Sony Financial Holdings

FASF MEMBERSHIP

Consolidated Financial Summary
for the Year Ended March 31, 2011

May 20, 2011

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: Katsumi Ihara, 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, 2011

(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, 2011	1,002,201	2.4	76,860	(8.9)	41,716	(13.3)
For the year ended March 31, 2010	978,991	13.8	84,373	146.3	48,126	56.7

Note: Comprehensive Income: For the year ended March 31, 2011: ¥31,963 million; (55.0)%
For the year ended March 31, 2010: ¥71,066 million; —%

	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, 2011	19,179.96	—	14.8	1.2	7.7
For the year ended March 31, 2010	22,127.13	—	20.3	1.5	8.6

Note: Equity in earnings (losses) of affiliates: For the year ended March 31, 2011: ¥(944) million
For the year ended March 31, 2010: ¥(307) 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, 2011	6,597,140	294,877	4.5	135,575.94
As of March 31, 2010	6,001,088	269,439	4.5	123,880.11

Notes: 1. Shareholders' equity: As of March 31, 2011: ¥294,877 million
As of March 31, 2010: ¥269,439 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, 2011	527,582	(559,771)	(6,560)	161,803
For the year ended March 31, 2010	494,225	(378,706)	(6,580)	200,593

2. Dividends

Record date	Dividend per Share: 1st quarter	Dividend per Share: 2nd quarter	Dividend per Share: 3rd quarter	Dividend per Share: Year-end	Dividend per Share: 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, 2010	—	0.00	—	3,000.00	3,000.00	6,525	13.6	2.8
For the year ended March 31, 2011	—	0.00	—	4,000.00	4,000.00	8,700	20.9	3.1
For the year ending March 31, 2012 (forecast)	—	0.00	—	20.00	20.00		30.0	

Note: Sony Financial Holdings conducted a 200-for-1 stock split on April 1, 2011.

3. Forecast of consolidated financial results for the year ending March 31, 2012

(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, 2011	497,000	0.2	27,000	(47.6)	13,000	(55.8)	29.89
For the year ending March 31, 2012	1,022,000	2.0	59,000	(23.2)	29,000	(30.5)	66.67

Note: Sony Financial Holdings conducted a 200-for-1 stock split on April 1, 2011.

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: Yes

(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, 2011: 2,175,000 shares

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

(b) Number of treasury shares

As of March 31, 2011: — shares

As of March 31, 2010: — shares

(c) Weighted-average number of shares

For the year ended March 31, 2011: 2,175,000 shares

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

Audit of Quarterly Financial Statements

This earnings report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. Audit procedures are underway as of the date of this report.

Explanation for Appropriate Use of Forecasts and Other Notes

Sony Financial Holdings conducted a 200-for-1 stock split on April 1, 2011. Dividend forecasts for the fiscal year ending March 31, 2012, as well as the forecast for consolidated net income per share will be calculated on the basis of the number of shares outstanding after the stock split.

Content of Supplemental Materials

* We will upload Preliminary Sony Life's Market Consistent Embedded Value, as of March 31, 2011 on May 20, 2011 at 15:00 (Tokyo).
Please see futher details at our website: http://www.sonyfh.co.jp/index_en.html

* The Conference Call for explaining the SFH Group financial results will be held at 17:00, May 20, 2011.
We are sorry for any inconvenience that our Conference Call will be held only in Japanese.
We will upload the Presentation Materials with speech text on May 20, 2011, and its Q&A summary later on Presentation Materials page on our website.

* On May 20, 2011, SFH's significant subsidiaries: Sony Life Insurance Co., Ltd. (Sony Life), Sony Assurance Inc. (Sony Assurance) and Sony Bank Inc. (Sony Bank) will announce its financial results for the year ended March 31, 2011. SFH prepared an English-language summary of those Japanese announcements made by above subsidiaries, solely for convenience of non-Japanese readers.

Please see further details at our website: http://www.sonyfh.co.jp/en/financial_info_e/results.html

I. Qualitative Information and Financial Statements

1. Qualitative Information on Consolidated Operating Performance

1) Analysis of Operating Performance

During the year ended March 31, 2011 (April 1, 2010 through March 31, 2011), the Japanese economy was in a phase of gradual recovery following the previous year's global financial disruption. The economy did not bottom out completely, however, owing to sharp yen appreciation and employment uncertainty. Furthermore, on March 11, 2011, the Great East Japan Earthquake caused massive destruction, including the release of radioactive materials at the Fukushima nuclear power plant, which will take time to resolve. The resulting disruption is likely to delay recovery of the affected area and cause manufacturing activity to stagnate, prompting concerns of an economic downturn in Japan.

Against this backdrop, the SFH Group provided high-quality products and services in its aim to become one of the most highly trusted financial services groups. The Group also implemented various measures to satisfy increasingly diverse customer needs.

On the operational front, **consolidated ordinary revenues** grew 2.4% compared with the previous fiscal year, to ¥1,002.2 billion, owing to increases in ordinary revenues from the life insurance business and the non-life insurance business, although these revenues were down in the banking business. **Consolidated ordinary profit** decreased 8.9% year on year, to ¥76.8 billion. By business segment, ordinary profit from the life insurance and non-life insurance businesses decreased, whereas ordinary profit from the banking business increased year on year.

Looking at the effects of the earthquake on Group performance, consolidated operating profit was down approximately ¥5.5 billion, due mainly to an increase in insurance claims and other payments including an increase in provision for reserve for outstanding claims in the life insurance business, a level we consider relatively limited.

Extraordinary losses of ¥8.8 billion were recorded during the year ended March 31, 2011, due mainly to the provision of a reserve for price fluctuations of ¥7.1 billion in the life insurance business, compared with a ¥5.9 billion provision during the previous fiscal year.

After accounting for extraordinary gains (losses), provision for reserve for policyholders' dividends and income taxes, **net income** for the year ended March 31, 2011, was down 13.3% year on year, to ¥41.7 billion.

Segment Information by Business

< Life insurance business >

In the life insurance business, income from insurance premiums increased year on year, associated with steady increases in the new policy amount and the policy amount in force. On the other hand, investment income decreased mainly due to the deterioration of investment performance on separate account assets, which offset the positive impact of higher interest income and dividends and gains on sale of securities among general account assets. As a result, ordinary revenues increased 2.1% from the previous fiscal year, to ¥900.3 billion. Ordinary profit decreased 9.5% year on year, to ¥72.1 billion, mainly reflecting an increase in provision for reserve for outstanding claims, affected by the Great East Japan Earthquake, and an increase in provision of policy reserve for minimum guarantee for variable life insurance, as well as an additional provision of policy reserve for some third-sector insurance products, due to a change in actuarial assumptions , which offset the positive impact of higher investment revenues in the general account assets.

< Non-life insurance business >

In the non-life insurance business, ordinary revenues increased 8.8% compared with the previous fiscal year, to ¥74.1billion, due to increased net premiums written, as the number of insurance policies in force grew, primarily for our mainstay automobile insurance. Ordinary profit decreased 16.4% year on year, to ¥2.1 billion, owing mainly to increases in net losses paid and the provision for reserve for outstanding losses due to an increased number of car accidents, which offset the positive impact of a lower expense ratio.

< Banking business >

- In the banking business, ordinary revenues decreased 3.2% compared with the previous fiscal year, to ¥29.5 billion, due mainly to a decrease in gains on foreign exchange transactions. Gross operating profit increased, led by a expanding business operations, especially mortgage loans, and improved investment performance. Ordinary profit increased, as the business offset the negative impact of higher general and administrative expenses, particularly system-related expenses. Ordinary profit increased 24.9% year on year, to ¥2.4 billion, as the business offset the negative impact of higher general and administrative expenses, particularly system-related expenses.

Ordinary Revenues

(Millions of yen)

	For the year ended March 31, 2010	**For the year ended March 31, 2011**	Change (%)
Life insurance business	882,045	900,359	2.1
Non-life insurance business	68,174	74,166	8.8
Banking business	30,520	29,559	(3.2)
Subtotal	980,740	1,004,085	2.4
Corporate and eliminations	(1,749)	(1,883)	7.7
Consolidated	978,991	1,002,201	2.4

Ordinary Profit

(Millions of yen)

	For the year ended March 31, 2010	**For the year ended March 31, 2011**	Change (%)
Life insurance business	79,781	72,172	(9.5)
Non-life insurance business	2,565	2,144	(16.4)
Banking business	1,928	2,407	24.9
Subtotal	84,275	76,724	(9.0)
Corporate and eliminations	98	135	37.8
Consolidated	84,373	76,860	(8.9)

2) Consolidated Financial Forecast for the Year Ending March 31, 2012

SFH's consolidated financial results forecast for the fiscal year ending March 31, 2012 (April 1, 2011 through March 31, 2012) is as follows. We expect consolidated ordinary revenues to increase 2.0%, to ¥1,022.0 billion, compared with the period ended March 31, 2011, owing to steady business expansion in all three business segments. Despite an anticipated increase in ordinary revenues, we expect consolidated ordinary profit and net income to decrease 23.2%, to ¥59.0 billion, and 30.5%, to ¥29.0 billion, respectively. During the fiscal year ended March 31, 2011, Sony Life recorded net capital gains of ¥23.8 billion in the life insurance business, reflecting the process of shifting bond holdings to ultralong-term bonds to reduce interest rate risk. However, the Company does not anticipate gains on the sale of securities for the year ending March 31, 2012, because the process of shifting its bond holdings was largely completed in the previous period.

The above-mentioned consolidated forecast was made based on information currently available to us. To some extent, the forecast factors in the currently anticipated effects of Great East Japan Earthquake. As it is difficult to precisely forecast the risks accompanying a delay in economic recovery or future financial market conditions, we assume that interest rates, foreign exchange rates, and stock market prices will not fluctuate significantly from their levels as of March 31, 2011. Therefore, the figures stated above may differ from actual results for a variety of reasons.

(Billions of yen)

	Ordinary revenues	Ordinary profit	Net income
For the first six months			
Forecast for the six months ending September 30, 2011	497.0	27.0	13.0
(Reference) Actual results for the six months ended September 30, 2010	496.2	51.5	29.4
For the full year			
Forecast for the year ending March 31, 2012	1,022.0	59.0	29.0
(Reference) Actual results for the year ended March 31, 2011	1,002.2	76.8	41.7

Business segment forecasts for the fiscal year ending March 31, 2012 (April 1, 2011 through March 31, 2012) are as follows. Forecast figures from each business reflect corporate and eliminations.

<Life insurance business>

Ordinary revenues for the year ending March 31, 2012, are expected to increase 1.0% year on year, to ¥909.3 billion. We anticipate that income from insurance premiums will increase in line with steady growth of the policy amount in force. We expect ordinary profit to decrease 26.6% year on year, to ¥53.0 billion. During the fiscal year ended March 31, 2011, Sony Life recorded net capital gains of ¥23.8 billion, reflecting the process of shifting bond holdings to ultralong-term bonds to reduce interest rate risk. However, it does not anticipate gains on the sale of securities for the year ending March 31, 2012, because the process of shifting its bond holdings was largely completed in the previous period.

(Billions of yen)

	Ordinary revenues	Ordinary profit
For the first six months		
Forecast for the six months ending September 30, 2011	442.0	25.0
(Reference) Actual results for the six months ended September 30, 2010	444.5	49.5
For the full year		
Forecast for the year ending March 31, 2012	909.3	53.0
(Reference) Actual results for the year ended March 31, 2011	900.3	72.1

<Non-life insurance business>

Ordinary revenues for the year ending March 31, 2012 are expected to rise 8.4% year on year, to ¥80.4 billion, due to an increase in net premiums written, mainly for mainstay automobile insurance. Ordinary profit is expected to increase 21.2% year on year, to ¥2.6 billion, due mainly to the aforementioned increase in ordinary revenues and an expected improvement in the loss ratio in line with the February 2011 revision of automobile insurance premiums. This should offset an expected increase in the expense ratio in line with the planned reinforcement of corporate systems and infrastructure based on the expected expansion of business operations.

(Billions of yen)

	Ordinary revenues	Ordinary profit
For the six months		
Forecast for the six months ending September 30, 2011	40.1	0.3
(Reference) Actual results for the six months ended September 30, 2010	37.1	0.6
For the full year		
Forecast for the year ending March 31, 2012	80.4	2.6
(Reference) Actual results for the year ended March 31, 2011	74.1	2.1

<Banking business>

Ordinary revenues for the year ending March 31, 2012, are expected to increase 11.0% year on year, to ¥32.8 billion, owing mainly to an increase in net interest income, bolstered by a growing balance of loans, especially mortgages.

Ordinary profit is expected to grow 70.3%, to ¥4.1 billion, from the previous fiscal year, as we anticipate a steady increase in gross operating profit, driven by business expansion that should offset an increase in general and administrative expenses related to new product and service developments.

(Billions of yen)

	Ordinary revenues	Ordinary profit
For the six months		
Forecast for the six months ending September 30, 2011	15.8	1.7
(Reference) Actual results for the six months ended September 30, 2010	15.4	1.2
For the full year		
Forecast for the year ending March 31, 2012	32.8	4.1
(Reference) Actual results for the year ended March 31, 2011	29.5	2.4

2. Qualitative Information on Consolidated Financial Position

1) Assets, Liabilities and Net Assets

As of March 31, 2011, **total assets** amounted to ¥6,597.1 billion, up 9.9% from March 31, 2010. Among major components of assets, securities, mostly Japanese government bonds, amounted to ¥5,031.0 billion, up 12.1% from March 31, 2010. Loans came to ¥857.4 billion, up 20.0%, and monetary trusts amounted to ¥290.7 billion, down 3.3%.

Total liabilities were ¥6,302.2 billion, up 10.0% from March 31, 2010. Major components of liabilities included policy reserve and others of ¥4,489.8 billion, up 9.8%, and deposits totaled ¥1,647.6 billion, up 9.2%.

Total net assets were ¥294.8 billion, up 9.4% from March 31, 2010. This included net unrealized gains on other securities, net of taxes, which decreased ¥8.9 billion, to ¥8.5 billion.

2) Cash Flows

Net cash provided by operating activities for the year ended March 31, 2011, was ¥527.5 billion, up ¥33.3 billion from the preceding year. The major reasons were an increase in inflows due to a net decrease in call loans in the banking business and increases in interest income and dividends and in income from insurance premiums in the life insurance business,, which offset a decrease in inflows from customer deposits and an increase in outflows due to a growing balance of loans in the banking business.

Net cash used in investing activities was ¥559.7 billion, up ¥181.0 billion. The primary reason was a decrease in inflows from a declining cash collection from monetary trusts in the life insurance business, which offset an increase in inflows from sale and redemption of securities among the life insurance and the banking businesses.

Net cash used in financing activities came to ¥6.5 billion, almost unchanged from the previous year. This cash outflow was due primarily to dividend payments.

As a result of the above factors, cash and cash equivalents at March 31, 2011, were ¥161.8 billion, down ¥38.7 billion from March 31, 2010.

3. Basic Policy on Returns to Shareholders and Dividends for the Year Ended March 31, 2011, and the Year Ending March 31, 2012

We consider an increase in returns to our shareholders, as well as return on equity, among our most important management tasks. Our basic policy on returning profits to our 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 ¥4,000 per share (total amount of ¥8.7 billion) for the year ended March 31, 2011, up ¥1,000 from the previous period.

We plan to pay the same amount of total dividends for the year ending March 31, 2012. In light of the 200-for-1 stock split, effective on April 1, 2011, on shares listed or recorded in the final shareholder registry as of March 31, 2011, the annual cash dividend per share for the year ending March 31, 2012, would be ¥20 under the above assumption.

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.

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, 2011, 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)

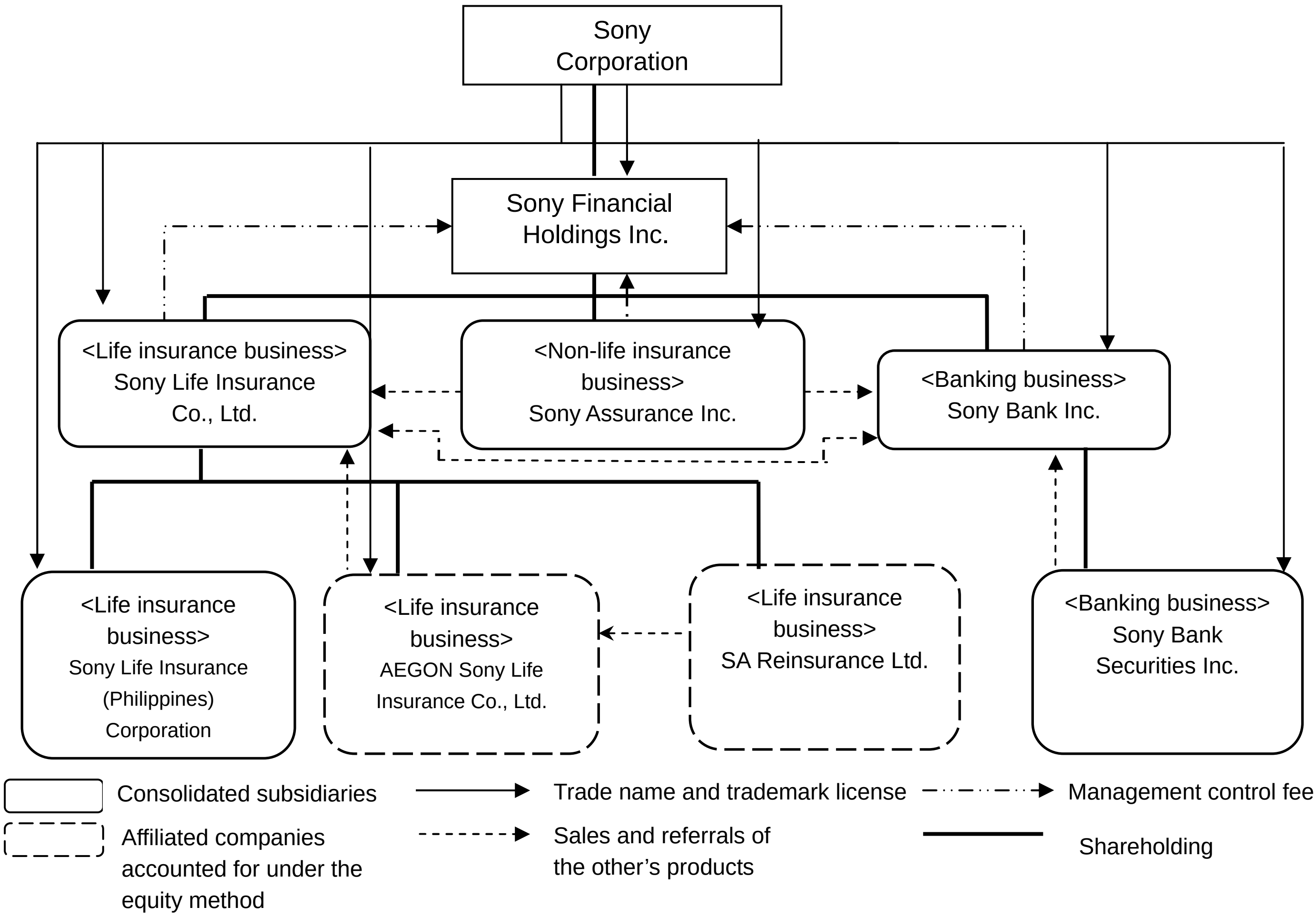
<Non-life insurance business>

- 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, 2011)



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

b. Corporate Principles

Put the Customer First

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

Give Back to Society

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

Strive for Originality

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

Foster an Open Corporate Culture

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

2. Key Management Benchmarks

SFH closely follows the following management benchmarks aiming at raising its corporate value.

■ Consolidated ordinary revenues
■ Consolidated ordinary profit
■ Consolidated net income
■ Consolidated adjusted ROE

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 existing business) during the fiscal year plus dividends paid
2) Sony Assurance: The net income plus provision for catastrophe reserve and its provision for reserve for price fluctuations, in each case after taxes
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 catastrophe reserve and its reserve for price fluctuations, in each case after taxes
3) Sony Bank: The average amount of net assets

*Sony Life discloses Market Consistent Embedded Value (“MCEV”). 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

We expect the Japanese economy’s recovery to remain sluggish during the year ending March 31, 2012, due mainly to the likely aftermath of the Great East Japan Earthquake, including stagnation in the manufacturing sector and consumption reflecting uncertain electricity supply, as well as to sharply higher crude oil prices and ongoing yen appreciation. Regardless, the insurance and banking industries must serve their role in providing proper and stable financial services, while consistently executing growth strategies.

The SFH Group seeks to become the financial services group that is most highly trusted by customers. To this end, the Group has redoubled its internal control efforts focused on compliance, risk management, eradicating anti-social influences and ensuring the protection of personal information. The SFH Group has also explored its ideal of providing financial services for individual customers from various perspectives. We are working to realize our vision and achieve ongoing increases in corporate value by executing the above management strategies. At the same time, we identify our social role and mission as a financial institution as contributing to the realization of a sustainable society. We will fulfill our responsibilities to our stakeholders accordingly.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
Assets		
Cash and due from banks	¥103,649	¥90,455
Call loans and bills bought	146,879	78,500
Monetary claims purchased	3,292	—
Monetary trusts	300,743	290,736
Securities	4,488,458	5,031,024
Loans	714,486	857,436
Tangible fixed assets	81,931	77,171
Land	33,076	31,469
Buildings	47,176	44,088
Leased assets	274	232
Other tangible fixed assets	1,405	1,382
Intangible fixed assets	20,687	26,246
Software	19,120	25,190
Goodwill	1,503	1,002
Leased assets	0	—
Other intangible fixed assets	64	53
Due from reinsurers	205	108
Foreign exchanges	5,100	8,432
Other assets	101,684	88,320
Deferred tax assets	34,987	49,057
Customers' liabilities for acceptances and guarantees	—	1,000
Reserve for possible loan losses	(1,019)	(1,349)
Total Assets	¥6,001,088	¥6,597,140

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
Liabilities		
Policy reserves and others	¥4,088,186	¥4,489,809
Reserve for outstanding claims	39,151	49,164
Policy reserves	4,043,958	4,435,804
Reserve for policyholders' dividends	5,076	4,839
Due to agencies	1,445	1,502
Due to reinsurers	853	799
Deposits	1,509,295	1,647,657
Call money and bills sold	10,000	10,000
Borrowed money	2,000	2,000
Foreign exchanges	20	17
Other liabilities	90,699	110,119
Reserve for employees' bonuses	2,496	2,707
Reserve for employees' retirement benefits	15,915	18,698
Reserve for directors' retirement benefits	360	441
Special reserves	9,667	16,817
Reserve for price fluctuations	9,665	16,812
Reserve for financial products transaction liabilities	2	4
Deferred tax liabilities	0	—
Deferred tax liabilities on land revaluation	706	693
Acceptances and guarantees	—	1,000
Total Liabilities	5,731,648	6,302,263
Net Assets		
Common stock	19,900	19,900
Capital surplus	195,277	195,277
Retained earnings	39,350	74,565
Total shareholders' equity	254,527	289,742
Net unrealized gains on other securities, net of taxes	17,511	8,525
Net deferred losses on hedging instruments, net of taxes	(960)	(1,558)
Land revaluation, net of taxes	(1,475)	(1,499)
Foreign currency translation adjustments	(163)	(331)
Total accumulated other comprehensive income	14,912	5,135
Total Net Assets	269,439	294,877
Total Liabilities and Net Assets	¥6,001,088	¥6,597,140

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Millions of yen)

	For the year ended March 31, 2010	For the year ended March 31, 2011
Ordinary Revenues	¥978,991	¥1,002,201
Ordinary Revenues from the Life Insurance Business	880,353	898,513
Income from insurance premiums	699,459	769,711
Insurance premiums	697,525	767,640
Ceded reinsurance commissions	1,933	2,071
Investment income	175,374	119,287
Interest income and dividends	70,599	87,272
Income from monetary trusts, net	22,887	6,983
Gains on sale of securities	15,153	25,030
Gains on redemption of securities	3,939	0
Other investment income	37	1
Gains on separate accounts, net	62,757	—
Other ordinary income	5,519	9,514
Ordinary Revenues from the Non-life Insurance Business	68,172	74,164
Underwriting income	67,468	73,375
Net premiums written	67,440	73,343
Interest and dividends on deposits of premiums	27	31
Investment income	681	767
Interest income and dividends	688	784
Gains on sale of securities	7	3
Gains on redemption of securities	12	10
Transfer to interest and dividends on deposits of premiums	(27)	(31)
Other ordinary income	22	22
Ordinary Revenues from the Banking Business	30,466	29,523
Interest income	23,393	23,667
Interest income on loans	11,962	12,443
Interest income and dividends on securities	10,930	11,113
Interest income on call loans and bills bought	86	25
Interest income on deposits with banks	53	52
Interest income on interest rate swaps	2	—
Other interest income	358	32
Fees and commissions	1,924	1,946
Other operating income	5,122	3,869
Gains on foreign exchange transactions, net	4,723	2,677
Others	398	1,192
Other ordinary income	26	40

(Continued)

(Millions of yen)

	For the year ended March 31, 2010	For the year ended March 31, 2011
Ordinary Expenses	¥894,618	¥925,341
Ordinary Expenses from the Life Insurance Business	801,870	827,717
Insurance claims and other payments	274,285	297,973
Insurance claims	64,859	76,514
Annuity payments	7,742	8,224
Insurance benefits	34,670	38,346
Surrender payments	162,697	170,720
Other payments	1,950	1,853
Reinsurance premiums	2,366	2,314
Provision for policy reserves and others	395,583	392,766
Provision for reserve for outstanding claims	2,311	6,834
Provision for policy reserves	393,267	385,910
Interest portion of reserve for policyholders' dividends	4	21
Investment expenses	20,411	19,154
Interest expenses	29	56
Losses on sale of securities	10,078	1,867
Devaluation losses on securities	—	348
Losses on redemption of securities	361	23
Foreign exchange losses, net	870	618
Provision for reserve for possible loan losses	3	20
Depreciation of real estate for rent and others	2,693	2,471
Other investment expenses	6,373	6,278
Losses on separate accounts, net	—	7,470
Operating expenses	96,777	99,239
Other ordinary expenses	14,813	18,583
Ordinary Expenses from the Non-life Insurance Business	65,164	71,589
Underwriting expenses	48,807	54,123
Net losses paid	34,573	39,256
Loss adjustment expenses	4,009	4,782
Net commission and brokerage fees	893	957
Provision for reserve for outstanding losses	1,996	3,178
Provision for underwriting reserves	7,334	5,948
Other underwriting expenses	0	0
Investment expenses	13	2
Losses on sale of securities	12	—
Losses on redemption of securities	1	2
Operating, general and administrative expenses	16,322	17,427
Other ordinary expenses	20	36

(Continued)

(Millions of yen)

	For the year ended March 31, 2010	For the year ended March 31, 2011
Ordinary Expenses from the Banking Business	¥27,583	¥26,033
Interest expenses	10,364	10,448
Interest expenses on deposits	8,535	8,402
Interest expenses on call money and bills sold	31	12
Interest on borrowed money	50	50
Interest expenses on interest rate swaps	1,745	1,980
Other interest expenses	1	2
Fees and commissions	1,204	1,221
Other operating expenses	2,986	480
General and administrative expenses	12,621	13,360
Other ordinary expenses	407	523
Ordinary Profit	84,373	76,860
Extraordinary Gains	0	0
Gains on disposal of fixed assets	0	0
Extraordinary Losses	7,056	8,801
Losses on disposal of fixed assets	1,051	72
Impairment losses	5	1,291
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	290
Provision for special reserves	5,998	7,147
Provision for reserve for price fluctuations	5,998	7,147
Provision for Reserve for Policyholders' dividends	3,516	1,257
Income Before Income Taxes	73,799	66,800
Income Taxes	25,673	25,083
- Current	24,079	33,983
- Deferred	1,593	(8,899)
Income Before Minority Interests	—	41,716
Net Income	¥48,126	¥41,716

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the year ended March 31, 2010	For the year ended March 31, 2011
Income Before Minority Interests	—	¥41,716
Other comprehensive income		
Net unrealized losses on other securities, net of taxes	—	(8,986)
Net deferred losses on hedging instruments, net of taxes	—	(598)
Foreign currency translation adjustments	—	(168)
Share of other comprehensive income of affiliates accounted for using equity method	—	0
Total other comprehensive income	—	(9,752)
Comprehensive income	—	31,963
(Details)		
Comprehensive income attributable to parent company	—	31,963
Comprehensive income attributable to minority interests	—	—

3. Consolidated Statements of Changes in Net Assets

(Millions of yen)

	For the year ended March 31, 2010	For the year ended March 31, 2011
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	(2,251)	39,350
Changes during the period		
Dividends from surplus	(6,525)	(6,525)
Net income	48,126	41,716
Reversal of land revaluation	—	23
Total changes during the period	41,601	35,215
Balance at the end of the current period	39,350	74,565
Total shareholders' equity		
Balance at the end of the previous period	212,925	254,527
Changes during the period		
Dividends from surplus	(6,525)	(6,525)
Net income	48,126	41,716
Reversal of land revaluation	—	23
Total changes during the period	41,601	35,215
Balance at the end of the current period	254,527	289,742
Total accumulated other comprehensive income		
Net unrealized gains (losses) on other securities, net of taxes		
Balance at the end of the previous period	(4,853)	17,511
Changes during the period		
Net changes of items other than shareholders' equity	22,365	(8,986)
Total changes during the period	22,365	(8,986)
Balance at the end of the current period	17,511	8,525

(Continued)

(Millions of yen)

	For the year ended March 31, 2010	For the year ended March 31, 2011
Net deferred losses on hedging instruments, net of taxes		
Balance at the end of the previous period	¥(1,449)	¥(960)
Changes during the period		
Net changes of items other than shareholders' equity	489	(598)
Total changes during the period	489	(598)
Balance at the end of the current period	(960)	(1,558)
Land revaluation, net of taxes		
Balance at the end of the previous period	(1,475)	(1,475)
Changes during the period		
Net changes of items other than shareholders' equity	—	(23)
Total changes during the period	—	(23)
Balance at the end of the current period	(1,475)	(1,499)
Foreign currency translation adjustments		
Balance at the end of the previous period	(248)	(163)
Changes during the period		
Net changes of items other than shareholders' equity	85	(168)
Total changes during the period	85	(168)
Balance at the end of the current period	(163)	(331)
Total accumulated other comprehensive income		
Balance at the end of the previous period	(8,028)	14,912
Changes during the period		
Net changes of items other than shareholders' equity	22,940	(9,776)
Total changes during the period	22,940	(9.776)
Balance at the end of the current period	14,912	5,135
Total Net Assets		
Balance at the end of the previous period	204,897	269,439
Changes during the period		
Dividends from surplus	(6,525)	(6,525)
Net income	48,126	41,716
Reversal of land revaluation	—	23
Net changes of items other than shareholders' equity	22,940	(9,776)
Total changes during the period	64,541	25,438
Balance at the end of the current period	¥269,439	¥294,877

4. Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2010	For the year ended March 31, 2011
Cash flows from operating activities		
Income before income taxes	¥73,799	¥66,800
Depreciation of real estate for rent and others	2,693	2,471
Depreciation and amortization	3,971	4,964
Impairment losses	5	1,291
Amortization of goodwill	501	501
Increase in reserve for outstanding claims	4,307	10,013
Increase in policy reserve	400,601	391,858
Increase in interest portion of reserve for policyholders' dividends	4	21
Increase (decrease) in reserve for policyholders' dividends	3,516	1,257
Increase in reserve for possible loan losses	354	334
Increase in reserve for employees' retirement benefits	2,550	2,925
Increase in reserve for directors' retirement benefits	50	80
Increase (decrease) in reserve for price fluctuations	5,998	7,147
Increase in reserve for financial products transaction liabilities	1	1
Interest income and dividends	(94,681)	(111,723)
(Gains) losses on securities	(74,733)	(22,935)
Interest expenses	10,394	10,504
Exchange losses	2,395	15,357
Losses on disposal of tangible fixed assets	198	338
Equity in losses of affiliates	307	944
Net increase in loans	(109,797)	(136,126)
Net increase in deposits	183,758	137,829
Net (increase) decrease in call loans and bills bought	(5,170)	45,079
Net (increase) decrease in foreign exchange (assets)	1,254	(3,332)
Net increase (decrease) in foreign exchange (liabilities)	11	(3)
Others, net	10,578	26,468
Subtotal	422,874	452,072
Interest and dividends received	99,486	118,903
Interest paid	(11,165)	(11,123)
Policyholders' dividends paid	(983)	(1,516)
Income taxes paid	(15,985)	(30,752)
Net cash provided by operating activities	494,225	527,582

(Continued)

(Millions of yen)

	For the year ended March 31, 2010	For the year ended March 31, 2011
Cash flows from investing activities		
Investments in monetary trusts	¥(55,750)	¥(2,290)
Proceeds from sale of monetary trusts	372,000	33,381
Purchases of securities	(1,441,592)	(1,441,560)
Proceeds from sale and redemption of securities	770,912	886,094
Investments in loans	(46,145)	(46,680)
Collections of loans	17,840	19,263
Others, net	13,583	—
Total of net cash used in investment transactions	(369,151)	(551,791)
Total of net cash provided by (used in) operating activities and investment transactions	125,073	(24,209)
Purchases of tangible fixed assets	(2,514)	(1,112)
Proceeds from sale of tangible fixed assets	0	1,450
Purchases of intangible fixed assets	(6,739)	(8,310)
Purchase of securities of a subsidiary	(300)	—
Others	—	(7)
Net cash used in investing activities	(378,706)	(559,771)
Cash flows from financing activities		
Cash dividends paid	(6,521)	(6,521)
Others	(59)	(38)
Net cash used in financing activities	(6,580)	(6,560)
Effect of exchange rate changes on cash and cash equivalents	20	(40)
Net increase (decrease) in cash and cash equivalents	108,959	(38,790)
Cash and cash equivalents at beginning of the fiscal year	91,634	200,593
Cash and cash equivalents at end of the fiscal year	¥200,593	¥161,803

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

5. Notes to the Consolidated Financial Statements

1) Changes in Significant Accounting Policies in the Preparation of Consolidated Financial Statements

(Application of “Accounting Standard for Asset Retirement Obligations”)

Effective from the year ended March 31, 2011 SFH applied the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18 of March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21 of March 31, 2008). Accordingly, ordinary profit and income before income taxes for the year ended March 31, 2011, were ¥35 million and ¥326 million lower, respectively, than they would have been absent this application. The change in asset retirement obligations incurred due to the initial application of the accounting standard for the fiscal year was ¥659 millions.

2) Comprehensive Income

For the year ended March 31, 2011

(Millions of yen)

Note1:	Comprehensive income for the year ended March 31, 2010	
	Comprehensive income attributable to parent company	¥71,066
	Comprehensive income attributable to minority interests	—
	Total	¥71,066
Note2:	Other comprehensive income for the year ended March 31, 2010	
	Net unrealized gains on other securities, net of taxes	¥22,365
	Net deferred gains on hedging instruments, net of taxes	489
	Foreign currency translation adjustments	85
	Share of other comprehensive income of affiliates accounted for by the equity method	(0)
	Total	¥22,940

3) Segment Information

	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, and AEGON Sony Life Insurance Co., Ltd. (whose 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 year ended March 31, 2010 amount to ¥969 million, most of which are ordinary expenses of SFH. Unallocated corporate assets that are included in “elimination” are ¥4,619 million, most of which are deposits and others of SFH.

As ASBJ Statement No.17 “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (March 27, 2009) and ASBJ Guidance No.20 “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (March 21, 2008) went into effect for fiscal years beginning on or after April 1, 2010, SFH applied these guidelines from the year ended March 31, 2011.

(1) Outline of reporting segments

SFH Group’s reporting segments are components of the Group whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance, for which discrete financial information is available.

SFH is the financial holding company of Sony Life Insurance Co., Sony Assurance Inc., and Sony Bank Inc., and pursues financial group strategies. The subsidiaries make their own business plans and engage in business activities from which they may earn revenues and incur expenses, under the Insurance Business Law of Japan, the Banking Law of Japan, and other regulations.

The SFH Group consists of three reporting segments: the life insurance business, the non-life insurance business and the banking business.

- The life insurance business consists of Sony Life Insurance Co., Ltd., Sony Life Insurance (Philippines) Corporation, AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd.
- The non-life insurance business consists of Sony Assurance Inc.
- The banking business consists of Sony Bank Inc. and Sony Bank Securities Inc.

(2) Segment Information by reporting segment

(i) For the year ended March 31, 2010

	Millions of yen			
	Life insurance business	Non-life insurance business	Banking business	Total
Ordinary revenues				
External customers	¥880,353	¥68,172	¥30,466	¥978,991
Intersegment	1,692	2	54	1,749
Total	882,045	68,174	30,520	980,740
Segment profit	79,781	2,565	1,928	84,275
Segment assets	4,286,045	98,340	1,613,010	5,997,396
Others				
Depreciation	5,103	509	1,227	6,840
Interest income and dividends	70,864	688	23,393	94,946
Interest expenses	29	—	10,364	10,394
Equity in earnings (losses) of affiliates	(307)	—	—	(307)
Investments in affiliates	11,936	—	—	11,936
Increase in tangible fixed assets and intangible fixed assets	¥5,049	¥1,428	¥1,952	¥8,430

(ii) For the year ended March 31, 2011

	Millions of yen			
	Life insurance business	Non-life insurance business	Banking business	Total
Ordinary revenues				
External customers	¥898,513	¥74,164	¥29,523	¥1,002,201
Intersegment	1,846	2	35	1,883
Total	900,359	74,166	29,559	1,004,085
Segment profit	72,172	2,144	2,407	76,724
Segment assets	4,721,641	109,382	1,761,072	6,592,097
Others				
Depreciation	5,310	729	1,481	7,521
Interest income and dividends	87,695	784	23,666	112,146
Interest expenses	56	—	10,448	10,504
Equity in earnings (losses) of affiliates	(944)	—	—	(944)
Investments in affiliates	10,980	—	—	10,980
Increase in tangible fixed assets and intangible fixed assets	¥7,297	¥2,557	¥1,371	¥11,226

(3) Reconciliations of the totals of each segment item to corresponding enterprise amounts

	Millions of yen	
	For the year ended March 31, 2010	For the year ended March 31, 2011
Totals of reporting segments	¥980,740	¥1,004,085
Adjustments for intersegment transactions	(1,749)	(1,883)
Ordinary revenues in statement of income	¥978,991	¥1,002,201

	Millions of yen	
	For the year ended March 31, 2010	For the year ended March 31, 2011
Totals of reporting segments	¥84,275	¥76,724
Adjustments for intersegment transactions	—	12
Amount not allocated to reporting segments	98	123
Ordinary profit in statement of income	¥84,373	¥76,860

	Millions of yen	
	For the year ended March 31, 2010	For the year ended March 31, 2011
Totals of reporting segments	¥5,997,396	¥6,592,097
Adjustments for intersegment transactions	(927)	(862)
Amount not allocated to reporting segments	4,619	5,905
Assets in balance sheets	¥6,001,088	¥6,597,140

	Millions of yen		
	For the year ended March 31, 2010		
	Total	Adjustments	Consolidated financial statements
Depreciation	¥6,840	¥12	¥6,852
Interest income and dividends	94,946	(265)	94,681
Interest expenses	10,394	(0)	10,394
Equity in earnings (losses) of affiliates	(307)	—	(307)
Investments in affiliates	11,936	—	11,936
Increase in tangible fixed assets and intangible fixed assets	¥8,430	¥2	¥8,432

	Millions of yen		
	For the year ended March 31, 2011		
	Total	Adjustments	Consolidated financial statements
Depreciation	¥7,521	¥1	¥7,522
Interest income and dividends	112,146	(422)	111,723
Interest expenses	10,504	(0)	10,504
Equity in earnings (losses) of affiliates	(944)	—	(944)
Investments in affiliates	10,980	—	10,980
Increase in tangible fixed assets and intangible fixed assets	¥11,226	¥17	¥11,243

Relative information

For the year ended March 31, 2010

1. Information by business segment

	Millions of yen			
	Life insurance business	Non-life insurance business	Banking business	Total
Ordinary revenues from External customers	¥880,353	¥68,172	¥30,466	¥978,991

2. Geographic segment information

(1) Ordinary revenues

Ordinary revenues information by geographic segment is not shown, as ordinary revenues from external customers in Japan accounted for more than 90% of ordinary revenues in the consolidated statements of income.

(2) Tangible fixed assets

Information on tangible fixed assets by geographic segment is not shown, as tangible fixed assets in Japan accounted for more than 90% of tangible fixed assets in the consolidated balance sheets.

3. Information by major client

Information by major client is not shown, as ordinary revenues from external customers who are major clients accounted for less than 10% of ordinary revenues in the consolidated statements of income.

For the year ended March 31, 2011

1. Information by business segment

	Millions of yen			
	Life insurance business	Non-life insurance business	Banking business	Total
Ordinary revenues from External customers	¥898,513	¥74,164	¥29,523	¥1,002,201

2. Geographic segment information

(1) Ordinary revenues

Ordinary revenues information by geographic segment is not shown, as ordinary revenues from external customers in Japan accounted for more than 90% of ordinary revenues in the consolidated statements of income.

(2) Tangible fixed assets

Information on tangible fixed assets by geographic segment is not shown, as tangible fixed assets in Japan accounted for more than 90% of tangible fixed assets in the consolidated balance sheets.

3. Information by major client

Information by major client is not shown, as ordinary revenues from external customers who are major clients accounted for less than 10% of ordinary revenues in the consolidated statements of income.

Information on impairment losses on fixed assets by business segment

For the year ended March 31, 2010

No significant items to be reported.

For the year ended March 31, 2011

	Millions of yen					
	Reporting segments				Others	Consolidated
	Life insurance business	Non-life insurance business	Banking business	Total		
Impairment losses	¥1,291	—	—	¥1,291	—	¥1,291

Information on amortization of goodwill and unamortized balance by business segment

For the year ended March 31, 2010

	Millions of yen					
	Reporting segments				Others	Consolidated
	Life insurance business	Non-life insurance business	Banking business	Total		
Amortization of goodwill	—	—	¥501	¥501	—	¥501
Balance at end of period	—	—	¥1,503	¥1,503	—	¥1,503

For the year ended March 31, 2011

	Millions of yen					
	Reporting segments				Others	Consolidated
	Life insurance business	Non-life insurance business	Banking business	Total		
Amortization of goodwill	—	—	¥501	¥501	—	¥501
Balance at end of period	—	—	¥1,002	¥1,002	—	¥1,002

Information on negative goodwill by business segment
For the year ended March 31, 2010
No significant items to be reported.

For the year ended March 31, 2011
No significant items to be reported.

4) Financial Instruments

(1)For the year ended March 31, 2010

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 comprise 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 owing 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	—
Monetary claims 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, 2011		
	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 markets, and that of bonds is the market price on financial instrument exchanges or the price indicated by a financial institution. Please see “investment in monetary trust,” which indicates fair values by purpose.

Securities
The fair value of stocks is the market price on stock markets 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 “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 readily 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	—	—	—
Monetary claims 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.”

(2)For the year ended March 31, 2011

(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, 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 comprise 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 owing 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) SFH's life insurance subsidiary manages issuer credit risk on securities according to detailed regulations, including risk management techniques and procedures. The risk management division periodically reports this information to the Board of Directors and the Executive Committee.

(b) In line with various provisions for asset management risk, at SFH's non-life insurance subsidiary the risk management 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.

(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 clearly spell out such as risk management methods and procedures. The risk management division reports this information regularly to the Board of Directors and the Executive Committee.

■ 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 regularly to the Board of Directors and the Executive Committee.

■ 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 regularly to the Board of Directors and the Executive Committee.

(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 and a risk management committee meet—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.

■ Quantitative information on market risk

The principal financial instruments affected by the major risk parameters of interest rate risk and exchange rate fluctuation risk are loans, securities, deposits in the banking business and derivatives transactions.

The impact of such risks on these financial assets and financial liabilities was calculated using the Variance-Covariance Method to determine gains or losses over a given period of 10 business days, assuming the fluctuation of interest and exchange rates within a rational forecast band determined over an observation period of 250 business days. We then employed quantitative analysis to manage interest rate and exchange rate fluctuation risks. The resulting risk amount, with a 99% confidence interval was ¥1,360 million as of March 31, 2011.

This amount of impact is based on the assumption that risk parameters other than interest rates and exchange rates are fixed, and that a correlation exists between interest rates and exchange rates. However, no correlation with other risk parameters is assumed. Moreover, in the event that fluctuations exceed the rationally forecast fluctuation band for interest and exchange rates, the risk impact may exceed the amount calculated.

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, 2011, excluding securities whose fair values are not readily determinable.

Financial assets

	Millions of yen		
	As of March 31, 2011		
	Consolidated balance sheet amount	Fair value	Difference
Cash and due from banks	¥90,455	¥90,455	—
Call loans and bills bought	78,500	78,500	—
Monetary trusts	290,736	290,736	—
Securities			
Trading securities	372,801	372,801	—
Held-to-maturity securities	2,996,772	2,975,519	¥(21,253)
Available-for-sale securities	1,623,713	1,623,713	—
Loans	857,436		
Reserve for possible loan losses*	(1,119)		
	856,316	927,884	71,567
Total Financial Assets	¥6,309,297	¥6,359,610	¥50,313

* Excludes general and specific reserves for possible loan losses.

Financial liabilities

	Millions of yen		
	As of March 31, 2011		
	Consolidated balance sheet amount	Fair value	Difference
Deposits	¥1,647,657	¥1,647,696	¥38
Call money and bills sold	10,000	10,000	—
Total Financial Liabilities	¥1,657,657	¥1,657,696	¥38

Derivative financial instruments

	Millions of yen		
	As of March 31, 2011		
	Consolidated balance sheet amount	Fair value	Difference
Hedge accounting not applied*	¥1,827	¥1,827	—
Hedge accounting applied	(9,520)	(9,520)	—
Total Derivative Financial Instruments	¥(7,693)	¥(7,693)	—

* 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
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 bonds is the market price on financial instrument exchanges or the price indicated by a financial institution. Please see “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 “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, 2011
Non-consolidated subsidiaries and affiliates that are unlisted*1	¥11,280
Japanese stocks that are not listed on the stock market*1	4
Investment in partnership*2, *3	26,450
Total	¥37,735

Notes:
*1. Unlisted stocks have no market prices and fair values are not readily determinable.
*2. Assets included in “investment in partnership” are stocks in unlisted companies.
*3. No impairment loss was recognized for the year ended March 31, 2011. 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, 2011			
	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	¥90,455	—	—	—
Call loans and bills bought	78,500	—	—	—
Securities				
Held-to-maturity securities	17,228	¥38,767	¥9,053	¥2,922,182
Bonds				
Japanese government and municipal bonds	13,516	33,270	8,506	2,843,900
Japanese corporate bonds	3,712	4,796	447	23,182
Others	—	700	100	55,100
Available-for-sale securities	252,466	519,405	222,293	533,218
Bonds				
Japanese government and municipal bonds	74,703	83,492	184,800	530,050
Japanese corporate bonds	96,520	221,856	12,000	100
Others	81,243	214,056	25,493	3,068
Loans*	11,954	54,031	26,975	629,882
Total	¥450,604	¥612,204	¥258,322	¥4,085,283

* This figure excludes loans of ¥134,434 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, 2011					
	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*	¥1,567,646	¥24,155	¥16,840	¥1,970	¥8,809	¥28,236
Call money and bills sold	10,000	—	—	—	—	—
Total	¥1,577,646	¥24,155	¥16,840	¥1,970	¥8,809	¥28,236

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

5) Investments in Securities

Trading securities

Millions of yen	
For the year ended March 31,	
2010	2011
Valuation gains charged to income	Valuation losses charged to income
¥67,293	¥(7,579)

Held-to-maturity securities

	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

	Millions of yen								
	As of March 31, 2011								
	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	¥1,060,573	¥22,439	¥1,083,013	¥1,860,571	¥(47,844)	¥1,812,727	—	—	—
Japanese corporate bonds	11,492	158	11,651	20,853	(66)	20,787	—	—	—
Others	43,083	4,061	47,145	196	(3)	193	—	—	—
Total	¥1,115,150	¥26,659	¥1,141,810	¥1,881,622	¥(47,913)	¥1,833,709	¥2,996,772	¥(21,253)	¥2,975,519

Available-for-sale securities

	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).

Monetary claims purchased (commercial paper) of ¥3,292 million is included in the table above (consolidated balance sheet amounts and acquisition cost).

	Millions of yen								
	As of March 31, 2011								
	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	¥587,981	¥16,232	¥571,748	¥302,488	¥(5,641)	¥308,129	—	—	—
Japanese corporate bonds	207,014	1,585	205,429	126,623	(441)	127,064	—	—	—
Equity securities	30,521	7,207	23,314	23,185	(3,357)	26,542	—	—	—
Others	180,783	3,639	177,144	165,115	(2,727)	167,842	—	—	—
Total	¥1,006,301	¥28,664	¥977,636	¥617,411	¥(12,168)	¥629,580	¥1,623,713	¥16,496	¥1,607,216

Note: This chart as of March 31, 2011, excludes ¥4 million in unlisted stocks and an investment in partnership of ¥26,450 million (consolidated balance sheet amounts).

Available-for-sale securities sold during the period

	Millions of yen		
	For the year ended March 31, 2010		
	Sales	Gains on sales	Losses on sales
Bonds			
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

	Millions of yen		
	For the year ended March 31, 2011		
	Sales	Gains on sales	Losses on sales
Bonds			
Japanese government and municipal bonds	¥391,496	¥23,370	—
Japanese corporate bonds	55,289	1,185	¥305
Equity securities	10,141	818	1,285
Others	40,378	564	357
Total	¥497,305	¥25,938	¥1,948

Reclassification of debt securities

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

	Millions of yen
	As of March 31,2010
Market value	¥49,832
Consolidated balance sheet amount	¥41,904
Net unrealized losses on other securities, net of taxes	¥(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 ¥348 million was recognized for the year ended March 31, 2011.

“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, 2010		As of March 31, 2011	
Consolidated balance sheet amount	Valuation gains charged to income	Consolidated balance sheet amount	Valuation gains charged to income
¥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, 2010			
	Consolidated balance sheet amount	Gross unrealized gains	Gross unrealized losses	Acquisition cost
Other monetary trusts	¥300,061	¥2,968	¥(453)	¥297,546

	Millions of yen			
	As of March 31, 2011			
	Consolidated balance sheet amount	Gross unrealized gains	Gross unrealized losses	Acquisition cost
Other monetary trusts	¥290,736	¥7,814	—	¥282,922

Note: Jointly invested monetary trusts included in the table above amount to ¥271 million for the years ended March 31, 2010 and 2011.

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 and 2011.

“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, 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.

	Millions of yen			
	As of March 31, 2011			
	Notional amount			
	Total	Over 1 year	Fair value	Valuation losses
Over-the-counter transactions				
Interest rate swaps	¥52,820	¥20,000	¥(376)	¥(376)
Total	—	—	¥(376)	¥(376)

Notes:

1. The above transactions are valued at market, and valuation losses are recorded in the consolidated statements of income.
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	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.

	Millions of yen			
	As of March 31, 2011			
	Notional amount			
	Total	Over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions:				
Forward foreign exchanges:				
Sold	¥57,999	—	¥(10)	¥(10)
Bought	113,665	—	483	483
Foreign exchange margin transactions				
Sold	33,551	—	1,299	1,299
Bought	12,648	—	434	434
Currency options				
Sold	423	—	(9)	(5)
Total	—	—	¥2,197	¥2,201

Notes:
1. The above transactions are valued at market, and valuation losses are recorded in the consolidated statements of income.
2. Market values are calculated using discounted present value and option pricing models.

(iii) Credit derivatives transactions

	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.

	Millions of yen			
	As of March 31, 2011			
	Notional amount			
	Total	Over 1 year	Fair value	Valuation gains
Over-the-counter transactions				
Credit default options				
Bought	¥4,840	¥1,413	¥5	¥5
Total	—	—	¥5	¥5

Notes:
1. The above transactions are valued at market, and valuation gains 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 and other methods.
3. “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)	

	Millions of yen			
	As of March 31, 2011			
	Notional amount			
	Total	Over 1 year	Fair value	Hedged item
Deferred hedge accounting				
Interest rate swaps	¥149,231	¥148,994	¥(2,929)	Loans
Fair value hedge accounting				
Interest rate swaps	189,300	155,260	(8,619)	Available-for-sale securities (bonds)
Total	—	—	¥(11,548)	

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	

	Millions of yen			
	As of March 31, 2011			
	Notional amount			
	Total	Over 1 year	Fair value	Hedged item
Fair value hedge accounting				
Currency swaps	¥112,700	¥53,000	¥2,028	Available-for-sale securities (bonds)
Total	—	—	¥2,028	

Notes:

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

8) 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, 2010 and 2011, net income per share was ¥22,127.13 and ¥19,179.96, respectively. There were no potential dilutive securities. Net assets per share, based on the number of shares of common stock outstanding as of March 31, 2010, and 2011, were ¥123,880.11 and ¥135,575.94, respectively.

The basis for this calculation for the years ended March 31, 2010, and 2011 is net income of ¥48,126 million and ¥41,716 million, respectively, the entire amounts of which are applicable to common stock. The weighted-average number of shares outstanding for the years ended March 31, 2010, and 2011, was 2,175 thousand.

9) Subsequent Events

(1)For the year ended March 31, 2010

There were no applicable subsequent events.

(2)For the year ended March 31, 2011

Stock Split

March 8, 2011-At a Board of Directors' Meeting resolved to implement a stock split on April 1, 2011.

(i)Method

Shares held by shareholders listed or recorded in the final shareholder registry as of March 31, 2011, were split at a ratio of 200 to one.

(ii)Increase in shares resulting from the stock split

Increase resulting from the stock split: 432,825,000 shares

Per share information is provided below for the fiscal year under review, calculated as if the stock split had been conducted at the beginning of the fiscal year, and again as if it had conducted at the beginning of the preceding fiscal year.

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, 2010 and 2011, net income per share was ¥110.64 and ¥95.90, respectively. There were no potential dilutive securities. Net assets per share, based on the number of shares of common stock outstanding as of March 31, 2010, and 2011, were ¥619.40 and ¥677.88, respectively.

V. Other Information

1. Changes in Executive Management

Please refer to our press release announced today, May 20, 2011, for details.

2. Other Information

None

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,” and “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.

For inquiries:

Masaaki Konoo or Hiroko Hanakura

Corporate Communications & Investor Relations Dept.

Sony Financial Holdings Inc.

Telephone: +81-3-5785-1074

E-mail: press@sonyfh.co.jp

Website of Sony Financial Holdings Inc.

http://www.sonyfh.co.jp/index_en.html

(Attachment)
Presentation Material Content

Sony Financial Holdings

Presentation Material

Consolidated Financial Results for the Year Ended March 31, 2011 and Preliminary Sony Life's Market Consistent Embedded Value

Sony Financial Holdings Inc.
May 20, 2011

Content

Sony Financial Holdings

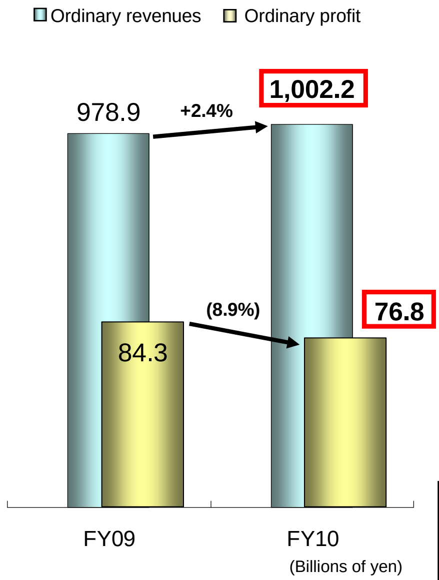
Consolidated Operating Results for the Year Ended March 31, 2011

Management Review

- ✓For the year ended March 31, 2011, consolidated ordinary revenues increased but consolidated ordinary profit decreased year on year.
- ✓The life insurance business continued its stable growth, due to favorable sales of mainstay death-protection type and third-sector insurance products such as living benefit and nursing-care insurance.
- ✓The non-life insurance business enjoyed brisk sales. An ongoing upward trend in the number of car accidents for automobile insurance in the first half of FY10 showed signs of slowing during the second half.
- ✓The banking business increased profit owing to a growing balance of loans, especially mortgages, which offset the negative impact of lower interest rates.
- ✓The damage from the Great East Japan Earthquake on our FY10 operating results was limited.

Highlights of Consolidated Operating Performance for the Year Ended March 31, 2011 (1)

Sony Financial Holdings



(Billions of yen)		FY09	FY10	Change	
Life insurance business	Ordinary revenues	882.0	**900.3**	+18.3	+2.1%
	Ordinary profit	79.7	**72.1**	(7.6)	(9.5%)
Non-life insurance business	Ordinary revenues	68.1	**74.1**	+5.9	+8.8%
	Ordinary profit	2.5	**2.1**	(0.4)	(16.4%)
Banking business	Ordinary revenues	30.5	**29.5**	(0.9)	(3.2%)
	Ordinary profit	1.9	**2.4**	+0.4	+24.9%
Corporate and elimination	Ordinary revenues	(1.7)	**(1.8)**	(0.1)	+7.7%
	Ordinary profit	0.0	**0.1**	+0.0	+37.8%
Consolidated	Ordinary revenues	978.9	**1,002.2**	+23.2	+2.4%
	Ordinary profit	84.3	**76.8**	(7.5)	(8.9%)
	Net income	48.1	**41.7**	(6.4)	(13.3%)

(Billions of yen)		10.3.31	11.3.31	Change from 10.3.31	
Consolidated	Total assets	6,001.0	**6,597.1**	+596.0	+9.9%
	Net assets	269.4	**294.8**	+25.4	+9.4%

(Note) Comprehensive income: FY09: ¥71.0 billion, FY10: ¥31,9 billion yen

Line item amounts are truncated below ¥100 million; percentage change figures are rounded.

Highlights of Consolidated Operating Performance for the Year Ended March 31, 2011 (2)

Sony Financial Holdings

- Life Insurance: Ordinary revenues increased year on year, due to higher income from insurance premiums associated with steady increases in the new policy amount and the policy amount in force, which offset a negative impact of a decrease in investment income. Ordinary profit decreased, mainly reflecting an increase in provision for reserve for outstanding claims, affected by the Great East Japan Earthquake, and an increase in provision of policy reserve for minimum guarantee for variable life insurance, as well as an additional provision of policy reserve for some third-sector insurance products, due to a change in actuarial assumptions, which offset the positive impact of higher investment revenues in the general account assets.

- Non-life Insurance: Ordinary revenues increased year on year, due to increased net premiums written, as the number of insurance policies in force grew, primarily for our mainstay automobile insurance. Ordinary profit decreased, owing mainly to increases in net losses paid and the provision for reserve for outstanding losses due to an increased number of car accidents, which offset the positive impact of a lower expense ratio.

- Banking: Ordinary revenues decreased year on year, due mainly to a decrease in gains on foreign exchange transactions. Gross operating profit increased, led by a expanding business operations, especially mortgage loans, and improved investment performance. Ordinary profit increased, as the business offset the negative impact of higher general and administrative expenses, particularly system-related expenses.

- Consolidated ordinary revenues increased 2.4% compared with the previous fiscal year, to ¥1,002.2 billion, however, consolidated ordinary profit and net income decreased 8.9%, to ¥76.8 billion, and 13.3%, to ¥41.7 billion respectively.

Consolidated Operating Performance for the Year Ended March 31, 2011 (Appendix)

Sony Financial Holdings

Negative impact on consolidated ordinary profit of the Great East Japan Earthquake: ¥5.5 billion

Principal Impact on Each Business

Life Insurance Business
・Insurance claims and other payments (including provision for reserve for outstanding claims) of ¥5.4 billion*, others

* The figure above is the amount which impact to the operating profit. The total insurance claims and other payments amounted to approx. ¥5.9 billion.

Non-Life Insurance Business
・Mainstay automobile insurance exempt from earthquakes and tsunamis

Banking Business
・Increased allowance for mortgage loans in stricken region

Reference: Principal Responses to Customers Affected by Disaster

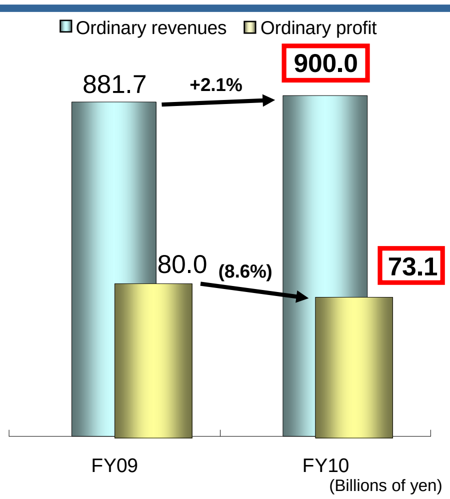
Sony Life
・Paid full amount of claims on insurance for death due to disaster
・Extended period after which policyholder nonpayment results in lapse of coverage
・Simplified and expedited payment of claims, benefits and policyholder loans
・Applied special interest rate to new policyholder loans (concessionary interest rates)
・Introduced special handling for hospital treatment, others

Sony Assurance
・Introduced special facilities for automobile insurance policy extension procedures and established period after which nonpayment results in lapse of coverage
・Introduced special facilities to handle cancellation procedures and issue certifications of suspension on automobile insurance
・Introduced special facilities for payment of hospitalization insurance claims and surgery insurance claims on medical and cancer insurance, others

Sony Bank
・Offered telephone consultation on extending repayment of mortgage loans
・Began handling mortgage loans with special interest rates, others
・Enabled transfers to other banks, upon telephone confirmation of identity
・Waived reissuance fee for customers who had lost cash cards

Highlights of Operating Performance: Sony Life (Non-consolidated)

Sony Financial Holdings



◆Ordinary revenues increased but ordinary profit decreased year on year.
◆Income from insurance premiums increased due to increases in the new policy amount and the policy amount in force.
◆Investment income decreased mainly due to the deterioration of investment performance on separate account assets, which offset the positive impact of higher interest income and dividends and gains on sale of securities among general account assets.
◆Ordinary profit decreased, mainly reflecting an increase in provision for reserve for outstanding claims, affected by the Great East Japan Earthquake, and an increase in provision of policy reserve for minimum guarantee for variable life insurance, as well as an additional provision of policy reserve for some third-sector insurance products, due to a change in actuarial assumptions, which offset the positive impact of higher investment revenues in the general account assets.

(Billions of yen)	FY09	FY10	Change	
Ordinary revenues	881.7	**900.0**	+18.2	+2.1%
Income from insurance premiums	700.1	**770.3**	+70.2	+10.0%
Investment income	175.3	**119.5**	(55.8)	(31.9%)
Interest income and dividends	70.6	**87.5**	+16.8	+23.9%
Income from monetary trusts, net	22.8	**6.9**	(15.9)	(69.5%)
Gains on sale of securities	15.1	**24.9**	+9.8	+65.4%
Gains on separate accounts, net	62.7	**–**	(62.7)	(100.0%)
Ordinary expenses	801.6	**826.9**	+25.2	+3.1%
Insurance claims and other payments	274.2	**297.9**	+23.6	+8.6%
Provision for policy reserve and others	395.5	**392.7**	(2.8)	(0.7%)
Investment expenses	20.5	**19.3**	(1.2)	(6.2%)
Losses on sale of securities	10.0	**1.8**	(8.2)	(81.5%)
Losses on separate accounts, net	–	**7.4**	+7.4	–
Operating expenses	96.8	**99.3**	+2.5	+2.6%
Ordinary profit	80.0	**73.1**	(6.9)	(8.6%)
Net income	46.1	**40.2**	(5.9)	(12.8%)

(Billions of yen)	10.3.31	11.3.31	Change from 10.3.31	
Securities	3,539.1	**4,017.5**	+478.4	+13.5%
Policy reserves	3,985.6	**4,371.4**	+385.8	+9.7%
Total net assets	191.3	**215.3**	+24.0	+12.6%
Net unrealized gains on other securities	15.4	**7.0**	(8.4)	(54.6%)
Total assets	4,286.5	**4,723.3**	+436.7	+10.2%
Separate account assets	373.6	**398.1**	+24.5	+6.6%

Line item amounts are truncated below ¥100 million; percentage change figures are rounded.

Overview of Performance: Sony Life (Non-consolidated)

Sony Financial Holdings

(Billions of yen)	FY09	FY10	Change
New policy amount	4,049.2	**4,199.0**	+3.7%
Lapse and surrender amount	2,342.4	**2,143.6**	(8.5%)
Lapse and surrender rate	7.21%	**6.41%**	(0.80pt)
Policy amount in force	33,470.7	**34,748.5**	+3.8%
Annualized premiums from new policies	68.7	**71.2**	+3.6%
Of which, third-sector products	16.2	**16.6**	+2.6%
Annualized premiums from insurance in force	573.3	**604.7**	+5.5%
Of which, third-sector products	133.0	**140.7**	+5.8%

(Billions of yen)	FY09	**FY10**	**Change**
Gains from investment, net (General account)	92.0	**107.6**	+17.0%
Core profit	64.5	**56.2**	(12.7%)
Negative spread	11.5	**6.3**	(45.2%)

	10.3.31	11.3.31	**Change from 10.3.31**
Solvency Margin Ratio	2,637.3%	2,900.1%	＋262.8pt

(Reasons for changes)

- Increased, due mainly to favorable sales of living benefit insurance, nursing-care insurance and term life insurance.
- Decreased due to the lowering lapse and surrender rates in most products, mainly in family income insurance, which is life insurance with disability benefit.
- Increased due to an increase in interest income and dividends, as well as gains on sale of securities in line with the shift from investing in bonds with short terms to maturity to those with ultralong-terms.
- Declined, mainly reflecting an increase in provision for reserve for outstanding claims, affected by the Great East Japan Earthquake, and an increase in provision of policy reserve for minimum guarantee for variable life insurance, despite increases in income from insurance premiums and interest income and dividends.

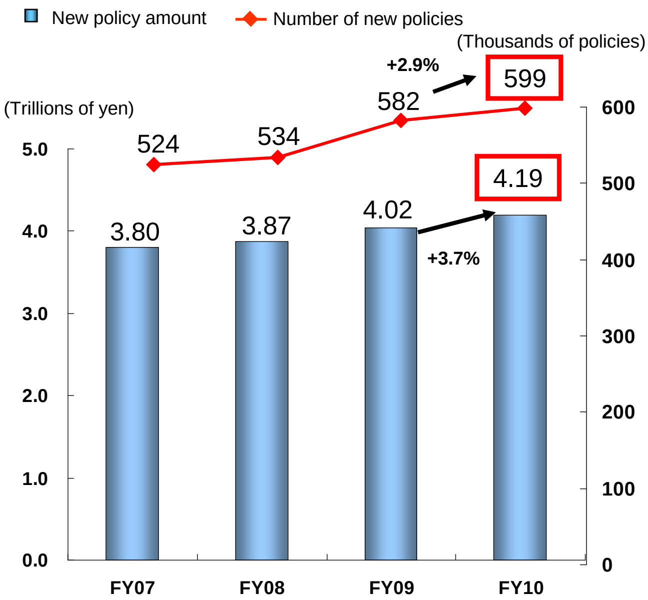
Notes:
*1 Figures for new policy amount, lapse and surrender amount, lapse and surrender rate, policy amount in force, annualized premiums from new policies and annualized premiums from insurance in force are calculated as the total of individual life insurance and individual annuities.
*2 The lapse and surrender rate shows the ratio derived by dividing the amount of lapses and surrenders, not adjusted for policy amount decreases, increases, and reinstatements, by the policy amount in force at the beginning of the fiscal year.

Line item amounts are truncated below ¥100 million; percentage change figures are rounded.

Sony Life Operating Performance (1)

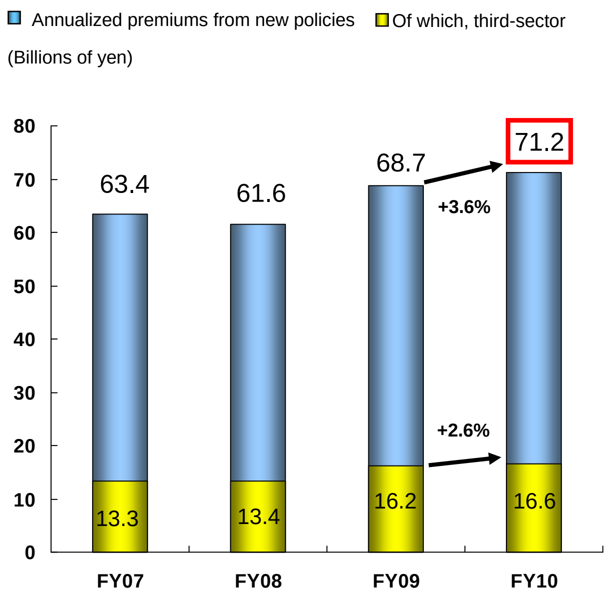
Sony Financial Holdings

Number of New Policy and Amount (Individual Life Insurance + Individual Annuities)



Line item amounts are truncated below ¥10 billion; numbers of policies are truncated below 1,000 policies; percentage change figures are rounded.

Annualized Premiums from New Policies (Individual Life Insurance + Individual Annuities)

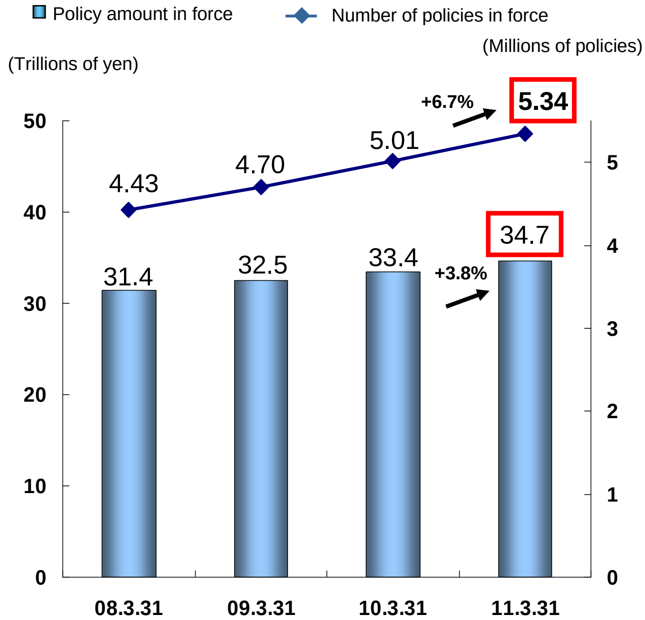


Line item amounts are truncated below ¥100 million; percentage figures are rounded.

Sony Life Operating Performance (2)

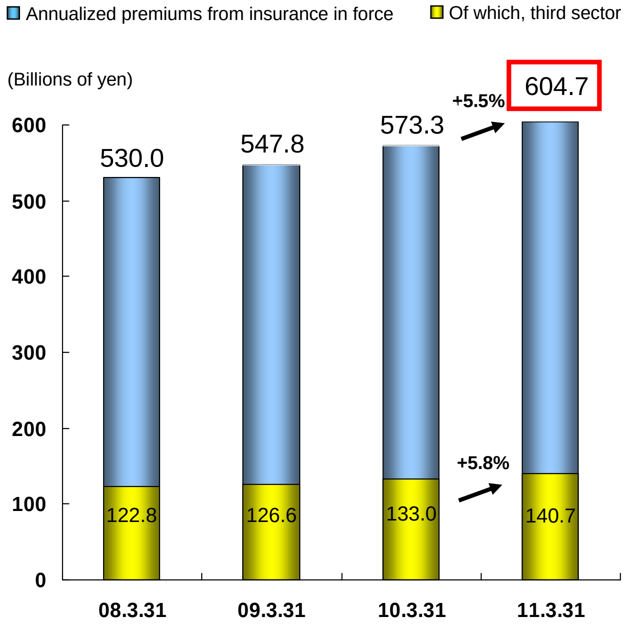
Sony Financial Holdings

Number of Policy and Policy Amount in Force
(Individual Life Insurance + Individual Annuities)



Line item amounts are truncated below ¥100 billion; numbers of policies are truncated below 10,000 policies; percentage change figures are rounded.

Annualized Premiums from Insurance in Force
(Individual Life Insurance + Individual Annuities)

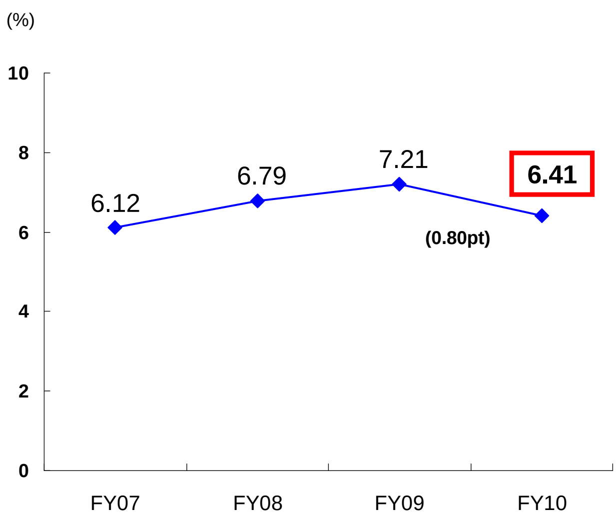


Line item amounts are truncated below ¥100 million; percentage change figures are rounded

Sony Life Operating Performance (3)

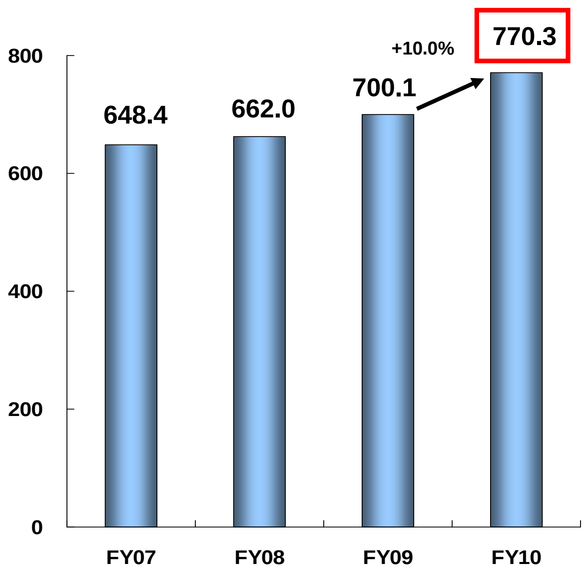
Sony Financial Holdings

Lapse and Surrender Rate*
(Individual Life Insurance + Individual Annuities)



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

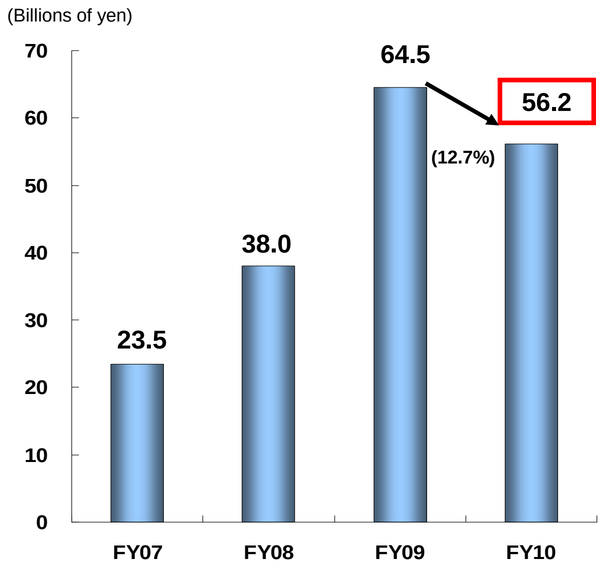
Income from Insurance Premiums



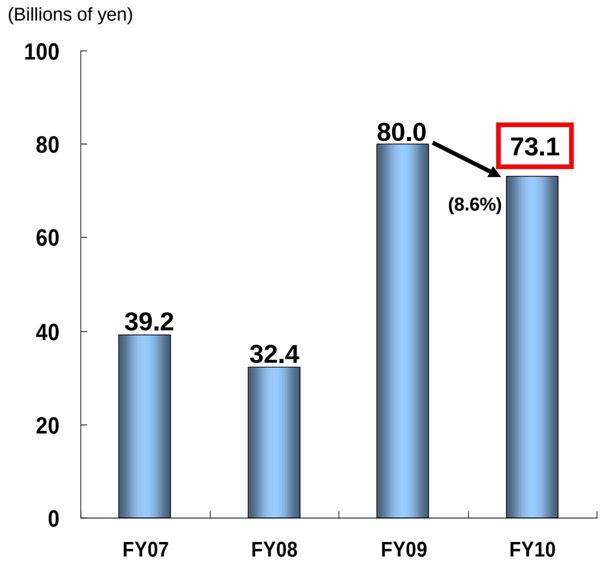
Sony Life Operating Performance (4)

Sony Financial Holdings

Core Profit



Ordinary Profit

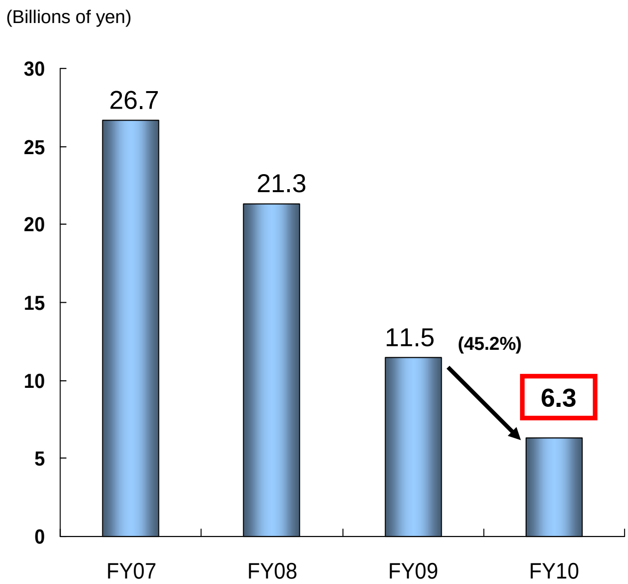


Line item amounts are truncated below ¥100 million; percentage figures are rounded.

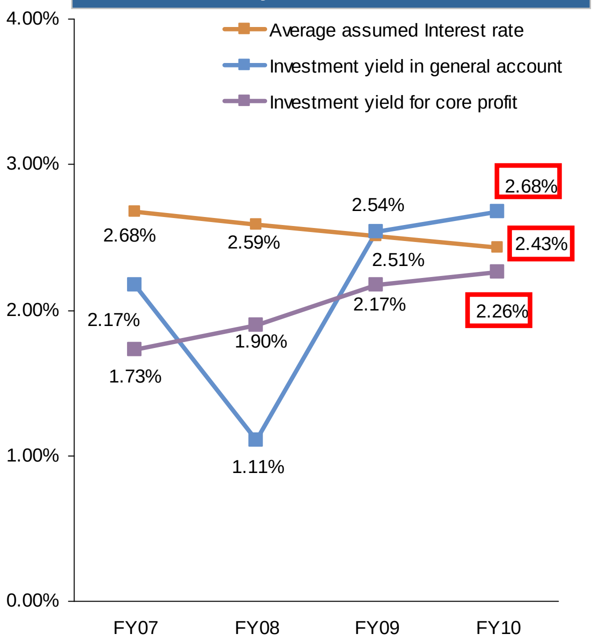
Sony Life Operating Performance (5)

Sony Financial Holdings

Negative Spread



Average Assumed Interest Rate, Investment Yield for Core Profit and Investment yield in General Account



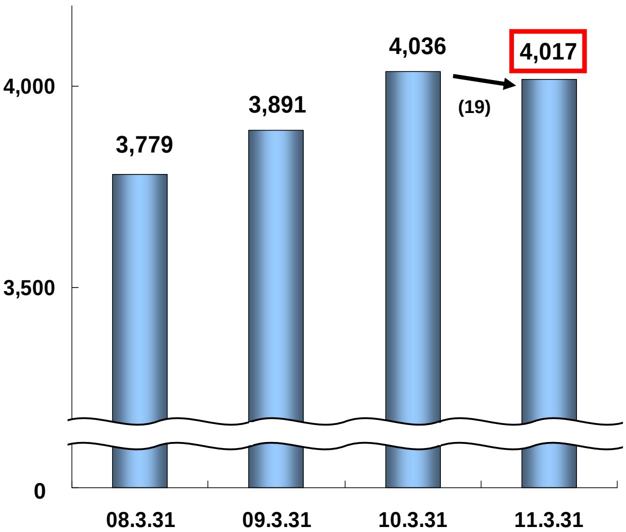
Line item amounts are truncated below ¥100 million; percentage change figures are rounded.

Sony Life Operating Performance (6)

Sony Financial Holdings

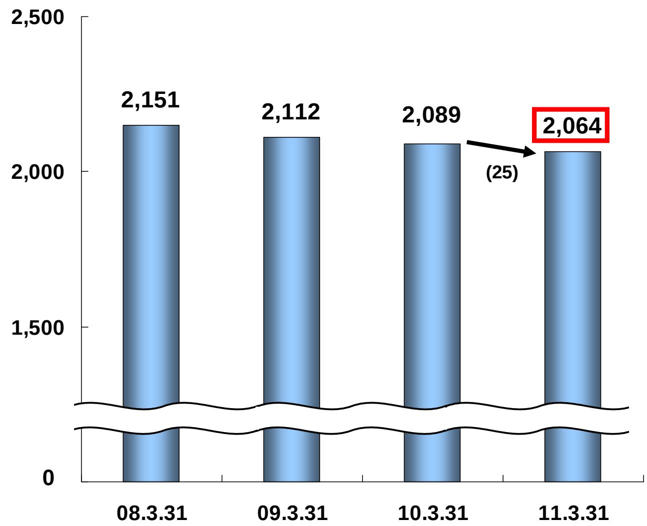
Number of Lifeplanner Sales Employees

(Number)



Number of Independent Agents

(Number)



* "Lifeplanner" is a registered trademark of Sony Life Insurance Co., Ltd.

Sony Life Operating Performance (7)

Sony Financial Holdings

Breakdown of General Account Assets

(Billions of yen)	10.3.31		11.3.31	
	Amount	%	Amount	%
Japanese government and corporate bonds	3,032.9	77.5%	**3,499.9**	**80.9%**
Japanese stocks	72.5	1.9%	**64.0**	**1.5%**
Foreign securities	49.9	1.3%	**44.2**	**1.0%**
Foreign stocks	25.3	0.6%	**30.0**	**0.7%**
Monetary trusts	288.7	7.4%	**276.4**	**6.4%**
Policyholder loans	127.5	3.3%	**134.4**	**3.1%**
Real estate	79.9	2.0%	**75.1**	**1.7%**
Cash and call loans	116.4	3.0%	**80.0**	**1.9%**
Other	119.4	3.0%	**120.9**	**2.8%**
Total	3,912.9	100.0%	**4,325.2**	**100.0%**

<Asset management review>

■**Japanese government and corporate bonds: Continued to accumulate ultralong-term bonds during FY10.**

<Lengthened asset duration>

09. 3.31 13.6 years
10. 3.31 17.6 years
11. 3.31 18.5 years

■**Japanese stocks: Maintained the ratio of stock holding at the end of March 2009.**

■CB and Japanese stock holding
As of March 31, 2010:
The balance of CBs was ¥13.2 billon included in Japanese government and corporate bonds. The balance of Japanese stocks included in the monetary trusts was zero.
As of March 31, 2011:
The balance of CBs were zero in all categories and Japanese stocks included in the monetary trusts was zero.

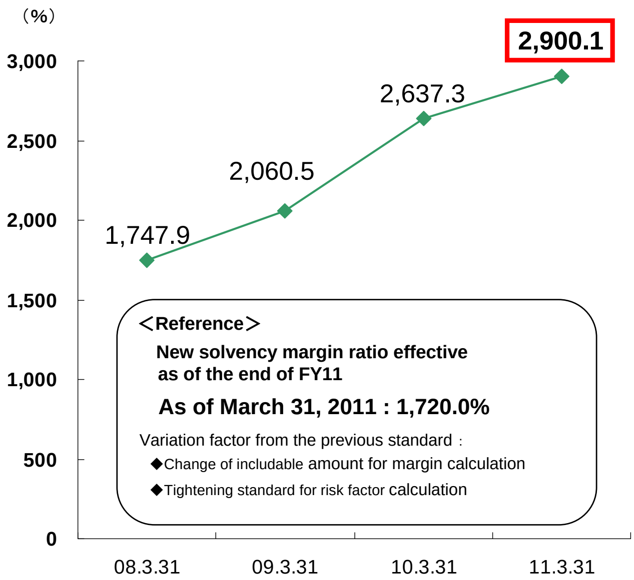
■Investment in the monetary trusts are mainly into Japanese government and corporate bonds

■The holding ratio on the real status, of Japanese government and corporate bonds including those invested in monetary trusts in the general account assets:
As of March 31, 2011: 87.3%, As of March 31, 2010: 84.6%

Sony Life Operating Performance (8)

Sony Financial Holdings

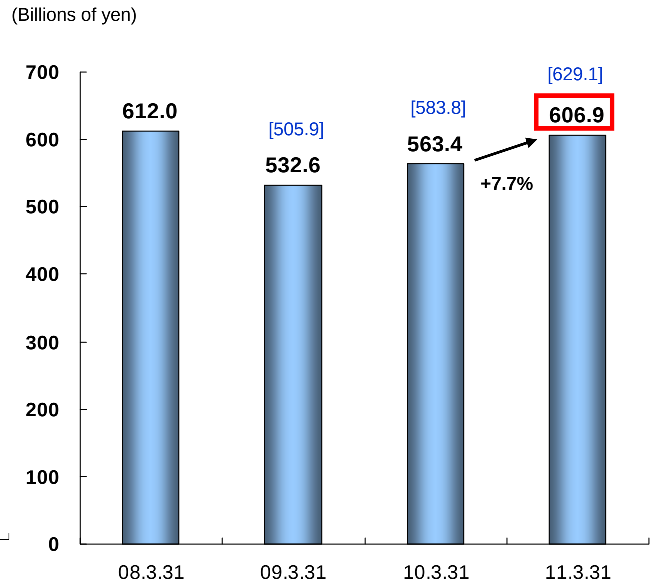
Solvency Margin Ratio



Note:
Legislation concerning the calculation of the solvency margin ratio has been revised from the standpoint of raising its credibility, and these new standards are to become effective as of the end of fiscal 2011 (March 31, 2012). The above-stated figures are calculated on the assumption that these changes are applied at the end of FY10.

* New solvency margin ratio for Sony Life is on P 40.

Adjusted Net Assets

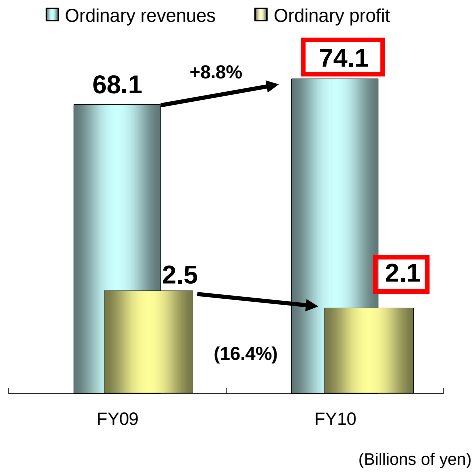


※Amount in [ ] excludes unrealized gains (losses) on held-to-maturity securities and on policy reserve matching bonds.

Line item amounts are truncated below ¥100 million; percentage change figures are rounded.

Highlights of Operating Performance: Sony Assurance

Sony Financial Holdings



(Billions of yen)	FY09	FY10	Change	
Ordinary revenues	68.1	**74.1**	+5.9	+8.8%
Underwriting income	67.4	**73.3**	+5.9	+8.8%
Investment income	0.6	**0.7**	+0.0	+12.5%
Ordinary expenses	65.6	**72.0**	+6.4	+9.8%
Underwriting expenses	49.1	**54.4**	+5.3	+10.8%
Investment expenses	0.0	**0.0**	(0.0)	(81.1%)
Operating, general and administrative expenses	16.3	**17.4**	+1.1	+6.7%
Ordinary profit	2.5	**2.1**	(0.4)	(16.4%)
Net income	1.6	**1.2**	(0.3)	(19.2%)

(Billions of yen)	10.3.31	11.3.31	Change from 10.3.31	
Underwriting reserves	58.1	**64.0**	+5.9	+10.2%
Total net assets	15.4	**16.7**	+1.2	+8.3%
Total assets	98.3	**109.3**	+11.0	+11.2%

- ◆Ordinary revenues increased but ordinary profit decreased year on year.
- ◆Ordinary revenues increased, due to an increase in net premiums written led by a growing number of in-force policies primarily for automobile insurance.
- ◆Ordinary profit decreased, owing mainly to increases in net losses paid and the provision for reserve for outstanding losses due to an increased number of car accidents, which offset the positive impact of a lower expense ratio.

Line item amounts are truncated below ¥100 million; percentage change figures are rounded.

Overview of Performance: Sony Assurance

Sony Financial Holdings

(Billions of yen)	FY09	FY10	Change
Direct premiums written	67.0	**72.8**	+8.6%
Net premiums written	67.4	**73.3**	+8.8%
Net losses paid	34.5	**39.2**	+13.5%
Underwriting profit	1.9	**1.4**	(25.8%)
Net loss ratio	57.2%	**60.0%**	+2.8pt
Net expense ratio	26.1%	**25.5%**	(0.6pt)
Combined ratio	83.3%	**85.6%**	+2.3pt

Net expense ratio is equal to the ratio of total underwriting costs to net premiums written.
Net loss ratio is equal to the ratio of net losses paid and loss adjustment expenses to net premiums written.

(Reasons for changes)

- Increased, owing to an increase in the number of policies in force for automobile insurance.
- Increased, owing to an increase in the number of policies in force and a rising number of loss ratio for automobile insurance.
- Decreased, due to increased net premiums written which offset an increase in underwriting costs.
- Increased, due to an increase in the number of policies in force for automobile insurance.

	10.3.31	11.3.31	Change from 10.3.31	
Number of policies in force	1.27 million	**1.38 million**	+0.10 million	+8.4%
Solvency margin ratio	1,018.5%	**981.4%**	(37.1pt)	

The number of policies in force is the total of automobile insurance and medical and cancer insurance, which accounts for 99% of net premiums written.

Line item amounts are truncated below ¥ 100 million; numbers of policies are truncated below 10,000 policies; percentage change figures are rounded.

Sony Assurance's Underwriting Performance by Type of Policy

Sony Financial Holdings

Direct Premiums Written

(Millions of yen)	FY09	FY10	Change
Fire	278	**185**	(33.6%)
Marine	—	**—**	—
Personal accident*	6,941	**7,135**	+2.8%
Voluntary automobile	59,849	**65,516**	+9.5%
Compulsory automobile liability	—	**—**	—
Total	67,069	**72,837**	+8.6%

Net Premiums Written

(Millions of yen)	FY09	FY10	Change
Fire	12	**8**	(34.6%)
Marine	2	**5**	+148.2%
Personal accident*	7,168	**7,369**	+2.8%
Voluntary automobile	59,604	**65,245**	+9.5%
Compulsory automobile liability	651	**714**	+9.7%
Total	67,440	**73,343**	+8.8%

*SURE, medical and cancer insurance is included in personal accident.

Net losses paid

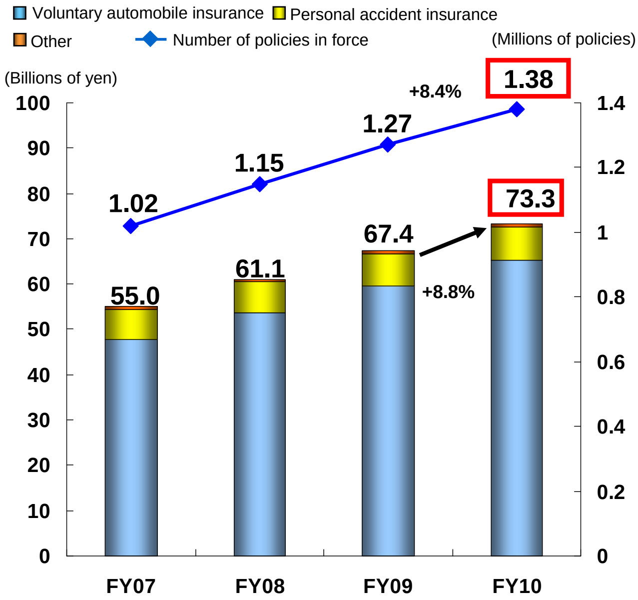
(Millions of yen)	FY09	FY10	Change
Fire	0	**0**	+292.5%
Marine	2	**11**	+271.1%
Personal accident*	1,479	**1,620**	+9.5%
Voluntary automobile	32,555	**36,941**	+13.5%
Compulsory automobile liability	535	**683**	+27.7%
Total	34,573	**39,256**	+13.5%

Line item amounts are truncated below ¥ 1 million;
Percentage change figures are rounded.

Sony Assurance Operating Performance (1)

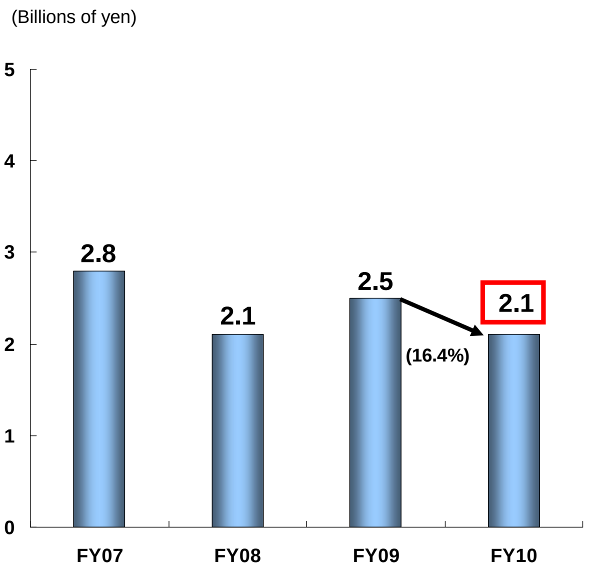
Sony Financial Holdings

Net Premiums Written and Number of Policies in Force



The number of policies in force is the total of automobile insurance and medical and cancer insurance policies, which account for 99% of net premiums written. More than 90% of personal accident insurance is medical and cancer insurance.

Ordinary Profit

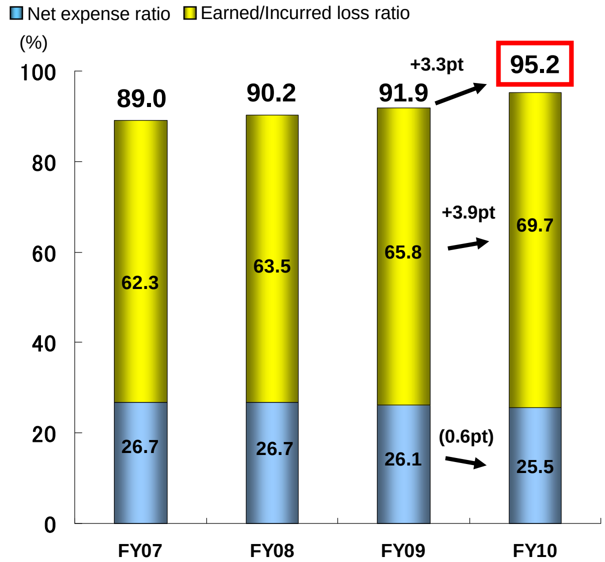


Line item amounts are truncated below ¥100 million; numbers of policies are truncated below 10,000 policies; percentage change figures are rounded.

Sony Assurance Operating Performance (2)

Sony Financial Holdings

Net Expense Ratio + Earned/Incurred Loss Ratio

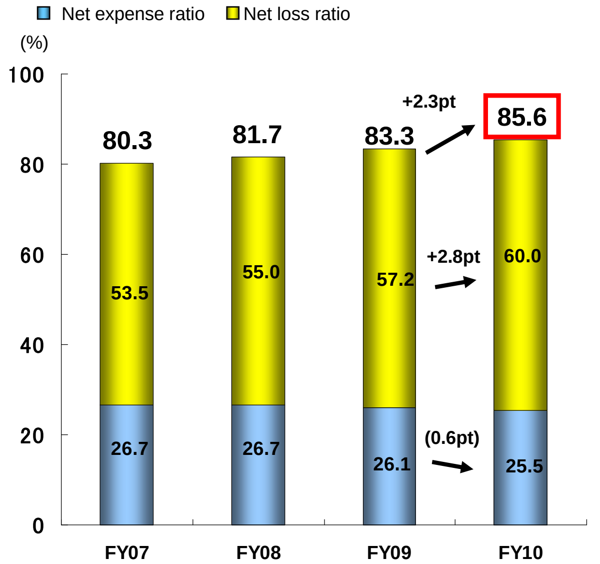


Earned/Incurred loss ratio is equal to the ratio of the sum of net losses paid, loss adjustment expenses and accumulation in provision for reserve for outstanding losses to earned premiums.

*Note that earthquake insurance and compulsory automobile liability insurance are excluded from the above calculation.

Reference

Combined Ratio (Net Expense Ratio + Net Loss Ratio)

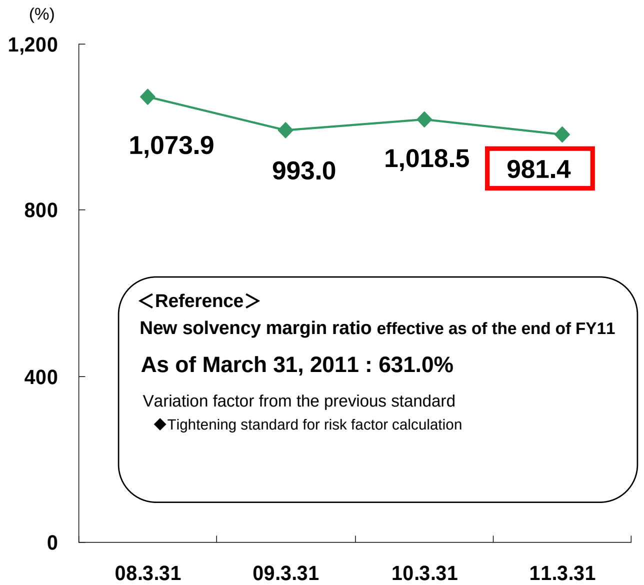


Net expense ratio is equal to the ratio of total underwriting costs to net premiums written. Net loss ratio is equal to the ratio of net losses paid and loss adjustment expenses to net premiums written.

Sony Assurance Operating Performance (3)

Sony Financial Holdings

Solvency Margin Ratio



<Reference>

New solvency margin ratio effective as of the end of FY11

As of March 31, 2011 : 631.0%

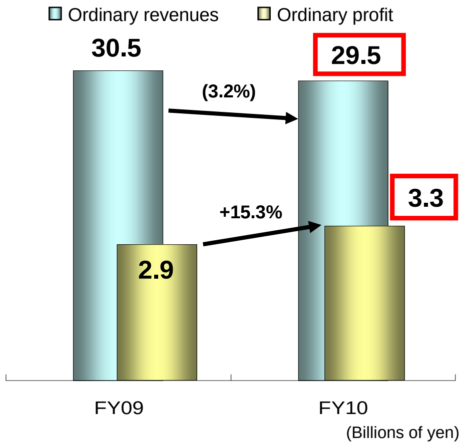
Variation factor from the previous standard

◆Tightening standard for risk factor calculation

Note:
Legislation concerning the calculation of the solvency margin ratio has been revised from the standpoint of raising its credibility, and these new standards are to become effective as of the end of fiscal 2011 (March 31, 2012). The above-stated figures are calculated on the assumption that these changes are applied at the end of FY10.

Highlights of Operating Performance: Sony Bank (Non-consolidated)

Sony Financial Holdings



(Billions of yen)	FY09	FY10	Change	
Ordinary revenues	30.5	**29.5**	(0.9)	(3.2%)
Gross operating profit	14.9	**16.4**	+1.5	+10.1%
Net interest income	13.0	**13.2**	+0.2	+1.8%
Net fees and commissions	(0.1)	**(0.1)**	+0.0	–
Net other operating income	2.1	**3.3**	+1.2	+58.7%
General and administrative expenses	11.6	**12.6**	+0.9	+7.9%
Ordinary profit	2.9	**3.3**	+0.4	+15.3%
Net income	1.6	**2.0**	+0.4	+24.8%
Net operating profit	3.2	**3.6**	+0.4	+13.4%

(Billions of yen)	10.3.31	11.3.31	Change from 10.3.31	
Securities	880.1	**940.1**	+59.9	+6.8%
Loans	586.6	**722.4**	+135.7	+23.1%
Deposits	1,510.0	**1,649.1**	+139.0	+9.2%
Customer assets	1,610.0	**1,755.5**	+145.5	+9.0%
Total net assets	58.9	**59.9**	+0.9	+1.7%
Net unrealized gains (losses) on other securities (net of taxes)	0.9	**0.4**	(0.4)	(52.7%)
Total assets	1,612.1	**1,761.8**	+149.6	+9.3%

- ◆Ordinary revenues decreased but ordinary profit increased year on year.
- ◆Gross operating profit increased ¥1.5 billion due to increases in net interest income and net other operating income.
  - Net interest income increased ¥0.2 billion owing to a growing balance of investment assets, especially mortgage loans, in its business expansion.
  - Net other operating income increased ¥1.2 billion reflecting improved investment performance.
- ◆Net operating profit increased, owing mainly to an increase in gross operating profit, which offset higher general and administrative expenses.
- ◆Customer assets increased ¥145.5 billion from March 31, 2010, of which deposit balance increased ¥139.0 billion.

Line item amounts are truncated below ¥100 million; percentage change figures are rounded.

Overview of Performance: Sony Bank (Non-consolidated) (1)

Sony Financial Holdings

	FY09	FY10	Change	
Customer assets	1,610.0	**1,755.5**	+145.5	+9.0%
Deposits	1,510.0	**1,649.1**	+139.0	+9.2%
Yen	1,184.9	**1,289.8**	+104.8	+8.9%
Foreign currency	325.0	**359.2**	+34.1	+10.5%
Investment trusts	100.0	**106.4**	+6.4	+6.5%
Loans outstanding	586.6	**722.4**	+135.7	+23.1%
Mortgage loans	555.1	**656.0**	+100.9	+18.2%
Others	31.5	66.4(*1)	+34.8	+110.5%
Number of accounts (thousands)	796	**859**	+62	+7.8%
Capital adequacy ratio(*2) (domestic criteria)	12.09%	**10.84%**	(1.25pt)	

(Reasons for changes)

- Foreign currency deposit increased reflecting growing demand for saving foreign currency under the market fluctuation even though the sharp hike in the yen might have the negative impact on the foreign exchange conversion.
- Loan balance steadily increased due to increases in mortgage loans and corporate lending centering on syndicated loans.

*1 Loans in others include corporate loans of ¥58.4 billion.

*2 Please refer to the graph of the non-consolidated capital adequacy ratio (domestic criteria) on P28.

Line item amounts are truncated below ¥100 million; numbers of accounts are truncated below 1,000 accounts; percentage change figures are rounded.

Overview of Performance: Sony Bank (Non-consolidated) (2)

Sony Financial Holdings

<Reference> On Managerial Accounting Basis

(Billions of yen)	FY09	FY10	Change	
Gross operating profit	14.9	**16.4**	+1.5	+10.1%
Net interest income *1 ①	13.7	**15.1**	+1.3	+10.2%
Net fees and commissions *2 ②	0.9	**0.8**	(0.1)	(14.2%)
Net other operating income *3	0.2	**0.4**	+0.1	+69.4%
Gross operating profit (core profit) (A) = ①+②	14.6	**15.9**	+1.2	+8.6%
Operating expenses and other expenses ③	11.7	**12.8**	+1.0	+9.2%
Net operating profit (core profit) = (A)−③	2.9	**3.0**	+0.1	+6.3%

●**Managerial accounting basis**

The following adjustments are made to the figures on a financial accounting basis to account for profits and losses more appropriately.

*1: Net interest income: Includes profits and losses associated with fund investment recorded in net other operating income, including gains or losses from currency swap transactions.

*2: Net fees and commissions: Includes profits and losses for customer dealings in foreign currency transactions recorded in net other operating income.

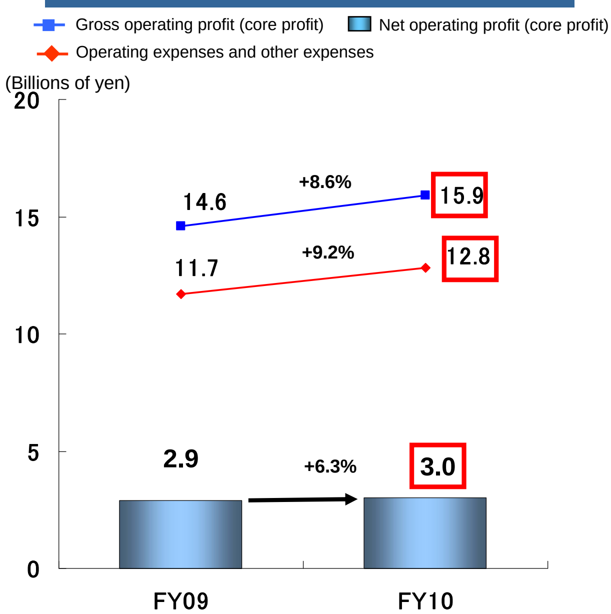
*3: Net other operating income: After the above adjustments (*1 and *2), consists of profits and losses for bond and derivative dealing transactions.

●**Core profit**

Profits and losses exclude net other operating income, which includes those on bond and derivative dealing transactions, and stands for Sony Bank's basic profits.

<Reference>

Net Operating Profit (Core Profit), Operating Expenses and Other Expenses & Gross Operating Profit (Core Profit)

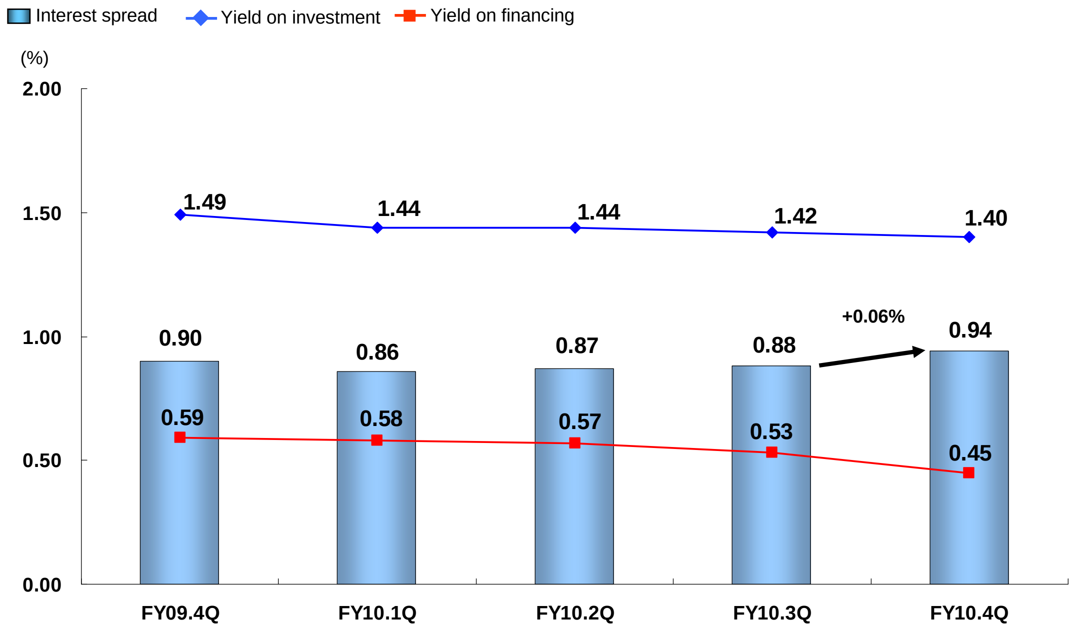


Line item amounts are truncated below ¥100 million; percentage change figures are rounded.

Sony Bank Operating Performance (1)

Sony Financial Holdings

<Reference> Interest Spread (Managerial Accounting Basis)

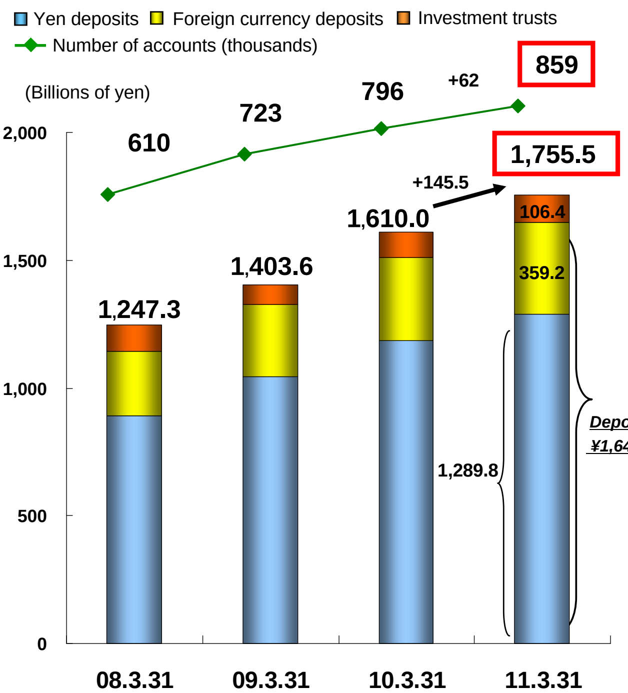


Notes: Interest spread = Yield on investment – Yield on financing
Yield on investment includes primarily gains or losses from currency swap transactions in net other operating income.

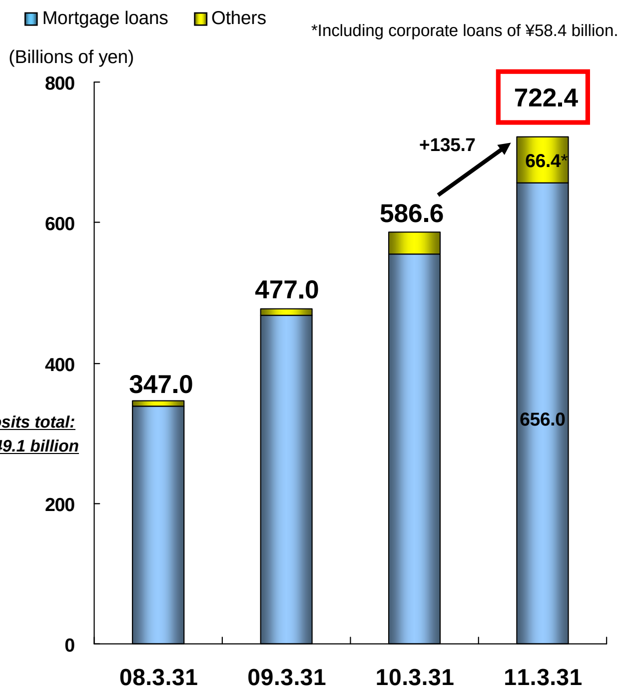
Sony Bank Operating Performance (2)

Sony Financial Holdings

Customer Assets (Deposits + Investment Trusts) and Number of Accounts



Loans

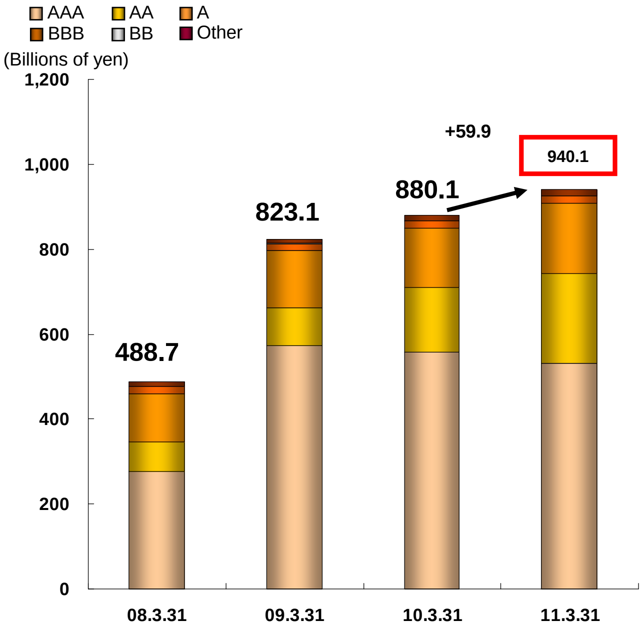


Line item amounts are truncated below ¥100 million; number of accounts are truncated below 1,000 accounts.

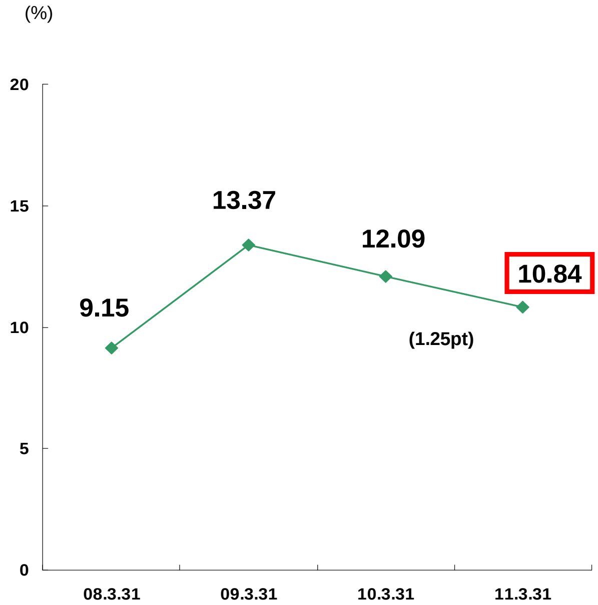
Sony Bank Operating Performance (3)

Sony Financial Holdings

Balance of Securities by Credit Ratings



Non-Consolidated Capital Adequacy Ratio (Domestic Criteria)



* 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 Financial Services Agency of Japan ("FSA") public ministerial announcement No. 19 of 2006.

Amounts are truncated below ¥100 million.

Consolidated Financial Forecast for the Year Ending March 31, 2012

Consolidated Financial Forecast for the Year Ending March 31, 2012

	FY10 Actual	1H FY11 Forecast	FY11 Forecast	Change FY10 actual vs. FY11 forecast
Consolidated ordinary revenues	1,002.2	497.0	1,022.0	+ 2.0%
Life insurance business	900.3	442.0	909.3	+ 1.0%
Non-life insurance business	74.1	40.1	80.4	+ 8.4%
Banking business	29.5	15.8	32.8	+ 11.0%
Consolidated ordinary profit	76.8	27.0	59.0	(23.2%)
Life insurance business	72.1	25.0	53.0	(26.6%)
Non-life insurance business	2.1	0.3	2.6	+ 21.2%
Banking business	2.4	1.7	4.1	+ 70.3%
Consolidated net income	41.7	13.0	29.0	(30.5%)

■Life insurance business

Ordinary revenues for the year ending March 31, 2012, are expected to increase 1.0% year on year, to ¥909.3 billion. We anticipate that income from insurance premiums will increase in line with steady growth of the policy amount in force. We expect ordinary profit to decrease 26.6% year on year, to ¥53.0 billion. During the fiscal year ended March 31, 2011, the business generated net capital gains of ¥23.8 billion, reflecting the process of shifting bond holdings to ultralong-term bonds to reduce interest rate risk. However, we do not anticipate gains on the sale of securities for the year ending March 31, 2012, because the process of shifting our bond holdings was largely completed in the previous period.

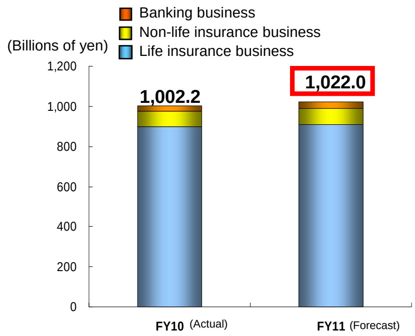
■Non-life insurance business

Ordinary revenues for the year ending March 31, 2012 are expected to rise 8.4% year on year, to ¥80.4 billion, due to an increase in net premiums written, mainly for mainstay automobile insurance. Ordinary profit is expected to increase 21.2% year on year, to ¥2.6 billion, due mainly to the aforementioned increase in ordinary revenues and an expected improvement in the loss ratio in line with the February 2011 revision of automobile insurance premiums. This should offset an expected increase in the expense ratio in line with the planned reinforcement of corporate systems and infrastructure based on the expected expansion of business operations.

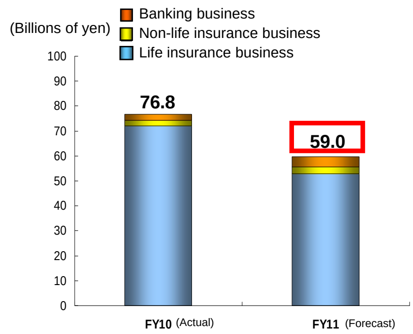
■Banking Business

Ordinary revenues for the year ending March 31, 2012, are expected to increase 11.0% year on year, to ¥32.8 billion, owing mainly to an increase in net interest income, bolstered by a growing balance of loans, especially mortgages. Ordinary profit is expected to grow 70.3%, to ¥4.1 billion, from the previous fiscal year, as we anticipate a steady increase in gross operating profit, driven by business expansion that should offset an increase in general and administrative expenses related to new product and service developments.

Consolidated Ordinary Revenues



Consolidated Ordinary Profit



(Billions of yen; amounts are truncated below ¥100 million; percentage changes are rounded.)

Sony Financial Holdings

(3) Dividend Policies

Dividend Policies

Sony Financial Holdings

■Basic Idea of Capital and Dividend Policies

We consider an increase in returns to our shareholders, as well as return on equity, among our most important management tasks. Our basic policy on returning profits to our 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.

Dividend Forecast	■FY10 : ¥4,000 per share (forecast) FY09 : ¥3,000 per share (actual) ■FY11 : ¥20 per share (forecast) * FY11 dividend forecast reflect the 200-for-1 stock split .

- We propose to pay an annual cash dividend of ¥4,000 per share for the year ended March 31, 2011, up ¥1,000 from the previous period of ¥3,000.

  Consolidated net income has risen steadily since October 2007, when we listed our shares on the First Section of the Tokyo Stock Exchange. In particular, Sony Life now expects to generate stable asset investment returns, primarily in the form of interest income, from its asset portfolio over the medium to long term, as a result of revising its asset portfolio. Furthermore, Sony Life currently maintains sufficient financial soundness from a regulatory perspective. Even if an indicator based on economic value were introduced in future in a way where we could anticipate, we would have sufficient surplus available for dividends.
- We plan to pay the annual cash dividend of ¥20 per share for the year ending March 31, 2012 if the total dividend amount is the same as for the year ended March 31, 2011 and reflects the 200-for-1 stock split.
- On April 1, 2011, SFH conducted a stock split at a ratio of 200 to one, to improve the environment for investing in its stock by lowering the unit investment amount and increasing the liquidity of the stock, with the aim of expanding its investor base. SFH also adopted a Share Unit system, which defines 100 shares as one unit.

Preliminary Sony Life's Market Consistent Embedded Value as of March 31, 2011

Preliminary Sony Life's Market Consistent Embedded Value as of March 31, 2011

MCEV results【Preliminary】 (Billions of yen)

		10.3.31	11.3.31	Change
MCEV		894.0	853.6	(40.4)
	Adjusted net worth	206.2	230.3	+24.1
	Value of existing business	687.8	623.3	(64.5)
Of which, new business value		55.6	56.8	+1.2

- Sony Life's preliminary MCEV as of the end of March 31, 2011 decreased year on year, due to decreased value of existing business which offset the positive impact of an increase in adjusted net worth under the change of financial market conditions such as lowering of ultralong-term interest rates.
- Furthermore, to the extent of ultralong-term interest rates as of March 31, 2011, interest swap rates were lower than Japanese government bond (JGB) yields. Sony Life has been comprehensively managing interest rate risk residing in its assets and liabilities by investing mainly in ultralong-term JGB in asset side to prepare for the future insurance claims and other payments in liability side. Thus, it is considered reasonable and proper to use JGB yields as risk-free-rate for calculation of liability side for the purpose of internal risk management. As for the calculation of MCEV above, we use interest swap rates. Meanwhile, if we calculated the sum of the present value of certainty-equivalent profit and the time value of options and guarantees which consists of components of value of existing business by using the JGB yields, instead of interest swap rates, as of the March 31, 2011, this calculation would have shown an increase in the value of existing business and new business value by ¥47.6 billion and ¥4.8 billion, respectively.

* Please keep in mind that the validity of these calculations has not been verified by outside specialists. MCEV as of March 31, 2011, calculated in accordance with the MCEV principles and verified by outside specialists, is scheduled to be announced at May 27, 2011.

Appendix

Recent Topics 1

AEGON SONY LIFE INSURANCE Sales Update

Launch of sales：December 1, 2009

Common stock：¥20 billion (including capital surplus of ¥10 billion)

Equity ownership：Sony Life insurance Co., Ltd. 50%, AEGON･international B.V. 50%

Marketing products: Variable Individual Annuity (3 types, 5 products)

Sales Channels: Lifeplanner sales employees and affiliated Banks (7*) As of May 20, 2011

Financial Highlights for FY10:

Number of new policies: 781, New policy amount: ¥7.6 billion

Number of policies in force: 1,218 policies, Policy amount in force: ¥13.8 billion

Sony Bank's Mortgage Loans through Sony Life

Sony Life ⇔ Sony Bank

Sony Life ⇔ Sony Assurance

Sony Life accounts for 24% of the balance of mortgage loans as of March 31, 2011

Sony Life accounts for 28% of the amount of new mortgage loans for FY10

*Sony Life started handling banking agency business in January 2008.

Sony Assurance's Auto Insurance Sold by Sony Life

Sony Life accounts for approx. 5% of new automobile policies for FY10

* Sony Life started handling automobile insurance in May 2001.

"Lifeplanner" is a registered trademark of Sony Life Insurance Co., Ltd.

Recent Topics 2

Sony Financial Holdings

<Highlights for FY10>

2010-4-1	AEGON Sony Life Insurance 's variable individual annuity product commenced to be offered at Minato Bank
	Sony Bank entered tie-up with Kintetsu Real Estate in mortgage loans
2010-4-12	Sony Assurance launched automobile insurance sales via Bank of Yokohama
2010-4-19	AEGON Sony Life Insurance 's variable individual annuity product commenced to be offered at Fukushima Bank
2010-5-1	Sony Life newly opened a branch in Yamagata prefecture to expand its service network through community-based approach
	Sony Assurance launched automobile insurance sales via Tama Shinkin Bank
	Sony Life commenced operations at LIPLA Co., Ltd., a wholly owned subsidiary of Sony Life, and opened the first one-stop shop "LIPLA"
2010-6-24	Sony Bank opened the first over-the-counter branch, called "Housing Loan Plaza
2010-7-12	AEGON Sony Life Insurance 's variable Individual annuity product to be offered at Chiba Kogyo Bank
2010-7-26	Sony Bank launched foreign currency delivery service
2010-9-13	Sony Bank began offering mortgage loans for used condominiums
2010-9-16	Sony Life opened the second one-stop insurance Shop, "LIPLA"
2010-10-4	Sony Bank entered tie-up with Ohkuraya Juutaku in mortgage loans
2010-11-2	Sony Life began offering new products: Whole life nursing-care insurance (reduced surrender value), lump- sum payment nursing-care rider, and discount rider for nonsmokers and others in excellent health for decreasing term life insurance
2010-11-08	Sony Bank began providing a service to accept dividends on investment trusts
2010-11-29	Sony Bank added six funds (monthly dividend type) to investment trusts lineup
2011-01-17	AEGON Sony Life Insurance began offering new variable individual annuity product, Catch Point, at SMBC
2010-01-24	Sony Bank added two funds (monthly dividend type) to its lineup of investment trusts. The bank began offering the COMMONS 30 FUND, which previously was only sold directly by Commons Asset Management.
2010-02-01	AEGON Sony Life Insurance began offering new variable individual annuity product, W Account, through Sony Life's Lifeplanner sales employees and at Minato Bank
2010-02-01	Sony Assurance introduced several revisions to its automobile insurance products, including to insurance premiums and subdivisions of driving distance criteria.
2011-02-07	AEGON Sony Life Insurance began offering new variable individual annuity product, W Account, at Juroku Bank
2011-3-19	Sony Life opened the third one-stop insurance shop, "LIPLA"
2011-4-01	Sony Assurance declared conformity with the ISO 10002 International Standard for Complaints Management Systems
2011-4-01	Sony Bank began offering Wide Danshin group credit life insurance to mortgage loan borrowers
2011-4-11	AEGON Sony Life Insurance began offering new variable individual annuity product, W Account, at Kansai Urban Banking
2011-4-28	Sony Assurance began offering free application, "Trouble Navigation" to smart phone users
2011-5-01	Sony Bank to enter credit card business; began issuing the Sony Card.
2011-5-02	Sony Life began sales of new income protection insurance to cover three major diseases (type II)
2011-5-16	Sony Bank began offering Brazilian real for foreign currency deposits

Sony Life: Fair Value Information on Securities (General Account Assets)

Sony Financial Holdings

Fair Value Information on Securities

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

(Billions of yen)

	10.3.31			10.6.30			10.9.30			10.12.31			11.3.31		
	Carrying amount	Fair value	Net unrealized gains (losses)	Carrying amount	Fair value	Net unrealized gains (losses)	Carrying amount	Fair value	Net unrealized gains (losses)	Carrying amount	Fair value	Net unrealized gains (losses)	Carrying amount	Fair value	Net unrealized gains (losses)
Held-to-maturity securities	2,275.6	2,255.1	(20.4)	2,477.9	2,628.6	150.7	2,818.6	3,040.2	221.6	2,868.2	2,984.7	116.5	2,914.3	2,892.1	(22.1)
Available-for-sale securities	1,126.5	1,166.9	40.4	1,039.8	1,097.8	58.0	858.8	913.9	55.0	890.9	933.0	42.0	940.1	964.3	24.2
Domestic bonds	1,061.5	1,090.0	28.4	973.8	1,030.3	56.5	794.8	848.5	53.6	824.9	859.9	35.0	884.4	904.1	19.7
(CBs)	13.6	13.2	(0.3)	–	–	–	–	–	–	–	–	–	–	–	–
Domestic stocks	51.7	62.1	10.4	51.9	53.2	1.2	51.8	52.9	1.1	51.7	57.4	5.6	49.8	53.7	3.8
Foreign securities	8.0	8.0	–	2.0	2.0	(0.0)	–	–	–	–	–	–	1.9	1.8	(0.0)
Other securities	5.1	6.7	1.5	11.9	12.1	0.2	12.1	12.3	0.1	12.3	13.8	1.4	3.8	4.6	0.7
Total	3,402.1	3,422.1	19.9	3,517.8	3,726.5	208.7	3,677.5	3,954.1	276.6	3,759.2	3,917.8	158.6	3,854.4	3,856.5	2.0

●Valuation gains (losses) on trading-purpose securities

(Billions of yen)

10.3.31		10.6.30		10.9.30		10.12.31		11.3.31	
Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income
–	5.7	–	–	–	–	–	–	–	–

Notes:
1) Line item amounts are truncated below ¥100 million.
2) Amounts above include those categorized as "monetary trusts.

Sony Life's Breakdown of Net Assets

Sony Financial Holdings

Net Assets on BS, Real Net Assets and Solvency Margin

(Billions of yen)

	①Net Assets (B/S)		②Real Net Assets		③Solvency Margin		Notes
	10.3.31	**11.3.31**	10.3.31	**11.3.31**	10.3.31	**11.3.31**	
Total shareholders' equity	177.3	**209.8**	177.3	**209.8**	170.3	**200.7**	③After estimated distributed income deducted
Net unrealized gains on other securities, net of taxes	15.4	**7.0**	15.4	**7.0**	–	**–**	
Net unrealized gains (losses) on available-for-sale securities	–	**–**	–	**–**	33.0	**20.8**	③Before tax x 90%
Land revaluation, net of taxes	(1.4)	**(1.4)**	(1.4)	**(1.4)**	–	**–**	
Reserve for price fluctuations	–	**–**	9.6	**16.7**	9.6	**16.7**	
Contingency reserve	–	**–**	48.4	**51.5**	48.4	**51.5**	
Reserve for possible loan losses	–	**–**	–	**–**	0.0	**0.0**	
Net unrealized gains on real estate	–	**–**	2.6	**1.9**	1.6	**1.0**	②Before tax (after revaluation) ③Before tax (Before revaluation) X85%
Excess amount of policy reserves based on Zillmer method	–	**–**	316.5	**334.2**	316.5	**334.2**	
Unallotted portion of reserve for policyholders' dividends	–	**–**	2.3	**1.1**	2.3	**1.1**	
Future profits	–	**–**	–	**–**	1.0	**0.6**	
Deferred tax assets	–	**–**	–	**–**	47.2	**63.3**	
Unrealized gains (losses) on held-to-maturity bonds	–	**–**	(20.4)	**(22.1)**	–	**–**	②Before tax
Deferred tax liabilities for available-for-sale securities	–	**–**	12.8	**8.0**	–	**–**	
Total	191.3	**215.3**	563.4	**606.9**	630.2	**690.3**	

Note: Real net assets excluding net unrealized gains (losses) on held-to-maturity securities and on policy reserve matching bonds, are ¥583.8 billion as of March 31, 2010, and ¥629.1 billion as of March 31, 2011.

Amounts are truncated below ¥100 million.

Sony Life's Solvency Margin Ratio

Sony Financial Holdings

(Billions of yen)

Category	11.3.31 (Currennt)	11.3.31 (New)
Total solvency margin (A)	690.3	625.7
Common stocks, etc	200.7	200.7
Reserve for price fluctuations	16.7	16.7
Contingency reserve	51.5	51.5
Reserve for possible loan losses	0.0	0.0
Net unrealized gains on other securities multiplied by 90% if gains or 100% if losses	20.8	20.8
Net unrealized gains on real estate multiplied by 85% if gains or 100% if losses	1.0	1.0
Excess amount of policy reserves based on Zillmer method	334.2	334.2
Unallotted portion of reserve for policyholders' dividends	1.1	1.1
Future profits	0.6	
Deferred tax assets	63.3	63.3
Subordinated debt	-	-
That portion of the excess amount of policy reserves based on Zillmer method and subordinated debt that is not included in the margin		(63.9)
Deductible items	-	-
Total risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ (B)	47.6	72.7
Insurance risk R1	20.0	20.0
Third-sector insurance risk R8	7.2	7.2
Assumed interest rate risk R2	11.5	27.9
Asset management risk R3	16.8	28.7
Business management risk R4	1.2	1.8
Minimum guarantee risk R7	9.0	8.8
Solvency margin ratio [(A)/{(B)×1/2}]×100	2,900.1%	1,720.0%

Note: Cabinet Office Ordinance No. 23 of 2010 and FSA public ministerial announcement 48 of 2010 prescribe a revision in the methods of calculating total solvency margin and total risk (increasing the strictness of margin inclusion, and making risk measurement stricter and more sensitive). These changes are to be applied from FY11. The above-stated figures are calculated on the assumption that these changes are applied at the end of FY10.

Amounts are truncated below ¥100 million.

Contact: Corporate Communications & Investor Relations Department
Sony Financial Holdings Inc.

TEL：+81-3-5785-1074