



Consolidated Financial Summary  
for the Year ended March 31, 2009

May 14, 2009

Company name: Sony Financial Holdings Inc.  
(URL: [http://www.sonyfh.co.jp/index\\_en.html/](http://www.sonyfh.co.jp/index_en.html/))  
Stock exchange listings: Tokyo Stock Exchange (code number: 8729)  
Representative: Teruhisa Tokunaka, President and Representative Director  
For inquiry: Masaaki Konoo, General Manager – Corporate Communications & Investor Relations Dept.

(discarding fractional amounts of less than 1 million yen)

1. Consolidated financial results for the year ended March 31, 2009

(1) Operating results

	Ordinary Revenues		Ordinary Profit		Net Income	
	millions of yen	% change	millions of yen	% change	millions of yen	% change
For the year ended March 31, 2009	860,323	(+4.6)	34,253	(-23.0)	30,722	(+26.7)
For the year ended March 31, 2008	822,153	(+8.3)	44,500	(+142.5)	24,255	(+142.0)

	Net Income per Share	Net Income per Share (Fully Diluted)	Net Income on Stockholders' Equity	Ordinary Profit on Total Assets	Ordinary Profit on Ordinary Revenues
	yen	yen	%	%	%
For the year ended March 31, 2009	14,125.14	-	13.2	0.7	4.0
For the year ended March 31, 2008	11,357.53	-	9.2	1.0	5.4

Note: Equity in earnings(losses) of affiliates: For the year ended March 31, 2009: ¥ (173) million  
For the year ended March 31, 2008: ¥ - million

(2) Financial conditions

	Total Assets	Total Net Assets	Net Assets Ratio	Net Assets per Share
	millions of yen	millions of yen	%	yen
As of March 31, 2009	5,313,677	204,897	3.9	94,205.75
As of March 31, 2008	4,977,450	261,627	5.3	120,288.66

Notes: 1. Stockholders' equity: As of March 31, 2009: ¥ 204,897 million  
As of March 31, 2008: ¥ 261,627 million

2. Net assets ratio is computed by dividing the amount of total net assets by total assets at the end of the fiscal year.

(3) Cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of fiscal year
	millions of yen	millions of yen	millions of yen	millions of yen
For the year ended March 31, 2009	730,038	(769,813)	(4,591)	91,634
For the year ended March 31, 2008	445,452	(605,280)	22,300	136,186

## 2. Dividends

Record date	Dividend per Share					Annual Dividend Amount	Dividend Payout Ratio	Dividend on Net Assets
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
For the year ended March 31, 2008	-	0.00	-	3,000.00	3,000.00	6,525	26.4	2.5
For the year ended March 31, 2009	-	0.00	-	3,000.00	3,000.00	6,525	21.2	2.8
For the year ending March 31, 2010 (forecast)	-	0.00	-	3,000.00	3,000.00		27.2	

## 3. Forecast of consolidated financial results for the year ending March 31, 2010

(percentage figures represent changes from the results of the same period of the previous fiscal year)

	Ordinary Revenues		Ordinary Profit		Net Income		Net Income per Share
	millions of yen	% change	millions of yen	% change	millions of yen	% change	yen
For the six months ending September 30, 2009	437,000	(+4.0)	20,000	(-11.0)	10,000	(-17.9)	4,597.70
For the year ending March 31, 2010	900,000	(+4.6)	46,000	(+34.3)	24,000	(-21.9)	11,034.48

## 4. Other Information

(1) Changes in significant subsidiaries during the fiscal year (changes in specified subsidiaries accompanying changes in scope of consolidation): None

(2) Changes in significant accounting principles, policies and presentation

(a) Changes due to revision of accounting standards : Yes

(b) Changes due to other reasons : None

(Note) Refer to "Summary of Significant Accounting Policies", on page 24, for details.

(3) Number of shares outstanding (common stock)

(a) Number of shares outstanding (including treasury shares)

As of March 31, 2009: 2,175,000 shares

As of March 31, 2008: 2,175,000 shares

(b) Number of treasury shares

As of March 31, 2009: - shares

As of March 31, 2008: - shares

(Note) Refer to "Per Share Information", on page 37, for the number of shares used in calculating (consolidated) net income per share.

# Qualitative Information and Financial Statements

## I. Qualitative Information on Consolidated Operating Performance

### (1) Analysis of Operating Performance

During the year ended March 31, 2009 (April 1, 2008 through March 31, 2009), **consolidated ordinary revenues** grew 4.6% compared with the previous fiscal year, to ¥860.3 billion, owing to increases in ordinary revenues from all the businesses: life insurance, non-life insurance and banking.

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

**Consolidated ordinary expenses** increased 6.2% compared with the previous fiscal year, to ¥826.0 billion, owing to increases in ordinary expenses from all the businesses.

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

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

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

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

## (2) Segment Information by Business

### Ordinary Revenues

(Millions of yen)

	For the year ended March 31, 2008	For the year ended March 31, 2009	Change (%)
Life insurance business	741,340	766,245	+3.4
Non-life insurance business	55,649	61,882	+11.2
Banking business	25,979	33,378	+28.5
Subtotal	822,969	861,507	+4.7
Corporate and eliminations	(815)	(1,183)	—
Consolidated	822,153	860,323	+4.6

### Ordinary Profit

(Millions of yen)

	For the year ended March 31, 2008	For the year ended March 31, 2009	Change (%)
Life insurance business	39,077	32,540	-16.7
Non-life insurance business	2,817	2,178	-22.7
Banking business	2,401	(571)	—
Subtotal	44,296	34,147	-22.9
Corporate and eliminations	204	106	-48.0
Consolidated	44,500	34,253	-23.0

## (3) Consolidated Financial Forecasts for the Year Ending March 31, 2010

For the year ending March 31, 2010, we expect consolidated ordinary revenues to grow 4.6% from the actual results for the year ended March 31, 2009, to ¥900.0 billion, backed by the steady business expansion in all the businesses: life insurance, non-life insurance and banking. Associated with the expected increase in consolidated ordinary revenues, we expect consolidated ordinary profit to grow 34.3%, year on year, to ¥46.0 billion. Despite the expected increase in consolidated ordinary profit, net income is expected to decline 21.9% year on year, to ¥24.0 billion due to an expected absence of the reversal of the reserve for price fluctuations in the life insurance business, which we experienced in the year ended March 31, 2009.

(Billions of yen)

	Ordinary revenues	Ordinary profit	Net income
For the six months			
Forecast for the six months ending September 30, 2009	437.0	20.0	10.0
(Reference) Actual results for the six months ended September 30, 2008	420.0	22.4	12.1
For the full year			
Forecast for the year ending March 31, 2010	900.0	46.0	24.0
(Reference) Actual results for the year ended March 31, 2009	860.3	34.2	30.7

(Reference)

Forecasts of ordinary revenues and ordinary profit from each business for the year ending March 31, 2010, are as follows.

**<Life insurance business>**

Ordinary revenues for the year ending March 31, 2010, are expected to increase 5.5% from the year ended March 31, 2009, to ¥808.7 billion, as we expect an increase of income from insurance premiums, in line with the steady growth of policy amount in force. In addition to the expected increase in ordinary revenues, we expect an improvement in gains and losses from investment, resulting in a 33.7% year-on-year rise in ordinary profit, to ¥43.5 billion.

(Billions of yen)		
	Ordinary revenues	Ordinary profit
For the six months		
Forecast for the six months ending September 30, 2009	392.1	19.8
(Reference) Actual results for the six months ended September 30, 2008	372.1	20.0
For the full year		
Forecast for the year ending March 31, 2010	808.7	43.5
(Reference) Actual results for the year ended March 31, 2009	766.2	32.5

**<Non-life insurance business>**

Ordinary revenues for the year ending March 31, 2010 are expected to rise 5.5% from the year ended March 31, 2009, to ¥65.3 billion, as we expect steady business expansion, mainly in its mainstay automobile insurance. Despite an expected increase in ordinary revenues, ordinary profit is expected to decrease 44.9% year on year, to ¥1.2 billion due to an expected rise in the loss ratio and in the expense ratio resulting from higher system-related expenses.

(Billions of yen)		
	Ordinary revenues	Ordinary profit
For the six months		
Forecast for the six months ending September 30, 2009	32.9	0.4
(Reference) Actual results for the six months ended September 30, 2008	30.7	1.1
For the full year		
Forecast for the year ending March 31, 2010	65.3	1.2
(Reference) Actual results for the year ended March 31, 2009	61.8	2.1

**<Banking business>**

Ordinary revenues for the year ending March 31, 2010 are expected to drop 21.8% from the year ended March 31, 2009, to ¥26.1 billion, as interest income is expected to decrease, affected by worldwide reductions in interest rates, although the business is expected to expand in line with a growing balance of deposits and loans. Compared to an ordinary loss of ¥0.5 billion in the year ended March 31, 2009, an ordinary profit of ¥1.3 billion is expected for the year ending March 31, 2010, as gross operating profit is expected to grow steadily due to a decrease in interest expenses, despite an expected decline in ordinary revenues.

(Billions of yen)		
	Ordinary revenues	Ordinary profit
For the six months		
Forecast for the six months ending September 30, 2009	12.7	0.3
(Reference) Actual results for the six months ended September 30, 2008	17.7	1.1
For the full year		
Forecast for the year ending March 31, 2010	26.1	1.3
(Reference) Actual results for the year ended March 31, 2009	33.3	(0.5)

The above-mentioned consolidated forecast was made based on information currently available to us. As it is difficult to forecast future financial market conditions, we assume that interest rates, foreign exchange rates, and stock market prices will not fluctuate significantly from the levels as of March 31, 2009,

## **2. Qualitative Information on Consolidated Financial Position**

### **(1) Assets, Liabilities and Net Assets**

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

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

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

### **(2) Cash Flows**

**Net cash provided by operating activities** for the year ended March 31, 2009, was ¥730.0 billion, up ¥284.5 billion from the year ended March 31, 2008. The major factors were an increase in inflows due to a net decrease in call loans, although inflows from a net increase in deposits in the banking business decreased.

**Net cash used in investing activities** for the year ended March 31, 2009, was ¥769.8 billion, up ¥164.5 billion from the year ended March 31, 2008. The primary reasons were outflows due to payments for purchases of securities exceeding inflows from sales and redemption of securities, despite inflows owing to a net decrease in investment in monetary trusts.

**Net cash used by financing activities** for the year ended March 31, 2009, was ¥4.5 billion, down ¥26.8 billion from the year ended March 31, 2008. The decrease was due to an absence of inflows of ¥28.8 billion received from the issuance of common stock in the year ended March 31, 2008, despite the proceeds from subordinated debts in the banking business, which aimed to strengthen the financial soundness in the banking business.

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

### **3. Basic Policy on Returns to Shareholders and Dividends for the Year Ended March 31, 2009, and the Year Ending March 31, 2010**

We consider an increase in returns to our shareholders, as well as return on equity, as one of our most important management tasks.

Our basic policy on returning profits to its shareholders is to provide stable dividends to shareholders while ensuring the high level of financial soundness that is necessary to maintain the trust of existing customers and attract new ones, as well as securing sufficient retained earnings for future business development.

In keeping with the basic policy outlined above, we propose to pay an annual cash dividend of ¥3,000 per share for the year ended March 31, 2009 and for the year ending March 31, 2010.

With regard to timing, we will continue to make dividend payments once a year, following the resolution of the general meeting of shareholders, with the dividend record date at the end of each fiscal year.

### **4. Information Concerning Significant Subsidiaries**

Below, we describe the operating performance, on a non-consolidated basis, for the year ended March 31, 2009 of SFH's significant subsidiaries: Sony Life Insurance Co., Ltd. (Sony Life), Sony Assurance Inc. (Sony Assurance) and Sony Bank Inc. (Sony Bank). Sony Life, Sony Assurance and Sony Bank each separately announce their own results, which summary information in English is available on SFH's website.

#### **■ Sony Life (Non-Consolidated)**

Sony Life's ordinary revenues increased 3.3% from the previous fiscal year, to ¥765.9 billion, owing to higher income from insurance premiums, associated with a steady increase in policy amount in force. Despite the steady growth of income from insurance premiums, in line with the growing policy amount in force, ordinary profit decreased 17.5% year on year, to ¥32.4 billion, due to increased investment expenses, associated with a significant fall in Japanese stock market prices. The contingency reserve was partially reversed in response to lower investment yields associated with financial market deterioration. Net income increased 82.5% year on year, to ¥33.7 billion, as a result of a partial reversal of reserve for price fluctuations.

Core profit rose 61.2% year on year, to ¥38.0 billion, as a result of an increase mainly in income from insurance premiums and interest income and dividends.

Income from insurance premiums grew 2.1% from the previous fiscal year, to ¥662.0 billion, associated with a higher policy amount in force. Insurance claims and other payments amounted to ¥274.7 billion, up 14.0% year on year. Investment income increased 12.9% year on year, to ¥98.7 billion, as a higher balance of securities held, mainly ultra long-term Japanese government bonds, and other factors led to a rise in interest income and dividends. Investment expenses expanded 91.4% year on year, to ¥133.7 billion, resulting from deteriorations in gains and losses from investments in separate accounts as well as impairment losses on securities in the general account. As a result, losses from investment, net, of ¥34.9 billion were recorded, as the sum of general and separate accounts, compared to gains from investment, net, of ¥17.5 billion in the previous fiscal year. Operating expenses narrowed 0.5% year on year, to ¥93.9 billion.

Policy amount in force for the total of individual life insurance and individual annuities grew steadily, to

¥32,517.6 billion as of March 31, 2009, up 3.2% from March 31, 2008. The lapse and surrender rate\* for the total of individual life insurance and individual annuities rose 0.67 percentage point from the previous fiscal year, to 6.79%. Annualized premiums from total policies as of March 31, 2009, were up 3.4% from March 31, 2008, totaling ¥547.8 billion. Of this amount, the figure for third-sector products was up 3.1% from March 31, 2008, to ¥126.6 billion.

New policy amount for the total of individual life insurance and individual annuities increased 1.9% from the previous fiscal year, to ¥3,873.7 billion. Annualized premiums from new policies decreased 2.8% year on year, to ¥61.6 billion. Of this amount, the figure for third-sector products was ¥13.4 billion, up 0.6% year on year.

Net unrealized gains on securities\*\* decreased ¥76.9 billion from March 31, 2008, to ¥50.9 billion. Net unrealized gains on other securities, net of taxes, amounted to ¥4.0 billion, down ¥78.7 billion from March 31, 2008.

As of March 31, 2009, Sony Life's solvency margin ratio was 2,060.5%, compared with 1,747.9% as of March 31, 2008.

\* The lapse and surrender rate is calculated without offsetting policies that are reinstated.

\*\* Net unrealized gains on securities are calculated as the difference between the carrying value before mark-to-market and the fair market value for securities with market value, other than trading-purpose securities. (The amount includes "monetary trusts," but excludes trading-purpose securities.)

## ■ Sony Assurance

Sony Assurance posted an 11.2% increase in ordinary revenues compared with the previous fiscal year, to ¥61.8 billion, primarily due to strong sales of its automobile insurance, which raised net premiums written. Although underwriting income increased due to the factors above, ordinary profit decreased 22.7% year on year, to ¥2.1 billion, owing mainly to an increased amount of claims paid, led by those resulting from natural disasters. Losses on disposal of fixed assets were recorded as extraordinary losses, resulting in net loss of ¥1.5 billion, compared to net income of ¥2.1 billion in the previous fiscal year.

In terms of insurance underwriting performance, owing mainly to an increased number of automobile insurance policies in force, direct premiums written and net premiums written grew 11.4% and 11.1%, year on year, to ¥60.8 billion and ¥61.1 billion, respectively. Natural disasters and other factors influenced a net losses paid, causing a 14.2% year-on-year increase, to ¥29.9 billion. The net loss ratio rose 1.5 percentage points, compared with the previous fiscal year, to 55.0%. The net expense ratio remained flat year on year, at 26.7%, as a result of the company's efforts to enhance operational efficiency. The combined ratio (the sum of the net loss ratio and the net expense ratio) rose 1.4 percentage points year on year, to 81.7%. Underwriting profits declined 26.9% year on year, to ¥1.6 billion, reflecting the absence of ¥0.5 billion in positive effects recorded in the previous fiscal year, when the method of calculating reserves for outstanding claims was changed.

For the purpose of enhancing system and operational efficiency, Sony Assurance began developing new systems in the fiscal year ended March 31, 2007. However, during the year ended March 31, 2009, the company decided to suspend this development and to overhaul its development policy. Accordingly, some software assets that were previously recorded as intangible fixed assets (software in progress) and for which future use is uncertain were disposed of, resulting in losses on disposal of fixed assets of ¥3.7 billion, which were recorded as extraordinary losses.

As of March 31, 2009, Sony Assurance's solvency margin ratio was 993.0%, compared with 1,073.9% as of March 31, 2008.

## ■ Sony Bank (Non-Consolidated)

Sony Bank's ordinary revenues increased 28.4% compared with the previous fiscal year, to ¥33.3 billion, as a higher balance of investment assets in line with the bank's business expansion led to an increase mainly in interest income. Ordinary profit decreased 84.9% compared with the previous fiscal year, to ¥0.4 billion, primarily due to impairment losses on securities, caused by deteriorated market environment. A net loss of ¥0.7 billion was



recorded due to the decrease in ordinary profit as well as an increase in income taxes (deferred).

Gross operating profit dropped 0.8% from the previous fiscal year, to ¥10.8 billion, led primarily by a decrease in net other operating income. With respect to the breakdown of gross operating profit, net interest income rose 30.2% year on year, to ¥6.6 billion, due to increased interest and dividends on securities as well as higher interest on loans. Net fees and commissions declined 21.3% year on year, to ¥0.3 billion, owing primarily to a decrease in securities-related commissions. Net other operating income declined 28.3% from the previous fiscal year, to ¥3.9 billion, as impairment losses on securities more than offset the increase in gains on foreign exchange transactions derived from the investment of foreign currency deposits.

General and administrative expenses expanded 26.6% year on year, to ¥10.3 billion, due mainly to an increase in system-related expenses.

As of March 31, 2009, customer assets (the sum of deposits and investment trusts) grew ¥156.2 billion, or 12.5%, from March 31, 2008, to ¥1,403.6 billion, primarily due to an increase in yen deposits. As for the breakdown of customer assets as of March 31, 2009, deposits amounted to ¥1,326.3 billion, up ¥181.9 billion, or 15.9%, from March 31, 2008. Investment trusts were ¥77.2 billion, down ¥25.6 billion, or 24.9% from March 31, 2008. Loans expanded steadily to ¥477.0 billion, up ¥130.0 billion, or 37.5%, from March 31, 2008. As of March 31, 2009, the number of accounts was up 113 thousand from March 31, 2008, to 723 thousand accounts.

Net unrealized losses on other securities, net of taxes, an item in net assets, totaled ¥9.6 billion, deteriorated ¥0.6 billion from March 31, 2008.

To ensure a sound financial base, Sony Bank's capital was raised by allocating its shares to SFH. In the year ended March 31, 2009, ¥12.0 billion in capital was injected. As a result, Sony Bank's common stock and capital surplus as of March 31, 2009, were ¥31.0 billion and ¥21.0 billion, respectively.

As of March 31, 2009, Sony Bank's non-consolidated capital adequacy ratio\* (domestic criteria) was 13.37%, compared with 9.15% as of March 31, 2008.

\* Sony Bank's non-consolidated capital adequacy ratio was calculated based on the standard stipulated by Article 14-2 of the Banking Law of Japan, in accordance with the Financial Services Agency of Japan ("FSA") public ministerial announcement No. 19 of 2006. The capital adequacy ratio as of and after December 31, 2008, newly adopted the special exception of the standard mentioned above, in accordance with the FSA public ministerial announcement No. 79 of 2008.

## **II. Status of the Corporate Group**

On April 1, 2004, SFH was established as a financial holding company (an insurance holding company and a bank holding company) through a corporate separation from Sony Corporation. On October 11, 2007, SFH listed its common stock on the First Section of the Tokyo Stock Exchange, by publicly offering its shares to Japanese and overseas investors, resulting in Sony Corporation's ownerships to account for 60% of the total outstanding shares of SFH.

As of March 31, 2009, the SFH Group included as direct subsidiaries Sony Life, Sony Assurance and Sony Bank, and as indirect subsidiaries Sony Life Insurance (Philippines) Corporation, a subsidiary of Sony Life, and Sony Bank Securities Inc., a subsidiary of Sony Bank.

- **Sony Financial Holdings Inc.** (management control of its subsidiaries and all duties incidental to that role)

Directly Held and Indirectly Held Subsidiaries

<Life insurance business>

- Sony Life Insurance Co., Ltd. (Wholly-owned by SFH)
- Sony Life Insurance (Philippines) Corporation (Wholly-owned by Sony Life)

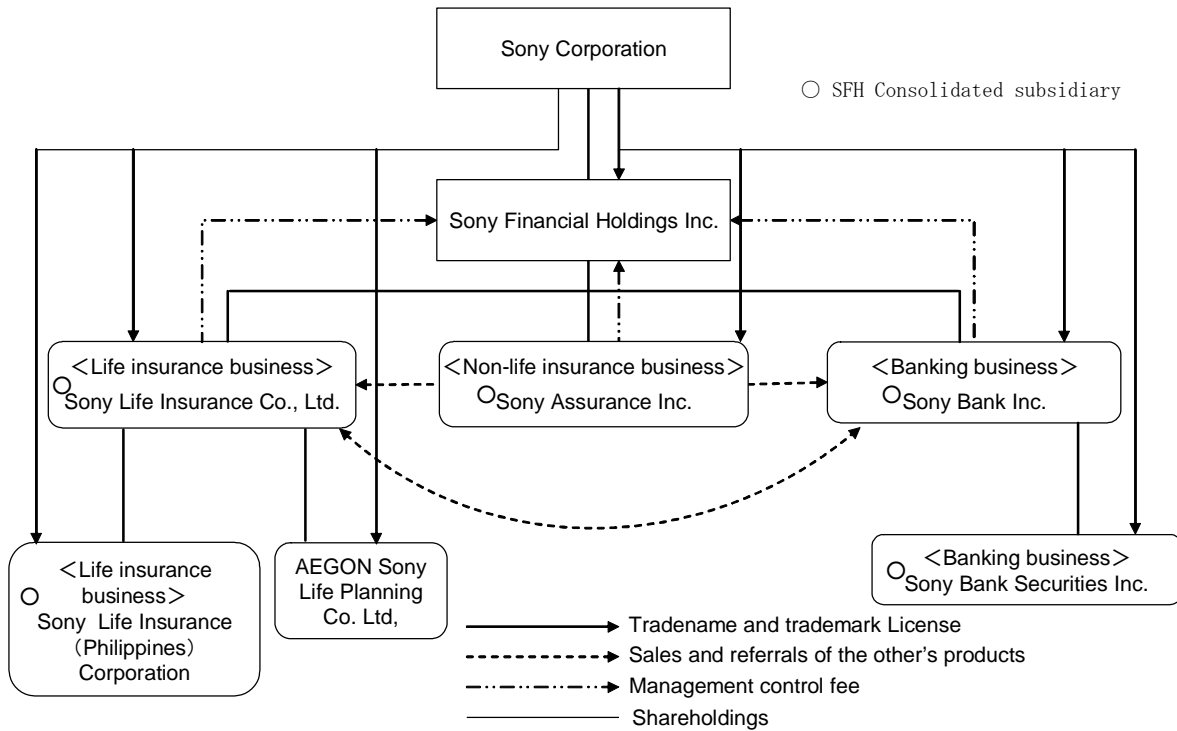
<Non-life insurance business>

- Sony Assurance Inc. (Wholly-owned by SFH)

<Banking business>

- Sony Bank Inc. (Wholly-owned by SFH)
- Sony Bank Securities Inc. (Wholly-owned by Sony Bank)

**[Organizational chart]** (As of March 31, 2009)



Note: AEGON Sony Life Planning Co., Ltd., a fifty-fifty joint venture established by Sony Life and AEGON INTERNATIONAL B.V. of the Netherlands, has been accounted for as an affiliate company under the equity-method in the scope of consolidation since the six months ended in September 30, 2008.

**III. Management Policies**

**1. Company's Basic Management Policies**

The SFH Group positions its corporate vision and philosophy as the basic policy for setting management strategy and expediting management decision-making. The Group's corporate vision and philosophies are described below.

a. Corporate Vision

The SFH Group aims to integrate the diverse functions that are inherent to financial services, offer high-value-added products and quality services that meet individual customers' economic needs, and become one of Japan's most trusted financial services groups.

b. Corporate Philosophy

*(Customer-Oriented)*

We consider each customer's input carefully and provide services to their satisfaction, striving to help them lead lives that are abundant and trouble-free.

*(Contributing to Society)*

We understand that financial services businesses have a certain public nature. As we pursue our vision, we contribute to society by maintaining high ethical standards and levels of responsibility. We also fulfill our other obligations as a member of society and a good corporate citizen.

*(Pursuing Originality)*

We always generate ideas from the fundamentals, and pursue originality and innovation while remaining unfettered by convention.

*(Corporate Culture with a Spirit of Freedom and Open-Mindedness)*

Our ideal for the financial services business recognizes the importance of each employee's contribution. Our corporate culture features a spirit of freedom and open-mindedness and takes full advantage of individuality and ability.

## **2. Key Management Benchmarks**

In addition to such key indicators as consolidated ordinary revenues, consolidated ordinary profit and consolidated net income, SFH closely follows consolidated adjusted ROE as one of its management benchmarks.

Consolidated adjusted ROE is calculated as follows.

- Consolidated adjusted ROE = consolidated adjusted profit ÷ consolidated adjusted capital

Consolidated adjusted profit is calculated as the sum of the following:

- 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: The net income plus provision for special catastrophe reserve and its provision for reserve for price fluctuations, in each case after taxes; and
- 3) Sony Bank: Net income (loss).

Consolidated adjusted capital is calculated as the sum of the following:

- 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 special catastrophe reserve and its reserve for price fluctuations, in each case after taxes; and
- 3) Sony Bank: The average amount of net assets.

\* Sony Life changed its EV calculation from the Traditional Embedded Value ("TEV") to Market Consistent Embedded Value ("MCEV") in the year ended March 31, 2009, disclosing its MCEV as of March 31, 2008. Sony Life's MCEV is calculated in compliance with the European Insurance Chief Financial Officer (CFO) Forum Market Consistent Embedded Value Principles© ("MCEV Principles"), the international standard in disclosing MCEV published by the CFO Forum comprised of CFOs from major insurance companies in Europe.

Consolidated adjusted profit and consolidated adjusted capital take into consideration dividends from the Group subsidiaries and other special factors.

## **3. Medium- to Long-Term Management Strategies**

The SFH Group aims to maximize the corporate value of the Group over the medium to long term by implementing the management strategies outlined below.

### **(a) Sustainable and Stable Growth of Group Companies**

Sony Life: Sony Life provides detailed tailored consulting and follow-up services through life insurance professionals—Lifeplanner sales employees and Partners (independent agencies)—who have broad-ranging expertise and extensive experience in such areas as economics, finance and taxation. Sony Life strives to strengthen its capabilities and hone its competitive edge in the

individual life insurance market by providing value in a way that only Sony Life can.

Sony Assurance: Capitalizing on the strengths of its position as a direct insurance provider that communicates with each of its customers directly via the Internet and the telephone, Sony Assurance precisely understands customer opinions and needs, and provides products and services from a customer viewpoint. Sony Assurance aims to increase its income from insurance premiums by offering reasonably priced insurance premiums realized by risk-segmented products and operational efficiency.

Sony Bank: Sony Bank is an Internet bank focused on the needs of individual customers. By maximizing information technologies, the bank works to provide fair and highly convenient financial products and services. By ensuring its trustworthiness in such ways, the bank is working to expand its operations further.

(b) Fostering Synergy among Group Companies

In addition to the growth of each company within the Group, we seek to enhance synergies among the companies of the SFH Group. Such efforts include the joint offering of products and services, the sharing of distribution channels and infrastructure and other forms of collaboration. By increasing intra-group synergies, SFH aims to offer customers attractive and high-value-added products and services that are unmatched by conventional financial institutions.

(c) Expanding into New Business Fields, Outside the Existing Framework

Through the growth of Group companies and increased synergies within the Group, we aim to move beyond the existing framework of the SFH Group. We are examining active advancements into new business fields that will raise our corporate value even further.

#### **4. Tasks Ahead for the Company**

During the year ended March 31, 2009, the Japanese economy suffered the effects of a chain reaction that spread from their epicenter of U.S.- and Europe-centered financial crises into the real economy. We expect the resulting economic recession to continue for the foreseeable future.

The financial crises has precipitated a decline in confidence in the banking and insurance sectors. We consider repairing these sectors to financial soundness and restoring the confidence of customers and the general public to be vital management issues. Furthermore, Japanese customer needs are growing more diverse, owing to the continued decline in the birthrate and aging of the population, as well as public security system reforms. We believe the ability to respond quickly and appropriately to such needs within a rapidly changing competitive environment is important.

Under these conditions, the SFH Group is redoubling its internal control efforts focused on compliance, risk management, eradicating anti-social influences and ensuring the protection of personal information. At the same time, we are working to realize our vision and achieve ongoing increases in corporate value by aggressively pursuing the initiatives described below.

(a) Growing the three major businesses

Sony Life, Sony Assurance and Sony Bank have differentiated themselves from their competitors by following business models that are clearly distinct and providing individual customers with highly rational and convenient products and services. We will promote the ongoing growth of each of these companies by emphasizing their individual advantages, thereby further entrenching their presence in their respective markets.

(b) Fostering cross-selling and other Group synergies

The easing of financial market restrictions has encouraged various companies to forge alliances that aim to market financial products targeting individuals. In the past, SFH has encouraged intra-Group liaisons, such

as through the sale of Sony Assurance's automobile insurance and Sony Bank's mortgage loans by Sony Life's Lifeplanner sales employees. In the future we will encourage even greater business cooperation by promoting efficient cultivation of new customers and cross-selling, to enhance the SFH Group's corporate value.

(c) Expanding into new fields of business

In the event that providing financial products and services outside our current scope of business proves necessary to realize the SFH Group's corporate vision, we will consider aggressive moves to expand into new fields of business. We will pursue such new business to diversify and expand our sources of revenues and profits, as well as to heighten the SFH Group's market presence.

#### IV. Consolidated Financial Statements

##### 1. Consolidated Balance Sheets

(Yen in millions)

	As of March 31, 2008	As of March 31, 2009
<b>Assets:</b>		
Cash and due from banks	60,058	42,794
Call loans and bills bought	424,868	95,709
Commercial paper and other debt purchased	-	16,163
Monetary trusts	895,672	608,846
Securities	2,930,441	3,703,062
Loans	455,763	597,542
Tangible fixed assets	84,451	83,619
Intangible fixed assets	16,412	18,788
Goodwill	2,505	2,004
Others	13,906	16,783
Due from agencies	-	1
Due from reinsurers	256	144
Foreign exchanges	1,683	6,355
Other assets	101,229	91,424
Deferred tax assets	6,937	49,889
Reserve for possible loan losses	(327)	(665)
<b>Total Assets</b>	<b>4,977,450</b>	<b>5,313,677</b>
<b>Liabilities:</b>		
Policy reserve and others	3,454,167	3,680,731
Reserve for outstanding claims	31,653	34,843
Policy reserve	3,418,006	3,643,348
Reserve for policyholders' dividends	4,506	2,539
Due to agencies	1,308	1,216
Due to reinsurers	926	1,042
Deposits	1,143,476	1,325,320
Call money and bills sold	10,000	10,000
Borrowed money	-	2,000
Foreign exchanges	0	8
Other liabilities	62,530	68,086
Reserve for employees' bonuses	2,240	2,251
Reserve for employees' retirement benefits	11,920	13,435
Reserve for directors' retirement benefits	252	310
Reserve for price fluctuations	24,136	3,666
Reserve for financial products transaction liabilities	0	1
Deferred tax liabilities	4,156	0
Deferred tax liabilities on land revaluation	706	706
<b>Total Liabilities</b>	<b>4,715,822</b>	<b>5,108,779</b>

(Yen in millions)

	As of March 31, 2008	As of March 31, 2009
<b>Net Assets:</b>		
Common stock	19,900	19,900
Capital surplus	195,277	195,277
Retained deficits	(26,417)	(2,251)
Total shareholders' equity	188,759	212,925
Net unrealized gains(losses) on other securities, net of taxes	74,902	(4,853)
Net deferred losses on hedging instruments, net of taxes	(1,345)	(1,449)
Land revaluation, net of taxes	(1,475)	(1,475)
Foreign currency translation adjustments	786	(248)
Total valuation and translation adjustments	72,868	(8,028)
Total Net Assets	261,627	204,897
Total Liabilities and Net Assets	4,977,450	5,313,677

## 2. Consolidated Statements of Income

(Yen in millions)

	For the year ended March 31, 2008	For the year ended March 31, 2009
Ordinary Revenues	822,153	860,323
Ordinary Revenues from the Life Insurance Business:	740,596	765,145
Income from insurance premiums	648,178	661,676
Insurance premiums	646,748	660,308
Ceded reinsurance commissions	1,430	1,368
Investment income	87,542	99,064
Interest income and dividends	48,227	56,056
Income from monetary trusts, net	14,776	-
Income from trading securities, net	324	1,084
Gains on sale of securities	24,068	32,145
Gains on redemption of securities	145	807
Gains on derivatives, net	-	8,937
Other investment income	0	33
Other ordinary income	4,875	4,404
Ordinary Revenues from the Non-life Insurance Business:	55,625	61,872
Underwriting income	55,036	61,137
Net premiums written	55,001	61,106
Interest and dividends on deposits of premiums	35	31
Investment income	572	718
Interest income and dividends	583	685
Gains on sale of securities	24	61
Gains on redemption of securities	-	3
Transfer to interest and dividends on deposits of premiums	(35)	(31)
Other ordinary income	16	16
Ordinary Revenues from the Banking Business:	25,931	33,306
Interest income	17,162	22,046
Interest income on loans	7,045	9,293
Interest income and dividends on securities	7,320	10,452
Interest income on call loans and bills bought	2,647	2,021
Interest income on deposits with banks	17	10
Interest income on interest rate swaps	26	10
Other interest income	104	258
Fees and commissions	1,753	2,106
Other operating income	7,001	9,035
Gains on foreign exchange transactions, net	5,773	7,938
Others	1,227	1,096
Other ordinary income	15	118



(Yen in millions)

	For the year ended March 31, 2008	For the year ended March 31, 2009
Ordinary Expenses	777,653	826,070
Ordinary Expenses from the Life Insurance Business:	702,056	733,544
Insurance claims and other payments	241,114	274,793
Insurance claims	60,056	62,102
Annuity payments	6,350	7,111
Insurance benefits	28,457	32,898
Surrender payments	141,845	168,137
Other payments	2,054	2,172
Reinsurance premiums	2,350	2,371
Provision for policy reserve and others	286,271	219,075
Provision for reserve for outstanding claims	-	1,708
Provision for policy reserve	286,257	217,327
Interest portion of reserve for policyholders' dividends	13	39
Investment expenses	69,903	133,545
Interest expenses	15	42
Losses from monetary trusts, net	-	856
Losses on sale of securities	1,563	16,157
Devaluation losses on securities	6,697	31,899
Losses on redemption of securities	21	262
Losses on derivatives, net	4,858	-
Foreign exchange losses, net	7	2,382
Provision for reserve for possible loan losses	10	134
Depreciation of real estate for rent and others	3,149	2,932
Other investment expenses	5,263	6,664
Losses on separate accounts, net	48,315	72,212
Operating expenses	94,189	93,883
Other ordinary expenses	10,578	12,246
Ordinary Expenses from the Non-life Insurance Business:	52,420	59,257
Underwriting expenses	38,634	43,829
Net losses paid	26,225	29,952
Loss adjustment expenses	3,204	3,632
Net commission and brokerage fees	586	681
Provision for reserve for outstanding claims	2,010	1,482
Provision for underwriting reserve	6,607	8,079
Other underwriting expenses	-	0
Investment expenses	5	177
Losses on sale of securities	3	143
Devaluation losses on securities	-	29
Losses on redemption of securities	2	4
Operating, general and administrative expenses	13,763	15,242
Other ordinary expenses	16	7

(Yen in millions)

	For the year ended March 31, 2008	For the year ended March 31, 2009
Ordinary Expenses from the Banking Business:	23,175	33,268
Interest expenses	12,045	15,394
Interest expenses on deposits	11,379	14,501
Interest expenses on call money and bills sold	133	58
Interest on borrowed money	-	38
Interest expenses on interest rate swaps	532	796
Other interest expenses	0	0
Fees and commissions	1,049	1,225
Other operating expenses	1,524	5,107
General and administrative expenses	8,411	11,264
Other ordinary expenses	144	275
Ordinary Profit	44,500	34,253
Extraordinary Gains	2	20,471
Gains on disposal of fixed assets	0	1
Reversal of reserve for price fluctuations	-	20,470
Others	1	-
Extraordinary Losses	3,820	3,917
Losses on disposal of fixed assets	63	3,879
Impairment losses	125	20
Provision for reserve for price fluctuations	3,228	-
Others	402	16
Provision(Reversal) for Reserve for Policyholders' Dividends	3,159	(429)
Income Before Income Taxes	37,522	51,238
Income Taxes	12,769	20,516
- Current	6,690	14,915
- Deferred	6,078	5,600
Minority Interests	(497)	-
Net Income	24,255	30,722

### 3. Consolidated Statements of Changes in Net Assets

(Yen in millions)

	For the year ended March 31, 2008	For the year ended March 31, 2009
Shareholder's Equity		
Common stock		
Balance at the end of the previous period	5,500	19,900
Changes during the period		
Issuance of common stock	14,400	-
Total changes during the period	14,400	-
Balance at the end of the current period	19,900	19,900
Capital surplus		
Balance at the end of the previous period	180,877	195,277
Changes during the period		
Issuance of common stock	14,400	-
Total changes during the period	14,400	-
Balance at the end of the current period	195,277	195,277
Retained deficits		
Balance at the end of the previous period	(44,173)	(26,417)
Changes during the period		
Dividends from surplus	(6,500)	(6,525)
Net income	24,255	30,722
Decrease resulting from change in scope of application of equity method	-	(31)
Total changes during the period	17,755	24,166
Balance at the end of the current period	(26,417)	(2,251)
Total shareholder's equity		
Balance at the end of the previous period	142,203	188,759
Changes during the period		
Issuance of common stock	28,800	-
Dividends from surplus	(6,500)	(6,525)
Net income	24,255	30,722
Decrease resulting from change in scope of application of equity method	-	(31)
Total changes during the period	46,555	24,166
Balance at the end of the current period	188,759	212,925

(Yen in millions)

	For the year ended March 31, 2008	For the year ended March 31, 2009
Valuation and Translation Adjustments		
Net unrealized gains on other securities, net of taxes		
Balance at the end of the previous period	125,043	74,902
Changes during the period		
Net changes of items other than shareholder's equity	(50,140)	(79,756)
Total changes during the period	(50,140)	(79,756)
Balance at the end of the current period	74,902	(4,853)
Net deferred losses on hedging instruments, net of taxes		
Balance at the end of the previous period	(408)	(1,345)
Changes during the period		
Net changes of items other than shareholder's equity	(937)	(104)
Total changes during the period	(937)	(104)
Balance at the end of the current period	(1,345)	(1,449)
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	390	786
Changes during the period		
Net changes of items other than shareholder's equity	396	(1,035)
Total changes during the period	396	(1,035)
Balance at the end of the current period	786	(248)
Total valuation and translation adjustments		
Balance at the end of the previous period	123,549	72,868
Changes during the period		
Net changes of items other than shareholder's equity	(50,681)	(80,896)
Total changes during the period	(50,681)	(80,896)
Balance at the end of the current period	72,868	(8,028)

(Yen in millions)

	For the year ended March 31, 2008	For the year ended March 31, 2009
Minority Interests		
Balance at the end of the previous period	4,425	-
Changes during the period		
Net changes of items other than shareholder's equity	(4,425)	-
Total changes during the period	(4,425)	-
Balance at the end of the current period	-	-
Total Net Assets		
Balance at the end of the previous period	270,179	261,627
Changes during the period		
Issuance of common stock	28,800	-
Dividends from surplus	(6,500)	(6,525)
Net income	24,255	30,722
Decrease resulting from change in scope of application of equity method	-	(31)
Net changes of items other than shareholder's equity	(55,106)	(80,896)
Total changes during the period	(8,551)	(56,730)
Balance at the end of the current period	261,627	204,897

#### 4. Consolidated Statements of Cash Flows

(Yen in millions)

	For the year ended March 31, 2008	For the year ended March 31, 2009
<b>Cash flows from operating activities:</b>		
Income before income taxes	37,522	51,238
Depreciation of real estate for lease	3,149	2,932
Depreciation and amortization	2,363	3,243
Impairment losses	125	20
Amortization of goodwill	-	501
Increase in reserve for outstanding claims	1,733	3,190
Increase in policy reserve	292,865	225,407
Increase in interest portion of reserve for policyholders' dividends	13	39
Increase in reserve for policyholders' dividends	3,159	(429)
Increase (decrease) in reserve for possible loan losses	101	338
Increase (decrease) in reserve for employees' retirement benefits	(118)	1,936
Increase (decrease) in reserve for directors' retirement benefits	10	57
Increase (decrease) in reserve for price fluctuations	3,228	(20,470)
Increase in reserve for financial products transaction liabilities	-	0
Interest income and dividends	(65,973)	(78,789)
Gains (losses) on securities	31,615	87,400
Interest expenses	12,061	15,437
Exchange Gains	8,902	8,416
Losses on disposal of tangible fixed assets	54	68
Equity in losses of affiliates	-	173
Net (increase) decrease in loans	(62,352)	(130,007)
Net increase (decrease) in deposits	390,559	182,175
Net (increase) decrease in call loans and bills bought	(249,509)	302,659
Net (increase) decrease in foreign exchanges(assets)	2,472	(4,671)
Net increase (decrease) in foreign exchanges(liabilities)	0	8
Others, net	(575)	22,823
Subtotal	411,410	673,703
Interest and dividends received	64,653	81,813
Interest paid	(9,947)	(14,567)
Policyholders' dividends paid	(1,264)	(1,577)
Income taxes paid	(19,398)	(9,334)
Net cash provided by operating activities	445,452	730,038

(Yen in millions)

	For the year ended March 31, 2008	For the year ended March 31, 2009
<b>Cash flows from investing activities:</b>		
Investments in monetary trusts	(177,263)	(34,758)
Proceeds from sale of monetary trusts	-	316,794
Purchases of securities	(1,544,414)	(2,288,460)
Proceeds from sale and redemption of securities	1,152,322	1,285,092
Investments in loans	(44,140)	(47,351)
Collections of loans	32,673	13,683
Others, net	(6,364)	(2,655)
Total of net cash used in investment transactions	(587,187)	(757,656)
Total of net cash used in operating activities and investment transactions	(141,735)	(27,618)
Purchases of tangible fixed assets	(4,981)	(2,413)
Proceeds from sale of tangible fixed assets	0	1
Purchases of intangible fixed assets	(6,361)	(9,745)
Purchase of securities of a consolidated subsidiary	(6,750)	-
Net cash used in investing activities	(605,280)	(769,813)
<b>Cash flows from financing activities:</b>		
Increase in subordinated borrowings	-	2,000
Proceeds from issuance of stock	28,800	-
Cash dividends paid	(6,500)	(6,515)
Others	-	(76)
Net cash provided by (used in) financing activities	22,300	(4,591)
Effect of exchange rate changes on cash and cash equivalents	(45)	(184)
Net increase (decrease) in cash and cash equivalents	(137,573)	(44,551)
Cash and cash equivalents at beginning of the fiscal year	273,760	136,186
Cash and cash equivalents at end of the fiscal year	136,186	91,634

Note)

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

## Notes to the Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

#### *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.

##### (2) Application of the equity method

Number of consolidated subsidiaries and affiliates accounted for by the equity method: 1

Consolidated subsidiaries and affiliates accounted for by the equity method: AEGON Sony Life Planning Co., Ltd. AEGON Sony Life Planning Co., Ltd. has been included in the scope of equity method from this fiscal year because its net income and retained deficits are not immaterial.

##### (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

A full portion of the assets and liabilities of the acquired subsidiaries is 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 five years.

#### *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 value is 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 income taxes, included in net assets and acquisition costs calculated using the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at amortized cost (straight-line method) or at acquisition cost based on the moving-average method.

#### *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”.

#### *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 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 other 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.

#### *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 45 years
Other tangible fixed assets	2 to 20 years

***Software for internal use (excluding leased assets) -***

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

***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.

***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.

***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.

***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.

***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.

***Policy reserve -***

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 method, which assumes a constant or level amount of net insurance premiums over the term of the relevant policy in calculating the amount of the reserve required to fund all future policy benefits. 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 fiscal year 1996 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 fiscal year 1996 is calculated using mortality and interest rates approved by the supervisor of insurance business in Japan.

### ***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 deficits arising from price fluctuations on those assets.

### ***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.

### ***Land revaluation -***

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).

### ***Accounting for consumption taxes -***

The consumption taxes received and paid by SFH and its domestic subsidiaries, 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.

### ***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 three months or less.

## ***Changes in accounting policies, procedures and presentation rules***

### ***(1) Reclassification of debt securities***

As the Practical Issue Task Force No.26 "Tentative Solution on Reclassification of Debt Securities" (December 5, 2008) is applicable from a date of its publication until March 31, 2010, a domestic life insurance subsidiary has adopted this practical solution. A part of its "Securities" was reclassified from "available-for-sale securities" to "held-to-maturity securities". The adoption of the practical solution resulted in an increase of ¥163 million in "Securities," a decrease of ¥59 million in "Deferred tax assets," and an increase of ¥104 million in "Net unrealized gains (losses) on other securities, net of taxes" as of March 31, 2009.

### ***(2) Lease transactions***

Finance leases that do not transfer ownership of the leased assets to the lessee used to be accounted for as operating leases. As the Accounting Standard Board of Japan ("ASBJ") Statement No.13 "Accounting Standard for Lease Transactions" (March 30, 2007) and ASBJ Guidance No.16 "Guidance for Accounting Standard for Lease Transactions" (March 30, 2007) became effective for fiscal years beginning after April 1, 2008, SFH has applied them starting from the fiscal year ended March 31, 2009. The impact of this change to SFH's consolidated ordinary profit and net income before taxes is not material.

## ***Additional information***

### ***(1) Evaluation of securities***

Floating-rate Japanese government bonds that are included in "securities" were previously evaluated based on their fair market values. As the Practical Issue Task Force No. 25 "Practical Solution on Measurement of Fair Value of Financial Assets" (October 28, 2008) was published, a domestic banking subsidiary examined its accounting

treatment of the floating-rate Japanese government bonds it held and determined that the fair market values could not be deemed fair values. Therefore, SFH evaluated the floating-rate Japanese government bonds based on reasonably estimated amounts starting in the year ended March 31, 2009. This change resulted in an increase of ¥2,891 million in “Securities” a decrease of ¥240 million in “Deferred tax assets” and an increase of ¥2,650 million in “Net unrealized gains (losses) on other securities, net of taxes.” Reasonably estimated amounts were calculated as of March 31, 2009, using the Constant Maturity Treasury (“CMT”) model. The interest rate used in the CMT model as a primary parameter is the forward rate of Japanese government bonds. The discount rate used in the model is the rate of the yield curve of Japanese government bonds based on the consideration of a certain liquidity risk.

(2) *Reversal of contingency reserve*

Pursuant to provisions of the Insurance Business Law, a domestic life insurance subsidiary reversed its contingency reserve of ¥19,000 million to compensate for the loss incurred due to the negative spread for the year ended March 31, 2009.

(3) *Reversal of reserve for price fluctuations*

Pursuant to provisions of the Insurance Business Law, a domestic life insurance subsidiary reversed its reserve for price fluctuations of ¥21,207 million to compensate for the loss incurred due to trading or devaluation of the equity investment and the fluctuation of foreign exchange for the year ended March 31, 2009.

## 2. Segment Information

Yen in millions						
As of and year ended March 31, 2008						
	Life insurance business	Non-life insurance business	Banking business	Total	Elimination	Consolidated
Ordinary revenues:						
External customers	¥ 740,596	¥ 55,625	¥ 25,931	¥ 822,153	-	¥ 822,153
Intersegment	744	23	47	815	¥ (815)	-
Total	741,340	55,649	25,979	822,969	(815)	822,153
Ordinary expenses	702,263	52,831	23,577	778,673	(1,020)	777,653
Ordinary profit (loss)	¥ 39,077	¥ 2,817	¥ 2,401	¥ 44,296	¥ 204	¥ 44,500
Assets, depreciation and capital expenditure:						
Assets	¥ 3,660,554	¥ 78,645	¥ 1,213,061	¥ 4,952,261	¥ 25,189	¥ 4,977,450
Depreciation	4,195	576	672	5,444	8	5,452
Capital expenditure	4,223	2,599	1,234	8,057	27	8,085

Yen in millions						
As of and year ended March 31, 2009						
	Life insurance business	Non-life insurance business	Banking business	Total	Elimination	Consolidated
Ordinary revenues:						
External customers	¥ 765,145	¥ 61,872	¥ 33,306	¥ 860,323	-	¥ 860,323
Intersegment	1,100	10	72	1,183	¥ (1,183)	-
Total	766,245	61,882	33,378	861,507	(1,183)	860,323
Ordinary expenses	733,704	59,704	33,950	827,359	(1,289)	826,070
Ordinary profit (loss)	¥ 32,540	¥ 2,178	¥ (571)	¥ 34,147	¥ 106	¥ 34,253
Assets, depreciation and capital expenditure:						
Assets	¥ 3,810,470	¥ 86,698	¥ 1,413,034	¥ 5,310,202	¥ 3,474	¥ 5,313,677
Depreciation	4,775	501	1,031	6,309	12	6,321
Capital expenditure	7,612	2,176	2,084	11,873	12	11,885

Notes)

1. Life insurance business consists of Sony Life Insurance Co., Ltd. and Sony Life Insurance (Philippines) Corporation, non-life insurance business consists of Sony Assurance Inc. and banking business consists of Sony Bank Inc, and Sony Bank Security Inc, as of and year ended March 31, 2008. In addition to those companies, AEGON Sony Life Planning Co., Ltd. has been newly included in life insurance business as of and year end March 31, 2009.
2. Amounts of unallocated ordinary expenses that are included in 'Elimination' for the years ended March 31, 2008 and 2009 are ¥1,297 million and ¥868 million, respectively, most of which are ordinary expenses of SFH. Amounts of unallocated corporate assets that are included in 'Elimination' are ¥25,473 million and ¥3,977 million, respectively, most of which are deposits and others of SFH.

### **3. Related Party Transactions**

*(1) For the year ended March 31, 2008*

#### **Transactions between SFH and related parties**

After SFH's initial public offering, Sony Corporation has remained as its parent company by holding 60.0% of SFH's outstanding shares of common stock. The Sony Group conducts business in the electronics, game, pictures, financial services, and other fields.

Transactions between SFH and Sony Corporation for the fiscal year ended March 31, 2008, are as follows;

- SFH makes payments to Sony Corporation for remuneration expenses of employees that it has seconded to SFH. For the year ended March 31, 2008, such payments amounted to ¥36 million, and "accrued expenses" of ¥1 million were outstanding as of March 31, 2008.

Transactions between the subsidiaries of SFH and Sony Corporation for the fiscal year ended March 31, 2008, are as follows;

- The subsidiaries of SFH made payments to Sony Corporation under the royalty agreements of ¥1,818 million as compensation for using the "Sony" trademark and trade name.
- Sony Life Insurance Co., Ltd., made lease payments of ¥1,713 million to Sony Corporation for the use of a plot of land. Sony Corporation made lease payments of ¥8,145 million for the use of "Sony City," an office building constructed on this site, to Sony Life Insurance Co., Ltd., which is the owner of the building.
- The subsidiaries of SFH made payments of ¥78 million to Sony Corporation for remuneration expenses of employees that it has seconded to the subsidiaries of SFH.
- The subsidiaries of SFH made other payments of ¥92 million in exchange for miscellaneous products and services provided to the subsidiaries of SFH by Sony Corporation.
- As of March 31, 2008, ¥1,129 million of "accrued expenses and others", ¥712 million of "unearned revenue" and ¥3,554 million of "guarantee deposits received" were outstanding in relation to transactions between the subsidiaries of SFH and Sony Corporation.

Transactions between the subsidiaries of SFH and the Sony Group companies for the fiscal year ended March 31, 2008, are as follows;

- The subsidiaries of SFH entered into a number of lease and service agreements with Sony Finance International Inc. ("Sony Finance"), a wholly-owned subsidiary of Sony Corporation, which engages in the leasing and credit card business in Japan. The subsidiaries of SFH made payments of ¥521 million for leasing of office space and office equipment, ¥1,015 million for collecting services, ¥149 million of

individual loan guarantee services, and ¥42 million for agency services provided by Sony Finance.

- As of March 31, 2008, ¥22,546 million of “accounts receivable”, ¥84 million of “deposit”, and ¥71 million of “accrued expenses and others” were outstanding in relation to transactions between the subsidiaries of SFH and Sony Finance.
- The subsidiaries of SFH employ the services of Frontage Inc. (“Frontage”), an advertising media purchaser that is a consolidated subsidiary of Sony Corporation. The subsidiaries of SFH made payments of ¥3,495 million for advertisement and media planning services provided by Frontage to the subsidiaries of SFH.
- As of March 31, 2008, ¥379 million of “accrued expenses and others” were outstanding in relation to transactions between the subsidiaries of SFH and Frontage.

Notes:

- (i) The abovementioned amounts for the fiscal year ended March 31, 2008, exclude consumption taxes and others, while the outstanding amounts as of March 31, 2008, include consumption taxes and others.
- (ii) The SFH Group make payments to Sony Corporation for remuneration expenses of employees that it has seconded to the SFH Group based on the agreements on the lease of employees.
- (iii) As part of its investment, Sony Life Insurance Co., Ltd., has leased the building to Sony Corporation for use as its corporate headquarters, starting from October 2006. The rental is determined based on the discussions by reference to real estate appraisal. Sony Life Insurance Co., Ltd., takes the land of this site on lease from Sony Corporation and the rental fee has been determined by reference to the actual transactions of the vicinal land.
- (iv) “Sony” trademark and trade name, which is used in the trade name of the SFH Group, belongs to Sony Corporation and each of the SFH Group companies has entered into royalty agreements with Sony Corporation pursuant to which the SFH Group is permitted to use the Sony name. Royalty fees are paid to Sony Corporation based on this agreements.
- (v) Other transactions are determined in the same way of general transactions in consideration of fair market value.

#### **Notes for parent company and important related companies**

##### ◆ Parent company

Sony Corporation lists its shares of common stock on Tokyo Stock Exchange, Osaka Securities Exchange, New York Stock Exchange (United States) and London Stock Exchange (United Kingdom).

#### *(2) For the year ended March 31, 2009*

##### **Transactions between SFH and related parties**

After SFH’s initial public offering, Sony Corporation has remained as its parent company by holding 60.0% of SFH’s outstanding shares of common stock. The Sony Group conducts business in the electronics, game, pictures, financial services, and other fields.

Transactions between SFH and Sony Corporation for the fiscal year ended March 31, 2009, are as follows;

- SFH makes payments to Sony Corporation for remuneration expenses of employees that it has seconded to SFH. For the year ended March 31, 2009, such payments amounted to ¥32 million, and “accrued expenses” of ¥2 million were outstanding as of March 31, 2009.

Transactions between the subsidiaries of SFH and Sony Corporation for the fiscal year ended March 31, 2009, are as follows;

- The subsidiaries of SFH made payments to Sony Corporation under the royalty agreements of ¥1,643

million as compensation for using the “Sony” trademark and trade name.

- Sony Life Insurance Co., Ltd., made lease payments of ¥1,623 million to Sony Corporation for the use of a plot of land. Sony Corporation made lease payments of ¥8,269 million for the use of “Sony City,” an office building constructed on this site, to Sony Life Insurance Co., Ltd., which is the owner of the building.
- The subsidiaries of SFH made payments of ¥83 million to Sony Corporation for remuneration expenses of employees that it has seconded to the subsidiaries of SFH.
- The subsidiaries of SFH made other payments of ¥96 million in exchange for miscellaneous products and services provided to the subsidiaries of SFH by Sony Corporation.
- As of March 31, 2009, ¥73 million of “accounts receivable”, ¥764 million of “accrued expenses and others”, ¥712 million of “unearned revenue” and ¥3,554 million of “guarantee deposits received” were outstanding in relation to transactions between the subsidiaries of SFH and Sony Corporation.

Transactions between the subsidiaries of SFH and the Sony Group companies for the fiscal year ended March 31, 2009, are as follows;

- The subsidiaries of SFH entered into a number of lease and service agreements with Sony Finance International Inc. (“Sony Finance”), a wholly-owned subsidiary of Sony Corporation, which engages in the leasing and credit card business in Japan. The subsidiaries of SFH made payments of ¥314 million for leasing of office space and office equipment, ¥856 million for collecting services, ¥146 million of individual loan guarantee services, and ¥79 million for agency services provided by Sony Finance.
- As of March 31, 2009, ¥23,130 million of “accounts receivable”, ¥72 million of “deposit” and ¥14 million of “lease obligation” were outstanding in relation to transactions between the subsidiaries of SFH and Sony Finance.
- The subsidiaries of SFH employ the services of Frontage Inc. (“Frontage”), an advertising media purchaser that is a consolidated subsidiary of Sony Corporation. The subsidiaries of SFH made payments of ¥3,769 million for advertisement provided by Frontage to the subsidiaries of SFH.
- As of March 31, 2009, ¥468 million of “accrued expenses and others” were outstanding in relation to transactions between the subsidiaries of SFH and Frontage.

Notes:

- (i) The abovementioned amounts for the fiscal year ended March 31, 2009, exclude consumption taxes and others, while the outstanding amounts as of March 31, 2009, include consumption taxes and others.
- (ii) The SFH Group make payments to Sony Corporation for remuneration expenses of employees that it has seconded to the SFH Group based on the agreements on the lease of employees.
- (iii) As part of its investment, Sony Life Insurance Co., Ltd., has leased the building to Sony Corporation for use as its corporate headquarters, starting from October 2006. The rental is determined based on the discussions by reference to real estate appraisal. Sony Life Insurance Co., Ltd., takes the land of this site on lease from Sony Corporation and the rental fee has been determined by reference to the actual transactions of the vicinal land.
- (iv) “Sony” trademark and trade name, which is used in the trade name of the SFH Group, belongs to Sony Corporation and each of the SFH Group companies has entered into royalty agreements with Sony Corporation pursuant to which the SFH Group is permitted to use the Sony name. Royalty fees are paid to Sony Corporation based on this agreements.
- (v) Other transactions are determined in the same way of general transactions in consideration of fair market value.

#### **Notes for parent company and important related companies**

##### ◆ Parent company

Sony Corporation lists its shares of common stock on Tokyo Stock Exchange, Osaka Securities Exchange, New York Stock Exchange (United States) and London Stock Exchange (United Kingdom).

#### 4. Investments in Securities

##### Trading securities:

Yen in millions			
March 31, 2008		March 31, 2009	
Consolidated balance sheet amount	Valuation gains/losses charged to income	Consolidated balance sheet amount	Valuation gains/losses charged to income
¥302,375	¥(55,462)	¥260,401	¥(73,616)

##### Held-to-maturity securities with fair values:

	Yen in millions							
	March 31, 2008				March 31, 2009			
	Consolidated balance sheet amount	Gross unrealized gains	Gross unrealized losses	Fair value	Consolidated balance sheet amount	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds:								
Japanese government and municipal bonds	¥50,932	¥659	¥(36)	¥51,555	¥1,412,868	¥29,884	¥(2,109)	¥1,440,643
Japanese corporate bonds	4,996	83	(0)	5,079	10,206	120	(27)	10,299
Others	807	33	-	841	42,524	15	(167)	42,372
Total	¥56,737	¥776	¥(37)	¥57,476	¥1,465,599	¥30,020	¥(2,304)	¥1,493,315

##### Available-for-sale securities with fair values:

	Yen in millions							
	March 31, 2008				March 31, 2009			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Consolidated balance sheet amount	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Consolidated balance sheet amount
Bonds:								
Japanese government and municipal bonds	¥1,511,519	¥51,130	¥(7,092)	¥1,555,557	¥1,057,037	¥31,493	¥(3,640)	¥1,084,890
Japanese corporate bonds	476,018	17,168	(7,001)	486,184	545,918	5,528	(17,767)	533,679
Equity securities	126,286	49,364	(3,744)	171,906	46,072	4,115	(2,217)	47,970
Others	335,423	5,676	(14,620)	326,480	315,998	790	(18,105)	298,683
Total	¥2,449,248	¥123,339	¥(32,459)	¥2,540,128	¥1,965,026	¥41,928	¥(41,732)	¥1,965,222

##### Note:

Impairment losses amounting to ¥6,697 million and ¥34,402 million were recognized for "Available-for-sale securities" with market value for the year ended March 31, 2008 and 2009, respectively. Impairment losses are principally recorded when their fair value as of the end of the fiscal year has declined by 30% or more from the book value.

##### Available-for-sale securities sold during the period:

	Yen in millions	
	Year ended March 31	
	2008	2009
Sales	¥672,761	¥861,922
Gains on sales	24,826	32,456
Losses on sales	2,765	18,024

**Available-for-sale securities that are not marked to market:**

	Yen in millions	
	March 31	
	2008	2009
Investment in affiliates	¥1,000	¥2,795
Available-for-sale securities:		
Equity securities	4	4
Others	30,195	25,201
Total	¥31,199	¥28,002

Note:

Impairment losses of ¥399 million were recorded for "Available-for-sale securities" that are not marked to market for the year ended March 31, 2009. 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 price.

**Reclassification of debt securities:**

As the Practical Issue Task Force No. 26 "Tentative Solution on Reclassification of Debt Securities" (December 5, 2008) is applicable from the date of its publication until March 31, 2010, a part of "securities" was reclassified from "available-for-sale securities" to "held-to-maturity securities". This reclassification is the result of recent drastic changes in the market environment that have severely affected the liquidity of these securities and made them difficult to sell at appropriate prices.

Securities	Yen in millions
	Bonds linked to the Nikkei 225 stock index
Market value as of December 17, 2008:	¥41,266
Market value as of March 31, 2009:	¥41,262
Consolidated balance sheet amount as of March 31, 2009:	¥41,426
Net unrealized gains(losses) on other securities, net of taxes as of March 31, 2009:	¥(8,658)

**The future redemption schedule of available-for-sale securities with maturities and held-to-maturity securities:**

	Yen in millions			
	March 31, 2008			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Bonds:				
Japanese government and municipal bonds	¥ 38,797	¥ 138,283	¥ 992,668	¥ 436,739
Japanese corporate bonds	84,930	304,025	75,091	27,132
Others	48,958	149,190	88,047	47,250
Total	¥ 172,687	¥ 591,500	¥ 1,155,807	¥ 511,123



	Yen in millions			
	March 31, 2009			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Bonds:				
Japanese government and municipal bonds	¥ 69,732	¥ 195,995	¥ 555,740	¥ 1,676,290
Japanese corporate bonds	109,188	369,460	47,573	17,663
Others	75,150	203,977	25,851	43,622
Total	<u>¥ 254,071</u>	<u>¥ 769,432</u>	<u>¥ 629,165</u>	<u>¥ 1,737,577</u>

## 5. Investments in Monetary Trusts

### Monetary trusts for trading purposes:

Yen in millions			
March 31, 2008		March 31, 2009	
Consolidated balance sheet amount	Valuation gains/losses charged to income	Consolidated balance sheet amount	Valuation gains/losses charged to income
¥63,203	¥(2,831)	¥32,020	¥(4,413)

### Other monetary trusts:

	Yen in millions							
	March 31, 2008				March 31, 2009			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Consolidated balance sheet amount	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Consolidated balance sheet amount
Other monetary trusts (Notes)	¥804,405	¥31,990	¥(3,926)	¥832,469	¥568,520	¥17,478	¥(9,172)	¥576,826

1. Amounts of jointly invested monetary trusts that are included in the table above for the years ended March 31, 2008 and 2009 are ¥50 million and ¥271 million, respectively.
2. Impairment losses amounting to ¥3,148 million and ¥12,605 million were recognized for "Other monetary trusts" with market value for the year ended March 31, 2008 and 2009, respectively. Impairment losses are accounted for principally if market value of each security decreases equal to or more than 30% of its book value at the end of the period.

## 6. Derivative financial instruments

The Companies utilize various types of derivative financial instruments, including interest rate-related transactions (such as interest rate futures and interest rate swaps), currency-related transactions (such as currency swaps, foreign exchanges contracts and currency options), equity-related transactions (such as equity price index options, individual equity options and equity price index futures), bond-related transactions (such as futures and options), credit derivatives, etc.

The Companies use various derivative financial instruments primarily for hedging purposes to perform the integrated controls of assets and liabilities. Certain derivative transactions can be executed for trading purposes within a certain limit in accordance with the respective internal risk management policies set at a company level.

Those derivative transactions, as well as on-balance sheet assets, consist mainly of market risks, credit risks and market

liquidity risks. Market risks are the risks of losses due to changes in the value of derivative transactions as a result of unfavorable market fluctuations in interest rates, securities prices, foreign exchange rates and other factors. Credit risks are the risks of losses due to a decline in the value of derivative transactions as a result of deterioration in the financial position of individual obligors, issuers of the debt obligations we hold, or counterparties to the derivatives and other contracts we have entered into. Market liquidity risks are the risks of losses 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 risks of losses if we are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.

SFH formulates fundamental principles for risk management activities at the holding company level and the respective operating subsidiaries establish risk management structures and carry out the risk management activities, based on the fundamental principles. The respective risk management departments of the Companies periodically evaluate, monitor and measure risks related to derivative financial instruments, and submit periodic report on those conditions to our Board of Directors and Executive Committee of SFH and each subsidiary. The Board of Directors and Executive Committee then approve the fundamental principles and appropriate limits applied to risk management activities. In addition, as a subcommittee of the Board of Directors and Executive Committee, SFH holds Risk Management Meeting, and other committees such as Investment Committee, Risk Management Committee, Assets Management Meeting and ALM Committee, etc., each subsidiary implements appropriate risk management frameworks. The risk management structure includes separate front, middle and back office divisions to deal with derivative transactions. Accordingly, inception and execution of derivative transactions and risks, positions and gains and losses related to derivative financial instruments are strictly monitored.

The following tables show a summary of the notional amounts and current market or fair values of derivative financial instruments held as of March 31, 2008 and 2009. Notional amounts do not represent exposure to credit loss.

(1) Interest rate derivatives:

Yen in millions				
March 31, 2008				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Transaction listed on exchange:				
Interest rate futures	¥380,000	-	¥(103)	¥(103)
Over-the-counter transactions:				
Interest rate swaps	74,941	¥63,916	(1,536)	(1,536)
Total	-	-	¥(1,640)	¥(1,640)

Yen in millions				
March 31, 2009				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Transaction listed on exchange:				
Interest rate futures	-	-	-	-
Over-the-counter transactions:				
Interest rate swaps	¥169,864	¥151,640	¥(4,738)	¥(4,738)
Total	-	-	¥(4,738)	¥(4,738)

Notes)

1. The above transactions are valued at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income. Derivative transactions which hedge accounting is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo International Financial Futures Exchange and others. Market value of Over-the-counter transactions is calculated mainly using discounted present value and others.

## (2) Currency derivatives:

Yen in millions				
March 31, 2008				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Over-the-counter transactions:				
Currency swaps	¥ 4,146	¥ 238	¥ (562)	¥ (562)
Forward foreign exchanges:				
Sold	6,980	-	68	68
Bought	119,975	-	(2,997)	(2,997)
Currency options:				
Sold	968	-	(10)	10
Total	-	-	¥ (3,500)	¥ (3,480)

Yen in millions				
March 31, 2009				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Over-the-counter transactions:				
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)
Total	-	-	¥ (4,482)	¥ (4,490)

Notes)

1. The above transactions are valued at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income. Derivative transactions which hedge accounting is applied are not included in the amounts above.
2. Market value is calculated mainly using discounted present value and others.

## (3) Equity derivatives:

Yen in millions				
March 31, 2008				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Transaction listed on exchange:				
Equity price index options	¥ 145	-	¥ 0	¥ 3
Total	-	-	¥ 0	¥ 3

Yen in millions				
March 31, 2009				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Transaction listed on exchange:				
Equity price index options	-	-	-	-
Over-the-counter transactions:				
Equity price index options	-	-	-	-
Total	-	-	-	-

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 of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo Stock Exchange. Market value of Over-the-counter transactions is calculated mainly using discounted present value and option pricing models.

(4) Bond derivatives:

Yen in millions				
March 31, 2008				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Transaction listed on exchange:				
Bond futures	¥ 8,854	-	¥ 4,840	¥ (141)
Over-the-counter transactions:				
Bond options	16,000	-	(9)	17
Total	-	-	¥ 4,830	¥ (124)

Yen in millions				
March 31, 2009				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Transaction listed on exchange:				
Bond futures	-	-	-	-
Over-the-counter transactions:				
Bond options	-	-	-	-
Total	-	-	-	-

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 of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo International Financial Futures Exchange and others. Market value of Ober-the-counter transactions is calculated mainly using discounted present value and option pricing models.

(5) Credit derivatives transactions:

Yen in millions				
March 31, 2008				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Over-the-counter transactions:				
Credit default options				
Sold	¥ 2,997	¥ 997	¥ (7)	¥ (7)
Bought	16,789	16,789	630	630
Total	-	-	¥ 622	¥ 622

Yen in millions				
March 31, 2009				
Notional amount				
	Total	Over 1 year	Fair value	Valuation gains/losses
Over-the-counter transactions:				
Credit default options				
Sold	¥ 981	¥ 981	¥ (223)	¥ (223)
Bought	10,837	9,837	1,135	1,135
Total	-	-	¥ 912	¥ 912

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 calculated based on factors such as price of the reference assets and contract term.

## 7. Per Share Information

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, 2008 and 2009, net income per share was ¥11,357.53 and ¥14,125.14, respectively. There were no potential dilutive securities. Net assets per share, calculated based on the number of shares of common stock outstanding as of March 31, 2008 and 2009, were ¥120,288.66 and ¥94,205.75, respectively.

The basis for this calculation for the year ended March 31, 2008 and 2009 is net income of ¥24,255 million and ¥30,722 million, the entire amount of which is applicable to common stocks. The weighted-average number of shares outstanding for the year ended March 31, 2008 and 2009 were 2,135,655 shares and 2,175,000 shares, respectively.

## 8. Subsequent Events

There were no applicable subsequent events.

## V. Other Information

### 1. Changes in Executive Management

#### (1) Changes in Representative Directors

Name	Newly Appointed Position	Current Position
Katsumi Ihara	Executive Vice President and Representative Director	Corporate Executive, and Executive Deputy President of Sony Corporation

#### (2) Date of appointment

June 23, 2009

SFH's consolidated results\* are prepared in accordance with accounting principles and practices generally accepted in Japan. As such, these figures differ in significant respects from financial information reported by SFH's parent company, Sony Corporation, which prepares its financial statements in accordance with accounting principles and practices generally accepted in the United States.

\* The scope of consolidation for SFH's consolidated results included Sony Financial Holdings Inc., Sony Life Insurance Co., Ltd., Sony Assurance Inc., Sony Bank Inc., Sony Life Insurance (Philippines) Corporation, and Sony Bank Securities Inc. The scope of consolidation for SFH's consolidated results for the year ended March 31, 2009 also included AEGON Sony Life Planning Co., Ltd. as an affiliated company accounted for under the equity method.

On May 14, 2009, Sony Corporation announced its consolidated financial results for the year ended March 31, 2009. SFH Group companies constitute the majority of Sony Group's Financial Services segment. However, the scope of Sony Group's Financial Services segment differs from the scope of SFH's consolidated results. For the scope of Sony Group's Financial Services segment, please refer to the May 14, 2009, news release from Sony Corporation.

Forward-looking statements may include—but are not limited to—statements using words such as “believe,” “anticipate,” “plan,” “strategy,” “expect,” “forecast,” “predict,” “possibility” and similar words that describe future operating activities, financial performance, events or conditions. Forward-looking statements, whether spoken or written, are based on judgments made by the management of the SFH Group based on information that is currently available to it. As such, forward-looking statements are subject to various risks and uncertainties, and actual results may vary substantially from those expressed or implied in forward-looking statements. Consequently, investors are cautioned not to place undue reliance on forward-looking statements. The SFH Group disclaims any obligation to revise forward-looking statements in light of new information, future events or other findings.

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