

2020

Annual Report

April 1, 2019 ▶ March 31, 2020

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Editorial Policy

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



Company Name Abbreviations

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

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

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Disclaimer

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

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



Sony Financial Group's Mission, Vision & Values

Mission

Create a sustainable society where people feel a sense of enrichment

Vision

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

Values

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

Sony Financial Group creates new financial businesses without being constrained by existing frameworks

Akio Morita, the founder of Sony Corp., visited Chicago in the late 1950s to open a sales office for transistor radios.

He was shocked to discover that the massive skyscraper towering over the streets was owned by the largest life insurance company in America at that time.

This is said to be the inspiration of his dream for Sony Group to have its own financial institution and to build a magnificent skyscraper of its own one day.

His entrepreneurial spirit drove him to adapt to the diversifying needs of customers and solve the problems facing society himself.

The Sony Spirit to “do what has never been done before” has been passed down from one generation to the next, and the Sony Group has taken advantage of financial liberalization and deregulation to create a new financial business without being constrained by existing frameworks.

1946

Tokyo Telecommunication Engineering Corporation was established (currently Sony Corp.)

“Do what has never been done before”



Note: Akio Morita (left) and Masaru Ibuka (right), the founders of Sony Corporation (photographed in 1967)

1979

Sony Prudential Life Insurance Co., Ltd. was established (currently Sony Life)



1998

Sony Insurance Planning Co., Ltd. was established (currently Sony Assurance)



1940 — 1970 — 1980 — 1990

1977

- Japan achieves the longest life expectancy in the world for both men and women

1989

- Nikkei Stock Average reaches historic high of ¥38,915

1996

- Revision to the Insurance Business Act
 - Ban removed on mutual entry into life and non-life insurance fields
 - Reviewed accounting calculation system
 - Introduced product/rate notification system

1997

- Licensed to offer risk-segmented automobile insurance

1998

- Revision to the Act on Non-life Insurance Rating Organization of Japan (Introduction of reference loss cost rates system)

Late 1990s—

- Internet spreads with release of Windows 95
- Financial Big Bang occurs in Japan



Corporate
Logo

The Origin of Our Corporate Logo

The logo used by the Sony Financial Group, uses the “S” in “Sony” as a motif. Combining Sony blue 90, the corporate color of Sony Corporation, to represent our origin, with green, which invokes the image of “safety” required of finance businesses, the logo expresses:

1. “Innovation” that overturns the image of existing finance businesses;
2. “Intelligence” that invokes new business models; and
3. “Speed” to respond to the digital network society.

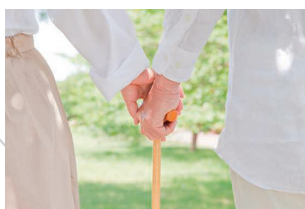
2001

Sony Bank was established



2014

Sony Lifecare was established



2018

Sony Financial Ventures
was established

2004

SFH was established
(2007 SFH was listed on the First Section of
Tokyo Stock Exchange)

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

2000

2000

- Enactment of the nursing care insurance system
- Removal of ban on companies from other industries entering the banking industry

2001

- Removal of ban on sales of insurance products at banks
- Revision to the Banking Act (removal of ban on companies from other industries entering the banking industry)

2007

- Enactment of the Financial Instruments and Exchange Act

2008

- Collapse of Lehman Brothers

2010

2010

- Enactment of the Insurance Act

2011

- Occurrence of the Great East Japan Earthquake

2012

- Economic policies enacted by the second Abe administration (Abenomics)

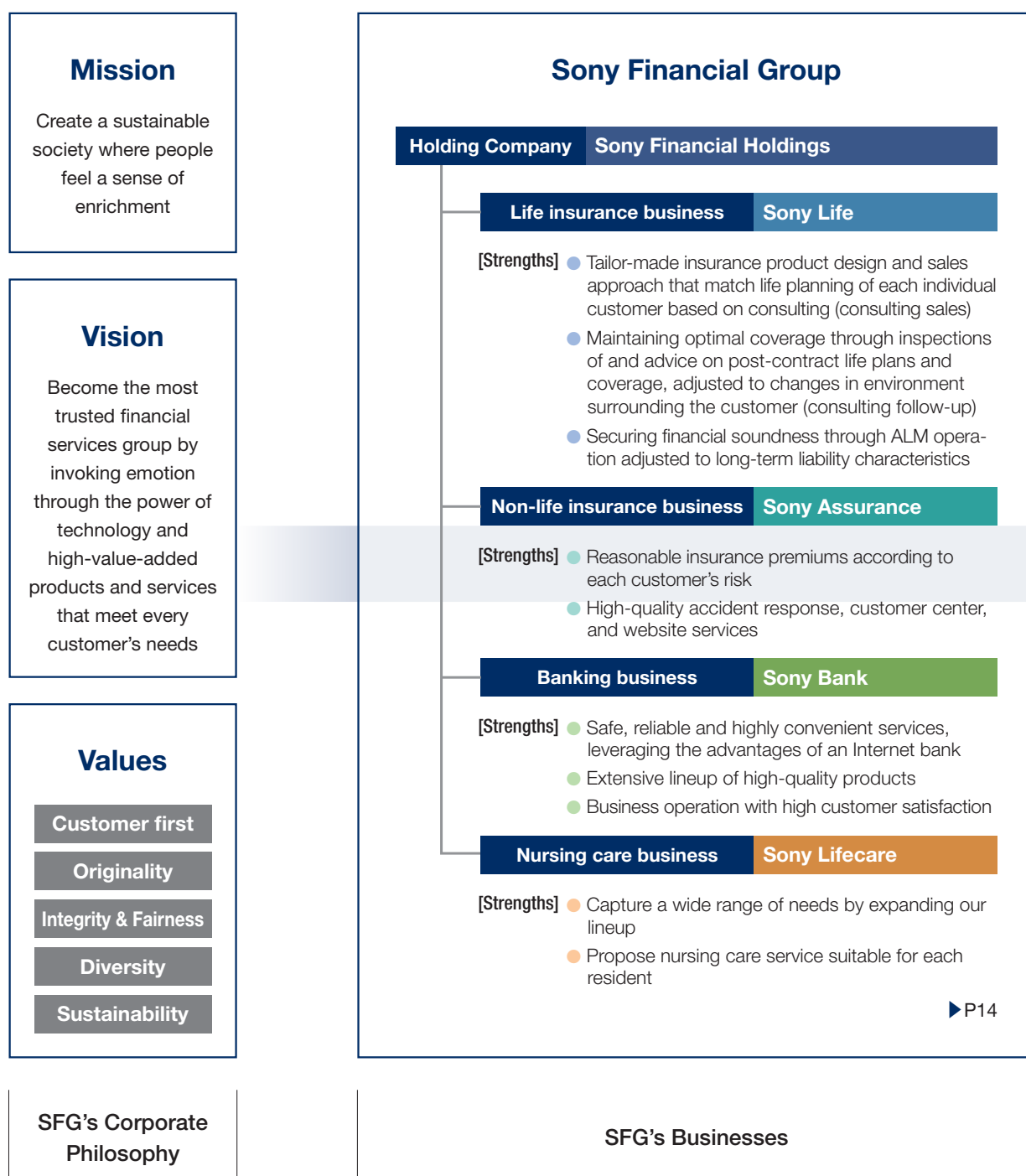
2016

- Introduction of negative interest rates
- Full enactment of revisions to the Insurance Business Act
 - Comparative recommendation regulations
 - Fulfillment of obligation to grasp intentions

Sony Financial Group's value creation story

Sony Financial Group aims to enhance its corporate value and contribute to the development of a sustainable society, under its corporate philosophy, consisting of its "Mission, Vision & Values."

By making the most of our strengths and possibilities as a group, we will create new value of financial businesses without being constrained by existing frameworks.



**Significant Social and Environmental Changes
(Significant Business Challenges)**

Demographic changes

Globally low interest rates

Rapid progress of
technological innovation

Financial regulatory changes

► P6

**Important Items for Strengthening
Our Foundation**

**Corporate
Governance**

**Human
Resources
Respecting
Diversity**

► P27

SFG's Materiality

Value Creation

**Offer lifestyles
that feature
safety and peace
of mind**

**Contribute to
a healthy, long-
lived society**

**Make lifestyles
more convenient**

SFG's Value Provision

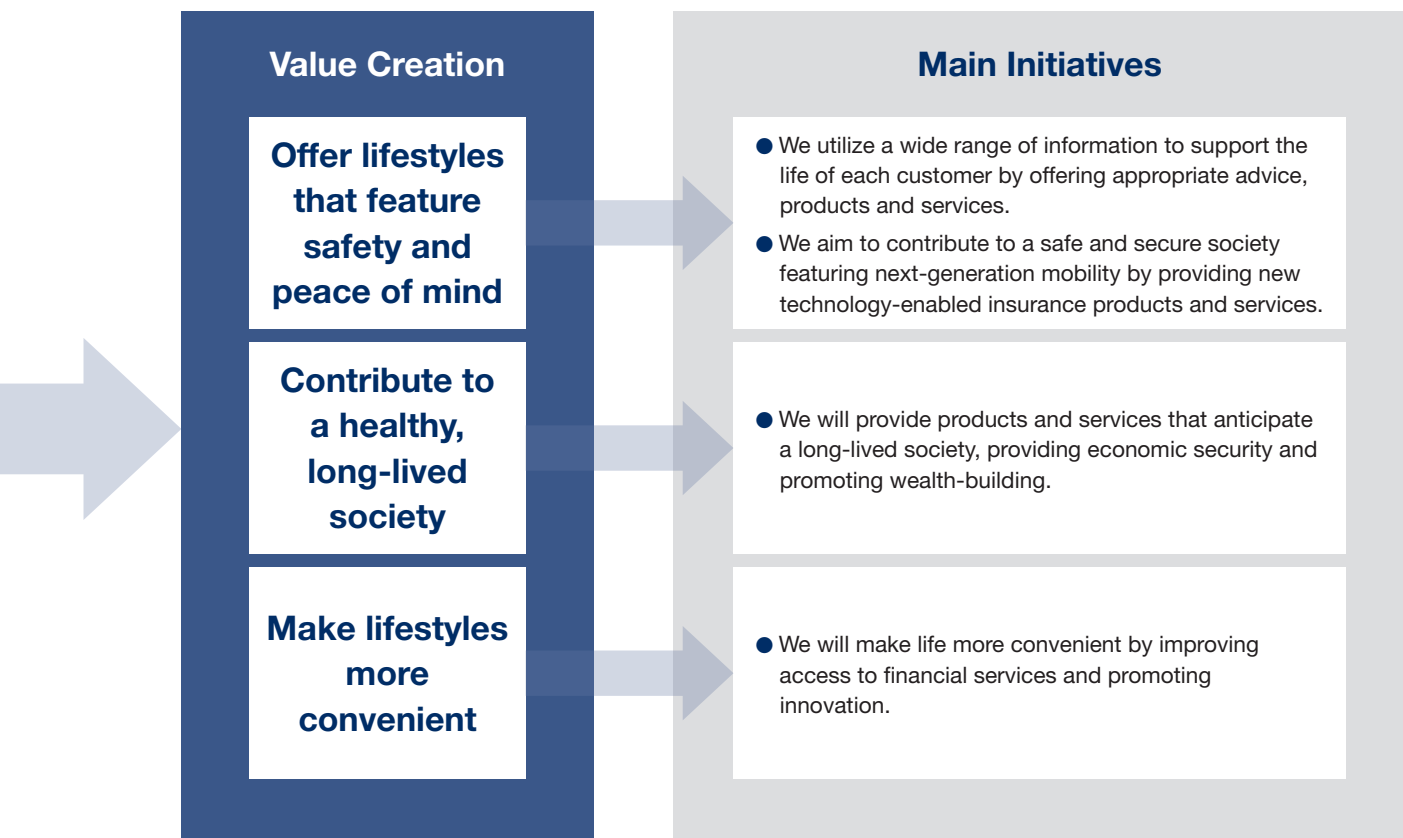
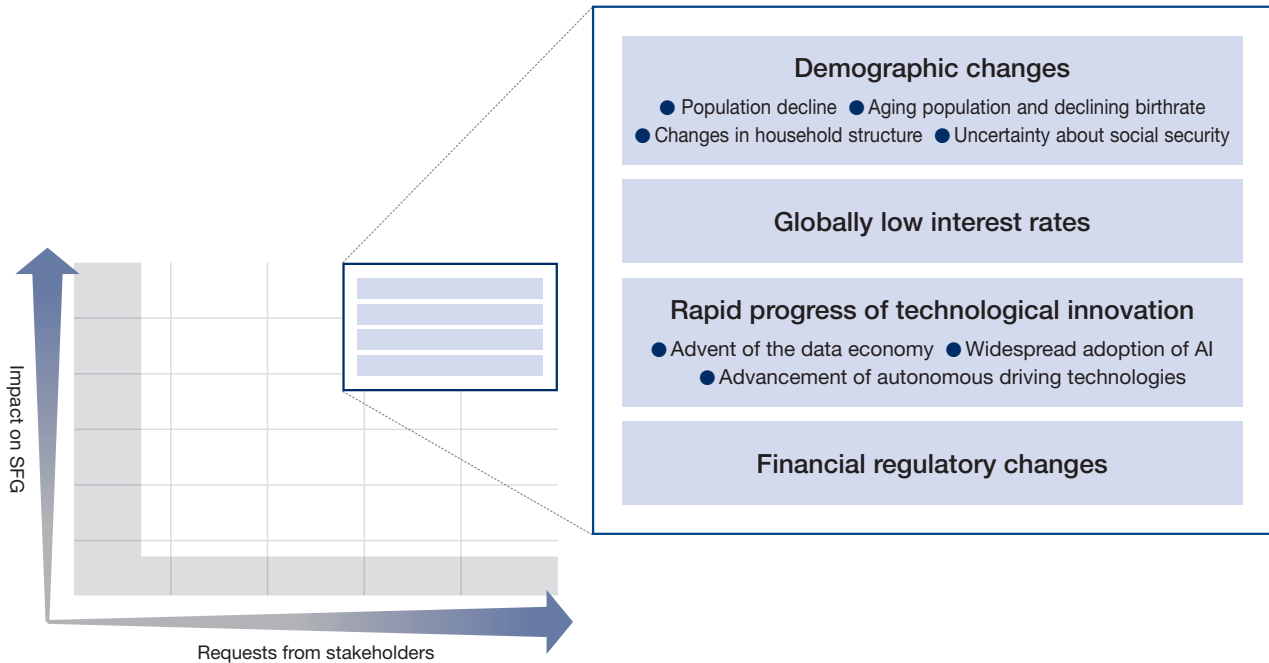
Analysis of social and environmental changes, and identification of significant business challenges

Identification process for significant business challenges



Significant Challenges	Risk	Opportunity
Demographic changes (Population decline, aging population and declining birthrate, changes in household structure, uncertainty about social security)	<ul style="list-style-type: none"> ● Shrinking markets due to population decline ● Reduced demand for SFG's main products ● Increased in mortality and morbidity rate ● Difficulty in acquiring human resources, and soaring personnel expenses 	<ul style="list-style-type: none"> ● Expand the range of target customers through an enhanced product lineup ● Expand opportunities to provide products and services that capture changes in customer needs ● Increase in demand for nursing care-related services ● Enhanced productivity through the use of technology
Globally low interest rates	<ul style="list-style-type: none"> ● Reductions in product lineup due to declining product profitability and revision and abolition of some products ● Decline in investment income 	<ul style="list-style-type: none"> ● Construct product portfolios that are resilient to changes in interest rates ● Diversify investment options
Rapid progress of technological innovation (Advent of the data economy, widespread adoption of AI, advancement of autonomous driving technologies)	<ul style="list-style-type: none"> ● Changes in customer needs and behavior patterns ● Obsolescence of existing businesses with the rise of new business models ● Higher requirements and increasing costs for systems development, personal information protection, and information security measures 	<ul style="list-style-type: none"> ● Increase operational efficiency and enhance capacity to respond to customer needs through the use of technology ● Enhance marketing, product development, risk management and other functions through data utilization ● Emergence of new insurance needs in response to new risks ● Alliances with other industries and external companies
Financial regulatory changes	<ul style="list-style-type: none"> ● Increases in required capital and costs to comply with regulation ● Increased competition due to deregulation 	<ul style="list-style-type: none"> ● Further enhance SFG's existing strength in "customer-first" service ● Adopt new approaches and business domains

Significant Social and Environmental Changes (Significant Business Challenges)

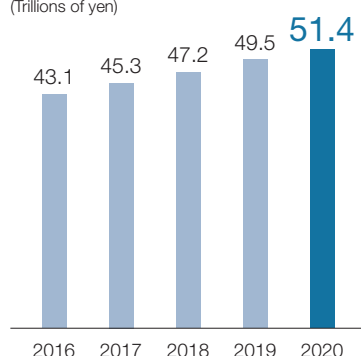


Financial Highlights

Business Volume KPI

Sony Life (Non-consolidated)

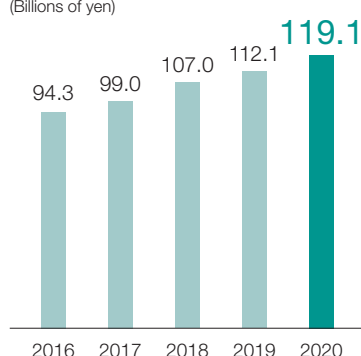
Policy amount in force*
(Trillions of yen)



Note: As of March 31

Sony Assurance

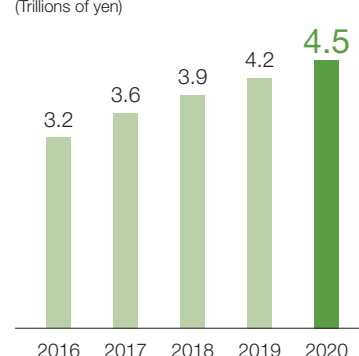
Direct premiums written
(Billions of yen)



Note: For the years ended March 31

Sony Bank (Non-consolidated)

Retail balance*
(Trillions of yen)



Note: As of March 31

*1 Sum of individual life insurance and individual annuities

*2 Sum of deposits, investment trusts, and personal loans

Since March 31, 2018, also includes financial products intermediary services and mediated discretionary investment contracts

Financial Soundness Indicators (As of March 31, 2020)

Sony Life (Non-consolidated)

Solvency margin ratio

2,476.3%

Note: Figures less than the indicated unit have been truncated

Sony Assurance

Solvency margin ratio

872.3%

Sony Bank (Non-consolidated)

Capital adequacy ratio
(Domestic standard)

8.85%

Profitability Indicators (As of March 31, 2020)

Sony Financial Holdings (Consolidated)

Consolidated adjusted ROE

5.3%

Sony Life (Non-consolidated)

Core ROE

4.9%

Sony Assurance

Adjusted ROE

14.7%

Sony Bank (Consolidated)

ROE

7.8%

Credit Ratings (As of July 1, 2020)

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

Non-financial Highlights

Number of employees (As of March 31, 2020)

Consolidated

11,487

Life insurance business	8,739
Non-life insurance business	1,347
Banking business	644
Others	690
Parent	67

Number of Lifeplanner sales employees (As of March 31, 2020)

Sony Life

5,146

Number of MDRT members

Sony Life

1,191

Contribute to a sustainable society where
people feel a sense of enrichment



Masashi Oka

President & CEO, Representative Director

On behalf of the Sony Financial Group, I wish to express our deep appreciation to all stakeholders for the support and interest you continue to extend as we navigate today's dynamic financial landscape.

My name is Masashi Oka, and I assumed the role of President & CEO, Representative Director of Sony Financial Holdings, in June 2020. I believe that my greatest mission is to leverage the business foundation and strengths that the Sony Financial Group (SFG) has built over time, to bring about its further growth and development. As a deeply trusted financial services group, we will help create a society where people feel a unique sense of enrichment, by providing high-value-added products and services that closely match the needs of each individual customer, developing alliances with the Sony Group, and leveraging technology.

Response to changes in the environment due to the spread of COVID-19

First of all, I would like to express our respectful condolences for the victims of the COVID-19 pandemic, and their families. At the same time, we pray for the early recovery of those who are currently battling the virus. Moreover, I would like to express our deepest respect for healthcare workers and others who are striving to maintain social systems every day.

COVID-19 spread across the globe in a matter of months, affecting our lives in various ways. Nations implemented distinct entry and exit restrictions, and many closed off borders and locked down cities. In Japan, a state of emergency was declared, and residents were requested to refrain from leaving home for nonessential and nonurgent reasons, and from leaving home at night. These measures have inevitably caused a pronounced slowdown in economic activity, and there are fears of a global recession even more serious than the period after the collapse of Lehman Brothers.

Economic activity is expected to recover gradually, as the pandemic is stamped out due to the untiring efforts of people around the world. Even then, however, not everything will return to "the way it was." On the contrary, people's lifestyles and values, even the structure of societies themselves, are anticipated to change significantly with this experience.

It seems inevitable that the needs of our customers will also change. In this context, it is absolutely necessary for us to respond without delay to avoid being left behind by social and environmental changes.

In the life insurance field, for example, we are witnessing an increase in consciousness of protection, wealth-building, health improvement and disease prevention needs, in addition to changes in behavior such as an increase in non-face-to-face and non-contact processes. The consulting services provided by specialized and trustworthy Lifeplanner sales employees, who constitute one of Sony Life's strengths, are becoming ever more important. Sony Life has also commenced providing remote consulting services. We must continue to ensure that these services, provided by customer-focused, highly professional Lifeplanner sales employees, provide peace of mind even via an online forum, with easily accessible consultation and detailed explanations.

Sony Assurance and Sony Bank have also pursued customer convenience through a direct business model, and enhanced their non-face-to-face services, such as online and telephone services. Now is the time for us to provide customers with the full value of these enhanced services.

We are responding swiftly and appropriately to these great changes, and will continue to take on the challenges to achieve the next stage of growth.

Progress of the medium-term business plan

This fiscal year marks the culmination of the three-year medium-term business plan that commenced in 2018. Under the theme of taking on the challenge of new growth, we have grasped as “opportunities” the changes visible from a long-term perspective of ten years or more. In addition to organic growth under the existing business models, we have implemented a range of measures to lay the groundwork for future growth, aiming to enhance corporate value. The impact of COVID-19, with market declines and the suspension of economic activities due to the declaration of a state of emergency, has been even greater than originally anticipated. Although the targets for some of our performance indicators have become unattainable in this challenging environment, we are making smooth progress overall in areas such as expanding the number of policyholders and users, improving customer satisfaction, and developing new products and services.

Sony Life has promoted customer-first business operations, and increased its policy amount in force by 3.8% year on year, to ¥51.4 trillion yen as of March 31, 2020. In order to offer greater value to our customers, we are working to amplify the unique strengths of our Lifeplanner sales employees by raising their level of service even higher and introducing a system for more deeply assessing their value to customers. We are also leveraging life planning tools and information to evolve our services, to provide consulting sales and follow-up in line with customer needs at any time.

As for Sony Assurance, the number of policies in force for mainstay automobile insurance exceeded 2 million as of March 31, 2019. In terms of sales, it has firmly maintained its status as the number-one direct automobile insurer in Japan since fiscal 2002. In March 2020, it launched a smartphone-only pay-how-you-drive (PHYD) automobile insurance product that leverages AI, called “GOOD DRIVE”. This new product was made possible by applying the Sony Group’s proprietary AI, sensing, and cloud computing technologies, in addition to the insight into insurance product and service development that Sony Assurance has accumulated over its history. Sony Assurance will continue to pursue enhanced CX (customer experience), and actively utilize advanced technologies across a broad range of domains, including products, services, and marketing.

Sony Bank is working to perceive customer needs and enhance customer convenience through a wide range of services, including launching an alliance with the ANA Group in the foreign currency business, entrusting intermediary operations of its mortgage loans to JAPAN POST BANK, and introducing commission-free sales of all investment trust funds, as well as an “English online banking service” targeting foreign residents in Japan.



New initiatives aimed at the next stage of growth from a medium- to long-term perspective

We are engaged in new initiatives aimed at the next stage in our growth, based on a medium- to long-term perspective of changes in the social environment, including demographic changes, globally low interest rates, rapid progress of technological innovation, and financial regulatory changes, as well as extensive discussion across the Group on the nature and sustainability of the business model in each business domain, and an analysis of risks and countermeasures.

Group Collaboration

Sony Corp. recently implemented a tender offer for the shares of SFH. By transitioning to a wholly-owned subsidiary of Sony Corp., we believe we will be able to further collaborate within the Sony Group and generate new synergies. We will leverage the service development structure and corporate functions of the Sony Group for the swift and flexible implementation of bold new management initiatives, and develop financial services that closely match the changing business environment and the increasingly diverse needs of our customers.

We have promoted technological collaboration within the Sony Group through initiatives such as information-exchange meetings with Sony Corp.'s R&D Center, aimed at leveraging technology in the finance domain and solving business issues. The partition separating finance and other sectors has been disappearing in recent years. In this context, we want to apply advanced tools such as AI to change the finance business with the power of technology.

At the same time, we will explore new collaboration with the Sony Group's entertainment, electronics, and other businesses, and strive to provide even more convenient services.

Sustainability

At SFG, we take care to act fairly with high ethical standards and a sense of purpose, based on our Mission and Code of Conduct. We give due consideration to the impact of our business activities on the interests of our stakeholders, including customers, shareholders, employees, business partners, and local communities, as well as the global environment; we work to build trust through dialogue with all our stakeholders; and we aim to contribute to the development of a sustainable society.

SFG develops diverse businesses, aiming for sustainable value creation. While the activity domains and models of our businesses vary greatly, they all share the qualities of leveraging technology and providing high-value-added products and services that closely match the needs of our individual customers. Through our businesses, we strive to offer lifestyles that feature safety and peace of mind, contribute to a healthy, long-lived society, and make lifestyles more convenient. We also recognize the importance of the foundation that supports value creation. We are working to strengthen this foundation, identifying corporate governance and human resources that respect diversity as matters of highest priority.

Contribute to a sustainable society where people feel a sense of enrichment

The speed of change in the business environment is anticipated to accelerate. We will not be left behind. On the contrary, we will act to spearhead change, engaging in management from a long-term perspective to create sustainable social and economic value. We will continue to respond to the needs and expectations of all our stakeholders, and help create a society where people feel a unique sense of enrichment.

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

Sony Financial Group



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

Theme

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

- achieve organic growth from existing business models
- make strategic moves from a long-term perspective to secure further growth, **taking full advantage of changes** 10 years or more from now

Points

Customer-first

Further promote the customer-first business operation

Response to Changes

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

Group's Growth Strategy

Over the mid-to-long term, market contraction, smaller profit margins and intensifying competition are forecast for Japan's financial services market due to factors including low birth rate, aging population, and persistently low interest rates. Moreover, with technological innovations such as rapid advances in Fintech and the spread of AI, players from other industries are entering the financial industry. In addition, greater emphasis is being placed on the proper execution of fiduciary duty in the management of financial institutions.

Since the time of its establishment, SFG has differentiated itself by pursuing a business model unlike those of conventional financial institutions, and has provided high-value-added products and services to meet every customer's needs. Going forward, we consider it important to strengthen collaboration within the Group and respond to the diverse needs of our customers, to create a safe and secure society.



Masashi Oka

President & CEO, Representative Director
Sony Financial Holdings Inc.

Organic Growth through Stronger Existing Businesses

Key strategies based on “customer-first” business operations are: 1) Further enhance consulting-based sales and follow-up by Lifeplanner sales employees, and raise customer satisfaction; 2) Achieve sustainable growth in automobile insurance and diversify non-life insurance portfolio; 3) Strengthen foreign currency deposits and mortgage loans; and 4) Ensure steady post-startup progress of the nursing care business.

Life insurance business

▶P18 Sony Life

Non-life insurance business

▶P20 Sony Assurance

Banking business

▶P22 Sony Bank

Nursing care business

▶P24 Nursing Care Business

Group Synergies

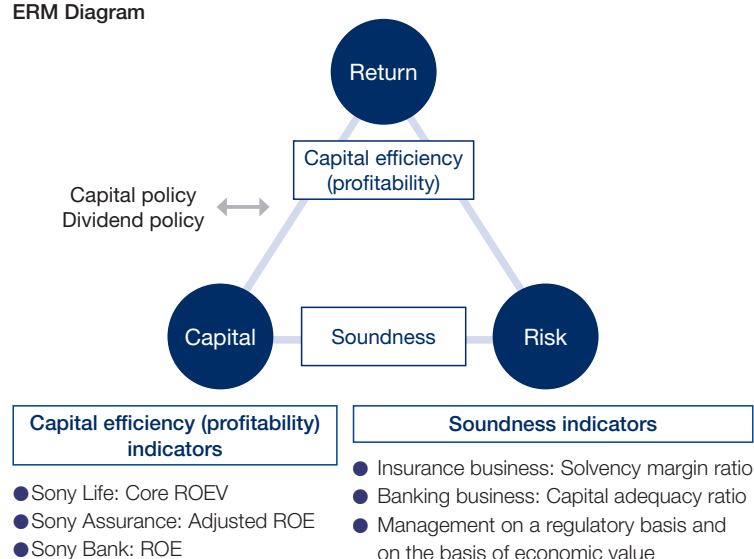
We engaged in collaboration with each of the companies in the Sony Group, sharing technologies and challenges to create new, high-value-added financial services. As one of our recent initiatives, we have launched a PHYD automobile insurance leveraging the Sony Group's technologies, such as AI. By providing incentive by paying back insurance premiums to customers whose driving demonstrates a low risk of accidents, we aim to contribute to reducing customer's accident risk, and realizing a society with a low incidence of traffic accidents. We will continue to strengthen Group collaboration, and aspire to transform the finance business through the power of technology.

Strengthening SFG's core competence in “providing products and services to meet every customer's needs” is a key challenge for our future growth. We will speed up the generation of synergy with other Sony Group companies through strategies that concentrate on a “customer-first” and “response to changes”. We will support its customers' total financial needs with appealing, high-value-added products and services that conventional financial institutions cannot provide.

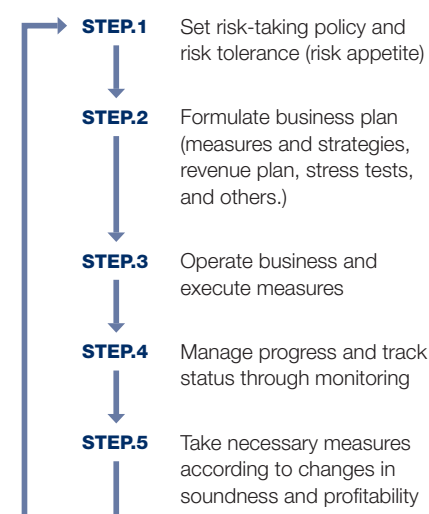
Group ERM

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

ERM Diagram

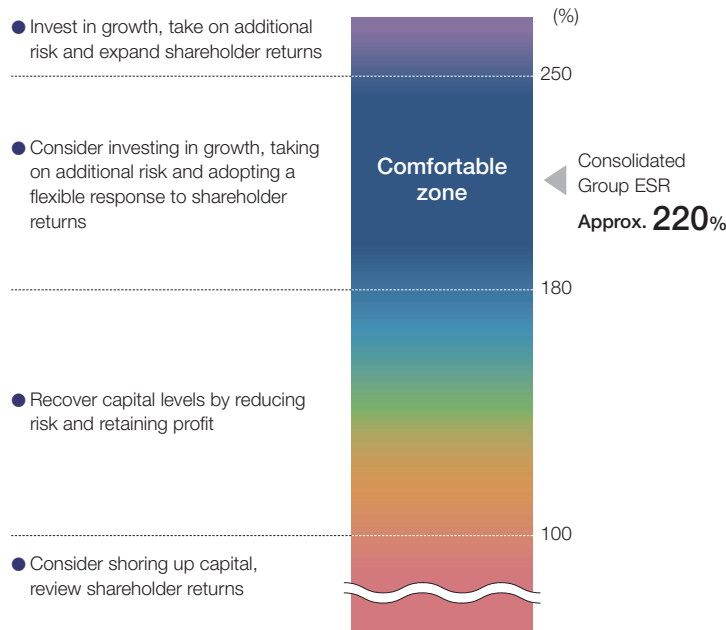


Operation Cycle of Group ERM



Consolidated Group ESR

SFG has designated consolidated Group ESR under its "Basic Policy on Group ERM," and utilizes it as a key indicator to guide management judgement based on a balanced consideration of revenues, risks and capital. Consolidated Group ESR is an indicator of capital sufficiency with respect to the Group's risk amount. Currently the target level of consolidated Group ESR is between 180% and 250% from the viewpoint of ERM to ensure financial soundness and capital efficiency.



Note: We use consolidated Group ESR (an internal management indicator) to assist in making comprehensive management decisions. The indicator refers to the calculation methods used for European Solvency II and ICS, with some simplification. No third-party verification is conducted with respect to the calculation process or the appropriateness of its results.

Consolidated Adjusted ROE

SFH focuses on consolidated adjusted ROE as a profit indicator for the whole Group. Since each company differs by industry such as insurance and banking, we assess profitability and capital efficiency using "Adjusted ROE" based on adjusted profit and adjusted capital, which takes into account the characteristics of each business.

	FY2017 Actual	FY2018 Actual	FY2019 Actual
Consolidated adjusted ROE*	6.1%	6.7%	5.3%
(Sony Life) Core ROEV*	5.9%	6.4%	4.9%
(Sony Assurance) Adjusted ROE	16.1%	15.2%	14.7%
(Sony Bank) ROE	5.5%	7.3%	7.8%

* The figures for fiscal 2017 exclude the impact of a revision in the insurance risk management method and others for Sony Life

Calculation of Consolidated Adjusted ROE

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

Calculation of Sony Life's core ROEV:

$$\frac{\text{New business value} + \text{Expected existing business contribution}}{\text{MCEV}^{*1} \text{ as of the beginning of the fiscal year less dividends paid} + \text{MCEV}^{*1} \text{ as of the end of the fiscal year, divided by two}}$$

Calculation of Sony Assurance's adjusted ROE:

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

Calculation of Sony Bank's ROE:

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

Calculation of Consolidated adjusted ROE for the fiscal year:

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

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

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

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

*2 Copyright© Stichting CFO Forum Foundation 2008

Sony Life



Since Sony Life started operations, we have continued to grow by designing and selling tailor-made insurance products to suit the individual life plan of every customer's needs, via consulting sales and consulting follow-up, and providing customers with optimal coverage.

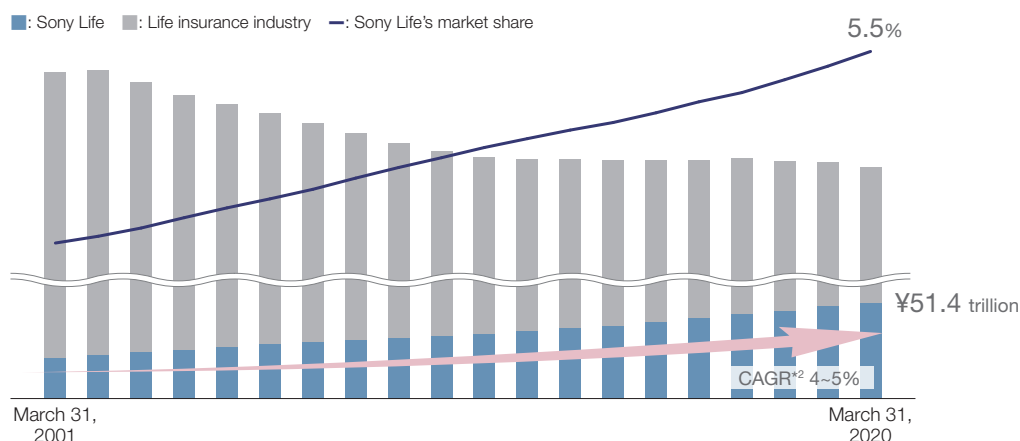
Our policy amount in force in the Japanese life insurance market has grown to exceed ¥50 trillion, but we are currently confronted with great changes in the business environment, including low birth rate and an aging population, as well as increasingly diverse customer needs.

Moving forward, we will continue to conduct business while putting the customer first through even higher quality service, and achieve steady growth.

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

Vision	● We will work for customer's financial security and stability by offering optimal life insurance products and high-quality service.	
Overview	<ul style="list-style-type: none"> ● Main products: Death protection insurance (term life insurance, U.S. dollar-denominated insurance, variable life insurance), living benefit insurance, educational endowment insurance, medical insurance ● Main sales channels: Lifeplanner sales employees, partners (independent agencies) 	
Strengths	<ul style="list-style-type: none"> ● Tailor-made insurance product design and sales approach that match life planning of each individual customer based on consulting (consulting sales) ● Maintaining optimal coverage through inspections of and advice on post-contract life plans and coverage, adjusted to changes in environment surrounding the customer (consulting follow-up) ● Securing financial soundness through ALM operation adjusted to long-term liability characteristics 	
Risk	● Shrinking domestic insurance market; decline in demand for death protection insurance	Opportunity ● Increase in new protection and wealth-building needs
Value Creation	Offer lifestyles that feature safety and peace of mind	● Support customers in achieving their life plans, through high quality consulting sales and consulting follow-up by our Lifeplanner sales employees
	Contribute to a healthy, long-lived society	<ul style="list-style-type: none"> ● Provide a diverse range of insurance products such as annuities, to provide for a plentiful retirement for our customers ● Support customers' health by providing healthcare and medical information and services

Policy Amount in Force*1



*1 Sum of individual life insurance and individual annuities

*2 CAGR: Compound Annual Growth Rate

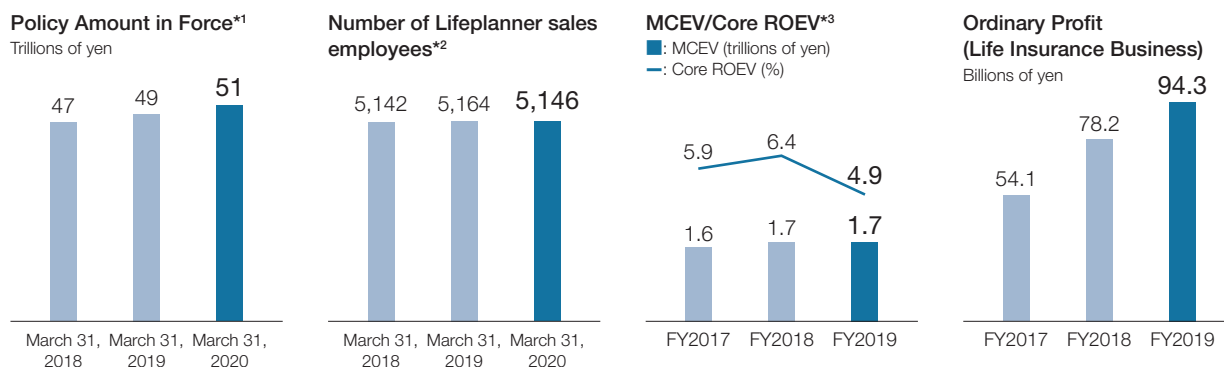
Review of Results for Fiscal 2019

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

In order to further expand the value we provide, we launched a U.S. dollar-denominated level premium plan term life insurance product targeting corporate customers in August 2019, and introduced an guaranteed lapse cancellation provision, to provide relief from insurance policy lapse due to circumstances such as forgetting to pay insurance premiums, in September 2019. In addition, we began operation of “Hokenseisakusho,” a shop-style insurance agency, in January 2020, in response to the changing preferences and behavior of customers contemplating life insurance. We also acquired Sony Life With Insurance* which provide variable annuities and SA Reinsurance, both joint ventures, as wholly-owned subsidiaries in January 2020.

* The trade name was changed from AEGON Sony Life Insurance Co., Ltd. to Sony Life With Insurance Co., Ltd. on April 1, 2020

Trends of Key Indicators



*1 Sum of individual life insurance and individual annuities

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

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

Initiatives for Fiscal 2020

Customer-first

Response to Changes

Further strengthen our business foundation

Pursue quality in the Lifeplanner channel

In addition to implementing a strict recruiting process, Sony Life will set a higher standard of service and provided value, and evaluate the behavior (processes) of Lifeplanner sales employees based on that standard from multiple perspectives, in order to improve quality even further. In addition, we will work to execute deeper consulting sales and follow-up utilizing tools such as “LiPSS” and “Karte.” We will further enhance the value provided by Lifeplanner sales employees by pursuing higher quality.

Achieve steady growth in the independent agency channel

In addition to expanding support to fit the characteristics of our partners, we will strengthen our relationship with high-quality partners by introducing a compensation system that evaluates the quality of partners.

Provide new value

Expand coverage

We will promote the enhancement of product capabilities and expand coverage, centered on death protection products. As our medium-term product strategy, we will promote new product development in anticipation of environmental changes, such as arrival of the era of the 100-year lifespan.

Evolve customer-first service (Fintech)

We will develop tools that utilize life planning data and AI, and in both the consulting sales and consulting follow-up phases, we will aim to support objective proposals to the customers and improve quality of services.

Steadily grow corporate value

Realize growth in profit on the basis of economic value

We will aim for medium-term profit growth on an economic value basis, while striving to conduct customer-first business operations and strengthen our compliance system.

Sony Assurance



Continued growth is forecast for the direct insurance businesses, with their features such as online procedures that match the needs of customers seeking reasonable insurance premiums and convenience. As a leading company in direct automobile insurance, Sony Assurance will strive to provide products and services that meet the expectations of our customers. In addition, we will endeavor to achieve further growth and embed our stable business foundation by focusing not only on our mainstay automobile insurance products, but also on expanding sales of other products such as medical insurance and fire insurance.

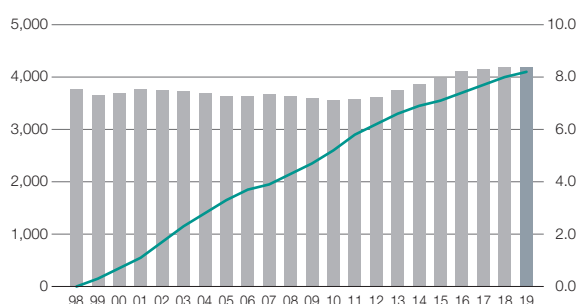
We will continue to adapt to changes in the business environment and customer value perceptions, and endeavor to maximize customer value through improvements in customer experience (CX), by leveraging technology and offering services only people can provide.

Atsuo Niwa
President, Representative Director
Sony Assurance Inc.

Vision	● As a leader from the present into the future, in the Sony spirit of freedom and open-mindedness, we will constantly aspire to create and innovate, to bring about new lifestyles.	
Overview	<ul style="list-style-type: none"> ● Direct insurance company for individuals ● Main products: Automobile insurance, medical insurance, overseas travel insurance, fire insurance ● Main sales channel: Internet 	
Strengths	<ul style="list-style-type: none"> ● Reasonable insurance premiums according to each customer's risk ● High-quality accident response, customer center, and website services 	
Risk	● Rise in loss ratios and reinsurance premiums due to more frequent and serious natural disasters	Opportunity ● Increase in insurance needs to protect against natural disasters
Value Creation	Offer lifestyles that feature safety and peace of mind	<ul style="list-style-type: none"> ● Leverage advanced technologies to contribute to realizing a safe society with a low incidence of traffic accidents ● Contribute to safe and secure homes
	Contribute to a healthy, long-lived society	<ul style="list-style-type: none"> ● Provide protection to match customer needs through our medical insurance business
	Make lifestyles more convenient	<ul style="list-style-type: none"> ● Develop new products in response to social change, including autonomous vehicles and Mobility as a Service (MaaS)

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

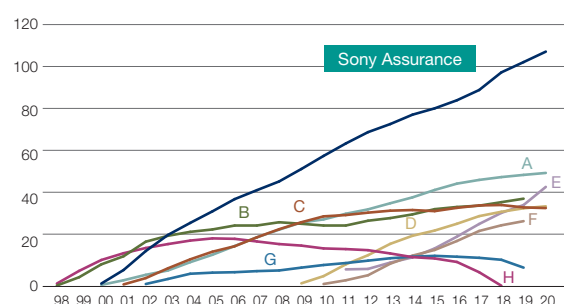
For the years ended March 31,
 ■: Direct premiums written (total of all non-life insurers and shown as the automobile insurance market) (left scale: billions of yen)
 —: Market share of major direct non-life insurers (right scale: %)



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

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

For the years ended March 31,
 Billions of yen



Note: The graph was prepared by Sony Assurance from data officially disclosed by individual non-life insurers
 Amounts for fiscal 2019 are based on published data available up to June 25, 2020

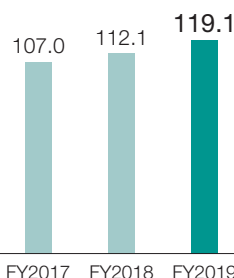
Review of Results for Fiscal 2019

We worked on marketing to communicate Sony Assurance's features in an easily understandable way, in addition to utilizing customer feedback to strengthen our product appeal, and enhancing service quality from contract procedures to insurance claims payment. As a result, we succeeded in growing sales of automobile insurance and each of our other products such as medical insurance, fire insurance and overseas travel insurance and others.

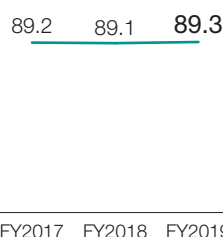
In automobile insurance, we established a new "Accident-free Discount" in April 2019, and in March 2020 we launched a pay-how-you-drive (PHYD) automobile insurance called "GOOD DRIVE," which provides up to 30% cash-back on insurance premiums by leveraging AI, for customers whose driving demonstrates a low risk of accidents. In addition, we introduced the "sign language/conversation-in-writing service," which provides policy and accident response for customers with hearing or speaking disabilities, and the "foreign language accident response service," which provides response in 18 languages other than Japanese.

Trends of Key Indicators

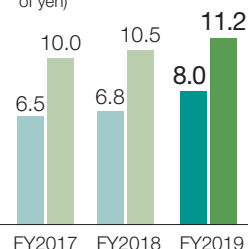
Direct premiums written
Billions of yen



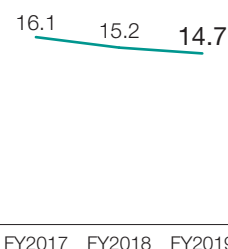
Sum of two ratios*1
%



Ordinary profit/Adjusted ordinary profit*2
■ Ordinary profit (billions of yen)
■ Adjusted ordinary profit (billions of yen)



Adjusted ROE*3
%



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

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

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

Initiatives for Fiscal 2020

Customer-first

Response to Changes

Continue to grow, and expand share of, automobile insurance

While further improving our product capability and service quality, in order to better appeal to customers, we will continue our initiatives to build trust and confidence in automobile insurance through marketing to improve our brand value.

Accelerate growth by expanding business categories

In 2018, we strengthened the product capability of medical insurance and launched overseas travel insurance and fire insurance. In these categories, we will pursue business expansion by utilizing marketing expertise accumulated in automobile insurance.

Maximize customer value

We will maintain our position as No. 1 non-life insurer for customer satisfaction by promoting CX improvements and providing high quality service. Furthermore, we will pursue improved CX by combining service only people can provide with leading-edge technology.

Leverage technology

In the areas of product development, marketing, contract processes, and customer support, we will continue to actively leverage leading-edge technologies such as Fintech to improve CX and operation efficiency.

Sony Bank



As an Internet bank, Sony Bank has made the most of technology to continue growing since its establishment. However, as online financial transactions have become commonplace and more business operators from various industries have entered the financial industry, our business environment is changing rapidly. In these circumstances, we will establish a foundation as a digital bank that has ideas unique to Sony Bank and the latest technology only possible in the Sony Group. We aim to achieve sustainable growth by providing optimal products and services for “Saving, Investing and Spending” to meet the needs of our increasingly diverse range of customers.

Yuichiro Sumimoto
President, Representative Director
Sony Bank Inc.

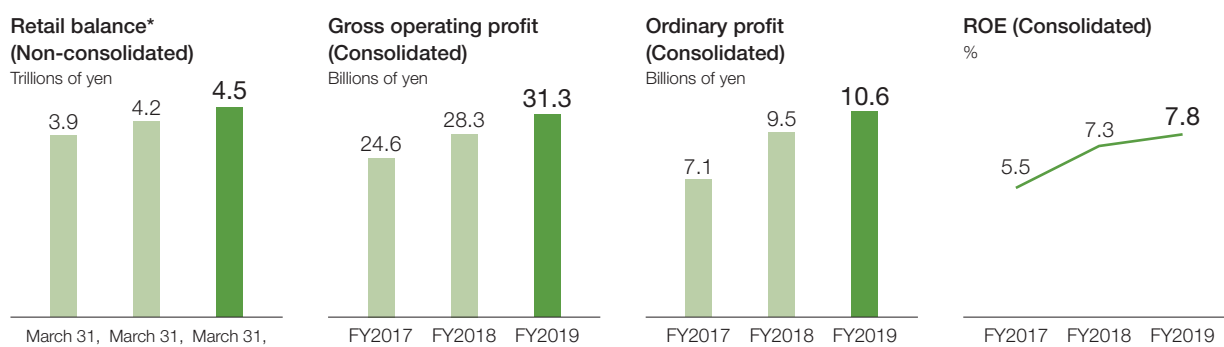
Vision	<ul style="list-style-type: none"> ● We aim to be a bank that delivers optimal solutions for “Saving, Investing and Spending” using the latest technologies, to help customers live their lives with confidence, in this era of the 100-year lifespan. 	
Overview	<ul style="list-style-type: none"> ● Internet bank for individuals ● Main products: Mortgage loans with the freedom to change interest rate types and make advance repayments Foreign currency deposits featuring attractive exchange costs “Sony Bank WALLET” cash card with Visa debit function in 11 currencies ● Main sales channels: Internet, “CONSULTING PLAZA” and banking agencies 	
Strengths	<ul style="list-style-type: none"> ● Safe, reliable and highly convenient services, leveraging the advantages of an Internet bank ● Extensive lineup of high-quality products ● Business operation with high customer satisfaction 	
Risk	<ul style="list-style-type: none"> ● Shrinking domestic market for mortgage loans ● Persistence of the low interest rate environment 	Opportunity <ul style="list-style-type: none"> ● Increase in demand for asset management products and services
Value Creation	Offer lifestyles that feature safety and peace of mind	<ul style="list-style-type: none"> ● Attentive support for customers purchasing a house, provided by our dedicated loan advisors
	Contribute to a healthy, long-lived society	<ul style="list-style-type: none"> ● Support for customers’ medium- to long-term wealth-building and asset management, through the provision of asset management seminars and individual consultation, as well as services leveraging APIs and data
	Make lifestyles more convenient	<ul style="list-style-type: none"> ● Even more convenient financial transactions, such as seamless payments regardless of currency through the “Sony Bank WALLET,” as well as contactless and mobile payment capabilities

Review of Results for Fiscal 2019

In order to respond to our customers' diverse wealth-building and asset management needs, we launched our "Electronic Closing Service" for mortgage loans in June 2019, followed by entrusting of intermediary operations on its mortgage loans to JAPAN POST BANK Co., Ltd. in October 2019, and a mortgage loan product specifically designed for freelance IT professionals in February 2020. We also provided a range of other products and services. In September 2019, we commenced issuing the "ANA Mileage Club / Sony Bank WALLET" through an alliance with All Nippon Airways Co., Ltd., and in November, we began offering foreign currency-denominated time deposits that earn ANA mileage. In January 2020, we introduced free sales commission for all investment trust funds offered.

In addition, we worked to enhance customer convenience, through measures such as the introduction of an "AI-powered Automated Chat Service" on the Sony Bank service site from August 2019, and the issue of "Sony Bank WALLET" featuring a "Visa Contactless Payments" function from September 2019.

Trends of Key Indicators



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

Initiatives for Fiscal 2020

Customer-first

Response to Changes

Strengthen product appeal and improve service

Mortgage Loans

We have worked to maintain our interest rate competitiveness, while improving convenience through features such as fully-online completion of contract procedures, and enhancing our product lineup and group credit life insurance. We will continue to aim for stable, sustainable growth through strengthen product appeal and collaboration with banking agencies and others.

Foreign Currency Deposits

In order to expand our customer base and balance of foreign currency deposits, we will strengthen alliances by issuing tie-up cards pivoting on the "Sony Bank WALLET" which offers accessible foreign currency functionality, as well as services targeting foreign residents in Japan.

Leverage Fintech and improve business

We will strengthen our foundation as a digital bank by responding to the rapid advance toward a cashless society, through measures such as improving convenience with touch payment support for "Sony Bank WALLET" and enhancing collaboration with QR payment players. In addition, we will engage in operational improvements to enhance productivity, through the promotion of digitalization and the leveraging RPA.

Improve proposal-making capability

We will propose products that are tailored to individual customers and advertise our convenience, and we will work to provide valuable products and services from both digital and real perspectives. On the digital side, we aim to provide customer-first financial advice by developing digital consulting tools. In terms of real contact, we will strengthen our proposal function in the "CONSULTING PLAZA".

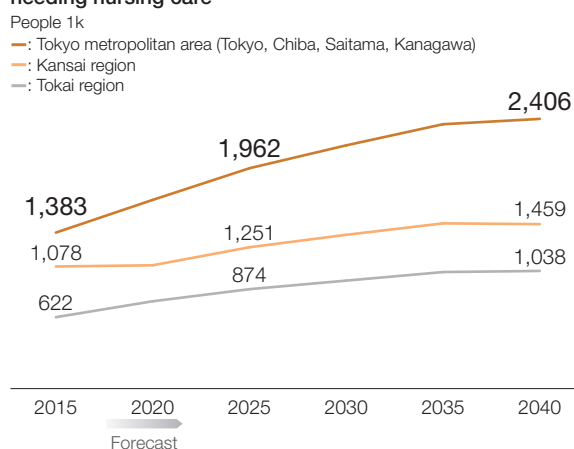
Nursing Care Business

Vision	<ul style="list-style-type: none"> ● Through our nursing care services we aim to protect the dignity of the elderly, and achieve a society where people can feel a sense of enrichment for their whole lives. 	
Overview	<ul style="list-style-type: none"> ● Responding to the diversification of demand by developing nursing care homes under two brands: “SONARE” for the upper/middle zone and “Hanakotoba” for the volume zone ● Establishing new homes in the Tokyo metropolitan area (Tokyo, Chiba, Saitama, Kanagawa), where further market expansion is expected ● At “SONARE,” implementing “lifecare plans” tailored to the needs of each individual 	
Strengths	<ul style="list-style-type: none"> ● Capture a wide range of needs by expanding our lineup ● Propose nursing care service suitable for each resident 	
Risk	<ul style="list-style-type: none"> ● Difficulty in acquiring human resources ● Reduction in compensation for nursing care workers due to financial difficulties in social security 	Opportunity <ul style="list-style-type: none"> ● Increase and diversification in the needs for nursing care-related services
Value Creation	<div>Offer lifestyles that feature safety and peace of mind</div> <div>Contribute to a healthy, long-lived society</div>	<ul style="list-style-type: none"> ● Provide reasonably priced, high quality products and services, from a lineup matching the increasingly diverse needs of the nursing care homes market ● Provide safe and reliable nursing care services with links to the local community, through the regional development of in-home care and nursing services, and services offered in collaboration with the region ● Realize life care plans where customers can live with a sense of enrichment in accordance with their needs, through collaboration between Life Managers and other various occupations

Market Environment

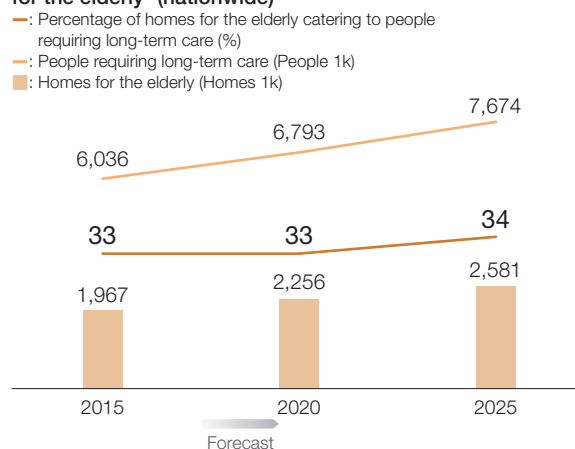
Sony Lifecare predicts a mid- to long-term increase in the population in need of nursing care in its main area of development, the Tokyo metropolitan area. Due to increased needs, the establishment of nursing homes is proceeding steadily, and Sony Lifecare expects demand to grow steadily for the foreseeable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

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



Note: Study by Tamura Planning & Operating

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



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

Growth Strategy

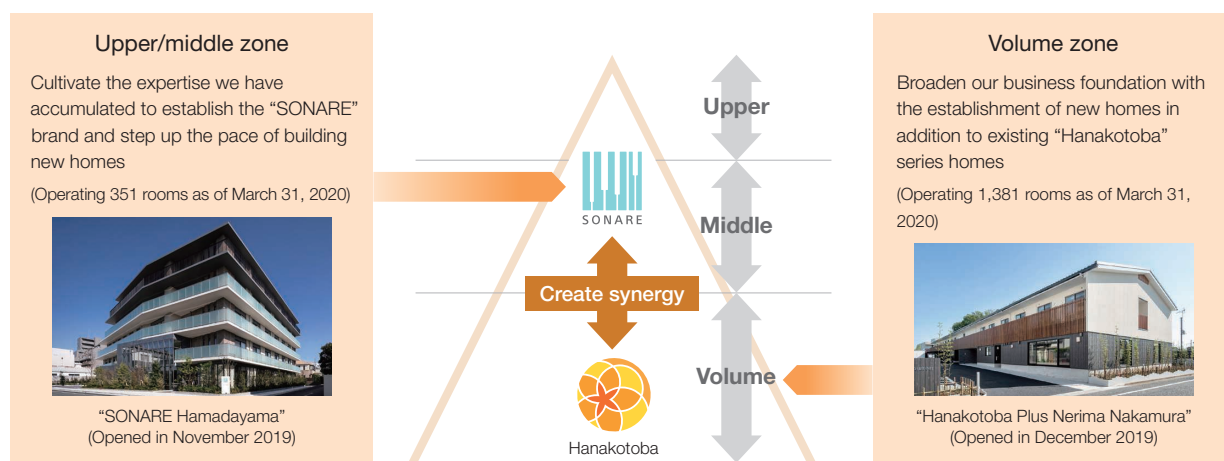
In order to respond to the expansion and diversification of demand for nursing homes, Sony Lifecare will capture the demand by developing a lineup around two brands: “SONARE” for the upper/middle zone run by Lifecare Design, and “Hanakotoba” for the volume zone run by Proud Life. In addition, we will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

Lifecare Design [“SONARE” and others.]

Our “SONARE” brand opened its first home four years ago, and now operates five homes in total. Using the expertise accumulated at existing homes, we will establish the “SONARE” brand and proceed with opening new homes.

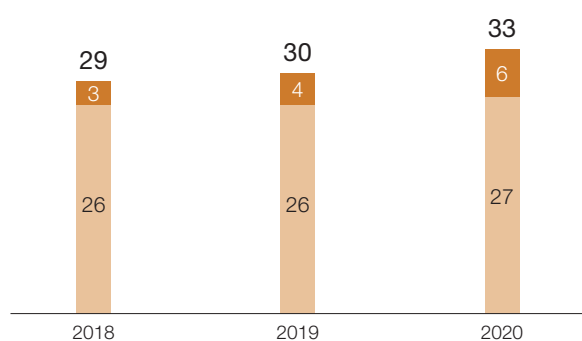
Proud Life [“Hanakotoba” and others.]

With “Hanakotoba” brand, in addition to our business foundation with our 26 existing homes, we aim for new growth by ramping up our new home construction, which we recommenced last year for the first time in around 5 years.



Number of Group-operated homes

■ : Lifecare Design (“SONARE,” others)
■ : Proud Life (“Hanakotoba,” others)



Note: As of March 31

“Hanakotoba Plus Nishiarai”
(Opened in July 2020)



“Hanakotoba Tsurumi Terao”
(Planning to open in November 2020)



“SONARE Komazawa Park”
(Planning to open in December 2020)



Sustainability, Value Creation and Our Foundation for Creating Value

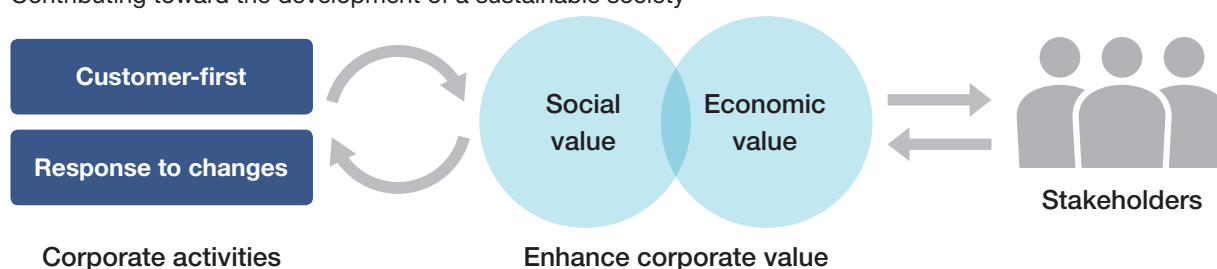
Approach to Sustainability

The Sony Financial Group's mission is to "create a sustainable society where people feel a sense of enrichment." Furthermore, our Code of Conduct outlines "It is the core corporate responsibility of us to society to pursue its corporate value enhancement through our business activities and contribute to developing a sustainable society".

With the highest level of ethics and a strong sense of purpose, we give due consideration to the impacts of our business activities on the interests of our stakeholders, including customers, shareholders, employees, business partners and local communities, as well as the global environment. Through dialogue, we also strive to build trust with our stakeholders.

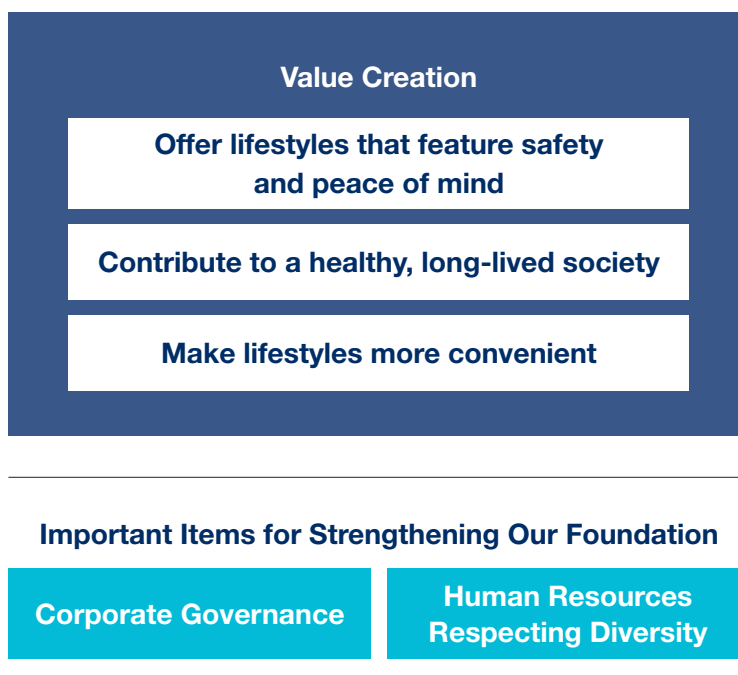
Based on these principles, we will keep striving to increase corporate value by engaging in business activities that generate both social and economic value to contribute to developing a sustainable society.

Contributing toward the development of a sustainable society



Value Creation and Our Foundation for Creating Value

SFG develops diverse businesses, aiming for sustainable value creation. While the domains and business models of these businesses vary greatly, they share the qualities of providing high-value-added products and services that meet every customer's needs, and leveraging technology. We will continue to create value through our businesses, and strengthen the foundation that supports our value creation.



Identification of Important Items for Strengthening Our Foundation

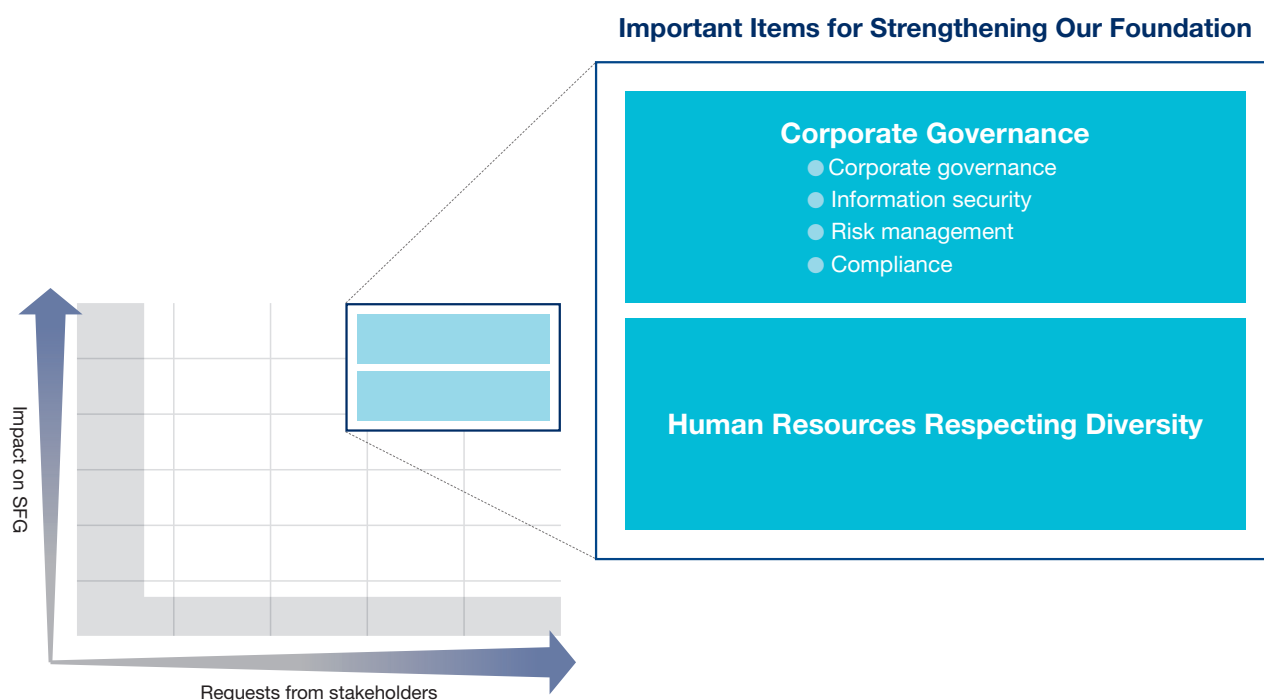
SFG also recognizes the importance of the foundation that supports value creation. We carried out analysis based on the following process, incorporating not only SFG's perspective but those of its stakeholders as well, and identified "corporate governance" and "human resources respecting diversity" as the most significant matters in terms of strengthening our foundation.

Identification Process

STEP.1 Extraction and organizing of candidates for important items for strengthening our foundation

We selected the items most relevant to SFG as candidates for important items for strengthening our foundation. In selecting these candidate items, we referred to the GRI Sustainability Reporting Standards, which are global standards for sustainability reporting, as well as the SDGs (Sustainable Development Goals), worldwide goals for a sustainable society, and the assessment items provided by external agencies such as MSCI and FTSE.

STEP.2 Evaluation of each item from SFG's perspective and the perspectives of stakeholders (ordering by level of priority)



- **SFG's perspective:** We evaluated importance from standpoints including business continuity, such as legal and regulatory compliance at SFG, and Group business growth. This was accomplished through debate within an internal, cross-departmental project aimed at sustainability initiatives, and led by the President, Representative Director.

- **Stakeholder perspectives:** We evaluated importance based on assessment criteria provided by external assessment agencies, requests by investors, and information published by the media, and others.

STEP.3 Identification of important items for strengthening our foundation

After debate based on the evaluation in **STEP.2** within the internal project, including senior management, we identified two important items to prioritize for strengthening our foundation.

We will continue to engage in dialogue with our stakeholders regarding these important items for strengthening our foundation, and review them as necessary, based on changes in the impact of SFG's management strategies and business activities. At the same time, we will proceed with the establishment of long-term targets and action plans, and continue to promote initiatives aimed at sustainability.

Initiatives to Strengthen Our Foundation for Creating Value

Corporate Governance

At SFH, we have established our “Mission, Vision & Values,” and engage in fulfilling our Mission through business activities. We regard strengthening corporate governance as one of the most significant challenges for management in supporting this endeavor.

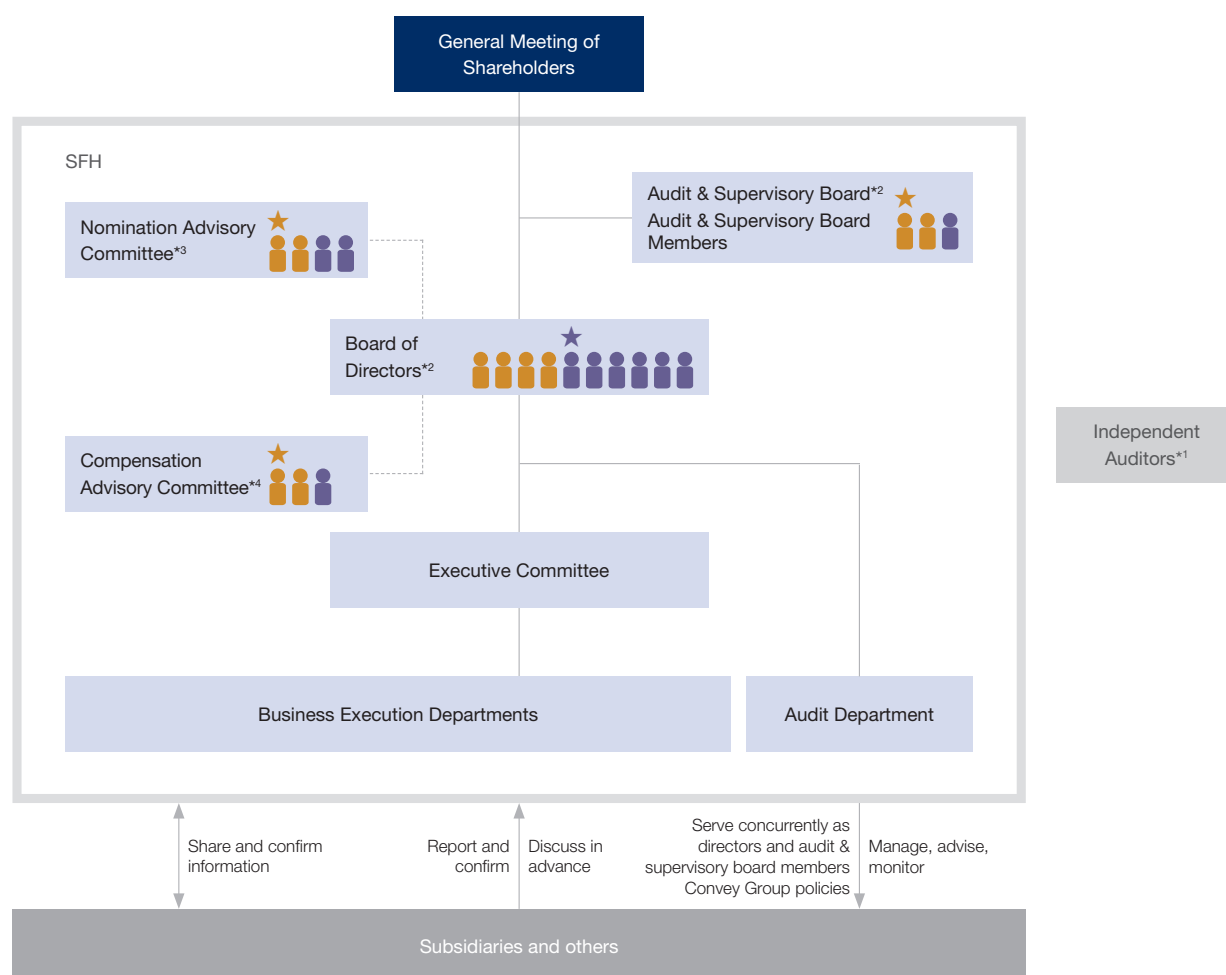
Basic Policy on Corporate Governance

(Basic Stance on Corporate Governance)

SFH strives to meet the expectations and earn the trust of stakeholders, realize the Group’s sustainable growth and increase corporate value over the medium to long term by making effective use of the Group’s various management resources and by realizing its corporate philosophy. Furthermore, as a financial holding company, SFH is aware of the highly public nature of its financial business. Accordingly, SFH has in place a governance structure that emphasizes ensuring of soundness and appropriateness of the Group’s management.

Corporate Governance Structure Chart (As of July 1, 2020)

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



*1 Compensation and others for independent auditors: ¥135 million (including ¥29 million for statutory audits)

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

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

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

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

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

Board of Directors

Chairperson	Masashi Oka
Composition	The ratio of outside directors: 40%
Main roles	The Board of Directors recognizes the responsibility it has been entrusted with and strives to realize sustainable growth of SFG and increase corporate value over the medium to long term. In addition to items stipulated in laws and regulations and the Articles of Incorporation, the Board of Directors makes important decisions regarding management of SFG such as formulation of SFG's management policies and management plans; appointment and dismissal of directors and Audit & Supervisory Board members of subsidiaries in which SFH holds shares directly; entry into new businesses and withdrawal from businesses; and organizational restructuring. The Board of Directors also supervises overall management of the Group.
Operational status, topics (FY2019)	The Board of Directors continued to conduct deep deliberations centering on overall Group governance, Group growth strategies, business plans, sustainability and important matters related to Group subsidiaries. The board also received periodic reports concerning the state of progress of SFH's non-consolidated and consolidated business plans, as well as the status of compliance activities, risk management and internal audits. In these ways, the board conducted appropriate supervision of overall Group management.
Meetings held and the average attendance rate (FY2019)	17 times 92%

Nomination Advisory Committee

Members	Chairperson: Shiro Kuniya (Outside Director); Shogo Ikeuchi (Outside Director); Masashi Oka; Shiro Kambe
Composition	Half are outside directors
Main roles	The Nomination Advisory Committee deliberates and reports on the appointment and dismissal of SFH's directors, audit & supervisory board members and the Group companies' presidents, as well as the succession planning of SFH and the Group companies' presidents.
Operational status, topics (FY2019)	The Nomination Advisory Committee decided on director candidates for SFH and made reports regarding the appointment of directors and the selection of representative directors for the SFH's three main subsidiaries.
Meetings held and the average attendance rate (FY2019)	Five times 95%

Compensation Advisory Committee

Members	Chairperson: Kaoru Takahashi (Outside Director); Shiro Kuniya (Outside Director); Masashi Oka
Composition	Majority are outside directors
Main roles	The Compensation Advisory Committee deliberates the policy and total amount of compensation for SFH's directors and the Group companies' representative directors who are to be proposed at a General Meeting of Shareholders. The committee also deliberates the amount of compensation for individual directors and the Group companies' representative directors, within the limits set by a resolution at a General Meeting of Shareholders. It reports the results of its deliberations to the Board of Directors. Members of this committee do not participate in deliberations on their own compensation.
Operational status, topics (FY2019)	The Compensation Advisory Committee decided on individual levels of compensation for SFH's directors and executive officers, and approved the levels of individual compensation for SFH's three main subsidiaries' representative directors. It also engaged in considering a review of the indicators for the results-linked portion.
Meetings held and the average attendance rate (FY2019)	Five times 93%

Audit & Supervisory Board

Chairperson	Yasuyuki Hayase (Outside Audit & Supervisory Board Member)
Composition	Majority are outside audit & supervisory board members
Main roles	The Audit & Supervisory Board, an organization independent from the Board of Directors, audits the suitability and appropriateness of directors' performance of their duties by calling for business reports of the Group companies based on laws and regulations, surveying their operational and financial status, and exercising their right to appoint and dismiss the independent auditors.
Operational status, topics (FY2019)	The Audit & Supervisory Board received reports on directors' performance of their duties, including their business management of the Group companies. Primarily, they confirmed the status of development and operation of the Group's internal control structure and made suggestions, as appropriate.
Meetings held and the average attendance rate (FY2019)	17 times 98%

Profiles of Directors and Audit & Supervisory Board Members (As of July 1, 2020)

Directors



Masashi Oka

President & CEO, Representative Director

Executive Duties

Main concurrent positions

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

Status of attendance

Attended all 13 meetings of the Board of Directors and all 5 meetings of the Compensation Advisory Committee

Length of service in office

One year

Biography

He has many years of business experience at a major financial institution, and also has a high level of insight on corporate management gained through serving as CEO for the Americas of that institution and CFO of a global technology company. He had served as Outside Director of SFH since June 2019.



Hiroaki Kiyomiya

Managing Director

Executive Duties

Main concurrent positions

- Director, Sony Life Insurance Co., Ltd.
- Director, Sony Assurance Inc.
- Director, Sony Bank Inc.

Status of attendance

Attended all 17 meetings of the Board of Directors

Length of service in office

Five years

Biography

He was in charge of actuarial affairs, accounting and investment management, and others at Sony Life Insurance Co., Ltd. for many years. He has been involved in management as Managing Director of SFH since June 2015.



Hiroyuki Tsubota

Director

Executive Duties

Main concurrent positions

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

Status of attendance

—

Length of service in office

—

Biography

He was in charge of human resources, corporate strategy, and others of Sony Corp. and Sony Group companies in Japan and overseas for many years. He has been involved in management as Executive Officer of SFH since January 2020.



Hiroki Totoki

Director

Main concurrent positions

- Director, Executive Deputy President, CFO, Representative Corporate Executive Officer, Sony Corporation
- Director, Recruit Holdings Co., Ltd.

Status of attendance

Attended 10 out of 13 meetings of the Board of Directors

Length of service in office

One year

Biography

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



Shiro Kambe

Director

Main concurrent positions

- Senior Executive Vice President, Corporate Executive Officer, Sony Corporation

Status of attendance

Attended 13 out of 17 meetings of the Board of Directors and all 5 meetings of the Nomination Advisory Committee

Length of service in office

Five years

Biography

He was in charge of legal, compliance, corporate communications and CSR, and others of Sony Corp. for many years. He has been involved in management as Corporate Executive Officer of Sony Corp. since June 2014.



Naomi Matsuoka

Director

Main concurrent positions

- Senior Vice President, Sony Corporation

Status of attendance

Attended 11 out of 13 meetings of the Board of Directors

Length of service in office

One year

Biography

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

Directors



Shiro Kuniya*

Director

Outside Officer Independent Officer

Main concurrent positions

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

Status of attendance

Attended 16 out of 17 meetings of the Board of Directors, all 5 meetings of the Nomination Advisory Committee, and 4 out of 5 meetings of the Compensation Advisory Committee

Length of service in office

Seven years

Reason for appointment

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



Takatoshi Ito*

Director

Outside Officer Independent Officer

Main concurrent positions

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

Status of attendance

Attended all 17 meetings of the Board of Directors

Length of service in office

Two years

Reason for appointment

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



Shogo Ikeuchi*

Director

Outside Officer Independent Officer

Main concurrent positions

- Advisor, Recruit Holdings Co., Ltd.

Status of attendance

Attended all 13 meetings of the Board of Directors and 3 out of 4 meetings of the Nomination Advisory Committee

Length of service in office

One year

Reason for appointment

He has many years of experience in promoting new business development and overseas expansion at a global company, and has a high level of insight on corporate management gained through serving as head in charge of corporate planning and human resources.



Kaoru Takahashi*

Director

Outside Officer Independent Officer

Main concurrent positions

- Director, Hulic Co., Ltd.

Status of attendance

—

Length of service in office

—

Reason for appointment

He has many years of business experience in a major P&C insurance group, and has a high level of insight on corporate management gained through serving as President and Chief Executive Officer of the group's life insurance company.

Audit & Supervisory Board Members



Yasuyuki Hayase*

Standing Audit & Supervisory Board Member

Outside Officer Independent Officer

Main concurrent positions

- Audit & Supervisory Board Member, Sony Life Insurance Co., Ltd.
- Audit & Supervisory Board Member, Sony Assurance Inc.
- Audit & Supervisory Board Member, Sony Bank Inc.

Status of attendance

Attended all 17 meetings of the Board of Directors and all 17 meetings of the Audit & Supervisory Board

Length of service in office

Five years

Reason for appointment

He has many years of business experience at a financial institution.



Hirotohi Korenaga

Audit & Supervisory Board Member

Main concurrent positions

- Senior Vice President, Sony Corporation

Status of attendance

Attended 13 out of 17 meetings of the Board of Directors and 16 out of 17 meetings of the Audit & Supervisory Board

Length of service in office

Seven years

Biography

He has been working in accounting for many years within the Sony Group. He has concurrently served as SFH's Audit & Supervisory Board Member since June 2013.



Yoshimichi Makiyama*

Audit & Supervisory Board Member

Outside Officer Independent Officer

Main concurrent positions

- Partner, Ripple Partners (law office)
- Director, Filmination Co., Ltd.

Status of attendance

Attended 16 out of 17 meetings of the Board of Directors and all 17 meetings of the Audit & Supervisory Board

Length of service in office

Five years

Reason for appointment

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

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

• Directors appointed as of June 23, 2020: Hiroyuki Tsubota and Kaoru Takahashi

• Directors who retired as of June 23, 2020: Shigeru Ishii and Yutaka Ito

• The status of attendance at the meetings of the Board of Directors, the Audit & Supervisory Board, the Nomination Advisory Committee and the Compensation Advisory Committee are the results for fiscal 2019

• The status of attendance of Hiroki Totoki, Naomi Matsuoka, Masashi Oka and Shogo Ikeuchi are for the meetings of the Board of Directors held after their appointment as Directors of SFH in June 2019

• The length of service in office is as of the General Meeting of Shareholders held on June 23, 2020

About the Board of Directors

Board of Directors

Nomination Advisory Committee

Aiming for sustainable enhancement of SFG's corporate value, SFH has welcomed a new management leader, with in-depth understanding of the global finance business and extensive management experience across industry borders, to strengthen the management structure.

Under this new leader, SFH's Board of Directors, composed of SFH's senior management, outside directors, and senior management from Sony Corp., will continue to promote the further growth of each business, as well as aiming to strengthen governance of SFG as a whole, and realize further synergies.

We have four independent outside directors* (one-third or more of the Board of Directors) and have appointed a female director, thereby increasing the diversity of the Board of Directors and enhancing its effectiveness, in order to strengthen its supervisory function and gain comprehensive advice on SFG's management.

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

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

►P92 Relationship with Parent Company, Sony Corp.

(Appointment and Dismissal of Directors)

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

■ Appointment of the President & CEO, Representative Director

Regarding the appointment of a successor to lead management, SFH resolved internally to select Masashi Oka as the next President & CEO, Representative Director as a result of consideration by the Board of Directors, after receiving a report concerning deliberations on the candidates by the Nomination Advisory Committee in response to inquiries by the Board of Directors. Masashi Oka possesses the three elements necessary for SFG's future: "finance," "customer perspective" and "technology." He combines these with extensive experience and insight into corporate transformation. For these reasons, he has been judged an appropriate person to lead management of SFG's diverse businesses.

(Director and Audit & Supervisory Board Member Training)

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

■ Example of an Initiative in Fiscal 2019

From November 2019 to February 2020, we arranged opportunities for SFH's directors and audit & supervisory board members to carry out on-site inspections of the business facilities of each company in the Sony Financial Group.



Inspection of provisional screening for mortgage loans using AI at Sony Bank

► "Basic Policy on Corporate Governance," and "Basic Policy on Establishing an Internal Control System" on SFH's website, <https://www.sonyfh.co.jp/en/sustainability/governance.html>

►P1 Sony Financial Group Mission, Vision & Values

►P92 Relationship with Parent Company, Sony Corporation

Evaluation of Effectiveness of the Board of Directors (FY 2019)

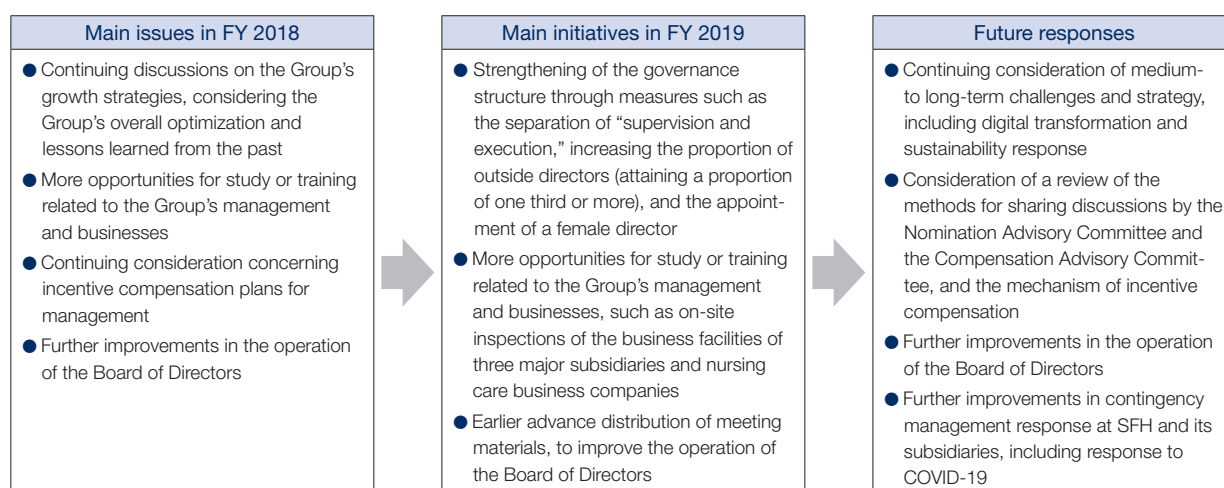
Board of Directors

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

Evaluation outline and process

- Outline: An independent third-party evaluation company assessed the effectiveness of the Board of Directors with a questionnaire given to all directors and audit & supervisory board members.
- Question items:
 - "Composition and operation of the Board of Directors," "Management and business strategies," "Corporate ethics and risk management," "Evaluation and compensation of management," "Matters related organizational and business restructuring," "Dialogue with shareholders and others," and "Self-evaluations." In addition, an evaluation was conducted regarding responses to items that were raised as issues in the previous year's evaluation of effectiveness.
- Evaluation results:
 - As in fiscal 2018, a high level of effectiveness has been achieved.
 - The governance structure has been further strengthened by measures implemented last year, such as the separation of "supervision and execution," increasing the proportion of outside directors (attaining a proportion of one third or more), and the appointment of a female director.
 - As SFH is a listed subsidiary, the Board of Directors recognizes minority shareholder protection and arm's-length rules. In decision-making and information management, the board has continued to ensure management independence from Parent Company and conduct sufficient management with a high degree of fairness and transparency.
 - The Board of Directors endeavors to obtain and understand the details of its meeting agenda and other information in advance. The Board of Directors strives to contribute to its own decision-making and supervision. Furthermore, the Board of Directors has sufficient knowledge regarding the various laws, regulations and rules related to SFG, SFH responsibilities and duties as a listed company, and corporate governance.

Status of major improvements based on the evaluation of effectiveness of the Board of Directors



Policy for Determining Compensation

Board of Directors

Compensation Advisory Committee

SFH sets the "Policy for Determining the Compensation of Directors" and the "Policy for Determining the Compensation of Audit & Supervisory Board Members." SFH has also created the "Compensation Advisory Committee Regulations" and established the Compensation Advisory Committee (please see page 29) as its deliberative body.

Basic policy

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

Process

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

Compensation structure

- Executive directors: Compensation comprises a fixed portion depending on the position, a results-linked portion depending on the entire SFG's performance and individual responsibilities, and a medium- to long-term incentive portion in the form of a stock compensation.

〈Fixed portion〉 As an executive's level of seniority increases, the fixed portion decreases as a percentage of annual compensation, while the results-linked portion makes up a growing percentage (Fixed portion: 62%-71%; Results-linked portion: 38%-29%).

〈Results-linked portion〉 The results-linked portion can range from 0% to 200% of the standard amount (100%) (The result for fiscal 2019: 116%). Indicators for the results-linked portion include meeting expectations and earning the trust of all stakeholders by realizing sustainable growth of SFG and increasing corporate value over the medium to long term, as measured by quantitative indicators (consolidated performance results and key performance results at the Group companies compared with planned levels) and qualitative indicators (strengthening of the internal control and the Group's foundation and medium- to long-term growth strategy). The Compensation Advisory Committee confirms the calculation results of the results-linked portion based on indicators, and reports the amount of compensation for individual executive directors to the Board of Directors.

Indicators for the results-linked portion

	Indicator	Weight	Plan	Actual
Quantitative	Consolidated ordinary profit vs. plan	30%	¥98.4 billion	¥111.8 billion
	Consolidated adjusted ROE vs. plan	20%	5.8%(~6.0%)	5.3%
	Business volume at main three subsidiaries* vs. plan	20%	—	—
Qualitative	Internal control / strengthening of the foundation Medium- to long-term growth strategy	30%	—	—

* Business volume at main three subsidiaries

Company	Indicator	Weight	Plan	Actual
Sony Life	Policy amount in force vs. plan	70%	¥52 trillion	¥51.4 trillion
Sony Assurance	Net premiums written vs. plan	15%	¥119.5 billion	¥119.3 billion
Sony Bank	Retail balance vs. plan	15%	¥4.5 trillion	¥4.5 trillion

〈Medium- to long-term incentive portion〉 The medium- to long-term incentive portion, which accounts for approximately 20% of total annual compensation, comprises restricted stock compensation, which has a restriction on transfer for a certain period following acquisition, and stock-type compensation stock options, which can be exercised following retirement.

- Outside directors: A fixed amount is paid according to the role.
- Audit & supervisory board members: A fixed amount is paid according to the role of standing audit & supervisory board members and non-standing audit & supervisory board members.

Graphs representing the compensation structure

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

President, Representative Director



Directors (excluding Representative Director)



Directors (outside)



Compensation for SFH's Directors and Audit & Supervisory Board Members for Fiscal 2019*1

	Total amount of compensation (Millions of yen)	Total amount by compensation category (Millions of yen)*2				Number of payees
		Fixed compensation	Results-linked compensation	Stock options	Restricted stock compensation	
Directors (internal)	187	95	53	31	7	3
Directors (outside)	37	37	—	—	—	5
Audit & Supervisory Board Members (internal)	—	—	—	—	—	—
Audit & Supervisory Board Members (outside)	31	31	—	—	—	2
Total	256	163	53	31	7	10

*1 Compensation refers to compensation, bonuses and other financial benefits received from SFH in consideration of execution of duties

*2 Compensation categories refer to fixed compensation, results-linked compensation, stock options, restricted stock compensation, and bonuses and others. SFH has not paid bonuses as compensation for directors and audit & supervisory board members prior to and including fiscal 2019

Messages from an Outside Director



New Initiatives Aimed at SFG's Next Stage of Growth

We interviewed Director Ikeuchi, who has experience in new business development and overseas expansion, about the challenges that SFG faces in promoting new initiatives for the next stage of its growth, and the nature of overseas expansion and M&A activity in response to these challenges.

Shogo Ikeuchi
Outside Director

Q You have many years of experience in corporate planning and overseas business development in the Recruit Group. How do you view the finance industry in the current challenging environment, in the context of various factors such as the economic environment and demographic changes?

A The finance industry is experiencing structural change, such as population decline, aging population and declining birthrate, in the context of persistently low interest rates. While the market itself continues to shrink, I think that technologies such as Fintech, including digitalization and the evolution of AI, will bring about great change in the finance business. The magnitude of this change is enormous, when considered over the space of a decade, and I feel that it will necessitate full-scale collaboration with industries we have not worked with before as well as venture companies and others. I think that it may be necessary to incorporate, far beyond such initiatives as implemented in Dejima, Nagasaki, businesses from totally different ecosystems into the SFG.

Q A movement towards overseas expansion is continuing, in the finance industry as elsewhere, in response to the shrinking domestic markets in Japan, caused by an aging population and declining birthrates, and a decreasing population. SFG has attempted several overseas expansions in the past. What do you consider to be the factors that define success or failure of overseas expansion in the finance industry?

A In order to accomplish overseas expansion, it is necessary to clarify what it is that SFG really wants to achieve: its purpose and goals. I think that the lack of clear objectives may be the reason why many Japanese companies have produced lackluster results from overseas expansion. First of all, it is necessary for us, as managements, to have a clear idea of the kind of company we want to be 10 or 20 years down the road, and why. Without clarifying this, I don't

think that we can really expect to gain any great benefit from taking the challenge to expand overseas. For example, I think that we need a clear and definite vision of who we want to target, what new value we will create, and what kind of services and products we will provide in the global market for life insurance in 2040. If we want to build an overwhelming competitive advantage in technology-driven products and services, we will require world-class engineers, to implement product development methods that may differ completely from our present methods. In this case, the whole nature of management itself may be transformed into something new.

Q Seeking means to grow through M&A activities in Japan and overseas is an important option in terms of management strategy. However, due to issues such as the selection of acquisition targets and the acquisition process, the chance of success is quite low, and it is said that only 20–30% of such acquisitions succeed. On the other hand, there is a growing awareness of the importance of PMI*¹ after acquisition rather than before acquisition. Please tell us if there was anything in particular you aimed for through the M&A process.

A I myself have experienced quite a number of failures, and there are several things that I have learned from them. 1) I have utilized a “two-step approach,” where a small, minority investment is initially made in the M&A target, allowing the acquirer to evaluate value improvement in the context of the M&A target’s business operations, and proceed to a 100% acquisition only where specific, quantitative results can be observed. This stepped investment enables the acquirer to confirm the accuracy of value improvement, and reduce its impairment risk. 2) Another effective method is to first create CVC,*² invest in a venture company with advanced technology and a new business model, work together with the management team until you are completely confident in the investment, before acquiring 100% stake in the company. This method, however, depends on the overwhelming autonomy and involvement of existing business divisions in order to succeed. 3) I regard it as vital that the person envisaging the M&A strategy and planning the acquisition must be the same person responsible for PMI after acquisition. In other words, it is not possible to overcome the various conflict that arise after acquisition if the officer in charge does not have an overwhelming sense of purpose and a strong commitment to see the matter through from beginning to end.

*1 Post-merger integration

*2 Corporate venture capital

Q Director Ikeuchi, you oversaw the successful acquisition by the Recruit Group of a technology-focused job information company in the U.S. What are the important aspects of implementing governance for the acquired company? Also, what are the important issues in SFG’s consideration of growth strategies, such as overseas expansion?

A I think that the most important issue is whether or not consensus has actually been achieved with the acquisition target regarding the long-term vision. We engage in thorough discussions with the target’s management team regarding what we aim to achieve, and what values are important to us. If these aspects are left ambiguous, then there is a risk that we will discover after the event that we have each been working towards different objectives. If we are able to share the same clear vision, then all that is left is to establish and monitor a small number of KPIs. As a rule, I do not interfere with business operations or personnel authority. If the company continually falls short of the KPIs, then it is time for a management change.

I feel that the establishment of priority-driven, long-term growth scenarios is the first task for SFG’s management. It is necessary to determine one or two substantial management agenda that we really want to achieve during the next decade. I also think it is important to evolve into a management structure and executory structure that enable concrete achievement of these growth scenarios. I have a strong impression of “Sony as a trailblazer of innovation.” I believe that SFG has the will and the ability to innovate itself significantly during the next decade. I would like to use my own ability as an outside director to participate in this innovation.

Customer-first Business Operation Policy (Summary)

Based on its vision and philosophy, SFG pursues business operations from a customer-first perspective.

SFH has clarified this initiative as its “customer-first business operation policy,” and Sony Life, Sony Assurance and Sony Bank will each go further to establish business operation policies fine-tuned to respective activities.

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

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

Adoption of Japan's Stewardship Code

Sony Life

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

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

Risk Governance

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

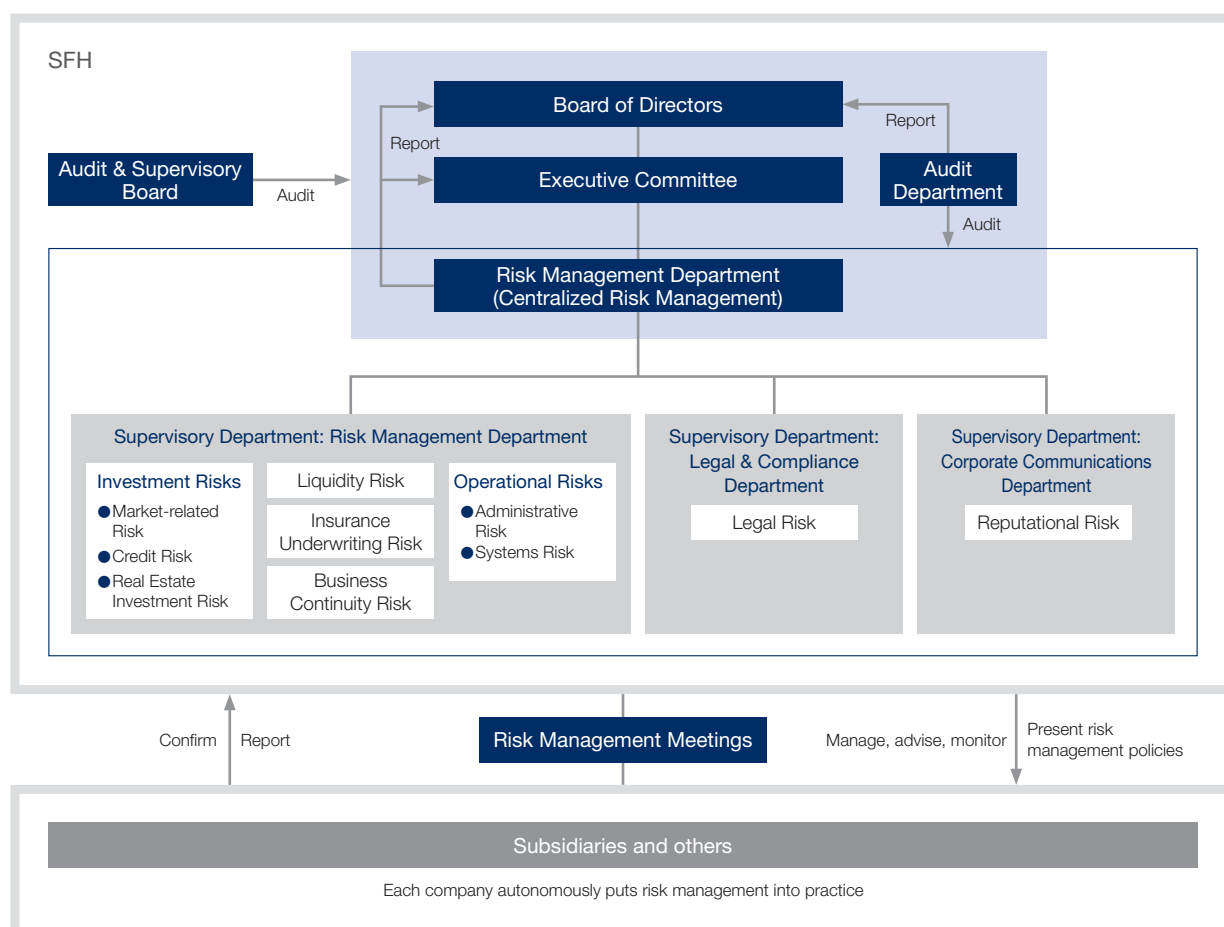
► "Risk Management" on SFH's website, https://www.sonyfh.co.jp/en/sustainability/risk_management.html

Approach to Risk Management by SFH and Group Companies

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

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

Risk Management Structure of SFG (As of July 1, 2020)



Group ERM

SFG has introduced its ERM framework.

► P14 Strategy and Review, Sony Financial Group

Contingency Management System

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

Overview of Types and Definitions of Risks

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

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

Initiatives on Cyber Security

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

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

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

Characteristics of the IT Environment

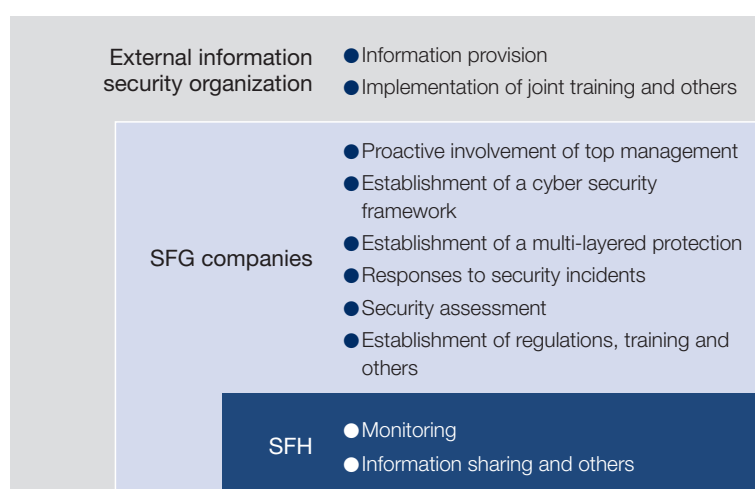
SFG has diverse functions, and each Group company has a different business model according to its business category. The IT-system of each Group company has established an independent optimal environment, in accordance with its business model.

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

Development of Cyber Security System –CSIRT*

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

* Computer Security Incident Response Team



Privacy Policy

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

► “Privacy Policy” on SFH's website, https://www.sonyfh.co.jp/en/privacy_policy/public.html

Compliance

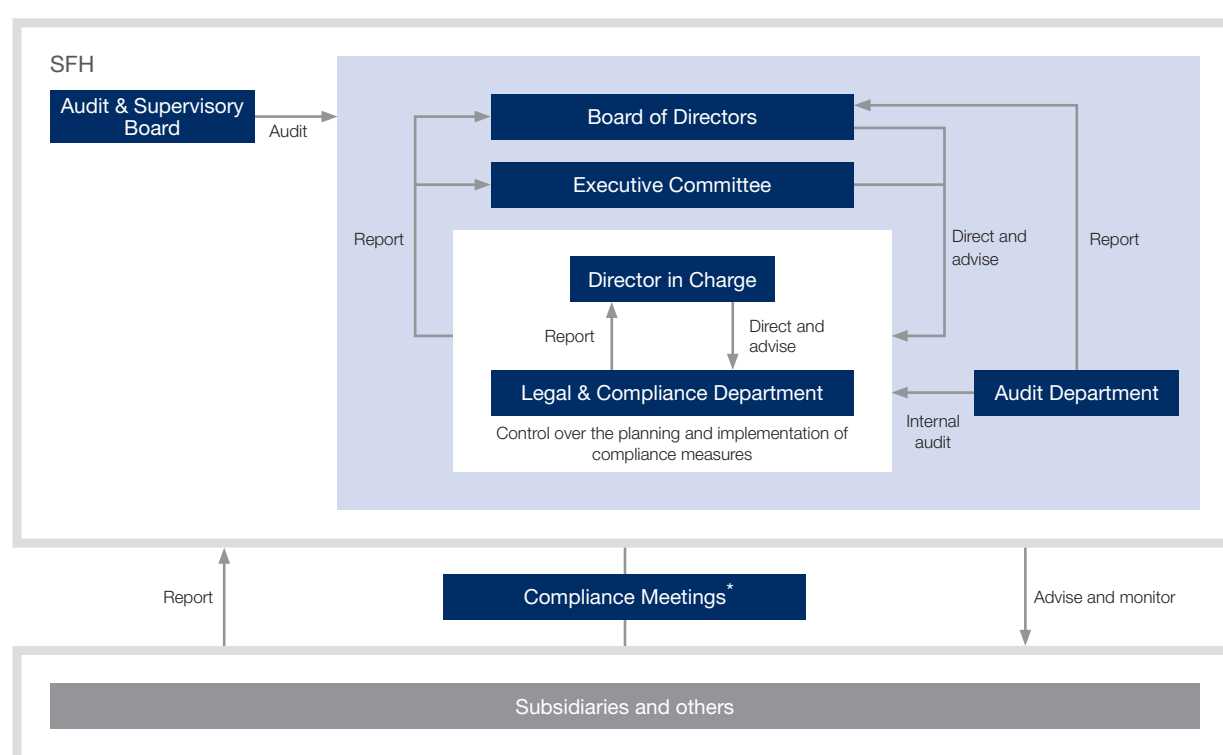
Basic Stance on Compliance

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

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

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

Compliance System of SFG (As of July 1, 2020)



* Held biannually for the purpose of confirming the status of compliance promotion at SFG companies

It is composed of directors and general managers, etc. in charge of compliance at each SFG company, and reports on the results of important discussions to the Board of Directors

Compliance Activities at SFG

SFH has established “the Sony Financial Group Code of Conduct” (hereinafter referred to as the “SFG Code of Conduct”) that all executives and employees must observe. In addition, SFH's Board of Directors is responsible for establishing and maintaining SFH's compliance system by formulating a Compliance Manual*¹ and a Compliance Program*², as well as working proactively to ensure its proper operation.

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

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

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

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

Specific Initiatives for Thorough Compliance

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

■ Primary domains of focus of compliance initiatives

- Fostering an ethical corporate culture
- Internal hotline system
- Information security
- Personal information protection
- Fair competition
- Prevention of bribery and corruption
- Proper conduct in the workplace
(Prevention of harassment, respect for human rights, and others.)
- Anti-money laundering and countering financing of terrorism
- Eradication of anti-social forces
- Prevention of insider trading
- Appropriate management of conflicts of interest with customers

Internal Hotline System

If executives and employees of SFG, as well as temporary employees and the employees of business partners, think that business policies, operating activities or other activities of the companies breach (or could breach) applicable laws and regulations, they can report their concerns by choosing and notifying either hotline desk at SFH or at their own Sony Financial Group company, or the Sony Group hotline desk. A total of 64 reports were received by the hotline desk at SFH and Group companies in fiscal 2019, the majority of them related to the workplace environment, the organization's management and the course of business operations. SFH implements appropriate measures to protect those who contact these desks, while strictly managing and responding to the information provided.

Anti-money Laundering and Countering Financing of Terrorism

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

Basic Group Policy on Eradicating Anti-social Forces

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

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

Prevention of Insider Trading

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

Conflicts of Interest Policy (Summary)

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

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

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

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

Human Resources Respecting Diversity

Approach to Human Resources Management

SFG regards human resources management as one of the most significant challenges for management, in order to accomplish sustainable corporate growth in this dramatically-changing business environment, with demographic changes and the rapid progress of technological innovation. SFG strives to foster an organizational culture that supports a spirit of freedom and open-mindedness, and create an organizational structure where diverse, self-disciplined employees can actively work with motivation. It believes that the personal growth of each employee enables the development and provision of products and services that meet the increasingly diverse needs of society, and will contribute to stakeholders and lead to sustainable growth for SFG. In addition, SFG facilitates personnel exchanges and joint training among Group companies to create synergies for the Group. To this end, SFG conducts annual Employee Opinion Surveys to gauge the awareness and opinions of employees, and grasp the characteristics of each company, disparities in their employees' awareness, and issues of the entire Group. The causes are analyzed, and improvement measures implemented.

Initiative 1 Initiatives for Human Resource Development

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

Example of Initiatives at Sony Life

Lifeplanner sales employees at Sony Life, who account for nearly half of the employees of SFG, take a three-year B.T.P. (Basic Training Program) to develop the customer-first attitude and knowledge, skills and conduct required of a professional Lifeplanner sales employee. This B.T.P. is designed to nurture Lifeplanner sales employees to listen to their customers' cherished thoughts, propose reasonable life insurance to safely protect them at all times, and provide life-long support through high-quality services, even after the contract has been executed. Going forward, we will work to increase the quality of our new employees through strict selection of recruits by strengthening the recruitment process. We will also endeavor to strengthen and enhance education and training, including initial training, through the provision of environments for continual learning such as the introduction of online education, and the monitoring of education and training environments at branch offices.

Example of Initiatives at Sony Assurance

At Sony Assurance, we have established an inter-workplace exchange program, where employees limited to specific areas can apply, in response to internal job application, to be transferred to another area temporarily, and an in-house job challenge program, where employees can apply to be transferred to another division. By providing employees with experience at new workplaces, we aim to increase their career awareness and motivation, and to revitalize the divisions that receive them through personnel exchange.

Example of Initiatives at Sony Bank

At Sony Bank, we have implemented a Data Science Boot Camp, where new recruits participate together with senior employees, in order to foster a data-driven corporate culture, and respond to diverse customer needs. We are working to develop human resources who can leverage data science, through study meetings, group work, and presentations held all through the year. We also hold monthly study meetings for all employees, aimed at building opportunities for fellowship and sharing knowledge, where employees share their diverse knowledge and skills, and exchange opinions on products and services.



Data Science Boot Camp



Study meeting for all employees

Initiative 2 Diversity

Policy on Diversity

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

Specific Measures

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

1. Promotion of women's empowerment

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

Percentage of females in management positions*

FY2018		FY2019
12.4%	➔	12.7%

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

Example of Initiatives at Sony Life

At Sony Life, we have implemented roundtable discussions for returning employees, where employees who are returning to work after childcare leave can gather to share information, as well as their anxieties and strategies for balancing work and childcare, together with other employees who have already been through the same experience. The roundtable discussions provide a new forum for exchange between returning employees.



Roundtable discussion for returning employees from child-care leave

Example of Initiatives at Sony Bank

At Sony Bank, we have held Unconscious Bias Seminars for all employees, where they could learn about the meaning of unconscious bias, the harmful effects of bias on communication, and basic rules of conduct, through lectures by experts as well as group work. Many employees have expressed their empathy with the issue.

2. Support for employees to continue working

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

Example of Initiatives at Sony Assurance

At Sony Assurance, we have introduced a re-employment system, to re-employ former employees who have retired due to marriage, childbirth, childcare, nursing care, or a spouse's job relocation, and a workplace transfer system, where employees limited to a specific area can apply to change job positions to another area. We support employees with the desire and ability to continue to work for even longer.

3. Employment of people with disabilities

SFG has been actively promoting the employment of people with disabilities, and such employees are actively working in various fields.

Example of Initiatives at Sony Life

At Sony Life, we have established a special subsidiary, Sony Life Business Partners. Based on the vision "for a future where people with disabilities can shine in their own way," this subsidiary aims to ensure that employees always experience growth and fulfillment through work, by encouraging them to respect each others' individuality, make full use of and extend their abilities, and be imaginative and creative. Sony Life Business Partners is steadily taking on new operations in addition to existing operations, which consists primarily of printing, filing, and data entry contracted out by each department of Sony Life, and is contributing to the productivity improvement of the entire company. It also stimulates communication between people with disabilities and employees at each workplace, promoting understanding.



Sony Life Business Partners:
Employees engaged in data entry at a
communal working desk

Initiative 3 Work-life Balance

Policy on Work-life Balance

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

Specific Measures

1. Expanding flexible workstyles and vacation leaves, and promoting the acquisition of vacation leaves

SFG has introduced flexible working hours whereby employees set their own start and finish times according to busy and slow times at work, and several Group companies have abolished core time (times of day when employees must be at work) and are actively promoting a flexible working style, according to their circumstances. We have expanded vacation leave programs by providing accumulated vacation leave and special vacation leave programs, in addition to an annual vacation leave program, and are encouraging the acquisition of annual vacation leave for a five-day continuous period, in order to enhance employees' work-life balance.

Percentage of annual vacation leave acquired*

FY2018		FY2019
64.2%	➔	70.0%

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

2. Telecommuting and mobile work

SFG is promoting the introduction and expansion of telecommuting and mobile work systems, and supporting all of its employees to secure the time to enrich their lives while improving their work productivity, by expanding the range of eligible employees, diversifying work locations, and facilitating more efficient allocation of time through flexible working hours.

3. Initiatives for reducing overtime work

SFG strives to ensure appropriate working times, initiating regular communication from human resources divisions to departments with high workloads, confirming appropriate numbers of employees and requesting reviews of work allocation.

Average monthly overtime per employee*

FY2018		FY2019
21.12 hours	➔	19.64 hours

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

Example of Initiatives at Sony Life

Sony Life has designated every Wednesday as a work-life balance day, ensuring that employees leave work on time through announcements from an executive to encourage them to go home, and turning off floor lights to make it customary to finish work on time. Approximately 90% of employees go home by 6:30 pm on work-life balance days.

Communication with Stakeholders

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

Initiatives for Stakeholder Engagement

Customers	<p>At SFG, feedback received from its customers in various situations is compiled and analyzed by divisions in charge of promoting customer satisfaction and raising quality. This feedback is shared with each division within the Group and reported to management, and used to make recommendations on operational improvements and product and service enhancements.</p> <p>▶ “Responsibility to Customers” on SFH’s website, https://www.sonyfh.co.jp/en/sustainability/stakeholder/customer.html</p> <p>▶ P38 Customer-first Business Operation Policy (Summary)</p>
Shareholders and investors	<p>We share opinions obtained through dialogue with shareholders and other investors with top management and utilize them in developing management strategies. Top management also participates actively in dialogue with shareholders and other investors in an effort to further enhance corporate value.</p> <p>▶ P48 Dialogue with Shareholders and Investors</p>
Employees	<p>By creating workplaces that allow diverse employees to work comfortably, through measures such as the implementation of Employee Opinion Surveys (EOS) and providing personnel training from a medium- to long-term perspective, we generate new value from diverse perspectives and aim to enhance of corporate value.</p> <p>▶ “Human Resources Development” on SFH’s website, https://www.sonyfh.co.jp/en/sustainability/stakeholder/employee.html</p> <p>▶ P44 Human Resources Respecting Diversity</p>
Business partners	<p>We seek to promote fair and equitable transactions with business partners, including insurance agencies and alliance partners. We also provide education programs. Through these activities, we aim to achieve corporate value enhancement for both SFG and its business partners.</p> <p>▶ “Activities with Business Partners” on SFH’s website, https://www.sonyfh.co.jp/en/sustainability/stakeholder/business_partner.html</p>
Local communities/Environment	<p>We strive to contribute to realizing a sustainable society and environment through our business activities and social contribution activities.</p> <p>▶ “Activities with Local Communities” on SFH’s website, https://www.sonyfh.co.jp/en/sustainability/stakeholder/community.html</p> <p>▶ “Environmental Initiatives” on SFH’s website, https://www.sonyfh.co.jp/en/sustainability/stakeholder/eco.html</p> <p>▶ P49 Environmental Protection</p>

▶ “Approach to Sustainability” on SFH’s website, <https://www.sonyfh.co.jp/en/sustainability/approach.html>

Dialogue with Shareholders and Investors

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

Investor Relations (IR) Initiatives in Fiscal 2019

- Earnings briefings (teleconferences with institutional investors and analysts) Four times
- Corporate strategy meeting One time
- Individual meetings with institutional investors and analysts.....Approx. 130 (ESG meetings Two times)
- Overseas IR meetings (UK, USA, Hong Kong, Singapore) Total Three times
- Briefings for individual investors Six times
- Small meetings for institutional investors and analysts Three times

Facilitating the Exercise of Voting Rights

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

Environmental Protection

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

SFG's Policy on Environmental Initiatives

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

Initiatives for the "One Blue Ocean Project"

SFG participates in the "One Blue Ocean Project," a project involving the whole Sony Group to continually address the issue of ocean plastics pollution, and is engaged in the following activities.

■ Usage reduction

- Reduce or eliminate the use of disposable plastics at kiosks, automatic vending machines and meeting rooms on the company premises
- Reduce the use of plastic products in offices, and actively use recycled materials

■ Collection and cleaning

- Clean-up activities at rivers, coastlines and in the community

Use of Green Power

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



In this way, each Group company contributes to the wider use of natural sources of power such as solar and wind power, geothermal power, and biomass. In fiscal 2019, SFG as a whole purchased green certificates (heat) and green certificates (biomass) equivalent to 1,444t-CO₂.

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

Acquisition of ISO14001 Certification

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

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

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

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

Sony Life has adopted paperless application procedures that enable customers to use electronic signatures to complete contract application procedures as well as various post-contract procedures. In addition, Sony Life has reduced the use of paper through the promotion of online guidance of contract term and conditions.

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

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

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

■ Total electricity consumption FY2019 **4,903.0**MWh ■ Total CO₂ emissions (equivalent value) FY2019 **880.80**t-CO₂

* Includes the head office of Sony Life, Sony Assurance, head office of Sony Bank, and CONSULTING PLAZA

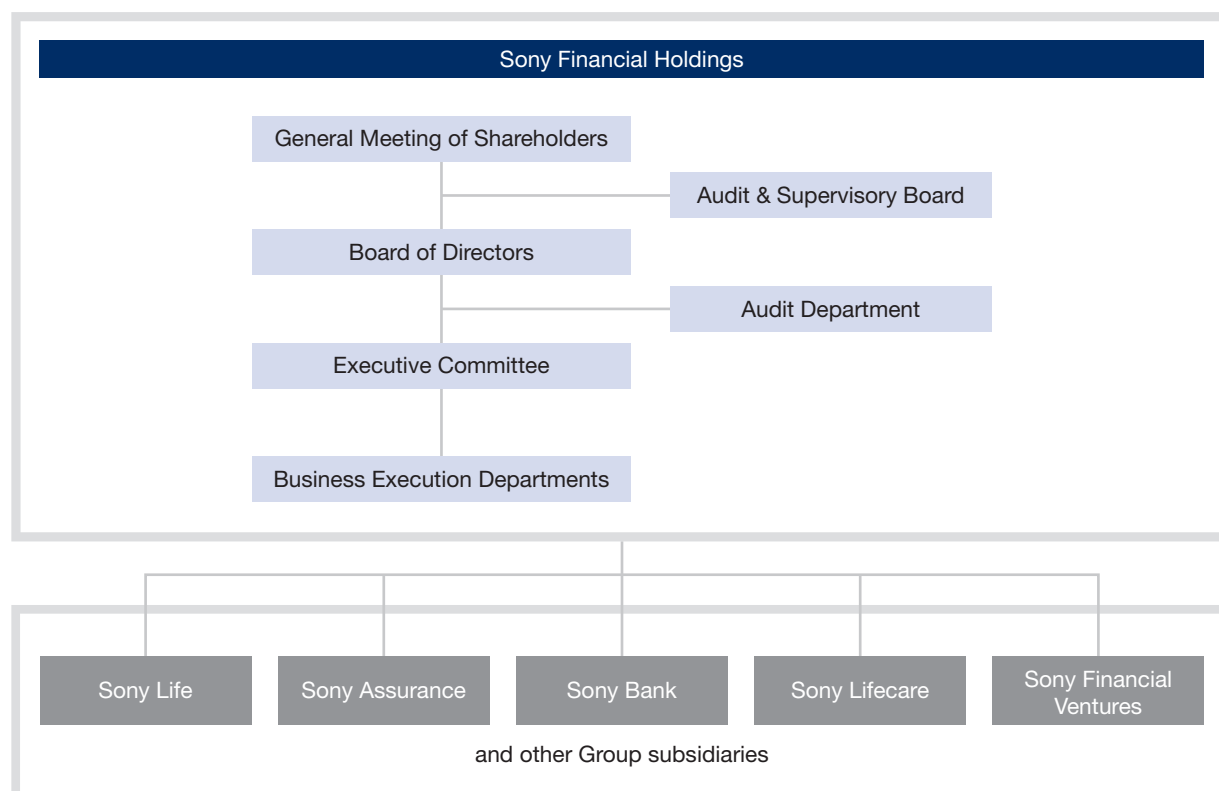
Corporate Profile (As of March 31, 2020)

Name	Sony Financial Holdings Inc.
Established	April 1, 2004
Head office	1-9-2, Otemachi, Chiyoda-ku, Tokyo, Japan
Business	Management control of subsidiaries (life insurance companies, non-life insurance companies, banks and others) specified by the Insurance Business Act of Japan and the Banking Act of Japan and all duties incidental to that role
Number of employees	SFH: 84 (Consolidated: 11,487, Life insurance business: 8,739, Non-life insurance business: 1,347, Banking business: 644, Others: 690, Parent: 67)
Common stock	¥19,994 million

Notes: 1. The number of employees of SFH includes 9 belonging to the life insurance business, 1 belonging to the non-life insurance business, 7 belonging to the banking business, and 67 belonging to the parent

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

Organizational Chart



Profiles of Group Companies (Main subsidiaries) (As of July 1, 2020)

Life Insurance Business

Name	Established	Head office	Business	Common stock (Millions of yen)	Share ownership
Sony Life Insurance Co., Ltd.	August 10, 1979	Chiyoda-ku, Tokyo, Japan	Life insurance business	70,000	Sony Financial Holdings Inc. 100%
— Sony Life With Insurance Co., Ltd.	August 29, 2007	Shibuya-ku, Tokyo, Japan	Life insurance business	21,500	Sony Life Insurance Co., Ltd. 100%
— SA Reinsurance Ltd.	October 29, 2009	British Bermuda	Reinsurance business	15,900	Sony Life Insurance Co., Ltd. 100%

Non-life Insurance Business

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

Banking Business

Name	Established	Head office	Business	Common stock (Millions of yen)	Share ownership
Sony Bank Inc.	April 2, 2001	Chiyoda-ku, Tokyo, Japan	Banking business	31,000	Sony Financial Holdings Inc. 100%
— Sony Payment Services Inc.	September 1, 2006	Minato-ku, Tokyo, Japan	Credit card settlement services	488	Sony Bank Inc. 57%, Four other companies
— SmartLink Network Hong Kong Limited	February 27, 2013	Hong Kong, China	Credit card settlement services	13	Sony Payment Services Inc. 100%
— SmartLink Network Europe B.V.	August 1, 2019	Netherlands	Credit card settlement services	10	Sony Payment Services Inc. 100%

Nursing Care Business

Name	Established	Head office	Business	Common stock (Millions of yen)	Share ownership
Sony Lifecare Inc.	April 1, 2014	Shibuya-ku, Tokyo, Japan	Management control of companies handling the nursing care business, and other duties incidental to that role	2,625	Sony Financial Holdings Inc. 100%
— Lifecare Design Inc.	October 5, 1999	Shibuya-ku, Tokyo, Japan	Planning, development and operation of nursing care homes	2,295	Sony Lifecare Inc. 100%
— Proud Life Inc.	July 3, 2006	Yokohama, Kanagawa Prefecture, Japan	Management, operation and planning of nursing care homes	3	Sony Lifecare Inc. 100%

Other (Venture Capital Business)

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

Information on Common Stock, Shares Outstanding

Date	Increase in Issued Shares	Total Number of Shares Issued	Increase in Common Stock (Millions of yen)	Common Stock (Millions of yen)	Increase in Capital Surplus (Millions of yen)	Capital Surplus (Millions of yen)
April 1, 2019 – March 31, 2020	24,422	435,087,405	31	19,994	31	195,371

Note: Issue price and amount added to common stock for increases due to new shares issued as restricted stock compensation (third-party allocation) are as follows:
 Issue price: ¥2,564 per share
 Amount added to common stock: ¥1,282 per share

Stock Exchange Listing (As of March 31, 2020)

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

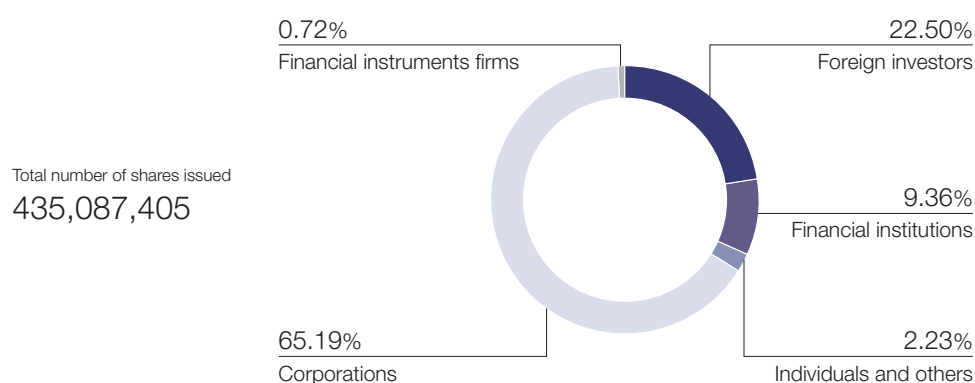
Major Shareholders (As of March 31, 2020)

Name	Number of Shares Held	Percentage of Ownership (excluding treasury stocks) (%)
Sony Corporation	283,050,000	65.06
JP MORGAN CHASE BANK 385632	21,698,728	4.98
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,255,200	3.27
SSBTC CLIENT OMNIBUS ACCOUNT	9,483,551	2.18
Japan Trustee Services Bank, Ltd. (Trust Account)	9,172,500	2.10
JP MORGAN CHASE BANK 385635	3,996,708	0.91
GOLDMAN, SACHS & CO. REG	3,545,322	0.81
THE BANK OF NEW YORK MELLON 140042	3,356,149	0.77
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,301,400	0.75
JP MORGAN CHASE BANK 385151	2,730,852	0.62

Notes: 1. Capital Research & Management Company reported in the Change Report Pertaining to Report of Possession of Large Volume it submitted on August 22, 2019 that, as of August 15, 2019, it owned 29,047,200 shares of SFH (6.68% of total number of shares issued). However, we did not include the firm's name among the Major Shareholders above as we could not confirm the beneficial share ownership as of March 31, 2020
 2. The tender offer for the shares and the stock acquisition rights of SFH as announced by Sony Corp. on May 19, 2020 was completed on July 13, 2020. As a result, Sony Corp. holds 406,626,238 shares of SFH (ratio of the number of shares held to the total number of issued shares (excluding treasury shares): 93.47%) as of July 20, 2020

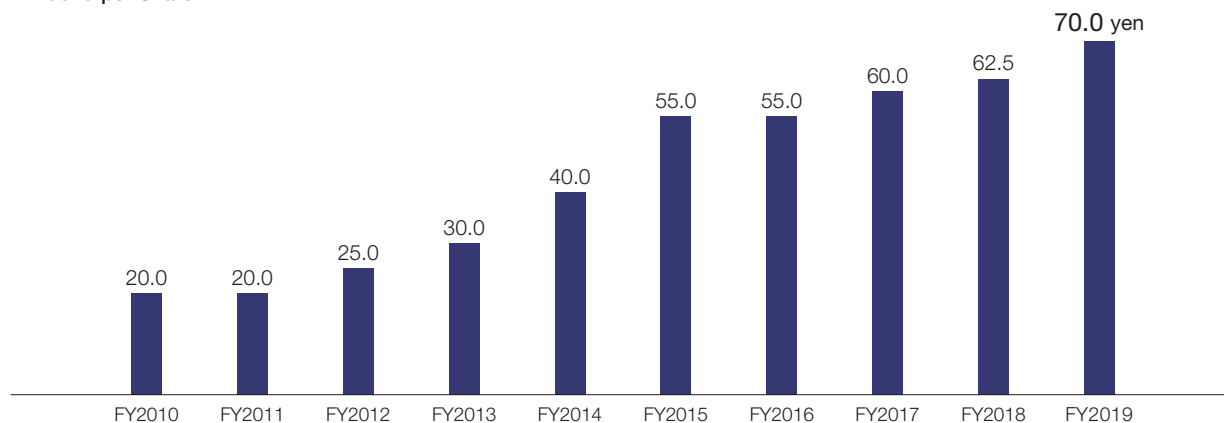
► P85 Significant subsequent event

Shareholding by Shareholder Type (As of March 31, 2020)



Dividends (As of June 23, 2020)

Dividend per Share



Notes: 1. Although a stock split was conducted during fiscal 2011, the dividend per share figures are calculated assuming that the stock split was conducted at the beginning of fiscal 2010
 2. SFH resolved at the meeting of its board of directors held on May 19, 2020 not to declare a dividend for the fiscal year ending March 2021 on the condition of the completion of the tender offer for the common shares and the stock acquisition rights of SFH conducted by Sony Corp. (the "Tender Offer"). As stated in the "Announcement Regarding the Result of Tender Offer for Shares, Etc. in Sony Financial Holdings Inc. by Sony Corporation, the Controlling Shareholder", dated July 14, 2020, SFH will not declare a dividend for the fiscal year ending March 2021 due to the completion of the Tender Offer on July 13, 2020

Total Shareholder Return

	FY2015 FY2016 FY2017 FY2018 FY2019				
	FY2015 FY2016 FY2017 FY2018 FY2019				
SFH	77.3	98.3	109.0	120.1	110.2
<Comparative indicator: TOPIX>	<87.3>	<98.0>	<111.2>	<103.1>	<90.9>

Share Price (As of June 30, 2020)



Review of Operations / Organizational Chart of Business Operations

Review of Operations

On a consolidated basis, ordinary revenues increased 9.3% year on year, to ¥1,781.4 billion, owing to increases in ordinary revenues from all the businesses: life insurance, non-life insurance and banking businesses. Ordinary profit increased 19.2% year on year, to ¥111.8 billion, owing to increases in ordinary profit from all the above businesses. Profit attributable to owners of the parent was up 19.9% year on year, to ¥74.4 billion.

Segment results are described below.

Life Insurance Business

Ordinary revenues increased 9.6% year on year, to ¥1,604.7 billion, due primarily to higher insurance premium revenue, mainly from single premium insurance. Ordinary profit rose 20.7% year on year, to ¥94.3 billion, due chiefly to a decrease in costs related to the acquisition of new policies and a rise in profit in tandem with expansion of the policy amount in force, which more than offset higher operating expenses.

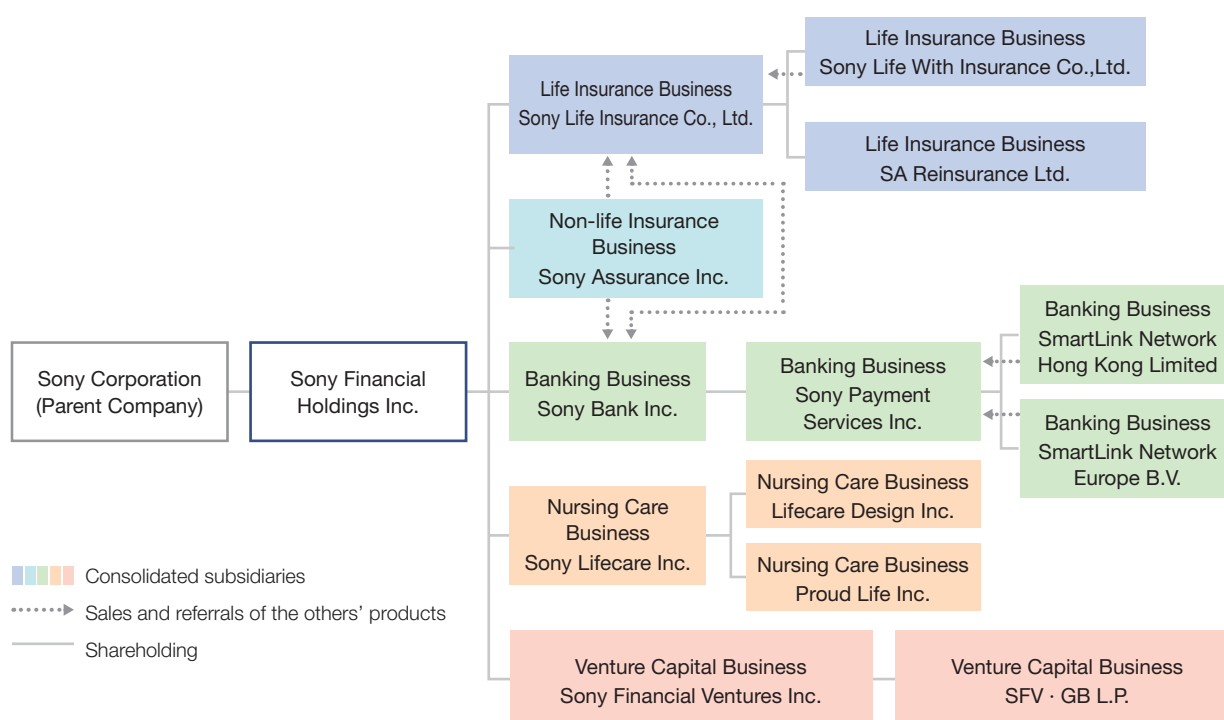
Non-life Insurance Business

Ordinary revenues increased 5.8% year on year, to ¥121.7 billion, due mainly to an increase in net premiums written for mainstay automobile insurance. Ordinary profit increased 17.0% year on year, to ¥8.0 billion, due mainly to a reversal of a portion of reserves for some products that made provisions in the fiscal year ended March 31, 2019 and in addition that reversal of catastrophe reserves were recorded in the fiscal year ended March 31, 2020.

Banking Business

Ordinary revenues expanded 9.2% year on year, to ¥50.2 billion, and ordinary profit was up 11.4% year on year, to ¥10.6 billion, due to increases in such income as interest on loans in line with a growing number of newly executed mortgage loans.

Sony Financial Group Organizational Chart of Business Operations (As of July 1, 2020)



Sony Financial Holdings (Consolidated)

	Millions of yen				
	2016	2017	2018	2019	2020
Ordinary revenues	1,362,044	1,381,667	1,503,630	1,629,182	1,781,420
Ordinary profit	71,103	66,326	66,843	93,856	111,880
Profit attributable to owners of the parent	43,355	41,621	51,895	62,074	74,429
Comprehensive income	71,105	21,433	52,207	57,415	62,192
Total assets	10,352,114	11,471,845	12,401,446	13,468,215	15,125,710
Net assets	604,377	601,139	625,406	656,846	691,978
Consolidated capital adequacy ratio (Domestic standard)* ¹ * ²	10.70%	14.39%	17.18%	16.50%	16.28%
Consolidated solvency margin ratio* ¹ * ³	1,637.1%	1,632.9%	1,748.7%	1,726.3%	1,671.1%

Sony Life (Non-consolidated)

	Millions of yen				
	2016	2017	2018	2019	2020
Ordinary revenues	1,230,141	1,243,739	1,351,076	1,464,218	1,580,117
Ordinary profit	60,792	60,180	56,338	79,812	88,720
Net income	37,096	35,185	45,134	49,602	56,743
Total assets	8,035,408	8,873,613	9,567,689	10,380,148	11,237,124
Net assets	482,195	473,589	492,787	513,930	539,582
Non-consolidated solvency margin ratio* ¹ * ³	2,722.8%	2,568.8%	2,624.3%	2,590.5%	2,476.3%

Sony Assurance

	Millions of yen				
	2016	2017	2018	2019	2020
Ordinary revenues	96,905	102,333	110,092	115,102	121,728
Ordinary profit	4,680	4,996	6,574	6,897	8,072
Net income	2,586	3,515	4,821	4,999	5,808
Total assets	172,323	186,537	204,362	219,643	234,870
Net assets	28,305	29,409	33,189	34,798	37,785
Non-consolidated solvency margin ratio* ¹ * ³	693.5%	730.8%	782.1%	813.0%	872.3%

Sony Bank (Non-consolidated)

	Millions of yen				
	2016	2017	2018	2019	2020
Ordinary revenues	34,892	35,105	36,270	41,707	45,383
Ordinary profit	5,857	4,634	6,557	8,698	9,589
Net income	3,912	3,176	4,474	6,025	6,642
Total assets	2,126,564	2,424,236	2,635,028	2,860,925	3,079,472
Net assets	77,428	81,332	85,729	87,279	77,338
Non-consolidated capital adequacy ratio (Domestic standard)* ¹ * ² * ³	9.89%	9.75%	10.45%	9.58%	8.85%

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

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

*3 Figures less than the indicated unit in this material have been truncated.

Consolidated Balance Sheets

Sony Financial Holdings Inc.

As of March 31, 2019 and 2020

	Millions of yen	
	2019	2020
Assets		
Cash and due from banks	415,894	549,964
Call loans and bills bought	93,700	—
Monetary claims purchased	4,916	6,006
Money held in trust	291,324	38,067
Securities	10,373,188	11,909,172
Loans	1,942,546	2,187,792
Tangible fixed assets	104,128	109,372
Land	63,106	65,562
Buildings	30,899	30,072
Leased assets	6,536	10,669
Construction in progress	77	66
Other tangible fixed assets	3,508	3,002
Intangible fixed assets	43,909	54,590
Software	43,327	50,461
Goodwill	551	4,097
Other intangible fixed assets	30	32
Due from reinsurers	1,341	4,936
Foreign exchanges	8,471	3,019
Other assets	159,361	221,762
Net defined benefit asset	3,476	3,391
Deferred tax assets	27,556	39,210
Reserve for possible loan losses	(1,602)	(1,575)
Total Assets	13,468,215	15,125,710

Millions of yen

	2019	2020
Liabilities		
Policy reserves and others	9,479,071	10,731,488
Reserve for outstanding claims	78,285	81,238
Policy reserves	9,396,241	10,645,842
Reserve for policyholders' dividends	4,544	4,407
Due to agencies	2,073	2,471
Due to reinsurers	5,769	5,745
Deposits	2,302,313	2,440,783
Call money and bills sold	130,611	151,256
Borrowed money	203,871	241,826
Foreign exchanges	244	684
Bonds payable	20,000	20,000
Other liabilities	578,477	747,676
Reserve for employees' bonuses	4,377	4,297
Net defined benefit liability	34,081	34,170
Reserve under the special laws	50,343	53,060
Reserve for price fluctuations	50,343	53,060
Deferred tax liabilities	24	160
Deferred tax liabilities on land revaluation	109	109
Total Liabilities	12,811,368	14,433,732
Net Assets		
Shareholders' equity		
Common stock	19,963	19,994
Capital surplus	191,193	191,224
Retained earnings	319,886	367,127
Treasury stock	(55)	(55)
Total shareholders' equity	530,987	578,291
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	128,800	114,868
Net deferred gains (losses) on hedging instruments, net of taxes	(1,077)	(373)
Land revaluation, net of taxes	(2,439)	(2,439)
Remeasurements of defined benefit plans, net of taxes	(1,470)	(835)
Total accumulated other comprehensive income	123,812	111,221
Stock acquisition rights	149	215
Non-controlling interests	1,896	2,250
Total Net Assets	656,846	691,978
Total Liabilities and Net Assets	13,468,215	15,125,710

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Sony Financial Holdings Inc.

For the years ended March 31, 2019 and 2020

Millions of yen

(1) Consolidated Statements of Income	2019	2020
Ordinary Revenues	1,629,182	1,781,420
Ordinary Revenues from the Life Insurance Business	1,461,632	1,602,154
Income from insurance premiums	1,134,048	1,338,848
Insurance premiums	1,130,676	1,331,441
Ceded reinsurance commissions	3,372	7,407
Investment income	278,950	208,620
Interest income and dividends	166,953	181,812
Income from money held in trust, net	4,490	4,086
Gains on trading securities, net	—	317
Gains on sale of securities	6,107	3,637
Gains on derivatives, net	—	18,766
Foreign exchange gains, net	13,455	—
Other investment income	—	1
Gains on separate accounts, net	87,943	—
Other ordinary income	48,633	54,685
Ordinary Revenues from the Non-life Insurance Business	115,101	121,727
Underwriting income	113,173	119,746
Net premiums written	113,101	119,352
Interest and dividends on deposits of premiums	72	74
Reversal of reserve for outstanding losses and claims	—	320
Investment income	1,857	1,935
Interest income and dividends	1,372	1,337
Gains on sale of securities	557	672
Transfer to interest and dividends on deposits of premiums	(72)	(74)
Other ordinary income	69	44
Ordinary Revenues from the Banking Business	45,766	49,997
Interest income	31,926	33,950
Interest income on loans	17,473	18,729
Interest income and dividends on securities	14,382	15,148
Interest income on call loans and bills bought	1	0
Interest income on deposits with banks	62	61
Other interest income	7	10
fees and commissions received	9,398	12,101
Other operating income	3,926	3,515
Gains on foreign exchange transactions, net	3,599	3,258
Others	326	256
Other ordinary income	515	430
Other	6,681	7,541
Other ordinary income	6,681	7,541

Millions of yen

	2019	2020
Ordinary Expenses	1,535,325	1,669,540
Ordinary Expenses from the Life Insurance Business	1,386,074	1,510,288
Insurance claims and other payments	457,252	521,198
Insurance claims	92,997	98,533
Annuity payments	13,489	15,036
Insurance benefits	131,824	157,074
Surrender payments	204,351	231,772
Other payments	3,659	3,732
Reinsurance premiums	10,929	15,048
Provision for policy reserves and others	704,780	678,724
Provision for reserve for outstanding claims	2,433	2,444
Provision for policy reserves	702,346	676,280
Interest portion of reserve for policyholders' dividends	0	0
Investment expenses	24,650	91,944
Interest expenses	1,604	5,064
Losses on trading securities, net	126	—
Losses on sale of securities	34	50
Losses on valuation of securities	4,026	6,316
Losses on derivatives, net	13,925	—
Foreign exchange losses, net	—	4,884
Provision for reserve for possible loan losses	329	43
Depreciation of real estate for rent and others	1,599	1,637
Other investment expenses	3,003	2,812
Losses on separate accounts, net	—	71,133
Operating expenses	146,776	157,537
Other ordinary expenses	52,614	60,883
Ordinary Expenses from the Non-life Insurance Business	107,413	112,785
Underwriting expenses	77,925	81,797
Net losses paid	56,608	60,315
Loss adjustment expenses	8,220	9,001
Net commission and brokerage fees	1,214	1,141
Provision for reserve for outstanding losses and claims	1,139	—
Provision for underwriting reserves	10,741	11,338
Investment expenses	1	0
Losses on sale of securities	0	—
Other investment expenses	1	0
Operating, general and administrative expenses	29,482	30,983
Other ordinary expenses	4	5

(Continued on next page)

Consolidated Statements of Income (Continued)

Millions of yen

	2019	2020
Ordinary Expenses from Banking Business	34,135	37,483
Interest expenses	8,566	9,194
Interest expenses on deposits	6,744	7,274
Interest expenses on call money and bills sold	88	268
Interest on payables under repurchase agreements	312	348
Interest on borrowed money	0	2
Interest expenses on bonds	12	13
Interest expenses on interest rate swaps	1,400	1,280
Other interest expenses	7	6
Fees and commissions	5,883	7,077
Other operating expenses	485	126
General and administrative expenses	18,786	20,902
Other ordinary expenses	414	181
Other	7,702	8,982
Other ordinary expenses	7,702	8,982
Ordinary profit	93,856	111,880
Extraordinary Gains	0	264
Gains on disposal of fixed assets	0	0
Gains on step acquisitions	–	248
Other extraordinary gains	–	16
Extraordinary Losses	2,367	3,139
Losses on disposal of fixed assets	92	120
Impairment losses	67	21
Provision for reserve under the special laws	2,207	2,695
Provision for reserve for price fluctuations	2,207	2,695
Other extraordinary losses	–	301
Provision for Reserve for Policyholders' Dividends	2,146	2,422
Income Before Income Taxes	89,343	106,583
Income Taxes-Current	31,871	37,747
Income Taxes-Deferred	(4,853)	(5,925)
Total Income Taxes	27,018	31,822
Profit	62,325	74,761
Profit Attributable to Non-controlling Interests	250	331
Profit Attributable to Owners of the Parent	62,074	74,429

Millions of yen

(2) Consolidated Statements of Comprehensive Income

	2019	2020
Profit	62,325	74,761
Other Comprehensive Income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	(5,215)	(13,907)
Net deferred gains (losses) on hedging instruments, net of taxes	(174)	703
Remeasurements of defined benefit plans, net of taxes	456	658
Share of other comprehensive income of affiliates accounted for using equity method	23	(23)
Total other comprehensive income	(4,909)	(12,569)
Comprehensive Income	57,415	62,192
Details:		
Comprehensive income attributable to owners of the parent	57,167	61,838
Comprehensive income attributable to non-controlling interests	248	353

Consolidated Statements of Changes in Net Assets

Sony Financial Holdings Inc.

For the years ended March 31, 2019 and 2020

	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)
Purchase of treasury stock	—	—	—	—	—
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	Stock acquisition rights	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)
Purchase of treasury stock	—	—	—	—	—	—	—	—
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

(Continued on next page)

Consolidated Statements of Changes in Net Assets (Continued)

Millions of yen

	2020				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	19,963	191,193	319,886	(55)	530,987
Changes during the period					
Issuance of new shares	31	31	—	—	62
Dividends from surplus	—	—	(27,189)	—	(27,189)
Purchase of treasury stock	—	—	—	(0)	(0)
Profit attributable to owners of the parent	—	—	74,429	—	74,429
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	31	31	47,240	(0)	47,303
Balance at the end of the period	19,994	191,224	367,127	(55)	578,291

Millions of yen

	2020							
	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	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of the period	128,800	(1,077)	(2,439)	(1,470)	123,812	149	1,896	656,846
Changes during the period								
Issuance of new shares	—	—	—	—	—	—	—	62
Dividends from surplus	—	—	—	—	—	—	—	(27,189)
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Profit attributable to owners of the parent	—	—	—	—	—	—	—	74,429
Net changes of items other than shareholders' equity	(13,931)	703	—	635	(12,591)	65	353	(12,171)
Total changes during the period	(13,931)	703	—	635	(12,591)	65	353	35,131
Balance at the end of the period	114,868	(373)	(2,439)	(835)	111,221	215	2,250	691,978

Consolidated Statements of Cash Flows

Sony Financial Holdings Inc.

For the years ended March 31, 2019 and 2020

Millions of yen

	2019	2020
Cash flows from operating activities		
Income before income taxes	89,343	106,583
Depreciation of real estate for rent and others	1,599	1,637
Depreciation and amortization	11,297	12,986
Impairment losses	67	21
Amortization of goodwill	32	62
Increase (decrease) in reserve for outstanding claims	3,573	2,105
Increase (decrease) in policy reserve	713,088	687,618
Interest portion of reserve for policyholders' dividends	0	0
Provision for (reversal of) reserve for policyholders' dividends	2,146	2,422
Increase (decrease) in reserve for possible loan losses	449	(26)
Increase (decrease) in net defined benefit liability	1,630	1,735
Increase (decrease) in reserve for price fluctuations	2,207	2,695
Interest income and dividends	(200,253)	(217,102)
(Gains) losses on securities	(94,790)	54,681
Interest expenses	10,698	14,984
Losses (gains) on derivatives	13,925	(18,766)
Exchange (gains) losses	(17,258)	26,169
(Gains) losses on disposal of tangible fixed assets	78	124
Losses (gains) on step acquisitions	—	(248)
Equity in (gains) losses of affiliates	1,748	11
Net (increase) decrease in loans	(147,727)	(235,023)
Net increase (decrease) in deposits	143,031	140,591
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	30,000	37,923
Net increase (decrease) in call money and bills sold	54,902	41,448
Net (increase) decrease in call loans and bills bought	461	(1,090)
Net (increase) decrease in foreign exchange (assets)	874	5,452
Net increase (decrease) in foreign exchange (liabilities)	16	440
Others, net	21,467	48,385
Subtotal	642,611	715,825
Interest and dividends received	205,869	217,591
Interest paid	(10,221)	(15,689)
Policyholders' dividends paid	(3,086)	(2,558)
Income taxes paid	(32,251)	(36,441)
Net cash provided by (used in) operating activities	802,921	878,726
Cash flows from investing activities		
Investments in money held in trust	(1,044)	(1,284)
Proceeds from money held in trust	4,522	4,047
Purchases of securities	(1,219,208)	(1,360,076)
Proceeds from sale and redemption of securities	526,015	489,737
Investments in loans	(63,716)	(71,794)
Collections of loans	30,341	35,463
Net increase (decrease) in payables under repurchase agreements	48,140	188,364
Net gains (losses) from the settlement of derivative financial instruments	7,389	(2,378)
Net increase (decrease) in collateral for securities lending transactions	27,166	(73,475)
Others, net	124	421
Total of net cash provided by (used in) investment transactions	(640,270)	(790,973)
Total of net cash provided by (used in) operating activities and investment transactions	162,651	87,752
Purchases of tangible fixed assets	(1,255)	(4,357)
Proceeds from sales of tangible fixed assets	1	0
Purchases of intangible fixed assets	(17,794)	(18,799)
Purchase of securities of non-consolidated subsidiaries	(50)	(1,900)
Proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation	—	8,537
Purchase of securities of affiliates	(300)	(2,750)
Others, net	(147)	(200)
Net cash provided by (used in) investing activities	(659,815)	(810,444)
Cash flows from financing activities		
Proceeds from debt borrowing	4,640	6,400
Repayments of debt	(4,712)	(6,367)
Cash dividends paid	(26,095)	(27,187)
Purchases of treasury stock	—	(0)
Others, net	(476)	(551)
Net cash provided by (used in) financing activities	(26,645)	(27,707)
Effect of exchange rate changes on cash and cash equivalents	0	(204)
Net increase (decrease) in cash and cash equivalents	116,461	40,370
Cash and cash equivalents at the beginning of the period	393,133	509,594
Cash and cash equivalents at the end of the period	509,594	549,964

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.

Significant Basic Items for the Preparation of the Consolidated Financial Statements

(For the year ended March 31, 2020)

1 Principles of Consolidation

(1) Scope of consolidation

Consolidated subsidiaries: 13 companies

Company names
Sony Life Insurance Co., Ltd.
Sony Life With Insurance Co., Ltd.*
SA Reinsurance Ltd.
Sony Assurance Inc.
Sony Bank Inc.
Sony Payment Services Inc.
SmartLink Network Hong Kong Limited
SmartLink Network Europe B.V.
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, net income 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:

The credit card settlement services company SmartLink Network Europe B.V. was newly established and included in the scope of consolidation from the fiscal year ended March 31, 2020. The business performance of this company is included under "Banking business" in the consolidated statements of income.

In addition, Sony Life With Insurance Co., Ltd.* and SA Reinsurance Ltd., which had been affiliates accounted for by the equity method in the previous fiscal year, became wholly-owned subsidiaries through an additional acquisition of shares, and have been included in the scope of consolidation for the fiscal year ended March 31, 2020. The business performance of both companies is included under "Life insurance business" in the consolidated statements of income.

(2) Application of the equity method

Affiliates accounted for by the equity method:

Not applicable

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 net income 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.

Change in the scope of application of the equity method:

Sony Life With Insurance Co., Ltd.* and SA Reinsurance Ltd., which had been affiliates accounted for by the equity method in the previous fiscal year, became wholly-owned subsidiaries through an additional acquisition of shares, and have been excluded from the scope of application of the equity method for the fiscal year ended March 31, 2020.

(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) Accounting standards for overseas subsidiaries

Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements" (September 14, 2018) has been applied, and necessary adjustments have been made concerning overseas subsidiaries in preparing the consolidated financial statements.

(5) Amortization of goodwill

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

* The trade name was changed from AEGON Sony Life Insurance Co., Ltd. to Sony Life With Insurance Co., Ltd. on April 1, 2020.

2 Note on Going Concerns

There is no related information to be reported.

3 Summary of Significant Accounting Policies

(1) Securities

Securities, including cash and due from banks, 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. However, for foreign currency-denominated bonds held by some consolidated subsidiaries, foreign currency translation differences related to changes in fair values in original currencies are recognized into net assets as net unrealized gains (losses) on available-for-sale securities, net of taxes, while the remaining changes are recognized in foreign exchange gains (losses).

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 generally amortized using the straight-line method within the employees' average remaining service period at incurrence.

Unrecognized net actuarial gain or loss is generally 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.

(Additional information)

From October 1, 2019, pursuant to a revision of defined benefit pension plans by SFH and some of its consolidated subsidiaries, all employees, excluding those who had retired prior to the revision, were transferred to defined contribution pension plans. ASBJ Guidance No. 1 "Accounting for Transfer between Retirement Benefit Plans" (December 16, 2016) and Practical Issues Task Force No. 2 "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (February 7, 2007) were applied in accounting for the transfer between plans, and partial termination processing was carried out for the portion transferred to defined contribution pension plans.

As a result, others under extraordinary gains of ¥16 million were recorded for the fiscal year ended March 31, 2020.

(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 net income 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 forecasted 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.

(15) Accounting standards, etc. not yet applied

(Accounting standards, etc. concerning the calculation of fair value)

- ASBJ Statement No. 30 "Accounting Standard for Fair Value Measurement" (July 4, 2019)
- ASBJ Guidance No. 31 "Implementation Guidance on Accounting Standard for Fair Value Measurement" (July 4, 2019)

1) Overview

The International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board (FASB) have developed accounting standards concerning the measurement of fair value. In May 2011, they announced "Fair Value Measurement" (published as IFRS 13 by the IASB, and as Topic 820 by the FASB). IFRS 13 is applicable to fiscal years commencing on or after January 1, 2013, and Topic 820 is applicable to fiscal years beginning on or after December 15, 2011. In view of this situation, the Accounting Standards Board of Japan (ASBJ) developed the Accounting Standard for Fair Value Measurement, which was published together with the Implementation Guidance.

The basic policy of the ASBJ when developing the Accounting Standard for Fair Value Measurement was to adopt, as a rule, all the provisions of IFRS 13. This approach was taken from the perspective of enhancing the comparability of financial statements of companies in Japan

and overseas, by adopting a unified calculation method.

However, in consideration of the methods practiced in Japan until that time, provisions were made for alternative treatment of individual items, where this did not significantly impair the comparability of the financial statements.

2) Scheduled date of adoption

Scheduled for adoption from the beginning of the fiscal year ending March 31, 2022.

3) Effect of the adoption of this accounting standard

SFH is currently evaluating the effect of adopting Accounting Standard for Fair Value Measurement, etc. on the consolidated financial statements.

4 Change in Presentation Method

(Notes to the Consolidated Statements of Cash Flows)

Net increase (decrease) in payables under repurchase agreements, which was included in “total of net cash provided by (used in) investment transactions: others, net,” within “cash flows from investing activities” for the previous fiscal year, has increased in quantitative materiality, and is thus presented as a separate item for the fiscal year ended March 31, 2020. The consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation method.

As a result, “total of net cash provided by (used in) investment transactions: others, net” of ¥48,264 million, within “cash flows from investing activities” in the Consolidated Statements of Cash Flows for the previous fiscal year, has been restated as net increase (decrease) in payables under repurchase agreements of ¥48,140 million, and others, net of ¥124 million.

1 Notes to the Consolidated Balance Sheets

1. Securities with a book value of ¥576,357 million and loans of ¥378,240 million were pledged as collateral for the ¥257,580 million of collateral for securities lending transactions, ¥39,000 million of call money and bills sold, the ¥237,923 million of borrowed money and payables under repurchase agreements of ¥309,613 million at March 31, 2020. In addition to the assets described above, securities with a book value of ¥14,451 million, cash collateral paid for financial instruments of ¥37,975 million and initial margins of futures markets of ¥17,820 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2020.
2. The consolidated balance sheet amount of securities loaned for consumption under the loan agreement was ¥201,717 million.
3. Securities include shares in non-consolidated subsidiaries and affiliates worth ¥2,091 million. These do not include any investments in jointly controlled companies.
4. The balance of loans includes ¥187 million in loans to bankrupt borrowers (before deductions for reserve for possible loan losses) and ¥1,116 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, Paragraph 1, Item 3, i through v of the Order for Enforcement of the Corporation Tax Act (Enforcement Order 97 of 1965) or Article 96, Paragraph 1, Item 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 ¥814 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 ¥2,117 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 ¥5,601 million.
9. Accumulated depreciation of tangible fixed assets as of March 31, 2020 was ¥43,582 million.
10. The balance sheet includes ¥1,792,190 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, 2020, at SFH's life insurance subsidiary.
11. There are no monetary claims against directors or audit & supervisory board members arising from transactions with directors or audit & supervisory board members of the insurance holding company.
12. There are no monetary obligations to directors or audit & supervisory board members arising from transactions with directors or audit & supervisory board members of the insurance holding company.
13. Changes in the reserve for policyholders' dividends at SFH's life insurance subsidiary for the fiscal year ended March 31, 2020 are as follows:

Balance at the beginning of the period	¥4,544 million
Policyholders' dividends during the period	¥2,558 million
Increase in interest	¥0 million
Provision for reserve for policyholders' dividends	¥2,422 million
Balance at the end of the period	¥4,407 million
14. 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, Paragraph 3 of the Law was based on the land appraisal in conformity with Article 2, Item 5 of the Order for Enforcement Related to the Law (Cabinet Order No. 119, effective from March 31, 1998).

15. 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, 2020 was ¥18,228 million, and the amount of unused commitments whose original contract terms are within 1 year at March 31, 2020 was ¥18,228 million.
16. 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 ¥11,665 million. Such losses are recognized as expenses during the fiscal year in which they are contributed.
17. Net assets per share were ¥1,584.90.
18. Financial instruments:

(1) Description of financial instruments

1) Policy on financial instruments

Group 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 Group 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 Group 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 Japanese and foreign government bonds and Japanese and foreign corporate bonds. Other holdings include Japanese and foreign stocks, and investments in partnership.

The majority of loans are policy 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 interest rate swap transactions, currency futures trading, forward foreign exchange transactions, stock index futures trading, total return swap transactions for stocks, bond futures trading and commodity futures trading, 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

Group 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

Group 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 understanding of 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 ¥2,523 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

Group 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, 2020, excluding securities whose fair values are deemed extremely difficult to determine (see Note 2).

Millions of yen			
2020			
As of March 31,	Consolidated balance sheet amount	Fair value	Difference
1) Cash and due from banks	549,964	549,964	—
2) Money held in trust			
Other money held in trust	38,067	38,067	—
3) Securities			
Trading securities	1,704,731	1,704,731	—
Held-to-maturity securities	7,432,871	9,874,634	2,441,763
Policy-reserve-matching bonds	855,937	997,896	141,958
Available-for-sale securities	1,902,844	1,902,844	—
4) Loans	2,187,792		
Reserve for possible loan losses*1	(838)		
Loans (after deduction for reserve for possible loan losses)	2,186,953	2,439,250	252,297
Total Financial Assets	14,671,370	17,507,390	2,836,019
1) Deposits	2,440,783	2,442,709	1,926
2) Call money and bills sold	151,256	151,256	—
3) Borrowed money	241,826	242,053	226
4) Bonds payable	20,000	19,957	(43)
5) Payables under repurchase agreements	309,613	309,613	—
6) Collateral for securities lending transactions	257,580	257,580	—
Total Financial Liabilities	3,421,060	3,423,170	2,110
Derivative financial instruments*2			
Hedge accounting not applied	18,267	18,267	—
Hedge accounting applied	[18,406]	[18,406]	—
Total Derivative Financial Instruments	[139]	[139]	—

*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 [].

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

Financial Assets

1) Cash and due from banks

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

2) 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 "20. Fair value information on money held in trust," which indicates fair values by purpose.

3) 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 "19. Fair value information on securities," which indicates fair values by purpose.

4) 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 "21. 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 "3) Securities" of Financial Assets in (Note 1) above.

	Millions of yen
	2020
	Consolidated balance sheet amount
As of March 31,	
1) Unlisted stocks in non-consolidated subsidiaries and affiliates*1	2,091
2) Unlisted stocks other than those in 1) above*1	1,872
3) Investment in partnership*2	8,823
Total	12,787

*1 Unlisted stocks have no market prices and their fair values are deemed extremely difficult to determine.

*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.

¥244 million of impairment losses for unlisted stocks, and ¥32 million of impairment losses for investment in partnership were recognized for the year ended March 31, 2020.

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.

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

Millions of yen

As of March 31,	2020			
	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	549,964	—	—	—
Securities				
Held-to-maturity securities	6,069	199,050	243,310	7,652,770
Japanese government and corporate bonds	6,069	198,950	243,310	6,242,390
Japanese government and local government bonds	5,287	196,900	243,010	5,768,810
Japanese corporate bonds	782	2,050	300	473,580
Others	—	100	—	1,410,380
Policy-reserve-matching bonds	—	—	3,220	948,749
Japanese government and corporate bonds	—	—	3,220	725,430
Japanese government and local government bonds	—	—	—	610,630
Japanese corporate bonds	—	—	3,220	114,800
Others	—	—	—	223,319
Available-for-sale securities	143,747	424,176	548,121	618,201
Japanese government and corporate bonds	47,034	195,118	491,702	331,650
Japanese government and local government bonds	32,274	134,031	491,202	331,650
Japanese corporate bonds	14,760	61,087	500	—
Others	96,713	229,057	56,419	286,551
Loans*	6,041	33,209	66,289	1,855,922
Total	705,824	656,436	860,941	11,075,643

* This figure excludes ¥208,069 million with no fixed redemption such as policyholder loans, and ¥17,394 million in overdrafts.

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

Millions of yen

As of March 31,	2020					
	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*	2,347,387	44,351	20,295	10,504	3,246	14,998
Call money and bills sold	151,256	—	—	—	—	—
Borrowed money	38,591	50,122	93,112	60,000	—	—
Bonds payable	—	—	10,000	—	10,000	—
Payables under repurchase agreements	309,613	—	—	—	—	—
Collateral for securities lending transactions	257,580	—	—	—	—	—
Total	3,104,428	94,474	123,407	70,504	13,246	14,998

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

19. Fair value information on securities as of March 31, 2020:

* 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,	2020
Valuation gains (losses) charged to income	(127,385)

(2) Held-to-maturity securities

Millions of yen			
2020			
As of March 31,	Consolidated balance sheet amount	Fair value	Difference
Fair values exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	6,445,701	8,607,080	2,161,378
Japanese government and local government bonds	6,070,344	8,170,507	2,100,163
Japanese corporate bonds	375,357	436,572	61,215
Others	739,398	1,026,338	286,939
Subtotal	7,185,100	9,633,419	2,448,318
Fair values not exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	242,353	236,219	(6,134)
Japanese government and local government bonds	135,711	134,319	(1,391)
Japanese corporate bonds	106,642	101,899	(4,743)
Others	5,417	4,996	(420)
Subtotal	247,771	241,215	(6,555)
Total	7,432,871	9,874,634	2,441,763

(3) Policy-reserve-matching bonds

Millions of yen			
2020			
As of March 31,	Consolidated balance sheet amount	Fair value	Difference
Fair values exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	718,722	812,955	94,232
Japanese government and local government bonds	616,023	691,191	75,168
Japanese corporate bonds	102,698	121,763	19,064
Others	109,078	157,243	48,165
Subtotal	827,801	970,198	142,397
Fair values not exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	28,136	27,697	(438)
Japanese government and local government bonds	5,663	5,642	(20)
Japanese corporate bonds	22,473	22,054	(418)
Subtotal	28,136	27,697	(438)
Total	855,937	997,896	141,958

(4) Available-for-sale securities

Millions of yen			
2020			
As of March 31,	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding the acquisition cost			
Japanese government and corporate bonds	1,118,644	979,544	139,099
Japanese government and local government bonds	1,072,860	934,096	138,763
Japanese corporate bonds	45,783	45,448	335
Equity securities	10,458	4,666	5,792
Others	295,828	259,026	36,801
Subtotal	1,424,930	1,243,237	181,693
Consolidated balance sheet amount not exceeding the acquisition cost			
Japanese government and corporate bonds	92,483	92,680	(196)
Japanese government and local government bonds	61,406	61,491	(84)
Japanese corporate bonds	31,077	31,189	(112)
Equity securities	323	361	(37)
Others	391,112	407,309	(16,196)
Subtotal	483,919	500,351	(16,431)
Total	1,908,850	1,743,589	165,261

Note: As the unlisted stocks of ¥1,872 million (consolidated balance sheet amount) and investment in partnership of ¥8,823 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.

(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			
	2020		
	Sales	Total gains on sales	Total losses on sales
For the year ended March 31,			
Japanese government and corporate bonds	9,081	138	2
Japanese government and local government bonds	6,582	137	—
Japanese corporate bonds	2,499	1	2
Equity securities	9,048	4,111	50
Others	26,801	266	123
Total	44,931	4,516	176

(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.

¥6,316 million of impairment losses for available-for-sale securities (including ¥6,316 million of foreign securities) was recognized for the year ended March 31, 2020.

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

20. Fair value information on money held in trust as of March 31, 2020:

(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					
	2020				
	Consolidated balance sheet amount	Acquisition cost	Difference	Items whose consolidated balance sheet amount exceeds acquisition cost	Items whose consolidated balance sheet amount does not exceed acquisition cost
As of March 31,					
Other money held in trust	38,067	37,562	505	688	(183)

Notes: 1. The amount of jointly invested monetary trusts that is included in the table above as of March 31, 2020 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, 2020.

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

21. 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 market risk.

1) Interest rate derivatives

Millions of yen				
		2020		
		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	435,378	430,878	(1,093)
	Floating-rate receivable / Fixed-rate payable	75,664	75,564	(124)
	Interest swaption			
	Sold	18,700	18,700	(56)
Total		—	—	(1,273)
				(1,192)

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 calculated using the discounted cash flow and option pricing models, and others.

2) Currency derivatives

			Millions of yen			
			2020			
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Listed	Currency futures	Sold	18,428	—	13	13
		Bought	66,325	—	74	74
Over-the-counter transactions	Forward foreign exchanges	Sold	81,901	—	91	91
		Bought	168,750	—	497	497
	Foreign exchange margin transaction	Sold	43,373	—	2,215	2,215
		Bought	18,706	—	755	755
	Currency options	Sold	459	—	(4)	(0)
		Bought	473	—	6	4
	Currency forward contracts	Bought	10,652	—	(1,534)	(1,534)
Total			—	—	2,115	2,118

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 over-the-counter transactions is calculated using the discounted cash flow and option pricing models.

3) Stock derivatives

Millions of yen

			2020			
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Listed	Stock index futures	Sold	63,354	—	(871)	(871)
Over-the-counter transactions	Total return swap	Sold	103,408	—	18,280	18,280
Total			—	—	17,409	17,409

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.

4) Bond derivatives

Millions of yen

			2020			
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Listed	Bond futures	Sold	56,546	—	15	15
Total			—	—	15	15

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 is the closing price on the Exchange at the end of the fiscal year.

5) Commodity derivatives

Millions of yen

			2020			
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Listed	Commodity futures	Sold	1,465	—	0	0
Total			—	—	0	0

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 is the closing price on the Exchange at the end of the fiscal year.

(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		
		2020		
As of March 31, Hedge accounting	Hedged item	Notional amount total	Notional amount over 1 year	Fair value
Deferred hedge accounting	Interest rate swaps			
	Floating-rate receivable / Fixed-rate payable	260,075	201,539	(50)
Fair value hedge accounting	Interest rate swaps			
	Floating-rate receivable / Fixed-rate payable	223,013	184,346	(14,849)
Total		—	—	(14,900)

Notes: 1. Deferred hedge accounting is applied in accordance with the Industry Audit Committee, Statement 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		
		2020		
As of March 31, Hedge accounting	Hedged item	Notional amount total	Notional amount over 1 year	Fair value
Deferred hedge accounting	Currency swaps	22,753	—	(352)
Fair value hedge accounting	Currency swaps	31,000	21,000	(3,154)
Total		—	—	(3,506)

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.

22. Information about retirement benefit obligations as of March 31, 2020:

(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,		2020
Balance at the beginning of the period of retirement benefit obligations		46,893
Service cost		5,051
Interest cost		78
Net actuarial gain arising during the period		(769)
Retirement benefits paid		(3,595)
Effect of the transfer between plans		(316)
Balance at the end of the period of retirement benefit obligations		47,342

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

		Millions of yen
For the year ended March 31,		2020
Balance at the beginning of the period of plan assets		16,445
Expected return on plan assets		165
Net actuarial gain arising during the period		(674)
Employer contribution		1,470
Retirement benefits paid		(422)
Effect of the transfer between plans		(247)
Balance at the end of the period of plan assets		16,737

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,	2020
Funded retirement benefit obligations	13,190
Plan assets	(16,737)
	(3,546)
Unfunded retirement benefit obligations	34,326
Net liabilities and assets recorded on the consolidated balance sheets	30,779
Net defined benefit liability	34,170
Net defined benefit asset	(3,391)
Net liabilities and assets recorded on the consolidated balance sheets	30,779

4) Components and amounts of retirement benefit expenses

	Millions of yen
For the year ended March 31,	2020
Service cost	5,051
Interest cost	78
Expected return on plan assets	(165)
Amortization of net actuarial gain	769
Others	88
Retirement benefit expenses related to defined benefit plans	5,822
Gains (losses) on transfer to a defined contribution pension plan	16

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,	2020
Net actuarial gain	918
Total	918

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,	2020
Unrecognized net actuarial gain	(1,172)
Total	(1,172)

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,	2020
Bonds	70
Equity securities	26
Others	4
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, 2020

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,	2020
Balance at the beginning of the period of net defined benefit liability	156
Retirement benefit expenses	16
Retirement benefits paid	(0)
Contribution to the plan	(3)
Others	5
Balance at the end of the period of net defined benefit liability	174

(3) Defined contribution plans

The amount of contribution required for defined contribution plans by the Companies was ¥398 million.

23. Information on stock options, etc., as of March 31, 2020:

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

Operating expenses, etc. ¥126 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*	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 and its subsidiaries 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*	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*	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.

The fourth series of stock acquisition rights of SFH	
Category and number of eligible recipients	3 executive directors of SFH 8 executive directors of SFH subsidiaries
Number of stock options granted by type of share*	Common stock 28,800 shares
Grant date	August 6, 2019
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 2020, 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 2019 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, 2019 to the date of the Ordinary General Meeting of Shareholders in 2020
Exercise period	From August 7, 2019 to August 6, 2049 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.

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

2) Volume of stock options and their changes

Stock options that existed in the year ended March 31, 2020, 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	The fourth series of stock acquisition rights of SFH
Before vesting (shares)				
At the end of the previous year	—	—	—	—
Granted	—	—	—	28,800
Lapsed	—	—	—	—
Vested	—	—	—	28,800
Number of unvested stock options	—	—	—	—
After vesting (shares)				
At the end of the previous year	35,700	34,000	31,600	—
Vested	—	—	—	28,800
Exercised	—	—	—	—
Lapsed	—	—	—	—
Number of unexercised stock options	35,700	34,000	31,600	28,800

(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	The fourth series of stock acquisition rights of SFH
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at the time of exercise	—	—	—	—
Fairly assessed value on the grant date	¥1,236	¥1,695	¥2,003	¥2,316

(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, 2020 is as follows:

1) Assessment method used

Black-Scholes model

2) Main basic values and their estimation method

	The fourth series of stock acquisition rights of SFH
Volatility of share price*1	30.377%
Expected remaining period*2	3.9 years
Expected dividend*3	¥62/share
Risk-free rate*4	(0.267%)

*1 Calculated based on the past share prices during the period corresponding to the expected remaining period of 3.9 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, 2019.

*4 Calculated using the average compound yield of long-term JGB with the remaining period approximate to the expected remaining period of 3.9 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	
Category and number 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	Common stock 27,513 shares
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
The second series of restricted stock compensation of SFH	
Category and number 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	Common stock 27,770 shares
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

The third series of restricted stock compensation of SFH	
Category and number of eligible recipients	3 executive directors of SFH 5 executive officers of SFH 8 executive directors of SFH subsidiaries 31 executive officers of SFH subsidiaries
Number of shares granted	Common stock 24,422 shares
Grant date	August 6, 2019
Transfer restriction period	From August 6, 2019 to August 6, 2022
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	¥2,564

24. Information on tax effect accounting as of March 31, 2020:

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

As of March 31,	Millions of yen 2020
Deferred tax assets	
Tax loss carried forward*2	7,710
Policy reserves and others	49,051
Reserve for price fluctuations	14,856
Net defined benefit liability	8,656
Write-down of securities	4,113
Net unrealized gains (losses) on available-for-sale securities, net of taxes	5,369
Depreciation and amortization	4,735
Net deferred gains (losses) on hedging instruments, net of taxes	245
Others	8,875
Subtotal of deferred tax assets	103,615
Valuation allowance on tax loss carried forward*2	(7,710)
Valuation allowance on total deductible temporary differences	(6,269)
Subtotal of valuation allowance*1	(13,979)
Total deferred tax assets	89,635
Deferred tax liabilities	
Net unrealized gains (losses) on available-for-sale securities	(48,539)
Others	(2,047)
Total deferred tax liabilities	(50,586)
Net deferred tax assets (liabilities)	39,049

*1 Valuation allowance increased mainly due to the change in the scope of consolidation and 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.

As of March 31, 2020	Millions of yen						
	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	Total
Tax loss carried forward	920	1,020	1,132	589	488	3,559	7,710
Valuation allowance	(920)	(1,020)	(1,132)	(589)	(488)	(3,559)	(7,710)
Deferred tax assets	—	—	—	—	—	—	—

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

(2) Breakdown of major factors 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,	2020
Statutory effective tax rate	30.6
(Adjustments)	
Difference in tax rate of subsidiaries	(2.4)
Increase (decrease) in valuation allowance	2.1
Others	(0.5)
Effective income tax rate after application of tax effect accounting	29.9

25. Information on business combinations, etc. as of March 31, 2020:

Sony Life Insurance Co., Ltd. (hereinafter "Sony Life"), a wholly-owned consolidated subsidiary of SFH, acquired 50% of the issued shares of both Sony Life With Insurance Co., Ltd.* ("Sony Life With") and SA Reinsurance Ltd. ("SA Re"; the two acquirees are hereinafter collectively referred to as "the two joint ventures"), and the two joint ventures became wholly-owned subsidiaries of SFH and Sony Life.

1. Overview of business combinations

(1) Names and businesses of acquirees

- | | |
|-----------------------|-------------------------------------|
| (i) Name of acquiree | Sony Life With Insurance Co., Ltd.* |
| Business | Life insurance business |
| (ii) Name of acquiree | SA Reinsurance Ltd. |
| Business | Reinsurance business |

(2) Main reason for business combination

The aim is to accelerate management decision making and streamline business operation by acquiring the two joint ventures as wholly-owned subsidiaries.

(3) Date of business combinations

January 29, 2020

(4) Legal form of business combinations

Acquisition of shares for a monetary consideration

(5) Name of acquirees after the business combinations

- | | |
|---------------------|---|
| (i) Sony Life With* | Sony Life With Insurance Co., Ltd.* |
| (ii) SA Re | The company name remained unchanged after the business combination. |

(6) Proportion of voting rights acquired

- | | | |
|--|--|--------|
| (i) Sony Life With* | | |
| Proportion of voting rights held immediately prior to acquisition | | 50.0% |
| Proportion of voting rights acquired on the date of the business combination | | 50.0% |
| Proportion of voting rights held after acquisition | | 100.0% |
| (ii) SA Re | | |
| Proportion of voting rights held immediately prior to acquisition | | 50.0% |
| Proportion of voting rights acquired on the date of the business combination | | 50.0% |
| Proportion of voting rights held after acquisition | | 100.0% |

(7) Basis for determining the acquirer

The determination is based on the fact that Sony Life acquired all of the voting rights of the two joint ventures, which were affiliates accounted for by the equity method, through the acquisition of shares for a monetary consideration.

* The trade name was changed from AEGON Sony Life Insurance Co., Ltd. to Sony Life With Insurance Co., Ltd. on April 1, 2020.

2. Period for which the financial results of the acquirees are included in the consolidated statements of income

From February 1, 2020 to March 31, 2020

The gains and losses of the acquirees for the period from April 1, 2019 to January 31, 2020 are recorded on the consolidated statements of income as equity in (gains) losses of affiliates.

3. Details of the acquisition cost and consideration paid for the acquirees (total for the two companies above) by type

Fair value of the equity interests before the business combinations, as of the date of the business combinations	¥13,932 million
Fair value of the additional shares acquired on the date of the business combination	¥18,750 million
Acquisition cost	¥32,682 million

4. Details and amounts of main expenses associated with the acquisitions

Advisory cost, etc. ¥250 million

5. Difference between the acquisition cost of the acquirees and the total of the cost of each transaction leading up to the acquisition

Gains on step acquisitions ¥248 million

6. Amount of goodwill arising from the acquisitions, reason for the goodwill, and method and period of amortization

- (i) Amount of goodwill
¥3,609 million
- (ii) Reason for the goodwill
Expected profitability improvements from accelerating management decision making and streamlining business operation.
- (iii) Method and period of amortization
Straight-line amortization over 20 years

7. Assets acquired and liabilities assumed on the date of the business combinations, and their main components

Total assets	¥600,480 million
[including cash and due from banks	¥27,287 million]
[including securities	¥530,851 million]
Total liabilities	¥572,354 million
[including policy reserves and others	¥567,173 million]

8. Approximate amounts and calculation method of the effect of the business combinations on the consolidated statements of income for the fiscal year ended March 31, 2020, if the business combinations had been completed on the first day of the said fiscal year

Ordinary revenues ¥90,909 million

The effect on ordinary profit and profit attributable to owners of the parent is immaterial.

(Calculation method of the approximate amount)

The approximate amount has been calculated as the difference between the ordinary revenues, ordinary profit and profit attributable to owners of the parent for the fiscal year ended March 31, 2020, if the business combinations had been completed on the first day of the said fiscal year, and the amounts of ordinary revenues, ordinary profit and profit attributable to owners of the parent presented in the consolidated statements of income. In addition, the approximated amount includes the amortization of goodwill recognized at the time of the business combinations, as if the business combinations had been completed on the first day of the fiscal year ended March 31, 2020.

Audit attestation has not been obtained for these amounts.

26. 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,	2020
Balance at the beginning of the period	2,176
Increase due to purchase of tangible fixed assets	155
Changes resulting from the passage of time	16
Decrease due to performance of asset retirement obligations	(34)
Increase due to a change in the scope of consolidation	30
Other increases (decreases)*	(69)
Balance at the end of the period	2,273

* Other increases (decreases) consist of a decrease due to the cancellation of a lease agreement, as a result of the purchase of a building that was leased by a consolidated subsidiary.

27. 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 ¥5,823 million for the year ended March 31, 2020. 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,	2020
Consolidated balance sheet amount	
Balance at the beginning of the period	83,991
Changes during the period	(293)
Balance at the end of the period	83,698
Fair value at the end of the period	201,714

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 primarily determined by a licensed third-party real estate appraisal agent.

28. A subsequent event is as follows:

(Tender offer for the shares, etc. of SFH by Sony Corporation)

SFH resolved at the meeting of its Board of Directors held on May 19, 2020 to express its opinion in support of the tender offer for SFH's common shares (the "Company's Common Shares") and stock acquisition rights to be conducted by Sony Corporation (the "Tender Offeror"), the controlling shareholder (parent company) of SFH (the "Tender Offer"), and to recommend that the shareholders and the holders of the stock acquisition rights of SFH tender the SFH's common shares and the stock acquisition rights in the Tender Offer. The resolution of the Board of Directors stated above was made on the assumption that the Tender Offeror intends to make SFH its wholly-owned subsidiary through the Tender Offer and a series of subsequent procedures and that SFH's Common Shares will be delisted.

1. Outline of Tender Offeror

- | | |
|---|---|
| (1) Name | Sony Corporation |
| (2) Head office | 7-1 Konan 1-chome, Minato-ku, Tokyo |
| (3) Name and title of representative | Kenichiro Yoshida, Representative Corporate Executive Officer |
| (4) Description of business | Game & Network Services, Music, Pictures, Electronic Products & Solutions (Mobile Communications/ Imaging Products & Solutions/Home Entertainment & Sound), Imaging & Sensing Solutions, Financial Services, and All Other businesses |
| (5) Common stock | ¥880,213 million (As of March 31, 2020) |
| (6) Date of incorporation | May 7, 1946 |
| (7) Major shareholders and share holding ratios (as of December 31, 2019) | |

Citibank As Depositary Bank For Depositary Receipt Holders (Standing proxy: MUFG Bank, Ltd.)	10.07%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.85%
Japan Trustee Services Bank, Ltd. (Trust Account)	5.61%
JP Morgan Chase Bank 380055 (Standing proxy: Mizuho Bank, Ltd.)	2.30%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2.09%
State Street Bank West Client - Treaty 505234 (Standing proxy: Mizuho Bank, Ltd.)	1.99%
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.99%
GLC Private Limited - C (Standing proxy: MUFG Bank, Ltd.)	1.87%
SSBTC Client Omnibus Account (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	1.86%
J.P. Morgan Bank Luxembourg S.A. 1300000 (Standing proxy: Mizuho Bank, Ltd.)	1.84%

(8) Relationship between the Tender Offeror and SFH

- Capital relationship: The Tender Offeror holds 283,050,000 Company's Common Shares (share holding ratio: 65.04%).
- Personnel relationship: Three of the Company's ten directors hold positions as director, corporate executive officer or executive officer of the Tender Offeror and other two of them worked at the Tender Offeror. Also, one of the Company's three audit & supervisory board members holds a position as an employee of the Tender Offeror. In addition to the above, three employees of Group companies (Note 1) are seconded to Other Tender Offeror Group Companies (Note 2), and 16 employees of Other Tender Offeror Group Companies are seconded to Group companies as of March 31, 2020.
- Business relationship: Group companies have executed trade name and trademark license agreements with the Tender Offeror regarding the use of the trademarks, etc. in which "Sony" is used. Under those agreements, Group companies pay brand royalties to the Tender Offeror. In addition, Sony Life Insurance Co., Ltd. leases its headquarters building to the Tender Offeror as part of its asset management, and receives the rent based on the real estate appraisal.
- Status as related party: The Tender Offeror is the Company's parent company, and therefore a related party of the Company.
Notes: 1. "Group companies" means the Company and its 13 consolidated companies (as of March 31, 2020).
Notes: 2. "Other Tender Offeror Group Companies" means companies which constitute the Tender Offeror Group, excluding the companies which constitute Group companies. "Tender Offeror Group" means the Tender Offeror, its 1,529 subsidiaries, and its 155 affiliates, out of which there are 1,490 consolidated subsidiaries (including variable interest entities) and 140 equity method affiliates (as of March 31, 2020).

2. Outline of the Tender Offer

- | | |
|---|---|
| (1) Period of the tender offer, etc. | From Wednesday, May 20, 2020, to Monday, July 13, 2020 (39 business days) |
| (2) Price for purchase, etc. | 1) ¥2,600 per common share
2) Stock acquisition rights |
| | <ul style="list-style-type: none"> • Stock acquisition rights issued pursuant to the resolution approved at the meeting of the Company's Board of Directors held on July 22, 2016 (partially amended by the resolution approved at the meeting of the Company's Board of Directors held on May 31, 2017): ¥259,900 per unit • Stock acquisition rights issued pursuant to the resolution approved at the meeting of the Company's Board of Directors held on July 13, 2017: ¥259,900 per unit • Stock acquisition rights issued pursuant to the resolution approved at the meeting of the Company's Board of Directors held on July 17, 2018: ¥259,900 per unit • Stock acquisition rights issued pursuant to the resolution approved at the meeting of the Company's Board of Directors held on July 18, 2019: ¥259,900 per unit |
| (3) Number of shares to be purchased under the tender offer | |
| | Number of shares to be purchased: 152,130,036 |
| | Minimum number of shares to be purchased: 7,070,000 |
| | Maximum number of shares to be purchased: - |
| (4) Date of commencement of the tender offer | Wednesday, May 20, 2020 |

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. Profit attributable to owners of the parent per share for the year ended March 31, 2020 was ¥171.09. The basis for this calculation for the year ended March 31, 2020 is profit attributable to owners of the parent of ¥74,429 million, the entire amount of which is applicable to common stock. The weighted-average number of shares outstanding for the year ended March 31, 2020 was 435,041 thousand shares.

Diluted net income per share attributable to owners of the parent was ¥171.04. 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 115 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, 2020 are as follows:

	Millions of yen
For the year ended March 31,	2020
Net unrealized gains (losses) on available-for-sale securities, net of taxes:	
Gains (losses) arising during the period	(20,899)
Reclassification adjustments	535
Pre-tax amount	(20,364)
Income tax benefit (expense)	6,457
Net unrealized gains (losses) on available-for-sale securities, net of taxes	(13,907)
Net deferred gains (losses) on hedging instruments, net of taxes:	
Gains (losses) arising during the period	2,086
Reclassification adjustments	(1,071)
Pre-tax amount	1,014
Income tax benefit (expense)	(310)
Net deferred gains (losses) on hedging instruments, net of taxes	703
Remeasurements of defined benefit plans, net of taxes:	
Gains (losses) arising during the period	148
Reclassification adjustments	769
Pre-tax amount	918
Income tax benefit (expense)	(259)
Remeasurements of defined benefit plans, net of taxes	658
Share of other comprehensive income of affiliates accounted for using equity method	
Reclassification adjustments	(23)
Total other comprehensive income	(12,569)

4 Notes to the Consolidated Statements of Changes in Net Assets

1. Types and numbers of shares issued are as follows

	Thousands of shares			
	2020			
For the year ended March 31,	Number of shares as of April 1, 2019	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2020
Issued shares				
Common stock	435,062	24	—	435,087
Total	435,062	24	—	435,087
Treasury stock				
Common stock	37	0	—	37
Total	37	0	—	37

Notes: 1. The increase of 24 thousand shares in common stock (of shares outstanding) was due to allocation of restricted stock by resolution of the Board of Directors.

2. The increase of 0 thousand shares in common stock (of treasury stock) was due to repurchase of fractional shares constituting less than one trading unit.

2. Information on stock acquisition rights is as follows:

Detail of stock acquisition rights		Balance as of March 31, 2020 (Millions of yen)
SFH	Stock acquisition rights as stock options	215

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 21, 2019	Common stock	¥27,189 million	¥62.5	March 31, 2019	June 24, 2019

(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 23, 2020	Common stock	¥30,453 million	Retained earnings	¥70.0	March 31, 2020	June 24, 2020

5 Notes to the Consolidated Statements of Cash Flows

1. Cash and cash equivalents in the statement of cash flows is equal to cash and due from banks as stated in the consolidated balance sheet as of March 31, 2020.

	Millions of yen
For the year ended March 31,	2020
Cash and due from banks	549,964
Cash and cash equivalents	549,964

2. Details of assets and liabilities of companies newly included in the scope of consolidation through the acquisition of shares

Details of the assets acquired and liabilities assumed through the acquisition of Sony Life With Insurance Co., Ltd.* and SA Reinsurance Ltd. (hereinafter collectively referred to as "the two joint ventures") as consolidated subsidiaries through the acquisition of shares, at the time of consolidation, and the relationship between the amount paid for acquisition of the two joint ventures and the net inflow due to their acquisition, are as follows.

* The trade name was changed from AEGON Sony Life Insurance Co., Ltd. to Sony Life With Insurance Co., Ltd. on April 1, 2020.

	Millions of yen
Assets	600,480
[Including cash and due from banks]	[27,287]
[Including securities]	[530,851]
Goodwill	3,609
Liabilities	(572,354)
[Including policy reserves and others]	[(567,173)]
Other	946
Amount paid to acquire shares of the two joint ventures	32,682
Amount paid prior to gaining control	(29,450)
Equity method valuation prior to gaining control	15,766
Gains on step acquisitions	(248)
Cash and cash equivalents held by the two joint ventures	(27,287)
Difference: inflow from the acquisition of the two joint ventures	8,537

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

Segment Information

1 Outline of Reportable Segments

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

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

The Sony Financial Group consists of three reportable segments: the life insurance business, the non-life insurance business and the banking business.

- The life insurance business consists of Sony Life Insurance Co., Ltd., Sony Life With Insurance Co.,Ltd.* and SA Reinsurance Ltd.
- The non-life insurance business consists of Sony Assurance Inc.
- The banking business consists of Sony Bank Inc., Sony Payment Services Inc., SmartLink Network Hong Kong Limited, and SmartLink Network Europe B.V.

* The trade name was changed from AEGON Sony Life Insurance Co., Ltd. to Sony Life With Insurance Co.,Ltd. on April 1, 2020.

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

Accounting of reported business segments is roughly the same as described in page 64 through page 67 "Significant Basic Items for the Preparation of the Consolidated Financial Statements" of this report.

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

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

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

*1 "Other" represents the nursing care business and the venture capital business, which are business segments not included in reportable segments.

*2 Ordinary revenues stated herein are equivalent to net sales of a regular entity.

*3 Depreciation includes amortization of long-term prepaid expenses, etc.

*4 Increase in tangible fixed assets and intangible fixed assets includes an increase in long-term prepaid expenses, etc.

Millions of yen

2020						
	Reportable Segments				Other*1	Total
	Life insurance business	Non-life insurance business	Banking business	Total		
Ordinary revenues*2						
(1) External customers	1,602,154	121,727	49,997	1,773,879	7,541	1,781,420
(2) Intersegment	2,601	1	275	2,877	—	2,877
Total	1,604,756	121,728	50,272	1,776,757	7,541	1,784,298
Segment profit	94,382	8,072	10,690	113,145	(1,441)	111,704
Segment assets	11,796,918	234,884	3,096,574	15,128,377	25,188	15,153,565
Other						
Depreciation*3	9,174	2,476	2,765	14,416	726	15,142
Interest income and dividends	181,812	1,337	33,950	217,100	3	217,103
Interest expenses	5,064	—	9,270	14,334	705	15,040
Equity in earnings (losses) of affiliates	(11)	—	—	(11)	—	(11)
Increase in tangible fixed assets and intangible fixed assets*4	17,216	7,143	2,715	27,075	4,652	31,727

*1 "Other" represents the nursing care business and the venture capital business, which are business segments not included in reportable segments.

*2 Ordinary revenues stated herein are equivalent to net sales of a regular entity.

*3 Depreciation includes amortization of long-term prepaid expenses, etc.

*4 Increase in tangible fixed assets and intangible fixed assets includes an increase in long-term prepaid expenses, etc.

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

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

	Millions of yen	
	2019	2020
Totals of reportable segments	1,625,488	1,776,757
Other	6,681	7,541
Adjustments for intersegment transactions	(2,988)	(2,877)
Ordinary revenues in statement of income	1,629,182	1,781,420

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

	Millions of yen	
	2019	2020
Totals of reportable segments	94,708	113,145
Other	(1,021)	(1,441)
Amount not allocated to reportable segments	169	176
Ordinary profit in statement of income	93,856	111,880

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

	Millions of yen	
	2019	2020
Totals of reportable segments	13,478,825	15,128,377
Other	22,636	25,188
Adjustments for intersegment transactions	(66,653)	(72,023)
Amount not allocated to reportable segments	33,406	44,168
Assets in balance sheets	13,468,215	15,125,710

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

	Millions of yen							
	Reportable Segments Total		Other		Reconciliation		Amounts in the Consolidated Financial Statements	
	2019	2020	2019	2020	2019	2020	2019	2020
Depreciation	12,794	14,416	631	726	40	49	13,466	15,191
Interest income and dividends	200,252	217,100	2	3	(0)	(0)	200,255	217,103
Interest expenses	10,248	14,334	507	705	(77)	(75)	10,678	14,964
Equity in earnings (losses) of affiliates	(1,748)	(11)	—	—	—	—	(1,748)	(11)
Investments in equity-method affiliates	10,969	—	—	—	—	—	10,969	—
Increase in tangible fixed assets and intangible fixed assets	19,264	27,075	1,141	4,652	69	94	20,475	31,822

Sony Financial Holdings (Consolidated)

Risk-monitored Loans

As of March 31,	Millions of yen	
	2019	2020
Category		
Bankrupt loans	180	187
Non-accrual delinquent loans	1,220	1,116
Past-due loans (3 months or more)	—	—
Restructured loans	800	814
Total	2,201	2,117

Consolidated Solvency Margin Ratio

As of March 31,	Millions of yen	
	2019	2020
(A) Total consolidated solvency margin	1,481,117	1,600,316
Common stock, etc.	505,148	546,010
Reserve for price fluctuations	50,343	53,060
Contingency reserve	98,736	110,973
Catastrophe reserve	24,636	27,860
General reserve for possible loan losses	483	507
Net unrealized gains (losses) on available-for-sale securities and net deferred gains or losses on hedging instruments, net of taxes (before tax deductions) x 90% (100% if losses)	157,692	141,225
Net unrealized gains (losses) on real estate x 85% (100% if losses)	51,154	65,673
Total amount of unrecognized net actuarial gain (loss) and unrecognized prior service cost (before subtracting tax effects)	(2,090)	(1,172)
Amount excluded from deferred tax assets	—	—
Unallotted portion of reserve for policyholders' dividends	245	152
Deferred tax assets (after deducting amount excluded)	95,400	105,303
Subordinated debt and surplus components of premium reserve	510,406	550,766
Total solvency margin of small-amount short-term insurers	—	—
Deductible items	(11,040)	(45)
(B) Total consolidated risk $\sqrt{[(R_1^2 + R_5^2) + R_8 + R_9]^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	171,586	191,526
Insurance risk (R_1)	24,574	24,564
Ordinary insurance risk (R_5)	13,181	13,711
Major catastrophe risk (R_9)	1,105	1,100
Third-sector insurance risk (R_8)	8,527	8,459
Insurance risk of small-amount short-term insurers (R_3)	—	—
Assumed interest rate risk (R_2)	34,186	36,769
Minimum guarantee risk (R_7)	22,141	24,069
Asset management risk (R_4)	103,438	118,623
Business management risk (R_6)	6,618	7,271
Consolidated solvency margin ratio (A)/((1/2)x(B)) x 100	1,726.3%	1,671.1%

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

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

■ Sony Life (Non-consolidated)

Risk-monitored Loans

		Billions of yen	
As of March 31,		2019	2020
Category			
Bankrupt loans		—	0.0
Non-accrual delinquent loans		0.0	0.0
Past-due loans (3 months or more)		—	—
Restructured loans		—	—
Total		0.0	0.0

■ Sony Assurance

Risk-monitored Loans

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

■ Sony Bank (Non-consolidated)

Risk-monitored Loans

		Billions of yen	
As of March 31,		2019	2020
Category			
Bankrupt loans		0.1	0.1
Non-accrual delinquent loans		1.2	1.1
Past-due loans (3 months or more)		—	—
Restructured loans		0.8	0.8
Total		2.2	2.1

The relationship between SFH and its parent company, Sony Corp., is as described below.

●Capital Relationship

SFH is a financial holding company, established in April 2004 as a corporate spin-off from Sony Corp. In October 2007, SFH's shares were listed on the First Section of the Tokyo Stock Exchange with the initial public offering conducted in Japan and overseas. Sony Corp. later made additional purchases of SFH shares, bringing its shareholding to 65.06% (excluding treasury stocks) as of March 31, 2020. As a result, regardless of the intentions and interests of other shareholders, Sony Corp. may have an impact on all matters requiring shareholder approval such as the appointment and dismissal of SFH directors and audit & supervisory board members, mergers and other organizational restructuring, material asset and business transfers, amendments to the Articles of Incorporation and the payment of dividends. Sony Corp. announced on May 19, 2020 that it would conduct a tender offer for the shares and the stock acquisition rights of SFH, with the intention of making SFH its wholly-owned subsidiary. The board of directors of SFH determined that becoming a wholly-owned subsidiary of Sony Corp. would create synergies, thereby contributing to increasing its corporate value and shareholders' interests, and therefore expressed its opinion in support of the Tender Offer and recommended that the shareholders and the holders of the stock acquisition rights tender their shares and stock acquisition rights in the Tender Offer. The Tender Offer was completed on July 13, 2020. As a result, Sony Corp. holds 406,626,238 shares of SFH (share holding ratio: 93.47% (excluding treasury shares)) as of July 20, 2020. Accordingly, Sony Corp. will conduct procedures for acquiring all of SFH's shares (excluding SFH's shares held by Sony Corp. and the treasury shares held by SFH).

●Ensuring Independence in Business Activities

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

●Personnel Relationship

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

●Using the "Sony" Trade Name and Trademark

SFH and Group companies have entered into royalty agreements with Sony Corp. for the use of the "Sony" trade name and trademark, etc. However, these agreements can be rescinded by Sony Corp. under certain conditions, such as its share of voting rights in SFH falling below a majority, or SFH's percentage ownership of the voting rights of SFG companies dropping. Furthermore, SFG pays royalty fees to Sony Corp. based on these agreements. The amount paid in fiscal 2019 was ¥3,164 million and the amount of these royalty fees has no material impact on the management base of SFG.

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

●Transactions with Sony Corp.

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

A

ALM (asset liability management)

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

Annualized insurance premiums

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

Assumed interest rate

Insurance companies anticipate a certain return on invested assets in advance and discount insurance premiums only by this amount. This discount rate is called the assumed interest rate.

Assumed mortality rate

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

Assumed rate of expense

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

C

Capital adequacy ratio

The ratio of capital to total assets. An indicator of whether a bank has enough capital, including common stock, versus credit risk assets (of total assets, those which could become non-performing). If a bank is unable to recover a large amount of loans, it can draw on capital and write off these loans. A sharp decrease in capital creates difficulties in bank management. Capital adequacy ratio regulations ensure that banks are soundly managed by keeping the capital adequacy ratio above a certain level. This ratio is therefore an important indicator to show financial soundness. For banks possessing business bases overseas, the internationally standardized regulations to preserve financial soundness are a capital adequacy ratio of over 8%, and for banks not possessing business bases overseas, in Japan a capital adequacy ratio of 4% is required.

Catastrophe reserve

A type of policy reserve, under which, pursuant to the provisions of the Insurance Business Act of Japan, non-life insurance companies are required to accumulate each fiscal year as an amount calculated based on premium income to cover losses due to catastrophic events. In consideration of the special need for the non-life insurance business to cover a wide range of risks, the catastrophe reserve acts as a provision against the risk of large insurance claims resulting from earthquakes, typhoons and other disaster occurs. It is structured to be accumulated over the course of multiple fiscal years, and reversed during the fiscal year in which a disaster occurs.

Combined ratio

The sum of a net loss ratio and net expense ratio. Indicator of non-life insurance company's profitability in the primary business operations.

Compulsory automobile liability insurance

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

Contingency reserve

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

Core profit

An indicator of profit (loss) in the primary life insurance business over a one-year period. It is derived by subtracting from ordinary profit any income earned from operations other than the primary life insurance business. Profit categories subtracted from ordinary profit include gains (losses) on the sale of securities and one-time gains (losses), such as profit from the sale of assets owned by the life insurance company.

D

Direct premiums written

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

Duration

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

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

E

Earned/incurred (E.I.) loss ratio

An indicator that represents the loss ratio incurred during the current period that takes into account the provision and reversal of reserve for outstanding losses and ordinary underwriting reserves calculated using the following formula:

Earned/incurred (E.I.) loss ratio = (Net losses paid + Provision for reserve for outstanding losses + Loss adjustment expenses) / Earned premiums (excluding earthquake insurance and compulsory automobile liability insurance)

Endowment insurance

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

ERM (enterprise risk management)

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

ESR (economic solvency ratio)

ESR is one of the financial soundness indicators, which measures whether an organization possesses sufficient capital in relation to its risks. Sony Life computes its ESR by dividing MCEV by the risk amount based on economic value. For details on MCEV and the risk amount based on economic value, please see "Sony Life MCEV" in the Financial Data Book.

EV (embedded value)

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

Expense ratio

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

F

Foreign currency-denominated insurance

Insurance product in which insurance premiums are invested in foreign currency.

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

Foundation internal ratings-based approach

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

G

General accounts

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

Gross operating profit

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

I

Individual annuities

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

Individual variable annuities

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

Insurance premiums

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

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

Investment crowd funding

Investment crowd funding is an arrangement that uses the Internet to link venture companies' fund-raising needs for their projects with investors' money management needs. Unlike donation-type and purchase-type crowd funding, which do not involve monetary return, investors can receive dividends. Meanwhile, investment crowd funding has the feature of investment products associated with risks, whereby dividends may not be paid or the investment value may fall below the amount invested due to the performance of venture companies, etc.

L

Lapse and surrender rate

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

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

Living benefit insurance

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

Loss adjustment expenses

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

Loss ratio

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

M

MDRT (Million Dollar Round Table)

A global, independent association of the world's leading life insurance and financial services professionals with 72,000 members from 70 countries and territories. MDRT members demonstrate exceptional professional knowledge and strict ethical conduct. Through their outstanding client services,

MDRT members are recognized as leaders of the business and local communities. They are also internationally recognized as professionals in the life insurance and financial services business.

N

Net fees and commissions

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

Net interest income

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

Net other operating income

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

Net premiums written

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

Non-performing assets

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

O

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

A bank serves as an insurance agency to solicit insurance.

P

Policy amount in force

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

Policy reserves (Underwriting reserves)

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

Policy reserves and others (Underwriting reserves)

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

Policyholder loans

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

Policyholders' dividend reserve

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

Positive spread

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

R

Reference loss cost rates

Non-life insurance premium rates comprise net insurance premium rates used for paying insurance claims and loading insurance premium rates used for operating insurance businesses. Net insurance premium rates calculated by the General Insurance Rating Organization of Japan are called reference loss cost rates. Member insurers of the

organization can use the rates as the basis for calculating their own insurance premium rates.

Reinsurance

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

Reserve for outstanding claims (Reserve for outstanding losses)

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

Reserve for price fluctuations

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

Riders

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

ROEV (return on embedded value)

ROEV is an indicator that refers to the growth potential of corporate value. The amount of increase of EV (embedded value), an indicator of a life insurance company's corporate value, is deemed to be profit that takes into account the unique aspects of life insurance accounting. Core ROEV is the growth rate of EV that excludes any fluctuation effects of the investment yield and discounted rate.

S

Separate accounts

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

Solvency margin

The solvency margin indicates payment ability. Insurance companies accumulate policy reserves to prepare for the payment of future claims, allowing them to adequately respond to risks within a normally anticipated range. However, unforeseen events can occur due to changes in the environment such as major disasters and substantial declines in stock prices. The solvency margin ratio is one measure used by regulatory authorities to determine how much an insurance company is able to pay in response to the risk of such unpredictable events.

Standard Mortality Table

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

Standard yield

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

Surrender payments

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

T

Term insurance

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

U

Underwriting profit

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

V

Variable life insurance

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

W

Whole life insurance

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



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

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

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

SFH Financial Data (Consolidated)

Principal Indicators of Operating Performance

Consolidated Balance Sheets

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Net Assets

Consolidated Statements of Cash Flows

Sony Life Financial Data (Non-consolidated)

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Statements of Income

Statements of Changes in Net Assets

1. Loans by Borrower Category

2. Risk-monitored Loans

3. Accounting Indicators

4. Reconciliation to Core Profit and Non-consolidated Ordinary Profit

5. Fair Value Information on Securities (General Account)

6. Fair Value Information on Securities (Company Total)

Sony Life Financial Data (Consolidated)

Consolidated Balance Sheet

Consolidated Statement of Income

Sony Life Performance Indicators (Non-consolidated)

1. Key Performance Indicators for Past Five Years

2. Key Performance Indicators

3. Indicators for Insurance Policies

4. Indicators Related to Asset Management (General Account)

5. Status of Insurance Claims Paying Ability

6. Balance of Separate Account Assets

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9. Number of Agencies

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Sony Assurance Financial Data

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3. Assets and Liabilities

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Sony Assurance Performance Indicators

1. Principal Indicators of Operating Performance

2. Underwriting Performance

3. Asset Management

4. Non-consolidated Solvency Margin Ratio

Sony Bank Financial Data (Consolidated)

Consolidated Balance Sheets

Consolidated Statements of Income

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Sony Bank Financial Data (Non-consolidated)

Balance Sheets

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Statements of Changes in Net Assets

1. Loans by Borrower Category

2. Risk-monitored Loans

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Sony Bank Performance Indicators (Non-consolidated)

1. Key Performance Indicators

2. Status of Operations (Deposits)

3. Status of Operations (Loans)

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Sony Life MCEV

MCEV Results for Sony Life as of March 31, 2020

