



2019

Financial Data Book

April 1, 2018 ▶ March 31, 2019

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Annual Report

The Financial Data Book and Annual Report are available only on SFH's website.

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

- Unless otherwise indicated, figures less than the indicated unit in this material have been truncated, while ratios and percentage changes have been rounded off.
- Fiscal 2017 and fiscal 2018 represent the fiscal years ended March 31, 2018 and 2019, respectively.

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Financial Data (Consolidated)

Principal Indicators of Operating Performance

Sony Financial Holdings Inc.

For the years ended March 31,

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 net assets	550,672	604,377	601,139	625,406	656,846
Total assets	9,545,868	10,352,114	11,471,845	12,401,446	13,468,215
Net assets per share (yen)	1,262.94	1,386.32	1,378.63	1,433.73	1,505.20
Net income per share (yen)	125.10	99.67	95.69	119.30	142.69
Diluted net income per share (yen)	—	—	95.68	119.29	142.67
Cash flows from operating activities	425,656	602,475	692,445	819,721	802,921
Cash flows from investing activities	(445,431)	(558,825)	(624,749)	(680,845)	(659,815)
Cash flows from financing activities	(13,087)	(17,437)	(34,057)	(14,496)	(26,645)
Cash and cash equivalents at the end of the period	207,422	233,620	268,381	393,133	509,594
Number of employees	8,448	9,029	9,739	10,719	11,055

Note: Diluted net income per share for the years ended March 31, 2015 and 2016 is not shown because there are no dilutive shares.

For the years ended March 31,

%

	2015	2016	2017	2018	2019
Sony Life's adjusted ROE	9.6	—	—	—	—
Sony Life's core ROEV	—	5.0	3.6	5.9	6.4
Sony Assurance's adjusted ROE	14.2	13.3	14.4	16.1	15.2
Sony Bank's ROE	6.0	5.0	4.1	5.5	7.3
Consolidated adjusted ROE	9.5	5.2	3.9	6.1	6.7

Each ROE is calculated as follows:

Sony Life's core ROEV

$$\frac{\text{New business value} + \text{Expected existing business contribution}}{\text{MCEV}^* \text{ as of the beginning of the fiscal year less dividends paid plus MCEV}^* \text{ as of the end of the fiscal year, divided by two}}$$

Sony Assurance's adjusted ROE

$$\frac{\text{Net income (loss)} + \text{Provision amount for catastrophe reserve} \\ \text{and its provision amount for reserve for price fluctuations, in each case after taxes}}{\text{The average amount of net assets plus the sum of catastrophe reserve} \\ \text{and its reserve for price fluctuations during the fiscal year, in each case after taxes}}$$

Sony Bank's ROE

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

Consolidated adjusted ROE for fiscal 2018

Consolidated adjusted ROE = Consolidated adjusted profit divided by consolidated adjusted capital

$$\begin{aligned} & \text{Sony Life: New business value plus expected existing business contribution} \\ & + \text{Sony Assurance: Net income (loss) plus provision amount for catastrophe reserve and its provision} \\ & \quad \text{amount for reserve for price fluctuations, in each case after taxes} \\ & + \text{Sony Bank: Profit (loss) attributable to owners of the parent} \end{aligned}$$

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

Note: Sony Life has changed its formula for calculating the numerator (adjusted profit) from fiscal 2016, whereby core ROEV rather than adjusted ROE is used as an indicator for calculating consolidated adjusted ROE. Meanwhile, as of fiscal 2016 Sony Life's MCEV is calculated by using the ultimate forward rate. Consolidated adjusted ROE for fiscal 2015 was recalculated based on these changes. However, Sony Life's core ROEV was partially calculated by the simplified method.

Sony Life's adjusted ROE (used for calculating consolidated adjusted ROE up to fiscal 2014)

$$\frac{\text{The amount of increase in market consistent embedded value (MCEV)}^* \text{ during the fiscal year} + \text{Dividends paid}}{\text{MCEV}^* \text{ as of the beginning of the fiscal year less dividends paid plus MCEV}^* \text{ as of the end of the fiscal year, divided by two}}$$

* 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©** ("MCEV Principles"), the international standard in disclosing MCEV published by the CFO Forum comprising CFOs from major insurance companies in Europe.

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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

■ SFH Consolidated Financial Statements

	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

■ SFH Consolidated Financial Statements

	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

SFH Consolidated Financial Statements

	Millions of yen	
Consolidated Statements of Income (Continued)	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

	Millions of yen	
(2) Consolidated Statements of Comprehensive Income	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 entities 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

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 a non-consolidated subsidiary	(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.

■ SFH Consolidated Financial Statements

Significant Basic Items for the Preparation of the Consolidated Financial Statements

(For the year ended March 31, 2019)

1 Principles of Consolidation

(1) Scope of consolidation

Consolidated subsidiaries: 10 companies

Company names

Sony Life Insurance Co., Ltd.
Sony Assurance Inc.
Sony Bank Inc.
Sony Payment Services Inc.
SmartLink Network Hong Kong Limited
Sony Lifecare Inc.
Lifecare Design Inc.
Proud Life Inc.
Sony Financial Ventures Inc.
SFV · GB L.P.

Non-consolidated subsidiaries:

There are no main non-consolidated subsidiaries. Non-consolidated subsidiaries are excluded from the scope of consolidation for the current year because they are immaterial in light of the total assets, ordinary revenues, profit or loss (amounts equivalent to the Group's interests in these companies), retained earnings (amounts equivalent to the Group's interests in these companies) and accumulated other comprehensive income (amounts equivalent to the Group's interests in these companies) and their exclusion from the scope of consolidation does not hinder a rational judgment of the Sony Financial Group's financial position and results of operations.

Change in the scope of consolidation:

Sony Financial Ventures Inc. and SFV · GB L.P., companies in the Venture Capital Business, were newly established and are included in the scope of consolidation from the fiscal year ended March 31, 2019. The business performance of both companies is included under "Other" in consolidated statements of income.

(2) Application of the equity method

Affiliates accounted for by the equity method: 2 companies

Company names

AEGON Sony Life Insurance Co., Ltd.
SA Reinsurance Ltd.

Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method:

There are no main non-consolidated subsidiaries or affiliates. Non-consolidated subsidiaries and affiliates are not accounted for by the equity method because they are immaterial in light of the profit or loss (amounts equivalent to the Group's interests in these companies) and retained earnings (amounts equivalent to the Group's interests in these companies) and their exclusion does not hinder a rational judgment of the Sony Financial Group's financial position and results of operations.

(3) Fiscal year-end of consolidated subsidiaries

Fiscal year-end of all consolidated subsidiaries is March 31, the same date as the consolidated financial statements of SFH.

(4) Amortization of goodwill

Goodwill is equally amortized using the straight-line method over a period of up to 20 years.

2 Note on Going Concerns

There is no related information to be reported.

3 Summary of Significant Accounting Policies

(1) Securities

Securities, including monetary claims purchased which are equivalent to securities, and securities managed as assets of money held in trust, are stated in the following manner: Securities held for trading purposes ("trading securities") are stated at fair value with unrealized gains and losses charged to income. The cost of such securities sold is determined by the moving-average method. Held-to-maturity securities and policy-reserve-matching bonds held in accordance with the "Temporary Treatment of Accounting and Auditing concerning Policy-Reserve-Matching Bonds in the Insurance Industry" (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 21, issued on November 16, 2000; hereinafter "the Industry Audit Committee Report No. 21") are stated at amortized cost (straight-line method) using the moving-average method. Available-for-sale securities whose fair values are readily determinable are stated at fair value in the consolidated balance sheets based on market prices prevailing at each balance sheet date, with unrealized gains (losses), net of taxes, included in net assets and acquisition costs calculated using the moving-average method. Available-for-sale securities whose fair values are deemed extremely difficult to determine are stated at acquisition cost based on the moving-average method.

Net unrealized gains (losses) on available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

The overview of risk management policies of policy-reserve-matching bonds is as follows:

Among the bonds corresponding to sub-segments (according to insurance class, years to maturity, etc.) for individual life insurance and individual annuity sold by domestic life insurance subsidiaries, SFH records those held with the purpose of controlling the duration of insurance liabilities as policy-reserve-matching bonds, in accordance with the Industry Audit Committee Report No. 21.

(2) Derivative financial instruments

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

(3) Tangible fixed assets (excluding leased assets)

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

All other repairs and maintenance charges are charged to income when incurred.

Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

- Buildings: 3 to 50 years
- Other tangible fixed assets: 2 to 20 years

(4) Intangible fixed assets (excluding leased assets)

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

(5) Leased assets

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

(6) Reserve for possible loan losses

The reserve for possible loan losses is provided as follows for losses from bad debts mainly in accordance with self-assessment guidelines and write-off and reserve guidelines.

With respect to receivables such as loans to borrowers subject to bankruptcy, court-guided rehabilitation or similar legal or formal proceedings (the "Bankrupt Borrowers"), loans to borrowers that are substantially in the same condition as the Bankrupt Borrowers (the "Substantially Bankrupt Borrowers") and money on deposits whose market value declined significantly, the Companies provide a reserve in the amount expected to be uncollectible after deducting amounts expected to be collectible from collateral, guarantees and other means. For loans to borrowers that are not yet bankrupt but are highly likely to be bankrupt in the future (the "potentially bankrupt borrowers"), the Companies provide a reserve in the amount deemed necessary by comprehensively considering the borrowers' solvency of the remaining amount after deducting amounts expected to be collectible from collateral, guarantees and other means. For other loans, the Companies provide a reserve in the amount calculated by multiplying the loans by a historical loan loss ratio determined over certain periods.

All loans are subject to asset assessment by the related operational departments in accordance with self-assessment guidelines, and the assessment results are reviewed by the departments responsible for asset inspection that are independent from the operational departments. The amount of reserve is provided based upon the above results.

(7) Reserve for employees' bonuses

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

(8) Reserve for price fluctuations

Pursuant to requirements under Article 115 of the Insurance Business Act of Japan, the reserve for price fluctuations is provided for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets that are exposed to losses due to market price fluctuations. This reserve is only used to reduce losses arising from price fluctuations on those assets.

(9) Accounting for retirement benefits

1) Method of attributing projected retirement benefits

In the calculation of retirement benefit obligations, the Companies mainly apply the benefit formula basis in attributing projected retirement benefits to the periods until the end of the current fiscal year.

2) Amortization method of prior service cost and net actuarial gain or loss

Unrecognized prior service cost is amortized using the straight-line method within the employees' average remaining service period at incurrence. Unrecognized net actuarial gain or loss is amortized using the straight-line method over 7 to 16 years within the employees' average remaining service period, commencing from the fiscal year immediately following incurrence.

3) Adoption of a simplified method at small enterprises, etc.

For calculating net retirement benefit liabilities and retirement benefit expenses, the parent company and some consolidated subsidiaries apply a simplified method that treats amounts required for voluntary resignation at fiscal year-end as retirement benefit obligations.

(10) Translation of foreign assets or liabilities

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

(11) Hedge accounting

The banking subsidiary applies either deferred hedge accounting or fair value hedge accounting to its transactions for hedging interest rate risks on financial assets and liabilities. With regard to hedging that offsets fluctuating interest rates on fixed-rate loans, the subsidiary identifies the hedged items that are grouped on the basis of a certain period of their remaining maturity and designates interest rate swaps as a hedging instrument, in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of the Japanese Institute of Certified Public Accountants (the "Industry Audit Committee") Statement No. 24, February 13, 2002). With regard to hedging that fixes the cash flow of a foretasted transaction of a short-term fixed-rate deposit, the subsidiary identifies the hedged items that are grouped on the basis of a certain period of their interest rate revision and designates interest rate swaps as a hedging instrument, in accordance with the Industry Audit Committee, Statement No. 24. With regard to hedging that offsets fluctuations in the fair value of fixed-rate bonds that are classified as available-for-sale securities, the subsidiary identifies the hedged items individually and designates interest rate swaps and others as a hedging instrument. With regard to hedging that offsets exchange rate fluctuations of securities denominated in foreign currencies, the subsidiary identifies the hedged items individually and designates currency swaps as a hedging instrument. The above-mentioned hedging instruments are designated with almost identical significant terms and conditions for both the hedging items and the hedged instruments. Accordingly, such hedges are considered highly effective, allowing the banking subsidiary to ensure hedging effectiveness.

(12) Cash and cash equivalents in the Consolidated Statements of Cash Flows

Cash equivalents consist of highly liquid investments without significant market risks, such as demand deposits and short-term investments with an original maturity of 3 months or less.

(13) Accounting for consumption taxes

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

(14) Policy reserves

Pursuant to Article 116 of the Insurance Business Act of Japan, SFH's life insurance subsidiary maintains a policy reserve for the fulfillment of future obligations under life insurance contracts. The policy reserve is established by the net level premium reserve method, which assumes a constant or level amount of net insurance premiums over the term of the relevant policy when calculating the amount of the reserve required to fund all future policy claims. The net insurance premium is a portion of the premium covering insurance underwriting risk, which is estimated based on factors such as mortality rates, investment yield, surrender rates and other factors. The net level premium reserve for individual insurance contracts underwritten from fiscal 1996 is calculated using mortality and interest rates set by the Financial Services Agency of Japan as standard policy reserve. Additionally, the net level premium reserve for individual insurance contracts underwritten before fiscal 1996 is calculated using mortality and interest rates approved by the supervisor of insurance business in Japan.

Notes to the Consolidated Financial Statements

(For the year ended March 31, 2019)

1 Notes to the Consolidated Balance Sheets

1. Securities with a book value of ¥439,070 million and loans of ¥412,559 million were pledged as collateral for the ¥331,055 million of collateral for securities lending transactions, ¥49,000 million of call money and bills sold, the ¥200,000 million of borrowed money and payables under repurchase agreements of ¥101,764 million at March 31, 2019. In addition to the assets described above, securities with a book value of ¥10,829 million, cash collateral paid for financial instruments of ¥25,558 million and initial margins of futures markets of ¥3,279 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2019.
2. The consolidated balance sheet amount of securities loaned for consumption under the loan agreement was ¥259,569 million.
3. Securities include shares in non-consolidated subsidiaries and affiliates worth ¥11,403 million. Among these, investments in jointly controlled companies are ¥10,969 million.
4. The balance of loans includes ¥180 million in loans to bankrupt borrowers (before deductions for reserve for possible loan losses) and ¥1,220 million in non-accrual delinquent loans (before deductions for reserve for possible loan losses). Loans to bankrupt borrowers include loans that have been in arrears on principal or interest payments for a considerably long period of time or loans (before deductions for reserve for possible loan losses) on which principal or interest payments are considered unlikely to occur in the future for other reasons and on which interest income is not recognized. These loans are with reasons defined under Article 96-1-3, i through v of the Order for Enforcement of the Corporation Tax Act (Enforcement Order 97 of 1965) or 96-1-4 of the same guidelines. Non-accrual delinquent loans are loans on which accrued interest income is not recognized, excluding loans to bankrupt borrowers and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
5. The balance of loans does not include past due loans (3 months or more). Past due loans (3 months or more) are loans on which principal or interest payments are delayed for 3 months or more from the date following the due date, excluding loans to bankrupt borrowers and non-accrual delinquent loans.
6. The balance of loans includes ¥800 million in restructured loans (before deductions for reserve for possible loan losses). Restructured loans are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt waiver) in order to support the borrowers' recovery from financial difficulties, excluding loans to bankrupt borrowers, non-accrual delinquent loans and past due loans (3 months or more).
7. The total amount of loans to bankrupt borrowers, non-accrual delinquent loans and restructured loans was ¥2,201 million (before deductions for reserve for possible loan losses).
8. In terms of loan participation, the participating principals that were accounted for as loans to the original obligor in accordance with "Accounting and Presentation of Loan Participation" (Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, Statement No. 3, November 28, 2014) include the consolidated balance sheet amount of ¥6,636 million.
9. Accumulated depreciation of tangible fixed assets as of March 31, 2019 was ¥40,392 million.
10. The balance sheet includes ¥1,300,701 million in assets and liabilities in equal amounts related to separate accounts as stipulated in Article 118 of the Insurance Business Act of Japan as of March 31, 2019, at SFH's life insurance subsidiary.
11. Changes in the reserve for policyholders' dividends at SFH's life insurance subsidiary for the fiscal year ended March 31, 2019 are as follows:

Balance at the beginning of the period	¥5,484 million
Policyholders' dividends during the period	¥3,086 million
Increase in interest	¥0 million
Provision for reserve for policyholders' dividends	¥2,146 million
Balance at the end of the period	¥4,544 million

12. On March 31, 2002, SFH's life insurance subsidiary revalued its land for operating purposes, as permitted by the Act on Revaluation of Land (Act No. 34, enacted March 31, 1998—the "Law"). The tax effect of the revaluation difference is accounted for differently, depending on whether there are gains or losses; when there is a loss, a valuation allowance is fully provided for the tax effect of the loss, and when there is a gain, the tax effect is recorded in "deferred tax liabilities on land revaluation." After excluding these amounts, the net revaluation difference is reported as "land revaluation" in net assets. The revaluation method stipulated by Article 3-3 of the Law was based on the land appraisal in conformity with Article 2-5 of the Order for Enforcement Related to the Law (Cabinet Order No. 119, effective from March 31, 1998).
13. Contracts for commitments to provide credit lines and overdrafts of the life insurance subsidiary and the banking subsidiary are agreements to lend to customers, up to a prescribed amount, as long as there is no violation of the conditions stipulated in the contracts. The amount of unused commitments at March 31, 2019 was ¥27,553 million, and the amount of unused commitments whose original contract terms are within 1 year at March 31, 2019 was ¥27,553 million.
14. Expected future losses of the life insurance subsidiary under the life insurance policyholder protection structure stipulated under Article 259 of the Insurance Business Act of Japan amounted to ¥10,983 million.
Such losses are recognized as expenses during the fiscal year in which they are contributed.
15. Net assets per share were ¥1,505.20.
16. Financial instruments:

(1) Description of financial instruments

1) Policy on financial instruments

The Companies conduct the life insurance, non-life insurance and banking businesses, etc., in accordance with the provisions of the Insurance Business Act of Japan, the Banking Act of Japan and other relevant provisions. With regard to financial assets (except for assets in separate accounts as stipulated in Item 1, Article 118 of the Insurance Business Act of Japan in the life insurance business), to ensure steady investment income the Companies hold various investment assets, including Japanese government and corporate bonds, stocks and loans. Deposits from individual customers in the banking business account for nearly all of the Companies' financial liabilities. Although the Companies hold financial assets as well as financial liabilities, which are subject to the risk of interest rate and exchange rate fluctuations, they strive to protect themselves from the negative effects of these fluctuations by maintaining an appropriate balance between assets and liabilities by conducting asset-liability management (ALM) in each of the businesses. Furthermore, derivative transactions are used to control risks in the life insurance business and banking business.

2) Financial instruments and related risks

Securities, loans, deposits and derivative transactions constitute the majority of the companies' financial instruments. They are subject to market risk, which is the risk of incurring losses when their values change due to fluctuations in interest rates, foreign exchange rates, stock prices, etc., as well as credit risk, which is the risk of incurring losses when the value of assets declines or disappears due to a deterioration in financial or other conditions of an entity to which credit is provided. In addition, they are subject to market liquidity risk, which is the risk of loss due to an inability to conduct market transactions, as well as the risk of loss if the companies are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.

Most of the securities holdings are in domestic government bonds, foreign government bonds and corporate bonds. Other holdings include domestic stocks, foreign securities and investments in partnerships.

The majority of loans in the life insurance business, and individual mortgage loans in the banking business. However, policy loans are limited to the amount of surrender payments, and mortgage loans are backed by real estate. Consequently, loan-related risks are relatively low.

Deposits are mainly those from individual customers, some of which are denominated in foreign currencies.

The life insurance business uses several derivative transactions such as forward foreign exchange transactions, stock index futures trading and total return swap transactions for stocks mainly to hedge the market risk for financial assets and liabilities and, as a matter of policy, does not use derivative transactions for speculative purposes. Hedge accounting is not applied to derivative transactions used in the life insurance business.

The banking business uses several derivative transactions, and it uses interest rate swaps, etc., to hedge the market risk for financial assets and liabilities. In this category, hedge accounting is applied. Interest rate swaps, etc., are used to hedge against the interest rate risk of fixed-rate loans and deposits. Currency swaps are used to hedge against the exchange rate risk of bonds denominated in foreign currencies. In hedge accounting, hedge effectiveness is assessed based on the requirements stipulated in the "Accounting Standards for Financial Instruments" and other standards.

3) Risk management of financial instruments

SFH formulates fundamental principles for risk management and manages risks specific to its subsidiaries' scale, business content and other attributes.

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

(i) Credit risk

The Companies use the following methods to manage the credit risk of principal subsidiaries:

- (a) At the life insurance subsidiary, the risk management division manages issuer credit risk on securities and counterparty risks by specifying details such as risk management methods and procedures in regulations. The risk management division periodically reports such information to the Board of Directors and the Executive Committee.
- (b) The non-life insurance subsidiary ascertains issuer credit information and market values on securities in line with various regulations for asset management risk. The risk management division reports on the situation regularly to the Board of Directors and the Executive Committee.

- (c) The banking subsidiary has formulated and conformed to various regulations for managing credit risks, and controls credit risk depending on the nature of each type of financial asset. In respect of individual loans, the subsidiary has developed a framework for managing individual credit, including credit screenings, management of credit information, setting of collateral and the handling of problem assets on a case-by-case basis.

In respect of corporate loans or bonds payable, the subsidiary has developed a framework for managing corporate credit and market credit, including credit screenings, credit limit control, the management of credit information, credit ratings, the setting of guarantees or collateral and handling of problem assets on a case-by-case basis.

The subsidiary manages market credit risk, such as securities issuer credit risk and, on derivative transactions, counterparty risk, by periodically assessing market value information.

The aforementioned credit risk management is carried out by the risk management division and the screening division.

These divisions periodically report risk management conditions to management via the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

(ii) Market risk

The Companies use the following methods to manage the market risk of principal subsidiaries:

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

• **Interest rate risk**

Interest rate risk is managed by the risk management division based on the regulations for interest rate risk management that specify details such as risk management methods and procedures. Based on ALM policies that are determined through such methods as deliberation by the Executive Committee, the subsidiary determines and confirms actual risk conditions with the Board of Directors. The division maintains an overall grasp on the interest rates and durations of financial instruments, and monitors them based on the analysis of the quantity of risk using value at risk ("VaR"), and it periodically reports such information to the Board of Directors and the Executive Committee.

• **Exchange rate risk**

Exchange rate risk is managed by the risk management division based on the regulations for exchange rate risk management that specify details such as risk management methods and procedures. The division periodically reports such information to the Board of Directors and the Executive Committee.

• **Equity market price fluctuation risk**

Equity market price fluctuation risk is managed by the risk management division based on the regulations for equity market price fluctuation risk management that specify details such as risk management methods and procedures. The division periodically reports such information to the Board of Directors and the Executive Committee.

• **Derivative transactions**

Derivative transactions are managed by the risk management division based on the regulations for derivative transactions that specify details such as risk management methods and procedures. The division periodically reports such information to the Board of Directors and the Executive Committee.

- (b) The non-life insurance subsidiary manages various market-related risks in the following manner:

• **Interest rate risk**

Regulations on asset management risk specify the details such as risk management methods and procedures based on risk management policies determined by the Board of Directors. The risk management division monitors individual risks and reports on the situation regularly to the Board of Directors and the Executive Committee.

• **Price fluctuation risk**

Equity securities are held for strategic investments for the purpose of enhancing business partnerships. In accordance with regulations on asset management risk, the risk management division monitors the market environment and financial conditions, and reports on the situation regularly to the Board of Directors and the Executive Committee.

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

• **Interest rate and exchange rate risk**

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

• **Market price fluctuation risk**

The subsidiary manages the holding of investment products, including securities, in accordance with market risk management regulations as well as market credit risk. The investment division purchases securities externally, and risks associated with changes in the market price of such securities are managed through prior screening by the screening division, the setting and control of investment limits by the risk management division, and continuous monitoring by each responsible division.

• **Derivative transactions**

Derivative transactions are executed in accordance with regulations on market risk. The subsidiary also separates and conducts internal checks of individual departments' execution of transactions, evaluation of hedge effectiveness and operations management.

• **Quantitative information on market risk**

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

The impact of such risks on these financial assets and liabilities was calculated using the historical simulation method to determine gains or losses over a given period of 20 business days, assuming the fluctuation of interest and exchange rates

within a rational forecast band determined over an observation period of 250 business days. The Companies then employed quantitative analysis to manage interest rate and exchange rate fluctuation risks. The resulting risk amount with a 99% confidence interval was ¥1,405 million as of the end of this fiscal year.

This amount of impact is based on the assumption that risk parameters other than interest rates and exchange rates are fixed. In the event that fluctuations exceed the rational forecast band for interest and exchange rates, the risk impact may exceed the amount calculated. The aforementioned market risk management is carried out primarily by the risk management division. The division periodically reports risk management conditions to the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

(iii) Liquidity risk

The Companies use the following methods to manage the liquidity risk of principal subsidiaries.

- (a) At the life insurance subsidiary, in line with liquidity risk management regulations, the accounting division prepares and updates cash flow plans in a timely manner based on the reports from departments and manages cash flows, and the risk management division manages the liquidity risk. The accounting division and risk management division periodically or as needed report such information to the Board of Directors and the Executive Committee.
- (b) The non-life insurance subsidiary establishes regulations related to liquidity risk. Its cash flow management division prepares and updates cash flow plans. The risk management division manages liquidity risk by monitoring the situations and reports on the situations regularly to the Board of Directors and the Executive Committee.
- (c) The banking subsidiary has formulated and conformed with regulations for managing liquidity risk and manages a variety of liquidity risks. Concerning the management of cash flow risks, cash flows are classified into phases based on the degree of pressure, and methods for risk management and reporting are set out for each phase, while guidelines are formulated and reviewed as necessary. To manage market liquidity risk, the subsidiary works to understand market liquidity conditions that pertain to the types of products it handles. The subsidiary formulates and revises guidelines on a product-by-product basis, as necessary. The aforementioned liquidity risk management is carried out by the risk management division. The division periodically reports risk management conditions to the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

4) Supplementary explanation of the fair value of financial instruments

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

(2) Fair value information on financial instruments

Below is fair value information on financial instruments as of March 31, 2019, excluding securities whose fair values are not readily determinable (see Note 2).

	Millions of yen		
	2019		
As of March 31,	Consolidated balance sheet amount	Fair value	Difference
1) Cash and due from banks	415,894	415,894	—
2) Call loans and bills bought	93,700	93,700	—
3) Money held in trust			
Other money held in trust	291,324	291,324	—
4) Securities			
Trading securities	1,185,507	1,185,507	—
Held-to-maturity securities	6,850,128	8,902,627	2,052,499
Policy-reserve-matching bonds	680,757	764,282	83,525
Available-for-sale securities	1,634,941	1,634,941	—
5) Loans	1,942,546		
Reserve for possible loan losses (*1)	(898)		
Loans (after deduction for reserve for possible loan losses)	1,941,648	2,138,531	196,883
Total Financial Assets	13,093,901	15,426,808	2,332,907
1) Deposits	2,302,313	2,303,826	1,513
2) Call money and bills sold	130,611	130,611	—
3) Borrowed money	203,871	204,185	314
4) Bonds payable	20,000	20,113	113
5) Payables under repurchase agreements	101,764	101,764	—
6) Collateral for securities lending transactions	331,055	331,055	—
Total Financial Liabilities	3,089,616	3,091,557	1,941
Derivative financial instruments (*2)			
Hedge accounting not applied	[5,950]	[5,950]	—
Hedge accounting applied	[13,085]	[13,085]	—
Total Derivative Financial Instruments	[19,035]	[19,035]	—

(*1) Excludes general and specific reserves for possible loan losses.

(*2) Figures are totals resulting from derivative transactions, which are accounted for as other assets and liabilities on the consolidated balance sheets. If the total is a debt amount, the above figure is shown in [].

■ SFH Consolidated Financial Statements

(Note 1) Calculation of the fair value of financial instruments

Financial Assets

1) Cash and due from banks and 2) Call loans and bills bought

The fair value is regarded as the carrying amount, as they are approximately equal.

3) Money held in trust

In individual money held in trust mainly for investment purposes, the fair value of bonds is the market price on financial instrument exchanges or the price indicated by a financial institution. Please see "18. Fair value information on money held in trust," which indicates fair values by purpose.

4) Securities

The fair value of stocks is the market price on stock markets or financial instrument exchanges. The fair value of bonds and investment funds is the market price or the price indicated by a financial institution. Please see "17. Fair value information on securities," which indicates fair values by purpose.

5) Loans

(i) Loans in the banking business

The fair value of these loans is calculated by type, by estimating their future cash flows and then applying a prescribed discount rate. The discount rate is determined by adding to the LIBOR-based yield curve a premium corresponding to the allowance rate of general provision for loan losses.

(ii) Policy loans in the life insurance business

The fair value of policyholder loans is valued by discounting future cash flows to their current value.

(iii) General loans

The fair value of general loans is regarded as the carrying amount, as they are approximately equal.

Financial Liabilities

1) Deposits

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

2) Call money and bills sold

The fair value is regarded as the carrying amount, as they are approximately equal.

3) Borrowed money

The present value of borrowed money is calculated by discounting the future cash flows of the principal and interest with the LIBOR-based yield curve.

4) Bonds payable

The fair value of bonds payable is the market price or the price indicated by a financial institution.

5) Payables under repurchase agreements

The fair value is regarded as the carrying amount, as they are approximately equal.

6) Collateral for securities lending transactions

The fair value is regarded as the carrying amount, as they are approximately equal.

Derivative Transactions

Please see "19. Derivative financial instruments," which indicates measurement of fair value.

(Note 2) Securities whose fair values are deemed extremely difficult to determine are as follows. They are not included in "4) Securities" of Financial Assets in (Note 1) above.

	Millions of yen
	2019
	Consolidated balance sheet amount
As of March 31,	
1) Unlisted stocks in non-consolidated subsidiaries and affiliates (*1)	11,403
2) Unlisted stocks other than those in 1) above (*1)	389
3) Investment in partnership (*2)	10,061
Total	21,854

(*1) Unlisted stocks have no market prices and their fair values are not readily determinable.

(*2) Assets included in "investment in partnership" are stocks in unlisted companies.

Note: Unlisted stocks and investment in partnership are considered impaired if their actual value decreases materially below the acquisition cost and such decline is considered non-recoverable. Their actual value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss (hereinafter, "impairment") for the fiscal year.

Impairment losses on unlisted stocks and investment in partnership were not recognized for the fiscal year.

Impairment losses are principally recorded when their actual value as of the end of the fiscal year has declined by 50% or more from the acquisition cost.

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(Note 3) Future redemption schedule of monetary claims and securities with maturities

Millions of yen				
As of March 31,	2019			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Cash and due from banks	415,894	—	—	—
Call loans and bills bought	93,700	—	—	—
Securities				
Held-to-maturity securities	6,268	37,419	390,410	6,748,306
Japanese government and corporate bonds	6,168	37,319	390,410	6,032,010
Japanese government and local government bonds	5,311	34,487	390,110	5,629,610
Japanese corporate bonds	857	2,832	300	402,400
Others	100	100	—	716,296
Policy-reserve-matching bonds	—	—	3,220	739,274
Japanese government and corporate bonds	—	—	3,220	596,430
Japanese government and local government bonds	—	—	—	483,630
Japanese corporate bonds	—	—	3,220	112,800
Others	—	—	—	142,844
Available-for-sale securities	132,469	406,250	278,119	674,026
Japanese government and corporate bonds	37,818	163,580	243,701	386,450
Japanese government and local government bonds	26,412	99,664	241,200	386,450
Japanese corporate bonds	11,406	63,915	2,501	—
Others	94,650	242,670	34,418	287,576
Loans (*)	6,302	38,673	63,862	1,616,078
Total	654,633	482,344	735,612	9,777,685

(*) This figure excludes ¥198,369 million with no fixed redemption such as policyholder loans, and ¥18,312 million in overdrafts.

(Note 4) The future return schedule of deposits and other liabilities with interest

Millions of yen						
As of March 31,	2019					
	1 year or less	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
Deposits (*)	2,160,620	72,423	19,797	11,082	10,813	27,577
Call money and bills sold	130,611	—	—	—	—	—
Borrowed money	512	30,122	80,122	93,112	—	—
Bonds payable	—	—	—	10,000	—	10,000
Payables under repurchase agreements	101,764	—	—	—	—	—
Collateral for securities lending transactions	331,055	—	—	—	—	—
Total	2,724,564	102,546	99,919	114,195	10,813	37,577

(*) Demand deposits are included in "1 year or less."

17. Fair value information on securities as of March 31, 2019:

* In addition to "Securities" on the consolidated balance sheets, the figures in the following tables include beneficiary certificates of investment trust in "Monetary claims purchased."

(1) Trading securities

Millions of yen	
As of March 31,	2019
Valuation gains charged to income	30,070

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(2) Held-to-maturity securities

Millions of yen			
2019			
	Consolidated balance sheet amount	Fair value	Difference
As of March 31,			
Fair values exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	6,350,623	8,413,175	2,062,552
Japanese government and local government bonds	6,045,152	8,063,327	2,018,174
Japanese corporate bonds	305,471	349,848	44,377
Others	206,528	217,026	10,497
Subtotal	6,557,151	8,630,201	2,073,050
Fair values not exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	103,822	97,983	(5,839)
Japanese corporate bonds	103,822	97,983	(5,839)
Others	189,153	174,441	(14,711)
Subtotal	292,976	272,425	(20,551)
Total	6,850,128	8,902,627	2,052,499

(3) Policy-reserve-matching bonds

Millions of yen			
2019			
	Consolidated balance sheet amount	Fair value	Difference
As of March 31,			
Fair values exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	600,839	680,444	79,605
Japanese government and local government bonds	492,212	554,811	62,598
Japanese corporate bonds	108,626	125,633	17,006
Others	62,079	66,207	4,128
Subtotal	662,919	746,652	83,733
Fair values not exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	15,087	14,894	(192)
Japanese corporate bonds	15,087	14,894	(192)
Others	2,751	2,735	(15)
Subtotal	17,838	17,629	(208)
Total	680,757	764,282	83,525

(4) Available-for-sale securities

Millions of yen			
2019			
	Consolidated balance sheet amount	Acquisition cost	Difference
As of March 31,			
Consolidated balance sheet amount exceeding the acquisition cost			
Japanese government and corporate bonds	933,528	807,489	126,038
Japanese government and local government bonds	870,362	744,960	125,402
Japanese corporate bonds	63,165	62,529	635
Equity securities	19,931	9,101	10,830
Others	290,241	282,166	8,074
Subtotal	1,243,700	1,098,758	144,942
Consolidated balance sheet amount not exceeding the acquisition cost			
Japanese government and corporate bonds	31,765	31,794	(29)
Japanese government and local government bonds	16,070	16,092	(21)
Japanese corporate bonds	15,694	15,701	(7)
Equity securities	811	908	(96)
Others	363,580	367,306	(3,725)
Subtotal	396,157	400,009	(3,852)
Total	1,639,857	1,498,767	141,090

Note: As the unlisted stocks of ¥389 million (consolidated balance sheet amount) and investment in partnership of ¥10,061 million (consolidated balance sheet amount) have no market prices and their fair values are not readily determinable, they are not included in the table above.

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(5) Held-to-maturity securities sold during the period

There is no related information to be reported.

(6) Policy-reserve-matching bonds sold during the period

There is no related information to be reported.

(7) Available-for-sale securities sold during the period

	Millions of yen		
	2019		
	Sales	Total gains on sales	Total losses on sales
For the year ended March 31,			
Japanese government and corporate bonds	64,014	212	475
Japanese government and local government bonds	45,264	207	262
Japanese corporate bonds	18,749	4	212
Equity securities	10,716	6,655	34
Others	6,157	58	0
Total	80,889	6,925	509

(8) Impairment of available-for-sale securities

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

¥4,026 million of impairment losses for available-for-sale securities (including ¥4,026 million of foreign securities) was recognized for the year ended March 31, 2019.

"Material decline" is indicated when the fair value declines by 30% or more from the acquisition cost.

18. Fair value information on money held in trust as of March 31, 2019:

(1) Money held in trust for trading

There is no related information to be reported.

(2) Money held in trust for held-to-maturity and policy-reserve-matching

There is no related information to be reported.

(3) Other money held in trust (other than for trading, held-to-maturity or policy-reserve-matching)

	Millions of yen			
	2019			
	Consolidated balance sheet amount	Acquisition cost	Difference	
As of March 31,				
Other money held in trust	291,324	254,055	37,269	Items whose consolidated balance sheet amount exceeds acquisition cost 37,275 Items whose consolidated balance sheet amount does not exceed acquisition cost (6)

Notes: 1. The amount of jointly invested monetary trusts that is included in the table above as of March 31, 2019 is ¥40 million.

2. "Items whose consolidated balance sheet amount exceeds acquisition cost" and "Items whose consolidated balance sheet amount does not exceed acquisition cost" are the breakdown of the difference.

(4) Impairment of other money held in trust

Securities with fair values that are included in other money held in trust are considered impaired if their fair value decreases materially below the acquisition cost and such decline is considered non-recoverable.

No impairment loss was recognized for the year ended March 31, 2019.

"Material decline" is indicated when the fair value declines by 30% or more from the acquisition cost.

19. Derivative financial instruments:

(1) Hedge accounting not applied

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

1) Interest rate derivatives

		Millions of yen		
		2019		
		Notional amount total	Notional amount over 1 year	Valuation gains (losses)
As of March 31,				
Over-the-counter transactions	Interest rate swaps			
	Fixed-rate receivable/ Floating-rate payable	21,053	20,967	8
	Floating-rate receivable/ Fixed-rate payable	23,064	22,978	4
	Interest swaption			
	Sold	5,300	5,300	(18)
Total		—	—	(4)

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

2. Fair values are calculated using the discounted cash flow and option pricing models.

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2) Currency derivatives

			Millions of yen			
			2019			
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions	Forward foreign exchanges	Sold	72,263	—	(437)	(437)
		Bought	98,562	—	8	8
	Foreign exchange margin transaction	Sold	46,283	—	954	954
		Bought	22,230	—	1,130	1,130
	Currency options	Sold	60	—	(0)	(0)
		Bought	190	—	1	0
	Currency forward contracts	Sold	15	—	(0)	(0)
		Bought	12,786	—	(270)	(270)
Total			—	—	1,386	1,386

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

2. Fair value is measured using the discounted cash flow, option pricing models and other methods.

3) Stock derivatives

			Millions of yen			
			2019			
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Listed	Stock index futures	Sold	58,724	—	308	308
Over-the-counter transactions	Total return swap	Sold	63,107	—	(7,640)	(7,640)
Total			—	—	(7,331)	(7,331)

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

2. The fair value for exchange-traded transactions is the closing price on the Exchange at the end of the fiscal year.

The fair value for the over-the-counter transactions is stated at the share prices at the end of the fiscal year and other methods.

(2) Hedge accounting is applied

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

1) Interest rate derivatives

			Millions of yen		
			2019		
As of March 31,	Hedging instrument	Hedged item	Notional amount total	Notional amount over 1 year	Fair value
Hedge accounting	Interest rate swaps				
Deferred hedge accounting	Floating-rate receivable/ Fixed-rate payable	Deposits	73,000	73,000	(686)
Fair value hedge accounting	Interest rate swaps				
	Floating-rate receivable/ Fixed-rate payable	Available-for-sale securities (bonds)	222,816	192,342	(10,672)
Total			—	—	(11,358)

Notes: 1. Deferred hedge accounting is applied in accordance with the Industry Audit Committee No. 24, along with fair value hedge accounting.

2. Fair value is calculated using the discounted cash flow and other methods.

2) Currency derivatives

			Millions of yen		
			2019		
As of March 31,	Hedging instrument	Hedged item	Notional amount total	Notional amount over 1 year	Fair value
Hedge accounting	Currency swaps				
Deferred hedge accounting	Currency swaps	Available-for-sale securities (bonds)	23,255	23,255	(931)
Fair value hedge accounting	Currency swaps	Available-for-sale securities (bonds)	24,000	10,000	(795)
Total			—	—	(1,726)

Notes: 1. Deferred hedge accounting is applied in accordance with the Industry Audit Committee No. 25, along with fair value hedge accounting.

2. Fair value is calculated using the discounted cash flow and other methods.

20. Information about retirement benefit obligations as of March 31, 2019:

(1) Overview of retirement benefit plans

The life insurance subsidiary provides a lump-sum retirement benefit plan to sales staff and a defined benefit corporate pension plan and defined contribution pension plan to internal office staff. The non-life insurance subsidiary provides a lump-sum retirement benefit plan and a defined contribution pension plan. SFH and its banking subsidiary mainly provide a lump-sum retirement benefit plan. SFH and some consolidated subsidiaries calculate retirement benefit obligations based on the simplified method.

(2) Defined benefit plans

1) Reconciliation of beginning and ending balances of retirement benefit obligations (excluding those listed in 9))

	Millions of yen
For the year ended March 31,	2019
Balance at the beginning of the period of retirement benefit obligations	45,222
Service cost	4,959
Interest cost	107
Net actuarial gain arising during the period	145
Retirement benefits paid	(3,540)
Balance at the end of the period of retirement benefit obligations	46,893

2) Reconciliation of beginning and ending balances of plan assets (excluding those listed in 9))

	Millions of yen
For the year ended March 31,	2019
Balance at the beginning of the period of plan assets	15,601
Expected return on plan assets	159
Net actuarial gain arising during the period	28
Employer contribution	1,223
Retirement benefits paid	(567)
Balance at the end of the period of plan assets	16,445

3) Reconciliation of the ending balances of retirement benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets.

	Millions of yen
As of March 31,	2019
Funded retirement benefit obligations	12,738
Plan assets	(16,445)
	(3,706)
Unfunded retirement benefit obligations	34,311
Net liabilities and assets recorded on the consolidated balance sheets	30,604
Net defined benefit liability	34,081
Net defined benefit asset	(3,476)
Net liabilities and assets recorded on the consolidated balance sheets	30,604

4) Components and amounts of retirement benefit expenses

	Millions of yen
For the year ended March 31,	2019
Service cost	4,959
Interest cost	107
Expected return on plan assets	(159)
Amortization of net actuarial gain	750
Others	113
Retirement benefit expenses related to defined benefit plans	5,772

Note: SFH includes retirement benefit expenses in "Others" based on the simplified method.

5) Remeasurements of defined benefit plans (before tax deductions)

The breakdown of items recorded as remeasurements of defined benefit plans (before tax deductions) is as follows:

	Millions of yen
For the year ended March 31,	2019
Net actuarial gain	633
Total	633

6) Accumulated remeasurements of defined benefit plans (before tax deductions)

The breakdown of items recorded as accumulated remeasurements of defined benefit plans (before tax deductions) is as follows:

	Millions of yen
As of March 31,	2019
Unrecognized net actuarial gain	(2,090)
Total	(2,090)

7) Plan assets

(i) Main components of plan assets

The percentage share of components by main asset class out of total plan assets is as follows:

	%
As of March 31,	2019
Bonds	66
Equity securities	30
Others	5
Total	100

(ii) Method of setting the long-term rate of expected return on plan assets

The long-term rate of expected return on plan assets is determined by taking into account the current and expected allocation of plan assets and the current long-term return rate and the long-term return rate that is expected in the future based on the various assets that comprise the plan assets.

8) Basis for calculating actuarial gain or loss

Main basis for calculating actuarial gain or loss as of March 31, 2019

Discount rate 0.1%–0.6%

Long-term rate of expected return on plan assets 1.0%–2.6%

9) Reconciliation of beginning and ending balances of net defined benefit liability of the plan based on the simplified method

	Millions of yen
For the year ended March 31,	2019
Balance at the beginning of the period of net defined benefit liability	132
Retirement benefit expenses	33
Retirement benefits paid	(4)
Contribution to the plan	(23)
Others	17
Balance at the end of the period of net defined benefit liability	156

(3) Defined contribution plans

The amount of contribution required for defined contribution plans by the Companies was ¥355 million.

21. Information on stock options, etc., as of March 31, 2019:

(1) Expenses and line items associated with stock options, etc.

Operating expenses, etc. ¥121 million

(2) Description and volume of stock options as well as their changes

1) Description of stock options

The first series of stock acquisition rights of SFH

Category and number of eligible recipients	4 executive directors of SFH
Number of stock options granted by type of share ^(Note)	Common stock 52,900 shares
Grant date	August 8, 2016
Vesting conditions	Options rights are to be vested upon grant. However, if the recipient loses the position of executive director of the Company prior to the Ordinary General Meeting of Shareholders in 2017, he/she can exercise the number of stock options calculated by multiplying the number of stock options granted, by the number of months he/she serves as executive director from July 2016 up to the month of losing his/her position, and dividing the value by 12. The rest of the stock options granted shall no longer be exercisable on or after the date of the recipient losing his/her position, and is cancelled.
Eligible period of service	From June 24, 2016 to the date of the Ordinary General Meeting of Shareholders in 2017
Exercise period	From August 9, 2016 to August 8, 2046 However, eligible recipients of stock acquisition rights may exercise all (but not part) of the stock acquisition rights held by him/her only during the period from the day immediately following the date on which such holder loses any and all of his/her office(s) as executive director of SFH up to ten days (in the event that the tenth day is a holiday, the following business day) thereafter.

The second series of stock acquisition rights of SFH

Category and number of eligible recipients	3 executive directors of SFH 7 executive directors of SFH subsidiaries
Number of stock options granted by type of share ^(Note)	Common stock 41,700 shares
Grant date	August 7, 2017
Vesting conditions	Options rights are to be vested upon grant. However, if the recipient loses the position of executive director of the Company and its subsidiaries prior to the Ordinary General Meeting of Shareholders in 2018, he/she can exercise the number of stock options calculated by multiplying the number of stock options granted, by the number of months he/she serves as executive director from July 2017 up to the month of losing his/her position, and dividing the value by 12. The rest of the stock options granted shall no longer be exercisable on or after the date of the recipient losing his/her position, and is cancelled.
Eligible period of service	From June 21, 2017 to the date of the Ordinary General Meeting of Shareholders in 2018
Exercise period	From August 8, 2017 to August 7, 2047 However, eligible recipients of stock acquisition rights may exercise all (but not part) of the stock acquisition rights held by him/her only during the period from the day immediately following the date on which such holder loses any and all of his/her office(s) as executive director of SFH and its subsidiaries up to ten days (in the event that the tenth day is a holiday, the following business day) thereafter.

The third series of stock acquisition rights of SFH

Category and number of eligible recipients	3 executive directors of SFH 6 executive directors of SFH subsidiaries
Number of stock options granted by type of share ^(Note)	Common stock 31,600 shares
Grant date	August 7, 2018
Vesting conditions	Options rights are to be vested upon grant. However, if the recipient loses the position of executive director of the Company and its subsidiaries prior to the Ordinary General Meeting of Shareholders in 2019, he/she can exercise the number of stock options calculated by multiplying the number of stock options granted, by the number of months he/she serves as executive director from July 2018 up to the month of losing his/her position, and dividing the value by 12. The rest of the stock options granted shall no longer be exercisable on or after the date of the recipient losing his/her position, and is cancelled.
Eligible period of service	From June 22, 2018 to the date of the Ordinary General Meeting of Shareholders in 2019
Exercise period	From August 8, 2018 to August 7, 2048 However, eligible recipients of stock acquisition rights may exercise all (but not part) of the stock acquisition rights held by him/her only during the period from the day immediately following the date on which such holder loses any and all of his/her office(s) as executive director of SFH and its subsidiaries up to ten days (in the event that the tenth day is a holiday, the following business day) thereafter.

Note: Stock options have been converted and stated as number of shares.

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2) Volume of stock options and their changes

Stock options that existed in the year ended March 31, 2019, are presented as follows, and have been converted and stated as number of shares.

(i) Number of stock options

	The first series of stock acquisition rights of SFH	The second series of stock acquisition rights of SFH	The third series of stock acquisition rights of SFH
Before vesting (shares)			
At the end of the previous year	—	—	—
Granted	—	—	31,600
Lapsed	—	—	—
Vested	—	—	31,600
Number of unvested stock options	—	—	—
After vesting (shares)			
At the end of the previous year	35,700	41,700	—
Vested	—	—	31,600
Exercised	—	7,700	—
Lapsed	—	—	—
Number of unexercised stock options	35,700	34,000	31,600

(ii) Unit price information

	The first series of stock acquisition rights of SFH	The second series of stock acquisition rights of SFH	The third series of stock acquisition rights of SFH
Exercise price	¥ 1	¥ 1	¥ 1
Average share price at the time of exercise	—	¥2,000	—
Fairly assessed value on the grant date	¥1,236	¥1,695	¥2,003

(3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options that were granted in the year ended March 31, 2019 is as follows:

1) Assessment method used

Black-Scholes model

2) Main basic values and their estimation method

	The third series of stock acquisition rights of SFH
Volatility of share price (*1)	31.507%
Expected remaining period (*2)	4.4 years
Expected dividend (*3)	¥60/share
Risk-free rate (*4)	(0.082%)

(*1) Calculated based on the past share prices during the period corresponding to the expected remaining period of 4.4 years in (*2).

(*2) Calculated by weighting and averaging the expected period of service by the amount to be granted.

(*3) Based on the actual dividends for the fiscal year ended March 31, 2018.

(*4) Calculated using the average compound yield of long-term JGB with the remaining period approximate to the expected remaining period of 4.4 years in (*2).

(4) Method for estimating the number of stock options vested

As it is difficult, as a general rule, to reasonably estimate the number of stock options to lapse in the future, SFH adopts a method that only reflects the actual number lapsed.

(5) Description of restricted stock compensation

The first series of restricted stock compensation of SFH	
Categories and numbers of eligible recipients	3 executive directors of SFH 4 executive officers of SFH 7 executive directors of SFH subsidiaries 30 executive officers of SFH subsidiaries
Number of shares granted	27,513 shares of common stock
Grant date	August 7, 2017
Transfer restriction period	From August 7, 2017 to August 7, 2020
Cancellation conditions	On the condition that the recipient has maintained his/her position of executive director, etc., of SFH continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period. If the recipient loses his/her position of executive director, etc., prior to the expiration of the transfer restriction period for reasons that the Board of Directors of SFH deems justifiable, he/she can cancel the transfer restriction for the number of allocated stock calculated by multiplying the number of allocated stock by the number of months he/she serves as executive director, etc., from the month of the appointment of his/her respective position up to the month of losing his/her position, and dividing the value by 12. SFH shall acquire the allocated stock not subject to the cancellation of the transfer restriction free of charge immediately after the cancellation.
Fairly assessed value on the grant date	¥2,020

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The second series of restricted stock compensation of SFH

Categories and numbers of eligible recipients	3 executive directors of SFH 4 executive officers of SFH 6 executive directors of SFH subsidiaries 33 executive officers of SFH subsidiaries
Number of shares granted	27,770 shares of common stock
Grant date	August 7, 2018
Transfer restriction period	From August 7, 2018 to August 7, 2021
Cancellation conditions	On the condition that the recipient has maintained his/her position of executive director, etc., of SFH continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period. If the recipient loses his/her position of executive director, etc., prior to the expiration of the transfer restriction period for reasons that the Board of Directors of SFH deems justifiable, he/she can cancel the transfer restriction for the number of allocated stock calculated by multiplying the number of allocated stock by the number of months he/she serves as executive director, etc., from the month of the appointment of his/her respective position up to the month of losing his/her position, and dividing the value by 12. SFH shall acquire the allocated stock not subject to the cancellation of the transfer restriction free of charge immediately after the cancellation.
Fairly assessed value on the grant date	¥2,091

22. Information on tax effect accounting as of March 31, 2019:

(1) Breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities

	Millions of yen 2019
As of March 31,	
Deferred tax assets	
Tax loss carried forward (*2)	1,857
Policy reserves and others	42,830
Reserve for price fluctuations	14,096
Net defined benefit liability	8,608
Write-down of securities	2,267
Depreciation and amortization	4,587
Net deferred losses on hedging instruments	556
Others	7,744
Subtotal of deferred tax assets	82,548
Valuation allowance on tax loss carried forward (*2)	(1,857)
Valuation allowance on total deductible temporary differences	(3,129)
Subtotal of valuation allowance (*1)	(4,987)
Total deferred tax assets	77,561
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	(49,331)
Others	(697)
Total deferred tax liabilities	(50,028)
Net deferred tax assets (liabilities)	27,532

Notes 1. Valuation allowance increased mainly due to the additional recognition of valuation allowance for losses on valuation of securities in Sony Life Insurance Co., Ltd., a subsidiary of the Company.

2. Tax loss carried forward and the deferred tax assets by carry forward period

	Millions of yen						
As of March 31, 2019	1 year or less	More than 1 year to 2 years	More than 2 year to 3 years	More than 3 year to 4 years	More than 4 year to 5 years	More than 5 years	Total
Tax loss carried forward	6	4	12	211	375	1,246	1,857
Valuation allowance	(6)	(4)	(12)	(211)	(375)	(1,246)	(1,857)
Deferred tax assets	—	—	—	—	—	—	—

* Tax loss carried forward is calculated by multiplying statutory effective tax rate.

(2) Breakdown of major items giving rise to a significant difference between the statutory effective tax rate and the effective income tax rate after application of tax effect accounting

	%
As of March 31,	2019
Statutory effective tax rate	30.6
(Adjustments)	
Difference in tax rate of subsidiaries	(2.4)
Increase (decrease) in valuation allowance	1.0
Others	1.0
Effective income tax rate after application of tax effect accounting	30.2

23. Asset retirement obligations:

Asset retirement obligations recorded on the consolidated balance sheets

(1) Overview of asset retirement obligations

The reserve for asset retirement obligations is provided for the obligation to restore sites to their original states under the lease agreement of commercial properties, as well as the estimated amount of asbestos removal cost associated with investment and rental property in accordance with Ordinance on Prevention of Health Impairment due to Asbestos and others.

(2) Basis of measurement for asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the usable period to be 15 to 50 years from acquisition and then applying a 0.1% to 2.3% discount rate.

(3) Changes in the balance of asset retirement obligations

	Millions of yen
For the year ended March 31,	2019
Balance at the beginning of the period	2,131
Increase due to purchase of tangible fixed assets	52
Changes resulting from the passage of time	15
Decrease due to performance of asset retirement obligations	(23)
Balance at the end of the period	2,176

24. Fair value information on investment and rental property:

Some consolidated subsidiaries own rental office buildings in Tokyo and other areas. Income related to investment and rental property amounted to ¥4,959 million for the year ended March 31, 2019. Below is the consolidated balance sheet amount, net of changes during the period, and the fair value at the end of the current period.

	Millions of yen
For the year ended March 31,	2019
Consolidated balance sheet amount	
Balance at the beginning of the period	86,376
Changes during the period	(2,385)
Balance at the end of the period	83,991
Fair value at the end of the period	183,534

Notes: 1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and impairment losses.
2. The fair value at the end of the period is determined by a licensed third-party real estate appraisal agent.

25. A subsequent event is as follows:

May 17, 2019 – The Board of Directors passed a comprehensive resolution and reached an agreement with the Company's wholly-owned consolidated subsidiary Sony Life Insurance Co., Ltd., to make AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd. its subsidiaries (sub-subsidiaries of the Company) by acquiring 50% of the outstanding shares of each company. The aim is to accelerate management decision making and streamline business operation at both companies.

1. Name of acquiree of equity acquisition

AEGON International B.V.

2. Details on equity acquisition

(1) AEGON Sony Life Insurance Co., Ltd.

(i) Outline of the company

- a. Capital ¥18,750 million (As of March 31, 2019)
- b. Business Life insurance business

(ii) The number of shares to be acquired and ownership interest after the acquisition

- a. The number of shares to be acquired 18,750,000 shares
- b. Ownership interest after the acquisition 100% (inclusive of 100% held indirectly)

(2) SA Reinsurance Ltd.

(i) Outline of the company

- a. Capital ¥15,900 million (As of March 31, 2019)
- b. Business Reinsurance business

(ii) The number of shares to be acquired and ownership interest after the acquisition

- a. The number of shares to be acquired 7,950,000 shares
- b. Ownership interest after the acquisition 100% (inclusive of 100% held indirectly)

3. Acquisition price

Total (Approximate amount) ¥16,250 million (Including ¥250 million of approximate advisory cost, etc.)

Note: Acquisition price will be determined after making certain adjustments, as necessary.

4. Timing of equity acquisition

Second half of fiscal year 2019 (subject to approval of relevant agencies)

2 Notes to the Consolidated Statements of Income

Profit attributable to owners of the parent per share is calculated based on the weighted-average number of shares of common stock outstanding during the period. For the year ended March 31, 2019, net income per share was ¥142.69. The basis for this calculation for the year ended March 31, 2019 is profit attributable to owners of the parent of ¥62,074 million, the entire amount of which is applicable to common stock. The weighted-average number of shares outstanding for the year ended March 31, 2019 was 435,016 thousand shares.

Diluted net income per share attributable to owners of the parent was ¥142.67. There was no adjustment to profit attributable to owners of the parent for a basis for calculation, and common stock reflecting the dilutive shares increased by 87 thousand shares.

3 Notes to the Consolidated Statements of Comprehensive Income

Reclassification adjustments and income tax benefit (expense) on components of other comprehensive income for the year ended March 31, 2019 are as follows:

	Millions of yen
For the year ended March 31,	2019
Net unrealized gains (losses) on available-for-sale securities, net of taxes:	
Gains (losses) arising during the period	(2,805)
Reclassification adjustments	(3,947)
Pre-tax amount	(6,752)
Income tax benefit (expense)	1,537
Net unrealized gains (losses) on available-for-sale securities, net of taxes	(5,215)
Net deferred gains (losses) on hedging instruments, net of taxes:	
Gains (losses) arising during the period	954
Reclassification adjustments	(1,205)
Pre-tax amount	(251)
Income tax benefits (expense)	76
Net deferred gains (losses) on hedging instruments, net of taxes	(174)
Remeasurements of defined benefit plans, net of taxes:	
Gains (losses) arising during the period	(117)
Reclassification adjustments	750
Pre-tax amount	633
Income tax benefits (expense)	(177)
Remeasurements of defined benefit plans, net of taxes	456
Share of other comprehensive income of entities accounted for using equity method	
Gains (losses) arising during the period	23
Total other comprehensive income	(4,909)

4 Notes to the Consolidated Statements of Changes in Net Assets

1. Types and numbers of shares issued are as follows

	Thousands of shares			
	2019			
For the year ended March 31,	Number of shares as of April 1, 2018	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2019
Issued shares				
Common stock	435,027	35	—	435,062
Total	435,027	35	—	435,062
Treasury stock				
Common stock	35	1	—	37
Total	35	1	—	37

Notes: 1. The increase of 35 thousand shares in common stock (of shares outstanding) was due to exercise of subscription rights to shares (stock options) involving 7 thousand shares and allocation of 27 thousand shares of restricted stock by resolution of the Board of Directors.

2. The increase of 1 thousand shares in common stock (of treasury stock) was due to acquiring, without consideration, a part of the common stock allocated to executive officers of SFH subsidiaries as restricted stock compensation.

SFH Consolidated Financial Statements

2. Information on stock acquisition rights is as follows:

Detail of stock acquisition rights		Balance as of March 31, 2019 (Millions of yen)
SFH	Stock acquisition rights as stock options	149

3. Information on dividends is as follows:

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2018	Common stock	¥26,099 million	¥60	March 31, 2018	June 25, 2018

(2) Dividends to be paid in the next fiscal year

Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2019	Common stock	¥27,189 million	Retained earnings	¥62.5	March 31, 2019	June 24, 2019

5 Notes to the Consolidated Statements of Cash Flows

1. The reconciliation of cash and cash equivalents in the statement of cash flows to cash and due from banks as stated in the consolidated balance sheet as of March 31, 2019 is as follows:

	Millions of yen
For the year ended March 31,	2019
Cash and due from banks	415,894
Call loans of life insurance subsidiary	93,700
Cash and cash equivalents	509,594

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

Financial Data (Non-consolidated)

Balance Sheets

Sony Life Insurance Co., Ltd.
As of March 31, 2018 and 2019

	2018		2019	
	Amount	Composition	Amount	Composition
Assets				
Cash and deposits	53,683	0.6%	82,046	0.8%
Cash	—		—	
Deposits	53,683		82,046	
Call loans	65,500	0.7	93,700	0.9
Money held in trust	270,582	2.8	269,387	2.6
Securities	8,765,967	91.6	9,523,877	91.8
Japanese government bonds	6,966,434		7,356,090	
Japanese local government bonds	1,543		448	
Japanese corporate bonds	461,015		536,373	
Japanese stocks	88,376		49,381	
Foreign securities	959,188		1,262,611	
Other securities	289,408		318,971	
Loans	189,486	2.0	198,410	1.9
Policy loans	189,460		198,369	
Commercial loans	25		41	
Tangible fixed assets	93,169	1.0	91,577	0.9
Land	62,259		62,259	
Buildings	30,087		28,544	
Leased assets	5		20	
Construction in progress	—		—	
Other tangible fixed assets	816		752	
Intangible fixed assets	23,210	0.2	26,352	0.3
Software	23,201		26,352	
Other intangible fixed assets	8		—	
Due from agencies	—	—	—	—
Due from reinsurers	929	0.0	1,036	0.0
Other assets	92,184	1.0	81,154	0.8
Other receivables	37,411		39,287	
Prepaid expenses	1,983		2,345	
Accrued income	19,627		21,941	
Money on deposits	5,428		5,580	
Initial margins of futures markets	18,324		3,279	
Variation margins of futures markets	892		72	
Derivatives	7,969		448	
Cash collateral paid for financial instruments	—		7,410	
Advance payments	470		718	
Others	75		71	
Prepaid pension costs	2,483	0.0	2,629	0.0
Deferred tax assets	10,787	0.1	14,248	0.1
Reserve for possible loan losses	(295)	(0.0)	(623)	(0.0)
Reserve for investment losses	—	—	(3,650)	(0.0)
Total Assets	9,567,689	100.0	10,380,148	100.0

■ Sony Life Financial Data (Non-consolidated)

	Millions of yen, %			
	2018		2019	
	Amount	Composition	Amount	Composition
Liabilities				
Policy reserves and others	8,606,736	90.0%	9,310,577	89.7%
Reserve for outstanding claims	35,176		37,610	
Policy reserves	8,566,075		9,268,422	
Reserve for policyholders' dividends	5,484		4,544	
Due to agencies	1,873	0.0	2,073	0.0
Due to reinsurers	5,497	0.1	5,528	0.1
Other liabilities	386,099	4.0	469,820	4.5
Payables under repurchase agreements	31,696		81,474	
Collateral for securities lending transactions	303,889		331,055	
Accrued income tax	13,478		13,914	
Other payables	3,249		2,975	
Accrued expenses	20,325		21,071	
Unearned revenue	764		798	
Deposits received	1,237		1,321	
Deposits received for guarantee	4,202		4,204	
Variation margins of futures markets	2,194		753	
Derivatives	1,410		8,189	
Lease obligations	6		22	
Asset retirement obligations	1,856		1,898	
Suspense receipt	1,787		2,140	
Reserve for employees' retirement benefits	26,656	0.3	28,002	0.3
Reserve for directors' retirement benefits	—	—	—	—
Reserve under the special laws	47,929	0.5	50,105	0.5
Reserve for price fluctuations	47,929		50,105	
Deferred tax liabilities on land revaluation	109	0.0	109	0.0
Total Liabilities	9,074,902	94.8	9,866,217	95.0
Net Assets				
Common stock	70,000	0.7	70,000	0.7
Capital surplus	5,865	0.1	5,865	0.1
Capital reserve	5,865		5,865	
Retained earnings	294,424	3.1	317,777	3.1
Legal retained earnings	34,938		40,188	
Other retained earnings	259,486		277,588	
Unappropriated retained earnings	259,486		277,588	
Total shareholders' equity	370,289	3.9	393,642	3.8
Net unrealized gains (losses) on available-for-sale securities, net of taxes	124,936	1.3	122,727	1.2
Land revaluation, net of taxes	(2,439)	(0.0)	(2,439)	(0.0)
Total valuation and translation adjustments	122,497	1.3	120,288	1.2
Total Net Assets	492,787	5.2	513,930	5.0
Total Liabilities and Net Assets	9,567,689	100.0	10,380,148	100.0

Statements of Income

Sony Life Insurance Co., Ltd.

For the years ended March 31, 2018 and 2019

	Millions of yen	
	2018	2019
Ordinary Revenues	1,351,076	1,464,218
Income from insurance premiums	1,059,269	1,136,104
Insurance premiums	1,056,725	1,132,732
Ceded reinsurance commissions	2,544	3,372
Investment income	243,293	278,935
Interest income and dividends	157,727	166,937
Interest income from deposits	0	0
Interest income and dividends on securities	140,435	150,733
Interest income from loans	6,610	6,828
Income from real estate for rent	10,285	8,831
Other interest income and dividends	395	543
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
Reversal of reserve for possible loan losses	—	—
Other investment income	138	—
Gains on separate accounts, net	80,932	87,944
Other ordinary income	48,513	49,178
Income for annuity riders	5,065	4,027
Proceeds from deferred insurance	39,537	43,046
Other ordinary income	3,910	2,104

■ Sony Life Financial Data (Non-consolidated)

	Millions of yen	
	2018	2019
Ordinary Expenses	1,294,738	1,384,406
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
Refund to policyholders	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	33,121	24,638
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	1,770	1,599
Other investment expenses	4,487	2,992
Operating expenses	139,937	146,984
Other ordinary expenses	46,796	50,750
Deferred insurance payments	25,487	28,655
Taxes	12,647	13,419
Depreciation and amortization	5,376	6,248
Provision for reserve for employees' retirement benefits	2,981	2,402
Others	304	25
Ordinary Profit	56,338	79,812

Statements of Income (Continued)

	Millions of yen	
	2018	2019
Extraordinary Gains	16,898	—
Gains on disposal of fixed assets	13,258	—
Reversal of reserve for investment losses	3,640	—
Extraordinary Losses	6,190	5,929
Losses on disposal of fixed assets	89	63
Impairment losses	0	39
Provision for reserve under the special laws	1,924	2,175
Provision for reserve for price fluctuations	1,924	2,175
Valuation losses on stocks of affiliated companies	4,176	—
Provision for reserve for investment losses	—	3,650
Provision for Reserve for Policyholders' Dividends	3,271	2,146
Income Before Income Taxes	63,774	71,737
Income Taxes - Current	23,224	25,328
Income Taxes - Deferred	(4,583)	(3,194)
Total Income Taxes	18,640	22,134
Net Income	45,134	49,602

Statements of Changes in Net Assets

Sony Life Insurance Co., Ltd.

For the years ended March 31, 2018 and 2019

Millions of yen

	2018						
	Shareholders' equity						
	Capital surplus			Retained earnings			
	Common stock	Capital reserve	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings	Total shareholders' equity
					Unappropriated retained earnings		
Balance at the beginning of the period	70,000	5,865	5,865	30,318	241,098	271,416	347,281
Changes during the period							
Dividends from surplus	—	—	—	4,620	(27,720)	(23,100)	(23,100)
Net income	—	—	—	—	45,134	45,134	45,134
Reversal of land revaluation	—	—	—	—	973	973	973
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the period	—	—	—	4,620	18,387	23,007	23,007
Balance at the end of the period	70,000	5,865	5,865	34,938	259,486	294,424	370,289

Millions of yen

	2018			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Land revaluation, net of taxes	Total valuation and translation adjustments	
Balance at the beginning of the period	127,772	(1,465)	126,307	473,589
Changes during the period				
Dividends from surplus	—	—	—	(23,100)
Net income	—	—	—	45,134
Reversal of land revaluation	—	—	—	973
Net changes of items other than shareholders' equity	(2,836)	(973)	(3,809)	(3,809)
Total changes during the period	(2,836)	(973)	(3,809)	19,198
Balance at the end of the period	124,936	(2,439)	122,497	492,787

Sony Life Financial Data (Non-consolidated)

Statements of Changes in Net Assets (Continued)

Millions of yen

	2019						
	Shareholders' equity						
	Capital surplus			Retained earnings			
	Common stock	Capital reserve	Total capital surplus	Legal retained earnings	Other retained earnings Unappropriated retained earnings	Total retained earnings	Total shareholders' equity
Balance at the beginning of the period	70,000	5,865	5,865	34,938	259,486	294,424	370,289
Changes during the period							
Dividends from surplus	—	—	—	5,250	(31,500)	(26,250)	(26,250)
Net income	—	—	—	—	49,602	49,602	49,602
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the period	—	—	—	5,250	18,102	23,352	23,352
Balance at the end of the period	70,000	5,865	5,865	40,188	277,588	317,777	393,642

Millions of yen

	2019			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of taxes			Total net assets
	Land revaluation, net of taxes	Total valuation and translation adjustments		
Balance at the beginning of the period	124,936	(2,439)	122,497	492,787
Changes during the period				
Dividends from surplus	—	—	—	(26,250)
Net income	—	—	—	49,602
Net changes of items other than shareholders' equity	(2,208)	—	(2,208)	(2,208)
Total changes during the period	(2,208)	—	(2,208)	21,143
Balance at the end of the period	122,727	(2,439)	120,288	513,930

Statements of Cash Flows

Sony Life Insurance Co., Ltd.

For the years ended March 31, 2018 and 2019

	Millions of yen	
	2018	2019
Cash flows from operating activities		
Income before income taxes	63,774	71,737
Depreciation of real estate for rent and others	1,770	1,599
Depreciation and amortization	5,376	6,248
Impairment losses	0	39
Valuation loss on stocks of affiliated companies	4,176	—
Increase (decrease) in reserve for outstanding claims	2,211	2,433
Increase (decrease) in policy reserves	636,131	702,346
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	23	328
Increase (decrease) in reserve for investment losses	(3,640)	3,650
Increase (decrease) in reserve for employees' retirement benefits	1,977	1,346
Increase (decrease) in reserve for directors' retirement benefits	(119)	—
Increase (decrease) in reserve for price fluctuations	1,924	2,175
Interest income and dividends	(157,727)	(166,937)
(Gains) losses on securities	(81,740)	(91,847)
(Gains) losses on derivatives	11,403	13,925
Interest expenses	151	1,604
Foreign exchange (gains) losses	15,280	(13,455)
(Gains) losses on disposal of tangible fixed assets	(13,359)	38
(Increase) decrease in due from agencies	0	—
(Increase) decrease in due from reinsurers	463	(106)
(Increase) decrease in other assets (excluding those related to investing and financing activities)	20,226	22,454
Increase (decrease) in due to agencies	(743)	200
Increase (decrease) in due to reinsurers	1,833	30
Increase (decrease) in other liabilities (excluding those related to investing and financing activities)	(876)	1,105
Others, net	724	517
Subtotal	512,516	561,581
Interest and dividends received	164,864	171,437
Interest paid	(152)	(1,604)
Policyholders' dividends paid	(3,517)	(3,086)
Others, net	(3,358)	(5,793)
Income taxes paid	(17,840)	(24,893)
Net cash provided by (used in) operating activities	652,511	697,641
Cash flows from investing activities		
Investments in money held in trust	(101)	(101)
Proceeds from money held in trust	4,532	4,522
Purchases of securities	(842,838)	(961,067)
Proceeds from sale and redemption of securities	223,951	303,034
Investments in loans	(60,315)	(63,616)
Collections of loans	28,760	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	25,800	75,306
Others, net	—	125
Total of net cash provided by (used in) investment transactions	(643,206)	(604,066)
[Total of net cash provided by (used in) operating activities and investment transactions]	[9,305]	[93,574]
Purchases of tangible fixed assets	(760)	(572)
Proceeds from sales of tangible fixed assets	36,700	—
Purchase of securities of subsidiaries	(339)	(50)
Purchase of securities of affiliates	(3,450)	(300)
Others, net	(8,080)	(9,833)
Net cash provided by (used in) investing activities	(619,136)	(614,823)
Cash flows from financing activities		
Cash dividends paid	(23,100)	(26,250)
Others, net	(5)	(4)
Net cash provided by (used in) financing activities	(23,105)	(26,254)
Effect of exchange rate changes on cash and cash equivalents	(2)	0
Net increase (decrease) in cash and cash equivalents	10,267	56,563
Cash and cash equivalents at the beginning of the period	108,916	119,183
Cash and cash equivalents at the end of the period	119,183	175,746

Notes

Sony Life Insurance Co., Ltd.

(Retirement benefit obligations)

As of March 31, for the year ended March 31,

1. Overview of retirement benefit plans

A lump-sum retirement benefit plan is provided to sales staff as a defined benefit plan. A defined benefit corporate pension plan is provided to internal office staff as a defined benefit plan. Also, a defined contribution pension plan is provided as a defined contribution plan.

2. Defined benefit plan

(1) Reconciliation of beginning and ending balances of retirement benefit obligations

	Millions of yen	
	2018	2019
Balance at the beginning of the period	39,692	41,964
Service cost	4,401	4,558
Interest cost	90	95
Net actuarial gains (losses)	282	117
Retirement benefits paid	(2,502)	(3,376)
Balance at the end of the period	41,964	43,359

(2) Reconciliation of beginning and ending balances of plan assets

	Millions of yen	
	2018	2019
Balance at the beginning of the period	13,825	15,371
Expected return on plan assets	138	153
Net actuarial gains (losses)	556	35
Employer contribution	1,110	1,201
Retirement benefits paid	(258)	(567)
Balance at the end of the period	15,371	16,195

(3) Reconciliation of retirement benefit obligations and plan assets, and reserve for employees' retirement benefits and prepaid pension costs recorded on the balance sheets

	Millions of yen	
	2018	2019
Funded retirement benefit obligations	11,620	12,239
Plan assets	(15,371)	(16,195)
	(3,751)	(3,955)
Unfunded retirement benefit obligations	30,344	31,120
Unrecognized net actuarial gains (losses)	(2,419)	(1,791)
Net liabilities and assets recorded on the balance sheets	24,172	25,373
Reserve for employees' retirement benefits	26,656	28,002
Prepaid pension cost	(2,483)	(2,629)
Net liabilities and assets recorded on the balance sheets	24,172	25,373

(4) Gains (losses) related to retirement benefits

	Millions of yen	
	2018	2019
Service cost	4,401	4,558
Interest cost	90	95
Expected return on plan assets	(138)	(153)
Recognized actuarial gains (losses)	871	711
Others	49	80
Retirement benefit expenses related to defined benefit plans	5,274	5,291

Sony Life Financial Data (Non-consolidated)

(5) Main components of plan assets

The percentage share of components by main asset class out of total plan assets is as follows:

	2018	2019
Bonds	68%	67%
Stocks	29%	30%
Others	3%	3%
Total	100%	100%

(6) Method of setting the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by taking into account the current and expected allocation of plan assets, and the current long-term return rate and the long-term return rate that are expected in the future based on the various assets that comprise the plan assets.

(7) Bases for calculating actuarial gain or loss

The main bases for calculating actuarial gain or loss are as follows:

	2018	2019
Discount rate		
for sales staff	0.2%	0.1%
for internal office staff	0.3%	0.3%
Long-term expected rate of return on plan assets	1.0%	1.0%

3. Defined contribution plan

The amounts of contribution required for defined contribution plans by Sony Life were ¥103 million and ¥111 million for the year ended March 31, 2018 and 2019, respectively.

(Tax effect accounting)

As of March 31, for the year ended March 31,

- For the fiscal year ended March 31, 2018, the total amount of deferred tax assets was ¥63,744 million, while the total amount of deferred tax liabilities was ¥48,972 million. Of the deferred tax assets, the amount deducted as valuation allowance was ¥3,984 million.

The breakdown of major factors giving rise to the deferred tax assets is policy reserves and others of ¥30,950 million, a reserve for price fluctuations of ¥13,420 million, a reserve for employees' retirement benefits of ¥6,768 million, and excess depreciation and amortization of ¥3,275 million.

The major factor giving rise to the deferred tax liabilities is net unrealized gains on available-for-sale securities of ¥48,409 million.

For the fiscal year ended March 31, 2019, the total amount of deferred tax assets was ¥68,594 million, while the total amount of deferred tax liabilities was ¥48,776 million. Of the deferred tax assets, the amount deducted as valuation allowance was ¥5,569 million.

The breakdown of major factors giving rise to the deferred tax assets is policy reserves and others of ¥34,020 million, a reserve for price fluctuations of ¥14,029 million, a reserve for employees' retirement benefits of ¥7,104 million, losses on valuation of securities of ¥4,637 million and excess depreciation and amortization of ¥2,940 million.

Of the amount deducted from deferred tax assets as the amount of valuation allowance, the amount of valuation allowance on total deductible temporary differences is ¥5,569 million.

The major factor giving rise to the deferred tax liabilities is net unrealized gains on available-for-sale securities of ¥48,142 million.

The main reason for changes in the amount deducted from deferred tax assets as the amount of valuation allowance is the additional recognition of valuation allowance pertaining to losses on valuation of securities and reserve for investment loss.

- The statutory effective tax rate in the fiscal year ended March 31, 2018 was 28.24%, registering a minimal difference between the statutory effective tax rate and the effective income tax rate after application of tax effect accounting.

The statutory effective tax rate in the fiscal year ended March 31, 2019 was 28.0%. The major item giving rise to a difference between the statutory effective tax rate and the effective income tax rate after application of tax effect accounting is a 2.21% increase in valuation allowance.

1 Loans by Borrower Category

	Millions of yen	
As of March 31,	2018	2019
Bankrupt and quasi-bankrupt loans	—	0
Doubtful loans	—	—
Sub-standard loans	—	—
Subtotal	—	0
[% to total]	[—]	[0.0]
Normal loans	428,359	461,094
Total	428,359	461,094

- Notes: 1. Bankrupt and quasi-bankrupt loans are loans to borrowers who are subject to bankruptcy, corporate reorganization, rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
2. Doubtful loans are loans to borrowers (other than bankrupt and quasi-bankrupt borrowers) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
3. Sub-standard loans are loans on which principal and/or interest are past due for three months or more (excluding loans described in notes 1. and 2. above) and loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt waiver) in order to support the borrowers' recovery from financial difficulties (excluding loans described in notes 1. and 2. above and loans on which principal and/or interest are past due for three months or more).
4. Normal loans are loans that do not fall under the classifications for 1. to 3. above and where the borrowers have no financial or business performance problems.

2 Risk-monitored Loans

	Millions of yen,%	
As of March 31,	2018	2019
Bankrupt loans	—	—
Non-accrual delinquent loans	—	0
Past-due loans (3 months or more)	—	—
Restructured loans	—	—
Total	—	0
[Ratio to loan balance (%)]	[—]	[0.0]

- Notes: 1. Bankrupt loans include loans that have been in arrears on principal or interest payments for a considerably long period of time or loans (non-accrual loans) on which principal or interest payments are considered unlikely to occur in the future for other reasons and on which interest income is not recognized. These are the loans to borrowers who have been legally bankrupt due to the petition for proceedings under the Corporate Reorganization Act, the Civil Rehabilitation Act, the Bankruptcy Act, and the Companies Act; or the loans to borrowers who have notes suspended from being traded; or the loans to borrowers who have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
2. Non-accrual delinquent loans are non-accrual loans other than bankrupt borrowers and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
3. Past-due loans (3 months or more) are loans on which the payments of principals or interests are past the due date for three months or more, and which are not classified to bankrupt loans or non-accrual delinquent loans.
4. Restructured loans are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt waiver) in order to support the borrowers' recovery from financial difficulties, excluding bankrupt loans, non-accrual delinquent loans and past-due loans (3 months or more).

3 Accounting Indicators

3-01 Reserve for outstanding claims

	Millions of yen	
As of March 31,	2018	2019
Insurance claims		
Death benefits	8,542	8,262
Accidental benefits	278	282
Disability payments	1,464	1,182
Maturity benefits	1,234	1,419
Others	2,834	2,920
Subtotal	14,354	14,067
Annuity payments	600	674
Insurance benefits	8,734	9,924
Surrender payments	10,709	11,948
Deferred insurance payments	641	878
Total, including others	35,176	37,610

Sony Life Financial Data (Non-consolidated)

3-02 Policy reserves

	Millions of yen	
As of March 31,	2018	2019
Policy reserves (excluding contingency reserve)		
Individual life insurance	8,128,998	8,751,152
General accounts	7,183,813	7,693,808
Separate accounts	945,184	1,057,344
Individual annuities	337,064	409,931
General accounts	175,320	188,133
Separate accounts	161,743	221,798
Group life insurance	60	60
General accounts	60	60
Separate accounts	—	—
Group annuities	10,037	8,664
General accounts	10,037	8,664
Separate accounts	—	—
Others	—	—
General accounts	—	—
Separate accounts	—	—
Subtotal	8,476,160	9,169,808
General accounts	7,369,232	7,890,665
Separate accounts	1,106,927	1,279,143
Contingency reserve	89,915	98,613
Total	8,566,075	9,268,422
General accounts	7,459,147	7,989,279
Separate accounts	1,106,927	1,279,143

3-03 Breakdown of policy reserves

	Millions of yen	
As of March 31,	2018	2019
Premium reserve	8,238,862	8,925,064
Unearned premiums	237,297	244,744
Refund reserve	—	—
Contingency reserve	89,915	98,613
Total	8,566,075	9,268,422

3-04 Policy reserve calculation methods, ratios and balance involving individual life insurance and individual annuities by contract year

Policy reserve calculation methods and ratios

As of March 31,	2018	2019
Calculation method		
Policies subject to standard policy reserve method		
Pure death-protection insurance	Net level premium reserve method	Net level premium reserve method
Mixed insurance	Net level premium reserve method	Net level premium reserve method
Pure endowment insurance	Net level premium reserve method	Net level premium reserve method
Annuities	Net level premium reserve method	Net level premium reserve method
Policies not subject to standard policy reserve method		
Pure death-protection insurance	Net level premium reserve method	Net level premium reserve method
Mixed insurance	Net level premium reserve method	Net level premium reserve method
Pure endowment insurance	Net level premium reserve method	Net level premium reserve method
Annuities	Net level premium reserve method	Net level premium reserve method
Ratio of "amount of the company's policy reserves (excluding contingency reserve)" to "policy reserves required by regulatory standards"	100.1%	100.1%

Notes: 1. The calculation methods and ratios are set for individual life insurance and individual annuities. The concept of calculation method is not targeted at policy reserves for group life insurance and group annuities, so these insurance policies are not included.

2. The above ratios indicate the amounts of the company's policy reserves (excluding contingency reserve) to the required premium reserves and unearned premiums calculated by (a) the method laid down in the Ministry of Finance Public Notice No. 48 (1996) for policies to which the standard policy reserve method is applied, and (b) the net level premium reserve method for policies to which the standard policy reserve method is not applied. The amounts of the company's policy reserves include policy reserves additionally reserved to maintain the future soundness of certain policies.

Sony Life Financial Data (Non-consolidated)

Balance of policy reserves by contract year

Fiscal year issued	Millions of yen, %	
	Balance of policy reserves	Assumed interest rate
Up to FY1980	—	—%
FY1981 to FY1985	34,218	6.00 - 6.25
FY1986 to FY1990	53,353	6.00 - 6.25
FY1991 to FY1995	591,613	2.75 - 6.25
FY1996 to FY2000	1,140,570	1.90 - 4.00
FY2001 to FY2005	1,432,205	1.50
FY2006 to FY2010	1,889,688	1.50
FY2011	444,299	1.50
FY2012	487,912	1.50
FY2013	442,683	1.00
FY2014	351,939	1.00
FY2015	336,777	1.00
FY2016	232,245	1.00
FY2017	225,528	0.25
FY2018	218,905	0.25

Notes: 1. The balance of policy reserves shows the total of those for individual life insurance and individual annuities, excluding those of separate accounts and contingency reserves.

2. The assumed interest rate shows the assumed interest rate of the majority of policy reserves for each contract fiscal year.

3-05 Balance, calculating method and coefficient of policy reserves of general accounts related to policies with minimum guarantees whose insurance policies are invested in separate accounts

Balance of policy reserves (general account)

As of March 31,	Millions of yen	
	2018	2019
Balance of policy reserves	107,211	125,574

Notes: 1. Calculations employed in the above table apply to the insurance policies subject to the standard policy reserve method provided for under Article 68 of the Ordinance for Enforcement of the Insurance Business Act of Japan.

2. Each of the balances of policy reserves of the general accounts shows the total of premium reserve related to minimum guarantees and unearned premiums.

Calculating method and coefficient

Products	Contracts dated on or before January 1, 2019	Contracts dated on or after January 2, 2019
	Variable life insurance (whole life type), variable life insurance (limited term type), variable life insurance (term type)	
Calculating method	Standard policy reserve method stipulated in the Ministry of Finance Public Notice No. 48 (1996)	Alternative method (scenario testing method) stipulated in the Ministry of Finance Public Notice No. 48 (1996)
Assumed mortality rate, discount rate, expected returns, volatility	Rates stipulated in the Ministry of Finance Public Notice No. 48 (1996)	
Coefficient	During the payment of insurance premiums: annual rate of 5.0% Other than the above: annual rate of 3.0%	Annual rate of 0.3% - 9.7% depending on products, years elapsed, etc.
Assumed surrender rates		

3-06 Reserve for policyholders' dividends

	Millions of yen						
	2018						
For the year ended March 31,	Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Others	Total
At the beginning of the period	1,859	270	3,525	74	—	—	5,729
Increase due to interest	0	0	—	—	—	—	0
Decrease due to dividend payment	103	21	3,319	74	—	—	3,517
Provision for the period	121	55	3,090	3	—	—	3,271
At the end of the period	1,877	305	3,296	4	—	—	5,484
	[1,392]	[156]	[0]	[—]	[—]	[—]	[1,549]

Sony Life Financial Data (Non-consolidated)

Millions of yen

For the year ended March 31,	2019						Total
	Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Others	
At the beginning of the period	1,877	305	3,296	4	—	—	5,484
Increase due to interest	0	0	—	—	—	—	0
Decrease due to dividend payment	155	25	2,901	4	—	—	3,086
Provision for the period	87	15	2,041	1	—	—	2,146
At the end of the period	1,810	295	2,436	1	—	—	4,544
	[1,432]	[176]	[0]	[—]	[—]	[—]	[1,609]

Note: Figures in [] are accumulated dividends.

3-07 Other reserves

Millions of yen

For the years ended March 31,	2018			2019		
	Balance at the beginning of the period	Balance at the end of the period	Increase (decrease)	Balance at the beginning of the period	Balance at the end of the period	Increase (decrease)
Reserve for possible loan losses						
General reserve for possible loan losses	0	0	(0)	0	2	2
Specific reserve for possible loan losses	270	294	23	294	620	326
Reserve for possible loan losses for specific foreign countries	—	—	—	—	—	—
Reserve for investment losses	3,640	—	(3,640)	—	3,650	3,650
Reserve for employees' retirement benefits	24,678	26,656	1,977	26,656	28,002	1,346
Reserve for directors' retirement benefits	119	—	(119)	—	—	—
Reserve for price fluctuations	46,005	47,929	1,924	47,929	50,105	2,175

3-08 Insurance premiums

Millions of yen

For the years ended March 31,	2018	2019
Individual life insurance	996,545	1,058,984
Single premium	75,893	102,191
Annual payment	262,938	278,229
Semi-annual payment	11,049	11,363
Monthly payment	646,664	667,199
Individual annuities	53,793	67,501
Single premium	25,746	30,683
Annual payment	5,328	5,492
Semi-annual payment	347	412
Monthly payment	22,370	30,912
Group life insurance	6,255	6,191
Group annuities	130	55
Total, including others	1,056,725	1,132,732

3-09 Insurance claims

Millions of yen

For the years ended March 31,	2019							
	Total	Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Others	Total
Death benefits	51,509	50,919	—	1,766	—	—	—	52,685
Accidental benefits	496	621	—	—	—	—	—	621
Disability payments	2,799	2,762	—	92	—	—	—	2,855
Maturity benefits	24,424	22,781	—	—	—	—	—	22,781
Others	13,112	13,850	—	202	—	—	—	14,053
Total	92,342	90,935	—	2,061	—	—	—	92,997

Sony Life Financial Data (Non-consolidated)

3-10 Annuity payments

Millions of yen

	2018	2019						
	Total	Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Others	Total
For the years ended March 31, Annuity payments	12,566	—	12,089	1	1,397	—	—	13,489

3-11 Insurance benefits

Millions of yen

	2018	2019						
	Total	Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Others	Total
For the years ended March 31, Death benefits	2,706	2,847	94	—	—	—	—	2,942
Hospitalization benefits	9,574	9,792	—	0	—	—	—	9,793
Surgery benefits	10,317	10,730	—	—	—	—	—	10,730
Disability benefits	150	149	—	0	—	—	—	149
Living benefits	85,015	96,034	—	—	—	—	—	96,034
Others	11,530	11,414	629	—	130	—	—	12,174
Total	119,294	130,968	724	0	130	—	—	131,824

3-12 Surrender payments

Millions of yen

	2018	2019						
	Total	Individual life insurance	Individual annuities	Group life insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Others	Total
For the years ended March 31, Surrender payments	199,263	196,302	8,048	—	—	—	—	204,351

3-13 Depreciation and amortization

Millions of yen, %

	2018					2019				
	Acquisition cost	Depreciation expenses	Accumulated depreciation	Balance at the end of the period	Ratio of depreciation	Acquisition cost	Depreciation expenses	Accumulated depreciation	Balance at the end of the period	Ratio of depreciation
For the years ended March 31, Tangible fixed assets	8,483	523	2,788	5,694	32.9%	9,392	562	3,570	5,821	38.0%
Buildings	6,785	361	1,839	4,946	27.1	7,612	390	2,508	5,103	33.0
Leased assets	23	4	17	5	74.6	21	4	0	20	2.4
Other tangible fixed assets	1,674	156	931	742	55.6	1,759	166	1,061	697	60.4
Intangible fixed assets	46,161	4,849	22,959	23,201	49.7	63,864	5,682	37,512	26,352	58.7
Others	15	3	10	5	66.7	15	3	13	2	84.2
Total	54,660	5,376	25,758	28,902	47.1	73,273	6,248	41,096	32,176	56.1

3-14 Operating expenses

Millions of yen

	2018	2019
For the years ended March 31, Sales and marketing expenses	64,566	68,562
Sales administrative expenses	19,824	19,024
General administrative expenses	55,547	59,397
Total	139,937	146,984

Note: Contribution to the Life Insurance Policyholders Protection Corporation of Japan prescribed by Article 259 of the Insurance Business Act of Japan is as follows:

	Millions of yen	
For the years ended March 31,	2018	2019
Life Insurance Policyholders Protection Corporation of Japan	751	787

Sony Life Financial Data (Non-consolidated)

4 Reconciliation to Core Profit and Non-consolidated Ordinary Profit

		Millions of yen	
For the years ended March 31,		2018	2019
Core profit	(A)	81,384	97,242
Capital gains		9,894	19,562
Income from money held in trust, net		—	—
Income from trading securities, net		—	—
Gains on sale of securities		0	6,107
Gains on derivatives, net		—	—
Foreign exchange gains, net		—	13,455
Other capital gains		9,894	—
Capital losses		27,357	27,847
Losses on money held in trust, net		—	—
Losses on trading securities, net		8	144
Losses on sale of securities		0	34
Losses on valuation of securities		—	4,026
Losses on derivatives, net		11,403	13,925
Foreign exchange losses, net		15,280	—
Other capital losses		664	9,716
Net capital gains (losses)	(B)	(17,463)	(8,284)
Core profit plus net capital gains (losses)	(A) + (B)	63,920	88,957
Other one-time gains		—	—
Gains from reinsurance		—	—
Reversal of contingency reserve		—	—
Reversal of specific reserve for possible loan losses		—	—
Others		—	—
Other one-time losses		7,582	9,145
Losses from reinsurance		—	—
Provision for contingency reserve		7,451	8,698
Provision for specific reserve for possible loan losses		23	326
Provision for reserve for possible loan losses for specific foreign countries		—	—
Write-off of loans		—	—
Others		107	119
Net other one-time gains (losses)	(C)	(7,582)	(9,145)
Ordinary profit	(A) + (B) + (C)	56,338	79,812

Reference: The breakdown of others

		Millions of yen	
For the years ended March 31,		2018	2019
Core profit		4,502	14,224
Income gains in income from money held in trust		4,490	4,490
Interest income and dividends in income from trading securities		11	17
Effect of change in the exchange rates related to foreign currency-denominated insurance contracts ^(Note)		—	9,716
Other capital gains		9,894	—
Effect of change in the exchange rates related to foreign currency-denominated insurance contracts		9,894	—
Other capital losses		664	9,716
Impairment losses from investment partnerships		664	—
Effect of change in the exchange rates related to foreign currency-denominated insurance contracts		—	9,716
Other one-time gains		—	—
Other one-time losses		107	119
Provision of additional policy reserve		107	119

Note: Regarding the effect of change in the exchange rates related to foreign currency-denominated insurance contracts, breakdown of core profit has been modified from the fiscal year ended March 31, 2019. However, this change has no effect on core profit.

Sony Life Financial Data (Non-consolidated)

Reference: Reconciliation to core profit

	Millions of yen	
For the years ended March 31,	2018	2019
Core Revenues	1,351,085	1,454,390
Income from insurance premiums	1,059,269	1,136,104
Insurance premiums	1,056,725	1,132,732
Ceded reinsurance commissions	2,544	3,372
Investment income	238,800	254,882
Interest income and dividends	157,727	166,937
Gains on redemption of securities	1	—
Reversal of general reserve for possible loan losses	0	—
Other investment income	138	—
Gains on separate accounts, net	80,932	87,944
Other ordinary income	48,513	49,178
Income for annuity riders	5,065	4,027
Proceeds from deferred insurance	39,537	43,046
Reversal of reserves for outstanding claims	—	—
Others	3,910	2,104
Other core revenues	4,502	14,224
Core Expenses	1,269,701	1,357,147
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
Refund to policyholders	3,314	3,659
Reinsurance premiums	9,756	10,929
Provision for policy reserves and others	640,678	695,962
Investment expenses	5,749	6,198
Interest expenses	151	1,604
Losses on redemption of securities	2	—
Provision for general reserve for possible loan losses	—	2
Depreciation of real estate for rent and others	1,770	1,599
Other investment expenses	3,823	2,992
Losses on separate accounts, net	—	—
Operating expenses	139,937	146,984
Other ordinary expenses	46,796	50,750
Deferred insurance payments	25,487	28,655
Taxes	12,647	13,419
Depreciation and amortization	5,376	6,248
Provision for reserve for employees' retirement benefits	2,981	2,402
Others	304	25
Other core expenses	—	—
Core Profit	81,384	97,242

Note: Regarding the effect of change in the exchange rates related to foreign currency-denominated insurance contracts, breakdown of core profit has been modified from the fiscal year ended March 31, 2019.
However, this change has no effect on core profit.

Reference: Positive spread and yields

	Billions of yen, %	
For the years ended March 31,	2018	2019
Positive spread	17.7	18.2
Investment yield for core profit	2.22%	2.19%
Investment yield (general account)	1.63%	1.94%
Average assumed interest rate	1.97%	1.94%

5 Fair Value Information on Securities (General Account)

5-01 Fair value information on securities

Valuation gains (losses) on trading-purpose securities

	Millions of yen			
	2018		2019	
As of March 31,	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income
Trading-purpose securities	—	(31)	1,321	(160)

Fair value information on securities

a. Securities with fair value (except trading-purpose securities)

	Millions of yen				
	2018				
As of March 31,	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	6,467,997	8,050,644	1,582,646	1,640,383	57,736
Policy-reserve-matching bonds	401,958	436,842	34,884	35,939	1,055
Stocks of subsidiaries and affiliated companies	—	—	—	—	—
Available-for-sale securities	921,995	1,091,187	169,192	172,541	3,349
Japanese bonds	847,062	1,002,106	155,044	155,044	—
Japanese stocks	13,685	30,668	16,982	17,008	25
Foreign securities	61,081	58,125	(2,955)	368	3,323
Bonds	49,398	46,689	(2,709)	368	3,077
Stocks, etc.	11,682	11,436	(245)	—	245
Other securities	165	286	120	120	—
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—
Total	7,791,950	9,578,673	1,786,723	1,848,865	62,142
Japanese bonds	7,397,136	9,185,284	1,788,148	1,827,186	39,037
Japanese stocks	13,685	30,668	16,982	17,008	25
Foreign securities	380,962	362,434	(18,528)	4,550	23,078
Bonds	369,280	350,998	(18,282)	4,550	22,832
Stocks, etc.	11,682	11,436	(245)	—	245
Other securities	165	286	120	120	—
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—

Notes: 1. The above table includes assets that are permitted to be treated as equivalent to securities defined in the Financial Instruments and Exchange Act of Japan.

2. Carrying amount and net unrealized gains (losses) on money held in trust, including items other than trading-purpose securities, as of March 31, 2018, amounted to ¥232,484 million and ¥38,552 million, respectively.

Sony Life Financial Data (Non-consolidated)

Fair value information on securities (continued)

Millions of yen

As of March 31,	2019				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	6,770,008	8,800,847	2,030,838	2,051,389	20,551
Policy-reserve-matching bonds	680,757	764,282	83,525	83,733	208
Stocks of subsidiaries and affiliated companies	—	—	—	—	—
Available-for-sale securities	964,854	1,132,524	167,670	169,810	2,140
Japanese bonds	867,645	1,024,732	157,086	157,086	—
Japanese stocks	9,685	19,143	9,458	9,555	96
Foreign securities	87,357	88,341	984	3,027	2,043
Bonds	79,568	81,811	2,243	3,027	784
Stocks, etc.	7,788	6,529	(1,259)	—	1,259
Other securities	165	307	141	141	—
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—
Total	8,415,620	10,697,654	2,282,034	2,304,933	22,899
Japanese bonds	7,858,097	10,129,659	2,271,562	2,277,594	6,032
Japanese stocks	9,685	19,143	9,458	9,555	96
Foreign securities	547,671	548,543	872	17,642	16,770
Bonds	539,883	542,014	2,131	17,642	15,511
Stocks, etc.	7,788	6,529	(1,259)	—	1,259
Other securities	165	307	141	141	—
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—

Notes: 1. The above table includes assets that are permitted to be treated as equivalent to securities defined in the Financial Instruments and Exchange Act of Japan.

2. Carrying amount and net unrealized gains (losses) on money held in trust, including items other than trading-purpose securities, as of March 31, 2019, amounted to ¥232,566 million and ¥37,275 million, respectively.

b. Carrying amounts of securities for which fair value cannot be measured reliably

Millions of yen

As of March 31,	2018	2019
Held-to-maturity securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Stocks of subsidiaries and affiliated companies	15,926	16,276
Available-for-sale securities	7,719	5,445
Unlisted Japanese stocks (except OTC stocks)	159	159
Unlisted foreign stocks (except OTC stocks)	590	355
Unlisted foreign bonds	—	—
Others	6,968	4,929
Total	23,645	21,721

■ Sony Life Financial Data (Non-consolidated)

c. Fair value information consisting of those stated in the previous Table a. and Table b. after evaluating foreign exchange and other gains (losses)

Millions of yen					
2018					
As of March 31,	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	6,467,997	8,050,644	1,582,646	1,640,383	57,736
Policy-reserve-matching bonds	401,958	436,842	34,884	35,939	1,055
Stocks of subsidiaries and affiliated companies	15,926	15,926	—	—	—
Available-for-sale securities	929,714	1,103,060	173,345	176,918	3,572
Japanese bonds	847,062	1,002,106	155,044	155,044	—
Japanese stocks	13,845	30,828	16,982	17,008	25
Foreign securities	61,671	59,702	(1,968)	1,354	3,323
Bonds	49,398	46,689	(2,709)	368	3,077
Stocks, etc.	12,273	13,013	740	986	245
Other securities	7,134	10,422	3,287	3,510	222
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—
Total	7,815,596	9,606,473	1,790,876	1,853,241	62,365
Japanese bonds	7,397,136	9,185,284	1,788,148	1,827,186	39,037
Japanese stocks	21,482	38,464	16,982	17,008	25
Foreign securities	389,842	372,301	(17,541)	5,536	23,078
Bonds	369,280	350,998	(18,282)	4,550	22,832
Stocks, etc.	20,562	21,302	740	986	245
Other securities	7,134	10,422	3,287	3,510	222
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—

Millions of yen					
2019					
As of March 31,	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	6,770,008	8,800,847	2,030,838	2,051,389	20,551
Policy-reserve-matching bonds	680,757	764,282	83,525	83,733	208
Stocks of subsidiaries and affiliated companies	16,276	16,280	4	4	—
Available-for-sale securities	970,299	1,141,169	170,869	173,361	2,491
Japanese bonds	867,645	1,024,732	157,086	157,086	—
Japanese stocks	9,845	19,303	9,458	9,555	96
Foreign securities	87,712	89,867	2,154	4,198	2,043
Bonds	79,568	81,811	2,243	3,027	784
Stocks, etc.	8,144	8,055	(88)	1,170	1,259
Other securities	5,095	7,265	2,170	2,521	351
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—
Total	8,437,341	10,722,579	2,285,238	2,308,489	23,251
Japanese bonds	7,858,097	10,129,659	2,271,562	2,277,594	6,032
Japanese stocks	17,832	27,290	9,458	9,555	96
Foreign securities	556,316	558,364	2,047	18,817	16,770
Bonds	539,883	542,014	2,131	17,642	15,511
Stocks, etc.	16,433	16,349	(84)	1,175	1,259
Other securities	5,095	7,265	2,170	2,521	351
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—

Sony Life Financial Data (Non-consolidated)

5-02 Fair value information on money held in trust (general account)

Millions of yen

	2018						2019			
	Balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
As of March 31,										
Money held in trust	270,582	270,582	—	—	—	269,387	269,387	—	—	—

Note: The above tables include jointly invested money held in trust, which amounted to ¥40 million as of March 31, 2018 and ¥40 million as of March 31, 2019, respectively.

Money held in trust for investment

Not applicable

Money held in trust for held-to-maturity, policy-reserve-matching and other

Millions of yen

	2018						2019			
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
As of March 31,										
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Other money held in trust	231,989	270,541	38,552	38,552	—	232,071	269,346	37,275	37,275	—

5-03 Fair value information on derivative transactions (general account) (total of derivatives to which hedge accounting is applied and derivatives to which hedge accounting is not applied)

1. Breakdown of valuation gains (losses) (Derivatives to which hedge accounting is applied and derivatives to which hedge accounting is not applied)

Millions of yen

	2018						2019					
As of March 31,	Interest rate- related	Currency- related	Stock- related	Bond- related	Others	Total	Interest rate- related	Currency- related	Stock- related	Bond- related	Others	Total
Hedge accounting is applied	—	—	—	—	—	—	—	—	—	—	—	—
Hedge accounting is not applied	—	5,772	786	—	—	6,559	—	(409)	(7,331)	—	—	(7,741)
Total	—	5,772	786	—	—	6,559	—	(409)	(7,331)	—	—	(7,741)

Note: Valuation gains (losses) on derivatives to which hedge accounting is not applied are recorded in the statements of income.

Sony Life Financial Data (Non-consolidated)

2. Interest rate derivatives

Not applicable

3. Currency derivatives

Millions of yen

As of March 31,	2018				2019			
	Notional amount total	Over 1 year	Fair value	Valuation gains (losses)	Notional amount total	Over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions								
Forward foreign exchanges								
Sold	153,617	—	5,775	5,775	21,154	—	(409)	(409)
U.S. dollars	124,094	—	4,572	4,572	12,740	—	(354)	(354)
Euro	29,522	—	1,203	1,203	8,413	—	(54)	(54)
Bought	172	—	(3)	(3)	—	—	—	—
U.S. dollars	172	—	(3)	(3)	—	—	—	—
Total				5,772				(409)

Notes: 1. The fair value of forward foreign exchanges is calculated using the discounted present value based on the fiscal year-end interest rate.

2. Fair value is also shown in the column under "Valuation gains (losses)."

4. Stock derivatives

Millions of yen

As of March 31,	2018				2019			
	Notional amount total	Over 1 year	Fair value	Valuation gains (losses)	Notional amount total	Over 1 year	Fair value	Valuation gains (losses)
Listed								
Stock index futures								
Sold	106,875	—	786	786	58,724	—	308	308
Over-the-counter transactions								
Total return swap								
Sold	—	—	—	—	63,107	—	(7,640)	(7,640)
Total				786				(7,331)

Notes: 1. Fair value of stock index futures is the closing price on the Exchange at the end of the fiscal year.

2. Fair value of total return swap is calculated using the stock price, etc. at the end of the fiscal year.

3. Fair value is also shown in the column under "Valuation gains (losses)."

5. Bond derivatives

Not applicable

6. Others

Not applicable

6 Fair Value Information on Securities (Company Total)

6-01 Fair value information on securities

Valuation gains (losses) on trading-purpose securities

	Millions of yen			
	2018		2019	
As of March 31,	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income
Trading-purpose securities	1,048,062	36,944	1,185,507	30,070

Fair value information on securities

a. Securities with fair value (except trading-purpose securities)

	Millions of yen				
	2018				
As of March 31,	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	6,467,997	8,050,644	1,582,646	1,640,383	57,736
Policy-reserve-matching bonds	401,958	436,842	34,884	35,939	1,055
Stocks of subsidiaries and affiliated companies	—	—	—	—	—
Available-for-sale securities	921,995	1,091,187	169,192	172,541	3,349
Japanese bonds	847,062	1,002,106	155,044	155,044	—
Japanese stocks	13,685	30,668	16,982	17,008	25
Foreign securities	61,081	58,125	(2,955)	368	3,323
Bonds	49,398	46,689	(2,709)	368	3,077
Stocks, etc.	11,682	11,436	(245)	—	245
Other securities	165	286	120	120	—
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—
Total	7,791,950	9,578,673	1,786,723	1,848,865	62,142
Japanese bonds	7,397,136	9,185,284	1,788,148	1,827,186	39,037
Japanese stocks	13,685	30,668	16,982	17,008	25
Foreign securities	380,962	362,434	(18,528)	4,550	23,078
Bonds	369,280	350,998	(18,282)	4,550	22,832
Stocks, etc.	11,682	11,436	(245)	—	245
Other securities	165	286	120	120	—
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—

■ Sony Life Financial Data (Non-consolidated)

Fair value information on securities (continued)

Millions of yen

	2019				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
As of March 31,					
Held-to-maturity securities	6,770,008	8,800,847	2,030,838	2,051,389	20,551
Policy-reserve-matching bonds	680,757	764,282	83,525	83,733	208
Stocks of subsidiaries and affiliated companies	—	—	—	—	—
Available-for-sale securities	964,854	1,132,524	167,670	169,810	2,140
Japanese bonds	867,645	1,024,732	157,086	157,086	—
Japanese stocks	9,685	19,143	9,458	9,555	96
Foreign securities	87,357	88,341	984	3,027	2,043
Bonds	79,568	81,811	2,243	3,027	784
Stocks, etc.	7,788	6,529	(1,259)	—	1,259
Other securities	165	307	141	141	—
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—
Total	8,415,620	10,697,654	2,282,034	2,304,933	22,899
Japanese bonds	7,858,097	10,129,659	2,271,562	2,277,594	6,032
Japanese stocks	9,685	19,143	9,458	9,555	96
Foreign securities	547,671	548,543	872	17,642	16,770
Bonds	539,883	542,014	2,131	17,642	15,511
Stocks, etc.	7,788	6,529	(1,259)	—	1,259
Other securities	165	307	141	141	—
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—

Notes: 1. The above table includes assets that are permitted to be treated as equivalent to securities defined in the Financial Instruments and Exchange Act of Japan.

2. The carrying amount and net unrealized gains (losses) on money held in trust, including items other than trading securities, amounted to ¥232,484 million and ¥38,552 million, respectively, as of March 31, 2018 and ¥232,566 million and ¥37,275 million, respectively, as of March 31, 2019.

○ Held-to-maturity securities

Millions of yen

	2018			2019		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
As of March 31,						
Fair value exceeding balance sheet amount	5,712,419	7,352,803	1,640,383	6,477,032	8,528,421	2,051,389
Japanese bonds	5,649,059	7,285,480	1,636,421	6,270,702	8,311,604	2,040,902
Foreign securities	63,360	67,322	3,962	206,330	216,817	10,487
Other securities	—	—	—	—	—	—
Fair value not exceeding balance sheet amount	755,577	697,840	(57,736)	292,976	272,425	(20,551)
Japanese bonds	513,318	475,204	(38,113)	103,822	97,983	(5,839)
Foreign securities	242,259	222,636	(19,623)	189,153	174,441	(14,711)
Other securities	—	—	—	—	—	—

■ Sony Life Financial Data (Non-consolidated)

○ Policy-reserve-matching bonds

	2018			2019		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
As of March 31,						
Fair value exceeding balance sheet amount	346,779	382,719	35,939	662,919	746,652	83,733
Japanese bonds	340,492	376,212	35,720	600,839	680,444	79,605
Foreign securities	6,286	6,506	219	62,079	66,207	4,128
Other securities	—	—	—	—	—	—
Fair value not exceeding balance sheet amount	55,179	54,123	(1,055)	17,838	17,629	(208)
Japanese bonds	47,203	46,279	(924)	15,087	14,894	(192)
Foreign securities	7,975	7,843	(131)	2,751	2,735	(15)
Other securities	—	—	—	—	—	—

○ Available-for-sale securities

	2018			2019		
	Carrying amount	Balance sheet amount	Difference	Carrying amount	Balance sheet amount	Difference
As of March 31,						
Balance sheet amount exceeding carrying amount	868,385	1,040,926	172,541	930,381	1,100,192	169,810
Japanese bonds	847,062	1,002,106	155,044	867,645	1,024,732	157,086
Japanese stocks	13,384	30,392	17,008	8,777	18,332	9,555
Foreign securities	7,772	8,140	368	53,793	56,820	3,027
Other securities	165	286	120	165	307	141
Monetary claims purchased	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—
Others	—	—	—	—	—	—
Balance sheet amount not exceeding carrying amount	53,610	50,260	(3,349)	34,472	32,332	(2,140)
Japanese bonds	—	—	—	—	—	—
Japanese stocks	301	275	(25)	908	811	(96)
Foreign securities	53,308	49,984	(3,323)	33,563	31,520	(2,043)
Other securities	—	—	—	—	—	—
Monetary claims purchased	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—
Others	—	—	—	—	—	—

b. Carrying amounts of securities for which fair value cannot be measured reliably

	Millions of yen	
As of March 31,	2018	2019
Held-to-maturity securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Stocks of subsidiaries and affiliated companies	15,926	16,276
Available-for-sale securities	7,719	5,445
Unlisted Japanese stocks (except OTC stocks)	159	159
Unlisted foreign stocks (except OTC stocks)	590	355
Unlisted foreign bonds	—	—
Others	6,968	4,929
Total	23,645	21,721

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c. Fair value information consisting of those stated in the previous Table a. and Table b. after evaluating foreign exchange and other gains (losses)

Millions of yen					
2018					
As of March 31,	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	6,467,997	8,050,644	1,582,646	1,640,383	57,736
Policy-reserve-matching bonds	401,958	436,842	34,884	35,939	1,055
Stocks of subsidiaries and affiliated companies	15,926	15,926	—	—	—
Available-for-sale securities	929,714	1,103,060	173,345	176,918	3,572
Japanese bonds	847,062	1,002,106	155,044	155,044	—
Japanese stocks	13,845	30,828	16,982	17,008	25
Foreign securities	61,671	59,702	(1,968)	1,354	3,323
Bonds	49,398	46,689	(2,709)	368	3,077
Stocks, etc.	12,273	13,013	740	986	245
Other securities	7,134	10,422	3,287	3,510	222
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—
Total	7,815,596	9,606,473	1,790,876	1,853,241	62,365
Japanese bonds	7,397,136	9,185,284	1,788,148	1,827,186	39,037
Japanese stocks	21,482	38,464	16,982	17,008	25
Foreign securities	389,842	372,301	(17,541)	5,536	23,078
Bonds	369,280	350,998	(18,282)	4,550	22,832
Stocks, etc.	20,562	21,302	740	986	245
Other securities	7,134	10,422	3,287	3,510	222
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—

Millions of yen					
2019					
As of March 31,	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Held-to-maturity securities	6,770,008	8,800,847	2,030,838	2,051,389	20,551
Policy-reserve-matching bonds	680,757	764,282	83,525	83,733	208
Stocks of subsidiaries and affiliated companies	16,276	16,280	4	4	—
Available-for-sale securities	970,299	1,141,169	170,869	173,361	2,491
Japanese bonds	867,645	1,024,732	157,086	157,086	—
Japanese stocks	9,845	19,303	9,458	9,555	96
Foreign securities	87,712	89,867	2,154	4,198	2,043
Bonds	79,568	81,811	2,243	3,027	784
Stocks, etc.	8,144	8,055	(88)	1,170	1,259
Other securities	5,095	7,265	2,170	2,521	351
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—
Total	8,437,341	10,722,579	2,285,238	2,308,489	23,251
Japanese bonds	7,858,097	10,129,659	2,271,562	2,277,594	6,032
Japanese stocks	17,832	27,290	9,458	9,555	96
Foreign securities	556,316	558,364	2,047	18,817	16,770
Bonds	539,883	542,014	2,131	17,642	15,511
Stocks, etc.	16,433	16,349	(84)	1,175	1,259
Other securities	5,095	7,265	2,170	2,521	351
Monetary claims purchased	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Others	—	—	—	—	—

Sony Life Financial Data (Non-consolidated)

6-02 Fair value information on money held in trust (company total)

Millions of yen

As of March 31,	2018					2019				
	Balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Money held in trust	270,582	270,582	—	—	—	269,387	269,387	—	—	—

Note: The above tables include jointly invested money held in trust, which amounted to ¥40 million as of March 31, 2019 and ¥40 million as of March 31, 2018.

Money held in trust for investment

Not applicable

Money held in trust for held-to-maturity, policy-reserve-matching and other

Millions of yen

As of March 31,	2018					2019				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Money held in trust for held-to-maturity	—	—	—	—	—	—	—	—	—	—
Money held in trust for policy-reserve-matching	—	—	—	—	—	—	—	—	—	—
Other money held in trust	231,989	270,541	38,552	38,552	—	232,071	269,346	37,275	37,275	—

6-03 Fair value information on derivative transactions (company total)

Qualitative Information

1. Transaction details

The main derivative transactions used by Sony Life are as follows:

- Currency-related: Forward foreign exchange transactions
- Stock-related: Stock index futures trading, total return swap trading

2. Purpose of use and policy on derivative transactions

Sony Life's policy is to conduct derivative transactions to reduce risks related to its holdings of assets and liabilities, and does not engage in speculative derivative transactions.

- Currency-related: The purpose is to hedge foreign currency-related risk related to its holdings of assets and the minimum guaranteed for individual variable life insurance.
- Stock-related: The purpose is to hedge stock-related risk related to its holdings of assets and the minimum guaranteed for individual variable life insurance.

3. Risk details

The risk of fluctuations in market value (currency-related risk and stock-related risk) is inherent to derivative transactions employed by Sony Life. However, as these transactions are conducted primarily to reduce risk related to its holdings of assets and liabilities, the total risk related to derivative transactions and their underlying assets and liabilities is limited. Credit risk is inherent to derivative instruments, but when conducting transactions, Sony Life selects parties that it believes pose little risk of default.

4. Risk management systems

Sony Life's balance of derivative transactions is within the limits that Sony Life has set in-house. On transactions conducted by the division in charge of investment, the administrative division reports directly from the transaction counterparty. This system enables the administrative division and the investment division to independently determine derivative positions and transaction profits and losses. In addition, the management of risks related to derivative transactions is conducted strictly by the department in charge of supervision. Also, the risk management division regularly reports the overall risk status to Sony Life's Board of Directors and Executive Committee.

5. Supplemental information regarding quantitative information

Sony Life does not employ hedge accounting for derivative transactions.

Quantitative Information

1. Breakdown of valuation gains (losses) (Derivatives to which hedge accounting is applied and derivatives to which hedge accounting is not applied)

Millions of yen

As of March 31,	2018						2019					
	Interest rate-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest rate-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting is applied	—	—	—	—	—	—	—	—	—	—	—	—
Hedge accounting is not applied	—	5,772	786	—	—	6,559	—	(409)	(7,331)	—	—	(7,741)
Total	—	5,772	786	—	—	6,559	—	(409)	(7,331)	—	—	(7,741)

Note: Valuation gains (losses) on derivatives to which hedge accounting is not applied are recorded in the statements of income.

Sony Life Financial Data (Non-consolidated)

2. Derivatives to which hedge accounting is not applied

① Interest rate derivatives

Not applicable

② Currency derivatives

	2018				2019			
	Notional amount total	Over 1 year	Fair value	Valuation gains (losses)	Notional amount total	Over 1 year	Fair value	Valuation gains (losses)
As of March 31,								
Over-the-counter transactions								
Forward foreign exchanges								
Sold	153,617	—	5,775	5,775	21,154	—	(409)	(409)
U.S. dollars	124,094	—	4,572	4,572	12,740	—	(354)	(354)
Euro	29,522	—	1,203	1,203	8,413	—	(54)	(54)
Bought	172	—	(3)	(3)	—	—	—	—
U.S. dollars	172	—	(3)	(3)	—	—	—	—
Total				5,772				(409)

Notes: 1. The fair value of forward foreign exchanges is calculated using the discounted present value based on the fiscal year-end interest rate.

2. Fair value is also shown in the column under "Valuation gains (losses)."

③ Stock derivatives

	2018				2019			
	Notional amount total	Over 1 year	Fair value	Valuation gains (losses)	Notional amount total	Over 1 year	Fair value	Valuation gains (losses)
As of March 31,								
Listed								
Stock index futures								
Sold	106,875	—	786	786	58,724	—	308	308
Over-the-counter transactions								
Total return swap								
Sold	—	—	—	—	63,107	—	(7,640)	(7,640)
Total				786				(7,331)

Notes: 1. Fair value of stock index futures is the closing price on the Exchange at the end of the fiscal year.

2. Fair value of total return swap is calculated using the stock price, etc. at the end of the fiscal year.

3. Fair value is also shown in the column under "Valuation gains (losses)."

④ Bond derivatives

Not applicable

⑤ Others

Not applicable

3. Derivatives to which hedge accounting is applied

① Interest rate derivatives

Not applicable

② Currency derivatives

Not applicable

③ Equity derivatives

Not applicable

④ Bond derivatives

Not applicable

⑤ Others

Not applicable

Performance Indicators (Non-consolidated)

1 Key Performance Indicators for Past Five Years

	Millions of yen				
For the years ended March 31,	2015	2016	2017	2018	2019
Policy amount in force	42,430,898	44,749,196	47,185,239	49,173,547	51,474,244
Individual life insurance	40,391,018	42,293,769	44,313,382	45,892,442	47,676,209
Individual annuities	597,682	856,062	1,020,810	1,360,998	1,894,670
Group life insurance	1,442,198	1,599,364	1,851,046	1,920,106	1,903,365
Policy amount in force for group annuities	17,210	13,093	11,570	10,037	8,664
Annualized premiums from insurance in force	735,728	781,315	820,856	848,823	889,347
Medical protection, living benefit protection and other products	172,800	179,707	187,449	191,895	197,520
New policy amount	4,776,917	5,152,456	5,004,921	5,346,249	6,177,542
Individual life insurance	4,625,700	4,871,062	4,765,257	4,912,156	5,573,556
Individual annuities	145,926	280,332	192,247	375,820	576,937
Group life insurance	5,291	1,061	47,415	58,272	27,049
Annualized premiums from new policies	76,612	85,018	78,127	73,073	87,918
Medical protection, living benefit protection and other products	15,285	15,717	15,718	12,984	15,251
Ordinary revenues	1,223,827	1,230,141	1,243,739	1,351,076	1,464,218
Income from insurance premiums	914,034	1,028,048	956,733	1,059,269	1,136,104
Investment income	280,148	170,517	245,339	243,293	278,935
Ordinary expenses	1,144,162	1,169,348	1,183,558	1,294,738	1,384,406
Insurance claims and other payments	382,902	363,370	372,407	436,538	457,252
Investment expenses	9,727	23,399	36,196	33,121	24,638
Operating expenses	115,603	133,334	137,094	139,937	146,984
Ordinary profit	79,665	60,792	60,180	56,338	79,812
Net income	42,524	37,096	35,185	45,134	49,602
Core profit	76,505	43,019	83,831	81,384	97,242
Common stock	70,000	70,000	70,000	70,000	70,000
Shares issued and outstanding (thousands of shares)	70,000	70,000	70,000	70,000	70,000
Total assets	7,301,350	8,035,408	8,873,613	9,567,689	10,380,148
Separate account assets	793,344	850,323	989,605	1,128,817	1,300,701
Policy reserves	6,727,241	7,336,533	7,929,944	8,566,075	9,268,422
Loans	162,399	171,649	180,374	189,486	198,410
Securities	6,543,703	7,273,361	8,093,192	8,765,967	9,523,877
Solvency margin ratio	2,555.0%	2,722.8%	2,568.8%	2,624.3%	2,590.5%
Number of employees	6,781	7,289	7,865	8,246	8,461

Notes: 1. Policy amount in force is the total of individual life insurance, individual annuities and group life insurance. Policy amount for individual annuities is equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserves for policies for which annuity payments have commenced.

2. The policy amount in force for group annuities is equal to the amount of policy reserves.

3. New policy amount is the total of individual life insurance, individual annuities and group life insurance. New policy amount for individual annuities is equal to the funds to be held at the time annuity payments commence.

4. Annualized premiums, which are the total of individual life insurance and individual annuities, are converted to a per-year premium amount by multiplying individual premiums by a coefficient corresponding to the premium payment method. (For single premium policies, premiums are divided by the number of coverage years.)

5. Annualized premiums for "medical protection, living benefit protection and other products" include those for medical protection benefits (hospitalization benefits, surgical benefits, etc.) and living benefit protection (benefits for specific diseases, nursing care benefits, etc.).

Sony Life Performance Indicators (Non-consolidated)

2 Key Performance Indicators

2-01 Policy amount in force and new policy amount

Policy amount in force

Millions of yen, %

As of March 31,	2018				2019			
	Number	Comparison to March 31, 2017	Amount	Comparison to March 31, 2017	Number	Comparison to March 31, 2018	Amount	Comparison to March 31, 2018
Individual life insurance	7,316,968	102.9%	45,892,442	103.6%	7,513,563	102.7%	47,676,209	103.9%
Individual annuities	252,658	128.5	1,360,998	133.3	334,433	132.4	1,894,670	139.2
Group life insurance	—	—	1,920,106	103.7	—	—	1,903,365	99.1
Group annuities	—	—	10,037	86.8	—	—	8,664	86.3

Notes: 1. The policy amount in force for individual annuities is equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserves for policies for which annuity payments have commenced.

2. The policy amount in force for group annuities is equal to the amount of policy reserves.

New policy amount

Millions of yen, %

For the year ended March 31,	2018					
	Number	Comparison to previous year	Amount	Comparison to previous year	Amount, of which, new policies	Amount, of which, increase from conversion
Individual life insurance	478,994	100.0%	4,912,156	103.1%	4,912,156	—
Individual annuities	61,374	177.9	375,820	195.5	375,820	—
Group life insurance	—	—	58,272	122.9	58,272	—
Group annuities	—	—	—	—	—	—

Millions of yen, %

For the year ended March 31,	2019					
	Number	Comparison to previous year	Amount	Comparison to previous year	Amount, of which, new policies	Amount, of which, increase from conversion
Individual life insurance	520,620	108.7%	5,573,556	113.5%	5,573,556	—
Individual annuities	88,566	144.3	576,937	153.5	576,937	—
Group life insurance	—	—	27,049	46.4	27,049	—
Group annuities	—	—	—	—	—	—

Notes: 1. The new policy amount including increase from conversion for individual annuities is equal to the funds held at the time annuity payments commence.

2. The new policy amount for group annuities is equal to the sum of the initial premium payments.

2-02 Annualized premiums

Policy amount in force

Millions of yen, %

As of March 31,	2018		2019	
	Amount	Comparison to March 31, 2017	Amount	Comparison to March 31, 2018
Individual life insurance	807,437	102.6%	836,267	103.6%
Individual annuities	41,386	122.3	53,079	128.3
Total	848,823	103.4	889,347	104.8
Medical protection, living benefit protection and other products	191,895	102.4	197,520	102.9

New policies

Millions of yen, %

For the years ended March 31,	2018		2019	
	Amount	Comparison to previous year	Amount	Comparison to previous year
Individual life insurance	63,875	87.8%	74,702	116.9%
Individual annuities	9,197	172.2	13,216	143.7
Total	73,073	93.5	87,918	120.3
Medical protection, living benefit protection and other products	12,984	82.6	15,251	117.5

Notes: 1. Annualized premiums refer to an amount that is calculated by multiplying individual premium amounts by a coefficient that differs depending on the premium payment methods, thereby converting the figure to a per-year premium. (For single premium policies, premiums are divided by the number of coverage years.)

2. Annualized premiums for "medical protection, living benefit protection and other products" include those for medical protection benefits (hospitalization benefits, surgical procedure benefits, etc.) and living benefit protection (benefits for specific diseases, nursing care benefits, etc.).

Sony Life Performance Indicators (Non-consolidated)

2-03 Policy amount in force and new policy amount by product

Policy amount in force by product

Millions of yen

As of March 31,	2018		2019	
	Number	Amount	Number	Amount
Individual life insurance products				
Pure death-protection insurance	5,625,189	42,367,088	5,814,145	44,066,490
Variable life insurance (whole life type)	843,324	4,366,744	836,700	4,319,548
U.S. dollar-denominated whole life insurance	206,545	1,611,986	273,462	2,145,338
U.S. dollar-denominated single premium whole life insurance (non-notification type)	14,318	64,955	32,836	161,518
U.S. dollar-denominated living benefit whole life insurance (living standard type)	29,567	156,645	86,726	482,670
Modified payment whole life insurance	13,566	117,483	13,217	112,757
Limited payment whole life insurance	337,508	2,637,306	332,374	2,587,955
Family insurance	1,157	10,498	1,130	10,230
Interest rate-sensitive whole life insurance	511,912	2,776,525	498,577	2,678,199
Whole life insurance (no selection type)	3,707	6,358	3,270	5,621
Single premium whole life insurance (non-notification type)	12,648	71,545	12,315	70,197
Living benefit insurance (whole life type)	514,507	1,725,310	502,744	1,668,691
Living benefit whole life insurance (living standard type)	140,376	561,546	138,836	545,724
Variable life insurance (term type)	6,176	299,791	12,713	683,486
Family income insurance	331,719	8,518,053	360,088	9,463,315
Living standard insurance	2,115	24,842	1,836	20,220
Level premium plan term life insurance	75,960	1,498,413	73,420	1,428,493
Decreasing term life insurance	68,465	1,254,506	68,253	1,254,085
Living benefit insurance (term type)	86,414	751,283	86,844	742,013
Living benefit term life insurance (living standard type)	75,201	628,764	93,286	812,735
Living benefit decreasing term life insurance (living standard type)	23,627	280,512	46,685	539,915
Level premium plan term life insurance (non-smoker preferred risk)	16,646	682,498	16,108	659,653
Decreasing term life insurance (non-smoker preferred risk)	19,436	328,979	17,240	271,206
Family income insurance (non-smoker preferred risk)	40,149	933,000	35,717	779,823
Increasing term life insurance	17	2,735	13	1,685
Long-term level premium plan term life insurance (with disability benefit)	64,968	3,199,331	65,177	3,221,774
Level premium plan term life insurance with reduced surrender value (disability / nursing care type)	987	37,903	1,149	43,497
Increasing term life insurance (reduced surrender value)	5,714	231,994	5,690	233,747
Level premium plan term life insurance with no surrender value	52,368	1,002,448	54,109	1,051,221
Level premium plan term life insurance with no surrender value (disability / nursing care type)	1,130	19,720	1,475	26,435
Level premium plan term life insurance with accident coverage period	—	—	2,922	547
Income protection insurance to cover three major diseases	25,367	19,738	26,535	20,449
Semi-participating whole life nursing care insurance	129,863	480,217	126,386	464,303
Whole life nursing care insurance (reduced surrender value)	21,389	3,952	21,627	3,861
Cancer insurance	209,291	27,344	208,267	26,926
Whole life cancer insurance (08)	83,305	7,135	83,411	7,064
Cancer hospitalization insurance	27,384	—	25,546	—
Comprehensive medical insurance	1,618,418	609,931	1,559,079	585,456
Comprehensive medical insurance (no surrender value) 18	—	—	78,920	3,113
Long-term comprehensive medical insurance	9,905	4,279	9,423	4,144
Semi-participating living standard insurance (joint type)	40	816	39	758
Term riders and others	[508,347]	7,411,989	[486,602]	6,928,096
Mixed insurance	465,044	1,661,040	497,116	1,789,706
Variable life insurance (limited term type)	122,514	438,533	152,548	569,972
U.S. dollar-denominated endowment insurance	13,107	45,588	24,157	80,847
U.S. dollar-denominated specialty endowment insurance	7,329	43,747	9,391	54,676
Endowment insurance	251,130	935,744	242,279	893,455
Semi-participating endowment insurance	59,826	156,895	56,653	148,181
Specialty endowment insurance	11,138	40,531	12,088	42,572
Pure endowment insurance	1,226,735	1,864,313	1,202,302	1,820,012
Educational endowment insurance	170,181	184,308	192,679	211,228
Semi-participating educational endowment insurance	1,056,554	1,680,004	1,009,623	1,608,784
Total individual life insurance products	7,316,968	45,892,442	7,513,563	47,676,209
Individual annuity products				
Semi-participating individual annuities	79,373	341,258	79,100	333,067
Individual variable annuities	161,507	941,325	242,958	1,478,311
Others	11,778	78,414	12,375	83,291
Total individual annuity products	252,658	1,360,998	334,433	1,894,670
Group life insurance products				
Group term life insurance	117,089	159,095	135,882	158,961
Group welfare term life insurance	123,250	68,450	135,398	71,652
Non-participating group welfare term life insurance	30,649	88,614	38,912	107,392
Group credit life insurance	1,337,163	1,603,943	1,288,611	1,565,356
Annuity payment rider	12	3	8	1
Total group life insurance products	1,608,163	1,920,106	1,598,811	1,903,365
Group annuity products				
New-type corporate annuities	20,544	89	8,665	84
Defined contribution corporate annuities	55,425	9,948	38,125	8,579
Total group annuity products	75,969	10,037	46,790	8,664
Medical protection insurance (group type)	—	—	—	—
Reinsurance recipients	—	—	—	—

Notes: 1. "Term riders and others" includes, in addition to "term riders," "living benefit whole life policy riders" and "semi-participating lump-sum nursing care riders every five years."

2. The number of policies in force for "term riders and others" is excluded from total individual life insurance products.

3. "Semi-participating individual annuities" and "Individual variable annuities" under individual annuity products refer to the policies for which annuity payments have not yet commenced.

The amounts of policies for which annuity payments have not yet commenced are the funds to be held at the time annuity payments are to commence.

4. "Others" under individual annuity products includes "semi-participating nursing care riders," "semi-participating fixed individual annuity riders," and the policies for which annuity payments have commenced.

The amounts of policies for which annuity payments have commenced are those of policy reserves.

5. The numbers of policies for group life insurance products, group annuity products, medical protection insurance (group type) and reinsurance recipients reflect the total numbers of insured parties.

6. The amount of "Annuity payment rider" under group life insurance products is equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserves for policies for which payments have commenced.

7. The amount of policies in force for group annuity products is equal to the amount of policy reserves.

8. The amount of medical protection insurance (group type) is equal to the daily benefits for hospitalization.

Sony Life Performance Indicators (Non-consolidated)

New policy amount by product

Millions of yen

	2018		2019	
	Number	Amount	Number	Amount
For the years ended March 31,				
Individual life insurance products				
Pure death-protection insurance	390,191	4,659,997	435,999	5,311,248
Variable life insurance (whole life type)	15,670	68,146	11,998	53,113
U.S. dollar-denominated whole life insurance	79,919	616,764	72,322	534,509
U.S. dollar-denominated single premium whole life insurance (non-notification type)	14,355	67,544	18,777	93,337
U.S. dollar-denominated living benefit whole life insurance (living standard type)	29,783	163,319	58,758	329,438
Modified payment whole life insurance	—	—	—	—
Limited payment whole life insurance	2,955	13,944	1,822	9,104
Family insurance	—	—	—	—
Interest rate-sensitive whole life insurance	(6)	(26)	(1)	(14)
Whole life insurance (no selection type)	400	532	8	9
Single premium whole life insurance (non-notification type)	—	—	—	—
Living benefit insurance (whole life type)	3,035	10,586	1,460	5,436
Living benefit whole life insurance (living standard type)	13,641	54,155	4,194	16,274
Variable life insurance (term type)	5,101	265,537	6,807	393,758
Family income insurance	55,759	1,802,802	65,591	2,235,078
Living standard insurance	—	—	—	—
Level premium plan term life insurance	3,364	68,408	5,024	92,810
Decreasing term life insurance	5,237	143,067	6,945	191,921
Living benefit insurance (term type)	8,108	55,315	6,256	47,454
Living benefit term life insurance (living standard type)	29,286	236,295	22,436	224,307
Living benefit decreasing term life insurance (living standard type)	23,949	284,929	24,254	283,816
Level premium plan term life insurance (non-smoker preferred risk)	690	36,751	1,316	59,540
Decreasing term life insurance (non-smoker preferred risk)	—	—	—	—
Family income insurance (non-smoker preferred risk)	—	—	—	—
Increasing term life insurance	—	—	—	—
Long-term level premium plan term life insurance (with disability benefit)	5,643	274,162	4,336	207,090
Level premium plan term life insurance with reduced surrender value (disability / nursing care type)	300	10,871	227	8,143
Increasing term life insurance (reduced surrender value)	1,631	65,539	487	19,399
Level premium plan term life insurance with no surrender value	5,906	136,173	6,656	162,980
Level premium plan term life insurance with no surrender value (disability / nursing care type)	521	8,549	448	8,552
Level premium plan term life insurance with accident coverage period	—	—	2,922	547
Income protection insurance to cover three major diseases	2,927	2,262	2,586	1,934
Semi-participating whole life nursing care insurance	1,139	3,961	754	2,960
Whole life nursing care insurance (reduced surrender value)	1,826	124	1,292	76
Cancer insurance	7,993	775	5,971	579
Whole life cancer insurance (08)	5,746	475	3,676	313
Cancer hospitalization insurance	1,154	—	1,148	—
Comprehensive medical insurance	64,159	11,044	17,810	4,130
Comprehensive medical insurance (no surrender value) 18	—	—	79,719	3,137
Long-term comprehensive medical insurance	—	—	—	—
Semi-participating living standard insurance (joint type)	—	—	—	—
Term riders and others	[12,018]	257,984	[13,497]	321,504
Mixed insurance	51,932	211,940	60,799	233,838
Variable life insurance (limited term type)	29,744	127,437	34,575	143,980
U.S. dollar-denominated endowment insurance	7,299	24,638	11,350	35,154
U.S. dollar-denominated specialty endowment insurance	2,124	15,393	2,391	11,470
Endowment insurance	10,441	36,654	9,866	34,440
Semi-participating endowment insurance	905	3,569	850	3,294
Specialty endowment insurance	1,419	4,246	1,767	5,498
Pure endowment insurance	36,871	40,218	23,822	28,468
Educational endowment insurance	36,871	40,218	23,823	28,469
Semi-participating educational endowment insurance	—	—	(1)	(0)
Total individual life insurance products	478,994	4,912,156	520,620	5,573,556
Individual annuity products				
Semi-participating individual annuities	1,260	4,158	2,002	6,676
Individual variable annuities	60,114	371,662	86,564	570,261
Others	—	—	—	—
Total individual annuity products	61,374	375,820	88,566	576,937
Group life insurance products				
Group term life insurance	—	—	715	48
Group welfare term life insurance	610	2,725	7,701	2,877
Non-participating group welfare term life insurance	18,845	55,547	9,981	24,123
Group credit life insurance	—	—	—	—
Annuity payment rider	—	—	—	—
Total group life insurance products	19,455	58,272	18,397	27,049
Group annuity products				
New-type corporate annuities	—	—	—	—
Defined contribution corporate annuities	—	—	—	—
Total group annuity products	—	—	—	—
Medical protection insurance (group type)	—	—	—	—
Reinsurance recipients	—	—	—	—

Notes: 1. "Term riders and others" includes, in addition to "term riders," "living benefit whole life policy riders" and "semi-participating lump-sum nursing care riders every five years."
2. The number of policies in force for "Term riders and others" is excluded from total individual life insurance products.
3. Figures for individual annuity products show the funds to be held at the time annuity payments are to commence.
4. The number of new policies for group life insurance products, group annuity products, medical protection insurance (group type) and reinsurance recipients reflect the total number of insured parties.
5. The new policy amount for group annuity products is equal to the sum of the initial premium payments.
6. The amount of medical protection insurance (group type) is equal to the daily benefits for hospitalization.

Sony Life Performance Indicators (Non-consolidated)

2-04 Policy amount in force by insurance function

	Millions of yen	
As of March 31,	2018	2019
Death protection		
Ordinary death		
Individual life insurance	44,028,129	45,856,197
Individual annuities	[296,045]	[390,782]
Group life insurance	1,920,103	1,903,363
Group annuities	—	—
Total, including others	45,948,233	47,759,561
Accidental death		
Individual life insurance	[5,940,789]	[6,157,420]
Individual annuities	—	—
Group life insurance	[327]	[317]
Group annuities	—	—
Total, including others	[5,941,116]	[6,157,737]
Death protection with other conditions		
Individual life insurance	[1,114,008]	[1,048,780]
Individual annuities	—	—
Group life insurance	—	—
Group annuities	—	—
Total, including others	[1,114,008]	[1,048,780]
Living protection		
Maturity and living benefits		
Individual life insurance	1,864,313	1,820,012
Individual annuities	1,283,430	1,812,211
Group life insurance	—	—
Group annuities	—	—
Total, including others	3,147,743	3,632,223
Annuities		
Individual life insurance	—	—
Individual annuities	[157,039]	[214,623]
Group life insurance	[1]	[0]
Group annuities	—	—
Total, including others	[157,041]	[214,624]
Others		
Individual life insurance	—	—
Individual annuities	77,567	82,458
Group life insurance	3	1
Group annuities	10,037	8,664
Total, including others	87,608	91,124
Hospitalization protection		
Accidental hospitalization		
Individual life insurance	[18,209]	[17,965]
Individual annuities	—	—
Group life insurance	[29]	[34]
Group annuities	—	—
Total, including others	[18,239]	[17,999]
Disease hospitalization		
Individual life insurance	[18,209]	[17,965]
Individual annuities	—	—
Group life insurance	—	—
Group annuities	—	—
Total, including others	[18,209]	[17,965]
Hospitalization with other conditions		
Individual life insurance	[6,934]	[6,818]
Individual annuities	—	—
Group life insurance	—	—
Group annuities	—	—
Total, including others	[6,934]	[6,818]

Notes: 1. Figures in [] show additional coverage and rider coverage attached to primary policies.

However, ordinary death protection including "term riders and others" is recorded under primary coverage.

2. Figures for "Maturity and living benefits" of living protection show the funds to be held at the time annuity payments are to commence for individual annuities and group life insurance (annuity payment rider) for which annuity payments have not yet commenced.

3. Figures for annuities within living protection show annual annuity amounts.

4. Figures for "Others" within living protection show policy reserves for individual annuities (after commencement of annuity payments), group life insurance (after commencement of annuity payments of annuities payment rider) and group annuities.

5. Figures for hospitalization protection show the daily benefits for hospitalization.

6. Figures for "Total, including others" in "Disease hospitalization" within hospitalization protection show the total of primary coverage and rider coverage.

Sony Life Performance Indicators (Non-consolidated)

2-05 Number of policies in force by insurance function

As of March 31,	2018	2019
Disability protection		
Individual life insurance	754,106	839,097
Individual annuities	—	—
Group life insurance	14,685	15,879
Group annuities	—	—
Total, including others	768,791	854,976
Surgery protection		
Individual life insurance	1,694,041	1,710,024
Individual annuities	—	—
Group life insurance	—	—
Group annuities	—	—
Total, including others	1,694,041	1,710,024

2-06 Policy amount in force by type of individual life insurance and individual annuities

	Millions of yen	
As of March 31,	2018	2019
Pure death-protection insurance		
Whole life insurance	9,740,161	10,468,906
Whole life insurance with term rider	—	—
Term life insurance	19,370,145	20,550,373
Total, including others	42,367,088	44,066,490
Mixed insurance		
Endowment insurance	1,138,227	1,122,485
Endowment insurance with term rider	—	—
Term life insurance with living benefits	—	—
Total, including others	1,661,040	1,789,706
Pure endowment insurance	1,864,313	1,820,012
Annuity products		
Individual annuities	1,360,998	1,894,670
Riders for disaster and disease		
Rider to cover accidental death	2,968,417	2,846,778
Injury rider	2,972,372	2,870,818
Comprehensive protection riders covering hospitalization	409	389
Comprehensive protection riders covering hospitalization for family	15	14
Comprehensive protection riders covering lifestyle-related disease	44	42
Medical treatment rider for adults	1,152	1,093
Medical treatment rider for women	1,200	1,145
Lifestyle diseases medical treatment rider	13	13
New medical treatment rider for women	3	3
Cancer rider	268	273
Rider to cover initial period of hospitalization	6,922	6,667
Rider to cover hospitalization due to three diseases	—	104

Notes: 1. The amount of individual annuities is equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserves for policies for which payments have commenced.

2. Figures for hospitalization protection show the daily benefits for hospitalization.

Sony Life Performance Indicators (Non-consolidated)

2-07 Annualized premiums from insurance in force by type of individual life insurance and Individual annuities

For the years ended March 31,	Millions of yen	
	2018	2019
Pure death-protection insurance		
Whole life insurance	163,604	176,106
Whole life insurance with term rider	—	—
Term life insurance	183,847	197,617
Total, including others	569,974	599,582
Mixed insurance		
Endowment insurance	51,278	49,758
Endowment insurance with term rider	—	—
Term life insurance with living benefits	—	—
Total, including others	73,114	75,934
Pure endowment insurance	137,746	134,322
Annuity products		
Individual annuities	41,386	53,079
Riders for disaster and disease		
Rider to cover accidental death	1,149	1,099
Injury rider	1,606	1,547
Comprehensive protection riders covering hospitalization	1,599	1,513
Comprehensive protection riders covering hospitalization for family	120	109
Comprehensive protection riders covering lifestyle-related disease	115	108
Medical treatment rider for adults	4,178	3,964
Medical treatment rider for women	3,668	3,492
Lifestyle diseases medical treatment rider	68	65
New medical treatment rider for women	27	25
Cancer rider	476	489
Rider to cover initial period of hospitalization	5,386	5,182
Rider to cover hospitalization due to three diseases	—	185
Total, including others	26,601	26,428

Note: Annualized premiums are converted to a per-year premium amount by multiplying individual premiums by a coefficient corresponding to the premium payment method. (For single premium policies, premiums are divided by the number of coverage years.)

2-08 Dividends to policyholders

1. Standard dividend yields for semi-participating individual life insurance and individual annuities with policyholder dividends every five years

For the years ended March 31,	%	
	2018	2019
Level-premium		
Assumed interest rates of 1.00% or less	0.70	0.65
Assumed interest rates of more than 1.00%, and 2.00% or less	1.55	1.50
Assumed interest rates of more than 2.00%	1.40	1.35
Single premium and others		
Assumed interest rates of 0.85% or less	0.35	0.30
Assumed interest rates of more than 0.85%, and 2.00% or less	1.20	1.15
Assumed interest rates of more than 2.00%	1.05	1.00

Sony Life Performance Indicators (Non-consolidated)

2. The following is an example of policyholder dividends for semi-participating whole life nursing care insurance (before nursing care annuity payments commence) using figures for the fiscal year ended March 31, 2019.

<Example> Semi-participating whole life nursing care insurance (before nursing care annuity payments commence)

Entered at age 30, male, single premium, 10x death benefit, basic care annuity amount of ¥0.5 million

(Sales discontinued in July 2016)

					%, Years, Yen
Contract date	Assumed interest rate	Years elapsed	Ongoing policy	Policies to which nursing care applies, ending at death of policyholder	
Nov. 2, 2015	1.00%	4years	—	28,602	
Nov. 2, 2014	1.00	5	36,459	36,459	
Nov. 2, 2013	1.00	6	—	5,873	
Nov. 2, 2012	1.50	7	—	0	
Nov. 2, 2011	1.50	8	—	0	
Nov. 2, 2010	1.50	9	—	0	
Nov. 2, 2009	1.50	10	0	0	

Notes: 1. The "Policies to which nursing care applies, ending at death of policyholder" column shows the amount receivable for nursing care or upon death.

The number of years elapsed is the number through November 2, 2019.

2. The amount of policyholders' dividends above is the sum of the prorated dividend amount (policy reserve × dividend participation ratio) and interest through November 2, 2019 (excluding dividends already paid).

Dividend participation ratio = Standard dividend yield – Assumed interest rate

3. Standard dividend yield on group annuities

The standard dividend yield on group annuities is 0.60%, using figures for the fiscal year ended March 31, 2019.

Note: Dividend participation is calculated as follows:

Dividend amount = Policy reserves × Dividend participation ratio

Dividend participation ratio = Standard dividend yield – Assumed interest rate

4. For group term life insurance and other products, a reserve for policyholders' dividends is accumulated in accordance with each product's characteristics.

3 Indicators for Insurance Policies

3-01 Increase ratio of policy amount in force

			%
For the years ended March 31,	2018	2019	
Individual life insurance	3.6	3.9	
Individual annuities	33.3	39.2	
Group life insurance	3.7	(0.9)	
Group annuities	(13.2)	(13.7)	

3-02 Average policy amount for new policies and policies in force (individual life insurance)

			Thousands of yen
For the years ended March 31,	2018	2019	
Average policy amount for new policies	10,255	10,705	
Average policy amount for policies in force	6,272	6,345	

Note: The above figures do not include the increase from the conversion for average policy amount for new policies.

3-03 Ratio of new policy amount (to policy amount in force at the beginning of the fiscal year)

			%
For the years ended March 31,	2018	2019	
Individual life insurance	11.1	12.1	
Individual annuities	39.6	45.0	
Group life insurance	3.1	1.4	

Note: The above figures do not include the increase from the conversion.

3-04 Lapse and surrender rate (to policy amount in force at the beginning of the fiscal year)

The lapse and surrender rate is expressed as a ratio calculated by dividing the amounts of lapses and surrenders modified for decreases, increases or reinstatements by the total policy amount in force at the beginning of the fiscal year.

			%
For the years ended March 31,	2018	2019	
Individual life insurance	5.20	6.37	
Individual annuities	3.76	3.24	
Subtotal	5.17	6.28	
Group life insurance	4.84	4.39	

■ Sony Life Performance Indicators (Non-consolidated)

The following lapse and surrender rate is expressed as a ratio calculated by dividing the amounts of lapses and surrenders not modified for decreases, increases or reinstatements by the total policy amount in force at the beginning of the fiscal year.

	2018	2019
For the years ended March 31, Individual life insurance + Individual annuities	4.97	6.06

3-05 Average premium for new policies of individual life insurance (monthly payment contracts)

	2018	2019
For the years ended March 31, Average premiums for new policies	13,036	12,743

Note: The above figures do not include increase from conversion.

3-06 Mortality rate (individual life insurance: primary coverage)

	2018	2019
For the years ended March 31, Based on number of policies	1.77	1.85
Based on policy amount	1.59	1.62

3-07 Incidence rates of riders (individual life insurance)

	2018		2019	
	Number of policies	Policy amount	Number of policies	Policy amount
For the years ended March 31, Accidental death protection	0.072	0.106	0.116	0.112
Disability protection	0.103	0.089	0.107	0.039
Accidental hospitalization protection	3.910	97.414	3.868	94.632
Disease hospitalization protection	38.764	627.210	39.299	650.664
Lifestyle-related disease hospitalization protection	17.334	445.314	17.950	445.180
Disease and accidental surgery protection	49.572		51.345	
Lifestyle-related disease surgery protection	13.358		14.430	

3-08 Operating expense ratio (to insurance premiums)

	2018	2019
For the years ended March 31, Operating expense ratio	13.2	13.0

4 Indicators Related to Asset Management (General Account)

4-01 Overview of asset management (general account)

Overview of asset management for the fiscal year ended March 31, 2019

(1) Investment Environment

During the fiscal year ended March 31, 2019, the Japanese economy registered gradual growth. While capital investment intended to address labor shortage and to raise productivity was solid, exports decelerated in the second half of the fiscal year due to U.S.-China trade friction. Nonetheless, the overall economy maintained a growth trend. The consumer price index rose for 27 consecutive months with a 0.5% increase year on year in core CPI in March. Real GDP growth* year on year for the October-December quarter was positive 0.5% (annual rate: positive 1.9%). By demand item, private consumption and capital investment both rose 0.4% and 2.7% year on year, respectively, evidencing that growth was continuing.

In the Japanese bond market, yields on JGBs declined. Yields on 10-year JGBs moved up in the first half of the fiscal year on the back of the Bank of Japan's monetary easing measures revised in July. After that, with heightened concern over deterioration of the world economy due to the effect of U.S.-China trade friction, sentiment of central banks in Europe and the U.S. turned dovish in response to the outlook. Against this backdrop, investment appetite for JGBs of Japanese and overseas investors heightened, and the yields trended downward from October 2018 to March 2019. Under these circumstances, the long-term interest rate as of March 31, 2019 was negative 0.082% (down 0.125 percentage points year on year).

In the stock markets, stock prices dropped during the fiscal year. Stock prices moved within a narrow range in the first half of the fiscal year on the back of U.S.-China trade friction and currency unrest in emerging nations, however, as these concerns were eased, stock prices rose in the end of September. This was followed by a downward trend until December 2018, saddled with the relapse of trade friction and Japan-U.S. trade talks. Toward the end of the fiscal year, deterioration in economic indicators bottomed out, and excessive anxiety calmed down. Coupled with expectation for the continuation of monetary easing policies in Japan, U.S. and Europe, the Nikkei Stock Average rose. As of March 31, 2019, the Nikkei Stock Average was ¥21,205.81 (down ¥248.49 from its level on March 31, 2018).

The foreign exchange market showed a yen depreciation against the dollar accompanying a certain swing range. In the first half of the fiscal year, the yen weakened due mainly to the Japan-U.S. interest rate difference. From October 2018 until December 2018, the market moved within a narrow range from ¥112 to ¥114, however, with heightened concerns over U.S.-China trade friction and corporate performance, the yen appreciated to a level as high as around ¥108 in January 2019. Financial authorities in Europe and the U.S. later lowered the outlook for the interest rate hike, which fostered a sense of security in the market, resulting in the yen depreciation trend from January 2019 to March 2019. As of March 31, 2019, the yen was traded at ¥110.99 to the U.S. dollar, a depreciation compared with ¥106.24 as of March 31, 2018.

*Second preliminary estimates

Sony Life Performance Indicators (Non-consolidated)

(2) Investment Policy

Sony Life's investment policy is to understand the characteristics of insurance liabilities, and prioritize investment in the assets that meet such characteristics based on ALM (asset liability management, the comprehensive management of assets and liabilities). Specifically, Sony Life is investing primarily in ultralong-term Japanese bonds with longer remaining maturity, to meet the long-term liabilities of life insurance policies, in an effort to maintain adequate control over the risks associated with interest rate fluctuations involved in such insurance liabilities. Meanwhile, it is Sony Life's policy to limit its investment in risky assets including stocks.

(3) Results of Investment

As of March 31, 2019, general account assets totaled ¥9,079.4 billion, up 7.6%, or ¥640.5 billion, from a year earlier. Within general account assets, Japanese bonds totaled ¥7,745.3 billion (accounting for 85.3% of total general account assets), foreign bonds ¥542.1 billion (6.0%), Japanese stocks ¥28.6 billion (0.3%), money held in trust ¥269.3 billion (3.0%), policy loans ¥198.3 billion (2.2%), real estate ¥90.8 billion (1.0%) and cash and deposits and call loans ¥61.9 billion (0.7%).

Portfolio of general account assets

Components of general account assets

	2018		2019	
	Amount	Composition	Amount	Composition
As of March 31,				
Cash and deposits, call loans	40,862	0.5%	61,997	0.7%
Securities repurchased under resale agreements	—	—	—	—
Pledged money for bond borrowing transaction	—	—	—	—
Monetary claims purchased	—	—	—	—
Securities under proprietary accounts	—	—	—	—
Money held in trust	270,582	3.2	269,387	3.0
Securities	7,717,905	91.5	8,339,691	91.9
Japanese bonds	7,281,144	86.3	7,745,342	85.3
Japanese stocks	38,464	0.5	28,611	0.3
Foreign securities	396,910	4.7	564,666	6.2
Bonds	366,571	4.3	542,126	6.0
Stocks, etc.	30,339	0.4	22,539	0.2
Other securities	1,385	0.0	1,071	0.0
Loans	189,486	2.2	198,410	2.2
Policy loans	189,460	2.2	198,369	2.2
Commercial loans	25	0.0	41	0.0
Real estate	92,346	1.1	90,804	1.0
Deferred tax assets	10,787	0.1	14,248	0.2
Other assets	117,195	1.4	105,530	1.2
Reserve for possible loan losses	(295)	(0.0)	(623)	(0.0)
Total	8,438,872	100.0	9,079,446	100.0
Foreign currency-denominated assets	409,863	4.9	562,095	6.2

Note: The amount for real estate is equivalent to the total amount of land, buildings and construction in progress.

Changes in general account assets by categories

	Millions of yen	
	2018	2019
For the years ended March 31,		
Cash and deposits, call loans	(33)	21,135
Securities repurchased under resale agreements	—	—
Pledged money for bond borrowing transaction	—	—
Monetary claims purchased	—	—
Securities under proprietary accounts	—	—
Money held in trust	(3,295)	(1,194)
Securities	543,978	621,785
Japanese bonds	452,401	464,197
Japanese stocks	805	(9,852)
Foreign securities	91,064	167,755
Bonds	92,264	175,555
Stocks, etc.	(1,199)	(7,799)
Other securities	(292)	(314)
Loans	9,112	8,924
Policy loans	9,121	8,908
Commercial loans	(9)	15
Real estate	(25,178)	(1,542)
Deferred tax assets	5,437	3,461
Other assets	24,867	(11,665)
Reserve for possible loan losses	(23)	(328)
Total	554,864	640,574
Foreign currency-denominated assets	100,817	152,232

Note: The amount for real estate is equivalent to the total amount of land, buildings and construction in progress.

Sony Life Performance Indicators (Non-consolidated)

4-02 Investment yield by type of asset (general account)

	%	
For the years ended March 31,	2018	2019
Cash and deposits, call loans	0.00	0.00
Securities repurchased under resale agreements	—	—
Pledged money for bond borrowing transaction	—	—
Monetary claims purchased	—	—
Securities under proprietary accounts	—	—
Money held in trust	1.93	1.93
Securities	1.68	2.11
Japanese bonds	1.81	1.76
Japanese stocks	3.22	32.26
Foreign securities	(1.21)	6.39
Loans	3.60	3.55
Commercial loans	0.23	0.53
Real estate	5.86	5.81
Total	1.63	1.94

Notes: 1. The denominator for the investment yield calculation is a daily averaged carrying amount, while the numerator is investment income minus investment expenses under ordinary profit (loss).

2. Valuation gains for Article 112 of the Insurance Business Act of Japan are not accounted for.

4-03 Average balance by type of asset (general account)

	Millions of yen	
For the years ended March 31,	2018	2019
Cash and deposits, call loans	53,249	62,289
Securities repurchased under resale agreements	—	—
Pledged money for bond borrowing transaction	—	—
Monetary claims purchased	—	—
Securities under proprietary accounts	—	—
Money held in trust	232,243	232,461
Securities	7,272,160	7,899,966
Japanese bonds	6,923,514	7,403,902
Japanese stocks	19,444	20,103
Foreign securities	328,134	475,190
Loans	183,551	192,198
Commercial loans	31	28
Real estate	103,115	84,674
Total	7,939,778	8,570,661
Overseas investment	332,178	482,174

4-04 Investment income (general account)

	Millions of yen	
For the years ended March 31,	2018	2019
Interest income and dividends	157,727	166,937
Gains on securities under proprietary accounts	—	—
Income from money held in trust, net	4,490	4,490
Income from trading securities, net	2	—
Gains on sale of securities	0	6,107
Gains on redemption of securities	1	—
Gains on derivatives, net	—	—
Foreign exchange gains, net	—	13,455
Reversal of reserve for possible loan losses	—	—
Other investment income	138	—
Total	162,361	190,990

Sony Life Performance Indicators (Non-consolidated)

4-05 Investment expenses (general account)

	Millions of yen	
For the years ended March 31,	2018	2019
Interest expense	151	1,604
Losses on securities under proprietary accounts	—	—
Losses on money held in trust, net	—	—
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	15,280	—
Provision for reserve for possible loan losses	23	329
Write-off of loans	—	—
Depreciation of real estate for rent and others	1,770	1,599
Other investment expenses	4,487	2,992
Total	33,121	24,638

4-06 Interest income and dividends (general account)

	Millions of yen	
For the years ended March 31,	2018	2019
Interest income from deposits	0	0
Interest income and dividends on securities	140,435	150,733
Interest income from Japanese bonds	125,271	129,930
Dividends from Japanese stocks	566	556
Interest income and dividends on foreign securities	13,975	19,906
Interest income from loans	6,610	6,828
Income from real estate for rent	10,285	8,831
Total, including others	157,727	166,937

4-07 Gains on sale of securities (general account)

	Millions of yen	
For the years ended March 31,	2018	2019
Japanese bonds including JGBs	0	—
Japanese stocks, etc.	—	6,107
Foreign securities	—	—
Total	0	6,107

4-08 Losses on sale of securities (general account)

	Millions of yen	
For the years ended March 31,	2018	2019
Japanese bonds including JGBs	—	—
Japanese stocks, etc.	—	34
Foreign securities	0	0
Total	0	34

4-09 Losses on valuation of securities (general account)

	Millions of yen	
For the years ended March 31,	2018	2019
Japanese bonds including JGBs	—	—
Japanese stocks, etc.	—	—
Foreign securities	—	4,026
Total	—	4,026

Sony Life Performance Indicators (Non-consolidated)

4-10 Securities (general account)

As of March 31,	2018		2019	
	Amount	Composition	Amount	Composition
Japanese government bonds	6,825,024	88.4%	7,212,288	86.5%
Japanese local government bonds	451	0.0	448	0.0
Japanese corporate bonds	455,668	5.9	532,604	6.4
Public corporation bonds	387,638	5.0	460,976	5.5
Japanese stocks	38,464	0.5	28,611	0.3
Foreign securities	396,910	5.1	564,666	6.8
Bonds	366,571	4.7	542,126	6.5
Stocks, etc.	30,339	0.4	22,539	0.3
Other securities	1,385	0.0	1,071	0.0
Total	7,717,905	100.0	8,339,691	100.0

4-11 Balance of securities by remaining period (general account)

As of March 31,	2018						Total
	Within 1 year	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 7 years	More than 7 years to 10 years	Over 10 years (including no fixed maturity)	
Securities	5,876	3,309	18,847	218,745	420,836	7,050,288	7,717,905
Japanese government bonds	—	—	16,631	213,510	417,615	6,177,266	6,825,024
Japanese local government bonds	—	—	—	—	—	451	451
Japanese corporate bonds	—	—	—	4,925	3,220	447,522	455,668
Japanese stocks	—	—	—	—	—	38,464	38,464
Foreign securities	5,476	3,309	1,516	310	—	386,297	396,910
Bonds	—	—	—	—	—	366,571	366,571
Stocks, etc.	5,476	3,309	1,516	310	—	19,726	30,339
Other securities	400	—	699	—	—	286	1,385
Monetary claims purchased	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Total	5,876	3,309	18,847	218,745	420,836	7,050,288	7,717,905

As of March 31,	2019						Total
	Within 1 year	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 7 years	More than 7 years to 10 years	Over 10 years (including no fixed maturity)	
Securities	4,806	8,828	58,659	272,892	392,177	7,602,326	8,339,691
Japanese government bonds	—	5,372	56,110	270,303	388,956	6,491,545	7,212,288
Japanese local government bonds	—	—	—	—	—	448	448
Japanese corporate bonds	—	—	2,327	2,588	3,220	524,468	532,604
Japanese stocks	—	—	—	—	—	28,611	28,611
Foreign securities	4,708	2,790	222	—	—	556,945	564,666
Bonds	—	—	—	—	—	542,126	542,126
Stocks, etc.	4,708	2,790	222	—	—	14,818	22,539
Other securities	98	665	—	—	—	307	1,071
Monetary claims purchased	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Total	4,806	8,828	58,659	272,892	392,177	7,602,326	8,339,691

Note: Items treated as securities based on "financial product accounting standards" (Corporate Accounting Standards, No. 10) are included.

4-12 Fiscal year-end yields on bonds (general account)

As of March 31,	2018	2019
Japanese bonds	1.82	1.76
Foreign bonds	2.43	2.55

Note: Figures in this table are calculated excluding discount bonds.

Sony Life Performance Indicators (Non-consolidated)

4-13 Japanese stock holdings by industry (general account)

As of March 31,	2018		2019	
	Amount	Composition	Amount	Composition
Fisheries, agriculture and forestry	—	—%	—	—%
Mining	—	—	—	—
Construction	2,003	5.2	1,806	6.3
Manufacturing industries				
Food products	833	2.2	93	0.3
Textiles and clothing	—	—	—	—
Pulp and paper	—	—	—	—
Chemicals	1,563	4.1	808	2.8
Medical products	1,431	3.7	887	3.1
Oil and coal products	—	—	—	—
Rubber products	—	—	—	—
Glass and stone products	171	0.4	143	0.5
Steel	—	—	—	—
Non-steel metals	—	—	—	—
Metal products	358	0.9	277	1.0
Machinery	1,662	4.3	940	3.3
Electric appliances	5,627	14.6	4,969	17.4
Transportation vehicles	2,566	6.7	2,434	8.5
Precision machinery	399	1.0	730	2.6
Others	585	1.5	810	2.8
Electric and gas utilities	512	1.3	—	—
Transportation / information telecommunications				
Ground transportation	1,821	4.7	1,187	4.2
Water transportation	—	—	—	—
Air transportation	—	—	—	—
Warehouses / transportation	—	—	—	—
Information / telecommunications	3,533	9.2	257	0.9
Commerce				
Wholesalers	—	—	106	0.4
Retailers	3,433	8.9	2,877	10.1
Financial services / insurance				
Banking	—	—	—	—
Securities and commodity futures trading	—	—	—	—
Insurance	7,796	20.3	8,096	28.3
Other financial services	1,093	2.8	926	3.2
Real estate	—	—	—	—
Service companies	3,068	8.0	1,256	4.4
Total	38,464	100.0	28,611	100.0

Note: Categories of stock holdings by industry are based on the classification by the Securities Identification Code Committee of Japan.

4-14 Loans (general account)

As of March 31,	Millions of yen	
	2018	2019
Policy loans	189,460	198,369
Policyholder loans	172,356	180,988
Automatic premium loans	17,104	17,380
Commercial loans	25	41
[Loans to borrowers located outside Japan]	[—]	[—]
Corporate loans	—	—
[Corporate loans - domestic]	[—]	[—]
Loans to national, international and government-affiliated organizations	—	—
Loans to public entities	—	—
Mortgage loans	—	—
Consumer loans	—	—
Other loans	25	41
Total	189,486	198,410

Sony Life Performance Indicators (Non-consolidated)

4-15 Tangible fixed assets (general account)

Details of tangible fixed assets

Millions of yen, %

For the years ended March 31,	2018						
	Balance at the beginning of the period	Increase in the period	Decrease in the period	Amount of depreciation in the period	Balance at the end of the period	Amount of accumulated depreciation	% of accumulated depreciation
Land	83,007	—	20,747	—	62,259	—	—%
Buildings	34,442	731	2,976	2,109	30,087	25,522	45.9
			[0]				
Leased assets	10	0	—	4	5	17	74.6
Construction in progress	75	—	75	—	—	—	—
Other tangible assets	906	90	1	179	816	1,640	66.8
Total	118,441	822	23,801	2,293	93,169	27,180	46.8
			[0]				
Investment and rental properties	111,265	343	23,768	1,770	86,069	24,391	49.2

Millions of yen, %

For the years ended March 31,	2019						
	Balance at the beginning of the period	Increase in the period	Decrease in the period	Amount of depreciation in the period	Balance at the end of the period	Amount of accumulated depreciation	% of accumulated depreciation
Land	62,259	—	—	—	62,259	—	—%
Buildings	30,087	494	69	1,967	28,544	27,459	49.0
			[34]				
Leased assets	5	21	1	4	20	0	2.4
Construction in progress	—	—	—	—	—	—	—
Other tangible assets	816	130	4	189	752	1,791	70.4
			[2]				
Total	93,169	646	76	2,161	91,577	29,251	49.9
			[37]				
Investment and rental properties	86,069	75	917	1,599	83,627	25,680	52.2

Note: Figures in [] in the "Decrease in the period" describe the amount of impairment losses.

Balance of real estate and number of buildings for rent

Millions of yen

As of March 31,	2018	2019
Real estate balance	92,346	90,804
For corporate use	6,351	7,232
For rent	85,995	83,571
Number of buildings for rent	2	2

4-16 Overseas investment (general account)

Details by assets

Millions of yen, %

As of March 31,	2018		2019	
	Amount	Composition	Amount	Composition
Foreign currency-denominated assets (yen amount not fixed)				
Foreign bonds	366,571	87.7%	542,126	95.1%
Foreign stocks	13,352	3.2	8,395	1.5
Cash, deposits and others	29,939	7.2	11,573	2.0
Subtotal	409,863	98.0	562,095	98.6
Foreign currency-denominated assets (yen amount fixed)				
Foreign bonds	—	—	—	—
Cash, deposits and others	—	—	—	—
Subtotal	—	—	—	—
Yen-denominated assets				
Loans to borrowers located outside Japan	—	—	—	—
Foreign bonds and others	8,322	2.0	8,199	1.4
Subtotal	8,322	2.0	8,199	1.4
Total				
Overseas investment	418,185	100.0	570,294	100.0

Note: "Foreign currency-denominated assets (yen amount fixed)" are recorded under assets on the balance sheets at the fixed yen value that was determined at settlement with foreign exchange forward contracts.

Sony Life Performance Indicators (Non-consolidated)

Overseas investment by region

Millions of yen, %

As of March 31,	2018							
	Foreign securities		Foreign bonds		Foreign stocks, etc.		Loans to borrowers located outside Japan	
	Amount	Composition	Amount	Composition	Amount	Composition	Amount	Composition
North America	370,252	93.3%	366,571	100.0%	3,681	12.1%	—	—%
Europe	3,421	0.9	—	—	3,421	11.3	—	—
Oceania	11,436	2.9	—	—	11,436	37.7	—	—
Asia	339	0.1	—	—	339	1.1	—	—
Latin America	11,461	2.9	—	—	11,461	37.8	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organizations	—	—	—	—	—	—	—	—
Total	396,910	100.0	366,571	100.0	30,339	100.0	—	—

Millions of yen, %

As of March 31,	2019							
	Foreign securities		Foreign bonds		Foreign stocks, etc.		Loans to borrowers located outside Japan	
	Amount	Composition	Amount	Composition	Amount	Composition	Amount	Composition
North America	544,778	96.5%	542,126	100.0%	2,652	11.8%	—	—%
Europe	2,712	0.5	—	—	2,712	12.0	—	—
Oceania	6,529	1.2	—	—	6,529	29.0	—	—
Asia	339	0.1	—	—	339	1.5	—	—
Latin America	10,306	1.8	—	—	10,306	45.7	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organizations	—	—	—	—	—	—	—	—
Total	564,666	100.0	542,126	100.0	22,539	100.0	—	—

Foreign currency-denominated assets by currency

Millions of yen, %

As of March 31,	2018		2019	
	Amount	Composition	Amount	Composition
U.S. dollar	388,586	94.8%	553,290	98.4%
Euro	9,376	2.3	1,853	0.3
Australian dollar	11,438	2.8	6,529	1.2
British pound	120	0.0	81	0.0
Singapore dollar	341	0.1	341	0.1
Total	409,863	100.0	562,095	100.0

4-17 Yield on overseas investments (general account)

%

For the years ended March 31,	2018	2019
Yield on overseas investments	(1.19)	6.30

Note: Overseas investments is the total of foreign currency-denominated assets and yen.

Sony Life Performance Indicators (Non-consolidated)

5 Status of Insurance Claims Paying Ability

5-01 Solvency margin ratio

	Millions of yen	
As of March 31,	2018	2019
(A) Total solvency margin	1,233,854	1,313,033
Common stock, etc.	344,039	361,442
Reserve for price fluctuations	47,929	50,105
Contingency reserve	89,915	98,613
General reserve for possible loan losses	0	2
Net unrealized gains on available-for-sale securities (before tax deductions) and net deferred gains or losses on hedging instruments (before tax deductions) × 90% (100% if losses)	156,011	153,782
Net unrealized gains on real estate × 85% (100% if losses)	29,830	50,980
Amount excluded from deferred tax assets	—	—
Unallocated portion of reserve for policyholders' dividends	377	245
Deferred tax assets	88,661	92,924
Excess amount of policy reserves based on Zillmer method	525,389	544,688
Subordinated debt	—	—
The portion of the excess amount of policy reserves based on Zillmer method and subordinated debt that is not included in the margin	(43,128)	(34,281)
Deductible items	(5,171)	(5,471)
(B) Total risk		
$\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2+R_4}$	94,030	101,371
Insurance risk R_1	24,337	24,574
Third-sector insurance risk R_8	8,587	8,526
Assumed interest rate risk R_2	32,452	34,062
Minimum guarantee risk R_7	20,137	22,141
Asset management risk R_3	32,953	36,935
Business management risk R_4	2,369	2,524
Solvency margin ratio		
$[(A) / \{(1/2) \times (B)\}] \times 100$	2,624.3%	2,590.5%

Notes: 1. The above figures are calculated based on provisions in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act of Japan and the Ministry of Finance Public Notice No. 50 (1996).
2. Minimum guarantee risk is calculated based on the standardized approach.

Reference: Real net assets

	Billions of yen	
As of March 31,	2018	2019
(1) Total amount to be recorded as assets (=① + ② + ③ + ④ - ⑤ - ⑥)	11,222.6	12,556.8
① Total assets on the balance sheets	9,567.6	10,380.1
② Difference between fair value and balance sheet amount of securities	1,617.5	2,114.3
③ Unrealized gain or loss on tangible fixed assets	37.4	62.3
④ Unrealized gain or loss other than tangible fixed assets	—	—
⑤ Deferred tax assets for net unrealized gains (losses) on available-for-sale securities	—	—
⑥ Deferred tax assets for net deferred gains (losses) on hedging instruments	—	—
(2) An amount calculated based on total amount to be recorded as liabilities (=① - ② - ③ - ④ - ⑤ - ⑥)	8,362.8	9,124.4
① Total liabilities on the balance sheets	9,074.9	9,866.2
② Reserve for price fluctuations	47.9	50.1
③ Contingency reserve	89.9	98.6
④ Part of reserves for future insurance claim payment	525.7	544.9
Excess of amount equivalent to surrender values (④ (a))	525.3	544.6
Unallocated amount in reserve for policyholders' dividends (④ (b))	0.3	0.2
⑤ Deferred tax liabilities for net unrealized gains (losses) on available-for-sale securities	48.4	48.1
⑥ Deferred tax liabilities for net deferred gains (losses) on hedging instruments	—	—
Real net assets (A) (1)-(2) (including unrealized gains (losses) on held-to-maturity securities and policy-reserve-matching bonds)	2,859.7	3,432.3
(3) Unrealized gains (losses) on held-to-maturity securities and policy-reserve-matching bonds	1,617.5	2,114.3
Real net assets (B) (1)-(2)-(3) (excluding unrealized gains (losses) on held-to-maturity securities and policy-reserve-matching bonds)	1,242.2	1,318.0

Note: According to the "Comprehensive Guideline for Insurance Companies" defined by the regulatory authority, when the amount (actual difference between assets and liabilities (B)) obtained by deducting unrealized gains (losses) on held-to-maturity securities and on policy-reserve-matching bonds which are not accounted for in the balance sheets as mark-to-market from the actual difference between assets and liabilities (A) is positive, and liquid assets are held, the regulatory authority will not, in principle, take early corrective actions even if the actual difference between assets and liabilities (A) becomes negative.

Sony Life Performance Indicators (Non-consolidated)

6 Balance of Separate Account Assets

	Millions of yen	
As of March 31,	2018	2019
Individual variable life insurance and individual variable annuities	1,128,817	1,300,701
Group annuities	—	—
Total separate account	1,128,817	1,300,701

Note: Assets relating to individual variable life insurance and individual variable annuities are jointly invested at Sony Life.

7 Investment Progress of Separate Account Assets in Individual Variable Life Insurance and Individual Variable Annuities

7-01 Results of investment

	2019								%
As of March 31,	Equity-based investment	Japanese growth equity-based investment	Global core equity-based investment	Global equity-based investment	Bond-based investment	Global bond-based investment	Hybrid investment	Short-term monetary market-based investment	
Results of investment	(0.39)	(11.38)	7.84	15.12	2.00	2.90	2.09	(0.02)	

7-02 Investment progress (for the fiscal year ended March 31, 2019)

Equity-based investment

Benchmark: The Nikkei Stock Average

Investment progress in the period

The Japanese stock market was very volatile during the period. Favorable corporate performance in the U.S. weakened the yen against the dollar, pushing the Nikkei Stock Average up sharply to ¥24,270 in early October, its highest level in approximately 27 years. However, U.S. stocks quickly tumbled in December as the U.S. FRB indicated its intention to continue to raise interest rates in the face of a profound economic slowdown in China. Consequently, the yen appreciated against the dollar, causing the Nikkei Stock Average to fall to as low as the ¥19,000 level at one point. Then, in light of the deterioration in global business confidence, FRB decided to pause the interest rate hike. This mitigated excessive caution against an economic deceleration and toward the end of the fiscal year, stock prices recovered to the level at the beginning of the fiscal year. Investment results of the fund were negative 0.39% year on year, while the benchmark return stood at negative 1.16%.

Investment policy for the future

Sony Life's investment activities will remain primarily focused on the Exchange Traded Fund (ETF Nikkei 225), to ensure linkage to the stock market. Furthermore, Sony Life will aim to achieve medium- to long-term investment results in excess of the Nikkei Stock Average through investments in domestic stocks.

Japanese growth equity-based investment

Benchmark: TOPIX (inclusive of dividends)

Investment progress in the period

Sony Life invested in the additional-type equity investment trust "Fidelity Japan Growth Stock Fund VA3 (exclusively for qualified institutional investors)" (provided by FIL Investments (Japan) Limited). Investment results of the fund were negative 11.38% year on year, while the benchmark return stood at negative 5.04%.

Investment policy for the future

Sony Life will continue investing in the additional-type equity investment trust "Fidelity Japan Growth Stock Fund VA3 (exclusively for qualified institutional investors)." This investment trust invests mainly in stocks listed on the Japanese stock exchanges (or stocks equivalent thereto), with the basic strategies involving active investment aiming to achieve long-term growth of the investment trust asset.

Global core equity-based investment

Benchmark: MSCI World Index (inclusive of dividends, in yen terms)

Investment progress in the period

Sony Life invested in the additional-type equity investment trust "World Equity Fund VL (exclusively for qualified institutional investors)" (provided by State Street Global Advisors (Japan) Co., Ltd.). Investment results of the fund were positive 7.84% year on year, while the benchmark return was positive 8.58%.

Investment policy for the future

Sony Life will continue investing in the additional-type equity investment trust "World Equity Fund VL (exclusively for qualified institutional investors)." This investment trust invests mainly in stocks both in Japan and abroad aiming to achieve investment results in excess of the benchmark MSCI World Index (inclusive of dividends, in yen terms).

■ Sony Life Performance Indicators (Non-consolidated)

Global equity-based investment

Benchmark: MSCI World Index (inclusive of dividends, in yen terms)

Investment advisor: Morgan Stanley Investment Management (Japan) Co., Ltd.

■ Investment progress in the period

Stock markets in major countries around the world were very volatile during the period. In the U.S., amid continued robust economic conditions, economic statistics results in October were received favorably. Share prices rose in anticipation of corporate performance improvement, which drove share prices to set new records on a daily basis. However, caution against economic deceleration heightened due to the additional hike in interest rates indicated by FRB, in addition to rekindled concerns over U.S.-China trade friction, bringing down the stock market sharply toward the end of the year. Then, FRB announced that it would hold back on raising interest rates for some time in light of the deterioration of the business sentiment. The tendency toward excessive risk aversion abated as a result, and toward the end of the year, U.S. share prices recovered to the level at the beginning of the fiscal year. Investment results of the fund were positive 15.12% year on year, while the benchmark return was positive 8.58%.

■ Investment policy for the future

Sony Life will continue investing in globally diversified stocks, based on its further analysis of fundamentals, focusing on stocks with significant intangible assets (brand value), thereby aiming to achieve investment results in excess of the MSCI World Index (inclusive of dividends, in yen terms) over the medium to long term.

Bond-based investment

■ Investment progress in the period

In the Japanese bond market, interest rates began to drop sharply in the second half of the fiscal year, despite some upturns. At the Monetary Policy Meeting in July, the tolerable range for the fluctuation of long-term interest rates was widened to between minus 0.2% and plus 0.2%. Interest rates began to rise in response to the announcement and long-term interest rates continued to increase to around 0.16% at one point, the highest since the introduction of negative interest rates, on the back of rising stock prices and an additional interest rate hike in the U.S. However, interest rates shifted to a decreasing trend with heightened concerns over global economic deceleration mainly in the U.S. and China. Long-term interest rates from January moved in the negative range. Long-term interest rates as of March 31, 2019 were as low as negative 0.09%, a level not seen since the end of September 2016. Investment results of the fund were positive 2.00% year on year.

■ Investment policy for the future

Sony Life will continue to build a portfolio consisting mainly of Japanese yen-denominated bonds, with the aim of ensuring stable medium- to long-term yields. It will work to achieve stable investment results based on gains on sales, as well as ensuring stable interest income from the bond portfolio.

Global bond-based investment

Benchmark: The FTSE World Government Bond Index (unhedged, in yen terms)

■ Investment progress in the period

Interest rates in bond markets in major countries around the world declined toward the end of the fiscal year, despite some upturns, on the back of monetary policies in each country. In the U.S., interest rates rose supported by a solid economic environment and in light of the acceleration of the interest rate hike by FRB. However, as economic sentiment deteriorated due to the prospect of another interest rate hike amid further deceleration of the Chinese economy, interest rates began to fall. Later, as FRB indicated its intention to pause the interest rate hike, interest rates continued to fluctuate at a low level. In European markets, interest rates rose as the ECB Governing Council hinted at a move toward monetary policy normalization at its meeting in June. However, interest rates declined as the Council decided to postpone the interest rate hike in response to a downward revision in the economic growth forecast. The investment results of the fund were positive 2.90% year on year, while the benchmark return stood at positive 2.90%.

■ Investment policy for the future

Sony Life will continue investing in countries, that it believes, based on its interest rate analysis, offer higher real interest rates, as well as wider differentials between long-term and short-term interest rates, in addition to a favorable economic environment, aiming to achieve medium- to long-term investment results in excess of the FTSE World Government Bond Index (unhedged, in yen terms).

Hybrid investment

■ Investment progress in the period

Hybrid investment funds with a diversified portfolio mainly comprising Japanese bonds, Japanese stocks and the Exchange Traded Fund (ETF Nikkei 225) registered investment results of positive 2.09% year on year, due to a decline in domestic stock market, despite lower interest rates (and an associated rise in bond prices) in the Japanese bond market.

■ Investment policy for the future

Sony Life will continue to actively allocate assets into the classes deemed, based on its analysis of economic/financial circumstances, to offer higher expected returns compared to investment risks over the medium to long term, while earning constant interest income from the Japanese yen-denominated bond portfolio.

Short-term monetary market-based investment

Benchmark: Short-term interest rate (unsecured overnight call rate, etc.)

■ Investment progress in the period

Investment was focused on bonds with shorter remaining maturities as well as short-term financial instruments, and achieved investment results of negative 0.02% year on year, approximately tracking short-term interest.

■ Investment policy for the future

Sony Life will invest primarily in short-term bonds and short-term financial instruments, to secure yields on investments approximately tracking short-term interest.

8 Status of Individual Variable Life Insurance and Individual Variable Annuities

8-01 Policy amount in force

Individual variable life insurance

Millions of yen

	2018		2019	
	Number	Amount	Number	Amount
As of March 31,				
Variable life insurance (whole life type)	843,324	8,384,508	836,700	7,980,475
Variable life insurance (limited term type)	122,514	628,240	152,548	922,336
Variable life insurance (term type)	6,176	301,218	12,713	685,553
Total	972,014	9,313,967	1,001,961	9,588,365

Note: Amounts include the rider portion of variable life insurance.

Individual variable annuities

Millions of yen

	2018		2019	
	Number	Amount	Number	Amount
As of March 31,				
Individual variable annuities	162,474	945,144	244,234	1,483,080

Note: The amount of individual variable annuities is equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserves for policies for which payments have commenced.

8-02 Portfolio of separate account assets in individual variable life insurance and individual variable annuities

Millions of yen, %

	2018		2019	
	Amount	Composition	Amount	Composition
As of March 31,				
Cash and deposits, call loans	78,321	6.9%	113,749	8.7%
Securities	1,048,062	92.8	1,184,185	91.0
Japanese bonds	147,849	13.1	147,570	11.3
Japanese stocks	49,911	4.4	20,770	1.6
Foreign securities	562,277	49.8	697,945	53.7
Bonds	77,350	6.9	86,546	6.7
Stocks, etc.	484,927	43.0	611,398	47.0
Other securities	288,022	25.5	317,900	24.4
Loans	—	—	—	—
Others	2,434	0.2	2,766	0.2
Reserve for possible loan losses	—	—	—	—
Total	1,128,817	100.0	1,300,701	100.0

Note: Assets relating to individual variable life insurance and individual variable annuities are jointly invested at Sony Life.

Sony Life Performance Indicators (Non-consolidated)

8-03 Net investment gains (losses) of separate account assets in individual variable life insurance and individual variable annuities

	Millions of yen	
For the years ended March 31,	2018	2019
Interest income and dividends	16,526	18,913
Gains on sale of securities	30,392	49,662
Gains on redemption of securities	32	50
Valuation gains on securities	258,562	298,688
Foreign exchange gains, net	—	—
Gains on derivatives, net	—	—
Other investment income	0	4,453
Losses on sale of securities	1,937	10,171
Losses on redemption of securities	83	76
Losses on valuation of securities	221,586	268,458
Foreign exchange losses, net	719	1,983
Losses on derivatives, net	—	—
Other investment expenses	253	3,134
Net investment gains (losses)	80,932	87,944

Note: Assets relating to individual variable life insurance and individual variable annuities are jointly invested at Sony Life.

8-04 Fair values of securities relating to separate account assets in individual variable life insurance and individual variable annuities

Valuation gains (losses) on trading-purpose securities				Millions of yen
	2018		2019	
As of March 31,	Balance sheet amount	Net valuation gains (losses) recorded in income	Balance sheet amount	Net valuation gains (losses) recorded in income
Trading-purpose securities	1,048,062	36,976	1,184,185	30,230

Note: Assets relating to individual variable life insurance and individual variable annuities are jointly invested at Sony Life.

Fair value information on money held in trust

Not applicable

Fair value information on derivative transactions

Not applicable

9 Number of Agencies

As of March 31,	2018	2019
Number of agencies	1,811	1,795

Sony Life Performance Indicators (Non-consolidated)

10 Number of Employees and Recruits

10-01 Number of employees

As of March 31,	2018	2019
Office employees	2,420	2,627
[Male]	[1,120]	[1,266]
[Female]	[1,300]	[1,361]
Sales employees*	5,826	5,834
[Male]	[5,673]	[5,674]
[Female]	[153]	[160]

*Number of Lifeplanner sales employees (including those rehired on a fixed-term contract basis after retirement and contracted Lifeplanner sales employees) is 5,164 as of March 31, 2019.

10-02 Number of recruits

For the years ended March 31,	2018	2019
Office employees	366	490
[Male]	[93]	[174]
[Female]	[273]	[316]
Sales employees	617	434
[Male]	[585]	[410]
[Female]	[32]	[24]

10-03 Average age and years of service

As of March 31,	2018		2019	
	Average age	Average years of service	Average age	Average years of service
Office employees	40.7	9.1	40.8	8.9
[Male]	[42.3]	[12.1]	[42.4]	[11.7]
[Female]	[39.3]	[6.6]	[39.4]	[6.4]
Sales employees	44.7	10.0	44.9	10.3
[Male]	[44.9]	[10.2]	[45.0]	[10.5]
[Female]	[39.1]	[2.7]	[39.6]	[3.3]

11 Average Salary

11-01 Average salary (office employees)

For the years ended March 31,	Thousands of yen	
	2018	2019
Office employees	383	382

Note: The average monthly salary is the tax-inclusive standard salary in March for each fiscal year, excluding bonuses and overtime pay.

11-02 Average compensation (sales employees)

For the years ended March 31,	Thousands of yen	
	2018	2019
Sales employees	685	756

Note: The average monthly compensation is the tax-inclusive compensation in March for each fiscal year, excluding bonuses and commuting allowances.

Sony Assurance Financial Data

Balance Sheets

Sony Assurance Inc.

As of March 31, 2018 and 2019

Millions of yen, %

	2018		2019		Change
	Amount	Composition	Amount	Composition	
Assets					
Cash and deposits	23,778	11.64%	20,043	9.13%	(3,735)
Cash	0		0		
Deposits	23,778		20,043		
Securities	145,349	71.12	157,959	71.92	12,610
Japanese government bonds	82,422		76,390		
Japanese local government bonds	34,954		50,504		
Japanese corporate bonds	24,750		29,268		
Japanese stocks	3,023		1,599		
Foreign securities	197		198		
Tangible fixed assets	2,407	1.18	1,689	0.77	(717)
Buildings	177		169		
Construction in progress	—		63		
Other tangible fixed assets	2,229		1,456		
Intangible fixed assets	6,196	3.03	10,012	4.56	3,816
Software	5,008		6,646		
Software in progress	1,178		3,356		
Other intangible fixed assets	9		9		
Other assets	17,149	8.39	18,609	8.47	1,460
Accrued premiums	1,238		1,234		
Due from reinsurers	4		290		
Due from foreign reinsurers	0		15		
Accounts receivable	10,432		11,115		
Accrued income	149		161		
Money on deposits	493		530		
Suspense payments	4,831		5,260		
Deferred tax assets	9,480	4.64	11,328	5.16	1,847
Total Assets	204,362	100.00	219,643	100.00	15,280

■ Sony Assurance Financial Data

Millions of yen, %

	2018		2019		Change
	Amount	Composition	Amount	Composition	
Liabilities					
Underwriting reserves	156,612	76.63%	168,494	76.71%	11,881
Reserve for outstanding losses and claims	39,535		40,674		
Underwriting reserves	117,077		127,819		
Other liabilities	11,553	5.65	13,018	5.93	1,464
Due to reinsurers	55		235		
Due to foreign reinsurers	10		5		
Income taxes payable	2,363		1,938		
Deposits received	66		73		
Accounts payable	3,761		5,099		
Suspense receipt	5,295		5,666		
Reserve for employees' retirement benefits	1,667	0.82	1,857	0.85	189
Reserve for employees' bonuses	1,132	0.55	1,236	0.56	103
Reserve under the special laws	206	0.10	238	0.11	31
Reserve for price fluctuations	206		238		
Total Liabilities	171,173	83.76	184,844	84.16	13,671
Net Assets					
Common stock	20,000	9.79	20,000	9.11	—
Capital surplus	3,389	1.66	3,389	1.54	—
Capital reserve	3,389		3,389		
Retained earnings	7,872	3.85	10,460	4.76	2,587
Legal retained earnings	610		1,092		
Other retained earnings	7,261		9,367		
Unappropriated retained earnings	7,261		9,367		
Total shareholders' equity	31,261	15.30	33,849	15.41	2,587
Net unrealized gains (losses) on available-for-sale securities, net of taxes	1,927	0.94	949	0.43	(978)
Total valuation and translation adjustments	1,927	0.94	949	0.43	(978)
Total Net Assets	33,189	16.24	34,798	15.84	1,609
Total Liabilities and Net Assets	204,362	100.00	219,643	100.00	15,280

Statements of Income

Sony Assurance Inc.

For the years ended March 31, 2018 and 2019

Millions of yen

	2018	2019	Change
Ordinary Revenues	110,092	115,102	5,009
Underwriting income	108,316	113,174	4,857
Net premiums written	108,254	113,101	
Interest and dividends on deposits of premiums	62	72	
Investment income	1,731	1,857	125
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	70	26
Ordinary Expenses	103,517	108,204	4,686
Underwriting expenses	74,419	78,435	4,015
Net losses paid	52,482	56,608	
Loss adjustment expenses	8,067	8,220	
Net commissions and brokerage fees	1,771	1,724	
Provision for reserve for outstanding losses and claims	1,194	1,139	
Provision for underwriting reserves	10,903	10,741	
Investment expenses	—	0	0
Losses on sale of securities	—	0	
Operating, general and administrative expenses	29,096	29,766	670
Other ordinary expenses	2	2	0
Other ordinary expenses	2	2	
Ordinary Profit	6,574	6,897	323
Extraordinary Gains	—	—	—
Extraordinary Losses	35	39	4
Losses on disposal of fixed assets	5	7	
Provision for reserve under the special laws	29	31	
Provision for reserve for price fluctuations	29	31	
Income Before Income Taxes	6,539	6,858	319
Income Taxes - Current	3,497	3,325	(172)
Income Taxes - Deferred	(1,780)	(1,466)	313
Total Income Taxes	1,717	1,858	140
Net Income	4,821	4,999	178

Statements of Changes in Net Assets

Sony Assurance Inc.

For the years ended March 31, 2018 and 2019

Millions of yen

	2018						
	Shareholders' equity						
	Capital surplus			Retained earnings (deficits)			
	Common stock	Capital reserve	Total capital surplus	Legal retained earnings	Other retained earnings (deficits)	Total retained earnings (deficits)	Total shareholders' equity
					Unappropriated retained earnings (deficits)		
Balance at the beginning of the period	20,000	3,389	3,389	258	4,549	4,808	28,197
Changes during the period							
Dividends from surplus	—	—	—	351	(2,109)	(1,758)	(1,758)
Net income	—	—	—	—	4,821	4,821	4,821
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the period	—	—	—	351	2,712	3,063	3,063
Balance at the end of the period	20,000	3,389	3,389	610	7,261	7,872	31,261

	2018		
	Valuation and translation adjustments		
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the period	1,211	1,211	29,409
Changes during the period			
Dividends from surplus	—	—	(1,758)
Net income	—	—	4,821
Net changes of items other than shareholders' equity	715	715	715
Total changes during the period	715	715	3,779
Balance at the end of the period	1,927	1,927	33,189

Statements of Changes in Net Assets (Continued)

Millions of yen

	2019						
	Shareholders' equity						
	Capital surplus			Retained earnings (deficits)			
	Common stock	Capital reserve	Total capital surplus	Legal retained earnings	Other retained earnings (deficits)	Total retained earnings (deficits)	Total shareholders' equity
					Unappropriated retained earnings (deficits)		
Balance at the beginning of the period	20,000	3,389	3,389	610	7,261	7,872	31,261
Changes during the period							
Dividends from surplus	—	—	—	482	(2,894)	(2,412)	(2,412)
Net income	—	—	—	—	4,999	4,999	4,999
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the period	—	—	—	482	2,105	2,587	2,587
Balance at the end of the period	20,000	3,389	3,389	1,092	9,367	10,460	33,849

Millions of yen

	2019		
	Valuation and translation adjustments		
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the period	1,927	1,927	33,189
Changes during the period			
Dividends from surplus	—	—	(2,412)
Net income	—	—	4,999
Net changes of items other than shareholders' equity	(978)	(978)	(978)
Total changes during the period	(978)	(978)	1,609
Balance at the end of the period	949	949	34,798

Statements of Cash Flows

Sony Assurance Inc.

For the years ended March 31, 2018 and 2019

Millions of yen

	2018	2019	Change
Cash flows from operating activities			
Income before income taxes	6,539	6,858	319
Depreciation and amortization	3,927	2,457	(1,469)
Increase (decrease) in reserve for outstanding losses and claims	1,194	1,139	(54)
Increase (decrease) in underwriting reserves	10,903	10,741	(161)
Increase (decrease) in reserve for employees' retirement benefits	227	189	(37)
Increase (decrease) in reserve for directors' retirement benefits	(36)	—	36
Increase (decrease) in reserve for employees' bonuses	50	103	53
Increase (decrease) in reserve for price fluctuations	29	31	2
Interest income and dividends	(1,324)	(1,372)	(48)
(Gains) losses on securities	(470)	(557)	(87)
(Gains) losses on tangible fixed assets	5	4	(1)
(Gains) losses on intangible fixed assets	—	2	2
(Increase) decrease in other assets (excluding those related to investing and financing activities)	4,987	(1,468)	(6,456)
Increase (decrease) in other liabilities (excluding those related to investing and financing activities)	956	1,550	593
Subtotal	26,990	19,681	(7,309)
Interest and dividends received	1,654	1,750	95
Income taxes (paid) refund	(2,909)	(3,757)	(847)
Net cash provided by (used in) operating activities	25,735	17,674	(8,060)
Cash flows from investing activities			
Purchases of securities	(33,558)	(43,286)	(9,728)
Proceeds from sale and redemption of securities	26,875	29,505	2,630
Total of net cash provided by (used in) investment transactions	(6,682)	(13,780)	(7,097)
[Total of net cash provided by (used in) operating activities and investment transactions]	[19,052]	[3,894]	[(15,158)]
Purchases of tangible fixed assets	(148)	(326)	(178)
Others, net	(2,318)	(4,890)	(2,571)
Net cash provided by (used in) investing activities	(9,150)	(18,998)	(9,847)
Cash flows from financing activities			
Cash dividends paid	(1,758)	(2,412)	(654)
Net cash provided by (used in) financing activities	(1,758)	(2,412)	(654)
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net increase (decrease) in cash and cash equivalents	14,827	(3,735)	(18,562)
Cash and cash equivalents at the beginning of the period	8,951	23,778	14,827
Cash and cash equivalents at the end of the period	23,778	20,043	(3,735)

Notes

Sony Assurance Inc.

As of March 31, for the year ended March 31,

- For the fiscal year ended March 31, 2018, the total amount of deferred tax assets was ¥10,230 million, while the total amount of deferred tax liabilities was ¥749 million. The breakdown of major factors giving rise to the deferred tax assets is underwriting reserves of ¥5,767 million and reserve for outstanding losses and claims of ¥1,954 million.

For the fiscal year ended March 31, 2019, the total amount of deferred tax assets was ¥11,697million, while the total amount of deferred tax liabilities was ¥369 million. The breakdown of major factors giving rise to the deferred tax assets is underwriting reserves of ¥7,045 million and reserve for outstanding losses and claims of ¥1,764 million.

- Information regarding retirement benefits is as follows:

- Retirement benefit obligations and their breakdown

	Millions of yen	
	2018	2019
Retirement benefit obligations	(1,784)	(1,960)
Unrecognized net actuarial gains (losses)	116	102
Reserve for employees' retirement benefits	(1,667)	(1,857)

- The main basis for calculating retirement benefit obligations, etc.

Method for attributing projected retirement benefits: Benefit formula basis

	2018	2019
Discount rate	0.3%	0.3%
Number of years for amortizing net actuarial gains or losses	10 years	10 years

- The breakdown of retirement benefit expenses recorded as loss adjustment expenses and operating, general and administrative expenses is as follows:

	Millions of yen	
	2018	2019
Service cost	201	232
Interest cost	6	5
Recognized actual gains (losses)	16	17
Recognized past service cost	67	—
Retirement benefit expenses	291	255
Contribution to defined contribution pension plan	185	193
Total	477	449

1 Loans by Borrower Category

As of March 31,	Millions of yen	
	2018	2019
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	—	—
Total	—	—

Notes: 1. **Bankrupt and quasi-bankrupt loans** Bankrupt and quasi-bankrupt loans are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.

2. **Doubtful loans** Doubtful loans are loans to borrowers (other than bankrupt and quasi-bankrupt borrowers) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.

3. **Sub-standard loans** Sub-standard loans are loans on which principal and/or interest are past due for three months or more and restructured loans, excluding loans described in notes 1. and 2. above. Restructured loans are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt waiver) in order to support the borrowers' recovery from financial difficulties.

4. **Normal loans** Normal loans are loans that do not fall under the classifications for 1. to 3. above and where the borrowers have no financial or business performance problems.

2 Risk-monitored Loans

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

Notes: 1. **Bankrupt loans** Bankrupt loans are non-accrual loans which meet the event defined under Article 96-1-3, i through v (allowed limits for uncollectible accounts) or 96-1-4 of the Order for Enforcement of the Corporation Tax Act (Enforcement Order 97 (1965)). Non-accrual loans are loans (excluding the portion of the loans that were written off), on which accrued interest receivable is not recognized because payments of principal or interest are overdue for considerable periods and therefore are regarded as improbable.

2. **Non-accrual delinquent loans** Non-accrual delinquent loans are non-accrual loans other than bankrupt loans and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

3. **Past-due loans (3 months or more)** Past due loans are loans on which the payments of principals or interests are past the due date for three months or more, and which are not classified to bankrupt loans or non-accrual delinquent loans.

4. **Restructured loans** Restructured loans are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt waiver) in order to support the borrowers' recovery from financial difficulties, excluding loans described in notes 1. to 3. above.

3 Assets and Liabilities

3-01 Securities

As of March 31,	Millions of yen, %			
	2018		2019	
	Amount	Composition	Amount	Composition
Japanese government bonds	82,422	56.7%	76,390	48.4%
Japanese local government bonds	34,954	24.0	50,504	32.0
Japanese corporate bonds	24,750	17.0	29,268	18.5
Japanese stocks	3,023	2.1	1,599	1.0
Foreign securities	197	0.1	198	0.1
Total	145,349	100.0	157,959	100.0

Sony Assurance Financial Data

3-02 Yield on securities (yield on investments)

	%	
For the years ended March 31,	2018	2019
Japanese bonds	0.93	0.89
Japanese stocks	0.96	1.00
Foreign securities	2.68	2.82
Other securities	—	—
Total	0.94	0.89
Yield on investments	1.27	1.25
Reference: Yield on investments (fair value basis)	1.95	0.36

3-03 Balance of securities by remaining period

	Millions of yen						
	2018						
As of March 31,	Within 1 year	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 7 years	More than 7 years to 10 years	Over 10 years (including no fixed maturity)	Total
Japanese government bonds	9,512	13,352	98	—	698	58,760	82,422
Japanese local government bonds	7,372	15,252	10,711	200	710	707	34,954
Japanese corporate bonds	5,332	11,734	5,876	201	100	1,505	24,750
Japanese stocks	—	—	—	—	—	3,023	3,023
Foreign securities	—	100	96	—	—	—	197
Other securities	—	—	—	—	—	—	—
Total	22,218	40,440	16,782	401	1,510	63,996	145,349

	Millions of yen						
	2019						
As of March 31,	Within 1 year	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 7 years	More than 7 years to 10 years	Over 10 years (including no fixed maturity)	Total
Japanese government bonds	7,999	4,509	98	—	1,490	62,292	76,390
Japanese local government bonds	8,278	26,881	13,726	410	700	507	50,504
Japanese corporate bonds	5,775	17,319	4,567	—	300	1,304	29,268
Japanese stocks	—	—	—	—	—	1,599	1,599
Foreign securities	100	—	97	—	—	—	198
Other securities	—	—	—	—	—	—	—
Total	22,153	48,710	18,490	410	2,491	65,703	157,959

3-04 Policy reserves and others

Reserve for outstanding losses and claims	Millions of yen	
As of March 31,	2018	2019
Fire	5	5
Marine	(1)	(4)
Personal accident	694	670
Voluntary automobile	38,363	39,540
Compulsory automobile liability	471	462
Others	—	—
Total	39,535	40,674

Sony Assurance Financial Data

Underwriting reserves

	Millions of yen	
As of March 31,	2018	2019
Fire	435	802
Marine	0	0
Personal accident	52,329	57,519
Voluntary automobile	62,074	67,023
Compulsory automobile liability	2,237	2,473
Others	—	—
Total	117,077	127,819

Breakdown of the balance of underwriting reserves

	2018						Millions of yen
As of March 31,	Unearned premium reserve	Catastrophe reserve	Contingency reserve	Refund reserve	Reserve for policyholders' dividends	Total	
Fire	384	50	0	—	—	435	
Marine	—	0	—	—	—	0	
Personal accident	48,889	3,330	109	—	—	52,329	
Voluntary automobile	44,478	17,589	—	6	—	62,074	
Compulsory automobile liability	2,237	—	—	—	—	2,237	
Others	—	—	—	—	—	—	
Total	95,990	20,970	109	6	—	117,077	

	2019						Millions of yen
As of March 31,	Unearned premium reserve	Catastrophe reserve	Contingency reserve	Refund reserve	Reserve for policyholders' dividends	Total	
Fire	657	143	1	—	—	802	
Marine	—	0	—	—	—	0	
Personal accident	53,783	3,614	121	—	—	57,519	
Voluntary automobile	46,139	20,878	—	6	—	67,023	
Compulsory automobile liability	2,473	—	—	—	—	2,473	
Others	—	—	—	—	—	—	
Total	103,054	24,636	122	6	—	127,819	

Note: The underwriting reserves for earthquake insurance and compulsory automobile liability insurance are included in the unearned premium reserve.

3-05 Calculation method for underwriting reserves

For the years ended March 31,	2018	2019
Calculation method		
Policies subject to the standard underwriting reserves	Standard underwriting reserves	Standard underwriting reserves
Policies not subject to the standard underwriting reserves	—	—
Rate of reserve funding	100.0%	100.0%

- Notes: 1. The calculation method and the rate of reserve funding are not applied for policies as pertaining to the classes of insurance listed in Article 3 Paragraph 5 Item 1 of the Insurance Business Act of Japan and whose principal insurance is pertaining to such classes of insurance.
2. The calculation method is described for insurance due reserves and refund reserve for deposits of premiums because the concept of a calculation method does not exist for other items.
3. Rate of reserve funding = (Unearned premium reserves actually accumulated + Refund reserves) / (Sum of (1) – (3) below)
(1) Insurance due reserves and refund reserves calculated by the method stipulated in the Ministry of Finance Public Notice No. 48 of 1996 for policies subject to the standard underwriting reserves (limited to policies as defined in Article 68 Paragraph 2 of the Order for Enforcement of the Insurance Business Act of Japan).
(2) Insurance due reserves for policies of which terms started after July 1, 2001, which are calculated by the net level premium reserve method for policies not subject to the standard underwriting reserves, refund reserves for policies of which terms started after July 1, 2001 and for policies other than policies as defined in Article 68 Paragraph 2 of the Order for Enforcement of the Insurance Business Act of Japan, and unearned premium reserves and refund reserves for policies of which terms started before July 1, 2001.
(3) Unearned premiums for policies of which terms started after July 1, 2001.

Sony Assurance Financial Data

3-06 Other reserves

	Millions of yen				
	2017	2018			
		For the year ended March 31,			
	As of March 31,	Increase	Decrease		As of March 31,
			Specific	Other	
Reserve for possible loan losses					
General reserve for possible loan losses	—	—	—	—	—
Specific reserve for possible loan losses	—	—	—	—	—
Reserve for possible loan losses for specific foreign countries	—	—	—	—	—
Total	—	—	—	—	—
Reserve for directors' retirement benefits	36	—	36	—	—
Reserve for employees' bonuses	1,082	1,132	1,082	—	1,132
Reserve for price fluctuations	177	29	—	—	206

	Millions of yen				
	2018	2019			
		For the year ended March 31,			
	As of March 31,		Decrease		As of March 31,
		Increase	Specific	Other	
Reserve for possible loan losses					
General reserve for possible loan losses	—	—	—	—	—
Specific reserve for possible loan losses	—	—	—	—	—
Reserve for possible loan losses for specific foreign countries	—	—	—	—	—
Total	—	—	—	—	—
Reserve for directors' retirement benefits	—	—	—	—	—
Reserve for employees' bonuses	1,132	1,236	1,132	—	1,236
Reserve for price fluctuations	206	31	—	—	238

4 Profit and Loss

4-01 Gains (losses) on sale of securities and losses on valuation of securities

	Millions of yen					
	2018			2019		
	Gains on sales	Losses on sales	Devaluation losses	Gains on sales	Losses on sales	Devaluation losses
For the years ended March 31,						
Japanese government bonds, etc.	14	—	—	9	0	—
Japanese stocks	455	—	—	547	—	—
Foreign securities	—	—	—	—	—	—
Total	470	—	—	557	0	—

4-02 Gains (losses) on trading securities

Not applicable

Sony Assurance Financial Data

4-03 Gains (losses) on sale or disposal of fixed assets

For the years ended March 31,	Millions of yen			
	2018		2019	
	Gains	Losses	Gains	Losses
Land and buildings	—	5	—	4
Other tangible fixed assets	—	0	—	0
Intangible fixed assets	—	—	—	2
Total	—	5	—	7

4-04 Operating expenses (including loss adjustment expenses)

For the years ended March 31,	Millions of yen	
	2018	2019
Personnel expenses	10,176	10,801
Non-personnel expenses	26,072	26,259
Taxes	914	925
Contribution to fire prevention and traffic accident prevention	0	0
Contribution to Non-life Insurance Policyholders Protection Corporation of Japan	—	—
Net commissions and brokerage fees	1,771	1,724
Total	38,934	39,711

Note: The total of operating expenses above is the total amount of "loss adjustment expenses," "operating, general and administrative expenses" and "net commissions and brokerage fees" in the statements of income.

4-05 Depreciation and amortization

For the year ended March 31,	Millions of yen			
	2018			
	Acquisition cost	Depreciation expenses	Accumulated depreciation	Balance at the end of the period
Buildings	609	29	431	177
For corporate use	609	29	431	177
For rent	—	—	—	—
Other tangible fixed assets	5,936	1,088	3,706	2,229
Software	20,937	1,502	15,929	5,008
Other intangible fixed assets	1,879	1,307	1,869	9
Total	29,362	3,927	21,936	7,425

For the year ended March 31,	Millions of yen			
	2019			
	Acquisition cost	Depreciation expenses	Accumulated depreciation	Balance at the end of the period
Buildings	620	31	450	169
For corporate use	620	31	450	169
For rent	—	—	—	—
Other tangible fixed assets	6,172	1,013	4,716	1,456
Software	23,988	1,412	17,342	6,646
Other intangible fixed assets	1,879	0	1,870	9
Total	32,660	2,457	24,378	8,282

5 Fair Value Information, etc.

5-01 Securities

Trading-purpose securities

Not applicable

Held-to-maturity securities

Millions of yen

	2018			2019		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
As of March 31,						
Fair value is higher than balance sheet amount						
Japanese bonds	74,383	91,556	17,172	79,921	101,571	21,650
Foreign securities	197	211	13	198	208	10
Subtotal	74,581	91,767	17,185	80,119	101,779	21,660
Fair value is lower than balance sheet amount						
Japanese bonds	4,496	4,173	(323)	—	—	—
Foreign securities	—	—	—	—	—	—
Subtotal	4,496	4,173	(323)	—	—	—
Total	79,078	95,940	16,862	80,119	101,779	21,660

Stock of subsidiaries and affiliated companies

Not applicable

Available-for-sale securities

Millions of yen

	2018			2019		
	Balance sheet amount	Acquisition cost	Difference	Balance sheet amount	Acquisition cost	Difference
As of March 31,						
Balance sheet amount is higher than acquisition cost						
Japanese bonds	40,245	40,151	93	49,970	49,899	70
Japanese stocks	3,023	412	2,610	1,599	324	1,274
Subtotal	43,268	40,564	2,704	51,569	50,223	1,345
Balance sheet amount is lower than acquisition cost						
Japanese bonds	23,002	23,029	(27)	26,271	26,298	(27)
Japanese stocks	—	—	—	—	—	—
Subtotal	23,002	23,029	(27)	26,271	26,298	(27)
Total	66,270	63,593	2,677	77,840	76,521	1,318

Available-for-sale securities sold during the year

Millions of yen

	2018			2019		
	Amount of sales	Total gains on sales	Total losses on sales	Amount of sales	Total gains on sales	Total losses on sales
For the years ended March 31,						
Japanese bonds	4,622	14	—	3,108	9	0
Japanese stocks	573	455	—	637	547	—
Total	5,195	470	—	3,746	557	0

Performance Indicators

1 Principal Indicators of Operating Performance

	Millions of yen				
For the years ended March 31,	2015	2016	2017	2018	2019
Net premiums written	91,712	95,549	100,274	108,254	113,101
Year-on-year change	3.5%	4.2%	4.9%	8.0%	4.5%
Underwriting profit	3,044	3,470	3,070	4,863	5,050
Year-on-year change	62.4%	14.0%	(11.5%)	58.4%	3.8%
Ordinary revenues	93,022	96,905	102,333	110,092	115,102
Year-on-year change	3.5%	4.2%	5.6%	7.6%	4.6%
Ordinary profit	4,209	4,680	4,996	6,574	6,897
Year-on-year change	40.1%	11.2%	6.8%	31.6%	4.9%
Net income	2,233	2,586	3,515	4,821	4,999
Year-on-year change	34.2%	15.8%	35.9%	37.2%	3.7%
Net loss ratio	57.6%	57.8%	57.5%	55.9%	57.3%
Net expense ratio	26.7%	27.1%	28.3%	28.5%	27.8%
Interest income and dividends	1,268	1,313	1,327	1,324	1,372
Year-on-year change	4.9%	3.6%	1.0%	(0.2%)	3.7%
Yield on investments (income basis)	1.10%	1.03%	0.95%	0.85%	0.80%
Yield on investments (realized basis)	1.11%	1.03%	1.44%	1.15%	1.12%
Securities	111,809	127,256	137,553	145,349	157,959
Loans	—	—	—	—	—
Underwriting reserves	86,508	95,704	106,173	117,077	127,819
Common stock	20,000	20,000	20,000	20,000	20,000
Number of shares issued and outstanding (shares)	400,000	400,000	400,000	400,000	400,000
Total net assets	24,741	28,305	29,409	33,189	34,798
Total assets	157,919	172,323	186,537	204,362	219,643
Assets accounted for as deposit premium accounts	—	—	—	—	—
Capital adequacy ratio	15.7%	16.4%	15.8%	16.2%	15.8%
Dividend payout ratio	—	50.0%	50.0%	50.0%	50.0%
Non-consolidated solvency margin ratio	629.6%	693.5%	730.8%	782.1%	813.0%
Number of employees	1,119	1,178	1,203	1,235	1,303

Sony Assurance Performance Indicators

2 Underwriting Performance

2-01 Direct premiums written

Millions of yen, %

For the years ended March 31,	2018			2019		
	Amount	Composition	YoY change	Amount	Composition	YoY change
Fire	206	0.2%	(15.9%)	616	0.5%	198.8%
Marine	—	—	—	—	—	—
Personal accident	8,679	8.1	(1.0)	8,823	7.9	1.7
Voluntary automobile	98,123	91.7	9.0	102,758	91.6	4.7
Compulsory automobile liability	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	107,008	100.0	8.1	112,198	100.0	4.8
Direct premiums written per employee	86		5.3	86		(0.6)

Notes: 1. Direct premiums written = Gross premiums written – (Surrender benefits of direct policies + Other returned direct premiums)
 2. Direct premiums written per employee = Direct premiums written / Number of employees
 3. Sony Assurance has no deposits of premiums.

2-02 Net premiums written

Millions of yen, %

For the years ended March 31,	2018			2019		
	Amount	Composition	YoY change	Amount	Composition	YoY change
Fire	16	0.0%	(34.4%)	265	0.2%	1,533.0%
Marine	0	0.0	—	(0)	(0.0)	(100.0)
Personal accident	8,887	8.2	(1.7)	8,872	7.8	(0.2)
Voluntary automobile	97,880	90.4	9.1	102,458	90.6	4.7
Compulsory automobile liability	1,469	1.4	0.6	1,505	1.3	2.4
Others	—	—	—	—	—	—
Total	108,254	100.0	8.0	113,101	100.0	4.5

Note: Net premiums written = Direct premiums written + Assumed net premiums written – Ceded net premiums written

2-03 Net losses paid, net loss ratio

Millions of yen, %

For the years ended March 31,	2018			2019		
	Amount	Composition	Net loss ratio	Amount	Composition	Net loss ratio
Fire	6	0.0%	247.1%	15	0.0%	21.0%
Marine	2	0.0	308.8	10	0.0	—
Personal accident	2,692	5.1	33.7	3,009	5.3	37.6
Voluntary automobile	48,464	92.3	57.4	52,223	92.3	58.6
Compulsory automobile liability	1,316	2.5	89.6	1,350	2.4	89.7
Others	—	—	—	—	—	—
Total	52,482	100.0	55.9	56,608	100.0	57.3

Notes: 1. Net losses paid = Direct net losses paid + Assumed net losses paid – Reinsurance losses recovered
 2. Net loss ratio = (Net losses paid + Loss adjustment expenses) / Net premiums written

Sony Assurance Performance Indicators

2-04 Expenses and net expense ratio related to underwriting

	Millions of yen	
For the years ended March 31,	2018	2019
Expenses related to underwriting	30,803	31,411
Operating, general and administrative expenses related to underwriting	29,032	29,687
Net commissions and brokerage fees	1,771	1,724
Net expense ratio	28.5%	27.8%

Note: Net expense ratio = Expenses related to underwriting / Net premiums written

2-05 Underwriting profit

	Millions of yen	
For the years ended March 31,	2018	2019
Underwriting income	108,316	113,174
Underwriting expenses	74,419	78,435
Operating, general and administrative expenses	29,032	29,687
Other income (expenses)	(1)	(1)
Underwriting profit	4,863	5,050

Notes: 1. Operating, general and administrative expenses is the amount related to underwriting in "Operating, general and administrative expenses" in the statements of income.

2. Other income (expenses) is the amount equivalent to the corporate income taxes for compulsory automobile liability insurance, etc.

Underwriting profit by type of policy

	Millions of yen	
For the years ended March 31,	2018	2019
Fire	(314)	(1,075)
Marine	9	(7)
Personal accident	(1,595)	(2,717)
Voluntary automobile	6,764	8,852
Compulsory automobile liability	—	—
Others	—	—
Total	4,863	5,050

2-06 Net loss ratio, net expense ratio and combined ratio

	2018			2019			
For the years ended March 31,	Net loss ratio	Net expense ratio	Combined ratio	Net loss ratio	Net expense ratio	Combined ratio	%
Fire	247.1	1,785.3	2,032.3	21.0	346.7	367.7	
Marine	308.8	267.4	576.2	—	—	—	
Personal accident	33.7	33.8	67.5	37.6	34.8	72.4	
Voluntary automobile	57.4	28.1	85.5	58.6	26.7	85.4	
Compulsory automobile liability	89.6	—	89.6	89.7	—	89.7	
Others	—	—	—	—	—	—	
Total	55.9	28.5	84.4	57.3	27.8	85.1	

Note: Combined ratio = Net loss ratio + Net expense ratio

■ Sony Assurance Performance Indicators

3 Asset Management

3-01 Asset management policy

The goal is to assure stable medium- to long-term returns taking into consideration the market environment and asset management risk, as well as current level and future fluctuations of interest rates.

Investments are primarily made with Japanese yen-denominated bonds. Investments are also made based upon the consideration of diversification of timing of investments as well as the timing of re-investments. Thus, the investment portfolio is built in such a way that stable returns are assured.

3-02 Overview of asset management

	Millions of yen, %			
	2018		2019	
As of March 31,	Amount	Composition	Amount	Composition
Cash and deposits	23,778	11.6%	20,043	9.1%
Call loans	—	—	—	—
Bond trading with repurchase agreement	—	—	—	—
Bonds paid for securities borrowing transactions	—	—	—	—
Monetary claims purchased	—	—	—	—
Securities under proprietary accounts	—	—	—	—
Money held in trust	—	—	—	—
Securities	145,349	71.1	157,959	71.9
Loans	—	—	—	—
Land and buildings	177	0.1	169	0.1
Total	169,305	82.8	178,172	81.1
Total assets	204,362	100.0	219,643	100.0

Sony Assurance Performance Indicators

3-03 Interest income and dividends, yield on investments (income basis)

	Millions of yen, %			
	2018		2019	
For the years ended March 31,	Amount	Yield	Amount	Yield
Cash and deposits	0	0.00%	0	0.00%
Call loans	—	—	—	—
Bond trading with repurchase agreement	—	—	—	—
Bonds paid for securities borrowing transactions	—	—	—	—
Monetary claims purchased	—	—	—	—
Securities under proprietary accounts	—	—	—	—
Money held in trust	—	—	—	—
Securities	1,323	0.94	1,372	0.89
Loans	—	—	—	—
Land and buildings	—	—	—	—
Subtotal	1,324	0.85	1,372	0.80
Others	0		0	
Total	1,324		1,372	
Yield on investments (realized basis)		1.15		1.12
(Reference) Yield on investments (fair value basis)		1.77		0.33

- Notes: 1. Total revenues are equal to "interest income and dividends" in the statements of income of Sony Assurance.
2. In principle, the average balance of investments is calculated based on average balances of either acquisition cost or amortized cost at the end of each month, then divided by 12.
3. Calculation methods for yield on investments are as follows:
(1) Yield on investments (income basis)
The results of investment in assets are indicated as income revenues (interest income and dividends). Interest income and dividends on investment assets is the numerator, and acquisition cost is the denominator.
• Numerator: Interest income and dividends
• Denominator: Average balance of either acquisition cost or amortized cost
(2) Yield on investments (realized basis)
The results of investment in assets are indicated as the contribution to net income (loss) for the period (statements of income). Realized profit and loss is the numerator, and acquisition cost is the denominator.
• Numerator: Investment income + Interest and dividends on deposits of premiums – Investment expenses
• Denominator: Average balance of either acquisition cost or amortized cost
(3) (Reference) Yield on investments (fair value basis)
An indicator of investment efficiency based on fair value. Realized profit and loss plus net unrealized gains is the numerator, and fair value of investment assets is the denominator.
• Numerator = (Investment income + Interest and dividends on deposits of premiums – Investment expenses) + (Net unrealized gains at end of period* – Net unrealized gains at end of previous period*)
• Denominator = Average balance of either acquisition cost or amortized cost + Net unrealized gains on available-for-sale securities at end of previous period*
*Amounts before tax deductions

3-04 Overseas investment

	Millions of yen, %			
	2018		2019	
As of March 31,	Amount	Composition	Amount	Composition
Foreign currency denominated				
Foreign bonds	—	—%	—	—%
Foreign stocks	—	—	—	—
Others	—	—	—	—
Subtotal	—	—	—	—
Yen denominated				
Loans to borrowers outside Japan	—	—	—	—
Foreign bonds	197	100.0	198	100.0
Others	—	—	—	—
Subtotal	197	100.0	198	100.0
Total	197	100.0	198	100.0
Yield on overseas investments				
Yield on investments (income basis)	2.68%		2.82%	
Yield on investments (realized basis)	2.68		2.82	
(Reference) Yield on investments (fair value basis)	2.68		2.82	

Note: "Yield on overseas investments" is calculated with respect to assets relating to overseas investments, using the formula equivalent to the "Calculation methods for yield on investments" in Note 3 of "3-03 Interest income and dividends, yield on investments (income basis)."

Sony Assurance Performance Indicators

4 Non-consolidated Solvency Margin Ratio

	Millions of yen	
As of March 31,	2018	2019
(A) Total non-consolidated solvency margin	54,244	60,010
Capital or treasury, etc.	28,849	31,349
Reserve for price fluctuations	206	238
Contingency reserve	109	122
Catastrophe reserve	20,970	24,636
General reserve for possible loan losses	—	—
Net unrealized gains on available-for-sale securities and net deferred gains (losses) on hedging instruments (before tax deductions)	2,409	1,186
Net unrealized gains on real estate	—	—
Excess refund reserve	—	—
Subordinated debt	—	—
The portion of the excess refund reserve and subordinated debt that is not included in the margin	—	—
Deductible items	—	—
Others	1,698	2,476
(B) Total non-consolidated risk $\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	13,871	14,760
Ordinary insurance risk R_1	12,395	13,181
Third-sector insurance risk R_2	—	0
Assumed interest rate risk R_3	114	123
Asset management risk R_4	1,712	1,861
Business management risk R_5	305	325
Major catastrophe risk R_6	1,036	1,105
(C) Non-consolidated solvency margin ratio $[(A)/((B) \times (1/2))] \times 100$	782.1%	813.0%

Note: The above figures are calculated based on the provisions in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act of Japan and the Ministry of Finance Public Notice No. 50 (1996).

• Breakdown of non-consolidated solvency margin:

- Capital or treasury, etc.
Net assets of the balance sheets, excluding the amount of expected outflow from the company as disposal of surplus, such as dividends to shareholders, deferred assets and the amount of valuation and translation adjustments.
- Reserve for price fluctuations
The reserve for price fluctuations shown on the balance sheets.
- Contingency reserve
The contingency reserve included in underwriting reserves shown on the balance sheets.
- Catastrophe reserve
The total amount of both the catastrophe reserve and the contingency reserve concerning residential earthquake insurance that are included in underwriting reserves shown on the balance sheets.
- General reserve for possible loan losses
The general reserve for possible loan losses included in the reserve for possible loan losses shown on the balance sheets. This does not apply to Sony Assurance.
- Net unrealized gains on available-for-sale securities and net deferred gains (losses) on hedging instruments (before tax deductions)
Net unrealized gains on available-for-sale securities (securities other than trading-purpose securities, held-to-maturity securities, stock of subsidiaries and affiliated companies) and associated net deferred gains (losses) on hedging instruments.
- Net unrealized gains on real estate
Net unrealized gains on real estate, representing the difference between the fair value of land, leaseholds and other properties and their respective balance sheet amount (amounts shown on the balance sheets). This does not apply to Sony Assurance.
- Excess refund reserve
Excess refund reserve refers to the surplus refund reserve included in underwriting reserves shown on the balance sheets. This does not apply to Sony Assurance.
- Subordinated debt
Subordinated debt refers to those funds raised by taking out subordinated loans, issuing subordinated bonds or through other means that meet a certain set of conditions. This does not apply to Sony Assurance.

■ Sony Assurance Performance Indicators

10. The portion of the excess refund reserve and subordinated debt that is not included in the margin
If the total amount of 8. and 9. above exceeds the base amount calculated according to the method prescribed by laws and regulations, such excess amount shall be deducted from the non-consolidated solvency margin. This does not apply to Sony Assurance.
11. Deductible items
If an insurance company owns the stock of other insurance companies or financial institutions, or possesses other such means of raising funds, and that ownership qualifies as "intentional possession" as governed by the overall supervisory guidelines for insurance companies, then those funds must be deducted from the non-consolidated solvency margin. This does not apply to Sony Assurance.
12. Others
Others refers to deferred tax assets related to other retained earnings (deficits) included in the net assets section of the balance sheets.

Non-consolidated Solvency Margin Ratio

Non-life insurance companies maintain reserves to ensure their ability to pay claims when accidents occur and return contracted amounts at maturity on savings-type insurance. Non-life insurance companies must also maintain sufficient ability to cover against risk events which exceed its normal estimates, i.e., occurrence of a major catastrophe or a dramatic drop in the value of the assets they hold.

Total risk (item (B) in the table) indicates risk events which exceed the normal estimates. The non-consolidated solvency margin ratio (item (C) in the table) is an indicator of an insurer's ability to pay, calculated as prescribed by the Insurance Business Act of Japan, based on its percentage holdings of capital and other reserves (in other words, the total non-consolidated solvency margin, as indicated by (A)).

$\text{Non-consolidated Solvency Margin Ratio (\%)} = \frac{\text{Ability to pay, indicated by such factors as capital and reserves}}{\text{Risk events which exceed the normal estimates} \times 1/2} \times 100$
--

- "Risk events which exceed the normal estimates" refers to the total of the amounts represented by the following risks:
 - ① Insurance underwriting risk (ordinary insurance risk, third-sector insurance risk)
Risk which exceeds the normal estimates for the rate of accident occurrence (excluding major catastrophe risk)
 - ② Assumed interest rate risk
Risk that actual investment yields will fall below the investment yield assumed when calculating premiums
 - ③ Asset management risk
Risk arising from such factors as unexpectedly large fluctuations in prices on held securities and other assets
 - ④ Business management risk
Unexpected risk to business management other than ① through ③ above and ⑤
 - ⑤ Major catastrophe risk
Risk arising from major catastrophes (such as the Great Kanto Earthquake and the Ise Bay Typhoon)
- A non-life insurer's ability to pay (total non-consolidated solvency margin), as indicated by such factors as its capital and reserves, is the total of the insurer's net assets (excluding the amount of expected outflow from the company), reserves (such as the reserve for price fluctuations and catastrophe reserve) and a portion of its net unrealized gains on real estate.
- The non-consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurers. When this ratio is 200% or higher, an insurer is judged to have sufficient ability to satisfy claims and other payments.

Financial Data (Consolidated)

Consolidated Balance Sheets

Sony Bank Inc. and consolidated subsidiaries
As of March 31, 2018 and 2019

	Millions of yen	
	2018	2019
Assets		
Cash and due from banks	287,752	344,377
Monetary claims purchased	5,378	4,916
Money held in trust	21,000	21,937
Securities	672,244	694,447
Loans	1,596,376	1,744,103
Foreign exchanges	9,346	8,471
Other assets	52,372	51,685
Tangible fixed assets	1,709	1,633
Buildings	658	628
Leased assets	0	—
Other tangible fixed assets	1,051	1,004
Intangible fixed assets	5,652	6,903
Software	5,637	6,888
Other intangible fixed assets	14	14
Deferred tax assets	138	1,305
Reserve for possible loan losses	(806)	(903)
Total Assets	2,651,162	2,878,879
Liabilities		
Deposits	2,219,324	2,358,182
Call money and bills sold	96,000	130,611
Payables under repurchase agreements	—	20,290
Borrowed money	180,000	210,000
Foreign exchanges	228	244
Other liabilities	66,071	67,752
Reserve for employees' bonuses	769	777
Net defined benefit liability	1,243	1,323
Provision for reimbursement of deposits	81	125
Total Liabilities	2,563,718	2,789,308
Net Assets		
Common stock	31,000	31,000
Capital surplus	21,000	21,000
Retained earnings	28,948	33,067
Total shareholders' equity	80,948	85,067
Net unrealized gains (losses) on available-for-sale securities, net of taxes	6,037	3,974
Net deferred gains (losses) on hedging instruments, net of taxes	(1,086)	(1,260)
Remeasurements of defined benefit plans, net of taxes	(103)	(106)
Total accumulated other comprehensive income	4,847	2,606
Non-controlling interests	1,648	1,896
Total Net Assets	87,444	89,570
Total Liabilities and Net Assets	2,651,162	2,878,879

Sony Bank Financial Data (Consolidated)

Consolidated Statements of Income

Sony Bank Inc. and consolidated subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen	
	2018	2019
Ordinary Revenues	39,933	46,018
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	6,961	9,650
Other operating income	3,823	3,926
Other ordinary income	804	515
Reversal of reserve for possible loan losses	96	—
Income from money held in trust, net	1	—
Others	706	515
Ordinary Expenses	32,752	36,423
Interest expenses	7,731	8,643
Interest expenses on deposits	5,322	6,747
Interest expenses on call money and bills sold	(73)	88
Interest on payables under repurchase agreements	—	312
Interest expenses on borrowed money	113	88
Other interest expenses	2,368	1,407
Fees and commissions	6,685	8,083
Other operating expenses	109	485
General and administrative expenses	18,084	18,801
Other ordinary expenses	141	409
Provision for reserve for possible loan losses	—	167
Other ordinary expenses	141	242
Ordinary Profit	7,180	9,595
Extraordinary Losses	92	47
Losses on disposal of fixed assets	92	20
Impairment losses	—	27
Income Before Income Taxes	7,088	9,547
Income Taxes - Current	2,225	3,116
Income Taxes - Deferred	(46)	(177)
Total Income Taxes	2,179	2,939
Profit	4,909	6,608
Profit Attributable to Non-controlling Interests	186	250
Profit Attributable to Owners of the Parent	4,722	6,357

Consolidated Statements of Comprehensive Income

Sony Bank Inc. and consolidated subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen	
	2018	2019
Profit	4,909	6,608
Other Comprehensive Income	1,519	(2,243)
Net unrealized gains (losses) on available-for-sale securities, net of taxes	1,260	(2,063)
Net deferred gains (losses) on hedging instruments, net of taxes	251	(174)
Remeasurements of defined benefit plans, net of taxes	7	(6)
Comprehensive Income	6,429	4,364
Comprehensive income attributable to owners of the parent	6,242	4,116
Comprehensive income attributable to non-controlling interests	187	248

Consolidated Statements of Changes in Net Assets

Sony Bank Inc. and consolidated subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen			
	2018			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the period	31,000	21,000	25,815	77,815
Changes during the period				
Dividends from surplus	—	—	(1,590)	(1,590)
Profit attributable to owners of the parent	—	—	4,722	4,722
Net changes of items other than shareholders' equity	—	—	—	—
Total changes during the period	—	—	3,132	3,132
Balance at the end of the period	31,000	21,000	28,948	80,948

	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	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the period	4,776	(1,338)	(109)	3,328	1,460	82,604
Changes during the period						
Dividends from surplus	—	—	—	—	—	(1,590)
Profit attributable to owners of the parent	—	—	—	—	—	4,722
Net changes of items other than shareholders' equity	1,260	251	6	1,519	187	1,706
Total changes during the period	1,260	251	6	1,519	187	4,839
Balance at the end of the period	6,037	(1,086)	(103)	4,847	1,648	87,444

■ Sony Bank Financial Data (Consolidated)

Consolidated Statements of Changes in Net Assets (Continued)

	Millions of yen			
	2019			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the period	31,000	21,000	28,948	80,948
Changes during the period				
Dividends from surplus	—	—	(2,238)	(2,238)
Profit attributable to owners of the parent	—	—	6,357	6,357
Net changes of items other than shareholders' equity	—	—	—	—
Total changes during the period	—	—	4,119	4,119
Balance at the end of the period	31,000	21,000	33,067	85,067

	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	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the period	6,037	(1,086)	(103)	4,847	1,648	87,444
Changes during the period						
Dividends from surplus	—	—	—	—	—	(2,238)
Profit attributable to owners of the parent	—	—	—	—	—	6,357
Net changes of items other than shareholders' equity	(2,063)	(174)	(3)	(2,241)	248	(1,992)
Total changes during the period	(2,063)	(174)	(3)	(2,241)	248	2,126
Balance at the end of the period	3,974	(1,260)	(106)	2,606	1,896	89,570

Consolidated Statements of Cash Flows

Sony Bank Inc. and consolidated subsidiaries
For the years ended March 31, 2018 and 2019

Millions of yen

	2018	2019
Cash flows from operating activities		
Income before income taxes	7,088	9,547
Depreciation and amortization	1,812	1,952
Impairment losses	—	27
Increase (decrease) in reserve for possible loan losses	(164)	96
Increase (decrease) in reserve for employees' bonuses	(13)	8
Increase (decrease) in net defined benefit liability	137	70
Increase (decrease) in reserve for directors' retirement benefits	(19)	—
Increase (decrease) in provision for reimbursement of deposits	19	43
Interest income - accrual basis	(28,344)	(31,926)
Interest expenses - accrual basis	7,731	8,643
(Gains) losses on securities	2,126	(2,418)
(Gains) losses on money held in trust	(1)	(0)
Exchange (gains) losses	8,208	(3,803)
(Gains) losses on disposal of fixed assets	74	53
Net (increase) decrease in loans	(56,745)	(147,727)
Net increase (decrease) in deposits	109,572	138,822
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	80,000	30,000
Net (increase) decrease in call loans and bills sold	(4,805)	461
Net increase (decrease) in call money and bills bought	26,000	54,902
Net (increase) decrease in foreign exchange (assets)	(2,077)	874
Net increase (decrease) in foreign exchange (liabilities)	119	16
Interest income-cash basis	30,944	32,683
Interest expenses-cash basis	(7,907)	(8,183)
Others, net	(8,661)	2,241
Subtotal	165,095	86,387
Income taxes paid	(1,189)	(2,636)
Net cash provided by (used in) operating activities	163,906	83,751
Cash flows from investing activities		
Purchases of securities	(228,090)	(214,140)
Proceeds from sale of securities	51,241	66,935
Proceeds from redemption of securities	125,856	126,539
Investments in money held in trust	—	(943)
Proceeds from money held in trust	2,000	—
Purchases of tangible fixed assets	(1,066)	(244)
Purchases of intangible fixed assets	(2,086)	(3,033)
Others, net	—	(0)
Net cash provided by (used in) investing activities	(52,144)	(24,887)
Cash flows from financing activities		
Net decrease in subordinated borrowings	(3,000)	—
Cash dividends paid	(1,590)	(2,238)
Payments for leased obligations	(0)	(0)
Net cash provided by (used in) financing activities	(4,590)	(2,238)
Net increase (decrease) in cash and cash equivalents	107,171	56,625
Cash and cash equivalents at the beginning of the period	180,581	287,752
Cash and cash equivalents at the end of the period	287,752	344,377

Financial Data (Non-consolidated)

Balance Sheets

Sony Bank Inc.

As of March 31, 2018 and 2019

	Millions of yen	
	2018	2019
Assets		
Cash and due from banks	287,332	343,063
Due from banks	287,332	343,063
Monetary claims purchased	5,378	4,916
Money held in trust	21,000	21,937
Securities	674,285	696,468
Japanese government bonds	96,872	64,126
Japanese local government bonds	36,001	20,040
Japanese corporate bonds	65,366	49,994
Japanese stocks	2,050	2,050
Other securities	473,993	560,256
Loans	1,596,376	1,744,103
Loans on deeds	1,577,480	1,725,791
Overdrafts	18,895	18,312
Foreign exchanges	9,346	8,471
Due from foreign banks	9,346	8,471
Other assets	37,103	35,443
Domestic exchange settlement account, debit	438	1,349
Prepaid expenses	149	200
Accrued income	3,687	4,189
Derivatives	7,320	4,084
Cash collateral paid for financial instruments	18,559	18,148
Accounts receivable	4,599	5,005
Others	2,349	2,464
Tangible fixed assets	1,204	1,092
Buildings	620	575
Other tangible fixed assets	584	516
Intangible fixed assets	3,808	5,200
Software	3,803	5,195
Other intangible fixed assets	5	4
Deferred tax assets	—	1,133
Reserve for possible loan losses	(806)	(903)
Total Assets	2,635,028	2,860,925

■ Sony Bank Financial Data (Non-consolidated)

	Millions of yen	
	2018	2019
Liabilities		
Deposits	2,219,325	2,358,985
Ordinary deposits	672,877	782,242
Time deposits	1,134,731	1,147,048
Other deposits	411,716	429,694
Call money	96,000	130,611
Payables under repurchase agreements	—	20,290
Borrowed money	180,000	210,000
Borrowed money	180,000	210,000
Foreign exchanges	228	244
Foreign bills sold	147	73
Foreign bills payable	81	170
Other liabilities	52,033	51,717
Domestic exchange settlement account, credit	—	959
Income taxes payable	1,588	2,041
Accrued expenses	5,255	6,410
Initial margins of futures markets	20,205	18,989
Derivatives	16,349	15,379
Cash collateral received for financial instruments	590	180
Asset retirement obligations	226	227
Others	7,817	7,529
Reserve for employees' bonuses	687	677
Reserve for employees' retirement benefits	933	994
Provision for reimbursement of deposits	81	125
Deferred tax liabilities	9	—
Total Liabilities	2,549,299	2,773,646
Net Assets		
Common stock	31,000	31,000
Capital surplus	21,000	21,000
Capital reserves	21,000	21,000
Retained earnings	28,778	32,565
Legal retained earnings	709	1,157
Other retained earnings	28,068	31,407
Unappropriated retained earnings	28,068	31,407
Total shareholders' equity	80,778	84,565
Net unrealized gains (losses) on available-for-sale securities, net of taxes	6,037	3,974
Net deferred gains (losses) on hedging instruments, net of taxes	(1,086)	(1,260)
Total valuation and translation adjustments	4,950	2,713
Total Net Assets	85,729	87,279
Total Liabilities and Net Assets	2,635,028	2,860,925

Sony Bank Financial Data (Non-consolidated)

Statements of Income

Sony Bank Inc.

For the years ended March 31, 2018 and 2019

Millions of yen

	2018	2019
Ordinary Revenues	36,270	41,707
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	2	1
Interest income on deposits with banks	63	62
Other interest income	9	7
Fees and commissions	3,298	5,338
Fees and commissions on domestic and foreign exchanges	267	338
Other fees and commissions	3,030	5,000
Other operating income	3,823	3,926
Gains on foreign exchange transactions	3,456	3,599
Gains on sale of bonds	334	274
Gains on redemption of bonds	0	—
Gains on derivatives	32	51
Other ordinary income	804	515
Reversal of reserve for possible loan losses	96	—
Income from money held in trust, net	1	0
Others	706	515
Ordinary Expenses	29,712	33,009
Interest expenses	7,730	8,643
Interest expenses on deposits	5,322	6,747
Interest expenses on call money	(73)	88
Interest on payables under repurchase agreements	—	312
Interest expenses on borrowed money	113	88
Interest expenses on interest rate swaps	2,360	1,400
Other interest expenses	8	7
Fees and commissions	6,238	7,573
Fees and commissions on domestic and foreign exchanges	265	338
Other fees and commissions	5,972	7,234
Other operating expenses	109	485
Losses on sale of bonds	68	485
Others	40	—
General and administrative expenses	15,515	15,901
Other ordinary expenses	118	405
Provision for reserve for possible loan losses	—	167
Write-off of loans	0	0
Others	118	238
Ordinary Profit	6,557	8,698
Extraordinary Losses	74	—
Losses on disposal of fixed assets	74	—
Income Before Income Taxes	6,482	8,698
Income Taxes - Current	2,033	2,828
Income Taxes - Deferred	(25)	(155)
Total Income Taxes	2,007	2,673
Net Income	4,474	6,025

Statements of Changes in Net Assets

Sony Bank Inc.

For the years ended March 31, 2018 and 2019

Millions of yen

	2018						
	Shareholders' equity						
	Capital surplus			Retained earnings			
	Common stock	Capital reserves	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings	Total shareholders' equity
					Unappropriated retained earnings		
Balance at the beginning of the period	31,000	21,000	21,000	391	25,501	25,893	77,893
Changes during the period							
Dividends from surplus	—	—	—	318	(1,908)	(1,590)	(1,590)
Net income	—	—	—	—	4,474	4,474	4,474
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the period	—	—	—	318	2,566	2,884	2,884
Balance at the end of the period	31,000	21,000	21,000	709	28,068	28,778	80,778

	2018			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the period	4,776	(1,338)	3,438	81,332
Changes during the period				
Dividends from surplus	—	—	—	(1,590)
Net income	—	—	—	4,474
Net changes of items other than shareholders' equity	1,260	251	1,512	1,512
Total changes during the period	1,260	251	1,512	4,397
Balance at the end of the period	6,037	(1,086)	4,950	85,729

■ Sony Bank Financial Data (Non-consolidated)

Statements of Changes in Net Assets (Continued)

Millions of yen

	2019						
	Shareholders' equity						
	Capital surplus			Retained earnings			
	Common stock	Capital reserves	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings	Total shareholders' equity
					Unappropriated retained earnings		
Balance at the beginning of the period	31,000	21,000	21,000	709	28,068	28,778	80,778
Changes during the period							
Dividends from surplus	—	—	—	447	(2,685)	(2,238)	(2,238)
Net income	—	—	—	—	6,025	6,025	6,025
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during the period	—	—	—	447	3,339	3,787	3,787
Balance at the end of the period	31,000	21,000	21,000	1,157	31,407	32,565	84,565

Millions of yen

	2019			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Total valuation and translation adjustments	Total net assets
Balance at the beginning of the period	6,037	(1,086)	4,950	85,729
Changes during the period				
Dividends from surplus	—	—	—	(2,238)
Net income	—	—	—	6,025
Net changes of items other than shareholders' equity	(2,063)	(174)	(2,237)	(2,237)
Total changes during the period	(2,063)	(174)	(2,237)	1,549
Balance at the end of the period	3,974	(1,260)	2,713	87,279

■ Sony Bank Financial Data (Non-consolidated)

Notes

Sony Bank Inc.

As of March 31, for the year ended March 31,

The breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities is as follows:

	Millions of yen	
	2018	2019
Deferred tax assets		
Losses on valuation of securities	664	664
Reserve for possible loan losses	198	223
Provision for retirement benefits	285	304
Provision for bonuses	210	207
Net deferred losses on hedging instruments	479	556
Others	589	701
Subtotal of deferred tax assets	2,427	2,656
Valuation allowance on total deductible temporary differences	—	(664)
Subtotal of valuation allowance	(664)	(664)
Total deferred tax assets	1,763	1,992
Deferred tax liabilities		
Net unrealized gains on available-for-sale securities	1,707	796
Others	65	62
Total deferred tax liabilities	1,772	859
Net deferred tax assets	9	1,133

Sony Bank Financial Data (Non-consolidated)

1 Loans by Borrower Category

As of March 31, Category	Millions of yen	
	2018	2019
Bankrupt and quasi-bankrupt loans	472	596
Doubtful loans	685	807
Sub-standard loans	842	800
Normal loans	1,604,392	1,751,032
Total	1,606,393	1,753,237

Note: The above table is based on "Act on Emergency Measures for the Revitalization of Financial Functions."

2 Risk-monitored Loans

As of March 31,	Millions of yen	
	2018	2019
Bankrupt loans	91	180
Non-accrual delinquent loans	1,061	1,220
Past-due loans (3 months or more)	—	—
Restructured loans	842	800
Total	1,995	2,201

3 Profit and Loss

3-01 Gross operating profit

For the years ended March 31,	Millions of yen					
	2018			2019		
	Domestic division	International division	Total	Domestic division	International division	Total
Net interest income	15,506	5,141	20,648	16,415	6,891	23,307
Interest income	18,830	9,540	[27] 28,344	18,932	13,027	[33] 31,926
Interest expenses	3,323	4,399	[27] 7,695	2,516	6,136	[33] 8,619
Net fees and commissions	(3,048)	108	(2,940)	(2,367)	132	(2,234)
Fees and commissions received	3,093	204	3,298	5,063	275	5,338
Fees and commissions paid	6,142	95	6,238	7,430	142	7,573
Net trading income	—	—	—	—	—	—
Trading income	—	—	—	—	—	—
Trading expenses	—	—	—	—	—	—
Net other operating income	54	3,658	3,713	(220)	3,661	3,441
Other operating income	112	3,710	3,823	257	3,669	3,926
Other operating expenses	57	51	109	477	7	485
Gross operating profit	12,512	8,909	21,421	13,828	10,685	24,514
Gross operating profit ratio	0.60%	1.84%	0.84%	0.62%	1.91%	0.89%

Notes: 1. The Domestic division deals with transactions denominated in Japanese yen, whereas the International division deals with transactions denominated in foreign currencies (foreign currency deposits, foreign securities, etc.). Non-resident transactions denominated in Japanese yen are included in the International division.

2. Interest expenses exclude estimated interest expenses on money held in trust (¥34 million - fiscal2017, ¥24 million - fiscal2018).

3. [] indicates interest on borrowed funds between the Domestic division and the International division.

4. Gross operating profit ratio = $\frac{\text{Gross operating profit for the period}}{\text{Average balance of investment accounts}} \times 100$

Sony Bank Financial Data (Non-consolidated)

3-02 Average balances, interests, yields and interest spreads of major investment and financing accounts

Domestic division

Millions of yen, %

For the years ended March 31,	2018			2019		
	Average balance	Interest	Yield	Average balance	Interest	Yield
Investment accounts	[27,628]	[27]	0.90%	[38,331]	[33]	0.85%
	2,082,692	18,830		2,220,115	18,932	
Loans	1,553,044	16,987	1.09	1,636,579	17,398	1.06
Securities	198,824	1,742	0.87	175,156	1,429	0.81
Call loans	—	—	—	—	—	—
Due from banks	272,724	63	0.02	348,222	62	0.01
Monetary claims purchased	7,363	9	0.13	4,269	6	0.16
Financing accounts	[—]	[—]	0.16	[—]	[—]	0.11
	2,061,645	3,323		2,202,407	2,516	
Deposits	1,796,170	1,989	0.11	1,887,444	1,856	0.09
Call money	138,594	(74)	(0.05)	149,189	(63)	(0.04)
Payables under repurchase agreements	—	—	—	—	—	—
Borrowed money	147,931	113	0.07	186,219	88	0.04

Notes: 1. [] indicates the average balance and interest of borrowed funds between the Domestic division and the International division, and the total is presented in net.

2. In the investment accounts, the average balance of non-interest-bearing "due from banks" (¥1,497 million—fiscal2017, ¥1,488 million—fiscal2018) is excluded. In the financing accounts, the average balance of funds for investing money held in trust (¥21,679 million—fiscal2017, ¥21,087 million—fiscal2018) and the interest expenses on money held in trust (¥34 million—fiscal2017, ¥24 million—fiscal2018) are excluded, respectively.

International division

Millions of yen, %

For the years ended March 31,	2018			2019		
	Average balance	Interest	Yield	Average balance	Interest	Yield
Investment accounts	[—]	[—]	1.97%	[—]	[—]	2.33%
	482,786	9,540		558,833	13,027	
Loans	7,935	77	0.97	8,446	74	0.88
Securities	465,149	9,461	2.03	540,064	12,952	2.39
Call loans	140	2	1.79	58	1	2.27
Due from banks	—	—	—	—	—	—
Monetary claims purchased	—	—	—	—	—	—
Financing accounts	[27,628]	[27]	1.10	[38,331]	[33]	1.30
	398,441	4,399		469,589	6,136	
Deposits	370,572	3,332	0.89	411,987	4,891	1.18
Call money	51	0	1.59	6,683	151	2.26
Payables under repurchase agreements	—	—	—	12,353	312	2.52
Borrowed money	—	—	—	—	—	—

Note: [] indicates the average balance and interest of borrowed funds between the Domestic division and the International division, and the total is presented in net.

Sony Bank Financial Data (Non-consolidated)

Total

Millions of yen, %

	2018			2019		
	Average balance	Interest	Yield	Average balance	Interest	Yield
For the years ended March 31,						
Investment accounts	2,537,850	28,344	1.11%	2,740,616	31,926	1.16%
Loans	1,560,979	17,064	1.09	1,645,025	17,473	1.06
Securities	663,973	11,204	1.68	715,220	14,382	2.01
Call loans	140	2	1.79	58	1	2.27
Due from banks	272,724	63	0.02	348,222	62	0.01
Monetary claims purchased	7,363	9	0.13	4,269	6	0.16
Financing accounts	2,432,459	7,695	0.31	2,633,665	8,619	0.32
Deposits	2,166,743	5,322	0.24	2,299,441	6,747	0.29
Call money	138,645	(73)	(0.05)	155,872	88	0.05
Payables under repurchase agreements	—	—	—	12,353	312	2.52
Borrowed money	147,931	113	0.07	186,219	88	0.04

Note: In the investment accounts, the average balance of non-interest-bearing "due from banks" (¥1,497 million—fiscal2017, ¥1,488 million—fiscal2018) is excluded. In the financing accounts, the average balance of funds for investing money held in trust (¥21,679 million—fiscal2017, ¥21,087 million—fiscal2018) and the interest expenses on money held in trust (¥34 million—fiscal2017, ¥24 million—fiscal2018) are excluded, respectively.

Interest spread

%

	2018			2019		
	Domestic division	International division	Total	Domestic division	International division	Total
For the years ended March 31,						
Yield on investment	0.90	1.97	1.11	0.85	2.33	1.16
Yield on financing	0.16	1.10	0.31	0.11	1.30	0.32
Interest spread	0.74	0.87	0.80	0.73	1.02	0.83

3-03 Interest income and interest expenses

Domestic division

Millions of yen

	2018			2019		
	Increase (decrease) due to balance	Increase (decrease) due to yield	Net increase (decrease)	Increase (decrease) due to balance	Increase (decrease) due to yield	Net increase (decrease)
For the years ended March 31,						
Interest income	3,327	(2,447)	879	1,242	(1,141)	101
Loans	1,255	(252)	1,003	913	(502)	411
Securities	116	(261)	(145)	(207)	(105)	(312)
Call loans	—	—	—	—	—	—
Due from banks	86	(87)	(0)	17	(18)	(0)
Monetary claims purchased	5	3	9	(9)	6	(2)
Interest expenses	773	(1,587)	(814)	226	(1,034)	(807)
Deposits	182	(515)	(333)	101	(234)	(133)
Call money	(91)	34	(56)	(5)	16	11
Payables under repurchase agreements	—	—	—	—	—	—
Borrowed money	224	(322)	(97)	29	(54)	(24)

■ Sony Bank Financial Data (Non-consolidated)

International division

Millions of yen

	2018			2019		
	Increase (decrease) due to balance	Increase (decrease) due to yield	Net increase (decrease)	Increase (decrease) due to balance	Increase (decrease) due to yield	Net increase (decrease)
For the years ended March 31,						
Interest income	1,074	(121)	952	1,502	1,984	3,487
Loans	(4)	(0)	(5)	4	(7)	(2)
Securities	1,031	(75)	955	1,523	1,966	3,490
Call loans	—	2	2	(1)	0	(1)
Due from banks	—	—	—	—	—	—
Monetary claims purchased	—	—	—	—	—	—
Interest expenses	663	(748)	(84)	785	951	1,737
Deposits	224	325	550	372	1,185	1,558
Call money	—	0	0	105	45	150
Payables under repurchase agreements	—	—	—	—	312	312
Borrowed money	—	—	—	—	—	—

Total

Millions of yen

	2018			2019		
	Increase (decrease) due to balance	Increase (decrease) due to yield	Net increase (decrease)	Increase (decrease) due to balance	Increase (decrease) due to yield	Net increase (decrease)
For the years ended March 31,						
Interest income	4,326	(2,515)	1,810	2,264	1,317	3,582
Loans	1,249	(251)	998	918	(509)	408
Securities	1,066	(257)	809	864	2,312	3,177
Call loans	—	2	2	(1)	0	(1)
Due from banks	86	(87)	(0)	17	(18)	(0)
Monetary claims purchased	5	3	9	(4)	1	(2)
Interest expenses	1,459	(2,380)	(920)	636	286	923
Deposits	403	(186)	217	325	1,098	1,424
Call money	(91)	35	(55)	(9)	170	161
Payables under repurchase agreements	—	—	—	—	312	312
Borrowed money	224	(322)	(97)	29	(54)	(24)

Note: Where the reason for an increase or decrease is overlapping between "due to balance" and "due to yield," the amount of the increase or decrease is included in "due to yield."

3-04 General and administrative expenses

Millions of yen

	2018	2019
For the years ended March 31,		
Salaries	3,829	3,902
Employee retirement benefits	144	147
Fringe benefit expenses	535	543
Depreciation and amortization	1,254	1,299
Leases on land, buildings and machinery	1,371	1,438
Maintenance fees	1,780	1,661
Repairs and utilities	4	2
Supplies expenses	301	235
Heat, light and water	30	25
Travel expenses	11	12
Communication expenses	738	773
Advertising expenses	903	1,188
Membership fees, donations and social expenses	20	24
Outsourcing	1,563	1,624
Taxes and public dues	1,098	1,123
Deposit insurance	598	588
Others	1,327	1,309
Total	15,515	15,901

Sony Bank Financial Data (Non-consolidated)

4 Fair Value Information

4-01 Fair value information on securities

*In addition to "Securities" on the non-consolidated balance sheets, the figures in the following tables include beneficiary certificates of investment trust in "Monetary claims purchased."

Trading-purpose securities

Not applicable

Held-to-maturity securities

As of March 31,	Millions of yen		
	2018		Difference
	Balance sheet amount	Fair value	
Fair value exceeding balance sheet amount			
Japanese corporate bonds	200	201	1
Total	200	201	1

Notes: 1. Fair value is based upon the value measured at the fiscal year end.

2. There were no fair values that did not exceed their non-consolidated balance sheet amount.

2019

Not applicable

Available-for-sale securities

As of March 31,	Millions of yen					
	2018			2019		
	Balance sheet amount	Acquisition cost	Unrealized gains (losses)	Balance sheet amount	Acquisition cost	Unrealized gains (losses)
Balance sheet amount exceeding acquisition cost						
Bonds	159,116	151,369	7,747	128,667	122,510	6,156
Japanese government bonds	62,248	56,567	5,681	62,126	56,922	5,203
Japanese local government bonds	34,500	33,624	876	20,040	19,689	351
Japanese corporate bonds	62,367	61,178	1,188	46,500	45,899	601
Others	287,657	282,442	5,215	233,113	228,207	4,905
Foreign bonds	279,376	276,933	2,442	226,698	224,196	2,502
Others	8,281	5,508	2,772	6,414	4,011	2,403
Subtotal	446,774	433,812	12,962	361,780	350,718	11,061
Balance sheet amount not exceeding acquisition cost						
Bonds	38,924	39,202	(278)	5,494	5,496	(2)
Japanese government bonds	34,623	34,901	(277)	2,000	2,001	(0)
Japanese local government bonds	1,501	1,501	(0)	—	—	—
Japanese corporate bonds	2,798	2,800	(1)	3,493	3,495	(1)
Others	191,714	192,956	(1,242)	332,059	333,742	(1,682)
Foreign bonds	189,559	190,801	(1,241)	328,870	330,552	(1,682)
Others	2,154	2,155	(0)	3,189	3,189	—
Subtotal	230,638	232,159	(1,520)	337,553	339,238	(1,684)
Total	677,412	665,971	11,441	699,334	689,957	9,376

Note: Fair value is based upon the value measured at the fiscal year end.

Securities without fair value

As of March 31,	Millions of yen	
	2018	2019
	Balance sheet amount	Balance sheet amount
Stocks of subsidiaries and affiliated companies		
Stocks of subsidiaries	2,050	2,050

Sony Bank Financial Data (Non-consolidated)

4-02 Fair value information on money held in trust

Money held in trust for investment

Not applicable

Money held in trust for held-to-maturity

Not applicable

Other money held in trust

Millions of yen

	2018				
	Balance sheet amount	Acquisition cost	Difference	Balance sheet amount exceeding acquisition cost	Balance sheet amount not exceeding acquisition cost
As of March 31,					
Other money held in trust	21,000	21,000	—	—	—

Millions of yen

	2019				
	Balance sheet amount	Acquisition cost	Difference	Balance sheet amount exceeding acquisition cost	Balance sheet amount not exceeding acquisition cost
As of March 31,					
Other money held in trust	21,937	21,943	(6)	—	(6)

Note: "Difference" consists of "Balance sheet amount exceeding acquisition cost" and "Balance sheet amount not exceeding acquisition cost."

4-03 Fair value information on derivatives

Interest rate derivatives

Derivatives for which hedge accounting is not applied

Millions of yen

Category	Type	2018			
		Notional amount	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions	Interest rate swaps				
	Fixed-rate receivable / Floating-rate payable	13,461	13,461	(66)	(66)
	Floating-rate receivable / Fixed-rate payable	13,461	13,461	66	66
Total				—	—

Notes: 1. The above transactions are evaluated at fair value, and valuation gains (losses) are recorded in the statements of income.

2. Fair value is calculated using the price indicated by the financial institution.

Derivatives for which hedge accounting is applied

Millions of yen

Method	Type	Hedged item	2018		
			Notional amount	Notional amount over 1 year	Fair value
Deferred hedge accounting	Interest rate swaps				
	Floating-rate receivable / Fixed-rate payable	Deposits	103,000	103,000	130
Fair value hedge accounting	Interest rate swaps				
	Floating-rate receivable / Fixed-rate payable	Available-for-sale securities (bonds)	268,367	241,415	(12,300)
Total					(12,169)

Notes: 1. The above table includes derivatives for which deferred hedge accounting is applied in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of Japanese Institute of Certified Public Accountants No. 24, February 13, 2002) and derivatives for which fair value hedge accounting is applied.

2. Fair value is calculated using the discounted present value.

Sony Bank Financial Data (Non-consolidated)

Derivatives for which hedge accounting is not applied

Millions of yen

As of March 31,		2019			
Category	Type	Notional amount	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions	Interest rate swaps				
	Fixed-rate receivable / Floating-rate payable	21,053	20,967	8	8
	Floating-rate receivable / Fixed-rate payable	23,064	22,978	4	4
	Interest swaption				
	Sold	5,300	5,300	(18)	12
	Bought	—	—	—	—
Total				(4)	25

Notes: 1. The above transactions are evaluated at fair value, and valuation gains (losses) are recorded in the statements of income.

2. Fair value is calculated using the discounted present value on the option pricing model.

Derivatives for which hedge accounting is applied

Millions of yen

As of March 31,			2019		
Method	Type	Hedged item	Notional amount	Notional amount over 1 year	Fair value
Deferred hedge accounting	Interest rate swaps				
	Floating-rate receivable / Fixed-rate payable	Deposits	73,000	73,000	(686)
Fair value hedge accounting	Interest rate swaps				
	Floating-rate receivable / Fixed-rate payable	Available-for-sale securities (bonds)	222,816	192,342	(10,672)
Total					(11,358)

Notes: 1. The above table includes derivatives for which deferred hedge accounting is applied in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of Japanese Institute of Certified Public Accountants No. 24, February 13, 2002) and derivatives for which fair value hedge accounting is applied.

2. Fair value is calculated using the discounted present value.

Currency derivatives

Derivatives for which hedge accounting is not applied

Millions of yen

As of March 31,		2018			
Category	Type	Notional amount	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions	Forward foreign exchanges				
	Sold	66,635	—	152	152
	Bought	153,069	—	499	499
	Foreign exchange margin transactions				
	Sold	62,635	—	2,480	2,480
	Bought	21,987	—	1,020	1,020
Currency options					
	Sold	156	—	(1)	0
	Bought	206	—	1	0
Currency forwards					
	Sold	—	—	—	—
	Bought	14,216	—	(325)	(325)
Total				3,828	3,828

Notes: 1. The above transactions are evaluated at fair value, and valuation gains (losses) are recorded in the statements of income.

2. Fair value is calculated using the discounted present value or the option pricing model.

■ Sony Bank Financial Data (Non-consolidated)

Derivatives for which hedge accounting is applied			Millions of yen		
As of March 31,			2018		
Method	Type	Hedged item	Notional amount	Notional amount over 1 year	Fair value
Fair value hedge accounting	Currency swaps	Available-for-sale securities (bonds)	19,200	14,000	(687)
Total					(687)

Notes: 1. Fair value hedge accounting is applied.
2. Fair value is calculated using the discounted present value.

Derivatives for which hedge accounting is not applied			Millions of yen		
As of March 31,			2019		
Category	Type	Notional amount	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions	Forward foreign exchanges				
	Sold	51,109	—	(28)	(28)
	Bought	98,562	—	8	8
	Foreign exchange margin transactions				
	Sold	46,283	—	954	954
	Bought	22,230	—	1,130	1,130
	Currency options				
	Sold	60	—	(0)	(0)
	Bought	190	—	1	0
	Currency forwards				
	Sold	15	—	(0)	(0)
	Bought	12,786	—	(270)	(270)
Total				1,795	1,795

Notes: 1. The above transactions are evaluated at fair value, and valuation gains (losses) are recorded in the statements of income.
2. Fair value is calculated using the discounted present value or the option pricing model.

Derivatives for which hedge accounting is applied			Millions of yen		
As of March 31,			2019		
Method	Type	Hedged item	Notional amount	Notional amount over 1 year	Fair value
Deferred hedge accounting	Currency swaps	Available-for-sale securities (bonds)	23,255	23,255	(931)
Fair value hedge accounting	Currency swaps	Available-for-sale securities (bonds)	24,000	10,000	(795)
Total					(1,726)

Notes: 1. The above table includes derivatives for which deferred hedge accounting is applied in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of Japanese Institute of Certified Public Accountants No. 24, February 13, 2002) and derivatives for which fair value hedge accounting is applied.
2. Fair value is calculated using the discounted present value.

Performance Indicators (Non-consolidated)

1 Key Performance Indicators

	Millions of yen				
For the years ended March 31,	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
Common stock	31,000	31,000	31,000	31,000	31,000
Number of shares issued and outstanding (shares)	620,000	620,000	620,000	620,000	620,000
Total net assets	77,064	77,428	81,332	85,729	87,279
Total assets	2,062,525	2,126,564	2,424,236	2,635,028	2,860,925
Deposits	1,878,256	1,923,506	2,112,985	2,219,325	2,358,985
Loans	1,187,187	1,344,184	1,539,630	1,596,376	1,744,103
Securities	730,013	620,993	631,296	674,285	696,468
Non-consolidated capital adequacy ratio	10.65%	9.89%	9.75%	10.45%	9.58%
Dividend payout ratio	—	50.07%	50.06%	50.01%	50.00%
Number of employees	455	456	480	487	498

Notes: 1. Number of employees refers to full-time employees.

2. In the fiscal year ended March 31, 2017, the method for measuring credit risk in the calculation of the non-consolidated capital adequacy ratio was changed from the previous "standard approach" to the "foundation internal ratings-based approach."

2 Status of Operations (Deposits)

2-01 Average and year-end balance of deposits by category

For the years ended March 31,	2018			2019		
	Domestic division	International division	Total	Domestic division	International division	Total
Floating deposits	664,602	177,041	841,643	744,333	175,610	919,944
Time and saving deposits	1,130,959	193,482	1,324,441	1,141,975	236,312	1,378,287
Other deposits	608	49	658	1,134	75	1,209
Total	1,796,170	370,572	2,166,743	1,887,444	411,997	2,299,441

Year-end balance

As of March 31,	2018			2019		
	Domestic division	International division	Total	Domestic division	International division	Total
Floating deposits	672,877	190,691	863,569	782,242	173,129	955,371
Time and saving deposits	1,134,731	220,247	1,354,978	1,147,048	255,304	1,402,352
Other deposits	720	56	777	1,178	82	1,260
Total	1,808,329	410,995	2,219,325	1,930,468	428,516	2,358,985

Note: Deposits (floating deposits and time and saving deposits) of the Domestic division include deposits from the parent company and its subsidiaries in the amount of ¥60,078 million and ¥56,671million as of March 31, 2018 and 2019, respectively.

2-02 Balance of time deposits by remaining period

As of March 31,	2018			2019		
	Fixed rate time deposits	Floating rate time deposits	Total	Fixed rate time deposits	Floating rate time deposits	Total
Less than 3 months	329,325	—	329,325	344,458	—	344,458
3 months or more, less than 6 months	434,419	—	434,419	429,750	—	429,750
6 months or more, less than 1 year	401,735	—	401,735	409,216	—	409,216
1 year or more, less than 2 years	39,563	—	39,563	67,375	—	67,375
2 years or more, less than 3 years	19,365	—	19,365	15,561	—	15,561
3 years or more	49,454	—	49,454	49,530	—	49,530
Total	1,273,863	—	1,273,863	1,315,893	—	1,315,893

Note: The above table does not include thrift saving deposits.

Sony Bank Performance Indicators (Non-consolidated)

3 Status of Operations (Loans)

3-01 Average and year-end balance of loans by category

Average balance

Millions of yen

	2018			2019		
	Domestic division	International division	Total	Domestic division	International division	Total
For the years ended March 31,						
Loans on bills	—	—	—	—	—	—
Loans on deeds	1,534,294	7,933	1,542,227	1,618,016	8,441	1,626,458
Overdrafts	18,750	2	18,752	18,562	4	18,567
Bills discounted	—	—	—	—	—	—
Total	1,533,044	7,935	1,560,979	1,636,579	8,446	1,645,025

Year-end balance

Millions of yen

	2018			2019		
	Domestic division	International division	Total	Domestic division	International division	Total
As of March 31,						
Loans on bills	—	—	—	—	—	—
Loans on deeds	1,569,455	8,024	1,577,480	1,717,517	8,273	1,725,791
Overdrafts	18,893	1	18,895	18,308	3	18,312
Bills discounted	—	—	—	—	—	—
Total	1,588,349	8,026	1,596,376	1,735,826	8,276	1,744,103

3-02 Balance of loans by remaining period

Millions of yen

	2018			2019		
	Fixed interest rates	Floating interest rates	Total	Fixed interest rates	Floating interest rates	Total
As of March 31,						
Less than 1 year	1,316	11,861	13,178	126	7,045	7,171
Over 1 year, not exceeding 3 years	2,068	17,214	19,282	2,098	17,464	19,563
Over 3 years, not exceeding 5 years	5,548	21,251	26,800	6,010	13,136	19,146
Over 5 years, not exceeding 7 years	10,439	7,958	18,397	10,736	9,139	19,875
Over 7 years, not exceeding 10 years	28,072	16,209	44,282	27,883	16,102	43,985
Over 10 years	629,749	825,790	1,455,540	654,128	961,920	1,616,048
No fixed redemption	—	18,895	18,895	—	18,312	18,312
Total	677,195	919,180	1,596,376	700,983	1,043,120	1,744,103

3-03 Balance of loans by collateral

Millions of yen

	2018	2019
As of March 31,		
Pledged securities	—	—
Pledged receivables	—	—
Pledged merchandise	—	—
Pledged real estate	1,111,211	1,167,547
Others	—	—
Subtotal	1,111,211	1,167,547
Guaranteed	213,515	307,220
Credit	271,649	269,335
Total	1,596,376	1,744,103

Balance of acceptances and guarantees at the end of the period

Not applicable

Sony Bank Performance Indicators (Non-consolidated)

Customers' liabilities for acceptances and guarantees classified by type of collateral

Not applicable

3-04 Balance of loans by industry

	Millions of yen, %			
	2018		2019	
As of March 31,	Balance	Composition	Balance	Composition
Individual	1,544,485	96.74%	1,708,696	97.97%
Corporation	51,890	3.25	35,406	2.03
Manufacturing industries	20,010	1.25	14,912	0.85
Construction	502	0.03	—	—
Information and telecommunications	568	0.03	441	0.02
Transportation / Mail services	4,189	0.26	3,057	0.17
Wholesalers / Retailers	2,489	0.15	1,653	0.09
Financial services / Insurance	3,000	0.18	1,131	0.06
Real estate / Goods leasing services	19,487	1.22	12,608	0.72
Various service	125	0.00	87	0.00
Local government	1,517	0.09	1,513	0.08
Total	1,596,376	100.00%	1,744,103	100.00%

3-05 Loan-deposit ratio: year end and annual average

	2018			2019			%
	Domestic division	International division	Total	Domestic division	International division	Total	
As of March 31, for the years ended March 31,							
At the year end	87.83	1.95	71.93	89.91	1.93	73.93	
Annual average	86.46	2.14	72.04	86.70	2.05	71.54	

Note: Loan-deposit ratio = $\frac{\text{Loan balance at year end (annual average)}}{\text{Deposit balance at year end (annual average)}} \times 100$

3-06 Reserve for possible loan losses: balance at year end and increase (decrease) during the year

	Millions of yen			
	2018		2019	
As of March 31, for the years ended March 31,	Balance at the end of the period	Increase (Decrease)	Balance at the end of the period	Increase (Decrease)
General reserve for possible loan losses	416	(22)	480	64
Specific reserve for possible loan losses	390	(141)	422	31
Reserve for possible loan losses for specific foreign countries	—	—	—	—
Total	806	(164)	903	96

3-07 Write-off loans

	Millions of yen	
	2018	2019
For the years ended March 31,		
Total	0	0

Sony Bank Performance Indicators (Non-consolidated)

4 Status of Operations (Securities)

4-01 Average balance of securities under proprietary accounts by category

Not applicable

4-02 Balance of securities by category and remaining period

Millions of yen								
As of March 31,	2018							Total
	Within 1 year	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 7 years	More than 7 years to 10 years	Over 10 years	Unspecified term	
Japanese government bonds	12,867	15,078	2,085	—	20,363	46,478	—	96,872
Japanese local government bonds	1,501	14,603	19,896	—	—	—	—	36,001
Japanese corporate bonds	3,724	26,618	34,823	—	—	200	—	65,366
Japanese stocks	—	—	—	—	—	—	2,050	2,050
Other securities	88,227	145,038	107,084	16,794	17,819	93,970	5,058	473,993
Foreign bonds	88,227	145,038	107,084	16,794	17,819	93,970	—	468,935
Others	—	—	—	—	—	—	5,058	5,058
Total	106,320	201,338	163,889	16,794	38,182	140,649	7,109	674,285

Millions of yen								
As of March 31,	2019							Total
	Within 1 year	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 7 years	More than 7 years to 10 years	Over 10 years	Unspecified term	
Japanese government bonds	15,032	12,102	—	—	17,941	19,050	—	64,126
Japanese local government bonds	503	19,227	309	—	—	—	—	20,040
Japanese corporate bonds	6,556	28,725	14,713	—	—	—	—	49,994
Japanese stocks	—	—	—	—	—	—	2,050	2,050
Other securities	94,785	145,596	99,351	18,107	17,899	179,827	4,687	560,256
Foreign bonds	94,785	145,596	99,351	18,107	17,899	179,827	—	555,568
Others	—	—	—	—	—	—	4,687	4,687
Total	116,877	205,651	114,373	18,107	35,840	198,878	6,738	696,468

4-03 Average and year-end balance of securities by category

Average balance

Millions of yen						
For the years ended March 31,	2018			2019		
	Domestic division	International division	Total	Domestic division	International division	Total
Japanese government bonds	94,186	—	94,186	75,929	—	75,929
Japanese local government bonds	35,082	—	35,082	32,848	—	32,848
Japanese corporate bonds	65,128	—	65,128	61,953	—	61,953
Japanese stocks	2,050	—	2,050	2,050	—	2,050
Other securities	2,375	465,149	467,525	2,373	540,064	542,438
Foreign bonds	—	465,149	465,149	—	540,064	540,064
Others	2,375	—	2,375	2,373	—	2,373
Total	198,824	465,149	663,973	175,156	540,064	715,220

■ Sony Bank Performance Indicators (Non-consolidated)

Year-end balance

Millions of yen

	2018			2019		
	Domestic division	International division	Total	Domestic division	International division	Total
As of March 31,						
Japanese government bonds	96,872	—	96,872	64,126	—	64,126
Japanese local government bonds	36,001	—	36,001	20,040	—	20,040
Japanese corporate bonds	65,366	—	65,366	49,994	—	49,994
Japanese stocks	2,050	—	2,050	2,050	—	2,050
Other securities	5,058	468,935	473,993	4,687	555,568	560,256
Foreign bonds	—	468,935	468,935	—	555,568	555,568
Others	5,058	—	5,058	4,687	—	4,687
Total	205,350	468,935	674,285	140,899	555,568	696,468

4-04 Securities-deposit ratio: year end and annual average

%

	2018			2019		
	Domestic division	International division	Total	Domestic division	International division	Total
As of March 31, for the years ended March 31,						
At the year end	11.35	114.09	30.38	7.29	129.64	29.52
Annual average	11.06	125.52	30.64	9.28	131.08	31.10

Note: Securities-deposit ratio = $\frac{\text{Securities balance at year end (annual average)}}{\text{Deposit balance at year end (annual average)}} \times 100$

MCEV Results for Sony Life as of March 31, 2019

1 MCEV results

Sony Life's MCEV as of March 31, 2019 increased ¥87.1 billion, primarily because of new business acquired.

	Billions of yen		
As of March 31,	2018	2019	Change
MCEV	1,633.1	1,720.2	87.1
Adjusted net worth	1,786.1	2,195.7	409.6
Value of existing business	(152.9)	(475.5)	(322.5)

2 Adjusted net worth

The adjusted net worth as of March 31, 2019 increased ¥409.6 billion, primarily because of the increase in unrealized gain on held-to-maturity securities caused by a decrease in interest rates. The breakdown of adjusted net worth is shown in the table below.

	Billions of yen		
As of March 31,	2018	2019	Change
Adjusted net worth	1,786.1	2,195.7	409.6
Total net assets	492.7	513.9	21.1
Reserve for price fluctuations	47.9	50.1	2.1
Contingency reserve	89.9	98.6	8.6
Reserve for possible loan losses	0.0	0.0	0.0
Reinsurance debit for coinsurance-type reinsurance	2.0	2.0	0.0
Unrealized gains or losses on held-to-maturity securities	1,582.6	2,030.8	448.1
Unrealized gains or losses on policy-reserve-matching bonds	34.8	83.5	48.6
Unrealized gains or losses on land and buildings	69.6	100.9	31.2
Unfunded pension liabilities	(2.4)	(1.7)	0.6
Intangible fixed assets	(23.2)	(26.3)	(3.1)
Tax effect equivalent of above nine items	(504.4)	(654.6)	(150.2)
Valuation gain or loss on subsidiaries and affiliated companies	(3.7)	(1.4)	2.2

	Billions of yen		
As of March 31,	2018	2019	Change
Adjusted net worth	1,786.1	2,195.7	409.6
Free surplus	926.0	1,001.4	75.3
Required capital	860.0	1,194.3	334.3

Sony Life sets its required capital as the larger of the amount of Japanese regulatory minimum capital requirement at the solvency margin ratio of 200% or the amount of capital to cover risks based on an internal model based on economic value. The required capital as of March 31, 2019 increased primarily because of an increase in the amount of liabilities on an economic basis caused by a fall in interest rates.

3 Value of existing business

The value of existing business as of March 31, 2019 decreased ¥322.5 billion, primarily due to a fall in interest rates. The breakdown of the value of existing business is shown in the table below.

	Billions of yen		
As of March 31,	2018	2019	Change
Value of existing business	(152.9)	(475.5)	(322.5)
Present value of certainty-equivalent profit	316.7	34.2	(282.4)
Time value of options and guarantees	(136.0)	(140.8)	(4.7)
Frictional costs	(22.6)	(23.4)	(0.8)
Cost of non-hedgeable risks	(310.9)	(345.4)	(34.5)

4 New business value

The new business value in fiscal year ended March 31, 2019 increased ¥20.9 billion, primarily because of the increase in the volume of new business sales. The breakdown of new business value is as follows:

For the years ended March 31,	Billions of yen		
	2018	2019	Change
Value of new business	70.4	91.3	20.9
Present value of certainty-equivalent profit	106.2	120.2	14.0
Time value of options and guarantees	(6.8)	(7.7)	(0.8)
Frictional costs	(0.1)	(0.1)	(0.0)
Cost of non-hedgeable risks	(26.7)	(21.6)	5.1
Other profits or losses	(2.0)	0.6	2.6

5 New business margin

The new business margin described below is the ratio of the value of new business to the present value of premium income. The present value of premium income is calculated applying the same assumptions as those for the calculation of new business value, and is based on premiums before the deduction of reinsurance premiums. The value of new business in the fiscal year ended March 31, 2019 reflects a revision in the methodologies for the quantification for insurance risks. Due to this revision and others*, the new business margin in the fiscal year ended March 31, 2019 slightly increased.

For the years ended March 31,	Billions of yen		
	2018	2019	Change
Value of new business	70.4	91.3	20.9
Present value of premium income	1,213.8	1,426.2	212.4
New business margin	5.8%	6.4%	0.6 points

* Sony Life revised the methodologies for the quantification of insurance risks to better reflect its risk profile on March 31, 2018. Along with this revision, Sony Life also revised the cost of capital rate from 2.5% to 3.0%.

6 Reconciliation analysis from MCEV at the end of the prior year

The table below shows the reconciliation analysis of MCEV as of March 31, 2019, from MCEV as of March 31, 2018.

	Billions of yen			
	Free surplus	Required capital	Value of existing business	MCEV
Opening MCEV (MCEV as of March 31, 2018)	926.0	860.0	(152.9)	1,633.1
Opening adjustments	(26.2)	—	—	(26.2)
Adjusted opening MCEV	899.8	860.0	(152.9)	1,606.9
New business value	(0.6)	1.3	90.7	91.3
Expected existing business contribution (risk-free rate)	(1.1)	(1.1)	17.4	15.0
Expected existing business contribution (in excess of risk-free rate)	1.2	1.2	7.1	9.5
Transfers from value of existing business and required capital to free surplus	(29.5)	(41.0)	70.6	—
Of which, on new business	(73.5)	—	73.5	—
Experience variances	133.7	(112.4)	(18.7)	2.5
Assumption changes	45.5	(45.5)	69.6	69.6
Other operating variance	8.5	(8.5)	8.5	8.5
Operating MCEV earnings	157.7	(206.3)	245.3	196.7
Economic variances	(56.1)	540.7	(567.9)	(83.3)
Other non-operating variance	—	—	—	—
Total MCEV earnings	101.5	334.3	(322.5)	113.3
Closing adjustments	—	—	—	—
Closing MCEV (MCEV as of March 31, 2019)	1,001.4	1,194.3	(475.5)	1,720.2

7 Sensitivity analysis

The impact of changing the underlying assumptions on MCEV is as follows:

Assumption	Change in assumption	Billions of yen		
		MCEV	Change in amount	Rate of change
Base	No change	1,720.2	—	—
Interest rates	50bp decrease	1,640.4	(79.7)	(5%)
	50bp increase	1,764.4	44.1	3%
	Swap rates	1,740.0	19.7	1%
Stock / Real estate market value	10% decrease	1,696.3	(23.8)	(1%)
Stock / Real estate implied volatility	25% increase	1,691.6	(28.5)	(2%)
Interest swaption implied volatility	25% increase	1,700.5	(19.7)	(1%)
Maintenance expenses	10% decrease	1,744.5	24.2	1%
Lapse and surrender rates	× 0.9	1,689.8	(30.4)	(2%)
Mortality rates	Death protection products × 0.95	1,787.3	67.0	4%
	Third-sector and annuity products × 0.95	1,705.8	(14.3)	(1%)
Morbidity rates	× 0.95	1,790.6	70.3	4%
Required capital	Regulatory minimum	1,740.8	20.5	1%
Foreign exchange rates	10% appreciation of JPY	1,693.0	(27.2)	(2%)

The breakdown of the changes in MCEV into the adjusted net worth and the value of existing business are shown in the table below. Of items not specified in this table, only the value of existing business has been changed while adjusted net worth remains the same.

Assumption	Change in assumption	Billions of yen		
		MCEV	Adjusted net worth	Value of existing business
Interest rates	50bp decrease	(79.7)	937.6	(1,017.4)
	50bp increase	44.1	(810.3)	854.4
Stock / Real estate market value	10% decrease	(23.8)	(8.1)	(15.7)
Foreign exchange rates	10% appreciation of JPY	(27.2)	(0.3)	(26.9)

8 Primary assumptions

Sony Life has used the JGB yields and U.S. Treasury yields as of the end of March 2019 as reference rates for the certainty-equivalent projections.

Sony Life has not added a liquidity premium on the risk-free rate as there are no products that are considered to have reasonably predictable and illiquid cash flows and would therefore be appropriate to apply a liquidity premium.

Regarding the extrapolation for ultra-long term risk-free rates where there is no market data, an ultimate forward rate was applied. More specifically, the ultimate forward rate was set at 3.5% and the last liquid point was set at 40 years (30 years for USD) and, based on Smith-Wilson methodology, forward rates on or after 41 years (31 years for USD) were extrapolated to converge to the ultimate forward rate over 20 years (30 years for USD). These parameters were set primarily in reference to the discussion on ICS. The reasons for setting the last liquid point at 40 years (30 years for USD) are as follows:

- Government bonds with 40-year maturity (30-year maturity for USD) have high liquidity and observable market data.
- Consistency in valuation between assets and liabilities as Sony Life holds a large amount of government bonds with 30- to 40-year maturity (30-year maturity for USD).

Sony Life MCEV

The risk-free rates used in calculation for key terms (on a par-rate basis) are as follows:

As of March 31, Term (in years)	Japanese yen		U.S. dollar	
	2018	2019	2018	2019
	%			
1	(0.13)	(0.18)	2.09	2.39
5	(0.11)	(0.20)	2.56	2.23
10	0.04	(0.08)	2.74	2.41
20	0.53	0.34	2.85	2.63
30	0.74	0.51	2.97	2.82
40	0.89	0.58	3.02	2.87
50	1.19	0.94	3.05	2.93
60	1.40	1.19	3.08	2.96
70	1.53	1.35	3.09	2.98
80	1.61	1.44	3.10	3.00

(Data: Ministry of Finance Japan for JGB [extrapolated] and Bloomberg for U.S. Treasury [extrapolated])

Assumptions including mortality and morbidity rates, lapse and surrender rates, and operating expense rates were developed based on best estimates by product as of the end of March 2019. Best-estimate assumptions are developed to reflect past and current experiences as well as expected experiences in the future. Expected future changes in assumptions should be reflected only when they are supported by sufficient reasons. Except for a deteriorating trend in morbidity rates, no other expected future changes are assumed in the best-estimate assumptions applied.

9 Opinion of Outside Specialist

Sony Life requested Milliman, Inc., an external actuarial consulting firm with expert knowledge in the area of MCEV valuations, to review the methodology, assumptions and calculations, and obtained an opinion from this firm. Please refer to Sony Life's press release "Disclosure of Market Consistent Embedded Value as of March 31, 2019" (https://www.sonyfh.co.jp/index_en.html) for details.

10 Risk Amount Based on Economic Value (After Tax)

Sony Life has been disclosing the risk amount based on economic value since the end of March 2012 in an effort to provide a clearer picture of its financial soundness based on economic value. The risk amount based on economic value refers to the total amount of Sony Life's risks, comprehensively examined by a market consistent approach, including insurance risk, market-related risk and others. Sony Life's risk amount based on an economic value as of March 31, 2019 increased ¥12.6 billion year on year to ¥742.3 billion, due mainly to an increase in the lapse decline risk offsets the decrease in interest rate risk resulting drop in interest rates. The breakdown of the risk amount is as follows:

As of March 31,	Billions of yen		
	2018	2019	Change
Insurance risk	497.5	547.3	49.8
Market-related risk	380.6	332.5	(48.0)
Of which interest rate risk	275.3	202.1	(73.1)
Operational risk	31.0	33.4	2.3
Counterparty risk	2.5	3.0	0.5
Variance effect	(181.9)	(174.0)	7.8
Risk amount based on economic value	729.7	742.3	12.6

Notes: 1. The risk amount based on economic value is calibrated at VaR (99.5%) over one year and based on the internal model.
2. Interest rate risk excludes the variance effect within market-related risk.

11 Glossary of MCEV-related Terminology (in Alphabetical Order)

B

Best estimate assumption

- The assumption that is most likely to occur in the future.

C

Cost of non-hedgeable risk

- The present value of the cost to hold required capital to cover future non-hedgeable risks. As risks regarding the asymmetric nature of cash flows not reflected in the present value of certainty-equivalent profit are fully reflected in the time value of options and guarantees, Sony Life has reflected the following in this cost: allowance for uncertainty of non-economic assumptions and the portion of economic assumptions considered non-hedgeable with respect to the cost of non-hedgeable risks.

F

Free surplus

- The portion of adjusted net worth other than the required capital.

Frictional costs

- The present value of investment costs and taxes on assets backing the required capital at each point of time in the future.

I

ICS (Insurance Capital Standard)

- The capital standard for internationally active insurance groups (IAGs) developed by the International Association of Insurance Supervisors (IAIS).

Implied volatility

- The expected rate of future variability embedded in current option prices, representing represents the expected value of the market against price fluctuation.

N

Non-hedgeable non-financial risk

- A non-financial risk such that deep and liquid capital markets do not exist to hedge such risk.

Non-hedgeable risk

- Non-hedgeable risk is composed of non-hedgeable financial risk and non-hedgeable non-financial risk.

O

Options and guarantees

- The following are some features of options and guarantees:
 - Policy cash flow would be changed by exercising options granted to the policyholder. An example of such features is the exercise of the surrender option.
 - It includes guarantee of benefits or policyholder values. An example is guaranteed minimum death benefits for variable life insurance.

P

Present value of certainty-equivalent profit

- Present value of certainty-equivalent profit is the present value of profit based on the future cash flows generated from the covered business.

R

Required capital

- The MCEV Principles define required capital as the capital that is needed in excess of statutory policy reserves (excluding contingency reserves). It is determined as the larger of the solvency capital to meet the statutory required minimum level or the capital necessary to meet internal objectives or to achieve the company's targeted credit rating.
The required capital of Sony Life is set as the larger of the amount of capital corresponding to the solvency margin ratio of 200% or the amount of capital to cover risks based on the internal model on an economic value basis.

Risk-free rate

- The reference rate defined in the MCEV Principles. The MCEV Principles state that it should be the swap rate of the currency of cash flows.

U

Ultimate forward rate

- The level of forward rate to which future forward rates are assumed to ultimately converge. It is generally determined in a macroeconomic approach.

