

Summary Information on Sony Bank's Financial Results
for the Six Months Ended September 30, 2018

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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. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets:		
Cash and due from banks	287,752	332,884
Monetary claims purchased	5,378	3,271
Money held in trust	21,000	21,000
Securities	672,244	730,556
Loans	1,596,376	1,638,373
Foreign exchanges	9,346	9,968
Other assets	52,372	52,048
Tangible fixed assets	1,709	1,686
Intangible fixed assets	5,652	6,000
Deferred tax assets	138	313
Reserve for possible loan losses	(806)	(877)
Total Assets	2,651,162	2,795,224
Liabilities:		
Deposits	2,219,324	2,308,671
Call money and bills sold	96,000	121,280
Payables under repurchase agreements	—	23,247
Borrowed money	180,000	190,000
Foreign exchanges	228	112
Other liabilities	66,071	62,306
Reserve for employees' bonuses	769	435
Net defined benefit liability	1,243	1,274
Provision for reimbursement of deposits	81	99
Total Liabilities	2,563,718	2,707,428
Net Assets:		
Common stock	31,000	31,000
Capital surplus	21,000	21,000
Retained earnings	28,948	29,807
Total shareholders' equity	80,948	81,807
Net unrealized gains (losses) on available-for-sale securities, net of taxes	6,037	5,165
Net deferred gains (losses) on hedging instruments, net of taxes	(1,086)	(850)
Remeasurements of defined benefit plans, net of taxes	(103)	(96)
Total accumulated other comprehensive income	4,847	4,219
Non-controlling interests	1,648	1,770
Total Net Assets	87,444	87,796
Total Liabilities and Net Assets	2,651,162	2,795,224

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(1) Consolidated Statements of Income

	(Millions of yen)	
	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Ordinary Revenues	19,819	22,038
Interest income	14,005	15,433
Interest income on loans	8,457	8,627
Interest income and dividends on securities	5,510	6,771
Fees and commissions	3,138	4,169
Other operating income	2,104	2,133
Other ordinary income	570	301
Ordinary Expenses	16,107	17,371
Interest expenses	3,923	4,032
Interest expenses on deposits	2,583	3,141
Fees and commissions	3,143	3,925
Other operating expenses	49	106
General and administrative expenses	8,944	9,100
Other ordinary expenses	46	206
Ordinary Profit	3,712	4,666
Extraordinary Losses	81	15
Losses on disposal of fixed assets	81	15
Income Before Income Taxes	3,630	4,651
Income Taxes—Current	1,007	1,331
Income Taxes—Deferred	118	101
Total Income Taxes	1,125	1,432
Profit	2,504	3,218
Profit Attributable to Non-controlling Interests	79	120
Profit Attributable to Owners of the Parent	2,425	3,097

(2) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit	2,504	3,218
Other Comprehensive Income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	1,071	(871)
Net deferred gains (losses) on hedging instruments, net of taxes	127	236
Remeasurements of defined benefit plans, net of taxes	7	7
Total other comprehensive income	1,205	(627)
Comprehensive Income	3,710	2,590
(Details)		
Comprehensive income attributable to owners of the parent	3,630	2,468
Comprehensive income attributable to non-controlling interests	80	122

3. Fair Value Information (Consolidated)

(1) Fair value information on securities

i) Held-to-maturity securities (As of September 30, 2018)

	(Millions of yen)		
	Balance sheet amount	Fair value	Difference
Fair value exceeding balance sheet amount			
Japanese corporate bonds	187	187	0
Subtotal	187	187	0
Fair value not exceeding balance sheet amount			
Japanese corporate bonds	—	—	—
Subtotal	—	—	—
Total	187	187	0

ii) Available-for-sale securities (As of September 30, 2018)

	(Millions of yen)		
	Balance sheet amount	Acquisition cost	Difference
Balance sheet amount exceeding acquisition cost			
Bonds	140,254	134,483	5,770
Japanese government bonds	46,609	42,576	4,033
Japanese local government bonds	34,321	33,587	733
Japanese corporate bonds	59,323	58,319	1,003
Others	225,480	220,787	4,692
Foreign bonds	220,080	218,501	1,578
Other securities	5,399	2,286	3,113
Subtotal	365,734	355,271	10,462
Balance sheet amount not exceeding acquisition cost			
Bonds	32,926	33,209	(282)
Japanese government bonds	29,130	29,409	(278)
Japanese local government bonds	—	—	—
Japanese corporate bonds	3,796	3,800	(3)
Others	334,949	337,336	(2,387)
Foreign bonds	331,677	334,065	(2,387)
Other securities	3,271	3,271	(0)
Subtotal	367,876	370,546	(2,670)
Total	733,610	725,818	7,792

(2) Fair value information on money held in trust

i) Other money held in trust (As of September 30, 2018)

	(Millions of yen)				
	Balance sheet amount	Acquisition cost	Difference	Balance sheet amount exceeding acquisition cost	Balance sheet amount not exceeding acquisition cost
Other money held in trust	21,000	21,000	—	—	—

Note: "Difference" consists of "Of which, balance sheet amount exceeds acquisition cost" and "Of which, balance sheet amount does not exceed acquisition cost."

4. Non-consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2017 (A)	As of September 30, 2018 (B)	Change (B-A)	As of March 31, 2018 (C)	Change (B-C)
Assets:					
Cash and due from banks	243,555	331,504	+87,949	287,332	+44,172
Monetary claims purchased	7,506	3,271	(4,235)	5,378	(2,106)
Money held in trust	21,000	21,000	—	21,000	—
Securities	690,098	732,577	+42,478	674,285	+58,291
Loans	1,559,324	1,638,373	+79,048	1,596,376	+41,996
Foreign exchanges	10,446	9,968	(478)	9,346	+622
Other assets	44,124	37,293	(6,830)	37,103	+189
Tangible fixed assets	491	1,118	+627	1,204	(85)
Intangible fixed assets	3,156	4,220	+1,064	3,808	+411
Deferred tax assets	—	163	+163	—	+163
Reserve for possible loan losses	(887)	(877)	+9	(806)	(70)
Total Assets	2,578,815	2,778,613	+199,798	2,635,028	+143,584
Liabilities:					
Deposits	2,165,212	2,308,972	+143,760	2,219,325	+89,647
Call money	117,000	121,280	+4,280	96,000	+25,280
Payables under repurchase agreements	—	23,247	+23,247	—	+23,247
Borrowed money	160,000	190,000	+30,000	180,000	+10,000
Foreign exchanges	336	112	(223)	228	(116)
Other liabilities	51,693	47,789	(3,903)	52,033	(4,243)
Reserve for employees' bonuses	352	351	(1)	687	(335)
Reserve for employees' retirement benefits	878	966	+87	933	+32
Provision for reimbursement of deposits	65	99	+34	81	+18
Deferred tax liabilities	16	—	(16)	9	(9)
Total Liabilities	2,495,555	2,692,820	+197,264	2,549,299	+143,521
Net Assets:					
Common stock	31,000	31,000	—	31,000	—
Capital surplus	21,000	21,000	—	21,000	—
Retained earnings	26,623	29,477	+2,854	28,778	+698
Total shareholders' equity	78,623	81,477	+2,854	80,778	+698
Net unrealized gains (losses) on available-for-sale securities, net of taxes	5,847	5,165	(681)	6,037	(871)
Net deferred gains (losses) on hedging instruments, net of taxes	(1,210)	(850)	+360	(1,086)	+236
Total valuation and translation adjustments	4,636	4,315	(321)	4,950	(635)
Total Net Assets	83,259	85,793	+2,533	85,729	+63
Total Liabilities and Net Assets	2,578,815	2,778,613	+199,798	2,635,028	+143,584

5. Non-consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2017 (A)	Six months ended September 30, 2018 (B)	Change (B-A)	(Reference) For the year ended March 31, 2018
Ordinary Revenues	18,044	19,911	+1,866	36,270
Interest income	14,005	15,433	+1,428	28,344
Interest income on loans	8,457	8,627	+169	17,064
Interest income and dividends on securities	5,510	6,771	+1,261	11,204
Fees and commissions	1,363	2,042	+678	3,298
Other operating income	2,104	2,133	+28	3,823
Gains on foreign exchange transactions	1,846	1,861	+15	3,456
Other ordinary income	570	301	(268)	804
Ordinary Expenses	14,620	15,668	+1,048	29,712
Interest expenses	3,922	4,031	+109	7,730
Interest expenses on deposits	2,583	3,141	+557	5,322
Fees and commissions	2,925	3,665	+739	6,238
Other operating expenses	48	106	+57	109
General and administrative expenses	7,676	7,659	(17)	15,515
Other ordinary expenses	46	205	+159	118
Ordinary Profit	3,423	4,242	+818	6,557
Extraordinary Losses	66	—	(66)	74
Losses on disposal of fixed assets	66	—	(66)	74
Income Before Income Taxes	3,357	4,242	+885	6,482
Income Taxes—Current	918	1,198	+280	2,033
Income Taxes—Deferred	119	107	(12)	(25)
Total Income Taxes	1,037	1,305	+267	2,007
Net Income	2,319	2,937	+617	4,474

(Reference) Non-consolidated Statements of Income for the three months ended September 30, 2018

(Millions of yen)

	Three months ended September 30, 2017 (A)	Three months ended September 30, 2018 (B)	Change (B-A)
Ordinary Revenues	9,199	10,188	+988
Interest income	7,134	7,938	+803
Interest income on loans	4,264	4,318	+54
Interest income and dividends on securities	2,851	3,601	+750
Fees and commissions	696	1,065	+369
Other operating income	892	1,081	+188
Gains on foreign exchange transactions	860	866	+6
Other ordinary income	476	103	(373)
Ordinary Expenses	7,328	7,978	+649
Interest expenses	1,956	2,115	+158
Interest expenses on deposits	1,316	1,629	+312
Fees and commissions	1,504	1,815	+310
Other operating expenses	33	104	+71
General and administrative expenses	3,824	3,882	+58
Other ordinary expenses	8	59	+50
Ordinary Profit	1,870	2,209	+339
Extraordinary Losses	66	—	(66)
Losses on disposal of fixed assets	66	—	(66)
Income Before Income Taxes	1,804	2,209	+405
Income Taxes —Current	625	782	+156
Income Taxes —Deferred	(70)	(106)	(35)
Total Income Taxes	554	676	+121
Net Income	1,249	1,533	+283

6. Supplementary Information

(1) Interest spread (Non-consolidated)

		(%)	
		For the six months ended September 30, 2017	For the six months ended September 30, 2018
Yield on investment	①	1.12	1.13
Yield on loans		1.08	1.06
Yield on securities		1.66	1.88
Financing cost	②	0.97	0.89
Yield on financing	③	0.32	0.30
Yield on deposits		0.24	0.27
Yield on external liabilities*		0.01	0.02
Expense ratio		0.71	0.67
Interest spread	①－③	0.79	0.82
Overall profit margin	①－②	0.15	0.24

Note: External liabilities are equal to a total of call money and borrowed money.

(2) Deposits and Loans (Non-consolidated)

		(Millions of yen, %)					
		For the six months ended September 30, 2017			For the six months ended September 30, 2018		
		Balance at the end	Average balance	Yield	Balance at the end	Average balance	Yield
Deposits		2,165,212	2,136,685	0.24	2,308,972	2,263,662	0.27
Yen deposits		1,800,542	1,782,722	0.11	1,909,841	1,862,428	0.09
Ordinary deposits		666,432	649,642	0.00	759,136	722,131	0.00
Time deposits		1,133,665	1,132,600	0.18	1,149,708	1,139,304	0.16
Foreign currency deposits		364,669	353,962	0.86	399,131	401,233	1.10
Ordinary deposits		172,280	174,276	0.25	166,615	176,548	0.38
Time deposits		192,334	179,637	1.46	232,434	224,612	1.66
Loans		1,559,324	1,551,008	1.08	1,638,373	1,618,089	1.06
Mortgage loans		1,477,932	1,465,413	1.01	1,574,800	1,548,816	0.98
Others		81,392	85,595	2.27	63,572	69,273	2.71

Note: The average balance of foreign currency deposits during the term is calculated as the average during the period of the yen equivalent value of each day's foreign currency deposit balance.

(3) Balance of Time Deposits by Remaining Period (Non-consolidated)

(Millions of yen)

Remaining period	As of September 30, 2017			As of September 30, 2018		
	Yen	Foreign currency	Total	Yen	Foreign currency	Total
Less than 3 months	281,278	115,813	397,092	286,976	131,620	418,596
3 months or more, less than 6 months	424,506	39,501	464,007	424,682	46,842	471,524
6 months or more, less than 1 year	245,817	29,894	275,711	239,516	41,798	281,314
1 year or more, less than 2 years	36,608	4,268	40,876	45,857	9,701	55,559
2 years or more, less than 3 years	14,188	2,853	17,041	17,963	2,460	20,423
3 years or more	52,488	3	52,491	50,666	11	50,677
Total	1,054,888	192,334	1,247,222	1,065,662	232,434	1,298,097

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

(4) Balance of Securities by Rating (Non-consolidated)

(Millions of yen, %)

Ratings	As of September 30, 2017		As of September 30, 2018	
	Balance	Composition	Balance	Composition
AAA	226,243	32.8	300,292	41.0
AA	116,121	16.8	94,959	13.0
A	314,101	45.5	315,394	43.0
BBB	26,587	3.9	14,479	2.0
Unrated	7,044	1.0	7,450	1.0
Total	690,098	100.0	732,577	100.0

Notes: 1. Sony bank uses the Basel III standardized method and classifies its securities based on rating by five (5) rating agencies: Moody's Investors Service, S&P Global Ratings, Ratings and Investment Information, Japan Credit Rating Agency and Fitch Ratings.

2. The unrated items on the above table include ¥5,399 million of investments in unrated investment trusts and ¥2,050 million of investments in shares of a subsidiary.

(5) Loans by Borrower Category (Non-consolidated)

(Millions of yen)

Category	As of September 30, 2017		As of September 30, 2018	
	Amount		Amount	
Bankrupt and quasi-bankrupt loans	580		531	
Doubtful loans	774		681	
Sub-standard loans	997		756	
Normal loans	1,568,055		1,646,982	
Total	1,570,407		1,648,951	

(6) General and Administrative Expenses (Non-consolidated)

(Millions of yen, %)

	For the six months ended September 30, 2017		For the six months ended September 30, 2018	
	Amount	%	Amount	%
Personnel expenses	2,252	29.3	2,306	30.1
Non-personnel expenses	4,898	63.8	4,815	62.9
Depreciation and amortization	626	8.2	655	8.6
Taxes	525	6.9	537	7.0
Total	7,676	100.0	7,659	100.0

(7) Number of Executives and Employees (Non-consolidated)

(Persons)

	As of September 30, 2017	As of September 30, 2018
Executive management	9	9
Directors	5	5
Audit & Supervisory Board Members	4	4
Employees	496	500

Notes: 1. The number of directors include one outside director and the number of audit & supervisory board members include two non-executive audit & supervisory board members.

2. The number of employees exclude temporary employees and subcontracted employees seconded to Sony Bank.

(8) Consolidated Capital Adequacy Ratio (Domestic Standard)

					(Millions of yen, %)					
					As of September 30, 2018	Amounts excluded under transitional arrangements	As of June 30, 2018	Amounts excluded under transitional arrangements		
Core capital: instruments and reserves										
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings					81,807		80,185			
Of which, capital and capital surplus					52,000		52,000			
Of which, retained earnings					29,807		28,185			
Accumulated other comprehensive income included in core capital					(77)		(79)			
Of which, remeasurements of defined benefit plans					(77)		(79)			
Eligible capital instruments included in core capital: instruments and reserves					8,680		9,184			
Non-controlling interests included in core capital subject to transitional arrangements					1,062		1,021			
Core capital: instruments and reserves					(A) 91,472		90,311			
Core capital: regulatory adjustments										
Total amount of intangible assets (excluding those relating to mortgage servicing rights)					3,330	832	3,047	761		
Of which, other intangible assets excluding goodwill and mortgage servicing rights					3,330	832	3,047	761		
Shortfall of eligible reserves to expected losses					839	—	822	—		
Core capital: regulatory adjustments					(B) 4,170		3,869			
Capital										
Capital					((A) - (B)) (C) 87,302		86,441			
Risk-weighted assets										
Total amount of credit risk-weighted assets					506,854		497,406			
Of which, total amount included in risk-weighted assets subject to transitional arrangements					(10,057)		(9,904)			
Of which, intangible assets (excluding goodwill and mortgage servicing rights)					832		761			
Of which, exposure to other financial institutions					(10,889)		(10,666)			
Total amount of operational risk equivalent / 8%					45,839		44,785			
Adjustment to credit risk-weighted assets					286,626		290,547			
Total amount of risk-weighted assets					(D) 839,320		832,739			
Capital adequacy ratio										
Capital adequacy ratio					((C) / (D)) 10.40%		10.38%			

			(Millions of yen)	
			As of September 30, 2018	As of June 30, 2018
Consolidated total capital requirements (Domestic standard) (Total Risk-Weighted Assets by 4%)			33,572	33,309

(9) Non-consolidated Capital Adequacy Ratio (Domestic Standard)

(Millions of yen, %)

		As of September 30, 2018	Amounts excluded under transitional arrangements	As of June 30, 2018	Amounts excluded under transitional arrangements
Core capital: instruments and reserves					
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings		81,477		79,943	
Of which, capital and capital surplus		52,000		52,000	
Of which, retained earnings		29,477		27,943	
Eligible capital instruments included in core capital: instruments and reserves		8,680		9,184	
Core capital: instruments and reserves	(A)	90,157		89,127	
Core capital: regulatory adjustments					
Total amount of intangible assets (excluding those relating to mortgage servicing rights)		2,342	585	2,059	514
Of which, other intangible assets excluding goodwill and mortgage servicing rights		2,342	585	2,059	514
Shortfall of eligible reserves to expected losses		839	—	822	—
Core capital: regulatory adjustments	(B)	3,182		2,882	
Capital					
Capital	((A) - (B)) (C)	86,975		86,245	
Risk-weighted assets					
Total amount of credit risk-weighted assets		507,754		498,577	
Of which, total amount included in risk-weighted assets subject to transitional arrangements		(10,304)		(10,151)	
Of which, intangible assets (excluding goodwill and mortgage servicing rights)		585		514	
Of which, exposure to other financial institutions		(10,889)		(10,666)	
Total amount of operational risk equivalent / 8%		39,940		39,244	
Adjustment to credit risk-weighted assets		285,430		289,172	
Total amount of risk-weighted assets	(D)	833,125		826,995	
Capital adequacy ratio					
Capital adequacy ratio	((C) / (D))	10.43%		10.42%	

(Millions of yen)

	As of September 30, 2018	As of June 30, 2018
Non-consolidated total capital requirements (Domestic standard) (Total Risk-Weighted Assets by 4%)	33,325	33,079