FASF MEMBERSHIP

Consolidated Financial Summary
for the Year Ended March 31, 2010

May 20, 2010

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

(Fractional amounts of less than ¥1 million are discarded.)

1. Consolidated financial results for the year ended March 31, 2010

(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, 2010	978,991	13.8	84,373	146.3	48,126	56.7
For the year ended March 31, 2009	860,323	4.6	34,253	(23.0)	30,722	26.7

	Net Income per Share	Net Income per Share (Fully Diluted)	Net Income on Shareholders' Equity	Ordinary Profit on Total Assets	Ordinary Profit on Ordinary Revenues
	Yen	Yen	%	%	%
For the year ended March 31, 2010	22,127.13	—	20.3	1.5	8.6
For the year ended March 31, 2009	14,125.14	—	13.2	0.7	4.0

Note: Equity in earnings (losses) of affiliates: For the year ended March 31, 2010: ¥(307) million
For the year ended March 31, 2009: ¥(173) million

(2) Financial conditions

	Total Assets	Total Net Assets	Net Asset Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2010	6,001,088	269,439	4.5	123,880.11
As of March 31, 2009	5,313,677	204,897	3.9	94,205.75

Notes: 1. Shareholders' equity: As of March 31, 2010: ¥ 269,439 million
As of March 31, 2009: ¥ 204,897 million

2. The net asset ratio is computed by dividing the amount of total net assets by total assets at the end of the fiscal period.

(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, 2010	494,225	(378,706)	(6,580)	200,593
For the year ended March 31, 2009	730,038	(769,813)	(4,591)	91,634

2. Dividends

Record date	Dividend per Share: 1st quarter	2nd quarter	3rd quarter	Year-end	Annual Total	Annual Dividend Amount	Dividend Payout Ratio	Dividend on Net Assets
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
For the year ended March 31, 2009	—	0.00	—	3,000.00	3,000.00	6,525	21.2	2.8
For the year ended March 31, 2010	—	0.00	—	3,000.00	3,000.00	6,525	13.6	2.8
For the year ending March 31, 2011 (forecast)	—	0.00	—	3,000.00	3,000.00		16.3	

3. Forecast of consolidated financial results for the year ending March 31, 2011

(Percentage figures represent changes from the results 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, 2010	483,000	0.4	41,000	3.9	23,000	(1.7)	10,574.72
For the year ending March 31, 2011	974,000	(0.5)	74,000	(12.3)	40,000	(16.9)	18,390.80

4. Other Information

(1) Changes in scope of consolidation during the period under review (changes in specified subsidiaries accompanying changes in scope of consolidation): None

(2) Changes in accounting policies, procedures and presentation

(a) Changes due to revision of accounting standards: None

(b) Changes due to other reasons: None

(3) Number of shares outstanding (common stock)

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

As of March 31, 2010: 2,175,000 shares

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

(b) Number of treasury shares

As of March 31, 2010: — shares

As of March 31, 2009: — shares

(c) Weighted-average number of shares

For the year ended March 31, 2010: 2,175,000 shares

For the year ended March 31, 2009: 2,175,000 shares

I. Qualitative Information and Financial Statements

(1) Qualitative Information on Consolidated Operating Performance

1) Analysis of Operating Performance

During the year ended March 31, 2010 (April 1, 2009 through March 31, 2010), **consolidated ordinary revenues** grew 13.8% compared with the previous fiscal year, to ¥978.9 billion, owing to increases in ordinary revenues from the life insurance business and the non-life insurance business, despite a decrease from the banking business. In the life insurance business, ordinary revenues grew 15.1% year on year, to ¥882.0 billion, owing to higher income from insurance premiums associated with a steady increase in policy amount in force, as well as increases in investment income boosted by a relatively favorable financial market environment. In the non-life insurance business, ordinary revenues rose 10.2% year on year, to ¥68.1 billion, due to increases in net premiums written, reflecting a growing number of its mainstay automobile insurance policies. In the banking business, ordinary revenues decreased 8.6% year on year, to ¥30.5 billion, due to lower interest rates throughout the world, despite an increase in interest income reflecting a growing balance of mortgage loans.

Consolidated ordinary expenses increased 8.3% compared with the previous fiscal year, to ¥894.6 billion, owing to increases in ordinary expenses from the life insurance business and the non-life insurance business, although those from the banking business decreased.

In the life insurance business, ordinary expenses increased 9.3% year on year, to ¥802.2 billion, due to an increased provision for policy reserve and others. This rise was due mainly to a significant improvement in the investment performance of separate account assets, which offset a substantial decrease in investment expenses owing to a recovery of the stock market. In the non-life insurance business, ordinary expenses grew 9.9% year on year, to ¥65.6 billion, owing primarily to increases in the amount of net losses paid, led by a growing number of policies in force. In the banking business, however, ordinary expenses declined 15.8% year on year, to ¥28.5 billion, due mainly to decreases in interest expenses, particularly a decrease in interest expenses on deposits, owing to a decline in interest rates.

As a result, **consolidated ordinary profit** increased 146.3% compared with the previous fiscal year, to ¥84.3 billion, owing to increases in ordinary profit from all the businesses. Broken down by business, ordinary profit from the life insurance business increased 145.2% year on year, to ¥79.7 billion, the non-life insurance increased 17.8% year on year, to ¥2.5 billion, and the banking business tuned into gain of ¥1.9 billion from ordinary losses of ¥0.5 billion in the previous fiscal year.

Extraordinary losses of ¥7.0 billion were recorded during the year ended March 31, 2010, due mainly to the provision of a reserve for price fluctuations of ¥5.9 billion in the life insurance business. During the previous fiscal year, extraordinary gains of ¥20.4 billion were recorded, due to a partial reversal of the reserve for price fluctuations in the life insurance business.

After accounting for extraordinary losses, provision for reserve for policyholders' dividends and income taxes, **net income** for the year ended March 31, 2010, was up 56.7% year on year, to ¥48.1 billion.

2) Segment Information by Business

Ordinary Revenues

(Millions of yen)

	For the year ended March 31, 2009	**For the year ended March 31, 2010**	Change (%)
Life insurance business	766,245	**882,045**	15.1
Non-life insurance business	61,882	**68,174**	10.2
Banking business	33,378	**30,520**	(8.6)
Subtotal	861,507	**980,740**	13.8
Corporate and eliminations	(1,183)	**(1,749)**	—
Consolidated	860,323	**978,991**	13.8

Ordinary Profit

(Millions of yen)

	For the year ended March 31, 2009	**For the year ended March 31, 2010**	Change (%)
Life insurance business	32,540	**79,781**	145.2
Non-life insurance business	2,178	**2,565**	17.8
Banking business	(571)	**1,928**	—
Subtotal	34,147	**84,275**	146.8
Corporate and eliminations	106	**98**	(7.8)
Consolidated	34,253	**84,373**	146.3

3) Consolidated Financial Forecast for the Year Ending March 31, 2011

SFH's consolidated financial results forecast for the fiscal year ending March 31, 2011 (April 1, 2010 through March 31, 2011) is as follows. No changes have been made to the consolidated results forecast previously announced on May 13, 2010.

(Billions of yen)

	Ordinary revenues	Ordinary profit	Net income
For the six months			
Forecast for the six months ending September 30, 2010	483.0	41.0	23.0
(Reference) Actual results for the six months ended September 30, 2009	481.2	39.4	23.3
For the full year			
Forecast for the year ending March 31, 2011	974.0	74.0	40.0
(Reference) Actual results for the year ended March 31, 2010	978.9	84.3	48.1

(Reference)

Forecast of ordinary revenues and ordinary profit from each business for the fiscal year ending March 31, 2011 (April 1, 2010 through March 31, 2011) is as follows. Forecast figures from each business reflect corporate and eliminations.

<Life insurance business>

Ordinary revenues for the year ending March 31, 2011, are expected to decrease 1.2% year on year, to ¥871.3 billion, stemming from an expected decrease in investment income compared with that of the previous fiscal year which reflected a recovery in financial market conditions, although we expect income from insurance premiums to increase in line with the steady growth of policy amount in force. We expect ordinary profit to decrease 12.8% year on year, to ¥69.6 billion, due mainly to a decrease in gains on sale of securities held and an increase in insurance claims and other payments.

(Billions of yen)

	Ordinary revenues	Ordinary profit
For the six months		
Forecast for the six months ending September 30, 2010	432.1	39.6
(Reference) Actual results for the six months ended September 30, 2009	432.6	36.3
For the full year		
Forecast for the year ending March 31, 2011	871.3	69.6
(Reference) Actual results for the year ended March 31, 2010	882.0	79.7

<Non-life insurance business>

Ordinary revenues for the year ending March 31, 2011 are expected to rise 6.6% year on year, to ¥72.7 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 14.2% year on year, to ¥2.2 billion due mainly to an expected rise in the loss ratio, as well as an increasing expense ratio in line with the planned reinforcement of the corporate system and infrastructure based on the expected expansion of its business operations.

(Billions of yen)

	Ordinary revenues	Ordinary profit
For the six months		
Forecast for the six months ending September 30, 2010	36.5	0.7
(Reference) Actual results for the six months ended September 30, 2009	33.9	1.5
For the full year		
Forecast for the year ending March 31, 2011	72.7	2.2
(Reference) Actual results for the year ended March 31, 2010	68.1	2.5

<Banking business>

Ordinary revenues for the year ending March 31, 2011 are expected to slightly increase year on year, amounting to ¥30.6 billion, as interest income is expected to rise due to expanding business operations, although an influence of the worldwide reductions in interest rates still remains. Ordinary profit is expected to grow 45.2% to ¥2.8 billion from the previous fiscal year, as gross operating profit, especially net interest income, is expected to grow.

(Billions of yen)

	Ordinary revenues	Ordinary profit
For the six months		
Forecast for the six months ending September 30, 2010	14.8	1.2
(Reference) Actual results for the six months ended September 30, 2009	15.3	1.4
For the full year		
Forecast for the year ending March 31, 2011	30.6	2.8
(Reference) Actual results for the year ended March 31, 2010	30.5	1.9

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, 2010.

(2) Qualitative Information on Consolidated Financial Position

1) Assets, Liabilities and Net Assets

As of March 31, 2010, **total assets** amounted to ¥6,001.0 billion, up 12.9% from March 31, 2009. As for major components of assets, securities, mostly Japanese government bonds, amounted to ¥4,488.4 billion, up 21.2% from March 31, 2009. Monetary trusts amounted to ¥300.7 billion, down 50.6% and loans amounted to ¥714.4 billion, up 19.6% from March 31, 2009.

Total liabilities amounted to ¥5,731.6 billion, up 12.2% from March 31, 2009. As for major components of liabilities, policy reserve and others amounted to ¥4,088.1 billion, up 11.1% from March 31, 2009, and deposits amounted to ¥1,509.2 billion, up 13.9% from March 31, 2009.

Total net assets amounted to ¥269.4 billion, up 31.5% from March 31, 2009. As for major components of net assets, net unrealized gains on other securities, net of taxes increased substantially to ¥17.5 billion from losses of ¥4.8 billion as of March 31, 2009, owing primarily to increases in the fair market value of securities held, associated with a recovery in financial market conditions.

2) Cash Flows

Net cash provided by operating activities for the year ended March 31, 2010, was ¥494.2 billion, down ¥235.8 billion from the year ended March 31, 2009. The major factors were the absence of an increase in inflows due to a net decrease in call loans in the banking business, which was present in the previous fiscal year.

Net cash used in investing activities for the year ended March 31, 2010, was ¥378.7 billion, down ¥391.1 billion from the year ended March 31, 2009. The primary reasons were a substantial decline in outflows due to decreased payments for purchases of securities in the banking business.

Net cash used in financing activities for the year ended March 31, 2010, was ¥6.5 billion, up ¥1.9 billion from the year ended March 31, 2009. The decrease was due to the absence of inflows from subordinated debt which was issued in the previous fiscal year to strengthen the financial soundness of the banking business.

As a result of the above factors, cash and cash equivalents at March 31, 2010, were ¥200.5 billion, up ¥108.9 billion from March 31, 2009.

(3) Basic Policy on Returns to Shareholders and Dividends for the Year Ended March 31, 2010, and the Year Ending March 31, 2011

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, 2010, and for the year ending March 31, 2011.

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 for the year ended March 31, 2010, 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 15.1% from the previous fiscal year, to ¥881.7 billion, due to higher income from insurance premiums associated with an increased policy amount in force, as well as increases in investment income boosted by a relatively favorable financial market environment. Ordinary profit increased 147.1% year on year, to ¥80.0 billion, mainly reflecting the increase in ordinary revenues and a substantial decrease in impairment losses on securities held. Net income increased 36.6% year on year, to ¥46.1 billion, owing to a substantial increase in ordinary profit despite the negative impact of a change from the reversal of a reserve for price fluctuations of ¥20.4 billion for extraordinary gains a year earlier, to a provision of ¥5.9 billion for extraordinary losses in the year ended March 31, 2010.

Core profit rose 69.8% year on year, to ¥64.5 billion, due mainly to an increase in income from insurance premiums and higher interest income and dividends, as well as a decrease in provision for policy reserves for minimum guarantee for variable life insurance. Income from insurance premiums grew 5.8% from the previous fiscal year, to ¥700.1 billion, associated with an increased policy amount in force. Investment income increased 77.6% year on year, to ¥175.3 billion, due mainly to an improved investment performance on separate account assets driven by rising stock prices, and higher interest income and dividends in line with the growing balance of ultralong-term bonds. Investment expenses decreased 84.6% year on year, to ¥20.5 billion, due to an improved investment performance on separate account assets, changing from losses on separate accounts, net, to gains, as well as a substantial decrease in impairment losses on securities held. As a result, gains from investment, net, for the total of general and separate accounts amounted to ¥154.8 billion from losses of ¥34.9 billion in the previous fiscal year, a part of which, gains from investment, net, on general account assets increased 147.4%, to ¥92.0 billion.

Insurance claims and other payments decreased 0.2% year on year, to ¥274.2 billion. Operating expenses increased 3.1% year on year, to ¥96.8 billion.

Policy amount in force for the total of individual life insurance and individual annuities grew steadily, to ¥33,470.7 billion as of March 31, 2010, up 2.9% from March 31, 2009. The lapse and surrender rate* for the total of individual life insurance and individual annuities rose 0.42 percentage point from the previous fiscal year, to 7.21%, reflecting the impact of individual customers conversion to more reasonably priced products. This included a discount rider for family income insurance launched in November 2009 for nonsmokers and other people in excellent health.

Annualized premiums from total policies as of March 31, 2010, were up 4.6% from March 31, 2009, totaling ¥573.3 billion. Of this amount, the figure for third-sector products was up 5.0% to ¥133.0 billion from March 31, 2009.

The new policy amount for the total of individual life insurance and individual annuities increased 4.5% from the previous fiscal year, to ¥4,049.2 billion, owing to an increase in sales resulting from the above-mentioned product launch in November 2009. Annualized premiums from new policies amounted to ¥68.7 billion, up 11.5%, due primarily to favorable sales of cancer hospitalization insurance launched in April 2009.

Net unrealized gains on securities** decreased ¥30.9 billion from March 31, 2009, to ¥19.9 billion. Net unrealized gains on other securities, net of taxes, amounted to ¥15.4 billion, up ¥11.4 billion from March 31, 2009.

As of March 31, 2010, Sony Life's solvency margin ratio was 2,637.3%, compared with 2,060.5% as of March 31, 2009.

* 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 marking 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 a 10.2% increase in ordinary revenues compared with the previous fiscal year, to ¥68.1 billion, due to increased net premiums written, as the number of insurance policies in force grew for strong sales of new policies in its mainstay automobile insurance. Ordinary profit increased 17.8% year on year, to ¥2.5 billion, owing mainly to an increase in ordinary revenues and a decline in the net expense ratio, despite a higher net loss ratio. Net income amounted to ¥1.6 billion for the year ended March 31, 2010, compared with a net loss of ¥1.5 billion in the previous term, due mainly to a substantial decrease in extraordinary losses including losses on disposal of fixed assets.

In terms of insurance underwriting performance, owing to an increased number of automobile insurance policies in force, both direct premiums written and net premiums written grew 10.2% year on year, amounting to ¥67.0 billion and 10.4% to ¥67.4 billion, respectively. Net losses paid increased 15.4% year on year, to ¥34.5 billion, owing to an increased number of policies in force and a rising number of car accidents. The net loss ratio rose 2.2 percentage points, compared with the previous fiscal year, to 57.2%. The net expense ratio decreased 0.6 percentage point year on year, to 26.1%, due to the increase in net premiums written, despite a 7.7% increase in underwriting expenses of ¥17.5 billion. Underwriting profits rose 18.9% year on year, to ¥1.9 billion, primarily reflecting the adjustment of the provision for reserves for outstanding claims and underwriting reserves.

As of March 31, 2010, Sony Assurance's solvency margin ratio was 1,018.5%, compared with 993.0% as of March 31, 2009.

■ Sony Bank (Non-Consolidated)

Sony Bank's ordinary revenues decreased 8.6% compared with the previous fiscal year, to ¥30.5 billion, due to the global lowering of interest rates. Ordinary profit increased 606.5% year on year, to ¥2.9 billion, owing to an increase in net interest income due mainly to a decrease in interest expenses on deposit in the lowering of interest rates and an increase in interest income on loans reflecting the growing balance of mortgage loans. Net income amounted to ¥1.6 billion for the year ended March 31, 2010, compared with a net loss of ¥0.7 billion in the previous fiscal year.

Gross operating profit increased 37.6% from the previous fiscal year, to ¥14.9 billion, led by an increase in net interest income which offset decreases in net other operating income and in net fees and commissions. With respect to the breakdown of gross operating profit, net interest income rose 96.1% year on year, to ¥13.0 billion, due to a decline in interest on deposits in the lowering of interest rates, and an increase in interest income on loans led by the growing balance of mortgage loans. Net fees and commissions decreased ¥ 0.5 billion year on year, to a loss of ¥0.1 billion, due mainly to an increase in handling fees for the mortgage loan business. Net other operating income decreased 45.6%, to ¥2.1 billion, mainly because foreign exchange gains on investment in foreign currency deposits decreased as a result of lower interest rates, and the fact that gains from derivatives, net, which were held for hedging purposes, turned into losses. These factors offset the positive results of the fact that impairment losses on securities were not recorded for the year ended March 31, 2010.

General and administrative expenses expanded 13.3% year on year, to ¥11.6 billion, due mainly to an increase in system-related expenses.

As of March 31, 2010, customer assets (the sum of deposits and investment trusts) were up ¥206.4 billion, or 14.7%, from March 31, 2009, to ¥1,610.0 billion. Looking at customer assets as of March 31, 2010, deposits amounted to ¥1,510.0 billion, up ¥183.6 billion, or 13.8%, from March 31, 2009, reflecting a higher balance of yen time deposits, boosted by a special campaign, offering higher rates for deposits made during the winter bonus season. Investment trusts were ¥100.0 billion, up ¥22.7 billion, or 29.4% from March 31, 2009. Loans expanded to ¥586.6 billion, up ¥109.5 billion, or 23.0%, from March 31, 2009, owing to a growing balance of mortgage loans, as well as an increase in corporate loans, especially syndicated loans commenced in October 2009, amounting to ¥23.3 billion. As of March 31, 2010, the number of accounts was up 72 thousand from March 31, 2009, to 796 thousand accounts.

Net unrealized gains on other securities, net of taxes, a component of net assets, totaled ¥0.9 billion, up ¥10.5 billion from March 31, 2009, reflecting a recovery in the financial market environment.

As of March 31, 2010, Sony Bank's non-consolidated capital adequacy ratio* (domestic criteria) was 12.09%, compared with 13.37% as of March 31, 2009.

* 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 March 31, 2009, employed the special exception of the standard mentioned above, in accordance with 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, 2010, 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. (Sony Bank Securities), a subsidiary of Sony Bank. It also includes AEGON Sony Life Insurance Co., Ltd. (AEGON Sony Life Insurance) and SA Reinsurance Ltd., as affiliated companies accounted for under the equity method.

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

[Directly Held, indirectly held subsidiaries and affiliated companies accounted for under the equity method]

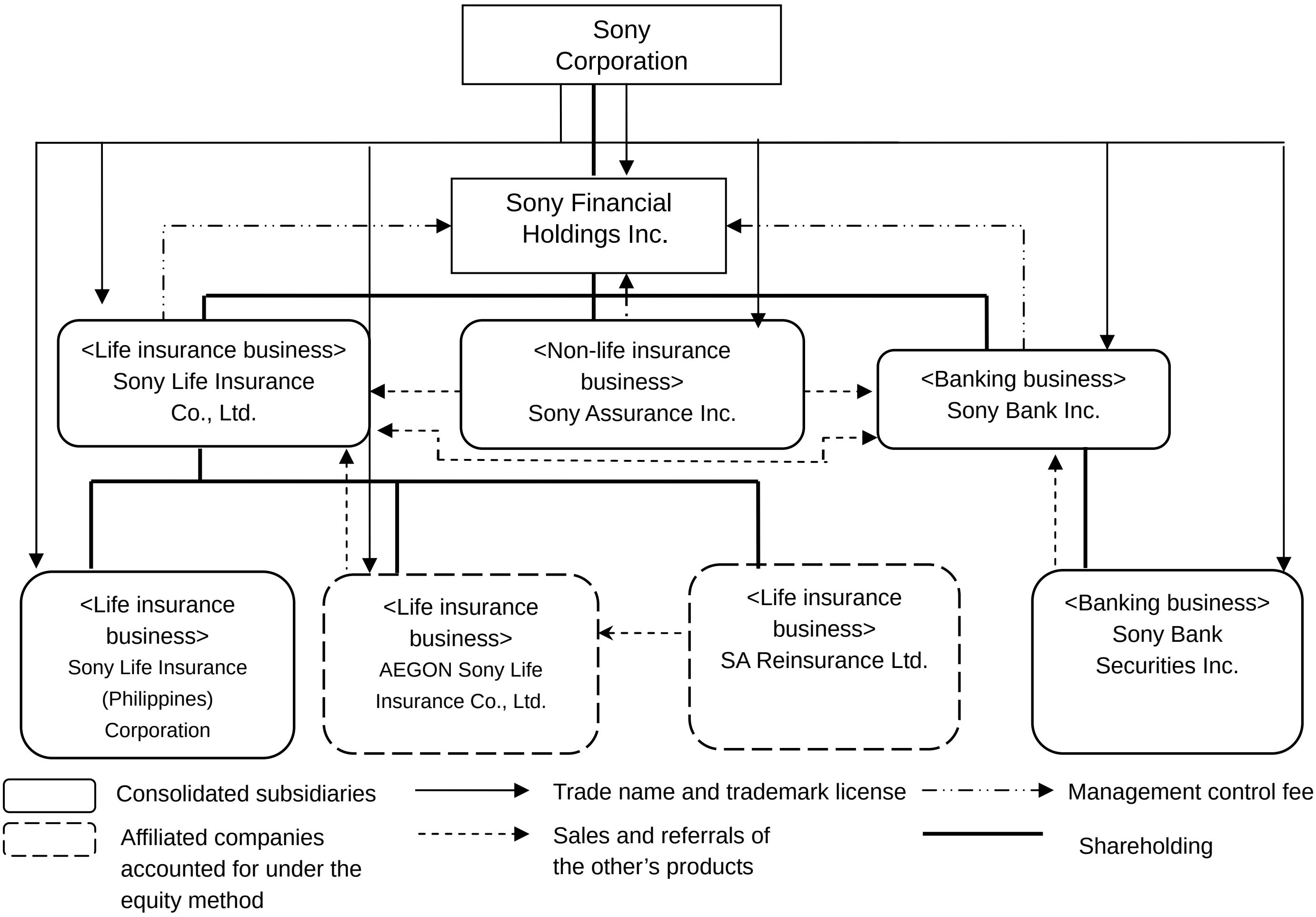
<Life insurance business>
- Sony Life Insurance Co., Ltd. (Wholly-owned by SFH)
- Sony Life Insurance (Philippines) Corporation (Wholly-owned by Sony Life)
- AEGON Sony Life Insurance Co., Ltd. (50%-owned by Sony Life)
- SA Reinsurance Ltd. (50%-owned by Sony Life)

<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, 2010)

Note: SA Reinsurance 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 nine months ended December 31, 2009.



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 be the financial services group customers think of first and trust most by integrating the many functions of financial service providers—everything from saving and asset building to borrowing and protection—and delivering high-valued-added products and quality services, all tailored to the specific needs of every one of our individual customers.

b. Corporate Philosophy

(Focus on the Customer)

We help our customers live rich and secure lives by opening our ears and hearts to their opinions and concerns to provide products and services that meet their satisfaction.

(Contributing to Society)

We appreciate the public nature of financial services and seek to achieve our corporate vision and 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

(Pursue Originality)

We pursue creativity and innovation informed by original ideas and unfettered by convention.

(Encourage a free and open-minded corporate culture)

We recognize the importance of individual employee contributions in providing ideal financial services. We encourage a free and open-minded corporate culture to allow employees to fully display their individualities and abilities in their work.

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

(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 divided by 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.

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, 2010, the Japanese economy showed signs of recovery in capital expenditure and employment, primarily driven by demand from abroad boosted by the economic stimulus packages around the world. However, Japanese economy appears unlikely to escape deflation in the short term.

Japanese economy faces continued decline in the birthrate and aging of the population. Furthermore, Japanese customer needs are growing more diverse. Under these circumstances, Japanese life insurance companies and banks are being required to execute growth strategies more quickly and efficaciously in the face of fiercer competition.

Under these conditions, SFH Group recognizes that trusts of customers are important, therefore 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) Enhancing the latest developed business fields, and Expanding into new fields of business

AEGON Sony Life Insurance and Sony Bank Securities strive to steadily expand business operations by extending their product and service line-ups to meet customer's expectations continuously. 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.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
Assets		
Cash and due from banks	¥ 42,794	¥ 103,649
Call loans and bills bought	95,709	146,879
Commercial paper and other debt purchased	16,163	3,292
Monetary trusts	608,846	300,743
Securities	3,703,062	4,488,458
Loans	597,542	714,486
Tangible fixed assets	83,619	81,931
Land	33,076	33,076
Buildings	47,790	47,176
Leased assets	340	274
Construction in progress	1,179	—
Other tangible fixed assets	1,232	1,405
Intangible fixed assets	18,788	20,687
Software	16,710	19,120
Goodwill	2,004	1,503
Leased assets	0	0
Other intangible fixed assets	72	64
Due from agencies	1	—
Due from reinsurers	144	205
Foreign exchanges	6,355	5,100
Other assets	91,424	101,684
Deferred tax assets	49,889	34,987
Reserve for possible loan losses	(665)	(1,019)
Total Assets	¥5,313,677	¥6,001,088

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
Liabilities		
Policy reserve and others	¥3,680,731	¥4,088,186
Reserve for outstanding claims	34,843	39,151
Policy reserve	3,643,348	4,043,958
Reserve for policyholders' dividends	2,539	5,076
Due to agencies	1,216	1,445
Due to reinsurers	1,042	853
Deposits	1,325,320	1,509,295
Call money and bills sold	10,000	10,000
Borrowed money	2,000	2,000
Foreign exchanges	8	20
Other liabilities	68,086	90,699
Reserve for employees' bonuses	2,251	2,496
Reserve for employees' retirement benefits	13,435	15,915
Reserve for directors' retirement benefits	310	360
Reserve for price fluctuations	3,666	9,665
Reserve for financial products transaction liabilities	1	2
Deferred tax liabilities	0	0
Deferred tax liabilities on land revaluation	706	706
Total Liabilities	5,108,779	5,731,648
Net Assets		
Common stock	19,900	19,900
Capital surplus	195,277	195,277
Retained earnings (deficits)	(2,251)	39,350
Total shareholders' equity	212,925	254,527
Net unrealized gains (losses) on other securities, net of taxes	(4,853)	17,511
Net deferred losses on hedging instruments, net of taxes	(1,449)	(960)
Land revaluation, net of taxes	(1,475)	(1,475)
Foreign currency translation adjustments	(248)	(163)
Total valuation and translation adjustments	(8,028)	(14,912)
Total Net Assets	204,897	269,439
Total Liabilities and Net Assets	¥5,313,677	¥6,001,088

2. Consolidated Statements of Income

(Millions of yen)

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

(Continued)

(Millions of yen)

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

(Continued)

(Millions of yen)

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

3. Consolidated Statements of Changes in Net Assets

(Millions of yen)

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

(Continued)

(Millions of yen)

	For the year ended March 31, 2009	For the year ended March 31, 2010
Valuation and Translation Adjustments		
Net unrealized gains (losses) on other securities, net of taxes		
Balance at the end of the previous period	¥74,902	¥(4,853)
Changes during the period		
Net changes of items other than shareholders' equity	(79,756)	22,365
Total changes during the period	(79,756)	22,365
Balance at the end of the current period	(4,853)	17,511
Net deferred losses on hedging instruments, net of taxes		
Balance at the end of the previous period	(1,345)	(1,449)
Changes during the period		
Net changes of items other than shareholders' equity	(104)	489
Total changes during the period	(104)	489
Balance at the end of the current period	(1,449)	(960)
Land revaluation, net of taxes		
Balance at the end of the previous period	(1,475)	(1,475)
Changes during the period		
Total changes during the period	—	—
Balance at the end of the current period	(1,475)	(1,475)
Foreign currency translation adjustments		
Balance at the end of the previous period	786	(248)
Changes during the period		
Net changes of items other than shareholders' equity	(1,035)	85
Total changes during the period	(1,035)	85
Balance at the end of the current period	(248)	(163)
Total valuation and translation adjustments		
Balance at the end of the previous period	72,868	(8,028)
Changes during the period		
Net changes of items other than shareholders' equity	(80,896)	22,940
Total changes during the period	(80,896)	22,940
Balance at the end of the current period	¥ (8,028)	¥ 14,912

(Continued)

(Millions of yen)

	For the year ended March 31, 2009	For the year ended March 31, 2010
Total Net Assets		
Balance at the end of the previous period	¥261,627	¥204,897
Changes during the period		
Dividends from surplus	(6,525)	(6,525)
Net income	30,722	48,126
Decrease resulting from change in scope of application of equity method	(31)	—
Net changes of items other than shareholders' equity	(80,896)	22,940
Total changes during the period	(56,730)	64,541
Balance at the end of the current period	¥204,897	¥269,439

4. Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2009	For the year ended March 31, 2010
Cash flows from operating activities		
Income before income taxes	¥ 51,238	¥ 73,799
Depreciation of real estate for lease	2,932	2,693
Depreciation and amortization	3,243	3,971
Impairment losses	20	5
Amortization of goodwill	501	501
Increase in reserve for outstanding claims	3,190	4,307
Increase in policy reserve	225,407	400,601
Increase in interest portion of reserve for policyholders' dividends	39	4
Increase (decrease) in reserve for policyholders' dividends	(429)	3,516
Increase in reserve for possible loan losses	338	354
Increase in reserve for employees' retirement benefits	1,936	2,550
Increase in reserve for directors' retirement benefits	57	50
Increase (decrease) in reserve for price fluctuations	(20,470)	5,998
Increase in reserve for financial products transaction liabilities	0	1
Interest income and dividends	(78,789)	(94,681)
(Gains) losses on securities	87,400	(74,733)
Interest expenses	15,437	10,394
Exchange gains	8,416	2,395
Losses on disposal of tangible fixed assets	68	198
Equity in losses of affiliates	173	307
Net increase in loans	(130,007)	(109,797)
Net increase in deposits	182,175	183,758
Net (increase) decrease in call loans and bills bought	302,659	(5,170)
Net (increase) decrease in foreign exchange (assets)	(4,671)	1,254
Net increase in foreign exchange (liabilities)	8	11
Others, net	22,823	10,578
Subtotal	673,703	422,874
Interest and dividends received	81,813	99,486
Interest paid	(14,567)	(11,165)
Policyholders' dividends paid	(1,577)	(983)
Income taxes paid	(9,334)	(15,985)
Net cash provided by operating activities	¥730,038	¥494,225

(Continued)

(Millions of yen)

	For the year ended March 31, 2009	For the year ended March 31, 2010
Cash flows from investing activities		
Investments in monetary trusts	¥ (34,758)	¥ (55,750)
Proceeds from sale of monetary trusts	316,794	372,000
Purchases of securities	(2,288,460)	(1,441,592)
Proceeds from sale and redemption of securities	1,285,092	770,912
Investments in loans	(47,351)	(46,145)
Collections of loans	13,683	17,840
Others, net	(2,655)	13,583
Total of net cash used in investment transactions	(757,656)	(369,151)
Total of net cash provided by (used in) operating activities and investment transactions	(27,618)	125,073
Purchases of tangible fixed assets	(2,413)	(2,514)
Proceeds from sale of tangible fixed assets	1	0
Purchases of intangible fixed assets	(9,745)	(6,739)
Purchase of securities of a subsidiary	—	(300)
Net cash used in investing activities	(769,813)	(378,706)
Cash flows from financing activities		
Increase in subordinated borrowings	2,000	—
Cash dividends paid	(6,515)	(6,521)
Others	(76)	(59)
Net cash used in financing activities	(4,591)	(6,580)
Effect of exchange rate changes on cash and cash equivalents	(184)	20
Net increase (decrease) in cash and cash equivalents	(44,551)	108,959
Cash and cash equivalents at beginning of the fiscal year	136,186	91,634
Cash and cash equivalents at end of the fiscal year	¥ 91,634	¥ 200,593

Note: 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.

Number of non-consolidated subsidiaries: 1

Non-consolidated subsidiary: LIPLA Co., Ltd.

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

(2) Application of the equity method

Number of consolidated subsidiaries and affiliates accounted for by the equity method: 2

Consolidated subsidiaries and affiliates accounted for by the equity method: AEGON Sony Life Insurance Co., Ltd., SA Reinsurance Ltd.

The name of AEGON Sony Life Insurance Co., Ltd., was changed from AEGON Sony Life Planning Co., Ltd. on August, 2009,

SA Reinsurance Ltd. newly became an affiliated company accounted for by the equity method due to establishment of the company.

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

Non-consolidated subsidiary not accounted for by the equity method: LIPLA Co., Ltd.

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

(3) Fiscal year-end of consolidated subsidiaries

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

(4) Valuation of assets and liabilities of consolidated subsidiaries

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

(5) Amortization of goodwill

Goodwill is amortized using the straight-line method over 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 values are readily determinable are stated at fair value in the consolidated balance sheets based on market prices prevailing at each balance sheet date, with unrealized gains (losses), net of income taxes, included in net assets and acquisition costs calculated using the moving-average method. Available-for-sale securities whose fair values are not readily determinable are stated 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 that are classified as available-for-sale securities. Both of the above-mentioned hedging instruments are identified so that their significant terms are nearly identical to those of the hedged items. Accordingly, such hedges are considered 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 separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Companies and the cost of the item can be measured reliably. All other repairs and maintenance charges are charged to income when incurred.

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

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

Software for internal use (excluding leased assets)
Software for internal use is amortized using the straight-line method mainly over five 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 a 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 that 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 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 five 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
Not applicable.

Additional information

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

2. Segment Information

	Millions of yen					
	As of and for the 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

	Millions of yen					
	As of and for the year ended March 31, 2010					
	Life insurance business	Non-life insurance business	Banking business	Total	Elimination	Consolidated
Ordinary revenues:						
External customers	¥ 880,353	¥ 68,172	¥ 30,466	¥ 978,991	¥ —	¥ 978,991
Intersegment	1,692	2	54	1,749	(1,749)	—
Total	882,045	68,174	30,520	980,740	(1,749)	978,991
Ordinary expenses	802,264	65,609	28,592	896,465	(1,847)	894,618
Ordinary profit	¥ 79,781	¥ 2,565	¥ 1,928	¥ 84,275	¥ 98	¥ 84,373
Assets, depreciation and capital expenditure:						
Assets	¥ 4,286,045	¥ 98,340	¥ 1,613,010	¥ 5,997,396	¥ 3,691	¥ 6,001,088
Depreciation	5,103	509	1,227	6,840	12	6,852
Capital expenditure	5,049	1,428	1,952	8,430	2	8,432

Notes:

1. The life insurance business consists of Sony Life Insurance Co., Ltd., Sony Life Insurance (Philippines) Corporation, AEGON Sony Life Insurance Co., Ltd. (Its name was changed from AEGON Sony Life Planning Co., Ltd., in August 2009.) The non-life insurance business consists of Sony Assurance Inc., and the banking business consists of Sony Bank Inc. and Sony Bank Securities Inc. In addition to those companies, SA Reinsurance Ltd. was included in the life insurance business in the year ended March 31, 2010.
2. Unallocated ordinary expenses that are included in “elimination” for the years ended March 31, 2009, and 2010 amount to ¥868 million and ¥969 million, most of which are ordinary expenses of SFH. Unallocated corporate assets that are included in “elimination” are ¥3,977 million and ¥4,619 million, most of which are deposits and others of SFH.

3. Related Party Transactions

(1) For the year ended March 31, 2009

Transactions between SFH Group and related parties

Since SFH's initial public offering, Sony Corporation has remained 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, were as follows:

- SFH made payments to Sony Corporation for remuneration expenses of employees that it 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, were as follows:

- The subsidiaries of SFH made payments to Sony Corporation under 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 seconded to subsidiaries of SFH.
- The subsidiaries of SFH made other payments of ¥96 million in exchange for miscellaneous products and services provided to 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, were 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 for 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 "accrued expenses and others" 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 advertising provided by Frontage to the subsidiaries of SFH.
- As of March 31, 2009, ¥468 million of "accrued expenses and others" was outstanding in relation to transactions between the subsidiaries of SFH and Frontage.

Notes:

1. The abovementioned transaction amounts during 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.
2. The SFH Group made payments to Sony Corporation for remuneration expenses of employees that it seconded to the SFH Group based on the agreements on the secondment of employees.
3. 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 fee 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.
4. The "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 these agreements.
5. Other transactions are determined in the same way as general transactions, taking fair market value into consideration.

Notes for parent company and important affiliates

◆ Parent company

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

◆ Important affiliates

None.

(2) For the year ended March 31, 2010

Transactions between SFH Group and related parties

Since SFH's initial public offering, Sony Corporation has remained 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, 2010, were as follows:

- SFH made payments to Sony Corporation for remuneration expenses of employees that it seconded to SFH. For the year ended March 31, 2010, such payments amounted to ¥37 million, and "accrued expenses" of ¥0 million were outstanding as of March 31, 2010.

Transactions between the subsidiaries of SFH and Sony Corporation for the fiscal year ended March 31, 2010, were as follows:

- The subsidiaries of SFH made payments to Sony Corporation under royalty agreements of ¥1,272 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 ¥8,272 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 ¥34 million to Sony Corporation for remuneration expenses of employees that it seconded to subsidiaries of SFH.
- The subsidiaries of SFH made other payments of ¥81 million in exchange for miscellaneous products and services provided to the subsidiaries of SFH by Sony Corporation.
- As of March 31, 2010, ¥198 million of "accrued expenses and others," ¥714 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, 2010, were 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 ¥305 million for leasing of office space and office equipment, ¥1,115 million for collecting services, ¥21 million for individual loan guarantee services, ¥122 million for agency services provided by Sony Finance.
- As of March 31, 2010, ¥23,728 million of "accounts receivable," ¥92 million of "accrued expenses and others" and ¥5 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 ¥3,945 million for advertising provided by Frontage to the subsidiaries of SFH.
- As of March 31, 2010, ¥386 million of "accrued expenses and others" was outstanding in relation to transactions between the subsidiaries of SFH and Frontage.

Notes:

1. The abovementioned transaction amounts during the fiscal year ended March 31, 2010, exclude consumption taxes and others, while the outstanding amounts as of March 31, 2010, include consumption taxes and others.
2. The SFH Group made payments to Sony Corporation for remuneration expenses of employees that it has seconded to the SFH Group based on the agreements on the secondment of employees.
3. 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 fee 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.
4. The "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 these agreements.

5. Other transactions are determined in the same way as general transactions, taking fair market value into consideration.

Notes for parent company and important affiliates

◆ Parent company

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

◆ Important affiliates

None.

4. Financial Instruments

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

(1) Description of financial instruments

(i) Policy on financial instruments

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

(ii) Financial instruments and related risk

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

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

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

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

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

(iii) Risk assessment of financial instruments

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

Credit risk

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

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

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

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

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

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

Market risk

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

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

■ Interest rate risk

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

■ Exchange rate risk

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

■ Price fluctuation risk

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

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

■ Interest rate risk

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

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

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

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

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

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

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

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

(ii) SFH's non-life insurance subsidiary establishes provisions related to liquidity risk. Its cash flow management division handles daily cash flow. The investment division, in addition to understanding these circumstances, works to facilitate cash flow and ensure cash. The risk management division performs checks to monitor the situation.

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

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

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

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

(2) Fair value information on financial instruments

Below is fair value information on financial instruments as of March 31, 2010, excluding securities whose fair values are not readily determinable.

Financial assets

	Millions of yen		
	As of March 31, 2010		
	Consolidated balance sheet amount	Fair value	Difference
Cash and due from banks	¥ 103,649	¥ 103,649	—
Call loans and bills bought	146,879	146,879	—
Commercial paper and other debt purchased	3,292	3,292	—
Monetary trusts			
Monetary trusts for trading purposes	681	681	—
Other monetary trusts	300,061	300,061	—
Securities			
Trading securities	350,255	350,255	—
Held-to-maturity securities	2,346,789	2,327,483	¥(19,305)
Available-for-sale securities	1,757,936	1,757,936	—
Loans	714,486		
Reserve for possible loan losses *	(807)		
	713,678	782,898	69,220
Total Financial Assets	¥ 5,723,225	¥ 5,773,139	¥ 49,914

* Excludes general and specific reserves for possible loan losses.

Financial liabilities

	Millions of yen		
	As of March 31, 2010		
	Consolidated balance sheet amount	Fair value	Difference
Deposits	¥ 1,509,295	¥ 1,508,525	¥ (770)
Call money and bills sold	10,000	10,000	—
Total Financial Liabilities	¥ 1,519,295	¥ 1,518,525	¥ (770)

Derivative financial instruments

	Millions of yen		
	As of March 31, 2010		
	Consolidated balance sheet amount	Fair value	Difference
Hedge accounting not applied*	¥ 4,740	¥ 4,740	—
Hedge accounting applied	(7,525)	(7,525)	—
Total Derivative Financial Instruments	¥ (2,784)	¥ (2,784)	—

* Figures are totals resulting from derivatives transactions, which are accounted for as other assets and liabilities on the consolidated balance sheets. If the total is a debt amount, the above figure is negative.

Calculation of the fair value of financial instruments

Financial Assets

Cash and due from banks, call loans and bills bought, and commercial paper and other debt purchased
The fair value is regarded as the carrying amount, as they are approximately equal.

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

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

Loans
(i) Loans in the banking business
The value of these loans is calculated by estimating their future cash flows and then applying a prescribed discount rate. The discount rate is determined by adding to the Libor-based yield curve a rate corresponding to a set risk premium. On loans to individual customers, the risk premium equals the rate used to determine the reserve for possible loan losses. For loans to corporate customers, the rate equals the cumulative default rate, determined by rating.
(ii) Policy loans in the life insurance business
Policyholder loans are valued by discounting future cash flows to their current value. For automatic premium loans, the book value is used as a near approximation of their fair value.

Financial Liabilities

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

Call money and bills sold
The fair value is regarded as the carrying amount, as they are approximately equal.

Derivative Transactions
Please see “derivative financial instruments,” which indicates calculations of fair value.

Securities whose fair values are not readily determinable

	Millions of yen
	As of March 31, 2010
Non-consolidated subsidiaries and affiliates that are unlisted*1	¥ 12,236
Japanese stocks that are not listed on the stock market*1	90
Investment in partnership*2, *3	21,151
Total	¥ 33,477

Notes:
*1. Unlisted stocks have no market prices and fair values are not determinable.
*2. Assets included in “investment in partnership” are stocks in unlisted companies.
*3. Impairment losses of ¥449 million were recorded for the year ended March 31, 2010. Impairment losses are principally recorded when their fair value as of the end of the fiscal year has declined by 50% or more from the acquisition cost.

The future redemption schedule of monetary claims and securities with maturities

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

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

The future return schedule of deposits and other liabilities with interest

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

*Demand deposits are included in “1 year or less.”

5. Investments in Securities

Trading securities

Millions of yen	
For the year ended March 31,	
2009	2010
Valuation losses charged to income	Valuation gains charged to income
¥ (73,616)	¥ 67,293

Held-to-maturity securities

	Millions of yen			
	As of March 31, 2009			
	Consolidated balance sheet amount	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds				
Japanese government and municipal bonds	¥1,412,868	¥29,884	¥(2,109)	¥1,440,643
Japanese corporate bonds	10,206	120	(27)	10,299
Others	42,524	15	(167)	42,372
Total	¥1,465,599	¥30,020	¥(2,304)	¥1,493,315

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

Available-for-sale securities

	Millions of yen			
	As of March 31, 2009			
	Consolidated balance sheet amount	Gross unrealized gains	Gross unrealized losses	Acquisition cost
Bonds				
Japanese government and municipal bonds	¥1,084,890	¥31,493	¥(3,640)	¥1,057,037
Japanese corporate bonds	533,679	5,528	(17,767)	545,918
Equity securities	47,970	4,115	(2,217)	46,072
Others	298,683	790	(18,105)	315,998
Total	¥1,965,222	¥41,928	¥(41,732)	¥1,965,026

	Millions of yen								
	As of March 31, 2010								
	Fair values exceeding the consolidated balance sheet amount			Fair values not exceeding the consolidated balance sheet amount			Total		
	Consolidated balance sheet amount	Gross unrealized gains	Acquisition cost	Consolidated balance sheet amount	Gross unrealized losses	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains	Acquisition cost
Bonds									
Japanese government and municipal bonds	¥ 876,312	¥ 26,636	¥ 849,676	¥ 152,549	¥ (3,576)	¥ 156,126	—	—	—
Japanese corporate bonds	294,792	3,804	290,987	69,427	(584)	70,012	—	—	—
Equity securities	51,198	10,956	40,242	10,984	(497)	11,481	—	—	—
Others	171,815	5,568	166,246	134,147	(2,677)	136,825	—	—	—
Total	¥1,394,119	¥ 46,966	¥ 1,347,153	¥ 367,109	¥ (7,336)	¥ 374,446	¥ 1,761,229	¥ 39,629	¥ 1,721,599

Note: This chart as of March 31, 2010, excludes ¥42 million in unlisted stocks and an investment in partnership of ¥21,151 million (consolidated balance sheet amounts).

Available-for-sale securities sold during the period

	Millions of yen
	For the year ended March 31, 2009
Sales	¥861,922
Gains on sales	32,456
Losses on sales	18,024

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

Reclassification of debt securities

In accordance with the Practical Issue Task Force No. 26 "Tentative Solution on Reclassification of Debt Securities" (December 5, 2008), some securities(bonds linked to the Nikkei 225 stock index) were reclassified from "available-for-sale securities" to "held-to-maturity securities" on December 17, 2009.

	Millions of yen	
	As of March 31,	
	2009	2010
Market value	¥41,262	¥49,832
Consolidated balance sheet amount	¥41,426	¥41,904
Net unrealized losses on other securities, net of taxes	¥(8,658)	¥(8,353)

Impairment of available-for-sale securities:

Available-for-sale securities with market value are considered impaired if the market value decreases materially below the acquisition cost and such decline is considered non-recoverable. The market value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss for the fiscal year.

No impairment loss was recognized for the year ended March 31, 2010, but ¥34,402 million was recognized for the year ended March 31, 2009.

"Material decline" is indicated when the market value is 30% or less than the acquisition cost.

6. Investments in Monetary Trusts

Monetary trusts for trading purposes

Millions of yen			
As of March 31, 2009		As of March 31, 2010	
Consolidated balance sheet amount	Valuation losses charged to income	Consolidated balance sheet amount	Valuation gains charged to income
¥32,020	¥(4,413)	¥681	¥5,711

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

Other monetary trusts

	Millions of yen			
	As of March 31, 2009			
	Consolidated balance sheet amount	Gross unrealized gains	Gross unrealized losses	Acquisition cost
Other monetary trusts	¥576,826	¥17,478	¥(9,172)	¥568,520

	Millions of yen			
	As of March 31, 2010			
	Consolidated balance sheet amount	Gross unrealized gains	Gross unrealized losses	Acquisition cost
Other monetary trusts	¥300,061	¥2,968	¥(453)	¥297,546

Note: Jointly invested monetary trusts included in the table above amount to ¥271 million for the years ended March 31, 2009, and 2010.

Impairment of other monetary trusts

Securities with market values that are included in monetary trusts for purposes other than trading, holding to maturity or policy reserve matching are considered impaired if their market value decreases materially below the acquisition cost and such decline is considered non-recoverable. Their market value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss for the fiscal year.

No impairment loss was recognized for the year ended March 31, 2010, but ¥12,605 million was recognized for the year ended March 31, 2009.

“Material decline” is indicated when the market value is 30% or less than the acquisition cost.

7. Derivative financial instruments

(1) Hedge accounting not applied

Below is a summary of contractual or notional amounts, current market or fair values, valuation gains or losses, and the method of calculating the fair values of derivatives, classified by transaction, to which hedge accounting is not applied. Notional amounts do not indicate exposure to credit loss.

(i) Interest rate derivatives

	Millions of yen			
	As of March 31, 2009			
	Notional amount			
	Total	Over 1 year	Fair value	Valuation losses
Over-the-counter transactions				
Interest rate swaps	¥169,864	¥151,640	¥ (4,738)	¥ (4,738)
Total	—	—	¥ (4,738)	¥ (4,738)

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

Notes:

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

(ii) Currency derivatives

	Millions of yen			
	As of 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 exchange				
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)

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

Notes:

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

(iii) Credit derivatives transactions

	Millions of yen			
	As of 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

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

Notes:

1. The above transactions are valued at market, and valuation gains (losses) are recorded in the consolidated statements of income.
2. Market values are calculated based on factors such as the values of underlying assets and contract terms.
3. “Sold” represents transactions in which the credit risk is accepted; “Bought” represents transactions in which the credit risk is transferred.

(2) Hedge accounting applied

The following provides a summary of contractual or notional amounts, current market or fair values, valuation gains or losses, and the method of calculating the fair values of derivatives, classified by transactions, to which hedge accounting is applied. Notional amounts do not indicate exposure to credit loss.

(i) Interest rate derivatives

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

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

(ii) Currency derivatives

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

Notes:
1. SFH applies mainly fair value hedge accounting.
2. Market value is calculated mainly using discounted present value and other methods.

8. Real estate for lease

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

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

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

Millions of yen			
As of March 31, 2010			
Consolidated balance sheet amount*1			
Beginning	Net decrease*2	Ending	Fair value
¥ 79,111	¥ (6,910)	¥ 72,200	¥ 82,973

Notes:
*1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and impairment losses.

*2. The gross decrease is due mainly to the change in purpose, banking subsidiary use of the property, the amount due to this change is ¥4,575 million.

9. Per Share Information

Net income per share is based on the weighted-average number of shares of common stock outstanding during the period. For the year ended March 31, 2009 and 2010, net income per share was ¥14,125.14 and ¥22,127.13. There were no potential dilutive securities. Net assets per share, based on the number of shares of common stock outstanding as of March 31, 2009, and 2010, were ¥94,205.75 and ¥123,880.11.

The basis for this calculation for the years ended March 31, 2009, and 2010 is net income of ¥30,722 million and ¥48,126 million, the entire amounts of which are applicable to common stock. The weighted-average number of shares outstanding for the years ended March 31, 2009, and 2010, was 2,175 thousand.

10. Subsequent Events

There were no applicable subsequent events.

V. Other Information

1. Changes in Executive Management

(1) Changes in Representative Directors

Please refer to our press release, "Announcement of Changes in Representative Directors and New Management Team" announced today, May 20, 2010, for details.

(2) Other Information

None

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.

*SFH's scope of consolidation includes Sony Financial Holdings Inc., Sony Life Insurance Co. Ltd., Sony Life Insurance (Philippines) Corporation, Sony Assurance Inc., Sony Bank Inc. and Sony Bank Securities Inc. It also includes AEGON Sony Life Insurance Co., Ltd. (previously: AEGON Sony Life Planning Co., Ltd) and SA Reinsurance Ltd., as affiliated companies accounted for under the equity method.

On May 13, 2010, Sony Corporation announced its consolidated financial results for the fiscal year ended March 31, 2010. 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 13, 2010, news release by Sony Corporation.

This Consolidated Financial Summary contains statements concerning the current plans, expectations, strategies and beliefs of the Sony Financial Holdings Group ("SFH Group"). Any statements contained herein that pertain to future operating performance and that are not historic facts are forward-looking statements. Forward-looking statements may include—but are not limited to—statements using words such as "believe," "anticipate," "plan," "strategy," "expect," "forecast," "predict," "possibility" 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 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. SFH Group disclaims any obligation to revise forward-looking statements in light of new information, future events or other findings.

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