

Summary Information on Sony Assurance's Financial Results
for the Year Ended March 31, 2020

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Disclaimer:

This English translation is prepared for the readers' convenience. When there are any discrepancies between original Japanese version and English translation version, the original Japanese version always prevails.

1. Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets:		
Cash and deposits	20,043	28,671
Cash	0	0
Deposits	20,043	28,670
Call loans	—	10,000
Securities	157,959	147,813
Japanese government bonds	76,390	72,078
Japanese local government bonds	50,504	42,610
Japanese corporate bonds	29,268	30,377
Japanese stocks	1,599	1,194
Foreign securities	198	1,553
Tangible fixed assets	1,689	1,266
Buildings	169	152
Construction in progress	63	57
Other tangible fixed assets	1,456	1,056
Intangible fixed assets	10,012	14,845
Software	6,646	7,624
Software in progress	3,356	7,210
Other intangible fixed assets	9	11
Other assets	18,609	19,884
Accrued premiums	1,234	1,241
Due from reinsurers	290	67
Due from foreign reinsurers	15	31
Accounts receivable	11,115	12,307
Accrued income	161	146
Money on deposits	530	543
Suspense payments	5,260	5,547
Deferred tax assets	11,328	12,388
Total Assets	219,643	234,870

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities:		
Underwriting reserves	168,494	179,511
Reserve for outstanding losses and claims	40,674	40,354
Underwriting reserves	127,819	139,157
Other liabilities	13,018	14,101
Due to reinsurers	235	380
Due to foreign reinsurers	5	9
Income taxes payable	1,938	1,808
Deposits received	73	74
Accounts payable	5,099	5,179
Suspense receipt	5,666	6,649
Reserve for employees' retirement benefits	1,857	1,972
Reserve for employees' bonuses	1,236	1,231
Reserve under the special laws	238	268
Reserve for price fluctuations	238	268
Total Liabilities	184,844	197,085
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		
Legal retained earnings	1,092	1,592
Other retained earnings	9,367	12,176
Unappropriated retained earnings	9,367	12,176
Total retained earnings	10,460	13,768
Total shareholders' equity	33,849	37,158
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	949	626
Total valuation and translation adjustments	949	626
Total Net Assets	34,798	37,785
Total Liabilities and Net Assets	219,643	234,870

2. Statements of Income

(Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Ordinary Revenues	115,102	121,728
Underwriting income	113,174	119,747
Net premiums written	113,101	119,352
Interest and dividends on deposits of premiums	72	74
Reversal of reserves 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	70	44
Ordinary Expenses	108,204	113,655
Underwriting expenses	78,435	82,368
Net losses paid	56,608	60,315
Loss adjustment expenses	8,220	9,001
Net commissions and brokerage fees	1,724	1,713
Provision for reserve for outstanding losses and claims	1,139	—
Provision for underwriting reserves	10,741	11,338
Investment expenses	0	—
Losses on sale of securities	0	—
Operating, general and administrative expenses	29,766	31,283
Other ordinary expenses	2	3
Other ordinary expenses	2	3
Ordinary Profit	6,897	8,072
Extraordinary Gains	—	—
Extraordinary Losses	39	49
Losses on disposal of fixed assets	7	20
Provision for reserve under the special laws	31	29
Provision for reserve for price fluctuations	31	29
Income Before Income Taxes	6,858	8,022
Income Taxes—Current	3,325	3,148
Income Taxes—Deferred	(1,466)	(934)
Total Income Taxes	1,858	2,214
Net Income	4,999	5,808

3. Financial Summary (Comparison to previous year)

(Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020	YoY change (Amount)	YoY change (%)
Gross direct premiums written	112,198	119,135	+6,937	+6.2
Direct premiums written	112,198	119,135	+6,937	+6.2
Underwriting income	113,174	119,747	+6,573	+5.8
Net premiums written	113,101	119,352	+6,251	+5.5
Underwriting expenses	78,435	82,368	+3,933	+5.0
Net losses paid	56,608	60,315	+3,707	+6.5
Loss adjustment expenses	8,220	9,001	+780	+9.5
Net commissions and brokerage fees	1,724	1,713	(11)	(0.6)
Investment income	1,857	1,935	+78	+4.2
Interest income and dividends	1,372	1,337	(35)	(2.6)
Gains on sale of securities	557	672	+115	+20.7
Investment expenses	0	—	(0)	(100.0)
Losses on sale of securities	0	—	(0)	(100.0)
Operating, general and administrative expenses	29,766	31,283	+1,517	+5.1
Operating, general and administrative expenses related to underwriting	29,687	31,212	+1,524	+5.1
Other ordinary income (losses), net	67	41	(26)	(38.9)
Ordinary profit	6,897	8,072	+1,175	+17.0
Underwriting profit	5,050	6,165	+1,115	+22.1
Extraordinary Gains	—	—	—	—
Extraordinary Losses	39	49	+10	+27.2
Extraordinary gains (losses), net	(39)	(49)	(10)	—
Income Before Income Taxes	6,858	8,022	+1,164	+17.0
Income Taxes—Current	3,325	3,148	(176)	(5.3)
Income Taxes—Deferred	(1,466)	(934)	+531	—
Total Income Taxes	1,858	2,214	+355	+19.1
Net Income	4,999	5,808	+808	+16.2
Net loss ratio	57.3%	58.1%		
Net expense ratio	27.8%	27.6%		
Yield on investments (income basis)	0.80%	0.74%		
Yield on investments (realized basis)	1.12%	1.11%		
Adjusted ordinary profit	10,563	11,297	+733	+6.9
E.I. loss ratio (Reference)	61.3%	61.7%		

Yield on investments (fair value basis) : 0.33% for the year ended March 31, 2019 and 0.85% for the year ended March 31, 2020.

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.
- 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
- Calculation method for yield on investments is described in next page.
- Adjusted ordinary profit = Ordinary profit + Provision for catastrophe reserve
* Provision for catastrophe reserve is described as positive amount.
- E.I. loss ratio = (Net losses paid + Provision for reserve for outstanding losses and claims + Loss adjustment expenses) / Earned premiums x 100
* Earthquake insurance and compulsory automobile liability insurance are excluded from the above calculation.

Calculation methods 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 (fair value basis)

An indicator of investment efficiency based on fair value. Realized profit and loss plus net unrealized gains (losses) is the numerator, and fair value of investment assets is the denominator.

- Numerator = (Investment income + Interest and dividends on deposits of premiums – Investment expenses) + (Net unrealized gains (losses) at end of period* – Net unrealized gains (losses) at end of previous period*)
- Denominator = Average balance of either acquisition cost or amortized cost + Net unrealized gains (losses) on available-for-sale 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, 2019			For the year ended March 31, 2020		
	Amount	Composition	YoY change	Amount	Composition	YoY change
		%	%		%	%
Fire	616	0.5	+198.8	2,275	1.9	+269.2
Marine	—	—	—	—	—	—
Personal accident	8,823	7.9	+1.7	9,253	7.8	+4.9
Voluntary automobile	102,758	91.6	+4.7	107,606	90.3	+4.7
Compulsory automobile liability	—	—	—	—	—	—
Total	112,198	100.0	+4.8	119,135	100.0	+6.2

Net premiums written

(Millions of yen)

	For the year ended March 31, 2019			For the year ended March 31, 2020		
	Amount	Composition	YoY change	Amount	Composition	YoY change
		%	%		%	%
Fire	265	0.2	+1,533.0	1,284	1.1	+384.6
Marine	(0)	(0.0)	(100.0)	0	0.0	—
Personal accident	8,872	7.8	(0.2)	9,044	7.6	+1.9
Voluntary automobile	102,458	90.6	+4.7	107,311	89.9	+4.7
Compulsory automobile liability	1,505	1.3	+2.4	1,712	1.4	+13.8
Total	113,101	100.0	+4.5	119,352	100.0	+5.5

Net losses paid, net loss ratio

(Millions of yen)

	For the year ended March 31, 2019			For the year ended March 31, 2020		
	Amount	YoY change	Net loss ratio	Amount	YoY change	Net loss ratio
		%	%		%	%
Fire	15	+126.8	21.0	205	+1,266.6	20.0
Marine	10	+291.0	—	(3)	(136.4)	—
Personal accident	3,009	+11.7	37.6	3,249	+8.0	39.2
Voluntary automobile	52,223	+7.8	58.6	55,518	+6.3	59.8
Compulsory automobile liability	1,350	+2.6	89.7	1,346	(0.3)	78.6
Total	56,608	+7.9	57.3	60,315	+6.5	58.1

5. Risk-monitored Loans

Not applicable

6. Securities

(1) Trading securities

Not applicable

(2) Held-to-maturity securities

(Millions of yen)

	As of March 31, 2019			As of March 31, 2020		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeding balance sheet amount						
Japanese bonds	79,921	101,571	21,650	74,587	97,506	22,918
Foreign securities	198	208	10	98	104	6
Subtotal	80,119	101,779	21,660	74,685	97,611	22,925
Fair value not exceeding balance sheet amount						
Japanese bonds	—	—	—	3,628	3,555	(72)
Total	80,119	101,779	21,660	78,314	101,167	22,852

(3) Available-for-sale securities

(Millions of yen)

	As of March 31, 2019			As of March 31, 2020		
	Balance sheet amount	Acquisition cost	Difference	Balance sheet amount	Acquisition cost	Difference
Balance sheet amount exceeding acquisition cost						
Japanese bonds	49,970	49,899	70	21,819	21,796	23
Japanese stocks	1,599	324	1,274	1,194	202	991
Subtotal	51,569	50,223	1,345	23,014	21,998	1,015
Balance sheet amount not exceeding acquisition cost						
Japanese bonds	26,271	26,298	(27)	45,029	45,124	(95)
Foreign securities	—	—	—	1,455	1,505	(49)
Subtotal	26,271	26,298	(27)	46,485	46,630	(144)
Total	77,840	76,521	1,318	69,499	68,628	870

(4) Available-for-sale securities sold during the year

(Millions of yen)

	For the year ended March 31, 2019			For the year ended March 31, 2020		
	Amount of sales	Total gains on sales	Total losses on sales	Amount of sales	Total gains on sales	Total losses on sales
Japanese bonds	3,108	9	0	1,701	1	—
Japanese stocks	637	547	—	794	671	—
Total	3,746	557	0	2,496	672	—

7. Non-consolidated Solvency Margin Ratio

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
(A) Total non-consolidated solvency margin	60,010	66,674
Capital or treasury, etc.	31,349	34,252
Reserve for price fluctuations	238	268
Contingency reserve	122	131
Catastrophe reserve	24,636	27,860
General reserve for possible loan losses	—	—
Net unrealized gains (losses) on available-for-sale securities and net deferred gains (losses) on hedging instruments (before tax deductions)	1,186	783
Net unrealized gains (losses) 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	2,476	3,379
(B) Total non-consolidated risk	14,760	15,286
	$\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	
Ordinary insurance risk (R ₁)	13,181	13,711
Third-sector insurance risk (R ₂)	0	0
Assumed interest rate risk (R ₃)	123	132
Asset management risk (R ₄)	1,861	1,829
Business management risk (R ₅)	325	335
Major catastrophe risk (R ₆)	1,105	1,100
(C) Non-consolidated solvency margin ratio	813.0 %	872.3 %
	$[(A) / \{(B) \times 1/2\}] \times 100$	

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