

SFH Consolidated Financial Statements

SFH's consolidated financial statements—consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and consolidated statements of cash flows—were audited by PricewaterhouseCoopers Aarata in accordance with Article 193-2-1 of the Financial Instruments and Exchange Law.

Documents prepared based on Article 52-28-1 of the Banking Law were audited by PricewaterhouseCoopers Aarata based on Article 396-1 of the Company Law.

Consolidated Balance Sheets

As of March 31,	2008	2009
	(Millions of yen)	
Assets:		
Cash and due from banks	60,058	42,794
Call loans and bills bought	424,868	95,709
Commercial paper and other debt purchased	—	16,163
Monetary trusts	895,672	608,846
Securities	2,930,441	3,703,062
Loans	455,763	597,542
Tangible fixed assets	84,451	83,619
Land	—	33,076
Buildings	—	47,790
Leased assets	—	340
Construction in progress	—	1,179
Other tangible fixed assets	—	1,232
Intangible fixed assets	16,412	18,788
Software	—	16,710
Goodwill	—	2,004
Leased assets	—	0
Other intangible fixed assets	—	72
Due from agencies	—	1
Due from reinsurers	256	144
Foreign exchanges	1,683	6,355
Other assets	101,229	91,424
Deferred tax assets	6,937	49,889
Reserve for possible loan losses	(327)	(665)
Total Assets	4,977,450	5,313,677

As of March 31,	2008	2009
		(Millions of yen)
Liabilities:		
Policy reserve and others	3,454,167	3,680,731
Reserve for outstanding claims	31,653	34,843
Policy reserve	3,418,006	3,643,348
Reserve for policyholders' dividends	4,506	2,539
Due to agencies	1,308	1,216
Due to reinsurers	926	1,042
Deposits	1,143,476	1,325,320
Call money and bills sold	10,000	10,000
Borrowed money	—	2,000
Foreign exchanges	0	8
Other liabilities	62,530	68,086
Reserve for employees' bonuses	2,240	2,251
Reserve for employees' retirement benefits	11,920	13,435
Reserve for directors' retirement benefits	252	310
Special reserve	24,136	3,667
Reserve for price fluctuations	24,136	3,666
Reserve for financial products transaction liabilities	0	1
Deferred tax liabilities	4,156	0
Deferred tax liabilities on land revaluation	706	706
Total Liabilities	4,715,822	5,108,779
Net Assets:		
Shareholders' equity		
Common stock	19,900	19,900
Capital surplus	195,277	195,277
Retained deficits	(26,417)	(2,251)
Total shareholders' equity	188,759	212,925
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities, net of taxes	74,902	(4,853)
Net deferred losses on hedging instruments, net of taxes	(1,345)	(1,449)
Land revaluation, net of taxes	(1,475)	(1,475)
Foreign currency translation adjustments	786	(248)
Total valuation and translation adjustments	72,868	(8,028)
Total Net Assets	261,627	204,897
Total Liabilities and Net Assets	4,977,450	5,313,677

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

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

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

Consolidated Statements of Income (Continued)

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

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

Consolidated Statements of Changes in Net Assets (Continued)

For the years ended March 31,	2008	(Millions of yen) 2009
Valuation and Translation Adjustments		
Net unrealized gains on other securities, net of taxes		
Balance at the end of the previous period	125,043	74,902
Changes during the period		
Net changes of items other than shareholder's equity	(50,140)	(79,756)
Total changes during the period	(50,140)	(79,756)
Balance at the end of the current period	74,902	(4,853)
Net deferred losses on hedging instruments, net of taxes		
Balance at the end of the previous period	(408)	(1,345)
Changes during the period		
Net changes of items other than shareholder's equity	(937)	(104)
Total changes during the period	(937)	(104)
Balance at the end of the current period	(1,345)	(1,449)
Land revaluation, net of taxes		
Balance at the end of the previous period	(1,475)	(1,475)
Changes during the period		
Total changes during the period	—	—
Balance at the end of the current period	(1,475)	(1,475)
Foreign currency transaction adjustments		
Balance at the end of the previous period	390	786
Changes during the period		
Net changes of items other than shareholder's equity	396	(1,035)
Total changes during the period	396	(1,035)
Balance at the end of the current period	786	(248)
Total valuation and translation adjustments		
Balance at the end of the previous period	123,549	72,868
Changes during the period		
Net changes of items other than shareholder's equity	(50,681)	(80,896)
Total changes during the period	(50,681)	(80,896)
Balance at the end of the current period	72,868	(8,028)
Minority Interests		
Balance at the end of the previous period	4,425	—
Changes during the period		
Net changes of items other than shareholder's equity	(4,425)	—
Total changes during the period	(4,425)	—
Balance at the end of the current period	—	—

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

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

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

See accompanying notes to the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2009

1. Basis of Presenting Consolidated Financial Statements

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

2. Principles of Consolidation

(1) Scope of consolidation

Number of consolidated subsidiaries : 5

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

(2) Application of the equity method

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

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

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

(3) Fiscal year-end of consolidated subsidiaries

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

(4) Valuation of assets and liabilities of consolidated subsidiaries

A full portion of the assets and liabilities of the acquired subsidiaries is stated at fair value as of the date of acquisition of control.

(5) Amortization of goodwill

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

3. Summary of Significant Accounting Policies

(1) Securities

Securities are stated in the following manner: Securities held for trading purposes (“trading securities”) are stated at fair value with unrealized gains and losses charged to income. The cost of such securities sold is determined by the moving-average method. Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Available-for-sale securities whose fair value is readily determinable are stated at fair value in the consolidated balance sheets based on market prices prevailing at each balance sheet date, with unrealized gains (losses), net of income taxes, included in net assets and acquisition costs calculated using the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at amortized cost (straight-line method) or at acquisition cost based on the moving-average method.

(2) Derivative financial instruments

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

(3) Tangible fixed assets (excluding leased assets)

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

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

- Buildings 2 to 45 years
- Other tangible fixed assets 2 to 20 years

(4) Intangible fixed assets (excluding leased assets)

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

(5) Leased assets

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

(6) Reserve for possible loan losses

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

(7) Reserve for employees' bonuses

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

(8) Reserve for employees' retirement benefits

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

(9) Reserve for directors' retirement benefits

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

(10) Reserve for price fluctuations

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

(11) Translation of foreign currencies

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

(12) Hedge accounting

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

(13) Accounting for consumption taxes

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

(14) Policy reserve

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

(15) Cash and cash equivalents

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

(16) Changes in accounting policies, procedures and presentation rules**• Reclassification of debt securities**

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

• Lease transactions

Finance leases that do not transfer ownership of the leased assets to the lessee used to be accounted for as operating leases. As the Accounting Standard Board of Japan ("ASBJ") Statement No.13 "Accounting Standard for Lease Transactions" (March 30, 2007) and ASBJ Guidance No.16 "Guidance for Accounting Standard for Lease Transactions"

(March 30, 2007) became effective for fiscal years beginning after April 1, 2008, SFH has applied them starting from the fiscal year ended March 31, 2009. The impact of this change to SFH's consolidated ordinary profit and net income before taxes is not material.

(17) Changes in presentation

• Consolidated balance sheets

In response to revision of the Insurance Business Law Enforcement Regulations (Ministry of Finance Ordinance No.5, 1996), the following changes in presentation were required from the fiscal year ended March 31, 2009.

- (a) Tangible fixed assets include the subcategories of land, buildings, leased assets, construction in progress, and other tangible fixed assets. As of March 31, 2008, land totaled ¥32,996 million, buildings ¥50,068 million, construction in progress ¥84 million, and other tangible fixed assets ¥1,302 million, respectively.
- (b) Intangible fixed assets include the subcategories of software, goodwill, lease assets, and other intangible fixed assets. As of March 31, 2008, software totaled ¥13,817 million, goodwill ¥2,505 million, and other intangible fixed assets ¥89 million, respectively.

• Consolidated statements of income

Other operating income includes the subcategory of "Gains on foreign exchange transactions, net" due to an increase in its significance. As of March 31, 2008, "Gains on foreign exchange transactions, net" included in other operating income totaled ¥5,773 million.

(18) Additional information

• Evaluation of securities

Floating-rate Japanese government bonds that are included in "securities" were previously evaluated based on their fair market values. As the Practical Issue Task Force No. 25 "Practical Solution on Measurement of Fair Value of Financial Assets" (October 28, 2008) was published, a domestic banking subsidiary examined its accounting treatment of the floating-rate Japanese government bonds it held and determined that the fair market values could not be deemed fair values. Therefore, SFH evaluated the floating-rate Japanese government bonds based on reasonably estimated amounts starting in the year ended March 31, 2009. This change resulted in an increase of ¥2,891 million in "Securities" a decrease of ¥240 million in "Deferred tax assets" and an increase of ¥2,650 million in "Net unrealized gains (losses) on other securities, net of taxes." Reasonably estimated amounts were calculated as of March 31, 2009, using the Constant Maturity Treasury ("CMT") model. The interest rate used in the CMT model as a primary parameter is the forward rate of Japanese government bonds. The discount rate used in the model is the rate of the yield curve of Japanese government bonds based on the consideration of a certain liquidity risk.

• Reversal of contingency reserve

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

• Reversal of reserve for price fluctuations

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

4. Notes to the Consolidated Balance Sheets

- (1) The balance of loans includes ¥64 million in loans to debtors in bankruptcy (before deductions for reserve for possible loan losses) ¥674 million in “non-accrual delinquent loans” (before deductions for reserve for possible loan losses). Loans to debtors in bankruptcy include debtors that have been in arrears on principal or interest payments for a considerably long period of time or loans (before deductions for reserve for possible loan losses) on which principal or interest payments are considered unlikely to occur in the future for other reasons and on which interest income is not recognized. These loans with reasons defined under Article 96-1-3, i through iv of the Corporate Income Tax Law Enforcement Guidelines (Enforcement Order 97 of 1965), or 96-1-3 or Item 4 of the same guidelines.

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

- (2) The balance of loans includes ¥225 million in “restructured loans” (before deductions for reserve for possible loan losses). “Restructured loans” are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers' recovery from financial difficulties, excluding “bankrupt loans”, “non-accrual delinquent loans” and “past due loans (three months or more)”.

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

- (4) Accumulated depreciation of tangible fixed assets as of March 31, 2009 was ¥14,176 million.
- (5) The balance sheet includes ¥275,160 million of assets and liabilities in equal amounts related to separate accounts as of March 31, 2009, as stipulated in Article 118 of the Insurance Business Law.
- (6) Securities include shares in affiliated companies worth ¥2,795 million. These shares are all investments in jointly controlled companies.

- (7) Changes in the reserve for policyholders' dividends at SFH's domestic life insurance subsidiary for the fiscal year ended March 31, 2009, are as follows:

Balance at beginning of the fiscal year:	¥4,506 million
Policyholders' dividends during the fiscal year:	¥1,577 million
Increase in interest:	¥39 million
Reversal for reserve for policyholders' dividends:	¥429 million
Balance at end of the fiscal year:	¥2,539 million

- (8) Securities with a book value of ¥10,266 million were pledged as collateral for ¥10,000 million of call money and bills sold at March 31, 2009. In addition to the assets described above, securities with a book value of ¥92,602 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2009.
- (9) Net assets per share amounted to ¥94,205.75.

(10) The following provides fair value information on securities as of March 31, 2009:

■ **Trading securities:**

(Millions of yen)

Consolidated balance sheet amount	Valuation gains/losses charged to income
260,401	(73,616)

■ **Held-to-maturity securities with fair values:**

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Net unrealized gains/losses	Unrealized gains/losses	
				Unrealized gains	Unrealized losses
Bonds	1,423,075	1,450,943	27,867	30,004	2,137
Japanese government and municipal bonds	1,412,868	1,440,643	27,774	29,884	2,109
Japanese corporate bonds	10,206	10,299	92	120	27
Others	42,524	42,372	(151)	15	167
Total	1,465,599	1,493,315	27,715	30,020	2,304

■ **Other securities with fair values:**

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains/losses	Unrealized gains/losses	
				Unrealized gains	Unrealized losses
Bonds	1,602,956	1,618,569	15,613	37,022	21,408
Japanese government and municipal bonds	1,057,037	1,084,890	27,853	31,493	3,640
Japanese corporate bonds	545,918	533,679	(12,239)	5,528	17,767
Equity securities	46,072	47,970	1,897	4,115	2,217
Others	315,998	298,683	(17,315)	790	18,105
Total	1,965,026	1,965,222	196	41,928	41,732

Note: Impairment losses amounting to ¥34,402 million were recognized for "other securities" with market value for the year ended March 31, 2009.

Impairment losses are principally recorded when their fair value as of the end of the fiscal year has declined by 30% or more from the book value.

■ **Other securities sold during the period:**

(Millions of yen)

Sales	Gains on sales	Losses on sales
¥861,922	32,456	18,024

■ **Securities that are not marked to market:**

(Millions of yen)

	Consolidated balance sheet amount
Investment in affiliates	2,795
Available-for-sale securities	25,206
Equity securities	4
Others	25,201
Total	28,002

Note: Impairment losses of ¥399 million were recorded for "other securities" that are not marked to market for the year ended March 31, 2009. Impairment losses are principally recorded when their fair value as of the end of the fiscal year has declined by 50% or more from the acquisition price.

■ Reclassification of debt securities:

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

(Millions of yen)

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

■ The future redemption schedule of other securities with maturities and held-to-maturity securities:

(Millions of yen)

	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Bonds	178,921	565,455	603,313	1,693,954
Japanese government and municipal bonds	69,732	195,995	555,740	1,676,290
Japanese corporate bonds	109,188	369,460	47,573	17,663
Others	75,150	203,977	25,851	43,622
Total	254,071	769,432	629,165	1,737,577

(11) The fair value information on monetary trusts as of March 31, 2009, is as follows:

■ Monetary trusts for trading purposes:

(Millions of yen)

Consolidated balance sheet amount	Valuation gains/losses charged to income
32,020	(4,413)

■ Other monetary trusts:

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains/losses	Unrealized gains/losses	
				Unrealized gains	Unrealized losses
Other monetary trusts	568,520	576,826	8,306	17,478	9,172

Note: 1. Amounts of jointly invested monetary trusts that are included in the table above for the years ended March 31, 2009 are ¥271 million.

2. Impairment losses amounting to ¥12,605 million were recognized for “Other monetary trusts” with market value for the year ended March 31, 2009. Impairment losses are accounted for principally if market value of each security decreases equal to or more than 30% of its book value at the end of the period.

(12) Derivative financial instruments

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

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

Those derivative transactions, as well as on-balance sheet assets, consist mainly of market risks, credit risks and market liquidity risks. Market risks are the risks of losses due to changes in the value of derivative transactions as a result of unfavorable market fluctuations in interest rates, securities prices, foreign exchange rates and other factors. Credit risks are the risks of losses due to a decline in the value of derivative transactions as a result of deterioration in the financial position of individual obligors, issuers of the debt obligations we hold, or counterparties to the derivatives and other contracts we have entered into. Market liquidity risks are the risks of losses due to an inability to conduct

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

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

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

[i] Interest rate derivatives:

(Millions of yen)

	Notional amount		Fair value	Valuation gains/losses
	Total	Over 1 year		
Over-the-counter transactions:				
Interest rate swaps	169,864	151,640	(4,738)	(4,738)
Total	—	—	(4,738)	(4,738)

Note: 1. The above transactions are valued at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income. Derivative transactions which hedge accounting is applied are not included in the amounts above.

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

[ii] Currency derivatives:

(Millions of yen)

	Notional amount		Fair value	Valuation gains /losses
	Total	Over 1 year		
Over-the-counter transactions:				
Currency swaps	1,791	—	(11)	(11)
Forward foreign exchanges:				
Sold	115,880	—	(1,053)	(1,053)
Bought	268,513	—	4,716	4,716
Foreign Exchange Margin Transactions:				
Sold	15,668	—	451	451
Bought	14,009	—	393	393
Currency options:				
Sold	404	—	(13)	(5)
Total	—	—	4,482	4,490

Note: 1. The above transactions are valued at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income. Derivative transactions which hedge accounting is applied are not included in the amounts above.

2. Market value is calculated mainly using discounted present value and others.

3. Figures include discounted forward forex contracts.

[iii] Credit derivatives transactions:

(Millions of yen)

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

Note: 1. The above transactions are valued at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income.

2. Market value is calculated mainly using discounted present value.

3. "Bought" refers to underwriting involving credit risk, "Sold" refers to deliveries involving credit risk.

(13) Retirement benefit obligations and its supplemental information as of March 31, 2009 were as follows.

[i] Overview of retirement benefit plans

The domestic life insurance subsidiary provides a lump-sum retirement benefit plan to sales staff and a defined benefit corporate pension plan and defined contribution pension plan to internal office staff. The non-life insurance subsidiary provides a lump-sum retirement benefit plan and a defined contribution pension plan (introduced in May 2008). SFH and its banking subsidiary mainly provide a lump-sum retirement benefit plan.

[ii] Retirement benefit obligations

(Millions of yen)

Retirement benefit obligations	(23,504)
Plan assets	4,538
Unfunded retirement benefit obligations	(18,965)
Unrecognized net obligation at transition	2,486
Unrecognized net actuarial gain	5,065
Unrecognized prior service cost	(774)
Net retirement benefit obligations	(12,189)
Prepaid pension costs	1,246
Reserve for employees' retirement benefits	(13,435)

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

[iii] Retirement benefit costs

(Millions of yen)

Service cost	2,059
Interest cost	279
Expected return on plan assets	(141)
Amortization of net obligation at transition	414
Amortization of net actuarial gain	132
Amortization of prior service cost	(129)
Other	237
Retirement benefit expenses	2,852

Note: 1. SFH and certain consolidated subsidiaries include the retirement benefit expenses in the service costs based on the simplified method.

2. Other includes defined contribution pension plan payments.

[iv] Basis for calculating retirement benefit obligations

Method of allocating projected retirement benefits	Straight-line or point method
Discount rate	1.3%–1.4%
Expected return on plan assets	3.3%
Prior service cost amortization period	10 years
Net actuarial gain amortization period	7–10 years
Net obligation at transition amortization period	15 years

- (14) Commitments to provide credit line contracts on overdrafts of the banking subsidiary and loans are agreements to lend to customers, up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments at March 31, 2009 was ¥11,557 million and the amount of unused commitments whose original contract terms are within one year at March 31, 2009 was ¥11,557 million.
- (15) Borrowed money includes subordinated borrowings of ¥2,000 million subject to a special contract that subordinates the fulfillment of this obligation to other obligations.
- (16) Expected future losses of the domestic life insurance subsidiary under the life insurance policyholder protection structure stipulated under Article 259 of the Insurance Business Law amounted to ¥7,482 million. Such losses are recognized as expenses during the fiscal year in which they are defined.

5. Notes to the Consolidated Statements of Income

Net income per share is calculated based on the weighted-average number of shares of common stock outstanding during the period. For the year ended March 31, 2009, net income per share was ¥14,125.14. There were no potential dilutive securities.

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

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

- (1) Types and numbers of shares issued are as follows:

(Thousands of shares)

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

- (2) Information on dividends is as follows:

a. Dividends paid

Date of resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2008	Common stock	¥6,525 million	¥3,000	March 31, 2008	June 27, 2008

b. Dividends to be paid in the next fiscal year

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

7. Notes to the Consolidated Statements of Cash Flows

- (1) The reconciliation of cash and cash equivalents in the statements of cash flows to cash and cash deposits as stated in the consolidated balance sheets as of March 31, 2009, is as follows:

	(Millions of yen)
Cash and due from banks	42,794
Call loans of domestic life insurance subsidiary	45,800
Securities of the non-life insurance subsidiary maturing within three months of the acquisition date	3,040
Cash and cash equivalents	91,634

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