

Summary Information on Sony Bank's Financial Results
for the Six Months Ended September 30, 2019

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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, 2019	As of September 30, 2019
Assets:		
Cash and due from banks	344,377	356,232
Monetary claims purchased	4,916	3,955
Money held in trust	21,937	22,019
Securities	694,447	735,082
Loans	1,744,103	1,839,337
Foreign exchanges	8,471	9,377
Other assets	51,685	50,742
Tangible fixed assets	1,633	1,542
Intangible fixed assets	6,903	6,698
Deferred tax assets	1,305	993
Reserve for possible loan losses	(903)	(918)
Total Assets	2,878,879	3,025,065
Liabilities:		
Deposits	2,358,182	2,428,315
Call money and bills sold	130,611	195,713
Payables under repurchase agreements	20,290	29,673
Borrowed money	210,000	210,000
Foreign exchanges	244	639
Other liabilities	67,752	68,317
Reserve for employees' bonuses	777	321
Net defined benefit liability	1,323	1,360
Provision for reimbursement of deposits	125	101
Total Liabilities	2,789,308	2,934,442
Net Assets:		
Common stock	31,000	31,000
Capital surplus	21,000	21,000
Retained earnings	33,067	33,793
Total shareholders' equity	85,067	85,793
Net unrealized gains (losses) on available-for-sale securities, net of taxes	3,974	4,218
Net deferred gains (losses) on hedging instruments, net of taxes	(1,260)	(1,353)
Remeasurements of defined benefit plans, net of taxes	(106)	(99)
Total accumulated other comprehensive income	2,606	2,765
Non-controlling interests	1,896	2,063
Total Net Assets	89,570	90,622
Total Liabilities and Net Assets	2,878,879	3,025,065

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

(1) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Ordinary Revenues	22,038	24,580
Interest income	15,433	16,934
Interest income on loans	8,627	9,170
Interest income and dividends on securities	6,771	7,726
Fees and commissions	4,169	5,645
Other operating income	2,133	1,884
Other ordinary income	301	116
Ordinary Expenses	17,371	18,952
Interest expenses	4,032	4,851
Interest expenses on deposits	3,141	3,924
Fees and commissions	3,925	4,330
Other operating expenses	106	1
General and administrative expenses	9,100	9,712
Other ordinary expenses	206	57
Ordinary Profit	4,666	5,627
Extraordinary Losses	15	0
Losses on disposal of fixed assets	15	0
Income Before Income Taxes	4,651	5,627
Income Taxes—Current	1,331	1,481
Income Taxes—Deferred	101	241
Total Income Taxes	1,432	1,722
Profit	3,218	3,904
Profit Attributable to Non-controlling Interests	120	165
Profit Attributable to Owners of the Parent	3,097	3,739

(2) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	3,218	3,904
Other Comprehensive Income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	(871)	244
Net deferred gains (losses) on hedging instruments, net of taxes	236	(92)
Remeasurements of defined benefit plans, net of taxes	7	8
Total other comprehensive income	(627)	159
Comprehensive Income	2,590	4,064
(Details)		
Comprehensive income attributable to owners of the parent	2,468	3,897
Comprehensive income attributable to non-controlling interests	122	166

3. Fair Value Information (Consolidated)

(1) Fair value information on securities

i) Held-to-maturity securities (As of September 30, 2019)

	(Millions of yen)		
	Balance sheet amount	Fair value	Difference
Fair value exceeding balance sheet amount			
Foreign bonds	—	—	—
Subtotal	—	—	—
Fair value not exceeding balance sheet amount			
Foreign bonds	5,392	5,388	(3)
Subtotal	5,392	5,388	(3)
Total	5,392	5,388	(3)

ii) Available-for-sale securities (As of September 30, 2019)

	(Millions of yen)		
	Balance sheet amount	Acquisition cost	Difference
Balance sheet amount exceeding acquisition cost			
Bonds	131,533	125,786	5,747
Japanese government bonds	61,972	57,045	4,926
Japanese local government bonds	19,436	19,168	268
Japanese corporate bonds	50,125	49,572	552
Others	337,535	329,894	7,640
Foreign bonds	331,616	326,426	5,189
Other securities	5,918	3,468	2,450
Subtotal	469,069	455,681	13,388
Balance sheet amount not exceeding acquisition cost			
Bonds	—	—	—
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Others	264,546	265,572	(1,026)
Foreign bonds	261,774	262,800	(1,026)
Other securities	2,772	2,772	—
Subtotal	264,546	265,572	(1,026)
Total	733,615	721,254	12,361

(2) Fair value information on money held in trust

i) Other money held in trust (As of September 30, 2019)

	(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	22,019	22,016	3	3	—

Note: "Difference" consists of "Balance sheet amount exceeding acquisition cost" and "Balance sheet amount not exceeding acquisition cost."

4. Non-consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2018 (A)	As of September 30, 2019 (B)	Change (B-A)	As of March 31, 2019 (C)	Change (B-C)
Assets:					
Cash and due from banks	331,504	350,391	+18,886	343,063	+7,327
Monetary claims purchased	3,271	3,955	+684	4,916	(960)
Money held in trust	21,000	22,019	+1,019	21,937	+82
Securities	732,577	737,103	+4,525	696,468	+40,634
Loans	1,638,373	1,839,337	+200,964	1,744,103	+95,233
Foreign exchanges	9,968	9,377	(590)	8,471	+905
Other assets	37,293	35,774	(1,519)	35,443	+331
Tangible fixed assets	1,118	1,037	(81)	1,092	(54)
Intangible fixed assets	4,220	5,033	+812	5,200	(166)
Deferred tax assets	163	817	+653	1,133	(315)
Reserve for possible loan losses	(877)	(918)	(40)	(903)	(14)
Total Assets	2,778,613	3,003,928	+225,314	2,860,925	+143,002
Liabilities:					
Deposits	2,308,972	2,429,318	+120,345	2,358,985	+70,333
Call money	121,280	195,713	+74,433	130,611	+65,102
Payables under repurchase agreements	23,247	29,673	+6,425	20,290	+9,382
Borrowed money	190,000	210,000	+20,000	210,000	—
Foreign exchanges	112	639	+527	244	+394
Other liabilities	47,789	49,296	+1,506	51,717	(2,420)
Reserve for employees' bonuses	351	215	(135)	677	(462)
Reserve for employees' retirement benefits	966	1,033	+66	994	+38
Provision for reimbursement of deposits	99	101	+1	125	(24)
Total Liabilities	2,692,820	2,915,990	+223,170	2,773,646	+142,344
Net Assets:					
Common stock	31,000	31,000	—	31,000	—
Capital surplus	21,000	21,000	—	21,000	—
Retained earnings	29,477	33,072	+3,594	32,565	+506
Total shareholders' equity	81,477	85,072	+3,594	84,565	+506
Net unrealized gains (losses) on available-for-sale securities, net of taxes	5,165	4,218	(947)	3,974	+244
Net deferred gains (losses) on hedging instruments, net of taxes	(850)	(1,353)	(503)	(1,260)	(92)
Total valuation and translation adjustments	4,315	2,865	(1,450)	2,713	+151
Total Net Assets	85,793	87,937	+2,144	87,279	+657
Total Liabilities and Net Assets	2,778,613	3,003,928	+225,314	2,860,925	+143,002

5. Non-consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2018 (A)	Six months ended September 30, 2019 (B)	Change (B-A)	(Reference) For the year ended March 31, 2019
Ordinary Revenues	19,911	22,219	+2,308	41,707
Interest income	15,433	16,934	+1,500	31,926
Interest income on loans	8,627	9,170	+542	17,473
Interest income and dividends on securities	6,771	7,726	+955	14,382
Fees and commissions	2,042	3,284	+1,242	5,338
Other operating income	2,133	1,884	(249)	3,926
Gains on foreign exchange transactions	1,861	1,666	(195)	3,599
Other ordinary income	301	116	(184)	515
Ordinary Expenses	15,668	17,136	+1,468	33,009
Interest expenses	4,031	4,850	+818	8,643
Interest expenses on deposits	3,141	3,924	+783	6,747
Fees and commissions	3,665	4,036	+371	7,573
Other operating expenses	106	0	(105)	485
General and administrative expenses	7,659	8,194	+535	15,901
Other ordinary expenses	205	54	(151)	405
Ordinary Profit	4,242	5,082	+840	8,698
Income Before Income Taxes	4,242	5,082	+840	8,698
Income Taxes—Current	1,198	1,314	+115	2,828
Income Taxes—Deferred	107	248	+141	(155)
Total Income Taxes	1,305	1,563	+257	2,673
Net Income	2,937	3,519	+582	6,025

(Reference) Non-consolidated Statements of Income for the three months ended September 30, 2019

(Millions of yen)

	Three months ended September 30, 2018 (A)	Three months ended September 30, 2019 (B)	Change (B-A)
Ordinary Revenues	10,188	11,446	+1,258
Interest income	7,938	8,534	+596
Interest income on loans	4,318	4,650	+331
Interest income and dividends on securities	3,601	3,865	+263
Fees and commissions	1,065	1,842	+776
Other operating income	1,081	1,004	(76)
Gains on foreign exchange transactions	866	908	+41
Other ordinary income	103	64	(38)
Ordinary Expenses	7,978	8,537	+558
Interest expenses	2,115	2,418	+303
Interest expenses on deposits	1,629	1,958	+329
Fees and commissions	1,815	1,990	+174
Other operating expenses	104	—	(104)
General and administrative expenses	3,882	4,077	+194
Other ordinary expenses	59	50	(8)
Ordinary Profit	2,209	2,909	+699
Income Before Income Taxes	2,209	2,909	+699
Income Taxes —Current	782	992	+209
Income Taxes —Deferred	(106)	(99)	+6
Total Income Taxes	676	892	+216
Net Income	1,533	2,016	+483

6. Supplementary Information

(1) Interest spread (Non-consolidated)

		(%)	
		For the six months ended September 30, 2018	For the six months ended September 30, 2019
Yield on investment	①	1.13	1.15
Yield on loans		1.06	1.03
Yield on securities		1.88	2.14
Financing cost	②	0.89	0.92
Yield on financing	③	0.30	0.34
Yield on deposits		0.27	0.33
Yield on external liabilities		0.02	0.10
Expense ratio		0.67	0.68
Interest spread	①－③	0.82	0.80
Overall profit margin	①－②	0.24	0.23

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, 2018			For the six months ended September 30, 2019		
		Balance at the end	Average balance	Yield	Balance at the end	Average balance	Yield
Deposits		2,308,972	2,263,662	0.27	2,429,318	2,399,307	0.33
Yen deposits		1,909,841	1,862,428	0.09	1,979,985	1,964,343	0.10
Ordinary deposits		759,136	722,131	0.00	809,868	801,697	0.00
Time deposits		1,149,708	1,139,304	0.16	1,168,179	1,161,142	0.17
Foreign currency deposits		399,131	401,233	1.10	449,333	434,964	1.35
Ordinary deposits		166,615	176,548	0.38	179,326	172,998	0.48
Time deposits		232,434	224,612	1.66	269,911	261,866	1.93
Loans		1,638,373	1,618,089	1.06	1,839,337	1,782,543	1.03
Mortgage loans		1,574,800	1,548,816	0.98	1,790,921	1,731,356	0.96
Others		63,572	69,273	2.71	48,416	51,186	3.38

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, 2018			As of September 30, 2019		
	Yen	Foreign currency	Total	Yen	Foreign currency	Total
Less than 3 months	286,976	131,620	418,596	296,409	157,563	453,972
3 months or more, less than 6 months	424,682	46,842	471,524	418,096	54,749	472,846
6 months or more, less than 1 year	239,516	41,798	281,314	261,678	46,400	308,079
1 year or more, less than 2 years	45,857	9,701	55,559	54,609	7,748	62,357
2 years or more, less than 3 years	17,963	2,460	20,423	10,762	3,448	14,210
3 years or more	50,666	11	50,677	37,603	1	37,605
Total	1,065,662	232,434	1,298,097	1,079,160	269,911	1,349,071

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, 2018		As of September 30, 2019	
	Balance	Composition	Balance	Composition
AAA	300,292	41.0	327,849	44.5
AA	94,959	13.0	63,342	8.6
A	315,394	43.0	307,513	41.7
BBB	14,479	2.0	29,617	4.0
Unrated	7,450	1.0	8,780	1.2
Total	732,577	100.0	737,103	100.0

Notes: 1. Sony bank uses the Basel III standardized method and classifies its securities based on rating by five 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 ¥1,995 million of investments in foreign bonds, ¥4,735 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, 2018		As of September 30, 2019	
	Amount		Amount	
Bankrupt and quasi-bankrupt loans	531		589	
Doubtful loans	681		837	
Sub-standard loans	756		896	
Normal loans	1,646,982		1,847,010	
Total	1,648,951		1,849,334	

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

(Millions of yen, %)

	For the six months ended September 30, 2018		For the six months ended September 30, 2019	
	Amount	%	Amount	%
Personnel expenses	2,306	30.1	2,346	28.6
Non-personnel expenses	4,815	62.9	5,326	65.0
Depreciation and amortization	655	8.6	750	9.2
Taxes	537	7.0	521	6.4
Total	7,659	100.0	8,194	100.0

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

(Persons)

	As of September 30, 2018	As of September 30, 2019
Executive management	9	9
Directors	5	5
Audit & supervisory board members	4	4
Employees	500	516

Notes: 1. The number of directors include one outside director and the number of audit & supervisory board members include two outside 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, 2019
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		85,793
Capital and capital surplus		52,000
Retained earnings		33,793
Accumulated other comprehensive income included in core capital		(99)
Remeasurements of defined benefit plans		(99)
Eligible capital instruments included in core capital: instruments and reserves		6,681
Non-controlling interests included in core capital subject to transitional arrangements		1,031
Core capital: instruments and reserves	(A)	93,406
Core capital: regulatory adjustments		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)		4,647
Other intangible assets excluding goodwill and mortgage servicing rights		4,647
Shortfall of eligible reserves to expected losses		894
Core capital: regulatory adjustments	(B)	5,541
Capital		
Capital	((A) - (B)) (C)	87,865
Risk-weighted assets		
Total amount of credit risk-weighted assets		576,908
Total amount included in risk-weighted assets subject to transitional arrangements		(10,102)
Exposure to other financial institutions		(10,102)
Total amount of operational risk equivalent / 8%		50,119
Adjustment to credit risk-weighted assets		307,242
Total amount of risk-weighted assets	(D)	934,269
Capital adequacy ratio		
Capital adequacy ratio	((C) / (D))	9.40%
		(Millions of yen)
		As of September 30, 2019
Consolidated total capital requirements (Domestic standard) (Total risk-weighted assets by 4%)		37,370

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

(Millions of yen, %)

			As of September 30, 2019
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			85,072
Capital and capital surplus			52,000
Retained earnings			33,072
Eligible capital instruments included in core capital: instruments and reserves			6,681
Core capital: instruments and reserves	(A)		91,753
Core capital: regulatory adjustments			
Total amount of intangible assets (excluding those relating to mortgage servicing rights)			3,492
Other intangible assets excluding goodwill and mortgage servicing rights			3,492
Shortfall of eligible reserves to expected losses			894
Core capital: regulatory adjustments	(B)		4,386
Capital			
Capital	((A) - (B))	(C)	87,367
Risk-weighted assets			
Total amount of credit risk-weighted assets			577,936
Total amount included in risk-weighted assets subject to transitional arrangements			(10,102)
Exposure to other financial institutions			(10,102)
Total amount of operational risk equivalent / 8%			43,500
Adjustment to credit risk-weighted assets			306,015
Total amount of risk-weighted assets	(D)		927,451
Capital adequacy ratio			
Capital adequacy ratio	((C) / (D))		9.42%
(Millions of yen)			
			As of September 30, 2019
Non-consolidated total capital requirements (Domestic standard) (Total risk-weighted assets by 4%)			37,098