2009 Domestic division	2009 International division	2009 Total	2010 Domestic division	2010 International division	2010 Total
Loans on bills	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Loans on deeds	468,420	555	468,975	577,756	698	578,454
Overdrafts	8,096	–	8,096	8,198	0	8,199
Bills discounted	–	–	–	–	–	–
Total	¥476,517	¥555	¥477,072	¥585,954	¥699	¥586,654

Balance of loans by remaining period

(Millions of yen)

As of March 31	2009 Fixed interest rates	2009 Floating interest rates	2009 Total
Less than 1 year	¥ 25	¥ 8,151	¥ 8,176
Over 1 year, not exceeding 3 years	439	402	842
Over 3 years, not exceeding 5 years	1,273	1,164	2,437
Over 5 years, not exceeding 7 years	2,100	2,121	4,221
Over 7 years	233,727	227,666	461,394
Total	¥237,565	¥239,506	¥477,072

(Millions of yen)

As of March 31	2010 Fixed interest rates	2010 Floating interest rates	2010 Total
Less than 1 year	¥ 39	¥ 8,244	¥ 8,283
Over 1 year, not exceeding 3 years	507	7,306	7,814
Over 3 years, not exceeding 5 years	1,798	12,760	14,559
Over 5 years, not exceeding 7 years	2,576	6,343	8,920
Over 7 years, not exceeding 10 years	6,575	6,575	13,151
Over 10 years	292,296	241,627	533,924
Total	¥303,794	¥282,859	¥586,654

Balance of loans by collateral

(Millions of yen)

As of March 31	2009	2010
Pledged deposits at Sony Bank	¥ –	¥ –
Pledged securities	–	–
Pledged receivables	–	–
Pledged merchandise	–	–
Pledged real estate	371,485	436,805
Pledged superior obligation	–	–
Other	–	–
Subtotal	371,485	436,805
Guaranteed	19,586	13,975
Credit	86,001	135,873
Total	¥477,072	¥586,654

Deposit-loan ratio: year-end and annual average

%

For the years ended March 31	2009 Domestic division	2009 International division	2009 Total	2010 Domestic division	2010 International division	2010 Total
At the year-end	45.66%	0.19%	35.96%	49.49%	0.21%	38.84%
Annual average	38.95	0.18	31.09	49.88	0.19	38.74

Note: Deposit-loan ratio = $\frac{\text{Loan balance at year-end (annual average)}}{\text{Deposit balance at year-end (annual average)}} \times 100$

Allowance for loan losses: balance at the year-end and increase/decrease during the year

(Millions of yen)

For the years ended March 31	2009	2010
Allowance for loan losses balance at the year-end	¥456	¥807
Allowance for loan losses increase (decrease) during the year	203	350

Write-off loans

(Millions of yen)

For the years ended March 31	2009	2010
Total	¥0	¥–

Status of Operation (Securities)

Besides "securities" in the balance sheets, "commercial paper" in monetary claims purchased is included.

Average balance of securities under proprietary accounts by category

Not applicable

Balance of securities by category and remaining period

(Millions of yen)

2009 As of March 31	Less than 1 year	Over 1 year, not exceeding 3 years	Over 3 years, not exceeding 5 years	Over 5 years, not exceeding 7 years	Over 7 years, not exceeding 10 years	Over 10 years	Unspecified term	Total
Japanese government bonds	¥ 57,240	¥ 80,343	¥ 25,374	¥ –	¥ 9,944	¥115,445	¥ –	¥288,348
Japanese municipal bonds	–	3,193	–	–	2,112	–	–	5,305
Japanese corporate bonds	40,219	178,610	80,760	2,865	–	896	–	303,353
Japanese stocks	–	–	–	–	–	–	3,000	3,000
Other securities	65,887	107,281	52,959	3,239	2,115	–	7,848	239,331
Of which, foreign bonds	49,723	107,281	52,959	3,239	2,115	–	–	215,319
Other	16,163	–	–	–	–	–	7,848	24,011
Total	¥163,348	¥369,428	¥159,093	¥6,105	¥14,171	¥116,342	¥10,848	¥839,338

(Millions of yen)

2010 As of March 31	Less than 1 year	Over 1 year, not exceeding 3 years	Over 3 years, not exceeding 5 years	Over 5 years, not exceeding 7 years	Over 7 years, not exceeding 10 years	Over 10 years	Unspecified term	Total
Japanese government bonds	¥ 59,230	¥ 42,003	¥ 32,555	¥ 2,005	¥25,440	¥102,282	¥ –	¥263,516
Japanese municipal bonds	–	3,223	–	3,827	–	–	–	7,050
Japanese corporate bonds	107,901	179,309	33,118	4,206	1,066	774	–	326,378
Japanese stocks	–	–	–	–	–	–	3,000	3,000
Other securities	42,796	132,324	75,329	16,692	7,511	–	8,826	283,481
Of which, foreign bonds	39,503	132,324	75,329	16,692	7,511	–	–	271,361
Other	3,292	–	–	–	–	–	8,826	12,119
Total	¥209,927	¥356,861	¥141,004	¥26,731	¥34,018	¥103,057	¥11,826	¥883,426

Average and the year-end balance of securities by category

Average balance

(Millions of yen)

	2009			2010		
For the years ended March 31	Domestic division	International division	Total	Domestic division	International division	Total
Japanese government bonds	¥292,393	¥ –	¥292,393	¥263,976	¥ –	¥263,976
Japanese municipal bonds	649	–	649	6,166	–	6,166
Short-term corporate bonds	668	–	668	–	–	–
Japanese corporate bonds	222,947	–	222,947	301,682	–	301,682
Japanese stocks	3,000	–	3,000	3,000	–	3,000
Other securities	11,294	201,489	212,783	9,304	250,086	259,391
Of which, foreign bonds	–	195,541	195,541	–	235,908	235,908
Other	11,294	5,947	17,241	9,304	14,177	23,482
Total	¥530,951	¥201,489	¥732,441	¥584,129	¥250,086	¥834,216

Year-end balance

(Millions of yen)

As of March 31	2009 Domestic division	2009 International division	2009 Total	2010 Domestic division	2010 International division	2010 Total
Japanese government bonds	¥288,348	¥ –	¥288,348	¥263,516	¥ –	¥263,516
Japanese municipal bonds	5,305	–	5,305	7,050	–	7,050
Short-term corporate bonds	–	–	–	–	–	–
Japanese corporate bonds	303,353	–	303,353	326,378	–	326,378
Japanese stocks	3,000	–	3,000	3,000	–	3,000
Other securities	7,848	231,483	239,331	8,826	274,654	283,481
Of which, foreign bonds	–	215,319	215,319	–	271,361	271,361
Other	7,848	16,163	24,011	8,826	3,292	12,119
Total	¥607,854	¥231,483	¥839,338	¥608,772	¥274,654	¥883,426

Deposit-securities ratio: year-end and annual average

%

For the years ended March 31	2009 Domestic division	2009 International division	2009 Total	2010 Domestic division	2010 International division	2010 Total
At the year-end	58.25%	76.11%	62.06%	51.42%	83.19%	58.28%
Annual average	51.77	74.98	56.47	54.72	76.45	59.59

Note: Deposit-securities ratio = $\frac{\text{Securities balance at the year-end (annual average)}}{\text{Deposit balance at the year-end (annual average)}} \times 100$

Glossary (in Alphabetical Order)

A

Assumed interest rate (life and non-life insurance)

- Insurance companies anticipate a certain return on invested assets in advance and discount insurance premiums only by this amount. This discount is called the assumed interest rate.

B

Bank sales of insurance products (life and non-life insurance, banking)

- A bank serves as an insurance agency to solicit insurance. There were previously restrictions on what products could be sold, but these restrictions were abolished on December 22, 2007, and banks can now sell a variety of insurance products.

Benefits (life insurance)

- Money paid by an insurance company to a beneficiary in the event of hospitalization, surgery, or others involving the insured.

C

Capital adequacy ratio (banking)

- An indicator of whether a bank has enough capital, including common stock, versus credit risk assets (of total assets, those which could become non-performing).

  If a bank is unable to recover a large amount of loans, it can draw on capital and write off these loans. A sharp decrease in capital creates difficulties in bank management.

  Capital adequacy ratio regulations ensure that banks are soundly managed by keeping the capital adequacy ratio above a certain level. This ratio is therefore an important indicator to show financial soundness.

Combined ratio (non-life insurance)

- The sum of an insurance company's net loss ratio and net expense ratio. Indicates an insurance company's efficiency based on income and payments.

Compulsory automobile liability insurance (non-life insurance)

- Compulsory automobile liability insurance is legally required for all vehicles and provides protection for victims of traffic accidents resulting in injury or death. Compulsory automobile liability mutual aid is similar. With compulsory automobile liability insurance (mutual aid), indemnity payments per person per accident are capped at ¥30 million for death, ¥40 million for serious residual disability, and ¥1.2 million for injury. It should be noted that benefits are not paid for vehicle or property damage.

Contingency reserve (life and non-life insurance)

- Reserve to prepare for abnormal payments in the future resulting from various factors, including insurance risk and assumed interest rate risk. Insurance companies list contingency reserve at every account closing as one component of policy reserves in the financial statements.

Core profit (life insurance)

- An indicator of profits in the primary insurance business over a one-year period. It is derived by subtracting from ordinary profit any profits earned from operations other than the primary insurance business, including profits from the sale of assets owned by the insurance company. Profit categories subtracted from ordinary profit include gains and losses on the sale of securities and one-time gains and losses.

D

Direct premium income (non-life insurance)

- Premiums received by insurance companies based on direct insurance policies.

Direct premiums written (non-life insurance)

- Premiums received from policyholders, calculated by subtracting various refunds (excluding maturity refunds) from direct premium income (gross).

E

Embedded value (life insurance)

- An indicator of the corporate value of a life insurance company. For details, see pages 44 to 55.

Endowment insurance (life insurance)

- Endowment insurance entitles a beneficiary to receive death or serious injury benefits upon the death or serious injury of the insured within an insurance period specified when the policy is purchased, or to receive maturity benefits upon policy maturity.

Expense ratio (non-life insurance)

- The ratio of expenses for soliciting, maintaining, and managing insurance to insurance premiums. Used as an indicator of business efficiency at insurance companies. The ratio is normally derived by adding operating, general, and administrative expenses related to insurance underwriting to net commissions and brokerage fees, and then dividing by net premiums written.

F

Financial products intermediary service (banking)

- Service in which a bank is entrusted by a securities company to open general securities accounts for customers, solicit trading orders for stocks, foreign bonds, and other securities, and pass applications to the securities company partner.

G

General accounts (life insurance)

- Accounts for managing financial assets not included in separate accounts. This account guarantees policyholders a certain assumed interest rate.

Gross operating profit (banking)

- Gross operating profit is the total income from the four components of banking services income: net interest income, net fees and commissions, net trading income, and net other operating income. Equivalent to gross profit (sales minus purchases) and an indicator of the amount of profits a bank generates from its main services. Sony Bank does not currently generate net trading income.

Group credit life insurance (life insurance)

- Insurance provided to mortgage loan borrowers and other debtors. Upon death of the insured, the creditor will be paid death benefits equivalent to the loan balance at that time, thereby paying off the loan.

I

Individual annuities (life insurance)

- Policyholders are eligible for receiving annuity payments from funds accumulated by paid insurance premiums at a certain age prescribed in the policy. There are a variety of types depending on the period for receiving the annuity, structure of the annuity, method for paying premiums, and death protection prior to receiving the annuity.

Insurance Act (life insurance, non-life insurance)

- Previously, rules concerning insurance policies were stipulated in the Insurance Chapter of the Commercial Code, which was enacted in 1899. In April 2010, the Insurance Act entered into force as a new law independent of the Commercial Code. Because no substantive amendments to rules concerning insurance policies in the Commercial Code had been made for over a century, the Insurance Act contains substantial changes from the standpoint of protecting policyholders and others. In addition, the Act has been written in language reflecting modern usage, among other revisions.

Insurance Business Law (life and non-life insurance)

- Insurance business has a public aspect and the Insurance Business Law, as noted in Article 1, is intended to protect policyholders and contribute to stable lives of citizens and to sound national economic development by ensuring sound and appropriate business practices and fair insurance solicitation.

Insurance claims (life and non-life insurance)

- Money paid by an insurance company to the insured upon the death or serious injury of the insured or policy maturity in the case of life insurance; upon damage caused by a compensation event according to the insurance policy in the case of non-life insurance; and upon hospitalization or surgery of the insured in the case of third-sector insurance.

Insurance premiums (life and non-life insurance)

- Money paid by policyholders to an insurance company based on the insurance policy. Even after submitting an insurance policy application, no protection or compensation is provided unless premiums are paid.

Insured (life and non-life insurance)

- A person who receives insurance protection and compensation or a person who has insurance coverage for their life, illness, or injury. This can be the same or different person from the policyholder.

L

Lapse (life insurance)

- Life insurance policies require that premiums continue to be paid until a certain date, according to the payment method, to remain effective. If a policyholder stops paying premiums, the policy will lapse after a payment grace period (a lapsed policy no longer provides protection), and the policyholder will be not eligible to receive benefits.

Lapse and surrender rate (life insurance)

- Lapse and surrender rate is the ratio of lapses and surrenders to policies in force.

Loss adjustment expenses (non-life insurance)

- Expenses incurred by an insurance company in examining an insured event. These include personnel and non-personnel expenses.

Loss ratio (non-life insurance)

- The ratio of insurance claims paid to premium income. Used in analyzing the business of an insurance company and in calculating insurance premium rates. The net loss ratio is the ratio derived by adding loss adjustment expenses to net losses paid, then dividing by net premiums written.

Losses on the disposal of fixed assets (life and non-life insurance, banking)

- In the sale of assets other than securities, including real estate and movable assets, should the sale price be lower than the total of carrying amount and transfer costs, the difference is recorded as a loss. This item also includes the retirement of assets other than securities through demolition or other means, losses caused by disaster or theft, and losses on the transfer of receivables, including loans to debtor countries.

M

Medical insurance (life and non-life insurance)

- Medical insurance provides policyholders with hospitalization and surgical benefits in the event of hospitalization or surgery due to illness or injury.

N

Negative spread (life insurance)

- A negative spread occurs when the investment of assets by an insurance company yields an actual return that is lower than the assumed interest rate.

Net fees and commissions (banking)

- Fees and commissions charged for providing services. These refer to income generated by providing services, such as bank transfer fees and investment trust sales commissions, less the costs associated with providing these services.

Net interest income (banking)

- Net interest income accounts for the largest percentage of the four income components of gross operating profit. Banks generally use the deposits received from individuals and the funds raised in interbank markets to provide loans to individuals and companies and to invest in securities. Net interest income is the difference between the total interest received from loans and other items (interest income) and the total interest paid for deposits and other items (interest expenses). Net interest income is affected by changes in interest rates (e.g., if deposit interest rates rise while loan interest rates stay the same, net interest income will decrease), and by deposit and loan balances.

Net other operating income (banking)

- Net other operating income is derived from services other than the primary banking services income categories of net interest income, net fees and commissions, and net trading income. One example is buying and selling in dollars and other foreign currencies. In this case, after purchasing foreign currency at a certain price, any gain from subsequent sale at a price higher than the purchase price would be recorded in other operating income, and any loss from subsequent sale at a price lower than the purchase price would be recorded in other operating expenses.

Net premiums written (non-life insurance)

- Premiums received directly from policyholders (direct premiums written), adjusting for reinsurance premiums (subtracting direct reinsurance premiums paid and adding direct reinsurance premiums received), and subtracting deposits of premiums.

Non-performing assets (life and non-life insurance, banking)

- Non-performing assets are claims against parties in bankruptcy, claims against parties in effective bankruptcy due to poor business or other reasons, and claims against parties at risk of bankruptcy. Non-performing assets also include loans for which principal or interest payments are past due by three months or more, and loans for which repayment on initial terms is impossible and interest has been reduced or exempted and the repayment of principal has been extended.

O

Operating expenses (life and non-life insurance)

- The practical expenses of insurance companies. Similar to the selling, general, and administrative expenses of general business corporations. Life insurance companies record the expenses required for soliciting new policies, maintaining policies in force, and paying claims and other items. Non-life insurance companies use the general categories of loss adjustment expenses; operating, general, and administrative expenses; and net commissions and brokerage fees.

P

Policy amount in force (life insurance)

- Total amount of protection provided by life insurance companies to individual policyholders. This is different from the total amount of premiums paid by policyholders (premium income).

Policy reserves (life and non-life insurance)

- Reserves that insurance companies accumulate in advance, funded by premiums, investment income, and other sources, to prepare for future liabilities resulting from insurance policies, including payments of claims, annuities, and benefits. Policy reserves include ordinary policy reserves, catastrophe reserve, contingency reserve, refund reserve, and reserve for policyholders' dividends.

Policy reserves and others (life and non-life insurance)

- Reserves recorded in the liabilities section of the balance sheets for which insurance companies are required in the Insurance Business Law to accumulate to prepare for the payment of future claims and other items to fulfill their obligations for paying claims and other actions based on insurance policies. Policy reserves and others include reserves for outstanding claims, policy reserves, and reserve for policyholders' dividends.

Policyholder (life and non-life insurance)

- A person that signs up for an insurance policy with an insurance company and has various rights (e.g., request of changes in the policy details) and obligations (e.g., payment of premiums) based on the policy.

Policyholder loans (life insurance)

- Loans provided up to a certain level of the surrender payment on life insurance policies.

  In general, policyholders retain insurance protection and rights to receive dividends during the period of the policyholder loan. However, policyholder loans may not be available depending on the type of insurance.

R

Reinsurance (life and non-life insurance)

- The insurance agreement that insurance companies conclude with domestic and overseas reinsurance companies for some of the insurance policies they underwrite, mainly large ones, in order to diversify risks on insurance policies.

Reserve for outstanding claims (life and non-life insurance)

- Reserve for the estimated amount of unfixed insurance payments and unpaid insurance claims at the end of the fiscal year, among payment obligations for insurance claims, surrender value, and other benefits.

Reserve for price fluctuations (life and non-life insurance)

- This reserve is set aside to prepare for losses caused by price fluctuations in stocks, bonds and other assets held by an insurance company.

Riders (life and non-life insurance)

- Riders can enlarge the scope of protection in the primary policy by adding provisions to the primary coverage. Riders do not constitute a policy by themselves. Multiple riders can be added to the primary policy. Riders are canceled when the primary policy is canceled due to maturity, surrender, or other reasons.

Risk segmented automobile insurance (non-life insurance)

- Automobile insurance that segments the risk factors on which insurance premium calculations are based. The Insurance Business Law Enforcement Regulations recognized nine risk segment categories: age, sex, driving history, purpose of use, conditions of use, region, vehicle model, presence of safety equipment, and number of vehicles owned.

S

Separate accounts (life insurance)

- Separate accounts are used for variable life insurance, variable annuities, and other insurance products to invest assets separately from the other financial assets owned by an insurance company in order to pay investment returns directly to policyholders.

Solvency margin (life and non-life insurance)

- The solvency margin indicates payment ability. Life insurance companies 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, including major disasters and substantial declines in stock prices. The solvency margin ratio is one measure used by regulatory authorities to determine whether an insurance company has the ability to pay in response to the risk of such unpredictable events. If this ratio falls below 200%, the Financial Services Agency will take steps to quickly restore financial soundness.

Surrender (life and non-life insurance)

- Cancellation of an insurance policy for the future. Surrender cancels the policy and ceases insurance protection.

Surrender payments (life and non-life insurance)

- Money refunded to the policyholder in the event that the insurance policy is surrendered or cancelled due to concealment or other reasons. Surrender payment amounts vary depending on several factors, including the type of insurance, insurance period, and years elapsed. Normally, a shorter payment period would result in a smaller amount compared with total insurance premiums paid.

T

Term insurance (life insurance)

- Term insurance entitles a beneficiary to receive benefits in the event of death or serious injury of the insured within an insurance period specified when the policy is purchased.

Third-sector insurance (life and non-life insurance)

- Third-sector insurance refers to insurance positioned between life insurance (first sector) and non-life insurance (second sector). It encompasses a variety of types of insurance, including medical insurance, cancer insurance, nursing care insurance, and personal accident insurance. Regulatory easing allowed both life and non-life insurance companies to handle all third-sector insurance products from July 2001.

U

Underwriting profits (non-life insurance)

- Underwriting profits are calculated by subtracting from underwriting income (e.g., net premiums written) any underwriting expenses (e.g., net losses paid and loss adjustment expenses) and operating, general, and administrative expenses associated with underwriting, then adding or subtracting other income and expenses (e.g., corporate taxes associated with compulsory automobile liability insurance).

V

Variable individual annuity (life insurance)

- Individual annuity product in which assets are invested mainly in stocks and bonds, and annuity and surrender payments increase or decrease depending on investment returns. The individual assumes the investment risk.

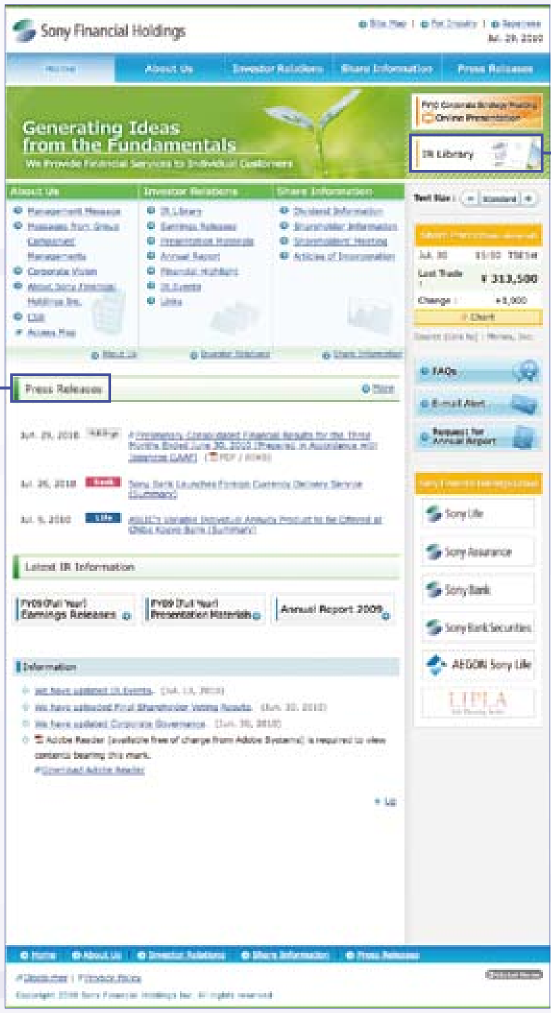
Variable life insurance (life insurance)

- Insurance product in which assets are invested mainly in stocks and bonds, and claims and surrender payments increase or decrease depending on investment returns. The individual assumes the investment risk.

SFH's Website Information

SFH actively uses its website to provide timely disclosure to promote a better understanding of SFH and the SFH Group. Please visit our website to view the variety of information.

http://www.sonyfh.co.jp/index_en.html



IR Library
IR-related materials shown below are available:
- Earnings Releases
- Presentation Materials
  - — Financial Results
  - — Corporate Strategy
  - — MCEV Results
- Annual Report

Press Releases
The latest press releases from the SFH Group are posted here.

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