

Summary Information on Sony Assurance's Financial Results
for the Six Months Ended September 30, 2017

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1. Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets:		
Cash and deposits	8,951	15,502
Securities	137,553	141,523
Tangible fixed assets	3,399	2,857
Intangible fixed assets	6,529	6,095
Other assets	22,125	19,646
Accounts receivable	15,097	12,582
Others	7,028	7,064
Deferred tax assets	7,978	8,657
Total Assets	186,537	194,283
Liabilities:		
Underwriting reserves	144,514	151,772
Reserve for outstanding losses and claims	38,340	39,387
Underwriting reserves	106,173	112,385
Other liabilities	9,877	8,758
Income taxes payable	1,746	2,181
Others	8,130	6,577
Reserve for employees' retirement benefits	1,440	1,516
Reserve for directors' retirement benefits	36	—
Reserve for employees' bonuses	1,082	1,003
Reserve under the special laws	177	191
Reserve for price fluctuations	177	191
Total Liabilities	157,128	163,244
Net Assets:		
Shareholders' equity		
Common stock	20,000	20,000
Capital surplus	3,389	3,389
Retained earnings	4,808	6,405
Total shareholders' equity	28,197	29,794
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities, net of taxes	1,211	1,245
Total valuation and translation adjustments	1,211	1,245
Total Net Assets	29,409	31,039
Total Liabilities and Net Assets	186,537	194,283

2. Statements of Income

(Millions of yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Ordinary Revenues	50,266	54,798
Underwriting income	48,967	53,817
(Net premiums written)	48,934	53,786
(Interest and dividends on deposits of premiums)	33	30
Investment income	1,277	956
(Interest income and dividends)	661	667
(Gains on sale of securities)	649	320
(Transfer to interest and dividends on deposits of premiums)	(33)	(30)
Other ordinary income	21	24
Ordinary Expenses	46,898	50,211
Underwriting expenses	34,641	36,764
(Net losses paid)	24,046	24,937
(Loss adjustment expenses)	3,683	3,672
(Net commissions and brokerage fees)	790	896
(Provision for reserve for outstanding losses)	1,603	1,046
(Provision for underwriting reserves)	4,517	6,211
Operating, general and administrative expenses	12,253	13,445
Other ordinary expenses	2	1
Ordinary Profit	3,368	4,587
Extraordinary Gains	—	—
Extraordinary Losses	13	16
Losses on sale or disposal of fixed assets	0	1
Provision for reserve under the special laws	13	14
Provision for reserve for price fluctuations	13	14
Income Before Income Taxes	3,355	4,571
Income Taxes –Current	1,358	1,908
Income Taxes –Deferred	(480)	(691)
Total Income Taxes	878	1,216
Net Income	2,476	3,354

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

(Millions of yen)

		For the six months ended September 30, 2016	For the six months ended September 30, 2017	Change (Amount)	Change (%)
Gross direct premiums written		48,319	53,116	4,796	9.9 %
(Direct premiums written)		48,319	53,116	4,796	9.9
Ordinary Income (expenses)	Underwriting income	48,967	53,817	4,849	9.9
	(Net premiums written)	48,934	53,786	4,852	9.9
	Underwriting expenses	34,641	36,764	2,123	6.1
	(Net losses paid)	24,046	24,937	890	3.7
	(Loss adjustment expenses)	3,683	3,672	(10)	(0.3)
	(Net commissions and brokerage fees)	790	896	106	13.4
	Investment income	1,277	956	(321)	(25.1)
	(Interest income and dividends)	661	667	5	0.9
	(Gains on sale of securities)	649	320	(329)	(50.7)
	Investment expenses	—	—	—	—
	Operating, general and administrative expenses	12,253	13,445	1,191	9.7
(Operating, general and administrative expenses related to underwriting)	12,226	13,414	1,187	9.7	
Other ordinary income, net	18	23	5	28.7	
Ordinary profit	3,368	4,587	1,219	36.2	
(Underwriting profit)	2,099	3,637	1,537	73.2	
Extraordinary gains (losses)	Extraordinary Gains	—	—	—	—
	Extraordinary Losses	13	16	2	20.5
	Extraordinary gains (losses), net	(13)	(16)	(2)	—
Income Before Income Taxes		3,355	4,571	1,216	36.3
Income Taxes -Current		1,358	1,908	549	40.4
Income Taxes -Deferred		(480)	(691)	(211)	—
Total Income Taxes		878	1,216	338	38.5
Net Income		2,476	3,354	878	35.5
Ratios	Net loss ratio	56.7 %	53.2 %		
	Net expense ratio	26.6 %	26.6 %		

Notes: 1. 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.

2. Ratios are calculated as follows:

Net loss ratio = (Net losses paid + Loss adjustment expenses) / Net premiums written x 100

Net expense ratio = (Net commissions and brokerage fees + Operating, general and administrative expenses related to underwriting) / Net premium written x 100

4. Premiums and Losses Paid by Type of Policy

Direct Premiums Written

(Millions of yen)

	For the six months ended September 30, 2016			For the six months ended September 30, 2017		
	Amount	Composition	YoY Change	Amount	Composition	YoY Change
Fire	117	0.2	(41.2)	102	0.2	(12.1)
Marine	—	—	—	—	—	—
Personal accident	4,388	9.1	1.6	4,348	8.2	(0.9)
Voluntary automobile	43,814	90.7	3.2	48,664	91.6	11.1
Compulsory automobile liability	—	—	—	—	—	—
Total	48,319	100.0	2.9	53,116	100.0	9.9

Net Premiums Written

(Millions of yen)

	For the six months ended September 30, 2016			For the six months ended September 30, 2017		
	Amount	Composition	YoY Change	Amount	Composition	YoY Change
Fire	12	0.0	(55.0)	8	0.0	(37.5)
Marine	(2)	(0.0)	(111.1)	(0)	(0.0)	—
Personal accident	4,527	9.3	1.5	4,452	8.3	(1.6)
Voluntary automobile	43,686	89.3	3.2	48,545	90.3	11.1
Compulsory automobile liability	709	1.4	(0.5)	780	1.5	10.0
Total	48,934	100.0	2.9	53,786	100.0	9.9

Net Losses Paid

(Millions of yen)

	For the six months ended September 30, 2016			For the six months ended September 30, 2017		
	Amount	YoY Change	Net loss ratio	Amount	YoY Change	Net loss ratio
Fire	4	491.3	119.6	2	(45.3)	235.0
Marine	(11)	(111.3)	—	3	—	—
Personal accident	1,228	1.7	30.1	1,361	10.8	33.7
Voluntary automobile	22,175	5.1	58.9	22,915	3.3	54.4
Compulsory automobile liability	649	3.3	91.6	655	0.9	83.9
Total	24,046	4.4	56.7	24,937	3.7	53.2

5. Risk-monitored Loans

None

6. Securities

(1) Held-to-maturity securities

(Millions of yen)

		As of March 31, 2017			As of September 30, 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)	71,765	87,810	16,045	70,856	86,105	15,248
	Foreign securities	197	215	18	197	214	16
	Subtotal	71,962	88,026	16,063	71,054	86,319	15,264
Fair value is lower than balance sheet amount	Japanese bonds (including JGBs)	3,873	3,424	(449)	5,996	5,420	(575)
Total		75,836	91,451	15,614	77,050	91,739	14,688

(2) Available-for-sale securities

(Millions of yen)

		As of March 31, 2017			As of September 30, 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)	45,802	44,900	181	38,736	38,634	102
	Japanese stocks	2,046	529	1,517	2,101	441	1,660
	Subtotal	47,129	45,430	1,698	40,838	39,075	1,762
Balance sheet amount is lower than acquisition cost	Japanese bonds (including JGBs)	14,587	14,603	(15)	23,634	23,667	(33)
Total		61,716	60,033	1,683	64,472	62,743	1,729

7. Non-consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
(A) Total non-consolidated solvency margin	46,724	51,928
Capital or treasury, etc.	26,439	28,915
Reserve for price fluctuations	177	191
Contingency reserve	101	105
Catastrophe reserve	17,542	19,246
General reserve for possible loan losses	—	—
Net unrealized gains on other securities and net deferred gains (losses) on hedging instruments (before tax deductions)	1,514	1,556
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	948	1,911
(B) Total non-consolidated risk $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	12,786	13,243
Ordinary insurance risk (R ₁)	11,370	11,800
Third-sector insurance risk (R ₂)	—	—
Assumed interest rate risk (R ₃)	105	109
Asset management risk (R ₄)	1,431	1,562
Business management risk (R ₅)	278	290
Major catastrophe risk (R ₆)	1,033	1,034
(C) Non-consolidated solvency margin ratio [(A) / {(B) × 1/2}] × 100	730.8 %	784.1 %

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