

Summary Information on Sony Assurance's Financial Results
for the Year Ended March 31, 2017

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1. Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets:		
Cash and deposits	8,381	8,951
Cash	0	0
Deposits	8,381	8,951
Securities	127,256	137,553
Japanese government bonds	82,427	84,455
Japanese local government bonds	27,207	29,308
Japanese corporate bonds	12,660	21,544
Japanese stocks	3,708	2,046
Foreign securities	197	197
Other securities	1,055	-
Tangible fixed assets	4,024	3,399
Buildings	201	188
Construction in progress	181	22
Other tangible fixed assets	3,641	3,188
Intangible fixed assets	5,988	6,529
Software	3,347	5,833
Software in progress	2,640	144
Other intangible fixed assets	0	550
Other assets	20,363	22,125
Accrued premiums	1,273	1,270
Due from reinsurers	96	36
Due from foreign reinsurers	4	8
Accounts receivable	13,493	15,097
Accrued income	152	149
Money on deposits	443	506
Suspense payments	4,900	5,056
Deferred tax assets	6,308	7,978
Total Assets	172,323	186,537

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities:		
Underwriting reserves	133,246	144,514
Reserve for outstanding losses and claims	37,542	38,340
Underwriting reserves	95,704	106,173
Other liabilities	8,339	9,877
Due to reinsurers	-	68
Due to foreign reinsurers	5	5
Income taxes payable	1,442	1,746
Deposits received	15	65
Accounts payable	2,724	3,021
Suspense receipt	4,152	4,969
Reserve for employees' retirement benefits	1,281	1,440
Reserve for directors' retirement benefits	44	36
Reserve for employees' bonuses	956	1,082
Reserve under the special laws	149	177
Reserve for price fluctuations	149	177
Total Liabilities	144,018	157,128
Net Assets:		
Shareholders' equity		
Common stock	20,000	20,000
Capital surplus		
Capital reserve	3,389	3,389
Total capital surplus	3,389	3,389
Retained earnings		
Earned reserve	-	258
Other retained earnings	2,586	4,549
Unappropriated retained earnings	2,586	4,549
Total retained earnings	2,586	4,808
Total shareholders' equity	25,976	28,197
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities, net of taxes	2,328	1,211
Total valuation and translation adjustments	2,328	1,211
Total Net Assets	28,305	29,409
Total Liabilities and Net Assets	172,323	186,537

2. Statements of Income

(Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Ordinary Revenues	96,905	102,333
Underwriting income	95,612	100,330
(Net premiums written)	95,549	100,274
(Interest and dividends on deposits of premiums)	62	55
(Other underwriting income)	0	-
Investment income	1,263	1,957
(Interest income and dividends)	1,313	1,327
(Gains on sale of securities)	12	685
(Gains on redemption of securities)	-	0
(Transfer to interest and dividends on deposits of premiums)	(62)	(55)
Other ordinary income	29	45
Ordinary Expenses	92,225	97,336
Underwriting expenses	67,798	70,553
(Net losses paid)	48,111	50,181
(Loss adjustment expenses)	7,098	7,458
(Net commissions and brokerage fees)	1,515	1,646
(Provision for reserve for outstanding losses and claims)	1,877	798
(Provision for underwriting reserves)	9,195	10,469
(Other underwriting expenses)	0	-
Investment expenses	4	0
(Losses on sale of securities)	4	0
Operating, general and administrative expenses	24,418	26,763
Other ordinary expenses	3	19
Ordinary Profit	4,680	4,996
Extraordinary Gains	-	-
Extraordinary Losses	890	47
Losses on sale or disposal of fixed assets	864	19
Provision for reserve under the special laws	25	27
Provision for reserve for price fluctuations	25	27
Income Before Income Taxes	3,790	4,949
Income Taxes –Current	2,417	2,669
Income Taxes –Deferred	(1,213)	(1,235)
Total Income Taxes	1,203	1,434
Net Income	2,586	3,515

3. Financial Summary (Year-on-Year Comparison)

(Millions of yen)

		For the year ended March 31, 2016	For the year ended March 31, 2017	Change (Amount)	Change (%)
Gross direct premiums written		94,336	99,014	4,678	5.0 %
(Direct premiums written)		94,336	99,014	4,678	5.0
Ordinary Income (expenses)	Underwriting income	95,612	100,330	4,717	4.9
	(Net premiums written)	95,549	100,274	4,724	4.9
	Underwriting expenses	67,798	70,553	2,755	4.1
	(Net losses paid)	48,111	50,181	2,070	4.3
	(Loss adjustment expenses)	7,098	7,458	359	5.1
	(Net commissions and brokerage fees)	1,515	1,646	130	8.6
	Investment income	1,263	1,957	693	54.9
	(Interest income and dividends)	1,313	1,327	13	1.0
	(Gains on sale of securities)	12	685	672	5,332.3
	Investment expenses	4	0	(4)	(92.6)
(Losses on sale of securities)	4	0	(4)	(92.6)	
Operating, general and administrative expenses		24,418	26,763	2,344	9.6
(Operating, general and administrative expenses related to underwriting)		24,347	26,706	2,359	9.7
Other ordinary income, net		25	26	0	0.3
Ordinary profit		4,680	4,996	316	6.8
(Underwriting profit)		3,470	3,070	(400)	(11.5)
Extraordinary gains (losses)	Extraordinary Gains	-	-	-	-
	Extraordinary Losses	890	47	(843)	(94.7)
	Extraordinary gains (losses), net	(890)	(47)	843	-
Income Before Income Taxes		3,790	4,949	1,159	30.6
Income Taxes - Current		2,417	2,669	252	10.4
Income Taxes - Deferred		(1,213)	(1,235)	(21)	-
Total Income Taxes		1,203	1,434	230	19.2
Net Income		2,586	3,515	928	35.9
Ratios	Net loss ratio	57.8%	57.5%		
	Net expense ratio	27.1%	28.3%		
	Yield on investments (income basis)	1.03%	0.95%		
	Yield on investments (realized basis)	1.03%	1.44%		

(Reference)

Yield on investments (market value basis) : 2.05% for the year ended March 31, 2016 and 0.32% for the year ended March 31, 2017.

Notes:

- Underwriting profit = Underwriting income – (Underwriting expenses + Operating, general and administrative expenses related to underwriting) ± Other income (expenses). Other income (expenses) is the amount equivalent to the corporate income taxes for compulsory automobile liability insurance, etc.
- Calculation method for yield on investments is described in separate attachments.

Calculation method for yield on investments

1. Yield on investments (income basis)

The results of investment in assets are indicated as income revenues (interest income and dividends).

Interest income and dividends on investment assets is the numerator, and acquisition cost is the denominator.

- Numerator: Interest income and dividends
- Denominator: Average balance of either acquisition cost or amortized cost

2. Yield on investments (realized basis)

The results of investment in assets are indicated as the contribution to net income (loss) for the period (statements of income).

Realized profit and loss is the numerator, and acquisition cost is the denominator.

- Numerator: Investment income + Interest and dividends on deposits of premiums – Investment expenses
- Denominator: Average balance of either acquisition cost or amortized cost

3. (Reference) Yield on investments (market value basis)

An indicator of investment efficiency based on market value. Realized profit and loss plus net unrealized gains is the numerator, and market value is the denominator.

- Numerator = (Investment income + Interest and dividends on deposits of premiums – Investment expenses)
+ (Net unrealized gains at end of period* – Net unrealized gains at end of previous period*)
- Denominator = Average balance according to the acquisition cost or amortized cost
+ Net unrealized gains on other securities at end of previous period*

*Amounts before tax deductions

4. Premiums and Losses Paid by Type of Policy

Direct Premiums Written

(Millions of yen)

	For the year ended March 31, 2016			For the year ended March 31, 2017		
	Amount	Composition	YoY Change	Amount	Composition	YoY Change
Fire	348	0.4	4.6	245	0.2	(29.6)
Marine	-	-	-	-	-	-
Personal accident	8,679	9.2	1.2	8,767	8.9	1.0
Voluntary automobile	85,308	90.4	4.6	90,001	90.9	5.5
Compulsory automobile liability	-	-	-	-	-	-
Total	94,336	100.0	4.2	99,014	100.0	5.0

Net Premiums Written

(Millions of yen)

	For the year ended March 31, 2016			For the year ended March 31, 2017		
	Amount	Composition	YoY Change	Amount	Composition	YoY Change
Fire	44	0.0	(2.8)	24	0.0	(43.9)
Marine	44	0.0	(59.7)	(2)	(0.0)	(105.5)
Personal accident	8,953	9.4	1.2	9,044	9.0	1.0
Voluntary automobile	85,123	89.1	4.6	89,746	89.5	5.4
Compulsory automobile liability	1,384	1.4	3.6	1,460	1.5	5.5
Total	95,549	100.0	4.2	100,274	100.0	4.9

Net Losses Paid

(Millions of yen)

	For the year ended March 31, 2016			For the year ended March 31, 2017		
	Amount	YoY Change	Net loss ratio	Amount	YoY Change	Net loss ratio
Fire	1	(46.1)	65.7	6	298.1	117.5
Marine	46	(48.9)	103.7	(6)	(114.9)	-
Personal accident	2,472	9.1	30.5	2,615	5.8	32.0
Voluntary automobile	44,320	4.5	60.1	46,263	4.4	59.5
Compulsory automobile liability	1,270	4.8	91.8	1,301	2.5	89.1
Total	48,111	4.6	57.8	50,181	4.3	57.5

5. Risk-monitored Loans

Not applicable

6. Securities

(1) Trading-purpose Securities

None

(2) Held-to-maturity Securities

(Millions of yen)

		As of March 31, 2016			As of March 31, 2017		
		Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value is higher than balance sheet amount	Japanese bonds (including JGBs)	71,050	92,796	21,745	71,765	87,810	16,045
	Foreign securities	197	221	23	197	215	18
	Subtotal	71,248	93,017	21,769	71,962	88,026	16,063
Fair value is lower than balance sheet amount	Japanese bonds (including JGBs)	-	-	-	3,873	3,424	(449)
	Foreign securities	-	-	-	-	-	-
	Subtotal	-	-	-	3,873	3,424	(449)
Total		71,248	93,017	21,769	75,836	91,451	15,614

(3) Available-for-sale Securities

(Millions of yen)

		As of March 31, 2016			As of March 31, 2017		
		Balance sheet amount	Acquisition cost	Difference	Balance sheet amount	Acquisition cost	Difference
Balance sheet amount is higher than acquisition cost	Japanese bonds (including JGBs)	45,054	44,787	266	45,082	44,900	181
	Japanese stock	3,708	729	2,978	2,046	529	1,517
	Subtotal	48,762	45,517	3,245	47,129	45,430	1,698
Balance sheet amount is lower than acquisition cost	Japanese bonds (including JGBs)	6,190	6,201	(10)	14,587	14,603	(15)
	Others	1,055	1,055	-	-	-	-
	Subtotal	7,245	7,256	(10)	14,587	14,603	(15)
Total		56,008	52,774	3,234	61,716	60,033	1,683

(4) Available-for-sale Securities Sold during the Fiscal Year

(Millions of yen)

	For the year ended March 31, 2016			For the year ended March 31, 2017		
	Amount of sales	Total gains on sales	Total losses on sales	Amount of sales	Total gains on sales	Total losses on sales
Japanese bonds (including JGBs)	9,480	12	4	1,885	6	0
Japanese stocks	-	-	-	937	679	-
Total	9,480	12	4	2,823	685	0

7. Non-consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
(A) Total non-consolidated solvency margin	42,701	46,724
Capital or treasury, etc.	24,682	26,439
Reserve for price fluctuations	149	177
Contingency reserve	91	101
Catastrophe reserve	14,363	17,542
General reserve for possible loan losses	-	-
Net unrealized gains on other securities and net deferred gains (losses) on hedging instruments (before tax deductions)	2,910	1,514
Net unrealized gains on real estate	-	-
Excess refund reserve	-	-
Subordinated debt	-	-
The portion of the excess refund reserve and subordinated debt that is not included in the margin	-	-
Deductible items	-	-
Others	502	948
(B) Total non-consolidated risk	$\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	12,313
Ordinary insurance risk (R ₁)	10,906	11,370
Third-sector insurance risk (R ₂)	-	-
Assumed interest rate risk (R ₃)	96	105
Asset management risk (R ₄)	1,416	1,431
Business management risk (R ₅)	269	278
Major catastrophe risk (R ₆)	1,033	1,033
(C) Non-consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	693.5 %	730.8 %

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

<Non-consolidated Solvency Margin Ratio>

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

Total risk (item (B) in the table) indicates risk events which exceed the normal estimates.

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

“Risk events which exceed the normal estimates” refers to the total of the amounts represented by the following risks:

- (1) Insurance underwriting risk : Risk which exceeds the normal estimates for the rate of accident occurrence
(Ordinary insurance risk) (excluding major catastrophe risk)
(Third-sector insurance risk)
- (2) Assumed interest rate risk : Risk that actual investment yields will fall below
the investment yield assumed when calculating premiums
- (3) Asset management risk : Risk arising from such factors as unexpectedly large fluctuations in prices
on held securities and other assets
- (4) Business management risk : Unexpected risk to business management other than (1) through (3) above and (5)
- (5) Major catastrophe risk : Risk arising from major catastrophes
(such as the Great Kanto Earthquake and the Ise Bay Typhoon)

A non-life insurer's ability to pay (total non-consolidated solvency margin), as indicated by such factors as its capital and reserves, is the total of the insurer's net assets (excluding the amount of expected outflow from the company), reserves (such as the reserve for price fluctuations and catastrophe reserve) and a portion of its net unrealized gains on real estate.

The non-consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurers. When this ratio is 200% or higher, an insurer is judged to have sufficient ability to satisfy claims and other payments.