



2019

Annual Report

April 1, 2018–March 31, 2019

Contents

1 Introduction

- 1 Sony Financial Group's Mission, Vision & Values
- 2 History
- 4 Financial and Non-financial Highlights
- 6 Message from the President
- 11 Sustainability Initiatives

12 Strategy and Review

- 12 Sony Financial Group
- 16 Sony Life
- 20 Sony Assurance
- 24 Sony Bank
- 28 Nursing Care Business

30 Initiatives to Strengthen Our Foundation for Creating Value

- 30 Corporate Governance
- 48 Human Resources
- 50 The Environment
- 51 Communication with Stakeholders

52 Corporate Section

- 52 Corporate Profile
- 53 Profiles of Group Companies
- 54 Stock Information

56 Reference Materials

- 56 Review of Operations / Organizational Chart of Business Operations
- 57 Financial Highlights
- 58 SFH Consolidated Financial Statements
- 66 Segment Information
- 68 Other Financial Data
- 70 Relationship with Parent Company, Sony Corporation
- 71 Financial Data Book Contents
- 72 Glossary

Editorial Policy

SFH refers to "Guidance for Collaborative Value Creation" published by the Ministry of Economy, Trade and Industry when organizing and examining matters to be listed in this report, in order to make this report a starting point for dialogue with shareholders and investors.



Company Name Abbreviations

The following abbreviations for company names are used in this report.

Sony Financial Group	SFG
Sony Financial Holdings Inc.	SFH
Sony Life Insurance Co., Ltd.	Sony Life
AEGON Sony Life Insurance Co., Ltd.	AEGON Sony Life Insurance
SA Reinsurance Ltd	SA Reinsurance
Sony Life Business Partners Co., Ltd.	Sony Life Business Partners
Sony Assurance Inc.	Sony Assurance
Sony Bank Inc.	Sony Bank
Sony Payment Services Inc.	Sony Payment Services
SmartLink Network Hong Kong Limited	SmartLink Network Hong Kong
Sony Lifecare Inc.	Sony Lifecare
Lifecare Design Inc.	Lifecare Design
Proud Life Inc.	Proud Life
Sony Financial Ventures Inc.	Sony Financial Ventures
Sony Corporation	Sony Corp.

Disclaimer

This annual report contains statements concerning the current plans, expectations, strategies and beliefs of the SFG. Any statements contained herein that are not historical facts are forward-looking statements or pro forma information. Forward-looking statements may include—but are not limited to—words such as "believe," "anticipate," "plan," "strategy," "expect," "assume," "forecast," "predict," "propose," "intend" and "possibility" that describe future operating activities, business performance, events or conditions. Forward-looking statements, whether spoken or written, may also be included in other materials released to the public. These forward-looking statements and pro forma information are based on assumptions, decisions and judgments made by the management of SFG companies, and are based on information that is currently available to them. As such, they are subject to various risks and uncertainties, and actual business results may vary substantially from the forecasts expressed or implied in forward-looking statements. Consequently, investors are cautioned not to place undue reliance on forward-looking statements. SFG companies are under no obligation to revise forward-looking statements or pro forma information in light of new information, future events or other findings. The information contained in this annual report does not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe to any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever in Japan or abroad.

Other Disclaimers

- The SFG refers to the financial group that comprises SFH, Sony Life, Sony Assurance, Sony Bank, Sony Lifecare, Sony Financial Ventures, as well as their subsidiaries and affiliates.
- Unless otherwise indicated, figures less than the indicated unit in this material have been truncated, while ratios and percentage changes have been rounded off.
- "Lifeplanner" and "Karte" are registered trademarks of Sony Life, "SURE" and "ZIPPI" are registered trademarks of Sony Assurance, "MONEYKit" is a registered trademark of Sony Bank, and "Sony Bank GATE" is a registered trademark of Sony Corp. Company names and product names that appear in this report, other than those mentioned above, are trademarks or registered trademarks of the respective company.
- Fiscal 1996–fiscal 2020 represent the fiscal years ended/ending March 31, 1997–2021.

Sony Financial Group's Mission, Vision & Values

Mission

Create a sustainable society where people feel a sense of enrichment

Vision

Become the most trusted financial services group by invoking emotion through the power of technology and high-value-added products and services that meet every customer's needs

Values

Customer First:	Provide products and services that satisfy customers by listening sincerely to their views
Originality:	Work actively and pursue creativity and innovation within an organization that supports a spirit of freedom and open-mindedness
Integrity & Fairness:	Act fairly with high ethical standards and a sense of purpose
Diversity:	Create new value by harnessing diversity and varying viewpoints
Sustainability:	Fulfill our stakeholder responsibilities through disciplined business practices

Sony Financial Group formulated its "Mission, Vision & Values."

Sony Financial Holdings Inc. formulated a new corporate philosophy named "Mission, Vision & Values" on April 1, 2019, with the aim of the entire group working together to further enhance corporate value and make broad-ranging contributions to society.

► P6 Message from the President

It all began with the founder's dream “for Sony to have a financial institution”

Akio Morita, the founder of Sony Corporation, visited Chicago in the late 1950s to open a sales office for transistor radios. He was shocked to discover that the massive skyscraper towering over the streets was occupied by the largest life insurance company in America at that time. This is said to be the inspiration of his dream for Sony Group to have its own financial institution and to build a magnificent skyscraper of its own one day. His entrepreneurial spirit drove him to adapt to the diversifying needs of customers and solve the problems facing society himself. The Sony Spirit to “do what has never been done before” has been passed down from one generation to the next, and the Sony Group has taken advantage of financial liberalization and deregulation to create a new financial business without being constrained by existing frameworks.

Sony Assurance

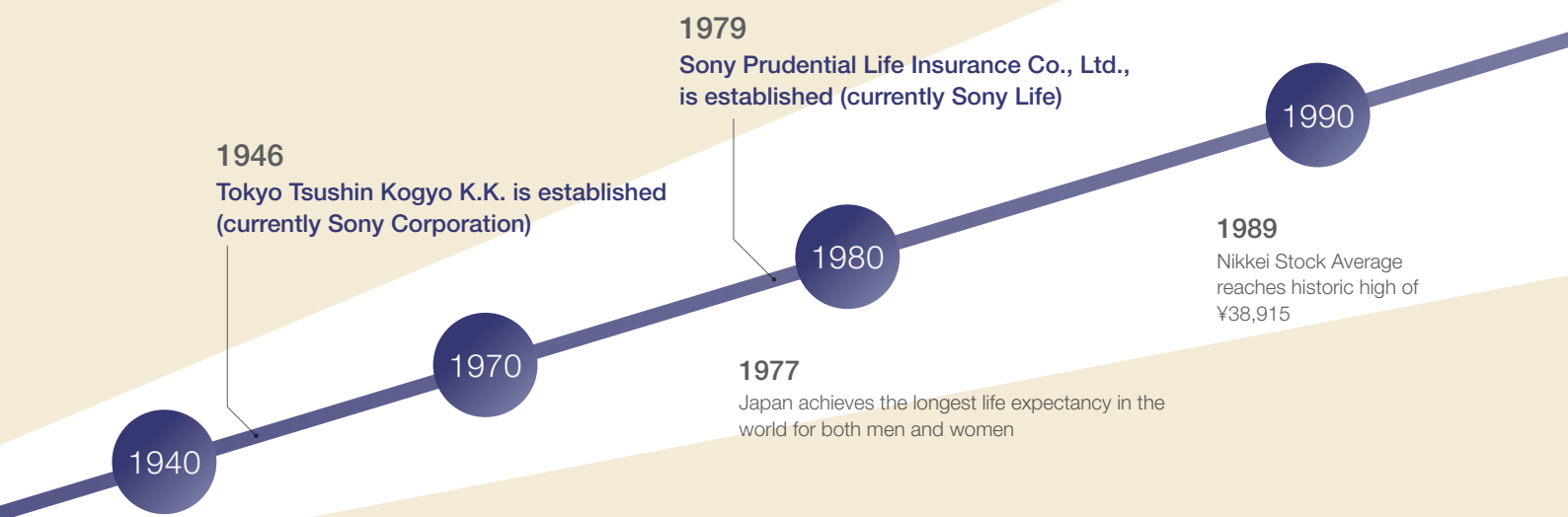
Challenge for a new business model for non-life insurance that “Connects directly with customers”

Backed by the liberalization of the market through deregulation in the late 1990s that came to be known as the “Financial Big Bang,” as well as the spread of the Internet, Sony Assurance launched a new business that allows customers to apply for insurance directly online or over the phone. Indeed, Sony Assurance has become a leading company in direct automobile insurance with automobile insurance whose premiums change depending on the customer's car life, such as how far they drive. Furthermore, Sony Assurance has developed other products and services, and continues to grow.

Sony Life

Accompanying and protecting customers all across Japan through life's milestones

Sony Life has created a unique business model in which it provides tailor-made life insurance customized to each customer's needs through advanced consultation. “Lifeplanner sales employees” and “Partners” build trust by “Accompanying customers through life's milestones,” ensuring steady growth for Sony Life.



Sony Financial Holdings

Continuing to change finance in the future

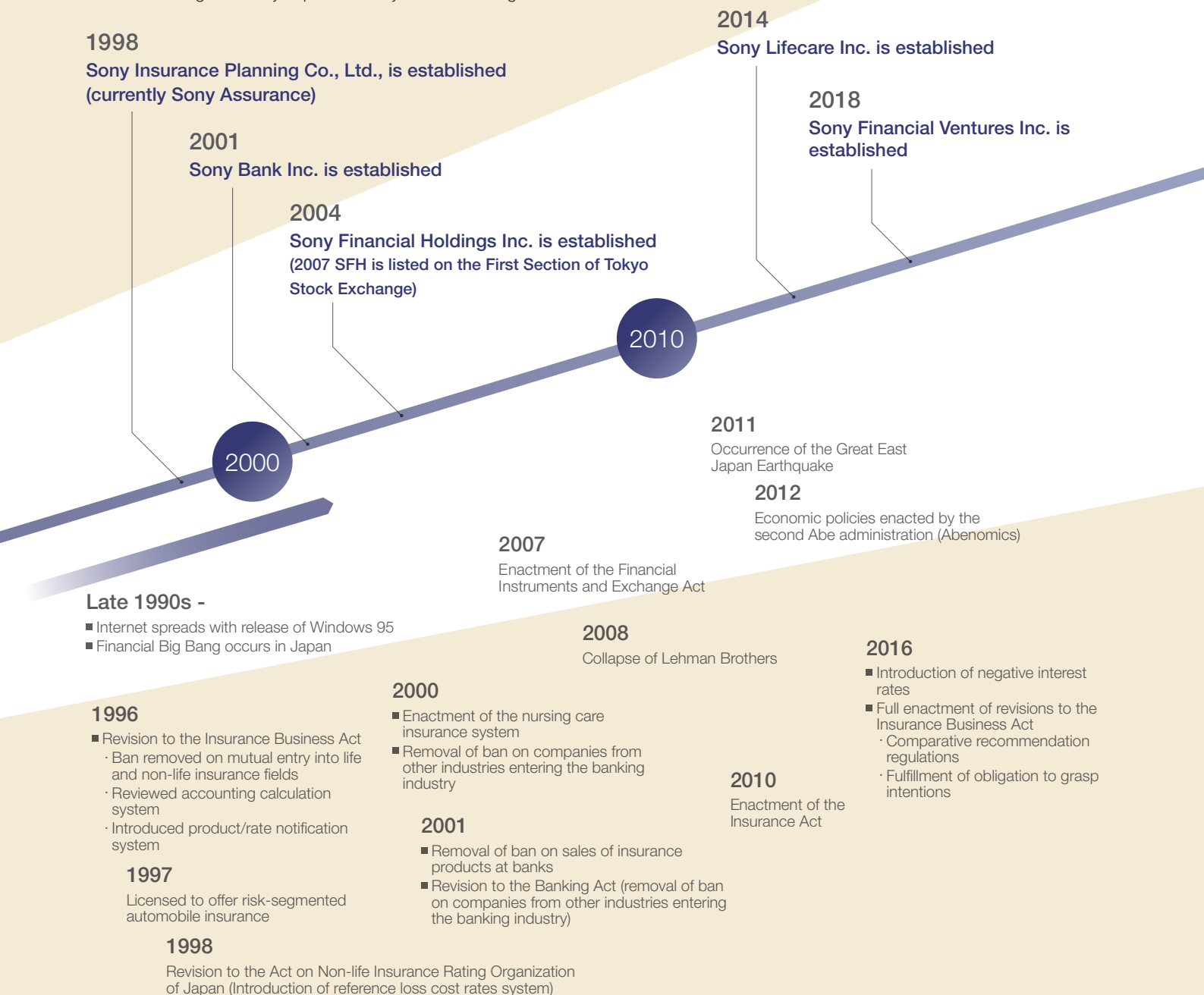
Sony Financial Holdings Inc. is established in 2004 as the first financial holding company in Japan with insurance companies and a bank among its holdings. In 2007, SFH was listed on the First Section of the Tokyo Stock Exchange, and since then it has also entered the nursing care and venture capital businesses.

Today, nearly 60 years since Akio Morita first saw his dream, Sony Financial Group's financial business has become a major contributor to Sony Group's total profits. Sony Financial Group will continue to provide high value-added products and services that break down preconceptions in the finance industry, as a challenger and innovator in the industry that carries on the Sony Spirit.

Sony Bank

Freeing banking transactions from the constraints of time and space

Sony Bank has launched revolutionary products and services faster than anyone else, including mortgage loans that can be taken out without going to a bank, and foreign currency deposits that can be traded at a reasonable cost from home via the Internet. Sony Bank has also assembled an array of unique and convenient services, such as the ability to withdraw foreign currency savings from partner ATMs overseas in cash and use the currency for shopping, and has expanded its balance of foreign currency deposits closely behind the megabanks.

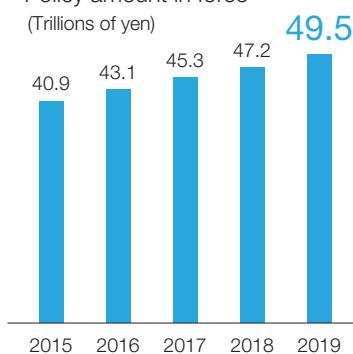


Financial Highlights

Business Volume KPI

■ Sony Life (non-consolidated)

Policy amount in force*¹
(Trillions of yen)

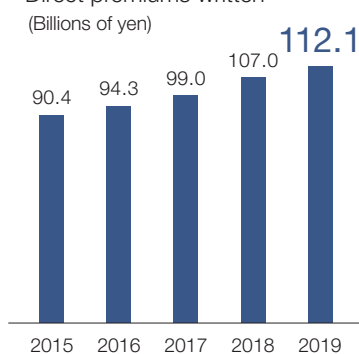


*As of March 31,

*¹ Sum of individual life insurance and individual annuities

■ Sony Assurance

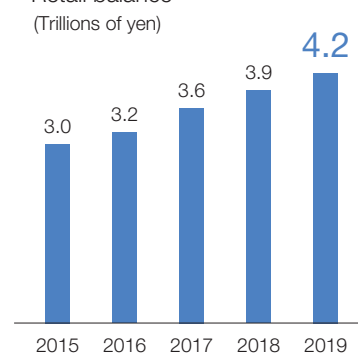
Direct premiums written
(Billions of yen)



*For the years ended March 31,

■ Sony Bank (non-consolidated)

Retail balance*²
(Trillions of yen)



*As of March 31,

*² Sum of deposits, investment trusts, and personal loans. Since March 31, 2018, also includes financial products intermediary services and mediated discretionary investment contracts.

Financial Soundness Indicators

■ Sony Life (non-consolidated)

Solvency margin ratio

2,590.5%

■ Sony Assurance

Solvency margin ratio

813.0%

■ Sony Bank (non-consolidated)

Capital adequacy ratio
(Domestic standard)

9.58%

Profitability Indicators

■ Sony Financial Holdings (consolidated)

Consolidated adjusted ROE

6.7%

■ Sony Life (non-consolidated)

Core ROEV

6.4%

■ Sony Assurance

Adjusted ROE

15.2%

■ Sony Bank (consolidated)

ROE

7.3%

Credit Ratings

Credit Rating Agencies	Sony Financial Holdings	Sony Life	Sony Bank
Rating and Investment Information (R&I)	Issuer rating AA-	Insurance claims paying ability AA	—
Japan Credit Rating Agency (JCR)	—	—	Long-term issuer rating AA-
S&P Global Ratings (S&P)	—	Insurer financial strength rating A+	Counterparty credit rating Long-term A Short-term A-1

*As of June 25, 2019

Non-financial Highlights

Number of employees

Consolidated 11,055

Life insurance business	8,454
Non-life insurance business	1,303
Banking business	609
Others	623
Parent	66

Number of Lifeplanner sales employees

**Sony Life
(non-consolidated)** 5,164

Number of MDRT members

**Sony Life
(non-consolidated)** 997

*As of April 1, 2019

Message from the President



Shigeru Ishii

Shigeru Ishii

President,
Representative Director

Aiming for steady growth of existing businesses and growth beyond the scope of these businesses, in order to respond to the needs and rising expectations of the people and society, and contribute to the development of a sustainable society where people feel a sense of enrichment

Let me express my deepest appreciation to all stakeholders for the continued support and interest you have extended to the Sony Financial Group (SFG). Now that we have entered the second year of our medium-term business plan, I would like to convey again our thoughts on the medium-term plan, the new corporate philosophy SFG formulated in April of this year “Mission, Vision & Values”, and the purpose of renewing our management structure in June.

Environmental changes that reshape the world

At present, environmental change is accelerating and advancing dramatically in qualitative aspects, so we expect in another 10 years the world will be an entirely different place. Looking back at the past decade, many environmental changes have occurred, for example, various technological advances have affected our lives, and demographic changes such as family composition have changed. SFG has provided new services that take into consideration the diversifying needs of customers even with the stagnant market. As a result, Sony Life has steadily increased its policies in force and increased its share of the life insurance market. Sony Assurance has also continued to grow as a leader in direct automobile insurance. In addition, Sony Bank now trails closely behind the megabanks in Japan in the market for individual foreign currency deposits, and has steadily increased its number of mortgage loans. Indeed, SFG companies have achieved an adequately strong presence among existing players in these markets.

However, it would be overly optimistic for us to forecast that our future will remain on the same trajectory of business development as in the past. Companies will be affected by not only technological advances and changes in population trends, but also changes in the economic environment such as continued long-term slow growth. Changes in expectations for financial services represented by “customer-first business operations” will also challenge the conventional ways that financial services and companies are managed.

Financial services are no longer provided only by traditional financial institutions, with players other than banks appearing in the field of settlements, for example. Providing new value is essential in order to survive in the harsh new world where any industry can be disrupted. Providing added value based on technology is the way for us to achieve further growth. In the past, we found a way to provide existing financial services in a more streamlined manner and entered in the markets for respective businesses. Once more, by providing new value that customers can really feel, we hope to achieve our next great success and achieve sustainable growth.

Two challenges

Based on this idea, our medium-term business plan foresees changes in the next 10 years, uses the first three years to prepare, and considers which challenges to take on and how to implement this. We believe that the hurdles SFG must clear in order to achieve sustainable growth are that we must undertake two challenges of differing natures. For existing businesses, we must improve our current operations and further refine them so that they are more in line with customers' needs. Simultaneously, we will use the assets of our existing businesses to adapt to environmental changes and provide new value that does not lie on an extension of our present trajectory. In essence, this means accepting and expanding upon divergent ideas.

In order for our existing businesses to continue growth according to their potential, we must achieve steady growth by increasing the degree of freedom with which each company may act, and also aim for growth beyond the scope of our existing businesses in response to environmental changes. It is our intent to provide services that exceed customers' expectations by making full use of the Sony Group's technology, without confining ourselves to our past achievements.

As a specific move in our medium-term business plan, we have established Sony Financial Ventures in 2018, which will be responsible for our venture capital business. We will strengthen our existing businesses in SFG companies and create new high value-added financial services by investing in, and promoting partnership and collaboration with, venture companies that have unique strengths in new movements in the financial field such as Fintech. By developing our venture capital business, we will be able to access the frontlines of Fintech, which is a footing we must absolutely hold now as a financial institution. I consider it essential for us to not only have a deep knowledge of the field on the frontlines, but also be able to act taking into consideration the possibility of collaboration from an early stage.



Building a stronger foundation for management

It is also necessary for us to have a solid promotion and management system in order to carry out the reforms I have described above. To do so, it is crucial that we strengthen our governance. Our stakeholders are also strongly requesting that we make this change. Therefore, SFG has strengthened its governance system in order to build a better foundation for taking on the two challenges of “growing our existing businesses” and “growing beyond the scope of our existing businesses” by executing reforms. Specifically, we reviewed structure of SFH’s Board of Directors with the purpose of separating “supervision and execution.” We received an approval at our most recent General Meeting of Shareholders to restructure the Board of Directors so that it consists of 10 members, four of whom are outside directors, three of whom are from Sony Corporation which holds approximately 65% of shares in SFH, and three of whom are executive directors of SFH.

Until June, the presidents of our major subsidiaries have concurrently served as Directors of SFH to ensure efficiency. However, in order to adapt to the harsh environment we are in, we decided that it would be better for them to concentrate more on the execution of their respective businesses.

Sustainability and the pursuit of the original will of SFG

The theme of our current medium-term business plan is to take on the challenge of new growth. As we aim for the next opportunity for growth, SFH must create sustainable value in the long term. As part of that, we returned to the original will and reviewed the positioning of SFG, which now operates a wide range of businesses including life insurance, non-life insurance, banking, and nursing care. Based on the desire for our stakeholders to feel a sense of enrichment and contribute to the creation of a sustainable society, we have identified the Group's "Mission" and "Vision," so that all of the Group employees who are involved in our various businesses can move forward together in a common direction, and have also formulated the Group's "Values," which are treasured by each employee.

We recognize that SFG is expected to provide high-value-added products and services, as stated in our Vision. While the urgency of applying reforms to our business style is growing, the services we have provided from our origin, to work "for the customer," will continue to be in demand as long as people go about their daily lives. We will contribute to society by providing the best possible services to customers, fulfilling the essential needs of people and society, and meeting their expectations for services that would be nice to have. In doing so, I believe that we can realize sustainable growth, make our stakeholders feel a sense of enrichment, and build fruitful win-win relationships with each of our stakeholders. We will do our best to make this happen.

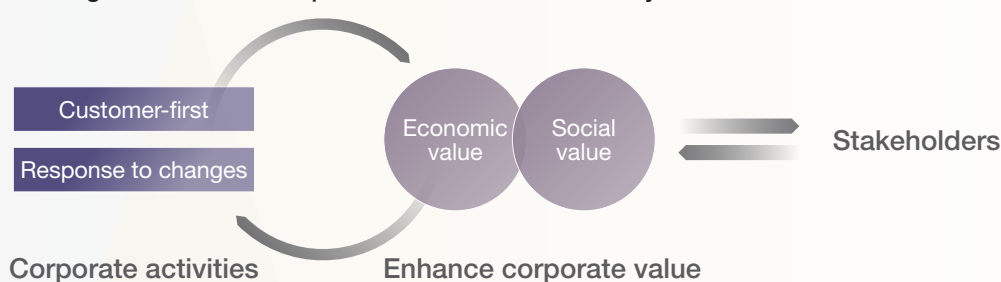
We look forward to your continued support and interest in our efforts.



Sustainability Initiatives

SFG aims to improve its corporate value and contribute to the development of a sustainable society by promoting management from a long-term perspective and continuously producing economic value and social value through corporate activities that are highly aware of “customer-first” approaches and “response to changes.” We consider it essential to achieve deeper engagement with customers, employees, shareholders, and other stakeholders.

Contributing toward the development of a sustainable society



Based on this idea, we aim to create a value in such forms as “offering lifestyles that feature safety and peace of mind,” “contributing to a healthy, long-lived society,” and “making lifestyles more convenient,” and we will strive to strengthen the foundation of our value creation, such as human resource development, respect for diversity, and strengthening governance.

Initiatives to create value through our business

- Contribute to people’s lives by offering appropriate advice
- Propose products to match individual needs
- Encourage asset creation/investment, and promote health
- Contribute to a society featuring next-generation mobility
- Improve access to financial services
- Foster financial innovation

► P12 Strategy and Review

Initiatives to strengthen our foundation for creating value

- Support challenges oriented toward new growth
- Create an employee-friendly working environment
- Promote empowerment of diverse human resources
- Strengthen governance
- Operate environmentally-considerate businesses

► P30 Initiatives to Strengthen Our Foundation for Creating Value

Value Creation

Offer lifestyles that feature safety and peace of mind

Contribute to a healthy, long-lived society

Make lifestyles more convenient

► P1 Sony Financial Group’s Mission, Vision & Values

Sony Financial Group



Sony Financial Group Medium-term Business Plan: Fiscal 2018 ➤ Fiscal 2020

Theme

Under the theme of taking on the challenge of new growth:

- achieve organic growth from existing business models
- make strategic moves from a long-term perspective to secure further growth, taking full advantage of changes 10 years into the future

Points

Customer-first

Further promote the customer-first business operation

Response to Changes

Establish a foundation that allows us to take full advantage of changes (technological advancements, social or regulatory changes, etc.) to secure further growth

Group's Growth Strategy

In our medium-term business plan, in addition to organic growth achieved by strengthening our existing businesses, we will take on new initiatives such as utilizing Fintech and establishment of investment subsidiary.

Organic Growth through Stronger Existing Businesses

Life insurance business ▶ P16 Sony Life	Non-life insurance business ▶ P20 Sony Assurance	Banking business ▶ P24 Sony Bank	Nursing care business ▶ P28 Nursing Care Business
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Shigeru Ishii

President, Representative Director,
Sony Financial Holdings

New Initiatives Aimed at Further Growth

Utilization of Fintech

With regard to the utilization of Fintech, SFG companies are engaged in development with the aim of providing higher quality financial services more effectively and efficiently to customers. In addition to services that have already been implemented, SFG as a whole is promoting initiatives to realize more advanced services.

In addition, by further strengthening our collaboration with the Sony Group, SFG will develop better products and services, from both the business and technical side of our operations, which will lead to an enhancement of our competitive advantage.

Establishment of investment subsidiary

Sony Financial Ventures Inc. was established in July 2018, and Sony Financial Ventures jointly launched a ¥5 billion fund with Global Brain Corporation, one of the largest independent venture capital firms in Japan, in October 2018. Sony Financial Ventures will invest in venture companies that have strengths in fields such as Fintech and engage in collaboration between venture companies and SFG in order to strengthen SFG's existing businesses and create new businesses.

Progress Toward Fiscal 2020 Medium-term Targets

	FY2018 Actual	FY2019 Forecast	FY2020 Medium-term targets*1	Progress toward FY2020 Medium-term targets
Ordinary revenues	¥1.62 trillion	¥1.69 trillion	¥1.76 trillion	➡ Almost in line
Ordinary profit	¥93.8 billion	¥98 billion	¥77 billion	➡ Above initial target
Profit attributable to owners of the parent	¥62 billion	¥65 billion	¥50 billion	➡ Above initial target
US-GAAP operating income	¥161.5 billion	¥170 billion	¥180 billion	➡ Almost in line
Consolidated adjusted ROE*2	6.7%	Approx. 6%	Approx. 7%	➡ Almost in line

*1 Medium-term targets announced on May 31, 2018

*2 Fiscal 2018 Actual and fiscal 2019 Forecast are based on interest rate levels as of March 31, 2019
Fiscal 2020 medium-term target is based on interest rate levels as of March 31, 2018

Sony Financial Group

Consolidated Adjusted ROE

Since each company of SFG differs by industry such as insurance and banking, each Group company calculates its "Adjusted ROE" based on adjusted profit and adjusted capital to realize its corporate value and capital efficiency. By fiscal 2020, as the medium-term target, Sony Life's core ROEV to be 6% or more. For Sony Assurance, adjusted ROE to be reach around 13% by that time, while Sony Bank to be show ROE of 6.8%. On a consolidated basis, achievement of these medium-term targets will lead to a consolidated adjusted ROE of about 7%.

	FY2018 Actual	FY2019 Forecast	FY2020 Medium-term targets*
Consolidated adjusted ROE	6.7%	Approx. 6%	Approx. 7%
(Sone Life) Core ROEV	6.4%	5% – 6%	6% or more
(Sony Assurance) Adjusted ROE	15.2%	Approx. 14%	Approx. 13%
(Sony Bank) ROE	7.3%	6.4%	6.8%

* Medium-term targets announced on May 31, 2018

Calculation of Consolidated Adjusted ROE

Group companies' adjusted ROE and ROE as well as consolidated adjusted ROE are presented below.

Calculation of Sony Life's core ROEV:

$$\text{MCEV}^{*1} \text{ as of the beginning of the fiscal year less dividends paid plus MCEV}^{*1} \text{ as of the end of the fiscal year, divided by two}$$

Calculation of Sony Assurance's adjusted ROE:

$$\text{Net income (loss) + Provision amount for catastrophe reserve and its provision amount for reserve for price fluctuations, in each case after taxes}$$

The average amount of net assets plus the sum of catastrophe reserve and its reserve for price fluctuations during the fiscal year, in each case after taxes

Calculation of Sony Bank's ROE:

$$\frac{\text{Profit (loss) attributable to owners of the parent}}{\text{The average amount of net assets during the fiscal year}}$$

Calculation of Consolidated adjusted ROE for fiscal 2018:

Consolidated adjusted ROE = Consolidated adjusted profit ÷ consolidated adjusted capital

Sony Life: New business value + expected existing business contribution + Sony Assurance: Net income (loss) + provision amount for catastrophe reserve and its provision amount for reserve for price fluctuations, in each case after taxes + Sony Bank: Profit (loss) attributable to owners of the parent

Sony Life: MCEV^{*1} as of the beginning of the fiscal year less dividends paid plus MCEV^{*1} as of the end of the fiscal year, divided by two
+ Sony Assurance: The average amount of net assets plus the sum of catastrophe reserve and its reserve for price fluctuations during the fiscal year, in each case after taxes + Sony Bank: The average amount of net assets during the fiscal year

*1 Sony Life discloses Market Consistent Embedded Value ("MCEV"). Sony Life's MCEV is calculated in compliance with the European Insurance CFO Forum Market Consistent Embedded Value Principles^{*2} ("MCEV Principles"), the international standard in disclosing MCEV published by the CFO Forum comprising CFOs from major insurance companies in Europe.

*2 Copyright© Stichting CFO Forum Foundation 2008

Basic Policy on Returning Profits to Shareholders

Medium-term Dividend Policy

SFH aims for steady increases in dividends in line with earnings growth over the medium to long term, while securing sufficient internal reserves to ensure the financial soundness of Group companies and to invest in growth fields. Management will examine earnings growth over the medium to long term by placing more importance on economic value-based profit indicators that are more suitable for evaluating the growth of the life insurance business, in addition to statutory profit. Furthermore, management will determine specific dividend amounts for each year by taking into account a comprehensive range of factors surrounding SFG.

Dividend Forecast

With regard to its medium-term dividend policy, SFH places more importance on "consolidated adjusted ROE" as an indicator for measuring the growth of economic value-based profit that are more suitable for valuing the growth of the life insurance business. If it could be expected this level to be stably at a level of 5% or more over the medium-term, then we will determine the amount of increased dividends, based on a comprehensive judgment. Consolidated adjusted ROE for fiscal 2018 was 6.7%, and is expected to be approximately 6% in fiscal 2019. For fiscal 2019, after considering the business environment, the expansion of the Group's business volume, and the level of economic value-based profit growth, we forecast dividends of ¥65 per share, an increase of ¥2.5 from dividends for fiscal 2018.

Strengthening Group Governance

In order to strengthen our governance and improve our sustainable corporate value, we have changed the structure of the Board of Directors of SFH.

► P38 Transition to a New Management Structure (Change in the Composition of the Board of Directors)

Customer-first Business Operation Policy (Summary)

Based on its vision and philosophy, SFG pursues business operations from a customer-first perspective. SFH has clarified this initiative as its customer-first business operation policy, and Sony Life, Sony Assurance and Sony Bank will each go further to establish business operation policies fine-tuned to respective activities.

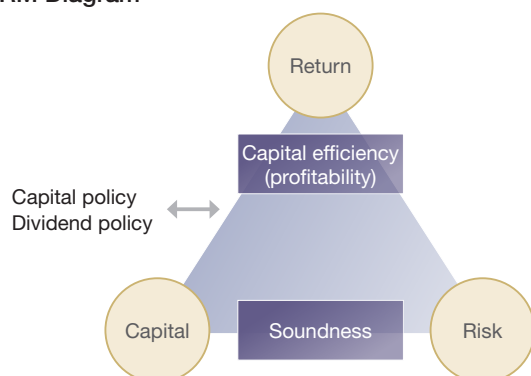
The policy that SFH has set as well as the policies in place at Group companies will be reviewed periodically, taking into account such factors as changes in the operating environment. In addition, SFH, as a financial holding company, will confirm that the content of the customer-first business operation policy is appropriate, and will monitor the activities at Group companies, based on their policies, to ensure proper business operations. SFH will offer whatever support and guidance is necessary, as required.

At the same time, Group companies will verify the status of their own initiatives on customer-first business operations and regularly report to the Board of Directors or other oversight structures and will also provide status updates on a regular basis.

Group ERM*

A group-oriented ERM (Enterprise Risk Management) framework has been introduced into SFG. It aims to balance and optimize capital, risk and return by extending comprehensive risk management structures already in place at each company throughout the whole organization and to instill the idea of improved capital efficiency in management across the Group. This ERM framework will help SFG achieve stable growth and maximize medium- to long-term corporate value. The Group is working to build a PDCA cycle through the formulation, implementation and monitoring of business plans based on risk appetite. Furthermore, we are trying to raise Group ERM even higher while keeping related regulatory trends in sight.

ERM Diagram



Capital efficiency (profitability) indicators

- Sony Life: Core ROEV
- Sony Assurance: Adjusted ROE
- Sony Bank: ROE

Soundness indicators

- Insurance business: Solvency margin ratio
- Banking business: Capital adequacy ratio
- Management on a regulatory basis and on the basis of economic value

Operation Cycle of Group ERM

- 1 Set risk-taking policy and risk tolerance (risk appetite)
- 2 Establish business plan (measures and strategies, revenue plan, stress tests, etc.)
- 3 Operate business and execute measures
- 4 Manage progress and track status through monitoring
- 5 Take necessary measures according to changes in soundness and profitability

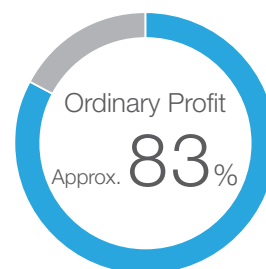
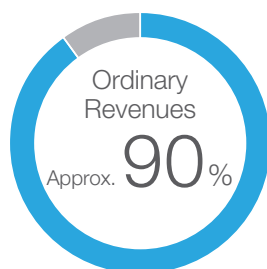
Sony Life

Life insurance business

Accompanying and protecting customers all across Japan through life's milestones



Composition by Business Segment



In August 2019, Sony Life celebrates the 40th anniversary of its establishment. I would like to take this opportunity to express my gratitude to all the stakeholders including customers who have extended their support and understanding to us over the years. Since we started operations, we have advanced various initiatives in order to provide the most suitable coverage to as many customers as possible via consulting sales and follow-up. Our policy amount in force is approaching ¥50 trillion, which epitomizes our customers' collective sentiments, and for Sony Life, a proof of the trust they place in us. Moving forward, we will continue to conduct business while putting the customer first, and achieve steady growth.

Tomoo Hagimoto

President, Representative
Director
Sony Life Insurance Co., Ltd.



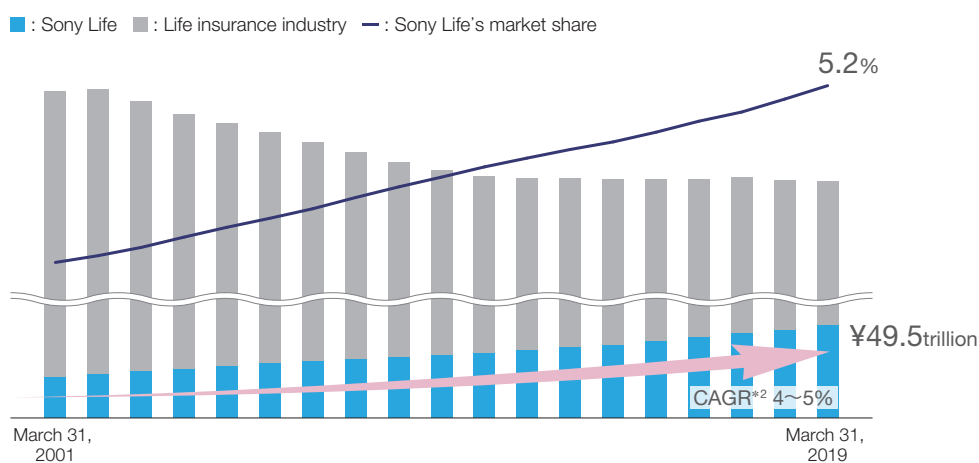
Traits

- Main products: Death protection insurance (term life insurance, U.S. dollar-denominated insurance, variable life insurance), living benefit insurance, educational endowment insurance, medical insurance
- Main sales channels: Lifeplanner sales employees, partners (independent agencies)

Strengths

- Tailor-made insurance product design and sales approach that match life planning of each individual customer based on consulting (consulting sales)
- Maintaining optimal coverage through inspections of and advice on post-contract life plans and coverage, adjusted to changes in environment surrounding the customer (consulting follow-up)
- Securing financial soundness through ALM operation adjusted to long-term liability characteristics

Policy amount in force^{*1}



*1 Sum of individual life insurance and individual annuities

*2 CAGR: Compound Annual Growth Rate

Sony Life

Review of Results for Fiscal 2018

In order to realize our vision to “protect customers all across Japan throughout their lives,” Sony Life has worked to provide necessary coverage to customers through consulting sales, and inspect and optimize coverage through consulting follow-up.

Products

In addition to enhanced protection, launched two new types of medical insurance; one with affordable premiums and the other with health refund benefit payments, in July 2018

Service

Expanded the scope of handling simple claims for hospitalization benefits and surgery benefits in December 2018

Other

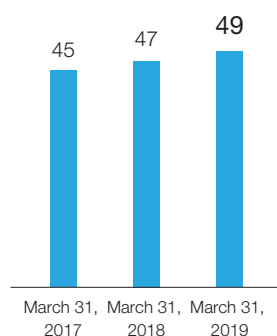
Started providing Sony Life's U.S. dollar-denominated insurance through sales staff of Sumitomo Life through business partnership in January 2019

Established Sony Life Business Partners Co., Ltd., a special subsidiary company, as an initiative to promote the employment of people with disabilities in March 2019

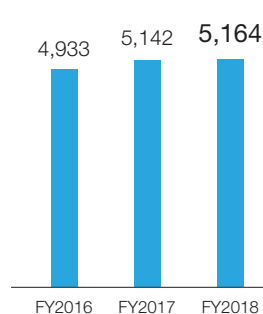
Trends of Key Indicators

Policy Amount in Force*1

Trillions of yen

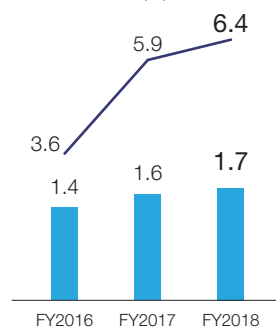


Number of Lifeplanner sales employees*2



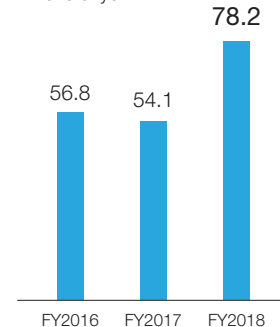
MCEV*3/Core ROEV*4

■ : MCEV (trillions of yen)
— : Core ROEV (%)



Ordinary Profit (Life Insurance Business)

Billions of yen



*1 Sum of individual life insurance and individual annuities

*2 The figure includes the number of contracted Lifeplanner sales employees and those rehired on a fixed-term contract basis after retirement

*3 Results for fiscal 2016 exclude impact from revisions in the insurance risk measurement method and others

*4 Results for fiscal 2016 and fiscal 2017 exclude impact from revisions in the insurance risk measurement method and others

Examples of Value Creation through Business

Sony Life has worked to provide customers with necessary coverage and keep their coverage in an optimal state through consulting sales and follow-up conducted by Lifeplanner sales employees. In order to enhance our provided value in the future, we will improve the quality and proposal skills of our Lifeplanner sales employees, and will enhance our products and expand the scope of our coverage in anticipation of the increasing diversity and complexity of our customers' needs, due to environmental changes such as greater longevity.

Value creation

Offer lifestyles that feature safety and peace of mind

Contribute to a healthy, long-lived society

Medium-term Business Plan (Fiscal 2018 – Fiscal 2020)

Customer-first	Response to Changes	Further strengthen our business foundation	<p>Pursue quality in the Lifeplanner channel In addition to implementing a strict recruiting process, Sony Life will set a higher standard of service and provided value, and evaluate the behavior (processes) of Lifeplanner sales employees based on that standard from multiple perspectives, in order to improve quality even further. In addition, we will work to execute deeper consulting sales and follow-up utilizing tools such as "LiPSS" and "Karte." We will further enhance the value provided by Lifeplanner sales employees by pursuing higher quality.</p> <p>Achieve steady recovery in the independent agency channel In addition to expanding support to fit the characteristics of our partners, we will strengthen our relationship with high-quality partners by introducing a compensation system that evaluates the quality of partners.</p>
		Provide new value	<p>Expand coverage We will promote the enhancement of product capabilities and expand coverage, centered on death protection products. As our medium-term product strategy, we will promote new product development in anticipation of environmental changes, such as greater longevity.</p> <p>Evolve customer-first service (Fintech) We will develop tools that utilize life planning data and AI, and in both the consulting sales and consulting follow-up phases, we will aim to support objective proposals to the customers and improve quality of services.</p>
		Steadily grow corporate value	<p>Realize growth in profit on the basis of economic value We will aim for medium-term profit growth on an economic value basis, while striving to conduct customer-first business operations and strengthen our compliance system.</p>

Progress Toward Fiscal 2020 Medium-term Targets

	FY2018 Actual	FY2019 Forecast	FY2020 Mid-term targets*1	Progress toward FY2020 Mid-term targets
Policy amount in force	¥49 trillion	¥52 trillion	¥55 trillion	➡ Almost in line
Number of Lifeplanner sales employees*2	5,164	Around 5,300	Over 5,700	⬅ Below initial target
MCEV*3 Core ROEV	¥1.7 trillion 6.4%	¥1.7 trillion 5% - 6%	Over ¥1.8 trillion Over 6%	➡ Almost in line
Ordinary profit (Life insurance business)	¥78.2 billion	¥84.2 billion	¥62 billion	⬅ Above initial target

*1 Medium-term targets announced on May 31, 2018

*2 The figures include the number of contracted Lifeplanner sales employees and those rehired on a fixed-term contract basis after retirement

*3 Fiscal 2018 Actual and fiscal 2019 Forecast are based on interest rate levels as of March 31, 2019

Fiscal 2020 medium-term target is based on interest rate levels as of March 31, 2018

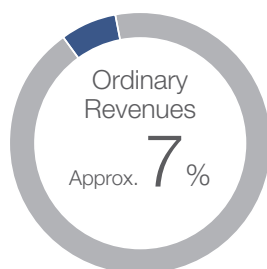
Sony Assurance

Non-life insurance business

Challenge for a new business model for non-life insurance that “connects directly with customers”



Composition by Business Segment



While our mainstay automobile insurance market remained stable, the share of direct automobile insurance in the market expanded, reaching 8%*¹ of the industry premium income in fiscal 2017. Moving forward, more customers will seek reasonable premiums and the convenience of the Internet, so we expect the share of direct automobile insurance to increase even higher. Since Sony Assurance reached No. 1*² in sales in direct automobile insurance in fiscal 2002, we have maintained our position as the leading company. We will continue our endeavor to maximize customer value through improvements in customer experience (CX) and further expand our share of the automobile insurance market, while also strengthening various business developments including medical insurance, as well as overseas travel insurance and fire insurance available exclusively online, with the aim of sustainable growth.

*1: According to research by Sony Assurance using data officially disclosed by individual non-life insurers

*2: According to research by Sony Assurance using automobile insurance premium revenues of non-life insurers that sell automobile insurance primarily via direct sales channels, since fiscal 2002



Atsuo Niwa

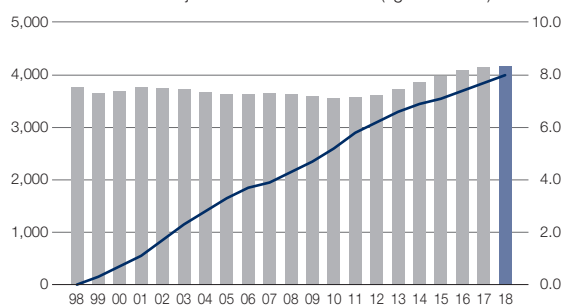
President, Representative Director
Sony Assurance Inc.

Traits	■ Direct insurance company for individuals
	■ Main products: Automobile insurance, medical insurance, overseas travel insurance, fire insurance
	■ Main sales channel: Internet
Strengths	■ Reasonable premiums according to each customer's risk
	■ High-quality accident response, customer center, and website services

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

For the years ended March 31,

■ : Direct premiums written (total of all non-life insurers and shown as the automobile insurance market) (left scale: billions of yen)
— : Market share of major direct non-life insurers (right scale: %)

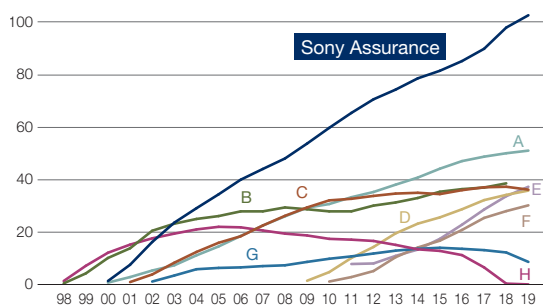


Note: The graph was prepared by Sony Assurance from data officially disclosed by individual non-life insurers.

Direct Premiums Written (Automobile Insurance) by Major Direct Non-life Insurers

For the years ended March 31,

Billions of yen



Note: The graph was prepared by Sony Assurance from data officially disclosed by individual non-life insurers. Amounts for fiscal 2018 are based on published data available up to June 26, 2019.

Sony Assurance

Review of Results for Fiscal 2018

In addition to strengthening the product capability of our mainstay automobile insurance and medical insurance, we have expanded our line of insurance products by starting to sell overseas travel insurance and fire insurance available exclusively online. We have also worked to improve the quality of our products and service based on customer feedback, from contract support offered through our website and customer center to accident resolution services.

● Products

Automobile insurance

- Established the new ASV (Advanced Safety Vehicle) Discount on premiums for vehicles equipped with automatic brakes for policies taken out in April 2018 or later.
- Established the new Accident-free Discount which gives a ¥2,000 discount on premiums for customers who had no rating-lowering accidents during their previous contract term, for policies taken out in April 2019 or later.

Medical insurance

- Established a new plan with simple coverage to ensure that customers can enroll with affordable premiums in the cancer-focused medical insurance "SURE."

Expand the insurance lineup

- Launched overseas travel insurance and fire insurance as new products available exclusively online.

● Service

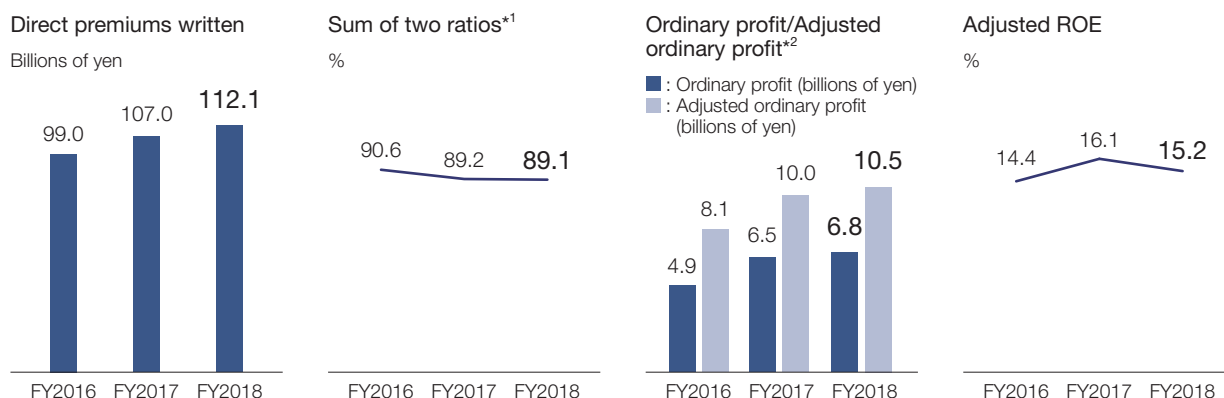
Implement improvement measures based on customer feedback

- Shortened the time required to provide estimates via calls to our customer center.
- Alleviated usage limits when customers have a dead battery in our road service.

Improve customer convenience using advanced technology

- Started providing simple estimate with a photo automobile insurance service that displays estimated premiums on the spot based on a photo of other companies' insurance policies.

Trends of Key Indicators



*1 Sum of two ratios = E.I. loss ratio + Net expense ratio

*2 Adjusted ordinary profit = Ordinary profit + Provision for catastrophe reserve

Examples of Value Creation through Business

As a direct insurance company, Sony Assurance has proposed risk-segmented insurance directly to customers and provided compensation that meets the needs of each individual customer since its founding. At present, we are developing insurance products that contribute to safe driving support and accident prevention, with a focus on PHYD-type telematics insurance. In addition, we aim to contribute to the next-generation mobility society through continuous research in anticipation of social changes such as autonomous vehicles and MaaS*.

*MaaS (Mobility as a Service): The concept of a new form of mobility that seamlessly connects various forms of transportation other than the user's personal car as a single service.

Value creation




Offer lifestyles that feature safety and peace of mind

Make lifestyles more convenient

Medium-term Business Plan (Fiscal 2018 – Fiscal 2020)

Customer-first	Response to Changes	Continue to grow, and expand share of, automobile insurance	While further improving our product capability and service quality, in order to better appeal to customers, we will continue our initiatives to build trust and confidence in direct automobile insurance through effective marketing by improving our brand value.
		Accelerate growth by expanding business categories	In 2018, we strengthened the product capability of medical insurance and launched overseas travel insurance and fire insurance. In these categories, we will pursue business expansion by utilizing marketing expertise accumulated in automobile insurance.
		Maximize customer value	We will maintain our position as No. 1 non-life insurer for customer satisfaction by promoting CX improvements and providing high quality service. Furthermore, we will pursue improved CX by combining service only people can provide with leading-edge technology.
		Utilize technology	In the areas of product development, marketing, contract processes, and customer support, we will continue to actively utilize leading-edge technologies such as Fintech to improve CX and operation efficiency.

Progress Toward Fiscal 2020 Medium-term Targets

	FY2018 Actual	FY2019 Forecast	FY2020 Medium-term targets*	Progress to FY2020 Medium-term targets
Direct premiums written	¥112.1 billion	¥119 billion	¥120 billion	 Above initial target
Sum of two ratios (E.I. loss ratio) (Net expense ratio)	89.1% 61.3% 27.8%	Approx. 89%	89%	 Almost in line
Ordinary profit	¥6.8 billion	¥7 billion	¥7 billion	 Above initial target
Adjusted ordinary profit	¥10.5 billion	¥10.9 billion	¥11 billion	
Adjusted ROE	15.2%	Approx. 14%	Approx. 13%	

* Medium-term targets announced on May 31, 2018.

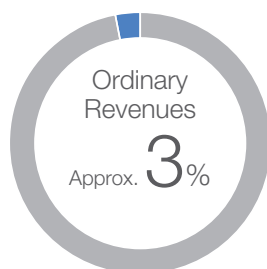
Sony Bank

Banking business

Freeing banking transactions from the constraints of time and space



Composition by Business Segment



As an Internet bank, Sony Bank has made the most of technology to continue growing since its inception. However, as online financial transactions have become commonplace and more business operators from various industries have entered the financial industry, our business environment is changing rapidly. In these circumstances, we will establish a foundation as a digital bank that has ideas unique to Sony Bank and the latest technology only possible in the Sony Group, and aim to achieve sustainable growth by providing new value that meets the needs of each individual customer.



Yuichiro Sumimoto
President, Representative Director
Sony Bank Inc.

Traits

- Internet bank for individuals
- Main products: Mortgage loans with the freedom to change interest rate types and make advance repayments
Foreign currency deposits
“Sony Bank WALLET” cash card with Visa debit function in 11 currencies
- Main sales channels: Internet and banking agencies

Strengths

- Convenience leveraging the advantages of an Internet bank
- Extensive lineup of high-quality products
- Business operation with high customer satisfaction

Sony Bank

Review of Results for Fiscal 2018

We have focused on growing into a bank that offers financial services that are easier for our customers to use, and in order to meet the diverse asset-building needs of customers, we have strengthened our product marketability and actively introduced technology to improve convenience.

Strengthen Product Marketability

- May 2018: Automated provisional screening for mortgage loans using AI.
- August and October 2018: Began offering new group credit life insurance with disease protection rider.
- October 2018: Launched "Fixed-rate Select Mortgage Loans."

Improve Convenience

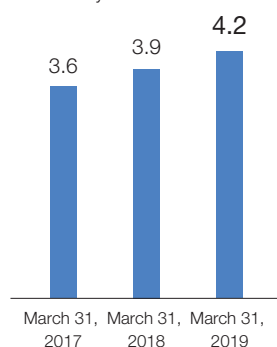
- May 2018: Upgraded the version of "Sony Bank WALLET" app.
- February 2019: Launched "Sony Bank app".
- March 2019: Began providing a reference-system API*, with a gradual shift towards an open API.

* API (Application Programming Interface): An interface for one application to use the features of or data managed by another application. An API that is available for access by third parties is called an "open API."

Trends of Key Indicators

Retail balance*
(non-consolidated)

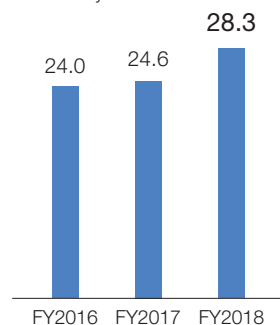
Trillions of yen



* Sum of deposits, investment trusts and personal loans.
Since March 31, 2018, also includes financial products intermediary services and mediated discretionary investment contracts.

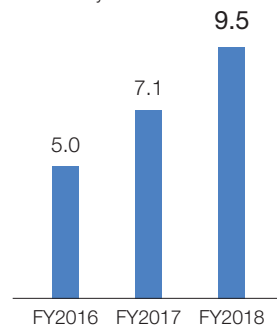
Gross operating profit
(consolidated)

Billions of yen

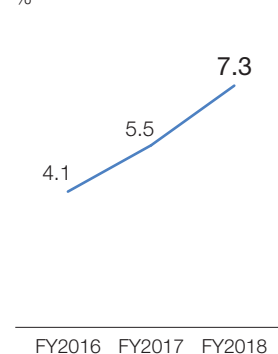


Ordinary profit
(consolidated)

Billions of yen



ROE (consolidated)
%



Examples of Value Creation through Business

Since its founding, Sony Bank has consistently used IT technology and the Internet with the aim of making banking easier for individual customers. Currently, we are developing digital consulting tools to propose services that closely match the needs of each customer using APIs and data, with the aim of promoting asset formation and investment.

Value creation


Contribute to a healthy, long-lived society

Make lifestyles more convenient

Medium-term Business Plan (Fiscal 2018 – Fiscal 2020)

Customer-first	Response to Changes	Increase product strength and improve service	Mortgage Loans In fiscal 2018, in order to enhance the marketability of our mortgage loans, we have worked to improve convenience while maintaining the interest rate competitiveness, and have also enhanced our product lineup and group credit life insurance. In fiscal 2019, we will utilize the measures of the previous fiscal year to aim for stable growth while addressing productivity. Foreign Currency Deposits In order to expand the balance of foreign currency deposits, we will expand our customer base through strengthening of alliances by issuing "Sony Bank WALLET" tie-up cards.
		Utilize Fintech and improve business	We will strengthen our foundation as a digital bank by responding to the rapid advance toward a cashless society, by improving convenience with touch payment support for "Sony Bank WALLET" and enhancing collaboration with QR payment players. In order to improve profitability, we will promote streamlining of operation by expanding the use of AI screening in mortgage loans and introducing electronic contracts.
		Improve proposal-making capability	Through marketing, we will propose products that are tailored to individual customers and advertise our convenience, and we will work to provide valuable products and services from both digital and real perspectives. On the digital side, we aim to provide customer-first financial advice closely tied to the daily lives of each individual by developing digital consulting tools. In terms of real contact, we will strengthen our sales structure by enhancing our proposal function in the "CONSULTING PLAZA."

Progress Toward Fiscal 2020 Medium-term Targets

	FY2018 Actual	FY2019 Forecast	FY2020 Medium-term targets*1	Progress toward FY2020 Medium-term targets
Retail balance ^{*2(non-consolidated)}	¥4.2 trillion	¥4.5 trillion	¥5.0 trillion	 Almost in line
Gross operating profit ^(consolidated)	¥28.3 billion	¥29.9 billion	¥33.5 billion	
Ordinary profit ^(consolidated)	¥9.5 billion	¥8.6 billion	¥9.7 billion	
ROE ^(consolidated)	7.3%	6.4%	6.8%	
Reference: Sony Payment Services				
Sales	¥4.3 billion	¥4.6 billion	¥5.1 billion	
Ordinary Profit	¥0.8 billion	¥0.9 billion	¥1.2 billion	

*1 Medium-term targets announced on May 31, 2018

*2 Sum of yen deposits, foreign currency deposits, investment trusts, financial products intermediary services, mediated discretionary investment contracts and personal loans

Nursing Care Business

Traits	■ Responding to the diversification of demand by developing nursing care homes under two brands: "SONARE" for the upper/middle zone and "Hanakotoba" for the volume zone.
	■ Establishing new homes in the Tokyo metropolitan area (Tokyo, Chiba, Saitama, Kanagawa), where further market expansion is expected
	■ At SONARE, implementing "lifecare plans" tailored to the needs of each individual
Strengths	■ Capture a wide range of needs by expanding our lineup
	■ Propose nursing care service suitable for each resident

Examples of Value Creation through Business

In order to realize our "Life Focus" concept—the pursuit of a fulfilling long life, Sony Lifecare provides solutions in response to diversifying demand for nursing care homes by expanding its lineup with two main brands: SONARE for the upper/middle zone and Hanakotoba for the volume zone.

Value creation

Offer lifestyles that feature safety and peace of mind

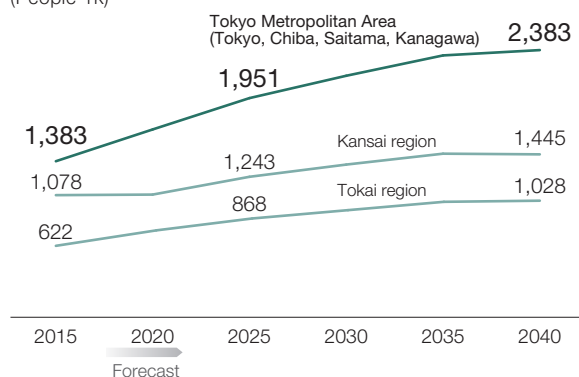
Contribute to a healthy, long-lived society

Market Environment

Sony Lifecare predicts a mid- to long-term increase in the population in need of nursing care in its main area of development, the Tokyo metropolitan area. Due to increased needs, the establishment of nursing homes is proceeding steadily, and Sony Lifecare expects demand to grow steadily for the foreseeable future.

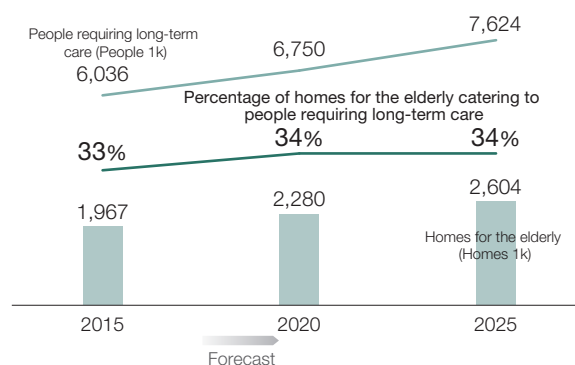
Long-term estimates of people in major metro areas needing nursing care

(People 1k)



* Study by Tamura Planning & Operating

People requiring long-term care and number of homes for the elderly (nationwide)



* Homes for the elderly include homes for those who are independent

Medium-term Strategy

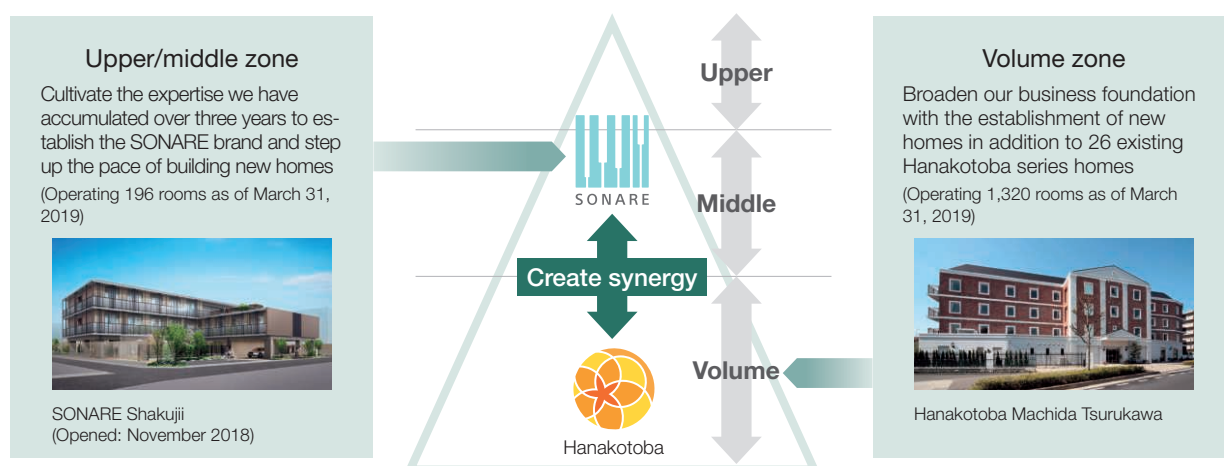
In order to respond to the expansion and diversification of demand for nursing homes, Sony Lifecare will capture the demand by developing a lineup around two brands: “SONARE” for the upper/middle zone run by Lifecare Design, and “Hanakotoba” for the volume zone run by Proud Life. In addition, we will work to further improve the quality of management by creating synergy including sharing of knowledge between both series, and effectively utilizing Group management resources.

Lifecare Design (SONARE, etc.)

Our SONARE brand opened its first home three years ago, and now operates three homes in total. Using the expertise accumulated at existing homes, we will establish the SONARE brand and aim to accelerate the pace of opening new homes from fiscal 2019 onwards.

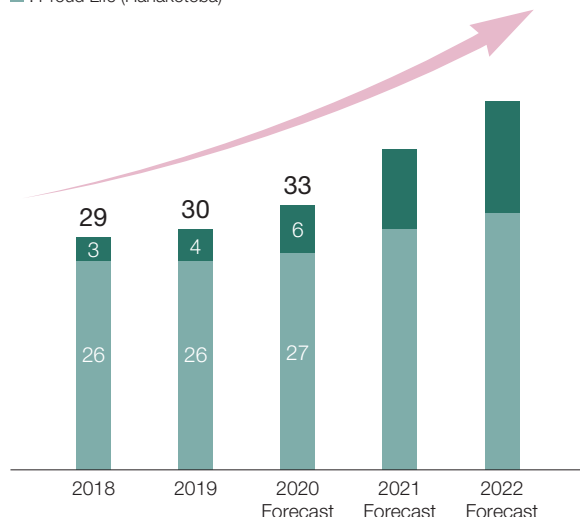
Proud Life (Hanakotoba, etc.)

With Hanakotoba brand, we have improved our business foundation with our 26 existing homes, and plan to re-start building new homes from fiscal 2019 onwards in order to achieve new growth.



Forecast number of Group-operated homes

- : Lifecare Design (SONARE, others)
- : Proud Life (Hanakotoba)



* As of March 31,

SONARE Hamadayama
(Planning to open in November 2019)



SONARE Mejiro Otomeyama
(Planning to open in Spring 2020)



Hanakotoba Nerima Nakamura
(Planning to open in December 2019)



Corporate Governance to Achieve Long-term Sustainable Growth

Contents

Corporate Governance

Profiles of Directors and Audit & Supervisory Board Members	32
---	----

Basic Stance on Corporate Governance	35
--------------------------------------	----

Status of Initiatives by the Board of Directors, Committees and Audit & Supervisory Board	37
---	----

Messages from Outside Directors	40
---------------------------------	----

Risk Governance	43
-----------------	----

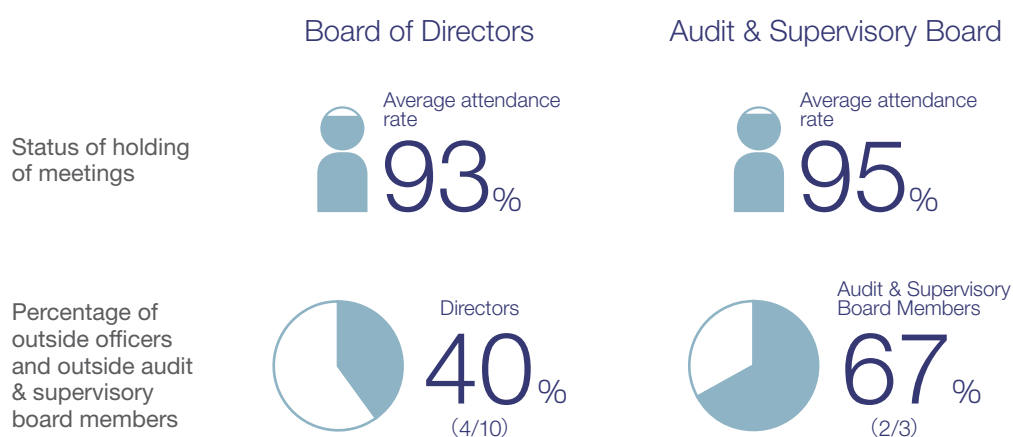
Compliance	46
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Governance at a glance

■ Characteristics of Corporate Governance

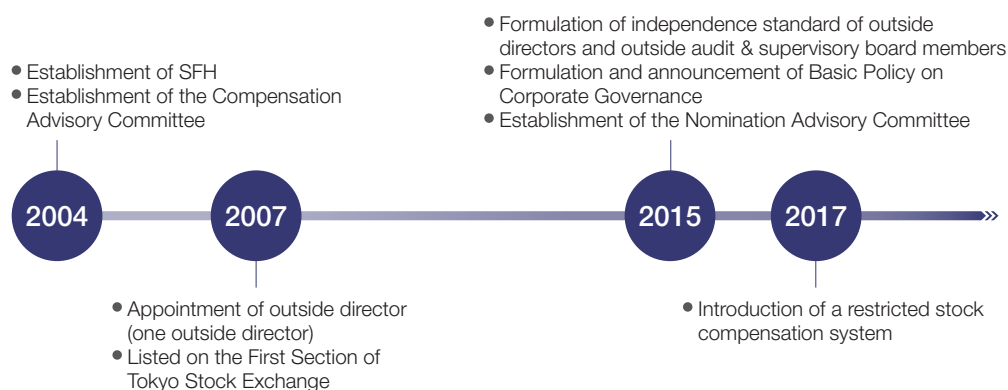
Type of structure	Company with Board of Directors and Audit & Supervisory Board
Advisory bodies for the Board of Directors	Nomination Advisory Committee and Compensation Advisory Committee

■ Characteristics of the Board of Directors and the Audit & Supervisory Board



* The status of holding of meetings is for fiscal 2018, and the percentages of outside officers and outside audit & supervisory board members are as of the end of the General Meeting of Shareholders held on June 21, 2019.

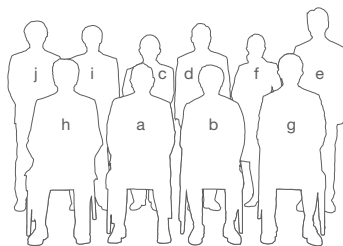
■ History of Corporate Governance



Profiles of Directors and Audit & Supervisory Board Members

(As of June 21, 2019)





Directors

a. Shigeru Ishii

President, Representative
Director **Executive Duties**

■ Main concurrent positions

Director, Sony Life Insurance Co., Ltd.
Director, Sony Assurance Inc.
Director, Sony Bank Inc.
President, Representative Director, Sony Financial Ventures Inc.

■ Biography

Since the establishment of Sony Bank Inc. in April 2001, he had been involved in its management as President, Representative Director and concurrently served as SFH's Director since April 2004. He assumed office as Executive Vice President, Representative Director of SFH in June 2015 and the current position in June 2016.

■ **Status of attendance:** Attended all 17 meetings of the Board of Directors

■ **Length of service in office:** 15 years

b. Hiroaki Kiyomiya

Managing Director **Executive Duties**

■ Main concurrent positions

Director, Executive Vice President, Sony Life Insurance Co., Ltd.

■ Biography

He has taken charge of actuarial affairs, accounting and investment management, etc. at Sony Life Insurance Co., Ltd. for many years. He assumed office as Director of SFH, the current position in June 2015.

■ **Status of attendance:** Attended all 17 meetings of the Board of Directors

■ **Length of service in office:** Four years

c. Yutaka Ito

Director **Executive Duties**

■ Main concurrent positions

Director, Sony Life Insurance Co., Ltd.
Director, Sony Assurance Inc.
Director, Sony Lifecare Inc.
Director, Sony Financial Ventures Inc.

■ Biography

He was involved in management mainly in the administration departments of Sony Life Insurance Co., Ltd. and SFH, and served as President, Representative Director of Sony Bank Inc. from June 2015 to June 2017. He assumed office as Director of SFH, the current position in June 2015.

■ **Status of attendance:** Attended all 17 meetings of the Board of Directors

■ **Length of service in office:** Five years

d. Hiroki Totoki

Director

■ Main concurrent positions

Representative Corporate Executive Officer, Senior EVP, CFO, Sony Corporation
Director, Recruit Holdings Co., Ltd.

■ Biography

He has experience in executing the development and launch of new businesses as a founding member of Sony Bank Inc. and extensive expertise in finance. He has been involved in management serving as Corporate Executive Officer of Sony Corporation since April 2016.

■ **Length of service in office:** —

e. Shiro Kambe

Director

■ Main concurrent positions

Executive Vice President, Corporate Executive Officer, Sony Corporation

■ Biography

He has taken charge of legal, compliance, corporate communications and CSR, etc. of Sony Corporation for many years. He has been involved in management as Corporate Executive Officer of Sony Corporation since June 2014 and assumed Office as Director of SFH, the current position in June 2015.

■ **Status of attendance:** Attended 13 out of 17 meetings of the Board of Directors

■ **Length of service in office:** Four years

f. Naomi Matsuoka

Director

■ Main concurrent positions

Senior Vice President, Sony Corporation

■ Biography

She has extensive expertise and business experience in financial institutions cultivated through serving as Chief Transformation Officer of a major insurance holding company, and has been involved in management as Senior Vice President of Sony Corporation since November 2018.

■ **Length of service in office:** —

g. Shiro Kuniya*

Outside Officer **Independent Officer**

■ Main concurrent positions

Managing Partner, Oh-Ebashi LPC & Partners
Director, NEXON Co., Ltd.
Director, Ebara Corporation
Director, Takeda Pharmaceutical Company Ltd.

■ Reason for appointment

He has specialized knowledge and experience as a lawyer and an attorney licensed in the U.S. state of New York.

■ **Status of attendance:** Attended 14 out of 17 meetings of the Board of Directors

■ **Length of service in office:** Six years

h. Takatoshi Ito*

Outside Officer **Independent Officer**

■ Main concurrent positions

Professor, School of International and Public Affairs, Columbia University
Senior Professor, National Graduate Institute for Policy Studies
Director, Chi-X Japan Limited

■ Reason for appointment

He possesses extensive knowledge and experience as an expert on subjects including macroeconomics, financial policy, international finance and Japanese economic theory.

■ **Status of attendance:** Attended 13 out of 14 meetings of the Board of Directors

■ **Length of service in office:** One year

i. Masashi Oka*

Outside Officer **Independent Officer**

■ Main concurrent positions

Representative Director, Senior Executive Vice President & CFO, Nikon Corporation

■ Reason for appointment

He has many years of business experience at a major financial institution, and also has a high level of insight on corporate management gained through serving as CEO for the Americas of that financial institution and CFO of a global company.

■ **Length of service in office:** —

j. Shogo Ikeuchi*

Outside Officer **Independent Officer**

■ Main concurrent positions

Board Director and Senior Managing Corporate Executive Officer, Recruit Holdings Co., Ltd.

■ Reason for appointment

He has many years of experience in promoting new business development and overseas expansion at a global company, and has a high level of insight on corporate management gained through serving in charge of Senior Managing Corporate Executive officer in the areas of corporate planning and human resources.

■ **Length of service in office:** —

* Independent officers as set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.

· The following persons took office as Directors on June 21, 2019: Hiroki Totoki, Naomi Matsuoka, Masashi Oka and Shogo Ikeuchi.

· The following persons retired as Directors on June 21, 2019: Tomoo Hagimoto, Atsuo Niwa, Yuichiro Sumimoto and Isao Yamamoto.

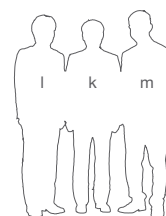
· The status of attendance at the meetings of the Board of Directors is the results for fiscal 2018.

· The status of attendance of Takatoshi Ito is for the meetings of the Board of Directors held after his appointment as SFH's Director in June 2018.

· The length of service in office is as of the General Meeting of Shareholders held on June 21, 2019.

Profiles of Directors and Audit & Supervisory Board Members

(As of June 21, 2019)



Audit & Supervisory Board Members

k. Yasuyuki Hayase*

Standing Audit & Supervisory Board
Member

Outside Officer Independent Officer

- **Main concurrent positions**
Audit & Supervisory Board Member, Sony Life Insurance Co., Ltd.
Audit & Supervisory Board Member, Sony Assurance Inc.
Audit & Supervisory Board Member, Sony Bank Inc.
- **Reason for appointment**
He has many years of business experience at a major financial institution.
- **Status of attendance:** Attended all 17 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board
- **Length of service in office:** Four years

l. Hirotoshi Korenaga

Audit & Supervisory Board Member

- **Main concurrent positions**
Director, Corporate Executive, Senior General Manager, Global Accounting Division, Sony Corporate Services (Japan) Corporation
- **Biography**
He has been working in accounting for many years at Sony Corporation and Sony Corporate Services (Japan) Corporation. He has concurrently served as SFH's Audit & Supervisory Board Member since June 2013.
- **Status of attendance:** Attended 13 out of 17 meetings of the Board of Directors and 13 out of 14 meetings of the Audit & Supervisory Board
- **Length of service in office:** Six years

m. Yoshimichi Makiyama*

Audit & Supervisory Board Member

Outside Officer Independent Officer

- **Main concurrent positions**
Partner, Ripple Partners (law office)
Director, Filmination Co., Ltd.
- **Reason for appointment**
He has specialized knowledge and experience as a lawyer and an attorney licensed in the U.S. state of New York.
- **Status of attendance:** Attended all 17 meetings of the Board of Directors and 13 out of 14 meetings of the Audit & Supervisory Board
- **Length of service in office:** Four years

* Independent officers as set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.
 · The status of attendance at the meetings of the Board of Directors and the Audit & Supervisory Board is the results for fiscal 2018.
 · The length of service in office is as of the General Meeting of Shareholders held on June 21, 2019.



Basic Stance on Corporate Governance

Basic Policy on Corporate Governance

(Basic Stance on Corporate Governance)

SFH strives to meet the expectations and earn the trust of stakeholders, realize sustainable corporate growth and increase corporate value over the medium to long term by making effective use of the Group's various management resources and by realizing its corporate philosophy. Furthermore, as a financial holding company, SFH is aware of the highly public nature of its financial business. Accordingly, SFH has in place a governance structure that emphasizes ensuring of soundness and appropriateness of the Group's management. SFH is a listed subsidiary of Sony Corporation. As such, SFH maintains managerial independence from its parent company and strives to ensure a highly transparent management.

(Appointment and Dismissal of Directors)

SFH has formulated the Basic Policy on the Selection of Director and Audit & Supervisory Board Member Candidates. Reflecting this policy, SFH selects as director and audit & supervisory board member candidates who have suitable knowledge, experience, capacity for judgment and other characteristics suiting them to conduct decision-making and perform management oversight in relation to the overall Group management. To reinforce the transparency and objectivity of the process of selecting director and audit & supervisory board member candidates, the Nomination Advisory Committee deliberates on candidates in response to inquiries by the Board of Directors. After receiving the committee's reports, the Board of Directors decides on candidates to propose at the General Meeting of Shareholders. The Nomination Advisory Committee deliberates on the appointment and dismissal of the president and other executive directors based on the aforementioned policy, an assessment of corporate operating performance and other items. The committee then reports to the Board of Directors, which makes a decision.

(Director and Audit & Supervisory Board Member Training)

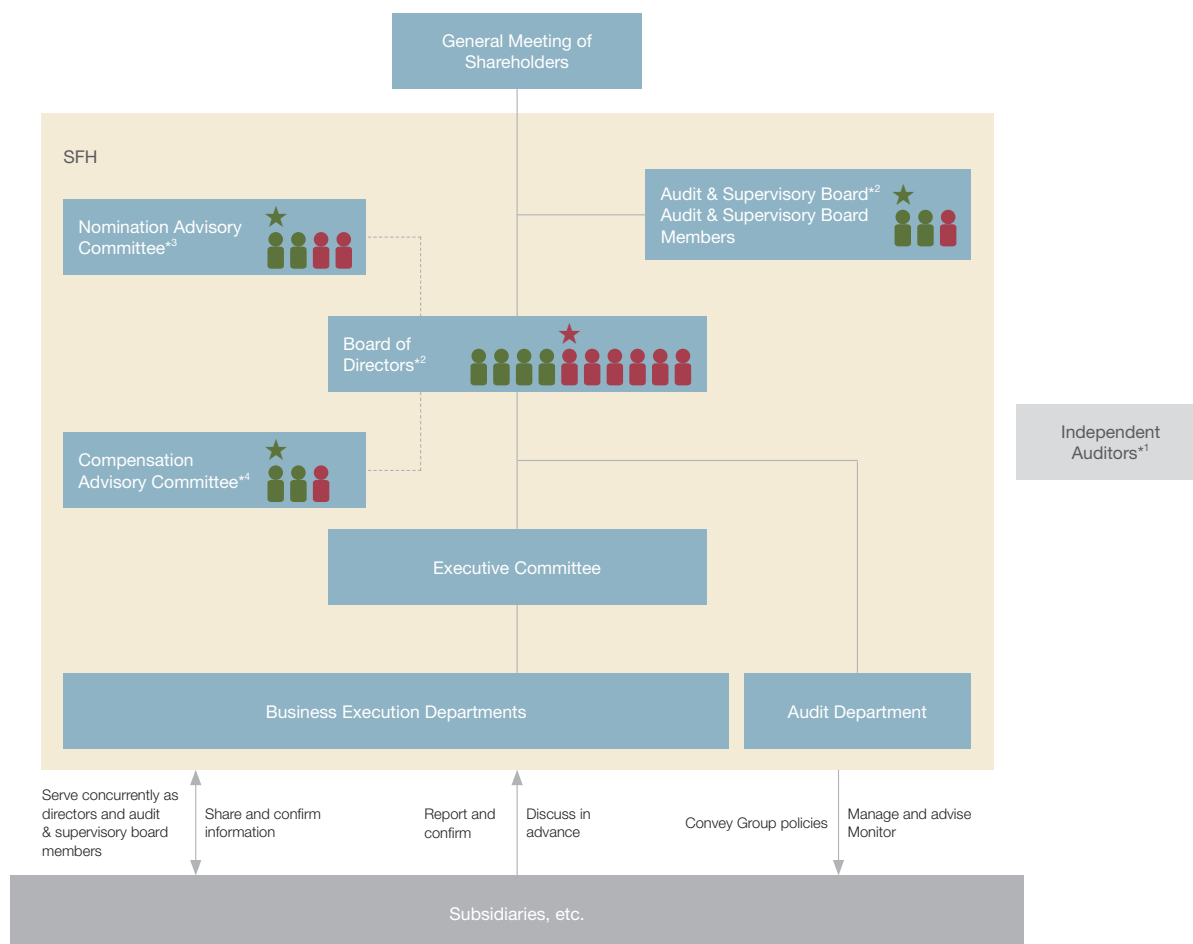
Upon their appointment, SFH provides opportunities for directors and audit & supervisory board members to acquire knowledge related to laws and regulations, corporate governance and other areas necessary for appropriately fulfilling their roles and responsibilities. In particular, when outside officers and audit & supervisory board members are newly appointed, SFH creates opportunities to provide the information necessary to promote an understanding of SFG's businesses, management strategy, management issues and other areas. SFH also creates such opportunities as necessary following their appointment.

- ▶ "Basic Policy on Corporate Governance," "Corporate Governance Report" and "Basic Policy on Establishing an Internal Control System" on SFH's website,
<https://www.sonyfh.co.jp/en/company/governance.html>
- ▶ P1 Sony Financial Group's Mission, Vision & Values
- ▶ P70 Relationship with Parent Company, Sony Corporation

Basic Stance on Corporate Governance

Corporate Governance Structure Chart (As of July 1, 2019)

 : Inside Director/Inside Audit & Supervisory Board Member
  : Outside Director/Outside Audit & Supervisory Board Member (★ marks indicate chairpersons)



*1 Compensation, etc. for independent auditors: ¥120 million, including ¥28 million for statutory audits.

*2 SFH provides the independence standard for appointment of outside officers and outside audit & supervisory board members in the Basic Policy on the Selection of Director and Audit & Supervisory Board Member Candidates.

*3 The Nomination Advisory Committee members: Shiro Kuniya (Chairperson), Shogo Ikeuchi, Shigeru Ishii and Shiro Kambe

*4 The Compensation Advisory Committee members: Masashi Oka (Chairperson), Shiro Kuniya and Shigeru Ishii

► "The Basic Policy on the Selection of Director and Audit & Supervisory Board Member Candidates" on SFH's website, https://www.sonyfh.co.jp/en/company/data/nomination_policy.pdf

Status of Initiatives by the Board of Directors, Committees and Audit & Supervisory Board

Board of Directors

Chairperson	Shigeru Ishii
Main roles	The Board of Directors recognizes the responsibility it has been entrusted with and strives to realize sustainable growth of SFG and increase corporate value over the medium to long term. In addition to items stipulated in laws and regulations and the Articles of Incorporation, the Board of Directors makes important decisions regarding management of SFG such as formulation of SFG's management policies and management plans; appointment and dismissal of directors, Audit & Supervisory Board members and other executives of subsidiaries in which SFH holds shares directly; entry into new businesses and withdrawal from businesses; and organizational restructuring. The Board of Directors also supervises the overall Group management.
Composition	The ratio of outside directors: 40%
Operational status, topics (FY2018)	The Board of Directors continued to conduct deep deliberations centering on overall Group governance, Group growth strategies, business plans, sustainability and important matters related to Group subsidiaries. The board also received periodic reports concerning the state of progress of SFH's non-consolidated and consolidated business plans, as well as the status of compliance activities, risk management and internal audits. In these ways, the board conducted appropriate supervision of overall Group management.
Meetings held and the average attendance rate (FY2018)	17 times 93%

Nomination Advisory Committee

Chairperson	Shiro Kuniya (Outside Director)
Main roles	The Nomination Advisory Committee deliberates and reports on the appointment and dismissal of SFH's directors, audit & supervisory board members and the Group companies' presidents, as well as the succession planning of SFH and the Group companies' presidents.
Composition	Half are outside directors
Operational status, topics (FY2018)	The Nomination Advisory Committee decided on director candidates for SFH and made approvals regarding the appointment of directors and the selection of representative directors for the Group's three main companies.
Meetings held and the average attendance rate (FY2018)	Five times 95%

Compensation Advisory Committee

Chairperson	Masashi Oka (Outside Director)
Main roles	The Compensation Advisory Committee deliberates the policy and total amount of compensation for SFH's directors and the Group companies' representative directors who are to be proposed at a General Meeting of Shareholders. The committee also deliberates the amount of compensation for individual directors and the Group companies' representative directors, within the limits set by a resolution at a General Meeting of Shareholders. It reports the results of its deliberations to the Board of Directors. Members of this committee do not participate in deliberations on their own compensation.
Composition	Majority are outside directors
Operational status, topics (FY2018)	The Compensation Advisory Committee decided on individual levels of compensation for SFH's directors and executive officers, and approved the levels of individual compensation for the Group's three main companies' directors.
Meetings held and the average attendance rate (FY2018)	One time 100%

Audit & Supervisory Board

Chairperson	Yasuyuki Hayase (Outside Audit & Supervisory Board Member)
Main roles	The Audit & Supervisory Board, an organization independent from the Board of Directors, audits the suitability and appropriateness of directors' performance of their duties by calling for business reports of the Group companies based on laws and regulations, surveying their operational and financial status, and exercising their right to appoint and dismiss the independent auditors.
Composition	Majority are outside audit & supervisory board members
Operational status, topics (FY2018)	The Audit & Supervisory Board received reports on directors' and corporate executive officers' performance of their duties, including their business management of the Group companies. Primarily, they confirmed the effectiveness of systems to ensure the appropriateness of operations (internal systems) and made suggestions, as appropriate.
Meetings held and the average attendance rate (FY2018)	14 times 95%

Status of Initiatives by the Board of Directors, Committees and Audit & Supervisory Board

New Management Team (Change in the Composition of the Board of Directors)

Board of Directors

Nomination Advisory Committee

In order to reinforce SFG's management structure to enhance the sustainable corporate value, SFH has changed the composition of its Board of Directors. The Board of Directors under the new management structure consists of outside directors, members of Sony Corporation's management team, and people from SFH's management, and is designed to further strengthen the governance from the perspective of shareholders and stakeholders. Meanwhile, the presidents of three main subsidiaries, who had served concurrently as SFH's directors, will concentrate more on the sound growth and enhancing the competitiveness of their own businesses under the governance of SFH's Board of Directors. Under the new management team, SFH will promote the further growth of each business and manifest synergies across SFG.

Through the change in management team, we increased the number of independent outside directors* by one to four (one-third or more of the Board of Directors) and appointed a female director, thereby increasing the diversity of the Board of Directors and further enhancing its effectiveness.

Regarding the Boards of Directors of the Group's subsidiaries, SFH's President, Representative Director, executive directors and executive officers will continue to serve concurrently as directors of the Group's subsidiaries, with the aim of increasing the effectiveness of the Group's governance and ensuring the sound business management of each company.

* SFH designates outside directors as independent officers, whose placements are required by the Tokyo Stock Exchange, for the protection of general shareholders.

► P70 Relationship with Parent Company, Sony Corporation

Evaluation of Effectiveness of the Board of Directors (Fiscal 2018)

Board of Directors

SFH's Board of Directors conducts self-evaluations, evaluating the effectiveness of its own decision-making and oversight, as well as its operation of meetings at least once a year.

Evaluation outline and process

- Outline: An independent third-party evaluation company assessed the effectiveness of the Board of Directors with a questionnaire given to all directors and audit & supervisory board members.
- Question items: "Composition and operation of the Board of Directors," "Management and business strategies," "Corporate ethics and risk management," "Evaluation and compensation of management," "Matters related organizational and business restructuring," "Dialogue with shareholders, etc.," and "Self-evaluations." In addition, an evaluation was conducted regarding responses to items that were raised as issues in the previous year's evaluation of effectiveness.

The results of the assessment by the third-party evaluation company

1) Evaluation Results of the Overall Board of Directors

- As in fiscal 2017, a high level of effectiveness has been achieved.
- The size of the Board of Directors is appropriate, for the business size and field of the Group.
- There is a free and active atmosphere in which all members proactively contribute to the meetings. There is also appropriate decision-making and supervision under the leadership of the chairperson.
- As SFH is a listed subsidiary, the Board of Directors recognizes minority shareholder protection and arm's-length rules. In decision-making and information management, the board seeks to ensure management independence from Sony Corporation and conduct sufficient management with a high degree of fairness and transparency.
- The Board of Directors endeavors to obtain and understand the details of its meeting agenda and other information in advance. The Board of Directors strives to contribute to its own decision-making and supervision. Furthermore, the Board of Directors has sufficient knowledge regarding the various laws, regulations and rules related to SFG, SFH responsibilities and duties as a listed company, and corporate governance.

- The member composition of the Compensation Advisory Committee and the Nomination Advisory Committee is appropriate.

2) Evaluation Results and Opinions Regarding fiscal 2017 Issues

While various improvements have been made on issues raised in the fiscal 2017 evaluation of effectiveness, the following opinions were received:

- Discussions on the Group's growth strategies need to be continued, considering the Group's overall optimization and lessons learned from the past.
- More opportunities for study or training related to the Group's management and businesses are needed.
- Although incentive compensation plans for management have been expanded with a new restricted stock compensation plan, a desire for continuous consideration of expanding the scope of coverage, changing its proportions and other issues were expressed.
- Just the right amount of Board of Directors details and deliberation results are reflected in the minutes. However, further improvements are necessary on the operational front (including presentations, meeting frequency, allocation of time and the timing for distributing materials in advance).

Future Responses

From the results of this evaluation, SFH's Board of Directors judges itself to be wholly effective at this time. That said, the Board will strive to further enhance its effectiveness by continuously discussing the Group's growth strategies, improving understanding of the Group's management and business, and enhancing systems such as compliance and monitoring.

First, the new management team after the General Meeting of Shareholders in June 2019 clarifies the roles of the holding company and the operating companies, and the Board of Directors composition has been changed to reinforce Group governance. Specifically, the number of outside directors has been increased to one third or more, and diversity has been increased, such as through the inclusion of a female director.

Policy for Determining Compensation

Board of Directors

Compensation Advisory Committee

SFH sets the Policy for Determining the Compensation of Directors and the Policy for Determining the Compensation of Audit & Supervisory Board Members. SFH has also created the Compensation Advisory Committee Regulations and established the Compensation Advisory Committee (please see page 37) as its deliberative body.

Basic policy

- Compensation of executive directors is determined according to the position, in consideration of the balance between a fixed portion, results-linked portion, and medium- to long-term incentive portion, to ensure that compensation serves as an effective incentive for improving the business performance of the entire Group.
- In principle, directors with no executive duties, excluding outside directors, are paid no compensation.
- Outside directors are paid fixed compensation according to their roles. Audit & supervisory board members are paid fixed compensation according to their respective roles of standing audit & supervisory board members and non-standing audit & supervisory board members.

Process

- For the amount of compensation of individual executive directors and outside directors, the Compensation Advisory Committee chaired by an outside director carries out deliberations in response to the Board of Directors, and directors who are entrusted by the Board of Directors decides the amount based on a report from the Compensation Advisory Committee.
- The amount of compensation for individual audit & supervisory board members is determined by deliberation of audit & supervisory board members.

Compensation structure

- Executive directors: Compensation comprises a fixed portion depending on the position, a results-linked portion depending on the entire SFG's performance and individual responsibilities, and a medium- to long-term incentive portion in the form of a stock compensation.
 〈Fixed portion〉 As an executive's level of seniority increases, the fixed portion decreases as a percentage of annual compensation, while the results-linked portion makes up a growing percentage. (Fixed portion: 62%-71%; Results-linked portion: 38%-29%)
 〈Results-linked portion〉 The results-linked portion can range from 0% to 200% of the standard amount (100%) (The result for fiscal 2018: 109%). Indicators for the results-linked portion include meeting expectations and earning the trust of all stakeholders by realizing sustainable growth of SFG and increasing corporate value over the medium to long term, as measured by key performance amounts at the Group companies compared with planned levels and the previous fiscal year. The Compensation Advisory Committee confirms the calculation results of the results-linked portion based on indicators, and reports the amount of compensation for individual executive directors to the Board of Directors.
 〈Medium- to long-term incentive portion〉 The medium- to long-term incentive portion, which accounts for approximately 20% of total annual compensation, comprises restricted stock compensation, which has a restriction on transfer for a certain period following acquisition, and stock-type compensation stock options, which can be exercised following retirement.
- Outside directors: A fixed amount is paid according to the role.
- Audit & supervisory board members: A fixed amount is paid according to the role of standing audit & supervisory board members and non-standing audit & supervisory board members.

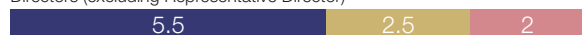
Graphs representing the compensation structure

■ : Fixed portion ■ : Results-linked portion ■ : Medium- to long-term incentive portion

President, Representative Director



Directors (excluding Representative Director)



Outside Directors



► "Corporate Governance Report" on SFH's website,

https://www.sonyfh.co.jp/en/company/data/governance_report.pdf

Compensation for SFH's Directors and Audit & Supervisory Board Members for Fiscal 2018

(Millions of yen)	Total amount by compensation category					Number of payees
	Total amount of compensation	Fixed compensation	Results-linked compensation	Stock options	Restricted stock compensation	
Directors (internal)	182	93	49	32	6	3
Directors (outside)	27	27	—	—	—	3
Audit & Supervisory Board Members (internal)	—	—	—	—	—	—
Audit & Supervisory Board Members (outside)	30	30	—	—	—	2
Total	240	152	49	32	6	8

Notes: 1. Compensation refers to compensation, bonuses and other financial benefits received from SFH in consideration of execution of duties.
 2. Compensation categories refer to fixed compensation, results-linked compensation, stock options, restricted stock compensation, and bonuses and others. SFH did not pay bonuses as compensation for directors and audit & supervisory board members prior to and including fiscal 2018.

Messages from Outside Directors

Shiro Kuniya Outside Director



Expectations for the New Management Structure

Following the General Meeting of Shareholders held in June 2019, the composition of SFH's Board of Directors has changed dramatically. The Nomination Advisory Committee has deliberated the importance of active cooperative efforts with the Sony Group while retaining SFH's independence, particularly in relation to obtaining technological and other types of cooperation from the Sony Group in the utilization of blockchains and other forms of Fintech, as well as exchanges of personnel and development of new products and services, from the perspective of integration of new technologies and financial services under the Sony Brand. I believe that the addition to the Board of Directors of new members from Sony Corporation (Mr. Totoki and Ms. Matsuoka, who have broad experience in the financial and insurance fields) and from outside (Mr. Oka, who has a wealth of practical experience working at major banks, both domestically and overseas, as well as Mr. Ikeuchi, who has experience in various types of business planning and execution, including overseas business) is consistent with our discussion thus far at the Nomination Advisory Committee, and is of significant importance for SFH's growth strategies, going forward. Meanwhile, the presidents of the Group's three primary subsidiaries in the life insurance, non-life insurance and banking businesses retired as SFH's directors. I hope that they will continue to actively exchange opinions and information with SFH's directors through occasions such as the Group companies' Executive Committees while concentrating on their own businesses, toward maximization of synergies for the entire Group.

Initiatives for Human Resource Development and Succession Planning

In view of the challenging business environment surrounding financial institutions and the significance of growth strategies for the future, it is important for SFH to develop human resources and cultivate successors, capable of adequately adopting new business models and financial techniques, as well as implementing both domestic and overseas strategies in their own initiatives. Along with the development of human resources over the medium to long term, SFH also needs to hire talented people from outside the Group as necessary. To that end, it is essential for SFH to duly consider a compensation structure that allows prospective candidates to perform at their full potential at SFH, from the viewpoint of enhancing domestic and global competitiveness. I believe it is unavoidable to create a competitive compensation structure according to each role, while paying due consideration to domestic and overseas regional characteristics. SFH has already in place a compensation structure that incorporates a results-linked incentive element to a certain degree, but it also needs to continue considering appropriate alterations to the compensation system as necessary in light of the domestic and overseas situations.

Issues and Expectations for the Future

Looking ahead to business development in fiscal 2019 and beyond, what is expected of SFH is to have out-of-the-box ideas, acquire and cultivate diverse human resources who can make such ideas possible, and swiftly consider and execute flexible strategic business alliances and other actions. I am hoping for SFH's members to make united efforts in conducting flexible and diverse business activities from the perspective not only of SFG but also of the broader Sony Group as a whole.

Takatoshi Ito Outside Director



Reflecting on My First Year as Outside Director

I assumed the office of SFH's outside director a year ago. Macro-finance and international finance are among my specialized areas of research, but closely examining the statements of income, balance sheets, and business plans of individual companies was not at the center of my research activities. Although I had to put in some time to brush up on this area right after assuming the office as outside director, to my relief, I think I have managed to become sufficiently familiar with the finances of the Company. SFH's Board of Directors is operating efficiently with active discussion taking place, and has an atmosphere that allows outside directors to openly make comments. I feel that corporate governance in SFH is improving.

The Sony Group's financial business comprises life insurance, non-life insurance, and banking businesses, and these businesses have issues and challenges, or opportunities for a dramatic growth, that are specific to each business category. Considering this, I find my duties very rewarding. I have been continuously giving consideration to the very important issue of what roles SFH should play as a holdings company that manages three financial companies. It is essential that SFH establish a framework for creating synergies among the companies. I believe SFH has a potential for a dramatic growth if it can get synergies to work. That is the reason I accepted the offer to serve as its outside director.

SFG's Issues for the Future from a Global Perspective

I have had dealings with the financial industry (notably banks) in the U.S. and Japan as research subjects or as their customer for more than 40 years. The banking

businesses in the U.S. and Japan have developed from quite different institutional backgrounds. However, the differences between the banking businesses of the two countries have been diminishing in recent years and they are in the process of converging into the global standards that have been established.

Internet banking, or more generally speaking, Fintech, has spread rapidly in the U.S., and people seldom visit a bank branch physically nowadays. All financial transactions are now completed online. It looks as though internet banking has yet to become widespread in Japan, but it is certain that Japan will experience a shift towards internet banking and cashless settlements going forward.

Turning to the insurance business, insurance products with specialized coverage, or the so-called risk-segmented insurance products, have become available, and has gained popularity through on-line sales. In the U.S., applications for life and non-life insurance policies, credit examinations, and risk assessments are conducted without any face-to-face communication involved. In the future, the use of AI is expected to allow faster and more accurate risk screening and assessment of accident situations in Japan, as well.

The SFG's financial businesses have their own characteristics: Sony Life sells insurance products, mainly through Lifeplanner sales employees; Sony Assurance sells non-life insurance products, mainly online; and Sony Bank specializes in internet banking. A major issue for the Board of Directors of SFH is to consider how the Group can take advantage of these characteristics of its financial arms, in the course of future development of Fintech. I will continue providing comments from a broad perspective with the "independent, outsider's eyes."

■ Dialogue with Shareholders and Other Investors

For constructive dialogue with shareholders and other investors, SFH has formulated the Investor Relations (IR) Policy, established the department in charge of IR activities and assigned a corporate executive to oversee IR activities. The department in charge of IR strives to provide information related to the assessment of corporate value in a timely, accurate and fair manner to shareholders and other investors, as well as to facilitate sufficient dialogue with them, while sharing information appropriately with SFH's business execution departments and Group companies.

► "IR Policy" on SFH's website,
https://www.sonyfh.co.jp/en/financial_info/ir_policy.html

Investor Relations (IR) Initiatives in Fiscal 2018

Earnings briefings (teleconferences with domestic institutional investors and analysts)	Four times
Corporate strategy meeting	One time
Individual meetings with institutional investors and analysts	Approx. 190
Overseas IR meetings (UK, USA, Hong Kong, Singapore)	Total Four times
Briefings for individual investors	Nine times
Small meetings for domestic institutional investors and analysts	Two times

Facilitating the Exercise of Voting Rights

Early dispatch of the Notice of Convocation for the General Meeting of Shareholders
Setting the date of the General Meeting of Shareholders to avoid dates on which other companies' General Meetings of Shareholders are concentrated
Use of an electronic voting platform
Providing a partial translation of the Notice of Convocation in English
Utilizing SFH's website to disclose the Notice of Convocation for General Meeting of Shareholders and final shareholder voting results

In January 2019, a small meeting with outside directors themed on governance was held for domestic institutional investors and analysts.



► "A Small Meeting Between SFH's Outside Directors, Investors and Analysts" on SFH's website,
https://www.sonyfh.co.jp/en/financial_info/management_vision/190121_01.pdf

■ Policy on Business-related Shareholdings

SFH and its Group companies do not hold shares for the purpose of business-related investment (hereinafter, "business-related shareholdings"). However, this excludes investments having a recognized strategic significance, such as business tie-ups, that contribute to enhancing the corporate value of SFG.

In the event that SFH and its Group companies hold business-related shareholdings, they regularly consider the objectives of such holdings and the effect of investment, and report these results to their respective Boards of Directors. Based on these reports, the companies' Boards of Directors consider the liquidation of such holdings through such methods as sale or transfer in the event the significance of holding them has been lost.

With regard to the exercise of voting rights in relation to business-related shareholdings, SFH and its Group companies make comprehensive decisions to vote for or against individual proposals from the perspective of whether appropriate governance structures are in place at investee companies, whether appropriate decisions are being made to enhance corporate value over the medium to long term, and from the perspective of enhancing the corporate value of individual Group companies.

SFG held shares in three listed companies (balance sheet amount of ¥8.2 billion) as business-related shareholdings as of March 31, 2019. The Group periodically confirms the investment impact of such shareholdings.

► "Corporate Governance Report" on SFH's website,
<https://www.sonyfh.co.jp/en/company/governance.html>

■ Adoption of Japan's Stewardship Code (Sony Life)

As an institutional investor, Sony Life has announced its adoption of Japan's Stewardship Code—a set of principles guiding the responsibilities of institutional investors. Sony Life discloses the basic policy and process for the exercise of voting rights of domestic listed shares, as well as final shareholder voting results, etc.

► Please see "Basic Stance on Japan's Stewardship Code" and "Exercise of Voting Rights by Sony Life" on Sony Life's website. (Japanese only):
<https://www.sonylife.co.jp/company/management/jsc/>

Risk Governance

One of SFH's roles as a financial holding company is to further enhance and integrate Groupwide risk management by centralizing the Group's management resources. SFH has formulated the Basic Policy on Group Risk Management and develops a risk management structure by aligning it with Groupwide strategic objectives and management policies. In addition, SFH seeks to enhance the corporate value of the Group by tailoring operating subsidiaries' risk management to the types of risks inherent in their respective lines of business.

► "Risk Management" on SFH's website,
https://www.sonyfh.co.jp/en/company/risk_management.html

Approach to Risk Management by SFH and Group Companies

SFH has formulated the Fundamental Principles for Risk Management and communicates them to directors, employees, and throughout the SFG. It also identifies the scope and types of risks of the Group companies, and establishes structures designed to manage such risks effectively. SFH's department in charge of risk management controls risks through monitoring and holding Risk Management Meetings with the subsidiaries' risk management divisions. It also reports its findings on the state of risk management regularly to SFH's Board of Directors and Executive Committee.

The Group companies optimize types and definitions of their risks according to scale, characteristics and business model. They have established risk management frameworks, with the aim of autonomously assessing, monitoring, and managing these risks.

Contingency Management System

SFH has established a contingency plan as part of the Group's comprehensive policy on business continuity for times when ordinary business operations of SFH or Group companies are at risk due to accidents, system failures or other factors. Group companies have developed regulations, manuals and other guidelines reflecting their respective business volume and nature of business activities. SFH has a system in place whereby Group companies report to SFH when they are unable to continue ordinary business operations. If SFH determines that a reported situation is difficult to address under the risk management system set forth in the Fundamental Principles for Risk Management, among other guidelines, SFH shall establish a contingency response headquarters led by the President, Representative Director of SFH and execute business continuity measures aimed at the full restoration of all operations.

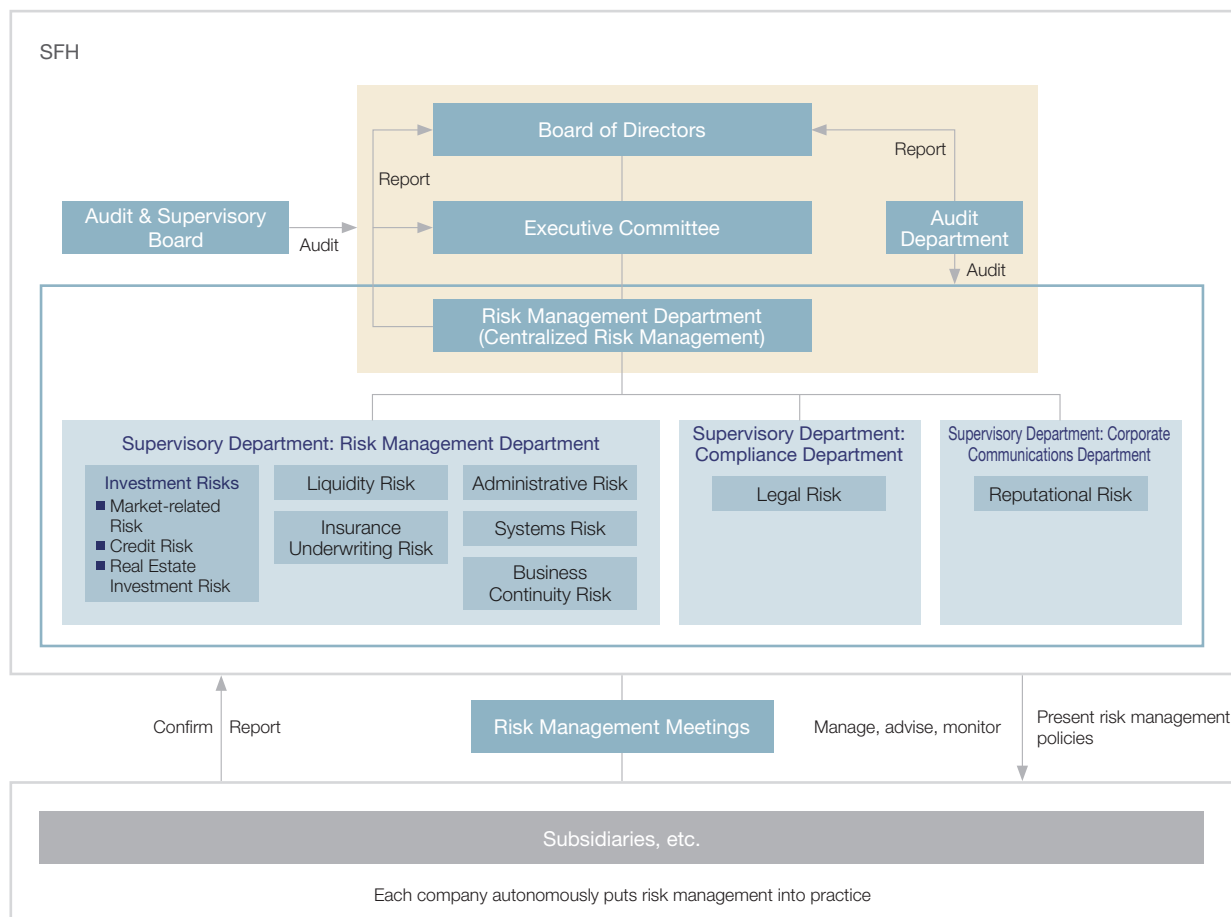
Group ERM

SFG has introduced its ERM framework.

► P15 Strategy and Review, Sony Financial Group

Risk Governance

Risk Management Structure of SFG (As of July 1, 2019)



Types and Definitions of Risks

Type	Definition
Market-related Risk	Risks associated with losses due to changes in the value of assets and liabilities, including off-balance-sheet items, as a result of unfavorable fluctuations in interest rates, the value of securities held, exchange rates and other factors.
Credit Risk	Risks associated with losses due to declines or losses in the value of assets, including off-balance-sheet items, resulting from deterioration in the financial position of retail and corporate customers and other contracts entered into.
Real Estate Investment Risk	Risks associated with losses due to declines in the market value of owned real estate or in the profitability of real estate holdings on account of unfavorable trends in prices and rents, respectively.
Liquidity Risk	Risks associated with losses are as follows: <ul style="list-style-type: none"> ■ Cash Flow Risk: Risks associated with losses due to our inability to make cash payments because of failure to maintain sufficient cash reserves at settlement, as well as risks associated with losses if SFH and Group companies are forced to raise funds under unfavorable conditions in order to fulfill cash payment obligations ■ Market Liquidity Risk: Risks associated with losses due to the Group's inability to conduct market transactions, in particular from an inability to unwind the Group's market position at a given time, as well as risks associated with losses if the Group is forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.
Insurance Underwriting Risk	Risks affecting the Group due to significant differences between the assumptions SFH and Group companies use to establish appropriate insurance premium levels, including assumptions regarding the expected frequency and scale of insured events and future economic conditions.
Administrative Risk	Material and immaterial risks affecting the Group due to errors, misconduct, malfunction and other factors related to problems with the Group's internal administrative processes.
Systems Risk	Material and immaterial risks affecting the Group due to IT-system malfunction or breakdown, and improper use or leakage of confidential information stemming from IT-system problems.
Legal Risk	Risks affecting the Group due to violations of applicable laws, rules and regulations occurring during the course of business operations, as well as the risk of loss due to litigation or infringements of rights.
Reputational Risk	Material and immaterial risks associated with losses resulting from harm to the Group's reputation in the market and among customers as a result of unethical behavior, unfair business practices, improper disclosure or other factors.
Business Continuity Risk	The risk that SFH and Group companies will be unable to continue operations as a result of a deterioration in financial position, liquidity problems, system failures, scandals, disaster, accidents or other crises.

Note: As the operating and business environment changes, the Group companies' risk management departments review the risk types and definitions, amending them as appropriate for new conditions.

Initiatives on Cyber Security

SFG regards an IT-system as critical infrastructure and resources to achieve its corporate vision, to provide high-value-added products and services. It is thus essential to stably maintain and provide this IT-system at all times. SFG has positioned dealing with the threat of cyber-attacks and appropriately managing information assets as a priority issue that top management should take the lead in addressing, and the entire Group has been working on information security measures.

The policy and details of information security measures are periodically reported at meetings of the Executive Committee and the Board of Directors of SFH or each of its subsidiaries, and SFH monitors the status of responses to information security threats and development of personal information management system, etc. of each company and confirms the appropriateness of such measures.

SFG has established an information security policy and various related regulations according to each company's businesses, and makes necessary revisions according to changes in the operating environment and other factors. SFG also provides necessary training on information security matters that all executives and employees should be aware of to ensure a thorough dissemination of such matters.

Characteristics of the IT Environment

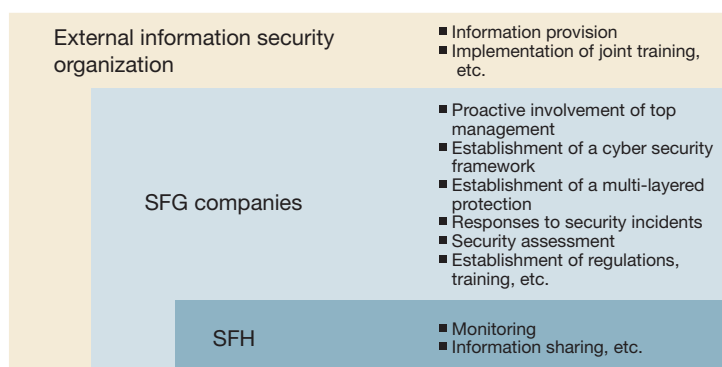
SFG has diverse functions, and each Group company has a different business model according to its business category. The IT-system of each Group company has established an independent optimal environment, in accordance with its business model.

This ensures that even if a Group company experienced a website attack, unauthorized login, or virus or malware infection, the IT-systems of other Group companies would not be affected.

Development of Cyber Security System –CSIRT*

CSIRT members of Sony Life, Sony Assurance, and Sony Bank, which are SFG's primary companies, are working to implement various measures to tackle cyber-attacks, and the entire Group, centering on SFH, is actively sharing information. In addition, the Group has continuously been developing systems to counter threats through collaboration with an external information security organization.

* Computer Security Incident Response Team



Privacy Policy

SFH has formulated a Privacy Policy governing the handling of personal information. It sets out SFH's policies on the acquisition and use of personal information for specific purposes. SFH has also established Rules Concerning Protection of Personal Information, which set out specific security control protocols. SFH monitors the effectiveness of each Group companies' security control protocols.

► "Privacy Policy" on SFH's website,
https://www.sonyfh.co.jp/en/notice/privacy_policy/

Compliance

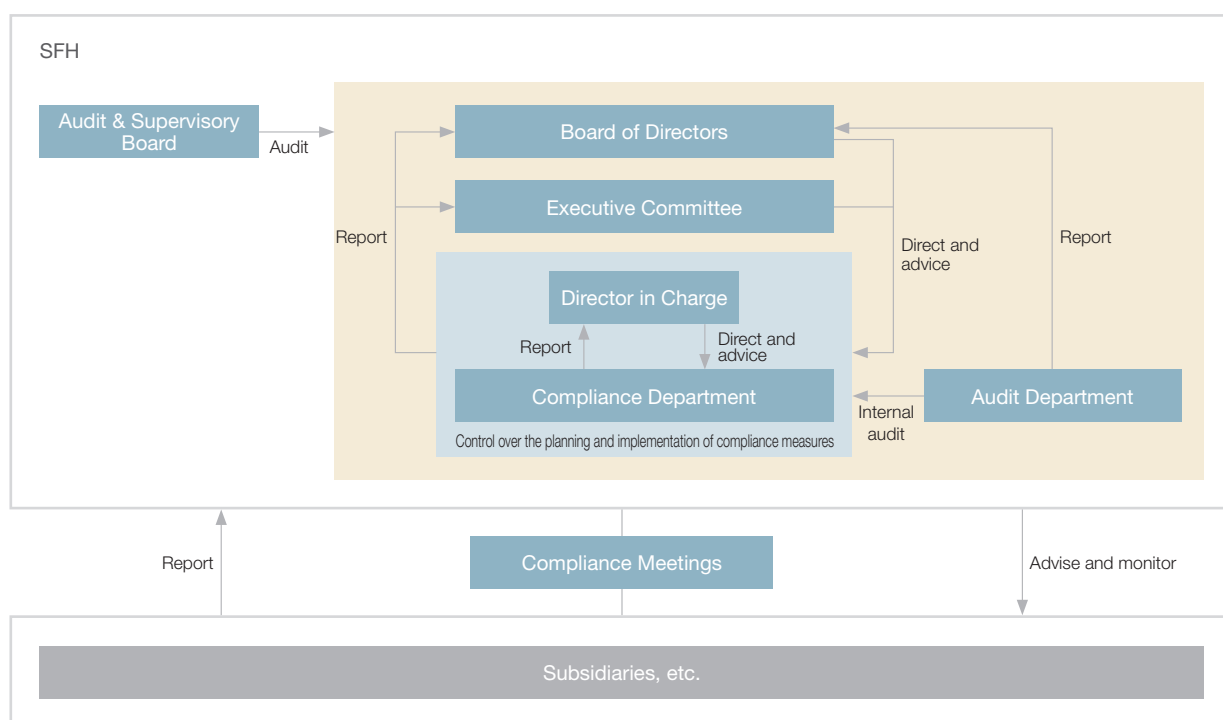
Basic Stance on Compliance

SFH's broad definition of compliance is that it enforces compliance with the laws, regulations and social norms and manages business operations transparently and properly based on a strong sense of ethics. SFH considers compliance one of its top management priorities and, accordingly, it has systems in place to ensure that all executives and employees are fully aware of their duties and responsibilities.

While Group companies are responsible for establishing systems to enhance the effectiveness of compliance according to their specific industry and scale of business operations, SFH, as a financial holding company, undertakes the ongoing monitoring and promotion of the Group companies' compliance by providing advice, as needed, from the viewpoint of Group management.

► "Compliance" on SFH's website,
<https://www.sonyfh.co.jp/en/company/compliance.html>

Compliance System of SFG



Compliance Activities at SFG

SFH has established the Sony Financial Group Code of Conduct (hereinafter referred to as the "SFG Code of Conduct") that all executives and employees must observe. In addition, SFH's Board of Directors is responsible for establishing and maintaining SFH's compliance system by formulating a Compliance Manual* and a Compliance Program**, as well as working proactively to ensure its proper operation.

Group companies have also adopted their Code of Conducts based on the SFG Code of Conduct, while putting in place and developing their compliance systems on their own. SFH provides guidance and support to ensure proper operation of the compliance systems at Group companies.

* The Compliance Manual outlines SFH's compliance system, as well as the Group's corporate philosophy, which executives and employees must understand. The manual also establishes measures for handling behavior that conflicts with laws and regulations or behavior that raises compliance issues, and for confirming compliance status.

** The Compliance Program is drafted annually, in principle, and defines a specific action plan for confirming compliance status, conducting training and for other related items.

► "Sony Financial Group Code of Conduct" on SFH's website,
https://www.sonyfh.co.jp/en/company/data/code_of_conduct.pdf

Specific Initiatives for Thorough Compliance

SFG strives to ensure thorough implementation of compliance measures through regular dissemination of messages from top management, and works on various measures to promote compliance, including training for all executives and employees.

Primary domains of focus of compliance initiatives

- Fostering an ethical corporate culture
- Internal hotline system
- Prevention of bribery
- Personal information protection

- Information security
- Anti-money laundering and countering financing of terrorism
- Eradication of anti-social forces
- Prevention of insider trading

- Proper conduct in the workplace
(Prevention of harassment, respect for human rights, etc.)
- Fair competition

Internal Hotline System

If executives and employees of SFG, as well as temporary employees and the employees of business partners, think that business policies, operating activities or other activities of the companies breach (or could breach) applicable laws and regulations, they can report their concerns by choosing and notifying either hotline desk at SFH or at their own Sony Financial Group company, or the Sony Group hotline desk. A total of approximately 70 reports were received by the hotline desk at SFH and Group companies in fiscal 2018, the majority of them related to the workplace environment, the organization's management and the course of business operations. SFH implements appropriate measures to protect those who contact these desks, while strictly managing and responding to the information provided.

Anti-money Laundering and Countering Financing of Terrorism

SFG gives high priority to anti-money laundering and countering financing of terrorism as an important management, and has formulated the Basic Group Policy on Anti-money Laundering and Countering Financing of Terrorism. SFG gives the necessary authorization and allocates resources in a top-down manner, and proactively instills an awareness regarding anti-money laundering and countering financing of terrorism among all executives and employees.

Basic Group Policy on Eradicating Anti-social Forces

SFH has formulated the "Basic Group Policy on Eradicating Anti-social Forces," whereby SFH and Group companies include setting up an organizational unit responsible for dealing with anti-social forces, appointing a person responsible for refusing unreasonable demands and gathering information on anti-social forces in collaboration with external specialized agencies. The Group works uniformly in its effort to eradicate anti-social forces.

- ▶ "Basic Group Policy on Eradicating Anti-social Forces" on SFH's website,
<https://www.sonyfh.co.jp/en/company/compliance.html>

Prevention of Insider Trading

SFH has established the Basic Group Policy on the Prevention of Insider Trading, whereby a structure for the prevention of insider trading has been developed at SFH and Group companies. SFH monitors whether such a framework is adequately in place and working effectively in the prevention of insider trading at Group companies, and takes actions as necessary.

Conflicts of Interest Policy (Summary)

SFH formulated the Conflicts of Interest Policy* to ensure that customers' interests are not harmed by Group companies. The director in charge of the Compliance Department, as the manager responsible for managing conflicts of interest, shall require Group companies to take the following actions when he/she deems them necessary based on reports from Group companies, customer complaints or other sources.

- Sever the flow of information between divisions that have potential conflicts of interest
- Suspend the transaction concerned, or change the terms and conditions or method of the transaction
- Disclose the fact or the possibilities of a conflict of interest to customers
- Take other actions deemed necessary

SFH shall retain records that specify transactions to be managed and that are associated with actions taken to properly protect customers, for five years.

- ▶ "Conflicts of Interest Policy" on SFH's website,
https://www.sonyfh.co.jp/en/company/data/conflicts_of_interest_policy.pdf

Approach to Human Resources Management

SFG strives to foster an organizational culture that supports a spirit of freedom and open-mindedness and create a workplace where diverse, self-disciplined employees can actively work with motivation. In addition, SFG, with a belief that personal growth of employees will lead to contributions to customers and sustainable corporate growth, makes active efforts to develop human resources. Further, SFG facilitates personnel exchanges and joint training among Group companies to create synergies for the Group.

Initiative 1 Diversity

Policy on Diversity

SFG places significant emphasis on a spirit of diversity, to better address various changes in the environment surrounding customers and their diverse value perceptions and to generate new value. Based on this approach, SFG strives to develop an environment in which diversity is respected and every employee can actively work with motivation, as well as to create opportunities for employees' personal growth.

Specific Measures

SFG implements various initiatives to allow diverse human resources, including female and disabled employees and employees who are dealing with a range of situations, including childcare and nursing care, to work actively and demonstrate their individual abilities.

1 Support for employees to continue working

SFG has established in-house systems designed to support employees who are raising children to continue working, such as childcare leave, special leave, and reduced work hour system. Sony Life provides various types of support to its employees, such as working primarily by telecommuting, depending on the job characteristics and individual situations of each employee, and allowing employees to take a leave of absence when it becomes difficult to continue working due to the need to provide nursing care for a family member, or transfer of their spouse to a remote location. In addition, even in cases where employees leave work due to uncontrollable circumstances, SFG has a re-employment system in place to support a career restart, according to a change of life plans.

2 Promotion of women's empowerment

SFG provides career-design training for young female employees, discussion sessions on returning to work and orientation sessions for employees returning from childcare leave, and leadership training for female leaders/managers. We also provide management training for the superiors of female employees, with the aim of improving awareness and enhancing their understanding regarding the career development of female employees.

3 Employment of people with disabilities

SFG has been actively promoting the employment of people with disabilities, and such employees are actively working in various fields within the Group. Sony Life has established an in-house health care room (a massage room) since fiscal 1996, and persons with vision impairment are now working actively across the country and contributing to the promotion of employees' health. In addition, Sony Life has many people with physical disabilities assigned to each department, and they are working actively by capitalizing on their individual strengths. Sony Life also launched an Office Support Team in April 2018 and started hiring people with mental disabilities and intellectual impairment, and established Sony Life Business Partners Co., Ltd., a special subsidiary, in March 2019. Sony Life Business Partners handles operations contracted out by each department of Sony Life, such as printing, filing, and data entry, contributing to the productivity improvement of the entire company.

Percentage of females in management positions*

FY2018

12.4%

Initiative2 Work-life Balance

Policy on Work-life Balance

With an eye toward promoting corporate growth, as well as developing an environment in which employees can feel job satisfaction and experience personal growth through their work, while also leading fulfilling lives, SFG promotes productivity and efficiency improvement through the promotion of workstyle reform.

Specific Measures

1 Initiatives for reducing overtime work

Each Group company monitors overtime work each month, and encourages departments with heavy workloads to review allocation of work and checks the adequate staff levels. Sony Life has designated no-overtime days twice a month (once a week from May 2019), ensuring that employees leave work on time through announcements from an executive to encourage going home, and turning off floor lights to make it customary to finish work on time. Sony Life and Sony Bank are also making efforts to reduce the work hours of managers and supervisors.

2 Expanding flexible workstyles and vacation leaves, and promoting the acquisition of vacation leaves
SFH and Sony Life have placed emphasis on self-discipline of employees since their founding, and introduced flexible hours whereby employees set their own start and finish times. Each Group company actively promotes the acquisition of vacation leaves, expanding vacation leave programs by providing accumulated vacation leave and special vacation leave programs, in addition to an annual vacation leave program, and urging the acquisition of annual vacation leave for a five-day continuous period.

3 Telecommuting

The Group companies are promoting the introduction and expansion of telecommuting and mobile work systems, and supporting their employees to secure the time to enrich their lives while improving their work productivity, through diversification of work locations and efficient allocation of time.

Average monthly overtime per employee*

FY2018 **21.12**hours

Percentage of annual vacation leave acquired*

FY2018 **64.2**%

Initiative3 Initiatives for Human Resource Development

SFG has more than 11,000 employees who are actively working in various business domains such as life insurance, non-life insurance, banking, and nursing care. Each Group company has established an education and training system from a medium- to long-term perspective, in order to support employee personal growth and career development, and provides compulsory training programs according to job type and position level, as well as elective training programs for skills enhancement and personal development, etc. In addition, SFG focuses efforts on the training of management-level employees, who play the primary role in the cultivation of employees, and is continuously strengthening human resource development through the expansion of training programs, etc. In addition, SFG participate in the leader training programs and female leader training programs provided for the Sony Group's employees by Sony Corp. In this manner, SFG works on human resource development through collaboration with the Sony Group.

Lifepanner sales employees at Sony Life, who account for nearly half of the employees of SFG, take a three-year B.T.P. (Basic Training Program) to develop the customer-first attitude and knowledge, skills and conduct required of a professional Lifepanner sales employee. This B.T.P. is designed to nurture Lifepanner sales employees to listen to their customers' cherished thoughts, propose reasonable life insurance to safely protect them at all times, and provide life-long support through high-quality services, even after the contract has been executed.

* The average figures for employees of SFH, three financial subsidiaries and three nursing care business companies. For Sony Life, only head office employees are included.

SFG recognizes that humankind faces a critical challenge in protecting the global environment. The major subsidiaries have each established environmental policies, and through everyday business activities, they carry out initiatives that give due consideration to environmental protection.

SFG's Policy on Environmental Initiatives

SFG strives to provide value to stakeholders through its business activities, and to take actions in consideration of protecting the global environment, in all aspects of its corporate activities as a member of the Sony Group, by observing the Sony Group Environmental Vision for realizing a sustainable society.

Use of Green Power

Sony Life became the first Japanese life insurance company to introduce a Green Power Certification System, which enables companies to use green power in their business activities and thus reduce CO₂ emissions. Sony Assurance and Sony Bank adopt the Green Heat Certification System* to help reduce CO₂ emissions. Sony Bank offsets 100% of CO₂ emissions caused by its power usage (excluding the portion of power usage in outsourced operations) as a "Carbon Offset Bank."

In this way, each Group company contributes to the wider use of natural sources of power such as solar and wind power, geothermal power, and biomass. In fiscal 2018, SFG as a whole purchased green power certificates and green heat certificates equivalent to 1,160 MWh.



* The Green Heat Certification System is a system certified by the government whereby a company can issue certificates for the environmental value of heat generated from renewable energy with the approval of a third-party institution (Green Energy Certification Center), and trade these as "green heat certificates."

Acquisition of ISO14001 Certification

Sony Life, Sony Assurance and Sony Bank* have acquired ISO14001 certification, the international standard for environmental management systems. All three companies promote energy-saving and natural resource-saving activities such as targets for reduced energy and photocopier paper usage, and green procurement to raise the percentage of eco-products used in office supplies.

* Includes the head offices of Sony Life and Sony Assurance, along with Sony Bank's head office and CONSULTING PLAZA. They conduct regular internal environmental audits of ISO14001-certified offices, and the audit results are reported to top management.

Reducing CO₂ Emissions by Switching to Paperless Contract Procedures and Electronic Issuance of Documents

SFG has been striving to conserve paper resources and cut down on CO₂ emissions related to postal mailings by shifting to paperless documentation for certain contract procedures and transactions.

Sony Life has adopted paperless application procedures that enable customers to use electronic signatures to complete new contract application procedures as well as various post-contract procedures, such as changing contract contents. As a result, Sony Life has reduced the use of copier paper.

Sony Assurance has made it possible to apply for automobile insurance policies, medical insurance policies, fire insurance policies and overseas travel insurance policies online, thereby avoiding the need for printing and mailing of insurance application forms and other documents. Also of note, Sony Assurance promotes reduction in the use of paper resources, exemplified by a paperless insurance certificate discount of up to ¥500 on automobile and fire insurance premiums when customers who buy a policy online opt not to have certificates of insurance and other documents printed and mailed.

As an Internet bank, Sony Bank promotes paperless transactions by principally providing information on web pages and using electronic document delivery for delivering transaction slips, passbooks, explanations of products and delivery of forms to customers.

For reference: SFG's electricity consumption and CO₂ emissions* for fiscal 2018

Total electricity consumption	3,173.5 _{MWh}
Total CO ₂ emissions (equivalent value)	1,574 _{t-CO₂}

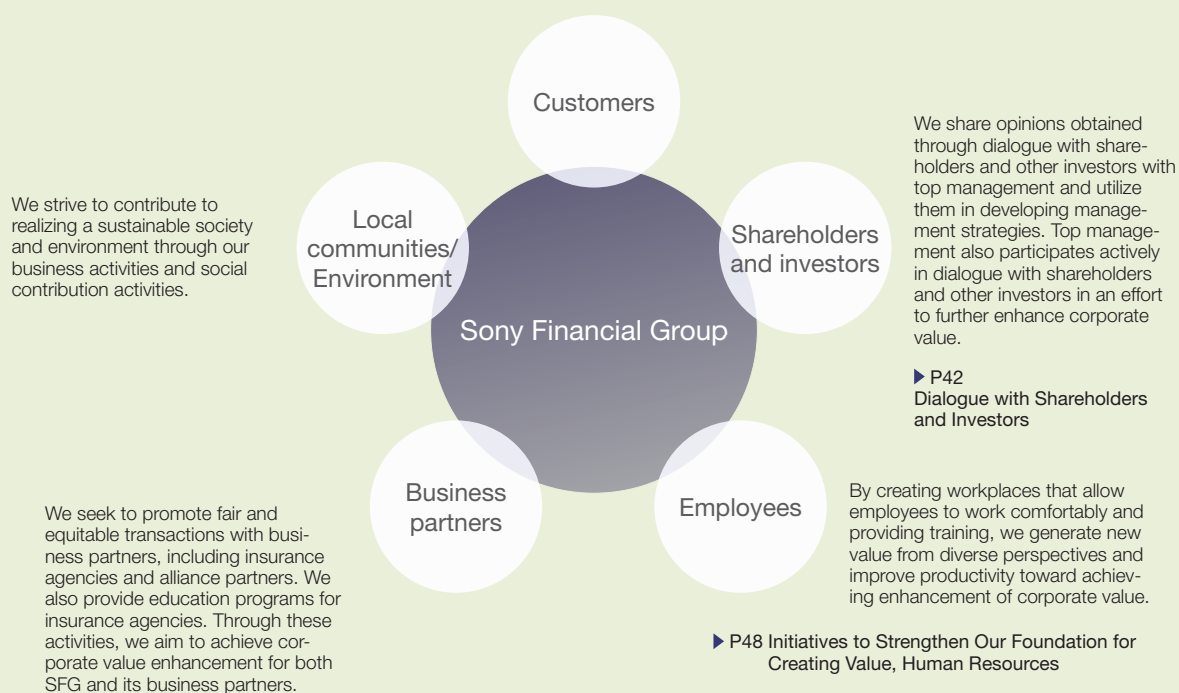
* Includes the head offices of Sony Life and Sony Assurance, along with Sony Bank's head office and CONSULTING PLAZA.

Communication with Stakeholders

With the highest level of ethics and a strong sense of purpose, SFG seeks to become the most trusted financial services group by invoking emotion through the power of technology and high-value-added products and services that meet every customer's needs. SFG reflects opinions obtained through communication with stakeholders in operational improvement and quality enhancement of products and services to achieve sustainable growth and corporate value improvement.

At SFG, feedback received from its customers in various situations is compiled and analyzed by divisions in charge of promoting customer satisfaction and raising quality. This feedback is shared with each division within the Group and reported to management, and used to make recommendations on operational improvements and product and service enhancements.

► P15 Customer-first Business Operation Policy (Summary)



Corporate Profile

(As of March 31, 2019)

Name Sony Financial Holdings Inc.

Established April 1, 2004

Head office 1-9-2, Otemachi, Chiyoda-ku, Tokyo, Japan

Business Management control of subsidiaries (life insurance companies, non-life insurance companies, banks and others) specified by the Insurance Business Act of Japan and the Banking Act of Japan and all duties incidental to that role.

Number of employees

SFH: 82

(Consolidated: 11,055, Life insurance business: 8,454, Non-life insurance business: 1,303, Banking business: 609, Others: 623, Parent: 66)

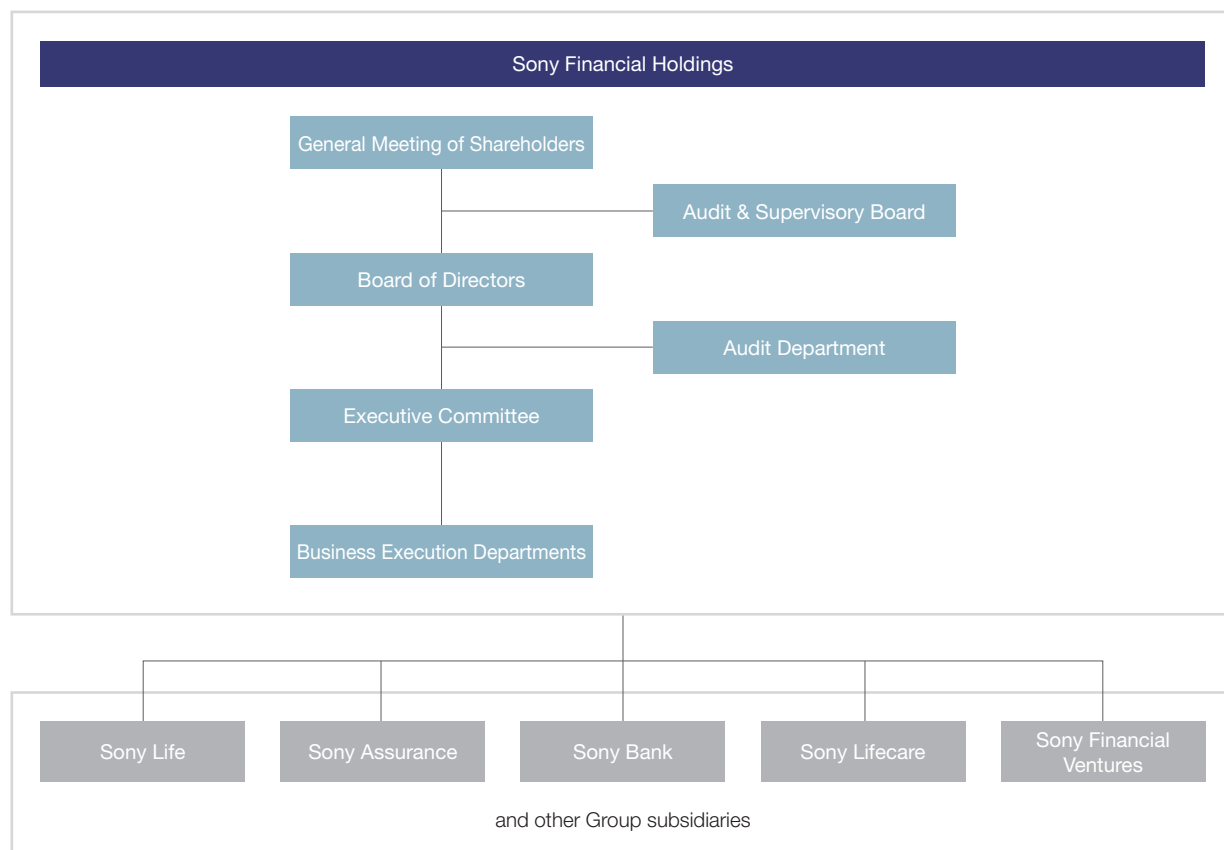
Common stock ¥19,963 million

Notes: 1. The number of employees of SFH includes 8 belonging to the life insurance business, 1 belonging to the non-life insurance business, 7 belonging to the banking business, and 66 belonging to the parent.

2. The number of employees stated in "Others" is the number of employees belonging to the nursing care business and venture capital business at subsidiaries.

Organizational Chart

(As of July 1, 2019)



Profiles of Group Companies (Main subsidiaries)

(As of June 28, 2019)

Life Insurance Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Life Insurance Co., Ltd.	August 10, 1979	Chiyoda-ku, Tokyo, Japan	Life insurance business	¥70,000 million	Sony Financial Holdings Inc. 100%
— AEGON Sony Life Insurance Co., Ltd.	August 29, 2007	Shibuya-ku, Tokyo, Japan	Life insurance business	¥21,500 million	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%
— SA Reinsurance Ltd.	October 29, 2009	British Bermuda	Reinsurance business	¥15,900 million	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%

Note: As of June 28, 2019, Sony Life entered into the final agreement to acquire the remaining 50% of the issued shares in each of AEGON Sony Life Insurance and SA Reinsurance and convert both companies into wholly-owned subsidiaries.

Non-life Insurance Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Assurance Inc.	June 10, 1998	Ota-ku, Tokyo, Japan	Non-life insurance business	¥20,000 million	Sony Financial Holdings Inc. 100%

Banking Business

Name	Established	Head office	Business	Common stock	Share ownership
Sony Bank Inc.	April 2, 2001	Chiyoda-ku, Tokyo, Japan	Banking business	¥31,000 million	Sony Financial Holdings Inc. 100%
— Sony Payment Services Inc.	September 1, 2006	Minato-ku, Tokyo, Japan	Credit card settlement services	¥488 million	Sony Bank Inc. 57%, Four other companies
— SmartLink Network Hong Kong Limited	February 27, 2013	Hong Kong, China	Credit card settlement services	¥13 million	Sony Payment Services Inc. 100%

Other (Nursing Care Business)

Name	Established	Head office	Business	Common stock	Share ownership
Sony Lifecare Inc.	April 1, 2014	Shibuya-ku, Tokyo, Japan	Management control of companies handling the nursing care business, and other duties incidental to that role	¥2,625 million	Sony Financial Holdings Inc. 100%
— Lifecare Design Inc.	October 5, 1999	Shibuya-ku, Tokyo, Japan	Planning, development and operation of nursing care homes	¥1,695 million	Sony Lifecare Inc. 100%
— Proud Life Inc.	July 3, 2006	Yokohama, Kanagawa Prefecture, Japan	Planning, development and operation of nursing care homes	¥3 million	Sony Lifecare Inc. 100%

Other (Venture Capital Business)

Name	Established	Head office	Business	Common stock	Share ownership
Sony Financial Ventures Inc.	July 10, 2018	Chiyoda-ku, Tokyo, Japan	Venture capital business	¥10 million	Sony Financial Holdings Inc. 100%

Stock Information

Information on Common Stock, Shares Outstanding

Date	Increase in Issued Shares	Total Number of Shares Issued	Increase in Common Stock (Millions of yen)	Common Stock (Millions of yen)	Increase in Capital Surplus (Millions of yen)	Capital Surplus (Millions of yen)
April 1, 2018 – March 31, 2019	35,470	435,062,983	35	19,963	35	195,340

Notes: 1. Increases due to the exercise of subscription rights to shares are as follows:

Increase in Issued Shares: 7,700 shares

Increase in Common Stock: ¥6 million

Increase in Capital Surplus: ¥6 million

2. Increases due to issued new shares as restricted stock compensation (third-party allocation) are as follows:

Increase in Issued Shares: 27,770 shares

Increase in Common Stock: ¥29 million

Increase in Capital Surplus: ¥29 million

The issue price and the amount added to common stock pertaining to the said issuance were as follows:

Issue price: ¥2,091 per share

Amount added to common stock: ¥1,045.5 per share

Stock Exchange Listing

(As of July 1, 2019)

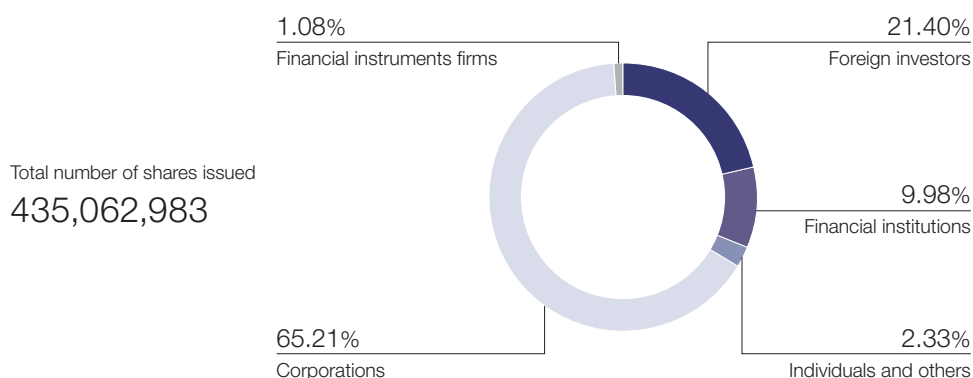
The First Section of the Tokyo Stock Exchange (Securities code: 8729)

Major Shareholders

(As of March 31, 2019)

Name	Number of Shares Held	Percentage of Ownership (excluding treasury stocks)
Sony Corporation	283,050,000	65.06
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,041,400	3.22
Japan Trustee Services Bank, Ltd. (Trust Account)	10,030,200	2.30
SSBTC CLIENT OMNIBUS ACCOUNT	9,432,717	2.16
BNPP NY/US RESIDENTS 705012	5,711,900	1.31
GOLDMAN, SACHS & CO. REG	4,786,330	1.10
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,178,000	0.73
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,777,100	0.63
JP MORGAN CHASE BANK 385151	2,749,319	0.63
SAJAP	2,664,400	0.61

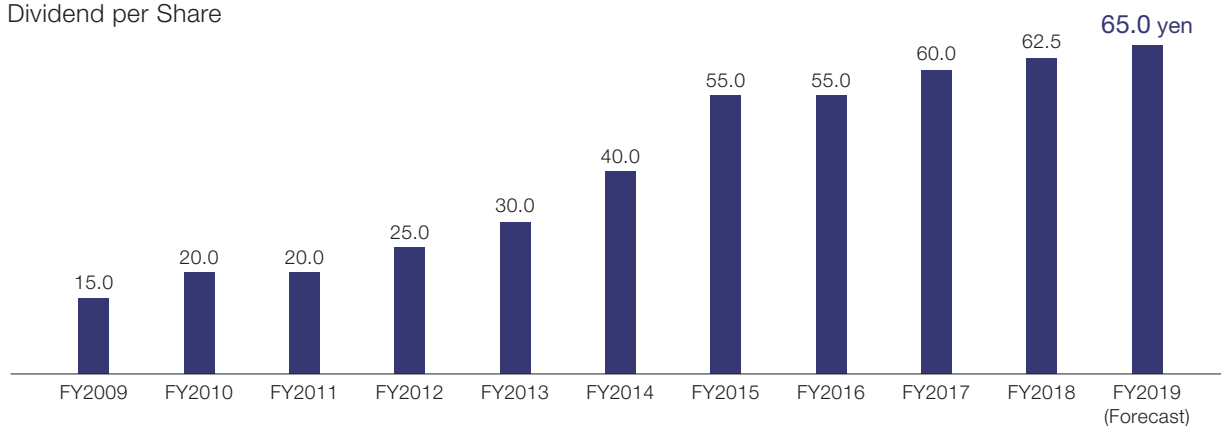
Shareholding by Shareholder Type (As of March 31, 2019)



Dividend Policy

Dividends

Dividend per Share

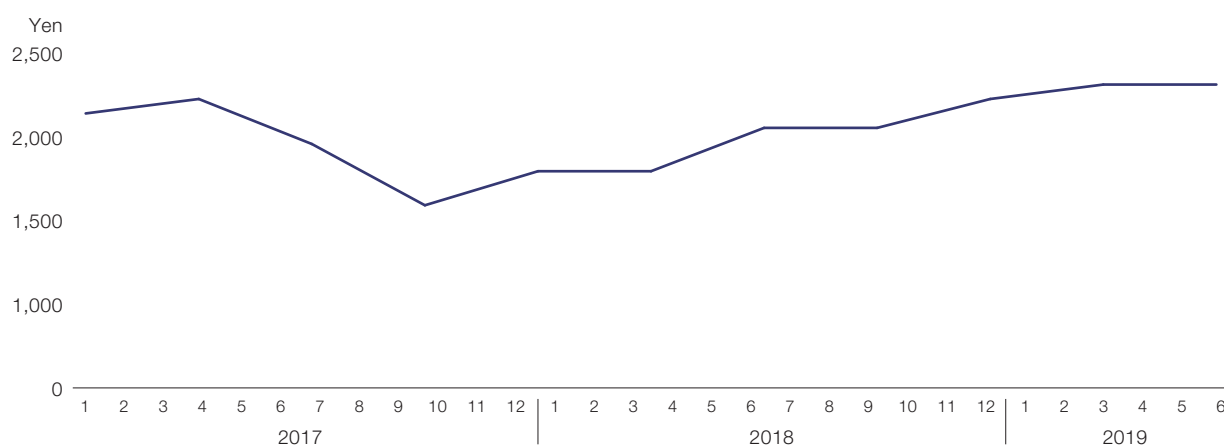


Note: Although a stock split was conducted during fiscal 2011, the dividend per share figures are calculated assuming that the stock split was conducted at the beginning of fiscal 2009.

Total Shareholder Return

	%				
	FY2014	FY2015	FY2016	FY2017	FY2018
SFH	116.7	90.7	114.7	127.0	139.7
<Comparative indicator: TOPIX>	<130.5>	<116.7>	<133.0>	<152.9>	<145.6>

Share Price



Review of Operations / Organizational Chart of Business Operations

Review of Operations

On a consolidated basis, Ordinary revenues increased 8.3% year on year, to ¥1,629.1 billion, owing to increases in ordinary revenues from all the businesses: life insurance, non-life insurance and banking businesses. Ordinary profit increased 40.4% year on year, to ¥93.8 billion, owing to increases in ordinary profit from all the above businesses. Profit attributable to owners of the parent was up 19.6% year on year, to ¥62.0 billion. Note that a ¥13.2 billion gain on disposal of fixed assets from a sale of the real estate held for investment in the life insurance business, which was recorded in extraordinary gains in the fiscal year ended March 31, 2018.

Segment results are described below.

1) Life Insurance Business

Ordinary revenues grew 8.4% year on year, to ¥1,464.3 billion, due to higher insurance premiums due to a steady rise in the policy amount in force. Ordinary profit increased 44.4% year on year, to ¥78.2 billion, due to an increase in profit on higher policy amount in force, a recording of gains on sale of securities in the general account, a decline in provision of policy reserves for products with higher surrenders, and an improvement in net gains (losses) on derivative transactions to hedge market risks for available-for-sale securities in the general account, which more than offset the effect of an impairment loss relating to available-for-sale securities in the general account.

2) Non-life Insurance Business

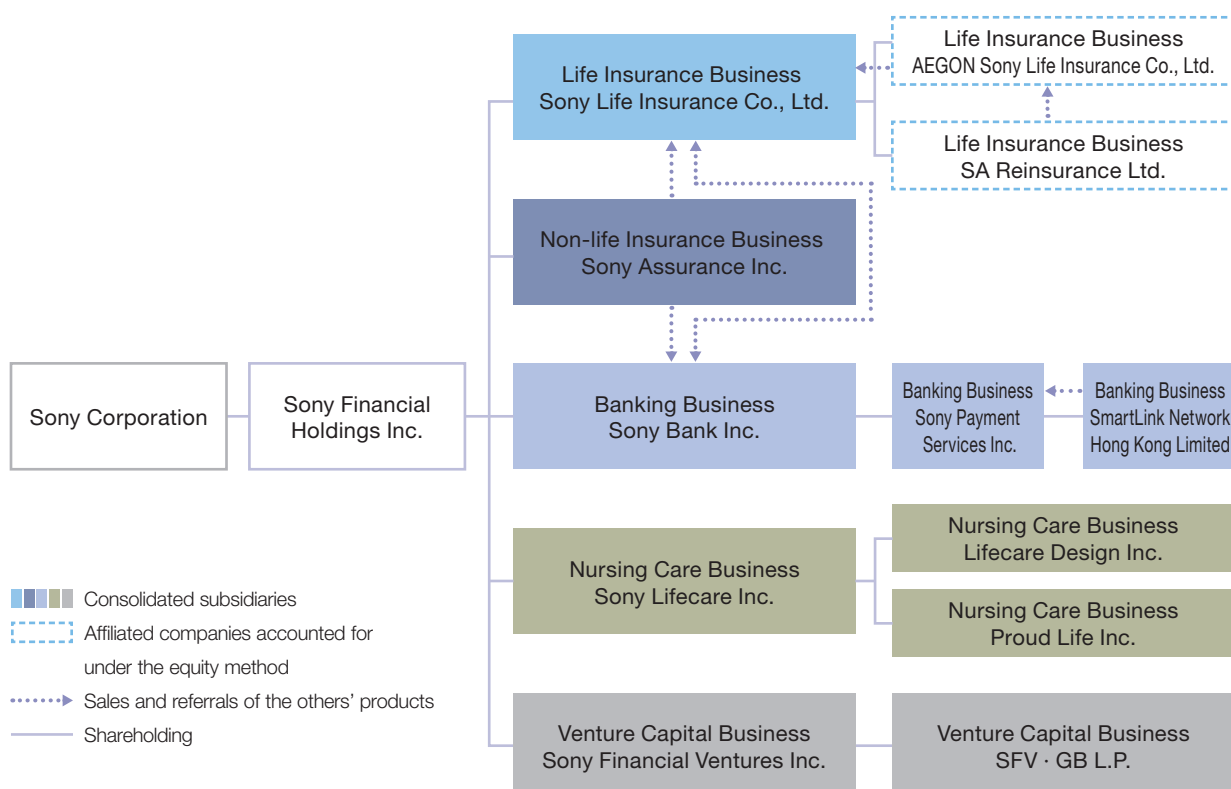
Ordinary revenues rose 4.6% year on year, to ¥115.1 billion, due to an increase in net premiums written for mainstay automobile insurance. Ordinary profit increased 4.9% year on year, to ¥6.8 billion, due to a lower expense ratio and higher revenues, despite a rise in the loss ratio stemming from natural disaster damage and the recording of additional policy reserves for a certain product.

3) Banking Business

Ordinary revenues rose 15.2% year on year, to ¥46.0 billion and ordinary profit grew 34.3% year on year, to ¥9.5 billion, due mainly to increases in interest income on investment securities and on loans in line with a growing balance of mortgage loans.

Sony Financial Group Organizational Chart of Business Operations

(As of July 1, 2019)



Financial Highlights

Sony Financial Holdings (Consolidated)

	Millions of yen				
	2015	2016	2017	2018	2019
Ordinary revenues	1,352,325	1,362,044	1,381,667	1,503,630	1,629,182
Ordinary profit	90,062	71,103	66,326	66,843	93,856
Profit attributable to owners of the parent	54,419	43,355	41,621	51,895	62,074
Comprehensive income	90,707	71,105	21,433	52,207	57,415
Total assets	9,545,868	10,352,114	11,471,845	12,401,446	13,468,215
Net assets	550,672	604,377	601,139	625,406	656,846
Consolidated capital adequacy ratio (Domestic standard) ^(Note 1) ^(Note 2)	11.91%	10.70%	14.39%	17.18%	16.50%
Consolidated solvency margin ratio ^(Note 1)	1,634.9%	1,637.1%	1,632.9%	1,748.7%	1,726.3%

Sony Life (Non-consolidated)

	Millions of yen				
	2015	2016	2017	2018	2019
Ordinary revenues	1,223,827	1,230,141	1,243,739	1,351,076	1,464,218
Ordinary profit	79,665	60,792	60,180	56,338	79,812
Net income	42,524	37,096	35,185	45,134	49,602
Total assets	7,301,350	8,035,408	8,873,613	9,567,689	10,380,148
Net assets	432,526	482,195	473,589	492,787	513,930
Non-consolidated solvency margin ratio ^(Note 1)	2,555.0%	2,722.8%	2,568.8%	2,624.3%	2,590.5%

Sony Assurance

	Millions of yen				
	2015	2016	2017	2018	2019
Ordinary revenues	93,022	96,905	102,333	110,092	115,102
Ordinary profit	4,209	4,680	4,996	6,574	6,897
Net income	2,233	2,586	3,515	4,821	4,999
Total assets	157,919	172,323	186,537	204,362	219,643
Net assets	24,741	28,305	29,409	33,189	34,798
Non-consolidated solvency margin ratio ^(Note 1)	629.6%	693.5%	730.8%	782.1%	813.0%

Sony Bank (Non-consolidated)

	Millions of yen				
	2015	2016	2017	2018	2019
Ordinary revenues	35,714	34,892	35,105	36,270	41,707
Ordinary profit	7,298	5,857	4,634	6,557	8,698
Net income	4,634	3,912	3,176	4,474	6,025
Total assets	2,062,525	2,126,564	2,424,236	2,635,028	2,860,925
Net assets	77,064	77,428	81,332	85,729	87,279
Non-consolidated capital adequacy ratio (Domestic standard) ^(Note 1) ^(Note 2)	10.65%	9.89%	9.75%	10.45%	9.58%

Notes: 1. Calculated based on rules in force at the respective dates.

2. Capital adequacy ratio has been calculated by applying foundation internal ratings-based (FIRB) approach from March 31, 2017.

SFH Consolidated Financial Statements

Consolidated Balance Sheets

Sony Financial Holdings Inc.

As of March 31, 2018 and 2019

	Millions of yen	
	2018	2019
Assets		
Cash and due from banks	327,633	415,894
Call loans and bills bought	65,500	93,700
Monetary claims purchased	5,378	4,916
Money held in trust	291,582	291,324
Securities	9,581,206	10,373,188
Loans	1,785,877	1,942,546
Tangible fixed assets	106,051	104,128
Land	63,106	63,106
Buildings	32,468	30,899
Leased assets	6,074	6,536
Construction in progress	5	77
Other tangible fixed assets	4,397	3,508
Intangible fixed assets	35,684	43,909
Software	35,059	43,327
Goodwill	583	551
Leased assets	0	—
Other intangible fixed assets	40	30
Due from reinsurers	934	1,341
Foreign exchanges	9,346	8,471
Other assets	168,736	159,361
Net defined benefit asset	3,426	3,476
Deferred tax assets	21,242	27,556
Reserve for possible loan losses	(1,152)	(1,602)
Total Assets	12,401,446	13,468,215

	Millions of yen	
	2018	2019
Liabilities		
Policy reserves and others	8,763,349	9,479,071
Reserve for outstanding claims	74,712	78,285
Policy reserves	8,683,153	9,396,241
Reserve for policyholders' dividends	5,484	4,544
Due to agencies	1,873	2,073
Due to reinsurers	5,563	5,769
Deposits	2,159,246	2,302,313
Call money and bills sold	96,000	130,611
Borrowed money	173,944	203,871
Foreign exchanges	228	244
Bonds payable	20,000	20,000
Other liabilities	470,501	578,477
Reserve for employees' bonuses	3,906	4,377
Net defined benefit liability	33,179	34,081
Reserve under the special laws	48,135	50,343
Reserve for price fluctuations	48,135	50,343
Deferred tax liabilities	0	24
Deferred tax liabilities on land revaluation	109	109
Total Liabilities	11,776,039	12,811,368
Net Assets		
Shareholders' equity		
Common stock	19,927	19,963
Capital surplus	191,157	191,193
Retained earnings	283,911	319,886
Treasury stock	(55)	(55)
Total shareholders' equity	494,941	530,987
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	133,991	128,800
Net deferred gains (losses) on hedging instruments, net of taxes	(902)	(1,077)
Land revaluation, net of taxes	(2,439)	(2,439)
Remeasurements of defined benefit plans, net of taxes	(1,929)	(1,470)
Total accumulated other comprehensive income	128,719	123,812
Subscription rights to shares	97	149
Non-controlling interests	1,648	1,896
Total Net Assets	625,406	656,846
Total Liabilities and Net Assets	12,401,446	13,468,215

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Sony Financial Holdings Inc.

For the years ended March 31, 2018 and 2019

	Millions of yen	
(1) Consolidated Statements of Income	2018	2019
Ordinary Revenues	1,503,630	1,629,182
Ordinary Revenues from the Life Insurance Business	1,347,762	1,461,632
Income from insurance premiums	1,057,411	1,134,048
Insurance premiums	1,054,867	1,130,676
Ceded reinsurance commissions	2,544	3,372
Investment income	242,703	278,950
Interest income and dividends	157,276	166,953
Income from money held in trust, net	4,490	4,490
Gains on trading securities, net	2	—
Gains on sale of securities	0	6,107
Gains on redemption of securities	1	—
Foreign exchange gains, net	—	13,455
Other investment income	1	—
Gains on separate accounts, net	80,931	87,943
Other ordinary income	47,646	48,633
Ordinary Revenues from the Non-life Insurance Business	110,091	115,101
Underwriting income	108,316	113,173
Net premiums written	108,253	113,101
Interest and dividends on deposits of premiums	62	72
Investment income	1,731	1,857
Interest income and dividends	1,324	1,372
Gains on sale of securities	470	557
Transfer to interest and dividends on deposits of premiums	(62)	(72)
Other ordinary income	43	69
Ordinary Revenues from the Banking Business	39,712	45,766
Interest income	28,344	31,926
Interest income on loans	17,064	17,473
Interest income and dividends on securities	11,204	14,382
Interest income on call loans and bills bought	2	1
Interest income on deposits with banks	63	62
Other interest income	9	7
Fees and commissions	6,751	9,398
Other operating income	3,823	3,926
Gains on foreign exchange transactions, net	3,456	3,599
Others	366	326
Other ordinary income	794	515
Other	6,064	6,681
Other ordinary income	6,064	6,681

	Millions of yen	
	2018	2019
Ordinary Expenses	1,436,787	1,535,325
Ordinary Expenses from the Life Insurance Business	1,296,417	1,386,074
Insurance claims and other payments	436,538	457,252
Insurance claims	92,342	92,997
Annuity payments	12,566	13,489
Insurance benefits	119,294	131,824
Surrender payments	199,263	204,351
Other payments	3,314	3,659
Reinsurance premiums	9,756	10,929
Provision for policy reserves and others	638,343	704,780
Provision for reserve for outstanding claims	2,211	2,433
Provision for policy reserves	636,131	702,346
Interest portion of reserve for policyholders' dividends	0	0
Investment expenses	32,889	24,650
Interest expenses	151	1,604
Losses on trading securities, net	—	126
Losses on sale of securities	0	34
Losses on valuation of securities	—	4,026
Losses on redemption of securities	2	—
Losses on derivatives, net	11,403	13,925
Foreign exchange losses, net	15,280	—
Provision for reserve for possible loan losses	23	329
Depreciation of real estate for rent and others	1,680	1,599
Other investment expenses	4,346	3,003
Operating expenses	139,420	146,776
Other ordinary expenses	49,226	52,614
Ordinary Expenses from the Non-life Insurance Business	102,798	107,413
Underwriting expenses	73,943	77,925
Net losses paid	52,482	56,608
Loss adjustment expenses	8,067	8,220
Net commission and brokerage fees	1,295	1,214
Provision for reserve for outstanding losses and claims	1,194	1,139
Provision for underwriting reserves	10,903	10,741
Investment expenses	2	1
Losses on sale of securities	—	0
Other investment expenses	2	1
Operating, general and administrative expenses	28,848	29,482
Other ordinary expenses	4	4

(Continued on next page)

Consolidated Statements of Income (Continued)

Millions of yen

	2018	2019
Ordinary Expenses from the Banking Business	30,428	34,135
Interest expenses	7,656	8,566
Interest expenses on deposits	5,320	6,744
Interest expenses on call money and bills sold	(73)	88
Interest on payables under repurchase agreements	—	312
Interest on borrowed money	0	0
Interest expenses on bonds	40	12
Interest expenses on interest rate swaps	2,360	1,400
Other interest expenses	8	7
Fees and commissions	4,676	5,883
Other operating expenses	105	485
General and administrative expenses	17,733	18,786
Other ordinary expenses	257	414
Other	7,141	7,702
Other ordinary expenses	7,141	7,702
Ordinary Profit	66,843	93,856
Extraordinary Gains	13,258	0
Gains on disposal of fixed assets	13,258	0
Extraordinary Losses	2,180	2,367
Losses on disposal of fixed assets	187	92
Impairment losses	2	67
Provision for reserve under the special laws	1,953	2,207
Provision for reserve for price fluctuations	1,953	2,207
Others	36	—
Provision for Reserve for Policyholders' Dividends	3,271	2,146
Income Before Income Taxes	74,650	89,343
Income Taxes-Current	29,008	31,871
Income Taxes-Deferred	(6,344)	(4,853)
Total Income Taxes	22,664	27,018
Profit	51,985	62,325
Profit Attributable to Non-controlling Interests	90	250
Profit Attributable to Owners of the Parent	51,895	62,074

(2) Consolidated Statements of Comprehensive Income

Millions of yen

	2018	2019
Profit	51,985	62,325
Other Comprehensive Income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	(857)	(5,215)
Net deferred gains (losses) on hedging instruments, net of taxes	251	(174)
Remeasurements of defined benefit plans, net of taxes	827	456
Share of other comprehensive income of affiliates accounted for using equity method	—	23
Total other comprehensive income	221	(4,909)
Comprehensive Income	52,207	57,415
Details:		
Comprehensive income attributable to owners of the parent	52,116	57,167
Comprehensive income attributable to non-controlling interests	91	248

Consolidated Statements of Changes in Net Assets

Sony Financial Holdings Inc.

For the years ended March 31, 2018 and 2019

	Millions of yen				
	2018				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	19,900	195,277	255,062	(81)	470,157
Changes during the period					
Issuance of new shares	27	27	—	—	55
Dividends from surplus	—	—	(23,922)	—	(23,922)
Profit attributable to owners of the parent	—	—	51,895	—	51,895
Disposal of treasury shares	—	(5)	—	26	21
Transfer of loss on disposal of treasury shares	—	5	(5)	—	—
Reversal of land revaluation	—	—	973	—	973
Adjustments due to change of scope of consolidation	—	—	(92)	—	(92)
Change in ownership interest of parent due to transactions with non-controlling interests	—	(4,147)	—	—	(4,147)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	27	(4,119)	28,849	26	24,784
Balance at the end of the period	19,927	191,157	283,911	(55)	494,941

	Millions of yen							
	2018							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Land revaluation, net of taxes	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning of the period	134,849	(1,154)	(1,465)	(2,756)	129,472	49	1,460	601,139
Changes during the period								
Issuance of new shares	—	—	—	—	—	—	—	55
Dividends from surplus	—	—	—	—	—	—	—	(23,922)
Profit attributable to owners of the parent	—	—	—	—	—	—	—	51,895
Disposal of treasury shares	—	—	—	—	—	—	—	21
Transfer of loss on disposal of treasury shares	—	—	—	—	—	—	—	—
Reversal of land revaluation	—	—	—	—	—	—	—	973
Adjustments due to change of scope of consolidation	—	—	—	—	—	—	—	(92)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	(4,147)
Net changes of items other than shareholders' equity	(857)	251	(973)	827	(752)	48	187	(516)
Total changes during the period	(857)	251	(973)	827	(752)	48	187	24,267
Balance at the end of the period	133,991	(902)	(2,439)	(1,929)	128,719	97	1,648	625,406

(Continued on next page)

Consolidated Statements of Changes in Net Assets (Continued)

Millions of yen

	2019				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	19,927	191,157	283,911	(55)	494,941
Changes during the period					
Issuance of new shares	35	35	—	—	71
Dividends from surplus	—	—	(26,099)	—	(26,099)
Profit attributable to owners of the parent	—	—	62,074	—	62,074
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	35	35	35,975	—	36,046
Balance at the end of the period	19,963	191,193	319,886	(55)	530,987

Millions of yen

	2019							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Land revaluation, net of taxes	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning of the period	133,991	(902)	(2,439)	(1,929)	128,719	97	1,648	625,406
Changes during the period								
Issuance of new shares	—	—	—	—	—	—	—	71
Dividends from surplus	—	—	—	—	—	—	—	(26,099)
Profit attributable to owners of the parent	—	—	—	—	—	—	—	62,074
Net changes of items other than shareholders' equity	(5,191)	(174)	—	458	(4,907)	52	248	(4,606)
Total changes during the period	(5,191)	(174)	—	458	(4,907)	52	248	31,439
Balance at the end of the period	128,800	(1,077)	(2,439)	(1,470)	123,812	149	1,896	656,846

Consolidated Statements of Cash Flows

Sony Financial Holdings Inc.

For the years ended March 31, 2018 and 2019

	Millions of yen	
	2018	2019
Cash flows from operating activities		
Income before income taxes	74,650	89,343
Depreciation of real estate for rent and others	1,680	1,599
Depreciation and amortization	11,828	11,297
Impairment losses	2	67
Amortization of goodwill	32	32
Increase (decrease) in reserve for outstanding claims	3,405	3,573
Increase (decrease) in policy reserve	647,035	713,088
Interest portion of reserve for policyholders' dividends	0	0
Provision for (reversal of) reserve for policyholders' dividends	3,271	2,146
Increase (decrease) in reserve for possible loan losses	(140)	449
Increase (decrease) in net defined benefit liability	2,363	1,630
Increase (decrease) in reserve for directors' retirement benefits	(176)	—
Increase (decrease) in reserve for price fluctuations	1,953	2,207
Interest income and dividends	(186,943)	(200,253)
(Gains) losses on securities	(80,057)	(94,790)
Interest expenses	8,327	10,698
Losses (gains) on derivatives	11,403	13,925
Exchange (gains) losses	23,489	(17,258)
(Gains) losses on disposal of tangible fixed assets	(13,283)	78
Equity in (gains) losses of affiliates	2,338	1,748
Net (increase) decrease in loans	(56,745)	(147,727)
Net increase (decrease) in deposits	87,987	143,031
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	80,000	30,000
Net increase (decrease) in call money and bills sold	26,000	54,902
Net (increase) decrease in call loans and bills bought	(4,805)	461
Net (increase) decrease in foreign exchange (assets)	(2,077)	874
Net increase (decrease) in foreign exchange (liabilities)	119	16
Others, net	15,506	21,467
Subtotal	657,168	642,611
Interest and dividends received	197,007	205,869
Interest paid	(8,484)	(10,221)
Policyholders' dividends paid	(3,517)	(3,086)
Income taxes paid	(22,451)	(32,251)
Net cash provided by (used in) operating activities	819,721	802,921
Cash flows from investing activities		
Net (increase) decrease in deposits	5	—
Investments in money held in trust	(101)	(1,044)
Proceeds from money held in trust	6,532	4,522
Purchases of securities	(1,104,737)	(1,219,208)
Proceeds from sale and redemption of securities	427,925	526,015
Investments in loans	(60,315)	(63,716)
Collections of loans	28,761	30,341
Net gains (losses) from the settlement of derivative financial instruments	(22,997)	7,389
Net increase (decrease) in collateral for securities lending transactions	(6,719)	27,166
Others, net	32,553	48,264
Total of net cash provided by (used in) investment transactions	(699,092)	(640,270)
Total of net cash provided by (used in) operating activities and investment transactions	120,629	162,651
Purchases of tangible fixed assets	(2,049)	(1,255)
Proceeds from sales of tangible fixed assets	36,700	1
Purchases of intangible fixed assets	(12,481)	(17,794)
Purchase of securities of non-consolidated subsidiaries	(339)	(50)
Purchase of securities of affiliates	(3,450)	(300)
Others, net	(132)	(147)
Net cash provided by (used in) investing activities	(680,845)	(659,815)
Cash flows from financing activities		
Proceeds from debt borrowing	5,266	4,640
Repayments of debt	(5,133)	(4,712)
Cash dividends paid	(23,921)	(26,095)
Proceeds from issuance of bonds	19,938	—
Payments for redemption of bonds	(10,000)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(171)	—
Others, net	(474)	(476)
Net cash provided by (used in) financing activities	(14,496)	(26,645)
Effect of exchange rate changes on cash and cash equivalents	(2)	0
Net increase (decrease) in cash and cash equivalents	124,377	116,461
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	373	—
Cash and cash equivalents at the beginning of the period	268,381	393,133
Cash and cash equivalents at the end of the period	393,133	509,594

Note: The above Consolidated Statements of Cash Flows have been prepared based on Article 210-10 of Ordinance for Enforcement of the Insurance Business Act of Japan.

Segment Information

1 Outline of Reportable Segments

The Sony Financial Group's reportable 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., Ltd., Sony Assurance Inc., Sony Bank Inc., Sony Lifecare Inc., and Sony Financial Ventures 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 Sony Financial Group consists of three reportable 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., AEGON Sony Life Insurance Co., Ltd. and SA Re-insurance Ltd.
- The non-life insurance business consists of Sony Assurance Inc.
- The banking business consists of Sony Bank Inc., Sony Payment Services Inc. and SmartLink Network Hong Kong Limited.

2 Calculation Method for Amounts of Ordinary Revenues, Profit, Assets, Liabilities and Other Items by Each Reportable Segment

Accounting of reported business segments is roughly the same as described in page 10 through page 12 "(Notes to the Consolidated Financial Statements)" of the Financial Data Book.

Intersegment ordinary revenues are based on third-party transaction prices.

3 Information on Amounts of Ordinary Revenues, Profit, Assets, Liabilities and Other Items by Each Reportable Segment

Millions of yen

	2018				Other (Note 1)	Total
	Reportable Segments			Total		
	Life Insurance Business	Non-life Insurance Business	Banking Business	Total		
Ordinary revenues (Note 2)						
(1) External customers	1,347,762	110,091	39,712	1,497,566	6,064	1,503,630
(2) Intersegment	3,462	1	221	3,685	—	3,685
Total	1,351,225	110,092	39,934	1,501,251	6,064	1,507,316
Segment profit	54,148	6,574	7,146	67,869	(1,077)	66,792
Segment assets	9,566,063	204,395	2,651,162	12,421,622	13,532	12,435,155
Other						
Depreciation (Note 3)	7,147	3,927	2,458	13,532	616	14,148
Interest income and dividends	157,743	1,324	28,344	187,411	0	187,411
Interest expenses	151	—	7,731	7,883	516	8,400
Equity in earnings (losses) of affiliates	(2,338)	—	—	(2,338)	—	(2,338)
Investments in equity-method affiliates	12,245	—	—	12,245	—	12,245
Increase in tangible fixed assets and intangible fixed assets (Note 4)	9,511	2,660	4,709	16,882	930	17,812

Notes: 1. "Other" represents the nursing care business, which is a business segment not included in reportable segments.
 2. Ordinary revenues stated herein are equivalent to net sales of a regular entity.
 3. Depreciation includes amortization of long-term prepaid expenses, etc.
 4. Increase in tangible fixed assets and intangible fixed assets includes an increase in long-term prepaid expenses, etc.

Millions of yen

	2019				Other (Note 1)	Total
	Reportable Segments			Total		
	Life Insurance Business	Non-life Insurance Business	Banking Business	Total		
Ordinary revenues (Note 2)						
(1) External customers	1,461,632	115,101	45,766	1,622,500	6,681	1,629,182
(2) Intersegment	2,735	1	252	2,988	—	2,988
Total	1,464,367	115,102	46,018	1,625,488	6,681	1,632,170
Segment profit	78,213	6,897	9,597	94,708	(1,021)	93,687
Segment assets	10,380,274	219,672	2,878,879	13,478,825	22,636	13,501,462
Other						
Depreciation (Note 3)	7,847	2,457	2,489	12,794	631	13,425
Interest income and dividends	166,953	1,372	31,926	200,252	2	200,255
Interest expenses	1,604	—	8,643	10,248	507	10,755
Equity in earnings (losses) of affiliates	(1,748)	—	—	(1,748)	—	(1,748)
Investments in equity-method affiliates	10,969	—	—	10,969	—	10,969
Increase in tangible fixed assets and intangible fixed assets (Note 4)	9,496	5,790	3,977	19,264	1,141	20,406

Notes: 1. "Other" represents the nursing care business and the venture capital business, which are business segments not included in reportable segments.
 2. Ordinary revenues stated herein are equivalent to net sales of a regular entity.
 3. Depreciation includes amortization of long-term prepaid expenses, etc.
 4. Increase in tangible fixed assets and intangible fixed assets includes an increase in long-term prepaid expenses, etc.

4 Differences between the Reportable Segments Total and the Amount in the Consolidated Financial Statements, and the Main Components of Such Differences (Matters Related to Reconciliation)

1 Total ordinary revenues of reportable segments and ordinary revenues in the consolidated statements of income

	Millions of yen	
	2018	2019
Totals of reportable segments	1,501,251	1,625,488
Other	6,064	6,681
Adjustments for intersegment transactions	(3,685)	(2,988)
Ordinary revenues in statement of income	1,503,630	1,629,182

2 Total profit of reportable segments and ordinary profit in the consolidated statements of income

	Millions of yen	
	2018	2019
Totals of reportable segments	67,869	94,708
Other	(1,077)	(1,021)
Adjustments for intersegment transactions	(133)	—
Amount not allocated to reportable segments	185	169
Ordinary profit in statement of income	66,843	93,856

3 Total assets of reportable segments and the amount of assets in the consolidated balance sheets

	Millions of yen	
	2018	2019
Totals of reportable segments	12,421,622	13,478,825
Other	13,532	22,636
Adjustments for intersegment transactions	(70,927)	(66,653)
Amount not allocated to reportable segments	37,218	33,406
Assets in balance sheets	12,401,446	13,468,215

4 Total other items of reportable segments and the amount of the items equivalent thereto in the consolidated financial statements

	Millions of yen							
	Reportable Segments Total		Other		Reconciliation		Amounts in the Consolidated Financial Statements	
	2018	2019	2018	2019	2018	2019	2018	2019
Depreciation	13,532	12,794	616	631	38	40	14,187	13,466
Interest income and dividends	187,411	200,252	0	2	(467)	(0)	186,944	200,255
Interest expenses	7,883	10,248	516	507	(74)	(77)	8,325	10,678
Equity in earnings (losses) of affiliates	(2,338)	(1,748)	—	—	—	—	(2,338)	(1,748)
Investments in affiliates	12,245	10,969	—	—	—	—	12,245	10,969
Increase in tangible fixed assets and intangible fixed assets	16,882	19,264	930	1,141	10	69	17,822	20,475

Other Financial Data

SFH

Risk-monitored Loans

As of March 31,	Millions of yen	
	2018	2019
Category		
Bankrupt loans	91	180
Non-accrual delinquent loans	1,075	1,220
Past-due loans (3 months or more)	—	—
Restructured loans	842	800
Total	2,009	2,201

Consolidated Solvency Margin Ratio

As of March 31,	Millions of yen	
	2018	2019
(A) Total consolidated solvency margin	1,381,575	1,481,117
Common stock, etc.	470,030	505,148
Reserve for price fluctuations	48,135	50,343
Contingency reserve	90,025	98,736
Catastrophe reserve	20,970	24,636
General reserve for possible loan losses	416	483
Net unrealized gains on available-for-sale securities and net deferred gains or losses on hedging instruments, net of taxes (before tax deductions) x 90% (100% if losses)	163,989	157,692
Net unrealized gains on real estate x 85% (100% if losses)	30,023	51,154
Total amount of unrecognized net actuarial gain (loss) and unrecognized prior service cost (before subtracting tax effects)	(2,724)	(2,090)
Amount excluded from deferred tax assets	—	—
Unallotted portion of reserve for policyholders' dividends	377	245
Deferred tax assets (after deducting amount excluded)	90,359	95,400
Subordinated debt and surplus components of premium reserve	482,261	510,406
Total solvency margin of small-amount short-term insurers	—	—
Deductible items	12,290	11,040
(B) Total consolidated risk $\sqrt{[(R_1^2+R_5^2)+R_6+R_9]^2+(R_2+R_3+R_7)^2}+R_4+R_8$	158,006	171,586
Insurance risk (R_1)	24,337	24,574
Ordinary insurance risk (R_5)	12,395	13,181
Major catastrophe risk (R_6)	1,036	1,105
Third-sector insurance risk (R_9)	8,587	8,527
Insurance risk of small-amount short-term insurers (R_9)	—	—
Assumed interest rate risk (R_2)	32,566	34,186
Minimum guarantee risk (R_7)	20,137	22,141
Asset management risk (R_3)	93,730	103,438
Business management risk (R_4)	6,199	6,618
Consolidated solvency margin ratio $(A)/[(1/2) \times (B)] \times 100$	1,748.7%	1,726.3%

Notes: 1. Figures are calculated in accordance with Article 210, Paragraph 11-3 and Paragraph 11-4 of the Ordinance of Enforcement of the Insurance Business Act of Japan, and FSA Notification No. 23 (2011).

2. Minimum guarantee risk is calculated based on the standardized method.

■ Sony Life (Non-consolidated)

Risk-monitored Loans

	Billions of yen	
As of March 31,	2018	2019
Category		
Bankrupt loans	—	—
Non-accrual delinquent loans	—	0.0
Past-due loans (3 months or more)	—	—
Restructured loans	—	—
Total	—	0.0

■ Sony Assurance

Risk-monitored Loans

The company does not have any risk-monitored loans (loans for which repayment conditions are not ordinary).

■ Sony Bank (Non-consolidated)

Risk-monitored Loans

	Billions of yen	
As of March 31,	2018	2019
Category		
Bankrupt loans	0.0	0.1
Non-accrual delinquent loans	1.0	1.2
Past-due loans (3 months or more)	—	—
Restructured loans	0.8	0.8
Total	1.9	2.2

Relationship with Parent Company, Sony Corporation

(As of July 1, 2019)

As described in the Basic Policy on Corporate Governance (please see page 35), SFH is a listed subsidiary of Sony Corporation. Accordingly, SFH maintains managerial independence from its parent company and strives to ensure highly transparent management.

● Capital Relationship

SFH is a financial holding company, established in April 2004 as a corporate spin-off from Sony Corporation. In October 2007, SFH's shares were listed on the First Section of the Tokyo Stock Exchange with the initial public offering conducted in Japan and overseas. Sony Corporation later made additional purchases of SFH shares, bringing its shareholding to 65.06% (excluding treasury stocks) as of March 31, 2019. As a result, regardless of the intentions and interests of other shareholders, Sony Corporation may have an impact on all matters requiring shareholder approval such as the appointment and dismissal of SFH directors and audit & supervisory board members, mergers and other organizational restructuring, material asset and business transfers, amendments to the Articles of Incorporation and the payment of dividends.

● Ensuring Independence in Business Activities

Because SFG's business operations have a tenuous connection with the Sony Group's business domains except for Financial Services, and because SFG operates its business primarily in accordance with the Insurance Business Act and the Banking Act of Japan, under the supervision of the Financial Services Agency (FSA) of Japan, SFH believes that SFG conducts its business with a certain degree of independence from the Sony Group. In addition, Sony Corporation, which has obtained approval from FSA to remain a major SFH shareholder, recognizes and respects SFH's corporate philosophy.

● Personnel Relationship

SFH's three directors and one audit & supervisory board member serve concurrently as executives / employees of the Sony Group. Moreover, Sony Corporation has seconded five employees to SFH. Based on the above-stated Ensuring Independence in Business Activities, SFH believes that concurrent directors and audit & supervisory board member are positioned to make independent management decisions. From the standpoint of further enhancing independence from the parent company, SFH has appointed four outside directors and two outside audit & supervisory board members who have no special relationship with the Sony Group and designated them as independent directors and/or independent audit & supervisory board members based on rules set forth by the Tokyo Stock Exchange regulations, respectively.

● Using the "Sony" Trade Name and Trademark

SFH and Group companies have entered into royalty agreements with Sony Corporation for the use of the "Sony" trade name and trademark. However, these agreements can be rescinded by Sony Corporation under certain conditions, such as its share of voting rights in SFH falling below a majority, or SFH's percentage ownership of the voting rights of SFG companies dropping. Furthermore, Sony Financial Group companies pay royalty fees to Sony Corporation based on these agreements. The amount paid in fiscal 2018 was ¥2,862 million and the amount of these royalty fees has no material impact on the management base of SFG.

SFG believes that the use of the "Sony" trade name and trademark confers certain advantages, including stronger brand recognition, enhanced trustworthiness and higher employee motivation and awareness.

● Transactions with Sony Corporation

SFH is a listed subsidiary of Sony Corporation. For this reason, SFH has set out a Policy Concerning Measures to Protect Minority Shareholders in Transactions with the Controlling Shareholder to protect the interests of minority shareholders.

► Policy Concerning Measures to Protect Minority Shareholders in Transactions with Sony Corporation (Controlling Shareholder) can be viewed at the following SFH's website:

<https://www.sonyfh.co.jp/en/company/management.html>

Financial Data Book Contents



Please visit SFH's website to view the Financial Data Book.

Detailed financial data for each operating company is presented in the Financial Data Book and it is only disclosed on the website.

https://www.sonyfh.co.jp/en/financial_info/annualreport

SFH Financial Data (Consolidated)

Principal Indicators of Operating Performance
Consolidated Balance Sheets
Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Net Assets
Consolidated Statements of Cash Flows
Notes to the Consolidated Financial Statements

Sony Life Financial Data (Non-consolidated)

Balance Sheets
Statements of Income
Statements of Changes in Net Assets
Statements of Cash Flows
1. Loans by Borrower Category
2. Risk-monitored Loans
3. Accounting Indicators
4. Reconciliation to Core Profit and
Non-consolidated Ordinary Profit
5. Fair Value Information on Securities (General Account)
6. Fair Value Information on Securities (Company Total)

Sony Life Performance Indicators (Non-consolidated)

1. Key Performance Indicators for Past Five Years
2. Key Performance Indicators
3. Indicators for Insurance Policies
4. Indicators Related to Asset Management
(General Account)
5. Status of Insurance Claims Paying Ability
6. Balance of Separate Account Assets
7. Investment Progress of Separate Account Assets in
Individual Variable Life Insurance and Individual Variable
Annuities
8. Status of Individual Variable Life Insurance and Individual
Variable Annuities
9. Number of Agencies
10. Number of Employees and Recruits
11. Average Salary

Sony Assurance Financial Data

Balance Sheets
Statements of Income
Statements of Changes in Net Assets
Statements of Cash Flows
1. Loans by Borrower Category
2. Risk-monitored Loans
3. Assets and Liabilities
4. Profit and Loss
5. Fair Value Information, etc.

Sony Assurance Performance Indicators

1. Principal Indicators of Operating Performance
2. Underwriting Performance
3. Asset Management
4. Non-consolidated Solvency Margin Ratio

Sony Bank Financial Data (Consolidated)

Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Net Assets
Consolidated Statements of Cash Flows

Sony Bank Financial Data (Non-consolidated)

Balance Sheets
Statements of Income
Statements of Changes in Net Assets
1. Loans by Borrower Category
2. Risk-monitored Loans
3. Profit and Loss
4. Fair Value Information

Sony Bank Performance Indicators (Non-consolidated)

1. Key Performance Indicators
2. Status of Operations (Deposits)
3. Status of Operations (Loans)
4. Status of Operations (Securities)

MCEV Results for Sony Life

MCEV Results for Sony Life as of March 31, 2019

Glossary (in Alphabetical Order)

A

ALM (asset liability management)

A method for maximizing and stabilizing net asset value, which is calculated by deducting the value of liabilities from the value of assets, through the comprehensive grasp and management of assets and liabilities in consideration of their special characteristics.

Annualized insurance premiums

An indicator of the approximate annual premium income from existing policies, which is used as a performance indicator. Annualized insurance premiums are calculated by adjusting differences in the payment methods since insurance premiums can be paid monthly, annually or in a lump sum, and by assuming that average payments will be made over the term of the policy.

Assumed interest rate

Insurance companies anticipate a certain return on invested assets in advance and discount insurance premiums only by this amount.

This discount rate is called the assumed interest rate.

Assumed mortality rate

The mortality rate is the percentage of people who die in a single year for a given large population. The assumed mortality rate is the mortality rate used when calculating the amount of insurance premiums needed to cover future benefit payments, and represents a projection of the number of deaths by gender and age based on past statistics.

Assumed rate of expense

In operating their businesses, insurance companies forecast their expenses, and then incorporate this amount in their insurance premiums. This expense rate is called the assumed rate of expense.

C

Capital adequacy ratio

The ratio of capital to total assets. An indicator of whether a bank has enough capital, including common stock, versus credit risk assets (of total assets, those which could become non-performing). If a bank is unable to recover a large amount of loans, it can draw on capital and write off these loans. A sharp decrease in capital creates difficulties in bank management.

Capital adequacy ratio regulations ensure that banks are soundly managed by keeping the capital adequacy ratio above a certain level. This ratio is therefore an important indicator to show financial soundness. For banks possessing business bases overseas, the internationally standardized regulations to preserve financial soundness are a capital adequacy ratio of over 8%, and for banks not possessing business bases overseas, in Japan a capital adequacy ratio of 4% is required.

Catastrophe reserve

A type of policy reserve, under which, pursuant to the provisions of the Insurance Business Act of Japan, non-life insurance companies are required to accumulate each fiscal year as an amount calculated based on premium income to cover losses due to catastrophic events.

In consideration of the special need for the non-life insurance business to cover a wide range of risks, the catastrophe reserve acts as a provision against the risk of large insurance claims resulting from earthquakes, typhoons and other catastrophic events. It is structured to be accumulated over the course of multiple fiscal years, and reversed during the fiscal year in which a disaster occurs.

Combined ratio

The sum of a net loss ratio and net expense ratio. Indicates an insurance company's profitability in the primary business operations.

Compulsory automobile liability insurance

Compulsory automobile liability insurance is legally required for all vehicles and provides protection for victims of traffic accidents resulting in injury or death. Compulsory automobile liability mutual aid is similar. With compulsory automobile liability insurance (mutual aid), indemnity payments per person per accident are capped at ¥30 million for death, ¥40 million for serious residual disability and ¥1.2 million for injury. Benefits are not paid for vehicle or property damage.

Contingency reserve

Reserve to prepare for possible contingencies, including insurance risk and assumed interest rate risk.

Core profit

An indicator of profits (losses) in the primary insurance business over a one-year period.

It is derived by subtracting from ordinary profit any profits earned from operations other than the primary insurance business. Profit categories subtracted from ordinary profit include gains and losses on the sale of securities and one-time gains and losses, such as profits from the sale of assets owned by the insurance company.

D

Direct premiums written

Premiums received from policyholders, calculated by subtracting direct surrender payments and other direct payments from direct premiums.

Duration

A sensitivity index indicating the extent to which the present value of future cash flow (interest income, repayment of principal, receipt of premiums, payment of insurance benefits and dividends, etc.) from eligible assets (managed assets) and liabilities (policy liabilities) will be

affected by interest rate fluctuations. While a variety of types and methods for calculating duration exists, a method expressing the weighted average maturity of the cash flow in question is relatively widely used.

E

Earned/incurred (E.I.) loss ratio

An indicator that represents the loss ratio incurred during the current period that takes into account the provision and reversal of reserve for outstanding losses and ordinary underwriting reserves calculated using the following formula: Earned/incurred (E.I.) loss ratio = (Net losses paid + Provision for reserve for outstanding losses + Loss adjustment expenses) / Earned premiums (excluding earthquake insurance and compulsory automobile liability insurance) × 100.

Endowment insurance

Endowment insurance entitles a beneficiary to receive death or serious disability benefits upon the death or serious disability of the insured within an insurance period specified when the policy is purchased, or to receive maturity benefits upon policy maturity.

ERM (enterprise risk management)

An approach to accomplishing corporate strategic goals and sustainable growth in corporate value by conducting integrated recognition and control of all risks a company faces and seeking to optimize the risk from a company-wide perspective.

ESR (economic solvency ratio)

ESR is one of the financial soundness indicators, which measures whether an organization possesses sufficient capital in relation to its risks.

Sony Life computes its ESR by dividing MCEV by the risk amount based on economic value. For details on MCEV and the risk amount based on economic value, please see "MCEV Results for Sony Life" in the Financial Data Book.

EV (embedded value)

An indicator of the corporate value of a life insurance company. Sony Life discloses MCEV (market consistent embedded value) in conformity with the MCEV Principles. For details on MCEV, please see "MCEV Results for Sony Life" in the Financial Data Book.

Expense ratio

The ratio of expenses to insurance premiums. Used as an indicator of business efficiency at insurance companies. Expenses are used for soliciting, maintaining and managing insurance as well as for payment of insurance claims.

F

Foreign currency-denominated insurance

Insurance product in which insurance premiums are invested in foreign currency. Sony Life sells U.S.

dollar-denominated insurance, in which policyholders pay the Japanese yen equivalent of the U.S. dollar-denominated insurance premiums and select the Japanese yen or U.S. dollar when they receive insurance claims.

Foundation internal ratings-based approach

The amount of credit risk assets is calculated mainly by the standard approach or internal rating based approach for computing the capital adequacy ratio. The standard approach calculates the amount of credit risk assets by using the risk weight set by authorities. On the other hand, the internal rating based approach calculates the amount of credit risk assets by using the default rate, etc. as estimated internally by financial institutions that practice advanced risk management. This approach includes a fundamental internal rating based approach that partly uses the values set by authorities for loss rates at the time of default, and an advanced internal rating based approach that uses the values estimated internally by financial institutions in every situation.

G

General accounts

Accounts for managing financial assets not included in separate accounts. This account guarantees policyholders a certain assumed interest rate, while the life insurance company bears the asset management risk.

Gross operating profit

The total income from the four components of banking services income: net interest income, net fees and commissions, net trading income and net other operating income. Equivalent to gross profit (sales minus purchases) and an indicator of the amount of profits a bank generates from its main services.

I

Individual annuities

Policyholders are eligible for receiving annuity payments from funds accumulated by paid insurance premiums at a certain age prescribed in the policy. There are a variety of types depending on the period for receiving the annuity, structure of the annuity, method for paying premiums and death protection prior to receiving the annuity.

Individual variable annuities

Individual annuity product in which assets are invested mainly in stocks and bonds, and annuity and surrender payments increase or decrease depending on investment returns. The individual policyholder bears the asset management risk.

Insurance premiums

Money paid by policyholders to an insurance company based on the insurance policy.

Even after submitting an insurance policy application, no protection or compensation is provided unless premiums are paid.

Investment crowd funding

Investment crowd funding is an arrangement that uses the Internet to link venture companies' fund-raising needs for their projects with investors' money management needs. Unlike donation-type and purchase-type crowd funding, which do not involve monetary return, investors can receive dividends.

Meanwhile, investment crowd funding has the feature of investment products associated with risks, whereby dividends may not be paid or the investment value may fall below the amount invested due to the performance of venture companies, etc.

L

Lapse and surrender rate

Surrender refers to the cancellation of an insurance policy at some point in the future. Upon surrender, the policy is terminated, and from that point protection or coverage is lost. On the other hand, a lapse is when a policyholder fails to pay premiums within the payment grace period, causing the policy to lapse, from which point the policy will no longer provide protection.

The lapse and surrender rate is the ratio of lapses and surrenders to policies in force at the beginning of the fiscal year. It is calculated by adding the total of lapses and surrenders for the year in question, and then dividing by the amount of policies in force at the beginning of the fiscal year.

Living benefit insurance

This insurance provides a lump-sum benefit payment when the insured is diagnosed with a disease such as one of the three major diseases (cancer, heart attack or stroke).

Loss adjustment expenses

Expenses incurred by an insurance company in examining an insured event. These include personnel and non-personnel expenses.

Loss ratio

The ratio of insurance claims paid to premium income. Used in analyzing the business of an insurance company and in calculating insurance premium rates. The net loss ratio is the ratio derived by adding loss adjustment expenses to net losses paid, then dividing by net premiums written.

M

MDRT (Million Dollar Round Table)

A global, independent association of the world's leading life insurance and financial services professionals with 66,000 members from 72 countries and territories (as of August 2018). MDRT members demonstrate exceptional professional knowledge and strict ethical

conduct. Through their outstanding client services, MDRT members are recognized as leaders of the business and local communities. They are also internationally recognized as professionals in the life insurance and financial services business.

N

Net fees and commissions

Fees and commissions charged for providing services. These refer to income generated by providing services, such as bank transfer fees and investment trust sales commissions, less the costs associated with providing these services.

Net interest income

Net interest income accounts for the largest percentage of the four income components of gross operating profit. Banks generally use the deposits received from individuals and the funds raised in interbank markets to provide loans to individuals and companies and to invest in securities. Net interest income is the difference between the total interest received from loans and other items (interest income) and the total interest paid for deposits and other items (interest expenses). Net interest income is affected by changes in interest rates (e.g., if deposit interest rates rise while loan interest rates stay at the same levels, net interest income will decrease), and by deposit and loan balances.

Net other operating income

Net other operating income is derived from services other than the primary banking services income categories of net interest income, net fees and commissions, and net trading income. One example is buying and selling in dollars and other foreign currencies. In this case, after purchasing foreign currency at a certain price, any gain from a subsequent sale at a price higher than the purchase price would be recorded in other operating income, and any loss from a subsequent sale at a price lower than the purchase price would be recorded in other operating expenses.

Net premiums written

Premiums received directly from policyholders (direct premiums written), adjusting for reinsurance premiums (subtracting reinsurance premiums paid and adding direct reinsurance premiums received).

Non-performing assets

Non-performing assets are claims against parties in bankruptcy, claims against parties in effective bankruptcy due to poor business or other reasons, and claims against parties at risk of bankruptcy. Non-performing assets also include loans for which principal or interest payments are past due by three months or more, and loans for which repayment on initial terms is impossible and interest has been reduced or exempted and the repayment of principal has been extended.

O

Over-the-counter (OTC) sales of insurance products at banks

A bank serves as an insurance agency to solicit insurance.

P

Policy amount in force

Total amount of protection provided by life insurance companies to individual policyholders. This is different from the total amount of premiums paid by policyholders (premium income).

Policy reserves (Underwriting reserves)

Reserves that insurance companies accumulate in advance, funded by premiums, investment income, and other sources, to prepare for future liabilities resulting from insurance policies, including payments of claims, annuities and benefits.

Policy reserves and others (Underwriting reserves)

Reserves recorded in the liabilities section of the balance sheets for which insurance companies are required in the Insurance Business Act of Japan to accumulate to prepare for the payment of future claims and other items to fulfill their obligations for paying claims and other actions based on insurance policies. Policy reserves and others include "reserve for outstanding claims" and "policy reserves."

Policyholder loans

As one of the asset management operations of life insurance companies, loans provided up to a certain level of the surrender payment on life insurance policies. In general, policyholders retain insurance protection and rights to receive dividends during the period of the policyholder loan. However, policyholder loans may not be available depending on the type of insurance.

Policyholders' dividend reserve

A reserve accumulated to fund dividend payments to policyholders pursuant to the provisions of the Insurance Business Act of Japan.

Positive spread

The amount by which the actual investment income is higher than the expected investment income from the assumed interest rate.

R

Reference loss cost rates

Non-life insurance premium rates comprise net insurance premium rates used for paying insurance claims and loading insurance premium rates used for operating insurance businesses. Net insurance premium rates calculated by the General Insurance Rating

Organization of Japan are called reference loss cost rates. Member insurers of the organization can use the

rates as the basis for calculating their own insurance premium rates.

Reinsurance

The insurance agreement that insurance companies conclude with domestic and overseas reinsurance companies for some of the insurance policies they underwrite in order to diversify risks on insurance policies.

Reserve for outstanding claims (Reserve for outstanding losses)

Reserve for the estimated amount of unfixed insurance payments and unpaid insurance claims at the end of the fiscal year, among payment obligations for insurance claims, surrender value and other benefits.

Reserve for price fluctuations

This reserve is set aside to prepare for losses caused by price fluctuations in stocks, bonds and other assets held by an insurance company.

Riders

Riders can enlarge the scope of protection in the primary policy by adding provisions to the primary coverage. Riders do not constitute a policy by themselves. Multiple riders can be added to the primary policy. Riders are canceled when the primary policy is canceled due to maturity, surrender or other reasons.

ROEV (return on embedded value)

ROEV is an indicator that refers to the growth potential of corporate value. The amount of increase of EV (embedded value), an indicator of a life insurance company's corporate value, is deemed to be profit that takes into account the unique aspects of life insurance accounting.

Core ROEV is the growth rate of EV that excludes any fluctuation effects of the investment yield and discounted rate.

S

Separate accounts

Separate accounts are used for variable life insurance, variable annuities and other insurance products to invest assets separately from the other financial assets owned by an insurance company in order to pay investment returns directly to policyholders.

Solvency margin

The solvency margin indicates payment ability. Insurance companies accumulate policy reserves to prepare for the payment of future claims, allowing them to adequately respond to risks within a normally anticipated range.

However, unforeseen events can occur due to changes in the environment such as major disasters and substantial declines in stock prices. The solvency margin ratio is one measure used by regulatory authorities to determine how much an insurance company is able to pay in response to the risk of such unpredictable events.

Standard Mortality Table

The Institute of Actuaries of Japan prepares a table that compiles data including mortality rates and average life expectancies by gender and age. Of these data, mortality rates are verified by the Commissioner of Financial Services Agency of Japan, and then used as the assumed mortality rates in calculating standard policy reserves required under the Insurance Business Act of Japan.

Standard yield

The standard yield is the calculating rate insurance companies are required to use when accumulating policy reserves for future insurance payments.

Surrender payments

Money refunded to the policyholder in the event that the insurance policy is surrendered or cancelled. Surrender payment amounts vary depending on several factors, including the type of insurance, insurance period and years elapsed.

T

Term insurance

Term insurance entitles a beneficiary to receive benefits in the event of death or serious disability of the insured within an insurance period specified when the policy is purchased.

U

Underwriting profit

Underwriting profit is calculated by subtracting any underwriting expenses (net losses paid and loss adjustment expenses, etc.) and operating, general and administrative expenses associated with underwriting from underwriting income (net premiums written, etc.), then adding or subtracting other income and expenses (income taxes associated with compulsory automobile liability insurance, etc.)

V

Variable life insurance

Insurance product in which assets are invested mainly in stocks and bonds, and claims and surrender payments increase or decrease depending on investment returns. The individual policyholder bears the asset management risk. The minimum insurance payment is guaranteed, regardless of investment performance.

W

Whole life insurance

Insurance that pays benefits in the event the insured dies or is disabled. Unlike term life insurance, protection continues for an entire life.

