



CONSOLIDATED FINANCIAL SUMMARY FOR THE SECOND QUARTER (SEMI-ANNUAL) ENDED SEPTEMBER 30, 2025

(In accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”))

November 14, 2025

Company name : Sony Financial Group Inc. URL : https://www.sonyfg.co.jp/index_en.html
 Representative : Toshihide Endo, Representative Corporate Executive Officer
 Contact : Takumi Sai, Executive Officer

(Amounts of less than one million yen are truncated.)

1. Consolidated Financial Highlights for the Six Months Ended September 30, 2025 (from April 1, 2025 to September 30, 2025)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Operating revenues		Income before income taxes		Profit (loss) attributable to owners of the parent		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2025	494,856	8.3	25,403	(73.5)	17,271	(74.8)	48,434	(46.4)
September 30, 2024	456,740		95,981		68,413		90,306	

	Adjusted net income*		Basic earnings per share* ¹	Diluted earnings per share* ¹
	Millions of yen	%	Yen	Yen
Six months ended				
September 30, 2025	45,934	(4.8)	2.42	2.42
September 30, 2024	48,272		9.57	9.57

*¹ Sony Financial Group Inc. (the “Company”) conducted a 435,100,266-for-7,149,358,214 stock split of its common stock on August 8, 2025. The above figures for basic earnings per share and diluted earnings per share are calculated based on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2025.

(2) Consolidated financial condition

	Total Assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of				
September 30, 2025	21,330,576	1,122,359	1,122,359	5.3
March 31, 2025	21,072,869	1,073,730	1,073,730	5.1

2. Forecast for Consolidated Results for the Fiscal Year Ending March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Percentages indicate year-on-year changes.)

	Operating revenues		Income before income taxes		Profit (loss) attributable to owners of the parent		Adjusted net income*	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ending								
March 31, 2026	1,000,000	8.1	60,000	(54.0)	41,000	(44.7)	98,000	59.8

* The adjusted net income excludes the impact of temporary gains and losses. The Company considers this metric to represent businesses’ sustainable earning power and to facilitate assessment, from a management-level perspective, of long-term business expansion through the cycle of investments and returns across the entire group. While the adjusted net income is not presented in accordance with IFRS Accounting Standards, the Company believes that these disclosures provide useful information to investors. For the calculation formula and reconciliations for adjusted net income, please refer to “Q2 FY2025 Financial Results” (the presentation material for the earnings announcement) disclosed on the same date as this document on the website of the Company.

* Notes

(1) Significant changes in the scope of consolidation during the period : None

(2) Changes in accounting policies and accounting estimates:

(i) Changes in accounting policies required by IFRS Accounting Standards : None

(ii) Changes in accounting policies due to other reasons : None

(iii) Changes in accounting estimates : None

(3) Number of issued shares (common stock):

1. Total number of issued shares at the end of the period (including treasury stock)

As of September 30, 2025: 7,149,358,214 shares

As of March 31, 2025: 7,149,358,214 shares

2. Number of shares of treasury stock at the end of the period

As of September 30, 2025: — share

As of March 31, 2025: — share

3. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2025: 7,149,358,214 shares

Six months ended September 30, 2024: 7,149,358,214 shares

Note: The Company conducted a 435,100,266-for-7,149,358,214 stock split of its common stock on August 8, 2025.

The above figures for the number of issued shares (common stock) are calculated based on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2025.

* Review of the Japanese-language originals of the attached condensed semi-annual consolidated financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters:

Forward-looking statements made in this document, including earnings forecasts, are based on current obtained information and certain assumptions which are deemed rational by the Company. The Company offers no assurance that these statements will be realized. Actual results may differ substantially due to various factors.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results

The results of the Company and its consolidated subsidiaries (hereinafter collectively referred to as “Sony FG”) for the six months ended September 30, 2025 are as follows.

Consolidated profit before income taxes decreased 73.5% compared with the same period of the previous fiscal year (year-on-year), to ¥25.4 billion, due to a decrease in profit before income taxes from the life insurance and the banking businesses, whereas profit before income taxes from the non-life insurance business increased. Profit attributable to owners of the parent decreased 74.8% year-on-year, to ¥17.2 billion.

Profit (loss) before income taxes by business segment are as described below.

(Billions of yen)				
	For the six months ended September 30, 2024	For the six months ended September 30, 2025	Year-on year change	
Profit before income taxes	95.9	25.4	(70.5)	(73.5)%
Life insurance business	83.0	11.4	(71.6)	(86.3)%
Non-life insurance business	3.7	6.2	+2.5	+68.6%
Banking business	10.5	8.8	(1.7)	(16.4)%

Life insurance business:

Profit before income taxes decreased 86.3% year-on-year, to ¥11.4 billion, due to a deterioration in gains/losses on sales of securities resulting from sales of bonds for the purpose of rebalancing based on the ALM (asset-liability management) approach. This decline was partially offset by an improvement in gains/losses related to market fluctuations for minimum guarantees for variable life insurance and other products.

Non-life insurance business:

Profit before income taxes increased 68.6% year-on-year, to ¥6.2 billion, due to lower insurance claims incurred mainly resulting from a decrease in natural disasters.

Banking business:

Profit before income taxes decreased 16.4% year-on-year, to ¥8.8 billion, due to an increase in operating expenses, mainly system-related expenses, while finance results were essentially flat year-on-year.

(2) Overview of Financial Conditions

As of September 30, 2025, total assets amounted to ¥21,330.5 billion, an increase of 1.2% from March 31, 2025. Major components of assets included securities of ¥15,504.3 billion, an increase of 1.7%, and loans of ¥3,753.2 billion, a decrease of 0.8%.

Total liabilities were ¥20,208.2 billion, an increase of 1.0% from March 31, 2025. Major components of liabilities included insurance contract liabilities of ¥12,925.3 billion, an increase of 0.4%, and deposits in the banking business of ¥4,363.2 billion, an increase of 2.8%.

Total equity amounted to ¥1,122.3 billion, an increase of 4.5% from March 31, 2025.

2. Condensed Semi-annual Consolidated Financial Statements

(1) Condensed Semi-annual Consolidated Statements of Financial Position

(Millions of yen)

	As of April 1, 2024	As of March 31, 2025	As of September 30, 2025
Assets			
Cash and cash equivalents	913,814	1,216,277	1,170,068
Derivative assets	27,564	51,356	98,336
Other financial assets	349,354	406,476	424,969
Securities	15,606,970	15,251,457	15,504,371
Insurance contract assets	56,974	47,715	50,952
Reinsurance contract assets	32,645	30,953	29,358
Loans	3,591,295	3,785,144	3,753,221
Investments in associates	4,904	3,079	3,109
Tangible fixed assets	14,162	13,335	13,687
Investment property	72,632	72,654	72,259
Right-of-use assets	76,287	76,290	77,798
Intangible assets	66,489	75,766	77,430
Goodwill	10,834	10,834	10,834
Deferred tax assets	2,738	3,189	15,519
Other assets	53,635	28,338	28,657
Total assets	20,880,304	21,072,869	21,330,576
Liabilities			
Deposits in the banking business	3,845,606	4,243,962	4,363,218
Call money	209,410	192,278	228,725
Payables under repurchase agreements	938,854	1,230,050	911,649
Collateral for securities lending transactions	566,039	290,988	659,656
Derivative liabilities	17,005	22,744	34,964
Other financial liabilities	100,722	133,650	96,827
Current tax liabilities	10,049	5,902	7,907
Insurance contract liabilities	13,102,320	12,869,425	12,925,356
Reinsurance contract liabilities	—	—	160
Investment contract liabilities	60,392	62,771	61,847
Bonds payable and borrowed money	703,633	761,370	700,554
Lease liabilities	87,505	88,046	89,463
Defined benefit liabilities	38,402	38,018	37,951
Deferred tax liabilities	39,516	8,549	47,397
Other liabilities	46,081	51,379	42,535
Total liabilities	19,765,540	19,999,138	20,208,216
Net assets			
Common stock	20,029	20,029	20,029
Capital surplus	196,026	196,394	196,590
Retained earnings	2,196,625	2,270,354	2,287,519
Accumulated other comprehensive income	(1,297,917)	(1,413,047)	(1,381,779)
Equity attributable to owners of the parent	1,114,763	1,073,730	1,122,359
Total equity	1,114,763	1,073,730	1,122,359
Total liabilities and equity	20,880,304	21,072,869	21,330,576

(2) Condensed Semi-annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2024	For the six months ended September 30, 2025
Insurance revenue	309,240	330,368
Insurance service expenses	(216,108)	(238,366)
Net expenses from reinsurance contracts	1,218	(1,529)
Insurance service result	94,349	90,472
Fee and commission income	3,079	3,081
Fee and commission expense	(4,821)	(5,387)
Net fee and commission income	(1,742)	(2,306)
Interest income	127,884	143,148
Interest expenses	(37,908)	(39,368)
Net interest income	89,976	103,780
Investment gains and losses	(71,526)	186,185
Impairment loss on financial assets	65	14
Insurance finance gains and losses, net	18,754	(314,348)
Reinsurance finance gains and losses, net	41	69
Insurance finance gains and losses	18,795	(314,278)
Finance result	37,311	(24,297)
Selling, general, and administrative expenses	(48,258)	(53,946)
Other operating revenue	16,535	18,475
Other operating expenses	(1,360)	(1,899)
Operating profit (loss)	96,835	26,498
Share of profit (loss) of investments accounted for using the equity method	69	29
Other investing income	1	—
Profit (loss) before financing and income taxes	96,907	26,527
Financing expenses	(925)	(1,124)
Profit (loss) before income taxes	95,981	25,403
Income tax expense	(27,567)	(8,131)
Profit (loss)	68,413	17,271
Profit (loss) attributable to Owners of the parent	68,413	17,271
Earnings per share		
Basic earnings per share	9.57 yen	2.42 yen
Diluted earnings per share	9.57 yen	2.42 yen

(3) Condensed Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2024	For the six months ended September 30, 2025
Profit (loss)	68,413	17,271
Other comprehensive income,		
Items that will not be reclassified to profit or losses		
Remeasurement of defined benefit pension plans	(72)	(106)
Changes in equity instruments measured at fair value through other comprehensive income	(283)	961
Total	(356)	855
Items that may be reclassified subsequently to profit or loss		
Changes in debt instruments measured at fair value through other comprehensive income	(214,466)	(293,621)
Insurance finance gains and losses, net	236,829	324,176
Reinsurance finance gains and losses, net	(114)	(248)
Total	22,248	30,306
Total other comprehensive income	21,892	31,162
Comprehensive income	90,306	48,434
Comprehensive income attributable to		
Owners of the parent	90,306	48,434

(4) Condensed Semi-annual Consolidated Statements of Changes in Stockholders' Equity

(Millions of yen)

	For the six months ended September 30, 2024				
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	
				Remeasurement of defined benefit pension plans	Changes in equity instruments measured at fair value through other comprehensive income
Balance at the beginning of current period	20,029	196,026	2,196,625	—	(3,948)
Comprehensive income					
Profit (loss)	—	—	68,413	—	—
Other comprehensive income	—	—	—	(72)	(283)
Total comprehensive income	—	—	68,413	(72)	(283)
Transfer to retained earning	—	—	(72)	72	—
Stock-based compensation	—	210	—	—	—
Other	—	—	—	—	—
Total	—	210	68,341	—	(283)
Balance at the end of current period	20,029	196,237	2,264,966	—	(4,231)

	For the six months ended September 30, 2024					
	Accumulated other comprehensive income				Equity attributable to owners of the parent	Total equity
	Changes in debt instruments measured at fair value through other comprehensive income	Insurance finance gains and losses, net	Reinsurance finance gains and losses, net	Accumulated other comprehensive income		
Balance at the beginning of current period	(664,942)	(628,974)	(52)	(1,297,917)	1,114,763	1,114,763
Comprehensive income						
Profit (loss)	—	—	—	—	68,413	68,413
Other comprehensive income	(214,466)	236,829	(114)	21,892	21,892	21,892
Total comprehensive income	(214,466)	236,829	(114)	21,892	90,306	90,306
Transfer to retained earning	—	—	—	72	—	—
Stock-based compensation	—	—	—	—	210	210
Other	—	—	—	—	—	—
Total	(214,466)	236,829	(114)	21,965	90,516	90,516
Balance at the end of current period	(879,409)	(392,144)	(167)	(1,275,952)	1,205,280	1,205,280

(Millions of yen)

	For the six months ended September 30, 2025				
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	
				Remeasurement of defined benefit pension plans	Changes in equity instruments measured at fair value through other comprehensive income
Balance at the beginning of current period	20,029	196,394	2,270,354	—	(4,946)
Comprehensive income					
Profit (loss)	—	—	17,271	—	—
Other comprehensive income	—	—	—	(106)	961
Total comprehensive income	—	—	17,271	(106)	961
Transfer to retained earning	—	—	(106)	106	—
Stock-based compensation	—	195	—	—	—
Other	—	—	—	—	—
Total	—	195	17,165	—	961
Balance at the end of current period	20,029	196,590	2,287,519	—	(3,984)

	For the six months ended September 30, 2025					
	Accumulated other comprehensive income				Equity attributable to owners of the parent	Total equity
	Changes in debt instruments measured at fair value through other comprehensive income	Insurance finance gains and losses, net	Reinsurance finance gains and losses, net	Accumulated other comprehensive income		
Balance at the beginning of current period	(1,346,457)	(60,877)	(766)	(1,413,047)	1,073,730	1,073,730
Comprehensive income						
Profit (loss)	—	—	—	—	17,271	17,271
Other comprehensive income	(293,621)	324,176	(248)	31,162	31,162	31,162
Total comprehensive income	(293,621)	324,176	(248)	31,162	48,434	48,434
Transfer to retained earning	—	—	—	106	—	—
Stock-based compensation	—	—	—	—	195	195
Other	—	—	—	—	—	—
Total	(293,621)	324,176	(248)	31,268	48,629	48,629
Balance at the end of current period	(1,640,079)	263,298	(1,014)	(1,381,779)	1,122,359	1,122,359

(Going Concern Assumption)

Not applicable.

(Reporting Entity)

The Company is a public company domiciled in Japan. The consolidated financial statements are prepared for Sony FG. Sony FG consists primarily of Sony Life Insurance Co., Ltd., Sony Assurance Inc. and Sony Bank Inc., and is classified as an entity with certain primary business activities include investing in financial assets and the providing financing to customers.

The Company is a financial holding company with these companies as its direct subsidiaries.

Sony FG also includes, within the scope of consolidation, Sony Lifecare Inc., a holding company that oversees nursing care services, and Sony Financial Ventures Inc., which engages in venture capital business.

(Basis of Accounting)

(1) Framework for financial reporting

The Company has disclosed its condensed semi-annual consolidated financial statements in accordance with IFRS Accounting Standards starting from the six months ended September 30, 2025. The transition date to IFRS Accounting Standards is April 1, 2024, and IFRS 1 First-time Adoption of International Financial Reporting Standards (“IFRS 1”) has been applied.

The condensed semi-annual consolidated financial statements are prepared in accordance with Article 5, Paragraph 2 of the Preparation Standards for Quarterly Financial Statements, etc. of the Tokyo Stock Exchange, with certain disclosures omitted pursuant to Paragraph 5 of the same Article. Certain disclosure requirements and notes prescribed by IAS 34 “Interim Financial Reporting” have been omitted.

(2) Early adoption of new standards

Sony FG has early adopted IFRS 18 “Presentation and Disclosure in Financial Statement” (issued in April 2024).

(Material Accounting Policies)

Unless otherwise stated, the following accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements, including the consolidated statements of financial position as at the date of transition.

(1) Basis of consolidation

(i) Business combinations

The identifiable assets acquired and liabilities assumed of an acquiree are measured at their fair values at the acquisition date, with limited exceptions.

Sony FG recognizes goodwill when the aggregate of the consideration transferred in a business combination, the amount of any non-controlling interests in the acquiree and the fair value of Sony FG's previously held equity interest in the acquiree exceeds the net amount of the identifiable assets and liabilities of the acquiree at the acquisition date. If the aggregate above is less than the net amount of the identifiable assets and liabilities, the difference is recognized as a gain. The consideration transferred is calculated as the sum of the fair values of the assets transferred, liabilities assumed and equity interest issued.

Non-controlling interests are measured either at fair value or based on the non-controlling interests' proportionate share of the acquiree's net identifiable assets for each business combination transaction.

Acquisition-related costs are recognized as expenses in the period they are incurred.

(ii) Subsidiaries

A subsidiary is an entity that is controlled by Sony FG. Control exists when Sony FG is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of Sony FG from the date on which control is obtained until the date on which control is lost.

All intercompany transactions and balances are eliminated in the preparation of the consolidated financial statements.

If any accounting policies applied by a subsidiary differ from those applied by Sony FG, adjustments are made to the financial statements of the subsidiary as necessary.

Any changes in Sony FG's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration is directly recognized in equity and attributed to the owners of Sony FG. When control over a subsidiary is lost, the investment retained in the former subsidiary is remeasured at fair value as of the date when control is lost, and any gain or loss resulting from the loss of control is recognized in profit or loss.

(iii) Associates

An associate is an entity over which Sony FG has significant influence, but neither control nor joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method from the date on which significant influence is obtained until the date on which significant influence is lost. Under the equity method, investments in associates are recognized at cost, adjusted for Sony FG's share of the profit or loss and other comprehensive income of the associates from the date on which Sony FG obtains significant influence to the date on which Sony FG loses such significant influence.

Sony FG recognizes its share of profit or loss of the investees, net of income taxes after the elimination of unrealized intercompany profit or loss, in the consolidated share of profit (loss) of investments accounted for using the equity method to the extent of Sony FG's interest in these entities.

For investments accounted for using the equity method, the carrying amount of each investment is assessed for impairment as a single asset when there is objective evidence that the investments may be impaired.

If any accounting policies applied by an associate differ from those applied by Sony FG, adjustments are made to the financial statements of the associate as necessary.

When an investment ceases to be an associate and the use of the equity method is discontinued, any gain or loss arising from discontinuation of the equity method is recognized in profit or loss.

(iv) Structured entities

A structured entity is an entity designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

Sony FG has control and, therefore, consolidates a structured entity when Sony FG has exposure or rights to variable returns and has the ability to use its power over the structured entity to affect returns.

(2) Foreign currency translation

Foreign currency transactions are translated at the exchange rates prevailing at the transaction date or rates that approximate such rates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the end of the period. Foreign exchange gains and losses resulting from translation and settlement are generally recognized in profit or loss.

(3) Segment reporting

An operating segment is a component of Sony FG that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Sony FG's other components, whose operating results are reviewed regularly by the Company's board of directors (Sony FG's chief operating decision body) to make decisions about resources allocation to the segment and assess its performance, and for which discrete financial information is available.

(4) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) Fair value measurement

Many of Sony FG's accounting policies require the measurement of fair value for both financial and non-financial assets and liabilities.

(i) Fair Value Measurement Framework

Sony FG measures fair value as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

Sony FG determines a hierarchy of inputs to valuation techniques based on the extent to which inputs used in measuring fair value are observable in the market. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect assumptions which Sony FG developed using the information that market participants would use in pricing the asset or liability. Observable market data is utilized when available, provided it can be obtained without undue cost or effort. Each fair value measurement is reported in one of three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurements are categorized into the following three levels based on the inputs used in the valuation techniques:

Level 1

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2

Inputs are based on observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3

One or more significant inputs are unobservable.

When available, Sony FG uses unadjusted quoted market prices in active markets to measure fair value and classifies such items within Level 1. If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Items valued using internally generated models are classified according to the lowest level input that is significant to the valuation. For certain financial assets and liabilities, Sony FG determines fair value using third-party information such as indicative quotes from dealers and quantitative input from investment advisors following Sony FG's established valuation procedures including validation against internally developed prices. Additionally, Sony FG considers both counterparty credit risk and Sony's own creditworthiness in determining fair value. Sony FG attempts to mitigate credit risk to third parties by entering into netting agreements and actively monitoring the creditworthiness of counterparties and its exposure to credit risk through the use of credit limits and by selecting major international banks and financial institutions as counterparties.

(ii) Description of the fair value measurement process

Sony FG has established policies and procedures for fair value measurement within its risk management department, and fair value is measured in accordance with these policies. The measured fair values are validated by an independent valuation department, which assesses the appropriateness of the valuation techniques and inputs used, as well as the classification within the fair value hierarchy. The results of this validation are reported to the risk management department each reporting period to ensure the integrity of the fair value measurement policies and procedures.

In measuring fair value, Sony FG uses valuation models that best reflect the nature, characteristics, and risks of each individual asset. Even when market prices obtained from third parties are used, Sony FG verifies the reasonableness of such prices through appropriate methods, including reviewing the valuation techniques and inputs used, and comparing them with the fair values of similar financial instruments.

(6) Financial instruments

Sony FG recognizes a financial asset or a financial liability when Sony FG becomes party to the contractual provisions of the instrument.

Loans, deposits, borrowings, and bonds are initially recognized on the date of the transaction involving the transfer of funds. However, purchases and sales of financial assets under regular way contracts are initially recognized on the transaction date.

Financial assets and financial liabilities are initially measured at fair value. Except for those measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to the fair value of the financial assets or subtracted from the fair value of the financial liabilities at initial recognition.

(i) Non-derivative financial assets

a) Classification and measurement

Non-derivative financial assets held by Sony FG are classified as either financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

Financial assets measured at amortized cost

Sony FG classifies a financial asset as measured at amortized cost if the financial asset is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial asset is measured at amortized cost by using the effective interest method after initial recognition. On derecognition of a financial asset measured at amortized cost, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss.

Debt instruments measured at fair value through other comprehensive income

A debt instrument is classified as a financial asset measured at fair value through other comprehensive income if the debt instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Changes in the fair value of the financial asset after initial recognition, except for impairment losses and foreign exchange gains or losses, are recognized in other comprehensive income. Interest income from the financial asset is recognized in profit or loss using the effective interest method. On derecognition of a debt instrument measured at fair value through other comprehensive income, the cumulative amount previously recognized in other comprehensive income is reclassified to profit or loss.

In the life insurance subsidiary, except for investments in variable insurance and variable individual annuity insurance, debt instruments are held mainly from the perspective of asset-liability management (“ALM”). The objective of holding these financial assets in the life insurance subsidiary is to match the interest rate sensitivity (duration) of financial assets and insurance contract liabilities as much as possible, in order to ensure sufficient cash flows are available to settle insurance claims when they come due.

Sony FG manages these assets as one portfolio, based on the overall objective of managing duration and liquidity needs in a capital-efficient manner. While some assets within the portfolio may be held until maturity, Sony FG considers, because of its overall objective for these assets, that all the financial assets are held within one business model whose objective is achieved by both collecting cash flows and selling financial assets.

Equity instruments measured at fair value through other comprehensive income

For investments in equity instruments which are not held for trading, Sony FG may make an irrevocable election at initial recognition to present subsequent changes in fair value of the investments in other comprehensive income.

These financial assets are measured at fair value and subsequent changes in the fair value are recognized in other comprehensive income. Dividends from financial assets are recognized in profit or loss, and the cumulative amount recognized in other comprehensive income is transferred to retained earnings upon derecognition.

Financial assets measured at fair value through profit or loss

Financial assets other than those measured at amortized cost or fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss include financial assets held for trading. The net gains and losses arising from the holding, sale, or redemption of such assets—including changes in fair value, interest income, dividend income, and foreign exchange differences—are recognized in profit or loss and presented under “Investment gains and losses” in the consolidated statements of income.

In the life insurance subsidiary, investments held for variable life insurance and individual variable annuity contracts mainly consist of equity securities, debt securities and investment funds, which are measured at fair value through profit or loss.

For certain financial assets that would not normally be measured at fair value through profit or loss, Sony FG may make an irrevocable election at initial recognition to measure such financial assets at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch.

In the life insurance subsidiary, Sony FG mitigates accounting mismatches by designating certain debt securities to be measured at fair value through profit or loss, consistent with insurance finance income or expenses incurred from certain variable life insurance and individual variable annuity contracts.

In the banking subsidiary, in relation to some fixed-rate debt securities, Sony FG utilizes derivatives to hedge the risk arising from the changes in the fair value of the debt securities due to unfavorable fluctuations of interest rates, and mitigates accounting mismatches by designating the debt securities to be measured at fair value through profit or loss.

Assessment of whether contractual cash flows are solely payments of principal and interest (“SPPI”)

For the purpose of this assessment, principal is defined as the fair value of the financial asset on initial recognition. The principal amount may vary over time, for example, due to repayments of principal.

Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs (such as liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, Sony FG considers the contractual terms of the instrument. This includes assessing whether the financial asset contain a contractual terms that could change the timing or amount of contractual cash flows (that is the possibility that it will be assessed as not being SPPI).

In making the assessment, Sony FG considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit Sony FG’s claim to cash flows from specified assets (e.g., non-recourse loans); and
- features that modify consideration for the time value of money (e.g., periodic reset of interest rates).

b) Derecognition

Sony FG derecognizes a financial asset when any of the following conditions are met:

- the contractual rights to the cash flows from the financial asset expire;
- the contractual rights to receive the cash flows of the financial asset are transferred and substantially all the risks and rewards of the financial asset are transferred; or
- neither substantially all the risks and rewards of the financial asset are transferred nor retained, but control of the financial asset is not retained.

Loans are derecognized on the settlement date. However, for sales of financial assets under regular way contracts, derecognition occurs on the trade date.

Sony FG enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of either all or part of the transferred asset or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending, repurchase agreements, and securitization of residential mortgage loans.

c) Impairment of financial assets

Sony FG estimates expected credit losses and recognizes loss allowances for financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income. At each reporting date, Sony FG measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, Sony FG measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. In assessing whether the credit risk has increased significantly or not, Sony FG uses the change in the risk of a default occurring over the expected life of the financial instrument and estimates expected credit losses by using the method which reflects the past loss rate and other reasonable and supportable forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Sony FG measures the expected credit losses of a financial asset in a way that reflects an unbiased and probability-weighted amount incorporating the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

However, for trade and other receivables, Sony FG measures the loss allowance at an amount equal to lifetime expected credit losses irrespective of the change of credit risk on a collective basis or an individual basis incorporating factors such as the past-due status and the attributes of the counterparties.

Sony FG determines a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The criteria that Sony FG uses to determine that a financial asset is credit-impaired include a default or delinquency of more than 90 days past due in interest or principal payments.

Sony FG writes off the gross carrying amount of a financial asset when it cannot reasonably expect to recover all or part of the asset. Even after a write-off, Sony FG continues collection efforts, and any recoveries are recognized in profit or loss when received.

d) Modifications

If the terms of a financial asset are modified, Sony FG evaluates whether the cash of the modified asset cash flows are substantially different.

If the cash flows are substantially different, the original financial asset is derecognized (refer to b)) and a new financial asset is recognized at fair value plus any eligible transaction costs.

If the modification of a financial asset measured at amortized cost or at fair value through other comprehensive income does not result in derecognition of the financial asset, Sony FG recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss.

(ii) Non-derivative financial liabilities

Sony FG classifies non-derivative financial liabilities as financial liabilities subsequently measured at amortized cost by using the effective interest method.

Net gains and losses arising from non-derivative financial liabilities, including interest expenses and foreign exchange differences, are recognized in profit or loss. Additionally, any gains or losses resulting from the derecognition of financial liabilities measured at amortized cost are also recognized in profit or loss.

Sony FG derecognizes a financial liability when it is extinguished, meaning when the obligation specified in the contract is discharged, cancelled or expired.

(iii) Derivative financial instruments and hedge accounting

All derivatives are recognized as either assets or liabilities in the consolidated statements of financial position at fair value. Changes in the fair value of derivative financial instruments are recognized immediately through profit or loss.

Derivative financial instruments held by Sony FG are accounted for as described below.

Fair value hedges

When a derivative is designated as a hedging instrument for changes in the fair value of a recognized asset or liability, or a firm commitment that may affect profit or loss, changes in the fair value of the derivative are immediately recognized in profit or loss. Changes in the fair value of the hedged item attributable to the hedged risk are also recognized in profit or loss. If the hedged item is measured at cost or amortized cost, its carrying amount is adjusted accordingly.

Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are immediately recognized in profit or loss.

Assessment of hedge effectiveness

When applying hedge accounting, Sony FG formally documents all hedging relationships between the derivative designated as hedges and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging activities. Sony FG also assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are designated as hedges have an economic relationship with the hedged item in offsetting changes in fair value or cash flows of hedged items. With respect to the hedging transactions that Sony FG enters into, the effect of credit risk does not dominate the value changes that result from the underlying economic relationship. In addition, the hedge ratio of the hedging relationship is designed to be the same as that resulting from the quantity of the hedged item that Sony FG actually hedges and the quantity of the hedging instrument that Sony FG actually uses to hedge that quantity of the hedged item. When it is determined that a derivative no longer has an economic relationship with the hedged item, Sony FG discontinues hedge accounting.

Embedded derivatives

For financial assets that contain embedded derivatives, Sony FG does not separate the embedded derivative because the entire instruments are measured at fair value.

For financial liabilities that contain embedded derivatives, Sony FG accounts for the embedded derivative from the host contract and accounts for it as a standalone derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms would meet the definition of a derivative; and
- the entire hybrid instrument is not classified as a financial liability measured at fair value through profit or loss.

(iv) Offsetting a financial asset and a financial liability

Sony FG offsets a financial asset and a financial liability and presents the net amount in the consolidated statements of financial position when Sony FG currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(7) Tangible fixed assets

Sony FG has adopted the cost model for the measurement of tangible fixed assets and presents an item of tangible fixed assets at its cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of tangible fixed assets includes any costs directly attributable to the acquisition of the asset as well as costs of its dismantlement, removal or restoration.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss.

Tangible fixed assets are depreciated on a straight-line basis over their useful lives (depreciation period ranging from 3 to 50 years for buildings and from 2 to 20 years for other assets).

Sony FG reviews the residual values and the useful lives at each fiscal year-end, or sooner if circumstances require.

(8) Investment property

Sony FG applies the cost model to investment property, measuring it at cost less accumulated depreciation and accumulated impairment losses. The estimated useful lives of investment properties range from 4 to 50 years, and depreciation is calculated using the straight-line method.

(9) Leases

(i) Lessee

When entering into a contract, Sony FG determines whether an arrangement contains a lease at its inception. An arrangement contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Assets and liabilities recognized from leases are presented as right-of-use (“ROU”) assets and lease liabilities in the consolidated statements of financial position.

ROU assets represent Sony FG’s right to use an underlying asset for the lease term and lease liabilities represent Sony FG’s obligation to make lease payments arising from the lease.

ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. ROU assets also include any lease payments and initial direct costs incurred on or before the commencement date and exclude lease incentives.

In determining the present value of lease payments, Sony FG uses its incremental borrowing rate, as the implicit rate is not available for most of its leases. Sony FG determines its incremental borrowing rate based on the estimated rate of interest for collateralized borrowings, taking into account the lease term and the economic conditions of each country or region at commencement date.

The lease terms may include options to extend or terminate the lease when it is reasonably certain that Sony FG will exercise that option. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or the purchase option is reasonably certain to be exercised, Sony FG depreciates the ROU assets from the commencement date to the end of the useful life of the underlying assets. Otherwise, Sony FG depreciates the ROU assets from the commencement date to the earlier of the end of the useful life of the ROU assets or the end of the lease term. Sony FG accounts for the lease and non-lease components as a single lease component.

Sony FG has elected not to recognize ROU assets and lease liabilities for short-term leases and leases of low-value assets. Sony FG recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Lessor

At the inception of the contract, leases are classified as either finance leases or operating leases.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset.

Operating lease is any lease other than a finance lease.

Lease payments from operating leases are recognized in profit or loss on a straight-line basis over the lease term.

(10) Intangible assets

(i) Recognition and measurement

a) Software

Software is measured at cost less accumulated amortization and accumulated impairment losses.

Expenditure on software is recognized as an asset only if Sony FG can demonstrate the technical feasibility to complete the development of the software, its intention and the availability of resources to complete the development and to use the software, and its ability to use the software in a manner that will generate probable future economic benefits and to measure the expenditure reliably.

Subsequent expenditure on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as it is incurred.

b) Other intangible assets

Other intangible assets, primarily trademark rights, are measured at cost less accumulated amortization and accumulated impairment losses.

(ii) Amortization

Amortization is calculated to write off the cost of intangible assets over their estimated useful lives, and is generally recognized in profit or loss. None of the intangible assets are assumed to have a residual value. Certain intangible assets are assessed to have indefinite lives because there is no foreseeable limit to the period over which such assets are expected to generate net cash flows for Sony FG.

The estimated useful lives of intangible assets and the amortization methods applied in the current and comparative periods are as follows.

Software : 5–10 years using the straight-line method from the date the software is available for use.

Other intangible assets : 5–15 years using the straight-line method from the acquisition date.

Amortization is recognized in ‘insurance service expenses’ in the consolidated statements of income if it is directly attributable to insurance acquisition activities or other fulfillment activities; otherwise, it is recognized in ‘selling, general and administrative expenses’.

Sony FG reviews the useful lives and amortization methods at each fiscal year-end, or sooner if circumstances require.

(11) Goodwill

Goodwill arising on the acquisition of subsidiaries is not amortized and is measured at cost (refer to (1)(i)) less accumulated impairment losses.

(12) Impairment of non-financial assets

Sony FG reviews the recoverability of its non-financial assets, except for deferred tax assets, whenever there is any indication that an asset or a cash-generating unit (“CGU”) may be impaired. In addition, an annual impairment test for goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use is performed during the fourth quarter of the fiscal year for each CGU or group of CGUs to which the carrying amount of these assets is allocated.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is allocated to each CGU or group of CGUs that is expected to benefit from the synergies of a business combination. A CGU or group of CGUs to which goodwill is allocated is not larger than an operating segment.

The recoverable amount of an asset, a CGU or group of CGUs is the higher of its value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. This approach uses significant estimates and assumptions, including estimated future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, the determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables.

The assumptions used for estimated future cash flows (including the timing of inflows and outflows) for such CGU are primarily based on medium- to long-term plans, taking into account historical experience, market and industry data, and current and expected economic conditions.

If the recoverable amount is determined to be less than the carrying amount of a CGU or group of CGUs, an impairment loss would be recognized equal to the amount by which the carrying amount exceeds the recoverable amount. Such impairment losses are recognized by first reducing the carrying amount of any allocated goodwill and then are allocated to the other assets of the CGU on a pro rata basis of the carrying amount of each asset in the CGU. Impairment losses are included in operating expenses in the consolidated statements of income.

Assets other than goodwill are reviewed to assess whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is determined and a reversal of an impairment loss is recognized when the recoverable amount of the asset exceeds the carrying amount. Any increase in the carrying amount of an asset attributable to the reversal of an impairment loss does not exceed the carrying amount of the asset, net of depreciation and amortization, which would have been determined if an impairment loss had never been recognized for the asset in prior periods.

(13) Insurance and reinsurance contracts

(i) Definition and classification of insurance and reinsurance contracts

Sony FG defines insurance contracts as the contracts under which Sony FG accepts significant insurance risk by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In addition, the contracts that transfer significant insurance risk related to the underlying insurance contracts are defined as reinsurance contracts. In making this assessment, all substantive rights and obligations, including those arising from laws and regulations, are considered on a contract-by-contract basis. Sony FG uses judgment in assessing whether there is a scenario with commercial substance in which there is the possibility of a loss on a present value basis and whether the accepted insurance risk is significant. In evaluating reinsurance contracts, Sony FG also assesses whether substantially all of the insurance risk related to the reinsured portion of the underlying insurance contract has been transferred to the reinsurer. Contracts that have a legal form of an insurance contract but do not transfer significant insurance risk to Sony FG are classified as investment contracts and the investment contract liabilities are accounted for as financial liabilities and included in other financial liabilities.

Contracts that have the legal form of insurance but do not transfer significant insurance risk to Sony FG are classified as investment contracts (refer to (14)) and are accounted for as investment contract liabilities.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- Sony FG expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- Sony FG expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features.

(ii) Aggregation, recognition and derecognition of insurance and reinsurance contracts

a) Insurance contracts

In measuring insurance contracts, Sony FG aggregates the insurance contracts into groups. Each group of insurance contracts is determined by identifying portfolios of insurance contracts. Each portfolio is comprised of contracts that are subject to similar risks and are managed together, and Sony FG mainly divides each portfolio by the quarter to which the issue date of the insurance contracts belongs. The portfolios are then classified into one of the following three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts.

A group of insurance contracts issued by Sony FG is recognized from the earliest of:

- the beginning of the coverage period of the group of insurance contracts;
- when the first payment from the policyholder in the group of insurance contracts becomes due; and
- when facts and circumstances indicate that the group of insurance contracts is onerous.

If there is no contractual due date, the due date is considered as the day when the first payment is received from the policyholder. In addition, only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts individually meet the recognition criteria after the end of the reporting period, they are added to the groups in the reporting period in which they meet the recognition criteria. Composition of the groups is not reassessed in subsequent periods.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. If insurance acquisition cash flows are directly attributable to a group of insurance contracts, they are allocated to that group. If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of insurance contracts, then they are allocated to the groups in that portfolio using a systematic and rational method.

Sony FG derecognizes a contract when it is extinguished, i.e. when the specified obligations in the contract expire or are discharged or canceled.

On derecognition of a contract from within a group of contracts not measured under the premium allocation approach (“PAA”):

- adjusts the fulfillment cash flows allocated to the group of insurance contracts to eliminate those relating to the derecognized rights and obligations;
- adjusts the contractual service margin (“CSM”) of the group of insurance contracts for the change in the fulfillment cash flows, except where such changes are allocated to a loss component; and
- adjusts the number of coverage units expected for the remaining insurance contract services to reflect the number of coverage units derecognized from the group of insurance contracts.

b) Reinsurance contracts

Portfolios of reinsurance contracts, Sony FG separately aggregates the reinsurance contracts from the portfolios of insurance contracts issued. Sony FG applies the aggregation requirements to reinsurance contracts held and primarily divides them by the quarter in which the coverage period of the reinsurance contract group begins. The contracts are then classified into one of the following three groups:

- any contracts that result in a net gain at initial recognition;
- any contracts that are not expected to result in a net gain subsequently; and
- any remaining contracts.

Reinsurance contract groups held are recognized as follows:

- for reinsurance contracts held that provide proportionate coverage, recognition occurs at the later of:
 - the beginning of the coverage period of the reinsurance contract group
 - the initial recognition of the underlying insurance contract
- all other reinsurance contract groups held are recognized at the beginning of the coverage period.

However, if an underlying onerous insurance contract group is recognized before the start of the coverage period of the reinsurance contract group, and Sony FG has entered into the reinsurance contract prior to that date, the reinsurance contract held is recognized at the same time as the underlying onerous insurance contract group.

(iii) Contract boundaries

In measuring groups of insurance contracts, Sony FG includes all of the future cash flows within the boundary of each contract in the group.

a) Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the policyholder is obliged to pay premiums or Sony FG has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when Sony FG:

- (a) has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- (b) has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

For cash flows arising during the period after the renewal of the insurance contract with automatic renewal clauses, Sony FG assesses the contract boundaries and determines that they are within the existing contract boundaries when Sony FG does not have the above practical ability to reassess the risks.

b) Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which Sony FG is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- (a) has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- (b) has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on Sony FG's substantive rights and obligations and, therefore, may change over time.

(iv) Initial measurement of insurance contracts not measured under the PAA

On initial recognition, Sony FG measures a group of insurance contracts as the total of the following:

a) Fulfillment cash flows

The fulfillment cash flows of the groups of insurance contracts consist of estimates of the future cash flows and risk adjustments for non-financial risk. The estimates of the future cash flows are adjusted to reflect the time value of money and the associated financial risks, and do not reflect Sony FG's non-performance risk. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts involves significant estimation. The risk adjustment for non-financial risk, determined separately from the other estimates, is designed to reflect the compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk.

b) CSM

The CSM of a group of insurance contracts represents the unearned profit that Sony FG will recognize as it provides insurance contract services under those contracts.

On initial recognition, if the sum of (a), (b) and (c) results in a net cash inflow, the group of insurance contracts is not considered onerous. In such cases, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

Conversely, if the sum results in a net cash outflow, the group is considered onerous, and the net cash outflow is recognized as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

The amounts considered in this assessment are:

- (a) the fulfillment cash flows;
- (b) any cash flows arising at that date; and
- (c) any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group.

(v) Subsequent measurement of insurance contracts not measured under the PAA

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for incurred claims and the liability for remaining coverage. The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. The liability for remaining coverage comprises the items described below.

a) Fulfillment cash flows

The fulfillment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, discount rates, and risk adjustment for non-financial risk. The mortality rates, morbidity rates, lapse and surrender rates, and discount rates, which are used to measure the estimates of the present value of future cash flows, are significant assumptions for measuring insurance contract liabilities not measured under the PAA.

b) CSM

The carrying amount of the CSM of contracts without direct participation features at each reporting date is the carrying amount at the beginning of the fiscal year, adjusted for the following items (items (b), (c)1, (c)2, and (c)4 below are measured using the discount rate determined at initial recognition (locked-in discount rate)):

- (a) the effect of any new contracts that are added to the group during the current period;
- (b) the interest accreted on the carrying amount of the CSM during the current period;
- (c) the changes in fulfillment cash flows relating to future service including the following items:
 - 1. experience adjustments arising from premiums received in the current period that relate to future services (including those for related cash flows such as insurance acquisition cash flows and premium-based taxes);
 - 2. changes in estimates of the present value of future cash flows in the liability for remaining coverage (excluding the effect of the time value of money, financial risk and changes therein);
 - 3. differences between any investment component expected to become payable in the current period and the actual investment component that becomes payable in the current period; and
 - 4. changes in the risk adjustment for non-financial risk that relate to future services;
- (d) the effect of any currency exchange differences; and
- (e) the amount recognized as insurance revenue for insurance contract services provided during the current period, which is determined after all other adjustments above.

The carrying amount of the CSM of contracts with direct participation features at each reporting date is the carrying amount at the beginning of the fiscal year, adjusted for the following items (items (c)2, (c)3, (c)4, and (c)5 below are measured using the current discount rate):

- (a) the effect of any new contracts that are added to the group during the current period;
- (b) the changes in Sony FG's share of the fair value of the underlying items;
- (c) the changes in the fulfillment cash flows that do not vary based on the returns of underlying items including the following items:
 - 1. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
 - 2. experience adjustments arising from premiums received in the current period that relate to future services (including those for related cash flows such as insurance acquisition cash flows and premium-based taxes);
 - 3. changes in estimates of the present value of future cash flows in the liability for remaining coverage (excluding the effect of the time value of money, financial risk and changes therein);
 - 4. differences between any investment component expected to become payable in the current period and the actual investment component that becomes payable in the current period; and
 - 5. changes in the risk adjustment for non-financial risk that relate to future services;
- (d) the effect of any currency exchange differences; and
- (e) the amount recognized as insurance revenue for insurance contract services provided during the current period, which is determined after all other adjustments above.

Sony FG has selected an accounting policy to update accounting estimates related to insurance contracts made in the previous interim consolidated financial statements in the subsequent annual and interim consolidated financial statements and to measure the annual results using the year-to-date approach.

Changes in the fulfillment cash flows that relate to current or past services are recognized as profit or loss. Changes in the fulfillment cash flows that relate to future services are adjusted as the CSM or loss component as follows:

- when an increase in the fulfillment cash flows exceeds the carrying amount of the CSM, the CSM is reduced to zero and the excess is recognized as insurance service expenses and such excess is recorded as a loss component of the liability for the remaining coverage;
- when the CSM is zero, changes in the fulfillment cash flows adjust the loss component within the liability for remaining coverage with correspondence to insurance service expenses; and
- the excess of any decrease in the fulfillment cash flows over the loss component reduces the loss component to zero and reinstates the CSM.

When a loss component exists, Sony FG allocates the following items between the loss component and the remaining component of the liability for the remaining coverage for the respective group of insurance contracts, based on the ratio of the loss component to the fulfillment cash flows relating to the expected future cash outflows:

- (a) expected incurred claims and other directly attributable expenses for the period;
- (b) changes in the risk adjustment for non-financial risk for the risk expired; and
- (c) finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

(vi) Subsequent measurement of reinsurance contracts not measured under the PAA

To measure a group of reinsurance contracts, Sony FG applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims.

The asset for remaining coverage comprises are:

- (a) the fulfillment cash flows that relate to services that will be received under the contracts in future periods; and
- (b) any remaining CSM at that date.

Sony FG measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by Sony FG to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance.

It is measured as the equal but opposite amount of the sum of the following items:

- (a) the fulfillment cash flows;
- (b) any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group;
- (c) any cash flows arising at that date; and
- (d) any income recognized in profit or loss for the group of reinsurance contracts, because of the recognition of onerous underlying insurance contracts at that date.

However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then Sony FG recognizes the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- (a) the effect of any new contracts that are added to the group in the year;
- (b) interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- (c) income recognized in profit or loss in the year for the group of reinsurance contracts, resulting from the initial recognition of onerous underlying contracts or the addition of such contracts to the group;
- (d) reversals of a loss-recovery component (refer to (viii) c)) to the extent that they are not changes in the fulfillment cash flows of the group of reinsurance contracts;
- (e) changes in fulfillment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfillment cash flows of onerous underlying contracts, in which case they are recognized in profit or loss and create or adjust a loss-recovery component;
- (f) the effect of any currency exchange differences; and
- (g) the amount recognized in profit or loss for services provided during the current period, which is determined after all other adjustments above.

If a reinsurance contract is entered into before or at the same time as the recognition of onerous underlying contracts, Sony FG adjusts the CSM of the group to which the reinsurance contract belongs. As a result, Sony FG establishes a loss-recovery component and recognizes the corresponding amount in profit or loss when a loss is recognized, either at initial recognition or when additional onerous contracts are added to the group. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that Sony FG expects to recover from the reinsurance contracts.

If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then Sony FG uses a systematic and rational method to determine the portion of losses recognized on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

(vii) Measurement of insurance and reinsurance contracts measured under the PAA

For certain insurance contracts with a coverage period of one year or less at initial recognition, Sony FG uses the PAA to simplify the measurement of the group of insurance contracts.

a) Insurance contracts

Under the PAA, on initial recognition of each group of insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition, minus any insurance acquisition cash flows allocated to the group at the date of the receipt of the premiums. Sony FG amortizes insurance acquisition cash flows over the coverage period of the group of insurance contracts.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortization of insurance acquisition cash flows recognized as expenses, and decreased by the amount recognized as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

Sony FG has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then Sony FG recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfillment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. Sony FG recognizes the liability for incurred claims of a group of insurance contracts at the amount of the fulfillment cash flows relating to incurred claims.

b) Reinsurance contracts

Sony FG applies the same accounting policies to measure a group of reinsurance contracts as those applied to insurance contracts, and adapts them where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component (refer to (vi)) is created for a group of reinsurance contracts measured under the PAA, then Sony FG adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

(viii) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios.

In the consolidated statements of profit or loss and the consolidated statements of comprehensive income, Sony FG separates the amounts recognized into insurance revenue and insurance service expenses (collectively referred to as insurance service result), and insurance finance income or expenses.

Changes in the risk adjustment for non-financial risk are presented within both the insurance service result and insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

a) Insurance revenue

Insurance revenue excludes any investment components and is recognized as follows:

(a) Contracts not measured under the PAA

Sony FG recognizes insurance revenue as it provides insurance contract services. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the liability for remaining coverage that relate to services for which Sony FG expects to receive consideration, and primarily comprises the following items:

- a release of the CSM, measured based on coverage units provided during the current period;
- changes in the risk adjustment for non-financial risk relating to current services;
- claims and other insurance service expenses incurred during the current period, measured at the amounts expected at the beginning of the current period; and
- allocation of the amount of insurance acquisition cash flows in a systematic way based on the passage of time.

The release amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each consolidated fiscal year is determined by identifying the coverage units in the group and recognizing in profit or loss the amount of the CSM allocated to the coverage units provided during the reporting period. The number of coverage units is the quantity of services provided based on the insurance contracts in the group, determined by considering the quantity of benefits to be provided by each insurance contract in the group and the expected coverage period.

Services provided based on insurance contracts include insurance coverage and, for all direct participating contracts, investment related services for managing underlying items on behalf of policyholders. Insurance contracts other than direct participating contracts include investment return services for generating an investment return for the policyholder.

(b) Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services during the period. Sony FG allocates the expected premium receipts to each period based mainly on the passage of time.

b) Insurance service expenses

Insurance service expenses comprise the following items:

- (a) incurred claims and benefits excluding investment components and reduced by the loss component allocation;
- (b) other incurred and directly attributable insurance service expenses (reduced by the loss component allocation);
- (c) amortization of insurance acquisition cash flows;
- (d) changes that relate to past services (e.g., changes in the fulfillment cash flows relating to the liability for incurred claims);
and
- (e) changes that relate to future services (e.g., losses on onerous insurance contracts and reversal of those losses arising from changes in the loss components).

For insurance contracts measured under the PAA, insurance acquisition cash flows are amortized on a systematic basis over time.

For insurance contracts not measured under the PAA, amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above (refer to a)).

c) Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

Sony FG recognizes an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which Sony FG expects to pay consideration. For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts covering onerous underlying contracts, Sony FG establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognized:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognized; and
- for changes in fulfillment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfillment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that Sony FG expects to recover from the reinsurance contracts.

d) Insurance finance income or expenses (including reinsurance finance income or expenses)

Insurance finance income or expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. Sony FG has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income for contracts without direct participation features, excluding certain variable life insurance and individual variable annuity contracts. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of insurance contracts. The amount of systematic allocation is determined using the discount rates determined on initial recognition of the group of insurance contracts. As a result of this systematic allocation, the total amounts recognized in other comprehensive income is equal to zero over the duration of the group of insurance contracts. In addition, the cumulative amount recognized in other comprehensive income at any point in time is the difference between the carrying amount of the group of insurance contracts and the amount measured by this systematic allocation.

For contracts with direct participation features, the insurance finance income or expenses include changes in the value of underlying items (excluding additional premium payments and withdrawals), all of which are recognized in profit or loss.

(14) Investment contracts

Investment contracts primarily consist of financial liabilities related to pension transfer contracts and deposit reserves, and are measured at amortized cost.

Sony FG derecognizes a financial liability when the contractual obligation is discharged, canceled, or expires.

Cash outflows related to investment contracts are reflected as adjustments to the carrying amount of the financial liability.

(15) Provisions

Provisions are recognized when Sony FG has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations.

(16) Employee benefits

(i) Post-employment benefits

Sony FG adopts defined benefit plans and defined contribution plans.

Defined benefit plans

Sony FG recognizes the net defined benefit liability or asset of defined benefit plans in the consolidated statements of financial position as the amount of the present value of defined benefit obligations less the fair value of plan assets.

The present value of defined benefit obligations is calculated by discounting the expected future benefit, and service costs are determined by using the projected unit credit method. If the fair value of plan assets is in excess of the present value of defined benefit obligations, the amount of any asset to be recognized is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. The discount rate is determined by reference to market yields at each fiscal year-end on high-quality corporate bonds which have approximately the same term as the defined benefit obligations and are payable in the same currency as the benefit payments. Net interest on the net defined benefit liability or asset is calculated by multiplying the net defined benefit liability or asset by the discount rate.

Past service cost, which is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment, is recognized in profit or loss.

Remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income when they occur and transferred to retained earnings immediately.

Defined contribution plans

Sony FG recognizes contributions to defined contribution plans as expenses when employees have rendered related services.

(ii) Short-term employee benefits

Sony FG recognizes short-term employee benefits, such as salaries, bonuses and annual paid absences, as expenses at the amount expected to be paid in exchange for services when employees have rendered such services.

(17) Stock-based compensation

Sony FG estimates the cost of stock options at their fair value on the grant date and recognizes the expense over the vesting period with a corresponding increase in equity. The fair value of options granted is calculated using the binomial model and the Black-Scholes model, taking into account the terms and conditions of the options.

(18) Share capital

Sony FG classifies capital instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Company's ordinary shares are presented as components of issued capital within equity, because they are not redeemable by holders and bear an entitlement to distributions that is non-cumulative and at the discretion of the board of directors. Distributions to shareholders are recognized in equity.

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

(19) Fee and commission income and expense

Fee and commission income and expense that are an integral to the effective interest rate on a financial asset or financial liability are included in effective interest rate (refer to (20)).

Fee and commission income, primarily including fee and commission for deposit, lending, and debit card services, is recognized as the related services are provided.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(20) Interest income and expense

Interest income and expense related to all interest-bearing financial instruments except for those classified as financial assets measured at fair value through profit or loss are recognized "Interest income" and "Interest expense" in the consolidated statements of income using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected remaining life of the financial instrument to the net carrying amount.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for those that have become credit-impaired after initial recognition. For financial assets that become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the asset.

Interest expense related to liabilities arising solely from funding transactions is presented under "Interest expense" in the operating section of the consolidated statement of income.

(21) Income taxes

Income taxes consist of current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except to the extent that the tax arises from a business combination, or a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity.

Current taxes are computed based on taxable profit or loss for the year, using the tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of the reporting period.

Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the assets can be utilized. Accordingly, the valuation of the deferred tax assets is assessed periodically with available evidence related to the recoverability of the deferred tax assets. Management's judgment related to this assessment considers the nature, frequency and severity of current and cumulative losses on an individual tax jurisdiction basis, forecasts of future profitability after consideration of uncertain tax positions, excess of appreciated asset value over the tax basis of net assets, the duration of statutory carryforward periods, the past utilization of net operating loss carryforwards prior to expiration, as well as prudent and feasible tax planning strategies which would be employed by Sony FG to prevent net operating loss and tax credit carryforwards from expiring unutilized. Income taxes for interim consolidated reporting periods are calculated based on the estimated average annual effective tax rate.

(22) Application of the Group Tax Sharing System

The Company and its domestic consolidated subsidiaries had applied the Group Tax Sharing System with Sony Group Corporation as the parent entity under the system. However, as the Company ceased to be a wholly owned subsidiary of Sony Group Corporation as of October 1, 2025, it has withdrawn from the Group Tax Sharing System with Sony Group Corporation as the parent entity.

(23) Profit (loss) attributable to owners of the parent per share ("EPS")

Basic EPS is computed based on the weighted-average number of shares of common stock outstanding during each period. Diluted EPS is calculated by adjusting for the effects of all potential ordinary shares that have a dilutive impact.

(Business Segment Information)

1. Information on revenues, profit (loss) and assets by each reportable segment

(Millions of yen)

	Six months ended September 30, 2024					
	Reportable Segments				Other* ¹	Total
	Life insurance business	Non-life insurance business	Banking business	Total		
Segment revenues * ²						
External customers	331,559	77,560	39,700	448,820	7,920	456,740
Intersegment	2,043	10	13	2,068	—	2,068
Total	333,603	77,570	39,714	450,888	7,920	458,808
Segment profit (loss)	83,035	3,730	10,545	97,310	(99)	97,211
Segment assets	14,800,051	284,459	5,676,095	20,760,606	64,061	20,824,668

*1 “Other” represents the nursing care business and the venture capital business, which are business segments not included in reportable segments.

*2 Segment revenues consist of insurance revenue, fee and commission income, interest income and a portion of other operating revenue.

(Millions of yen)

	Six months ended September 30, 2025					
	Reportable Segments				Other* ¹	Total
	Life insurance business	Non-life insurance business	Banking business	Total		
Segment revenues * ²						
External customers	342,938	88,450	54,939	486,328	8,528	494,856
Intersegment	1,574	17	22	1,614	—	1,614
Total	344,513	88,467	54,961	487,942	8,528	496,471
Segment profit (loss)	11,407	6,289	8,820	26,516	215	26,732
Segment assets	14,757,394	296,024	6,204,226	21,257,645	74,779	21,332,424

*1 “Other” represents the nursing care business and the venture capital business, which are business segments not included in reportable segments.

*2 Segment revenues consist of insurance revenue, fee and commission income, interest income and a portion of other operating revenue.

2. Difference between total profit/loss of reportable segments and amounts in the condensed semi-annual consolidated statements of income and main details of these differences

(Matter relating to difference adjustment)

(Millions of yen)

	Six months ended September 30, 2024	Six months ended September 30, 2025
Totals of reportable segments	97,310	26,516
Other	(99)	215
Adjustments for intersegment transactions	(63)	32
Amount not allocated to reportable segments*	(1,166)	(1,361)
Profit (loss) before income taxes in the condensed semi-annual consolidated statements of income	95,981	25,403

* Mainly holding company profit (loss).

(Notes to Consolidated Statements of Cash Flows)

Condensed semi-annual consolidated statements of cash flows have not been prepared for the six months ended September 30, 2024 and 2025.

Depreciation and amortization for the six months ended September 30, 2024 and 2025 are as follows:

(Millions of yen)

	For the six months ended September 30, 2024	For the six months ended September 30, 2025
Depreciation and amortization	14,170	15,398

(Financial Instruments - Classifications and Fair Value)

The carrying amount of Sony FG's financial assets and liabilities are as follows.

(Millions of yen)

	April 1, 2024				
	Mandatory at fair value through profit or loss ("FVPL")	Designated as at FVPL	Fair value through other comprehensive income ("FVOCI")	Amortized cost ("AC")	Total carrying amounts
Securities					
Debt securities					
Japanese national government bonds	423,128	1,021,308	7,057,395	—	8,501,833
Japanese local government bonds	1,845	13,944	48,712	—	64,502
Japanese corporate bonds	27,295	3,302	882,651	9,950	923,200
Foreign government bonds	231,688	39,472	1,221,067	—	1,492,228
Foreign corporate bonds	11,980	165,081	301,119	3,385	481,567
Securitized products	—	—	82,573	378,736	461,309
Other Securities	461,754	—	—	3,003	464,757
Equity securities					
Japanese equities	370,438	—	1,364	—	371,802
Foreign equities	2,839,827	—	5,940	—	2,845,768
Loans					
Housing loans	—	—	—	3,574,468	3,574,468
Other	—	—	—	16,826	16,826
Derivative assets	27,564	—	—	—	27,564
Total financial assets	4,395,524	1,243,109	9,600,825	3,986,370	19,225,830
Deposits in the banking business	—	—	—	3,845,606	3,845,606
Derivative liabilities	17,005	—	—	—	17,005
Investment contract liabilities	—	—	—	60,392	60,392
Bonds payable	—	—	—	69,893	69,893
Borrowed money	—	—	—	633,740	633,740
Total financial liabilities	17,005	—	—	4,609,632	4,626,638

(Millions of yen)

	March 31, 2025				
	Mandatory at FVPL	Designated as at FVPL	FVOCI	AC	Total carrying amounts
Securities					
Debt securities					
Japanese national government bonds	411,764	757,357	6,134,141	—	7,303,262
Japanese local government bonds	1,225	8,596	71,752	11,626	93,200
Japanese corporate bonds	19,827	—	804,808	24,916	849,552
Foreign government bonds	221,212	50,568	1,314,919	—	1,586,700
Foreign corporate bonds	24,657	77,450	414,929	935	517,972
Securitized products	—	—	108,579	439,281	547,861
Other Securities	594,049	—	—	12,836	606,886
Equity securities					
Japanese equities	416,472	—	1,360	—	417,832
Foreign equities	3,323,668	—	4,519	—	3,328,188
Loans					
Housing loans	—	—	—	3,763,260	3,763,260
Other	—	—	—	21,883	21,883
Derivative assets	51,356	—	—	—	51,356
Total financial assets	5,064,235	893,971	8,855,010	4,274,740	19,087,958
Deposits in the banking business	—	—	—	4,243,962	4,243,962
Derivative liabilities	22,744	—	—	—	22,744
Investment contract liabilities	—	—	—	62,771	62,771
Bonds payable	—	—	—	110,304	110,304
Borrowed money	—	—	—	651,066	651,066
Total financial liabilities	22,744	—	—	5,068,104	5,090,848

(Millions of yen)

	September 30, 2025				
	Mandatory at FVPL	Designated as at FVPL	FVOCI	AC	Total carrying amounts
Securities					
Debt securities					
Japanese national government bonds	413,169	690,569	5,790,700	—	6,894,440
Japanese local government bonds	1,230	1,999	109,711	14,294	127,235
Japanese corporate bonds	16,695	—	770,922	36,480	824,099
Foreign government bonds	230,952	49,933	1,319,357	—	1,600,243
Foreign corporate bonds	30,753	64,358	457,938	—	553,049
Securitized products	—	—	135,016	429,144	564,160
Other Securities	752,697	—	—	17,646	770,344
Equity securities					
Japanese equities	509,215	—	1,543	—	510,759
Foreign equities	3,654,290	—	5,748	—	3,660,039
Loans					
Housing loans	—	—	—	3,723,249	3,723,249
Other	—	—	—	29,972	29,972
Derivative assets	98,336	—	—	—	98,336
Total financial assets	5,707,341	806,860	8,590,940	4,250,787	19,355,929
Deposits in the banking business	—	—	—	4,363,218	4,363,218
Derivative liabilities	34,964	—	—	—	34,964
Investment contract liabilities	—	—	—	61,847	61,847
Bonds payable	—	—	—	100,330	100,330
Borrowed money	—	—	—	600,223	600,223
Total financial liabilities	34,964	—	—	5,125,621	5,160,585

(1) Valuation techniques and inputs used for fair value measurement

The following section describes the valuation techniques used by Sony FG to measure financial instruments at fair value, and the fair value hierarchy levels in which these instruments are generally classified.

Debt and equity securities:

Where quoted prices of financial instruments are available in an active market, these instruments are classified in Level 1 of the fair value hierarchy. Level 1 financial instruments include exchange-traded equity instruments. If quoted market prices are not available for the specific financial instruments or the market is inactive, then fair values are estimated by using pricing models, quoted prices of financial instruments with similar characteristics or discounted cash flow method and mainly classified in Level 2 of the fair value hierarchy. Level 2 financial instruments include debt instruments with quoted prices that are not traded as actively as exchange-traded instruments, such as the majority of government bonds and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, these instruments are classified within Level 3 of the fair value hierarchy. Level 3 financial instruments primarily include investment funds, securitized products which are not classified within Level 1 or Level 2 and domestic and foreign corporate bonds for which quoted prices are not available in a market and where there is less transparency around inputs. Sony FG estimates the fair value for certain investment funds by using the net asset value. Sony FG estimates the fair value for securitized products and domestic and foreign corporate bonds for which quoted prices are not available in a market and where there is less transparency around inputs by using third-party information such as indicative quotes from dealers without adjustment or discounted cash flow method. For validating the fair values of Level 3 financial instruments, Sony FG primarily uses internal models which include management judgment or estimation of assumptions that market participants would use in pricing the asset.

Loans

For each maturity category, the fair value of loans is determined by estimating future cash flows and discounting them at market interest rates as of the valuation date, adjusted as appropriate. These loans are classified as Level 3 in the fair value hierarchy.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within Level 1 of the fair value hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of Sony FG's derivative positions are valued using internally developed models that use as their basis readily observable market parameters, meaning parameters that are actively quoted and can be validated to external sources, including pricing services.

In determining the fair value of Sony FG's interest rate swap derivatives and currency swaps, Sony FG uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of each instrument. For foreign currency derivatives, Sony FG's approach is to use forward contract valuation models employing market observable inputs, such as spot currency rates and time value. These derivatives are classified within Level 2 since Sony FG primarily uses observable inputs in its valuation of its derivative assets and liabilities.

Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes model, which are consistently applied. For derivative products that have been established for some time, Sony FG uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit rating of the counterparty. Further, many of these models do not contain a high level of subjectivity as the techniques used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Investment contract liabilities

The present value of the estimated future cash flows of investment contract, discounted at the market interest rate on the valuation date, is used as the fair value, and is classified as Level 2.

Deposits in the banking business

For demand deposits, the amount payable (carrying amounts) if the demand is made at the reporting date is deemed to be the fair value. The fair value of time deposits is the present value of future cash flows discounted at the market interest rate on the valuation date. These transactions are classified as Level 2.

Bonds payable

Corporate bonds with market prices are valued at market prices and classified as Level 2. Corporate bonds without market prices are valued at the present value of future cash flows discounted the rate that combines at the market interest rate on the valuation date with Sony FG's equity premium, and are classified as Level 3.

Borrowed money

The present value of the estimated future cash flows of principal and interest, discounted at the market interest rate on the valuation date, is used as the fair value, and is classified as Level 2.

(2) Financial instruments measured at fair value

The table below shows an analysis of financial instruments measured at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorized.

(Millions of yen)

	April 1, 2024			
	Level 1	Level 2	Level 3	Total
Securities				
Debt securities				
Japanese national government bonds	—	8,501,833	—	8,501,833
Japanese local government bonds	—	64,502	—	64,502
Japanese corporate bonds	—	774,401	138,847	913,249
Foreign government bonds	39,363	1,452,864	—	1,492,228
Foreign corporate bonds	—	437,501	40,680	478,182
Securitized products	—	60,565	22,007	82,573
Other Securities	—	413,834	47,920	461,754
Equity securities				
Japanese equities	367,820	—	3,982	371,802
Foreign equities	2,845,768	—	—	2,845,768
Derivative assets	—	27,564	—	27,564
Total financial assets	3,252,952	11,733,068	253,438	15,239,459
Derivative liabilities	3,428	13,577	—	17,005
Total financial liabilities	3,428	13,577	—	17,005

(Millions of yen)

	March 31, 2025			
	Level 1	Level 2	Level 3	Total
Securities				
Debt securities				
Japanese national government bonds	—	7,303,262	—	7,303,262
Japanese local government bonds	—	81,574	—	81,574
Japanese corporate bonds	—	712,843	111,792	824,635
Foreign government bonds	41,867	1,544,833	—	1,586,700
Foreign corporate bonds	—	449,926	67,110	517,037
Securitized products	—	59,701	48,877	108,579
Other Securities	—	544,860	49,189	594,049
Equity securities				
Japanese equities	415,171	—	2,660	417,832
Foreign equities	3,328,188	—	—	3,328,188
Derivative assets	2,196	49,159	—	51,356
Total financial assets	3,787,423	10,746,162	279,631	14,813,217
Derivative liabilities	4,306	18,438	—	22,744
Total financial liabilities	4,306	18,438	—	22,744

(Millions of yen)

	September 30, 2025			
	Level 1	Level 2	Level 3	Total
Securities				
Debt securities				
Japanese national government bonds	—	6,894,440	—	6,894,440
Japanese local government bonds	—	112,941	—	112,941
Japanese corporate bonds	—	693,331	94,286	787,618
Foreign government bonds	56,878	1,543,364	—	1,600,243
Foreign corporate bonds	—	474,169	78,880	553,049
Securitized products	—	72,224	62,792	135,016
Other Securities	—	702,806	49,890	752,697
Equity securities				
Japanese equities	508,321	—	2,437	510,759
Foreign equities	3,660,039	—	—	3,660,039
Derivative assets	—	98,336	—	98,336
Total financial assets	4,225,239	10,591,614	288,287	15,105,142
Derivative liabilities	5,635	29,328	—	34,964
Total financial liabilities	5,635	29,328	—	34,964

(3) Financial instruments not measured at fair value

The table below shows a comparison of the carrying amounts and fair values of financial instruments that are not measured at fair value. Other financial assets, call money, payables under repurchase agreements, collateral for securities lending transactions, and other financial liabilities are classified as financial instruments measured at amortized cost; however, as these are primarily short-term transactions and their carrying amounts approximate fair value, they are not included in the table below.

(Millions of yen)

	April 1, 2024		March 31, 2025		September 30, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Securities						
Debt securities						
Japanese national government bonds	—	—	—	—	—	—
Japanese local government bonds	—	—	11,626	11,696	14,294	13,971
Japanese corporate bonds	9,950	9,957	24,916	24,273	36,480	35,129
Foreign government bonds	—	—	—	—	—	—
Foreign corporate bonds	3,385	3,412	935	937	—	—
Securitized products	378,736	378,388	439,281	439,132	429,144	430,158
Other Securities	3,003	3,003	12,836	12,724	17,646	17,280
Loans						
Housing loans	3,574,468	3,634,010	3,763,260	3,709,148	3,723,249	3,752,026
Other	16,826	19,476	21,883	24,237	29,972	30,171
Total financial assets	3,986,370	4,048,250	4,274,740	4,222,148	4,250,787	4,278,737
Deposits in the banking business	3,845,606	3,841,812	4,243,962	4,239,252	4,363,218	4,358,744
Investment contract liabilities	60,392	59,577	62,771	60,557	61,847	59,285
Bonds payable	69,893	69,828	110,304	109,117	100,330	99,085
Borrowed money	633,740	629,097	651,066	639,066	600,223	592,248
Total financial liabilities	4,609,632	4,600,315	5,068,104	5,047,993	5,125,621	5,109,363

(Insurance Revenue)

(Millions of yen)

	Six months ended September 30, 2024		
	Life insurance	Non-life insurance	Total
Insurance contracts not measured under the PAA			
Amounts relating to the changes in the liability for remaining coverage			
CSM recognized in profit or loss for services provided	78,863	438	79,302
Changes in risk adjustments for non-financial risk due to release of risk	13,695	314	14,010
Expected incurred claims and other insurance service expenses	83,356	4,238	87,594
Other	—	133	133
Recovery of insurance acquisition cash flows	56,639	531	57,170
Total insurance revenue for the insurance contracts not measured under the PAA	232,555	5,656	238,212
Insurance contracts measured under the PAA	—	71,028	71,028
Total insurance revenue	232,555	76,684	309,240

(Millions of yen)

	Six months ended September 30, 2025		
	Life insurance	Non-life insurance	Total
Insurance contracts not measured under the PAA			
Amounts relating to the changes in the liability for remaining coverage			
CSM recognized in profit or loss for services provided	77,826	418	78,245
Changes in risk adjustments for non-financial risk due to release of risk	15,792	185	15,978
Expected incurred claims and other insurance service expenses	88,791	5,026	93,818
Other	—	181	181
Recovery of insurance acquisition cash flows	60,638	1,794	62,432
Total insurance revenue for the insurance contracts not measured under the PAA	243,049	7,606	250,656
Insurance contracts measured under the PAA	—	79,711	79,711
Total insurance revenue	243,049	87,318	330,368

(Financial Result in the Insurance Business)

The table below shows financial result in profit or loss and other comprehensive income by the life insurance and non-life insurance subsidiaries.

(Millions of yen)

	Six months ended September 30, 2024	Six months ended September 30, 2025
Amounts recognized in profit or loss		
Investment returns, net (*1)		
Interest income from debt instruments required to be measured at FVOCI (*2)	91,240	90,177
Financial assets measured at FVPL (*3)	3,162	289,099
Foreign exchange gains and losses arising from financial instruments that are not measured at FVPL	(85,756)	(3,512)
Other	(16,486)	(113,150)
Total	(7,839)	262,615
Insurance finance gains and losses, net		
Interest accreted	(96,735)	(97,204)
Effect of changes in the value of underlying items of variable life insurance and individual variable annuity contracts and changes in interest rates and other financial risks	21,118	(228,563)
Foreign exchange gains and losses	87,594	4,117
Other	6,776	7,302
Total	18,754	(314,348)
Reinsurance finance gains and losses, net		
Interest accreted	46	65
Foreign exchange gains and losses	(4)	5
Other	0	(1)
Total	41	69
Total amounts recognized in profit or loss	10,956	(51,662)
Amounts recognized in other comprehensive income		
Investment returns, net	(300,142)	(411,504)
Total	(300,142)	(411,504)
Insurance finance gains and losses, net		
Effect of changes in interest rates and other financial risks	328,929	456,136
Other	—	—
Total	328,929	456,136
Reinsurance finance gains and losses, net		
Effect of changes in interest rates and other financial risks	(159)	(348)
Other	—	—
Total	(159)	(348)
Total amounts recognized in other comprehensive income	28,628	44,283
Total financial result	39,585	(7,379)

(*1) Total of net fee and commission income, investment gains and losses and impairment loss on financial assets in the condensed semi-annual consolidated statements of income.

(*2) Included in interest income in the condensed semi-annual consolidated statements of income.

(*3) Includes changes in fair value attributable to the hedged risk of debt financial instruments measured at fair value through other comprehensive income, which are designated as hedged items in fair value hedges.

(Insurance and Reinsurance Contracts)

The insurance contracts underwritten by the life insurance subsidiary mainly consist of whole life insurance, term life insurance, disease and health insurance, variable life insurance, and individual variable annuity contracts. The insurance contracts underwritten by the non-life insurance subsidiary mainly consist of automobile insurance and fire insurance. Sony FG classifies variable life insurance and individual variable annuity contracts as insurance contracts with direct participation features if they meet all the criteria set forth in Note (Material Accounting Policies)(13)(i).

(1) Movements in insurance and reinsurance contract balances

The tables below show the changes in insurance and reinsurance contract liabilities.

(i) Life insurance

a) Insurance contracts

(a) Changes in liabilities for remaining coverage and liabilities for incurred claims

(Millions of yen)

	Six months ended September 30, 2024			
	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
Opening insurance contract assets	(90,377)	—	33,402	(56,974)
Opening insurance contract liabilities	12,784,007	46,641	82,667	12,913,315
Net amounts	12,693,629	46,641	116,069	12,856,340
Insurance revenue				
Contracts under modified retrospective transition approach	(85,592)	—	—	(85,592)
Contracts under fair value transition approach	(14,631)	—	—	(14,631)
New contracts and contracts under full retrospective approach	(132,331)	—	—	(132,331)
Total	(232,555)	—	—	(232,555)
Insurance service expenses				
Incurred claims and other insurance service expenses	—	(1,342)	84,014	82,671
Amortization of insurance acquisition cash flows	56,639	—	—	56,639
Losses and reversals of losses on onerous contracts	—	2,694	—	2,694
Changes in liabilities for incurred claims	—	—	175	175
Total	56,639	1,352	84,189	142,181
Insurance service result	(175,916)	1,352	84,189	(90,373)
Insurance finance gains and losses, net	(338,306)	(1,615)	(80)	(340,002)
Total amounts recognized in comprehensive income	(514,222)	(263)	84,109	(430,376)
Investment components excluded from insurance revenue and insurance service expenses	(487,611)	—	487,611	—
Cash flows				
Premiums received	932,152	—	—	932,152
Claims and other insurance service expenses paid (including investment components)	—	—	(553,059)	(553,059)
Insurance acquisition cash flows	(74,098)	—	—	(74,098)
Total	858,054	—	(553,059)	304,994
Transfer to other items in the statement of financial position	—	—	(15,860)	(15,860)
Other	63	(38)	(989)	(964)
Closing insurance contract assets	(91,044)	0	34,989	(56,053)
Closing insurance contract liabilities	12,640,958	46,339	82,890	12,770,187
Net amounts	12,549,913	46,339	117,880	12,714,133

Note: The “transition date” above refers to the date on which the former parent company, Sony Group Corporation, adopted IFRS 17 Insurance Contracts (“IFRS 17”).

(Millions of yen)

	Six months ended September 30, 2025			
	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
Opening insurance contract assets	(81,537)	2	33,819	(47,715)
Opening insurance contract liabilities	12,540,087	51,811	78,687	12,670,586
Net amounts	12,458,549	51,813	112,507	12,622,870
Insurance revenue				
Contracts under modified retrospective transition approach	(78,158)	—	—	(78,158)
Contracts under fair value transition approach	(15,221)	—	—	(15,221)
New contracts and contracts under full retrospective approach	(149,670)	—	—	(149,670)
Total	(243,049)	—	—	(243,049)
Insurance service expenses				
Incurred claims and other insurance service expenses	—	(1,715)	90,762	89,047
Amortization of insurance acquisition cash flows	60,638	—	—	60,638
Losses and reversals of losses on onerous contracts	—	9,300	—	9,300
Changes in liabilities for incurred claims	—	—	287	287
Total	60,638	7,584	91,049	159,273
Insurance service result	(182,411)	7,584	91,049	(83,776)
Insurance finance gains and losses, net	(132,679)	(318)	(205)	(133,204)
Total amounts recognized in comprehensive income	(315,091)	7,266	90,844	(216,981)
Investment components excluded from insurance revenue and insurance service expenses	(444,430)	—	444,430	—
Cash flows				
Premiums received	884,493	—	—	884,493
Claims and other insurance service expenses paid (including investment components)	—	—	(521,900)	(521,900)
Insurance acquisition cash flows	(75,811)	—	—	(75,811)
Total	808,681	—	(521,900)	286,781
Transfer to other items in the statement of financial position	—	—	(13,361)	(13,361)
Other	(1,155)	(64)	(71)	(1,290)
Closing insurance contract assets	(86,463)	65	35,444	(50,952)
Closing insurance contract liabilities	12,593,018	58,950	77,003	12,728,972
Net amounts	12,506,555	59,015	112,448	12,678,019

Note: The “transition date” above refers to the date on which the former parent company, Sony Group Corporation, adopted IFRS 17.

(b) Changes in insurance contract liabilities from insurance contracts not measured under the PAA by measurement component
(Millions of yen)

	Six months ended September 30, 2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening insurance contract assets	(291,877)	27,823	207,078	(56,974)
Opening insurance contract liabilities	10,660,659	372,612	1,880,044	12,913,315
Net amounts	10,368,781	400,435	2,087,123	12,856,340
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(78,863)	(78,863)
Change in risk adjustment for non-financial risk due to release of risk	—	(13,695)	—	(13,695)
Experience adjustments	(684)	—	—	(684)
Changes that relate to future service				
Effect of contracts initially recognized during the period	(208,065)	21,465	186,600	—
Changes in estimates that adjust the CSM	34,426	26,264	(60,690)	—
Changes in estimates that do not adjust the CSM	2,951	(256)	—	2,694
Changes that relate to past service				
Adjustments to assets for incurred claims	175	—	—	175
Insurance service result	(171,197)	33,777	47,045	(90,373)
Insurance finance gains and losses, net	(346,024)	(1,873)	7,895	(340,002)
Total amounts recognized in comprehensive income	(517,221)	31,904	54,940	(430,376)
Cash flows				
Premiums received	932,152	—	—	932,152
Claims and other insurance service expenses paid	(553,059)	—	—	(553,059)
Insurance acquisition cash flows	(74,098)	—	—	(74,098)
Total	304,994	—	—	304,994
Transfer to other items in the statement of financial position	(15,860)	—	—	(15,860)
Other	(720)	—	(243)	(964)
Closing insurance contract assets	(312,820)	36,463	220,303	(56,053)
Closing insurance contract liabilities	10,452,793	395,876	1,921,516	12,770,187
Net amounts	10,139,973	432,340	2,141,819	12,714,133

(Millions of yen)

	Six months ended September 30, 2025			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening insurance contract assets	(245,601)	24,500	173,385	(47,715)
Opening insurance contract liabilities	10,373,652	401,805	1,895,127	12,670,586
Net amounts	10,128,051	426,306	2,068,513	12,622,870
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(77,826)	(77,826)
Change in risk adjustment for non-financial risk due to release of risk	—	(15,792)	—	(15,792)
Experience adjustments	255	—	—	255
Changes that relate to future service				
Effect of contracts initially recognized during the period	(178,605)	21,225	157,379	—
Changes in estimates that adjust the CSM	15,019	47,576	(62,595)	—
Changes in estimates that do not adjust the CSM	6,878	2,421	—	9,300
Changes that relate to past service				
Adjustments to assets for incurred claims	287	—	—	287
Insurance service result	(156,163)	55,429	16,957	(83,776)
Insurance finance gains and losses, net	(145,351)	(172)	12,319	(133,204)
Total amounts recognized in comprehensive income	(301,515)	55,256	29,277	(216,981)
Cash flows				
Premiums received	884,493	—	—	884,493
Claims and other insurance service expenses paid	(521,900)	—	—	(521,900)
Insurance acquisition cash flows	(75,811)	—	—	(75,811)
Total	286,781	—	—	286,781
Transfer to other items in the statement of financial position	(13,361)	—	—	(13,361)
Other	(1,192)	—	(97)	(1,290)
Closing insurance contract assets	(313,057)	35,076	227,027	(50,952)
Closing insurance contract liabilities	10,411,820	446,486	1,870,665	12,728,972
Net amounts	10,098,763	481,563	2,097,692	12,678,019

b) Reinsurance contracts

(a) Changes in assets for remaining coverage and assets for incurred claims

(Millions of yen)

	Six months ended September 30, 2024			
	Assets for remaining coverage		Assets for incurred claims	Total
	Excluding loss component	Loss component		
Opening reinsurance contract assets	26,787	982	3,298	31,068
Opening reinsurance contract liabilities	—	—	—	—
Net amounts	26,787	982	3,298	31,068
Allocation of reinsurance premiums paid	(1,352)	—	—	(1,352)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	—	(117)	982	864
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	(95)	—	(95)
Adjustments to assets for incurred claims	—	—	—	—
Total	—	(213)	982	768
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Income or expenses from reinsurance contracts held	(1,352)	(213)	982	(583)
Reinsurance finance gains and losses, net	(112)	—	—	(112)
Total amounts recognized in comprehensive income	(1,464)	(213)	982	(696)
Investment components	(2,533)	—	2,533	—
Cash flows				
Premiums paid	3,532	—	—	3,532
Reinsurance recoveries	—	—	(4,214)	(4,214)
Total	3,532	—	(4,214)	(681)
Other	—	—	—	—
Closing reinsurance contract assets	26,321	769	2,600	29,691
Closing reinsurance contract liabilities	—	—	—	—
Net amounts	26,321	769	2,600	29,691

(Millions of yen)

	Six months ended September 30, 2025			
	Assets for remaining coverage		Assets for incurred claims	Total
	Excluding loss component	Loss component		
Opening reinsurance contract assets	24,306	904	3,866	29,077
Opening reinsurance contract liabilities	—	—	—	—
Net amounts	24,306	904	3,866	29,077
Allocation of reinsurance premiums paid	(1,343)	—	—	(1,343)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	—	(85)	506	420
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	434	—	434
Adjustments to assets for incurred claims	—	—	—	—
Total	—	348	506	854
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Income or expenses from reinsurance contracts held	(1,343)	348	506	(488)
Reinsurance finance gains and losses, net	(281)	—	—	(281)
Total amounts recognized in comprehensive income	(1,625)	348	506	(770)
Investment components	(2,721)	—	2,721	—
Cash flows				
Premiums paid	3,619	—	—	3,619
Reinsurance recoveries	—	—	(4,651)	(4,651)
Total	3,619	—	(4,651)	(1,032)
Other	—	—	—	—
Closing reinsurance contract assets	23,739	1,252	2,443	27,434
Closing reinsurance contract liabilities	(160)	—	—	(160)
Net amounts	23,578	1,252	2,443	27,274

(b) Changes in reinsurance contract assets from reinsurance contracts not measured under the PAA by measurement component

(Millions of yen)

	Six months ended September 30, 2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening reinsurance contract assets	31,021	117	(69)	31,068
Opening reinsurance contract liabilities	—	—	—	—
Net amounts	31,021	117	(69)	31,068
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(39)	(39)
Change in risk adjustment for non-financial risk due to release of risk	—	(5)	—	(5)
Experience adjustments	(443)	—	—	(443)
Changes that relate to future services				
Effect of contracts initially recognized during the period	(85)	(4)	90	—
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	(95)	(95)
Changes in estimates that adjust the CSM	(165)	(170)	335	—
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	—	—	—	—
Changes that relate to past service				
Adjustments to assets for incurred claims	—	—	—	—
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Income or expenses from reinsurance contracts held	(695)	(180)	291	(583)
Reinsurance finance gains and losses, net	(108)	0	(4)	(112)
Total amounts recognized in comprehensive income	(803)	(179)	287	(696)
Cash flows				
Premiums paid	3,532	—	—	3,532
Reinsurance recoveries	(4,214)	—	—	(4,214)
Total	(681)	—	—	(681)
Other	—	—	—	—
Closing reinsurance contract assets	29,536	(62)	217	29,691
Closing reinsurance contract liabilities	—	—	—	—
Net amounts	29,536	(62)	217	29,691

(Millions of yen)

	Six months ended September 30, 2025			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening reinsurance contract assets	28,817	(74)	333	29,077
Opening reinsurance contract liabilities	—	—	—	—
Net amounts	28,817	(74)	333	29,077
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	66	66
Change in risk adjustment for non-financial risk due to release of risk	—	21	—	21
Experience adjustments	(1,010)	—	—	(1,010)
Changes that relate to future services				
Effect of contracts initially recognized during the period	(43)	(1)	45	—
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	434	434
Changes in estimates that adjust the CSM	750	(25)	(725)	—
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	—	—	—	—
Changes that relate to past service				
Adjustments to assets for incurred claims	—	—	—	—
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Income or expenses from reinsurance contracts held	(304)	(4)	(180)	(488)
Reinsurance finance gains and losses, net	(282)	(0)	0	(281)
Total amounts recognized in comprehensive income	(586)	(4)	(179)	(770)
Cash flows				
Premiums paid	3,619	—	—	3,619
Reinsurance recoveries	(4,651)	—	—	(4,651)
Total	(1,032)	—	—	(1,032)
Other	—	—	—	—
Closing reinsurance contract assets	27,161	(22)	295	27,434
Closing reinsurance contract liabilities	36	(55)	(141)	(160)
Net amounts	27,198	(78)	154	27,274

(ii) Non-life insurance

a) Insurance contracts

(a) Changes in liabilities for remaining coverage and liabilities for incurred claims

(Millions of yen)

	Six months ended September 30, 2024					
	Liability for remaining coverage		Liabilities for incurred claims			Total
			Liabilities for incurred claims	Contracts under PAA		
	Excluding loss component	Loss component		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract assets	—	—	—	—	—	
Opening insurance contract liabilities	122,829	9,858	1,589	54,348	378	189,004
Net amounts	122,829	9,858	1,589	54,348	378	189,004
Insurance revenue						
Contracts under modified retrospective transition approach	(3,317)	—	—	—	—	(3,317)
Contracts under fair value transition approach	—	—	—	—	—	—
New contracts and contracts under full retrospective approach	(73,367)	—	—	—	—	(73,367)
Total	(76,684)	—	—	—	—	(76,684)
Insurance service expenses						
Incurred claims and other insurance service expenses	—	(991)	4,465	58,118	125	61,716
Amortization of insurance acquisition cash flows	8,100	—	—	—	—	8,100
Losses and reversals of losses on onerous contracts	—	855	—	—	—	855
Changes in liabilities for incurred claims	—	—	116	3,241	(103)	3,254
Total	8,100	(136)	4,581	61,359	22	73,927
Insurance service result	(68,584)	(136)	4,581	61,359	22	(2,757)
Insurance finance gains and losses, net	(7,686)	5	—	—	—	(7,681)
Total amounts recognized in comprehensive income	(76,270)	(131)	4,581	61,359	22	(10,438)
Investment components excluded from insurance revenue and insurance service expenses	—	—	—	—	—	—
Cash flows						
Premiums received	80,795	—	—	—	—	80,795
Claims and other insurance service expenses paid (including investment components)	—	—	(4,460)	(58,118)	—	(62,578)
Insurance acquisition cash flows	(8,696)	—	—	—	—	(8,696)
Total	72,099	—	(4,460)	(58,118)	—	9,520
Transfer to other items in the statement of financial position	—	—	—	—	—	—
Other	87	—	—	31	—	119
Closing insurance contract assets	—	—	—	—	—	—
Closing insurance contract liabilities	118,745	9,727	1,710	57,620	400	188,205
Net amounts	118,745	9,727	1,710	57,620	400	188,205

Note: The “transition date” above refers to the date on which the former parent company, Sony Group Corporation, adopted IFRS 17.

(Millions of yen)

	Six months ended September 30, 2025					
	Liability for remaining coverage		Liabilities for incurred claims			Total
			Liabilities for incurred claims	Contracts under PAA		
	Excluding loss component	Loss component		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract assets	—	—	—	—	—	—
Opening insurance contract liabilities	124,609	12,770	1,746	59,272	441	198,839
Net amounts	124,609	12,770	1,746	59,272	441	198,839
Insurance revenue						
Contracts under modified retrospective transition approach	(3,781)	—	—	—	—	(3,781)
Contracts under fair value transition approach	—	—	—	—	—	—
New contracts and contracts under full retrospective approach	(83,536)	—	—	—	—	(83,536)
Total	(87,318)	—	—	—	—	(87,318)
Insurance service expenses						
Incurred claims and other insurance service expenses	—	(1,500)	5,313	62,832	156	66,802
Amortization of insurance acquisition cash flows	9,779	—	—	—	—	9,779
Losses and reversals of losses on onerous contracts	—	1,471	—	—	—	1,471
Changes in liabilities for incurred claims	—	—	32	1,154	(147)	1,039
Total	9,779	(28)	5,346	63,987	8	79,093
Insurance service result	(77,539)	(28)	5,346	63,987	8	(8,225)
Insurance finance gains and losses, net	(8,690)	18	—	87	0	(8,583)
Total amounts recognized in comprehensive income	(86,229)	(9)	5,346	64,074	9	(16,809)
Investment components excluded from insurance revenue and insurance service expenses	—	—	—	—	—	—
Cash flows						
Premiums received	91,623	—	—	—	—	91,623
Claims and other insurance service expenses paid (including investment components)	—	—	(5,308)	(62,832)	—	(68,141)
Insurance acquisition cash flows	(9,318)	—	—	—	—	(9,318)
Total	82,304	—	(5,308)	(62,832)	—	14,163
Transfer to other items in the statement of financial position	—	—	—	—	—	—
Other	200	—	553	(563)	—	190
Closing insurance contract assets	—	—	—	—	—	—
Closing insurance contract liabilities	120,885	12,761	2,336	59,950	450	196,384
Net amounts	120,885	12,761	2,336	59,950	450	196,384

Note: The “transition date” above refers to the date on which the former parent company, Sony Group Corporation, adopted IFRS 17.

(b) Changes in insurance contract liabilities from insurance contracts not measured under the PAA by measurement component
(Millions of yen)

	Six months ended September 30, 2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening insurance contract assets	—	—	—	—
Opening insurance contract liabilities	41,002	17,629	17,600	76,233
Net amounts	41,002	17,629	17,600	76,233
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(438)	(438)
Change in risk adjustment for non-financial risk due to release of risk	—	(309)	—	(309)
Experience adjustments	(903)	—	—	(903)
Changes that relate to future service				
Effect of contracts initially recognized during the period	758	242	231	1,232
Changes in estimates that adjust the CSM	(34)	(12)	47	—
Changes in estimates that do not adjust the CSM	(360)	(17)	—	(377)
Changes that relate to past service				
Adjustments to assets for incurred claims	120	(3)	—	116
Insurance service result	(420)	(101)	(158)	(680)
Insurance finance gains and losses, net	(6,822)	(1,023)	164	(7,681)
Total amounts recognized in comprehensive income	(7,242)	(1,124)	5	(8,361)
Cash flows				
Premiums received	8,043	—	—	8,043
Claims and other insurance service expenses paid	(4,460)	—	—	(4,460)
Insurance acquisition cash flows	(1,472)	—	—	(1,472)
Total	2,110	—	—	2,110
Transfer to other items in the statement of financial position	—	—	—	—
Other	6	—	—	6
Closing insurance contract assets	—	—	—	—
Closing insurance contract liabilities	35,878	16,505	17,605	69,989
Net amounts	35,878	16,505	17,605	69,989

(Millions of yen)

	Six months ended September 30, 2025			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening insurance contract assets	—	—	—	—
Opening insurance contract liabilities	41,274	15,767	16,464	73,506
Net amounts	41,274	15,767	16,464	73,506
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(418)	(418)
Change in risk adjustment for non-financial risk due to release of risk	—	(371)	—	(371)
Experience adjustments	(1,209)	—	—	(1,209)
Changes that relate to future service				
Effect of contracts initially recognized during the period	905	311	255	1,473
Changes in estimates that adjust the CSM	(35)	(7)	43	—
Changes in estimates that do not adjust the CSM	(6)	4	—	(1)
Changes that relate to past service				
Adjustments to assets for incurred claims	36	(4)	—	32
Insurance service result	(308)	(66)	(120)	(495)
Insurance finance gains and losses, net	(7,615)	(1,200)	144	(8,671)
Total amounts recognized in comprehensive income	(7,924)	(1,267)	24	(9,166)
Cash flows				
Premiums received	9,402	—	—	9,402
Claims and other insurance service expenses paid	(5,308)	—	—	(5,308)
Insurance acquisition cash flows	(1,595)	—	—	(1,595)
Total	2,497	—	—	2,497
Transfer to other items in the statement of financial position	—	—	—	—
Other	562	—	—	562
Closing insurance contract assets	—	—	—	—
Closing insurance contract liabilities	36,410	14,500	16,489	67,400
Net amounts	36,410	14,500	16,489	67,400

b) Reinsurance contracts

(a) Changes in assets for remaining coverage and assets for incurred claims

(Millions of yen)

	Six months ended September 30, 2024					
	Assets for remaining coverage		Assets for incurred claims			Total
			Assets for incurred claims	Contracts under PAA		
	Excluding loss component	Loss component			Estimates of present value of future cash flows	
Opening reinsurance contract assets	736	396	24	416	2	
Opening reinsurance contract liabilities	—	—	—	—	—	—
Net amounts	736	396	24	416	2	1,577
Allocation of reinsurance premiums paid	(844)	—	—	—	—	(844)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses	—	(35)	30	2,294	4	2,293
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	(5)	—	—	—	(5)
Adjustments to assets for incurred claims	—	—	(16)	376	(1)	358
Total	—	(41)	14	2,670	2	2,646
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Income or expenses from reinsurance contracts held	(844)	(41)	14	2,670	2	1,802
Reinsurance finance gains and losses, net	(7)	2	—	—	—	(5)
Total amounts recognized in comprehensive income	(852)	(38)	14	2,670	2	1,797
Investment components	—	—	—	—	—	—
Cash flows						
Premiums paid	785	—	—	—	—	785
Reinsurance recoveries	—	—	(30)	(2,294)	—	(2,325)
Total	785	—	(30)	(2,294)	—	(1,540)
Other	(96)	—	12	1,889	—	1,806
Closing reinsurance contract assets	573	358	21	2,682	5	3,641
Closing reinsurance contract liabilities	—	—	—	—	—	—
Net amounts	573	358	21	2,682	5	3,641

(Millions of yen)

	Six months ended September 30, 2025					
	Assets for remaining coverage		Assets for incurred claims			Total
	Excluding loss component	Loss component	Assets for incurred claims	Contracts under PAA		
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening reinsurance contract assets	644	274	14	936	5	1,875
Opening reinsurance contract liabilities	—	—	—	—	—	—
Net amounts	644	274	14	936	5	1,875
Allocation of reinsurance premiums paid	(1,110)	—	—	—	—	(1,110)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses	—	(34)	11	458	3	438
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	(2)	—	—	—	(2)
Adjustments to assets for incurred claims	—	—	(0)	(360)	(6)	(367)
Total	—	(37)	11	97	(2)	69
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Income or expenses from reinsurance contracts held	(1,110)	(37)	11	97	(2)	(1,040)
Reinsurance finance gains and losses, net	(2)	2	—	2	0	2
Total amounts recognized in comprehensive income	(1,112)	(35)	11	100	(2)	(1,037)
Investment components	—	—	—	—	—	—
Cash flows						
Premiums paid	1,065	—	—	—	—	1,065
Reinsurance recoveries	—	—	(11)	(458)	—	(470)
Total	1,065	—	(11)	(458)	—	594
Other	33	—	(1)	458	—	491
Closing reinsurance contract assets	631	239	12	1,037	2	1,923
Closing reinsurance contract liabilities	—	—	—	—	—	—
Net amounts	631	239	12	1,037	2	1,923

(b) Changes in reinsurance contract assets from reinsurance contracts not measured under the PAA by measurement component

(Millions of yen)

	Six months ended September 30, 2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening reinsurance contract assets	530	16	553	1,100
Opening reinsurance contract liabilities	—	—	—	—
Net amounts	530	16	553	1,100
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(84)	(84)
Change in risk adjustment for non-financial risk due to release of risk	—	(3)	—	(3)
Experience adjustments	(84)	—	—	(84)
Changes that relate to future services				
Effect of contracts initially recognized during the period	(27)	1	25	—
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	—	—
Changes in estimates that adjust the CSM	12	1	(14)	—
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	(5)	—	—	(5)
Changes that relate to past service				
Adjustments to assets for incurred claims	(16)	(0)	—	(16)
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Income or expenses from reinsurance contracts held	(120)	(0)	(72)	(193)
Reinsurance finance gains and losses, net	(8)	(0)	4	(5)
Total amounts recognized in comprehensive income	(129)	(1)	(68)	(198)
Cash flows				
Premiums paid	107	—	—	107
Reinsurance recoveries	(30)	—	—	(30)
Total	76	—	—	76
Other	16	—	—	16
Closing reinsurance contract assets	494	14	485	994
Closing reinsurance contract liabilities	—	—	—	—
Net amounts	494	14	485	994

(Millions of yen)

	Six months ended September 30, 2025			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening reinsurance contract assets	454	14	396	866
Opening reinsurance contract liabilities	—	—	—	—
Net amounts	454	14	396	866
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(35)	(35)
Change in risk adjustment for non-financial risk due to release of risk	—	(5)	—	(5)
Experience adjustments	(169)	—	—	(169)
Changes that relate to future services				
Effect of contracts initially recognized during the period	(12)	2	9	—
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	—	—
Changes in estimates that adjust the CSM	34	2	(37)	—
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	(2)	—	—	(2)
Changes that relate to past service				
Adjustments to assets for incurred claims	(0)	(0)	—	(0)
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Income or expenses from reinsurance contracts held	(150)	0	(63)	(213)
Reinsurance finance gains and losses, net	(3)	(0)	3	0
Total amounts recognized in comprehensive income	(153)	(0)	(60)	(213)
Cash flows				
Premiums paid	142	—	—	142
Reinsurance recoveries	(11)	—	—	(11)
Total	131	—	—	131
Other	3	—	—	3
Closing reinsurance contract assets	436	14	336	787
Closing reinsurance contract liabilities	—	—	—	—
Net amounts	436	14	336	787

(2) Disclosure of transition approach to IFRS 17

Upon transition to IFRS 17 as of April 1, 2022 by its former parent company, Sony Group Corporation, Sony FG determined that it would be impracticable to apply the full retrospective approach to certain groups of insurance contracts, as the necessary information was unavailable due to restrictions of contract data and systems in the past or it was impossible to recreate past estimation without the use of hindsight. Sony FG has applied alternative transition methods (the modified retrospective approach or the fair value approach) to groups of insurance contracts for which the full retrospective approach is impracticable as of the date of the transition.

The life insurance subsidiary has applied the following approaches on transition to IFRS 17:

Year of issue (fiscal year)	Transition approach
2015 and thereafter	For all groups of insurance contracts: Full retrospective approach
1993 – 2014	For groups of insurance contracts with direct participation features and certain groups of insurance contracts without direct participation features: Fair value approach For other groups of insurance contracts: Modified retrospective approach
In and before 1992	For all groups of insurance contracts: Fair value approach

The non-life insurance subsidiary has applied the following approaches on transition to IFRS 17:

Year of issue (fiscal year)	Transition approach
2022 and thereafter	For all groups of insurance contracts: Full retrospective approach
2018 – 2021	Group of Fire Insurance Contracts: Modified retrospective approach Group of Medical Insurance Contracts: Full retrospective approach
In and before 2017	Group of Fire Insurance Contracts: Modified retrospective approach Group of Medical Insurance Contracts: Modified retrospective approach

Modified retrospective approach

The objective of the modified retrospective approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. Sony FG has applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply IFRS 17 retrospectively.

The life insurance subsidiary has applied the following modifications to certain groups of insurance contracts:

- for groups of contracts issued, initiated or acquired from April 1, 1993 to March 31, 2015, the future cash flows on initial recognition were estimated by adjusting the amount as of April 1, 2015, which can be determined retrospectively, for the cash flows that were known to have occurred before that date;
- for groups of contracts issued, initiated or acquired from April 1, 1993 to March 31, 2013, the illiquidity premiums applied to the observable risk-free yield curves on initial recognition were estimated by determining an average spread between the observable risk-free yield curves and the discount rates, which can be determined retrospectively, for the period from April 1, 2013 to March 31, 2022. The amount of insurance finance income or expenses recognized in accumulated other comprehensive income as of April 1, 2022 was calculated using this discount rate; and
- the risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount as of April 1, 2022 for the expected release of risk before that date.

After applying such modifications to fulfillment cash flows, the CSM (or the loss component) on initial recognition was determined as follows:

- the amount of the CSM recognized as profit or loss before April 1, 2022 was determined by comparing the remaining coverage units as of April 1, 2022 and the coverage units provided based on groups of insurance contracts before that date; and
- the amount allocated to the loss component before April 1, 2022 was determined based on the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk on initial recognition.

The non-life insurance subsidiary has applied the following modifications to certain groups of insurance contracts:

- for groups of fire insurance contracts issued, initiated or acquired from April 1, 2004 to March 31, 2021, the future cash flows on initial recognition were estimated by adjusting the amount as of April 1, 2022, which can be determined retrospectively, for the cash flows that were known to have occurred before that date;
- for groups of medical insurance contracts issued, initiated or acquired from April 1, 2002 to March 31, 2017, the future cash flows on initial recognition were estimated by adjusting the amount as of April 1, 2018, which can be determined retrospectively, for the cash flows that were known to have occurred before that date; and
- the risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount as of April 1, 2022 for the expected release of risk before that date.

After applying such modifications to fulfillment cash flows, the CSM (or the loss component) on initial recognition was determined as follows:

- the amount of the CSM recognized as profit or loss before April 1, 2022 was determined by comparing the remaining coverage units as of April 1, 2022 and the coverage units provided based on groups of insurance contracts before that date; and
- the amount allocated to the loss component before April 1, 2022 was determined based on the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk on initial recognition.

Fair value approach

Under the fair value approach, the CSM (or the loss component) as of April 1, 2022 was determined as the difference between the fair value of a group of insurance contracts and the fulfillment cash flows at that date.

For all insurance contracts measured under the fair value approach, Sony FG used reasonable and supportable information available as of April 1, 2022 to determine the following matters:

- how to identify groups of insurance contracts;
- whether an insurance contract meets the definition of an insurance contract with direct participation features; and
- how to identify discretionary cash flows for insurance contracts without direct participation features.

For groups of contracts measured under the fair value approach, the discount rates on initial recognition were determined as of April 1, 2022 rather than at the date of initial recognition.

For all insurance contracts measured under the fair value approach, the amount of insurance finance income or expenses recognized in accumulated in other comprehensive income as of April 1, 2022 was determined to be zero.

The effects of transition to IFRS 17 on Sony FG's consolidated financial statements are as follows:

(i) The CSM by transition approach

a) Life insurance

(a) Insurance contracts

The table below shows the balances of the CSM by transition approach.

(Millions of yen)

	Six months ended September 30, 2024			Six months ended September 30, 2025		
	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition
Opening balance	749,975	86,510	1,250,636	629,337	80,587	1,358,587
Changes that relate to current service	(30,314)	(3,509)	(45,040)	(24,515)	(3,956)	(49,354)
Changes that relate to future service	(30,624)	6,898	149,635	(37,781)	3,071	129,494
Insurance finance gains and losses, net	11,525	456	(4,086)	9,548	82	2,689
Other	—	—	(243)	(423)	(244)	569
Closing balance	700,562	90,356	1,350,901	576,165	79,540	1,441,986

(b) Reinsurance contracts

The table below shows the balances of the CSM by transition approach.

(Millions of yen)

	Six months ended September 30, 2024			Six months ended September 30, 2025		
	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition
Opening balance	—	—	(69)	—	—	333
Changes that relate to current service	—	—	(39)	—	—	66
Changes that relate to future service	—	—	330	—	—	(246)
Reinsurance finance gains and losses, net	—	—	(4)	—	—	0
Other	—	—	—	—	—	—
Closing balance	—	—	217	—	—	154

b) Non-life insurance

(a) Insurance contracts

The table below shows the balances of the CSM by transition approach for the six months ended September 30, 2024 and 2025.

(Millions of yen)

	Six months ended September 30, 2024			Six months ended September 30, 2025		
	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition
Opening balance	12,090	—	5,510	10,465	—	5,999
Changes that relate to current service	(321)	—	(117)	(286)	—	(132)
Changes that relate to future service	89	—	190	67	—	231
Insurance finance gains and losses, net	166	—	(2)	144	—	(0)
Other	—	—	—	—	—	—
Closing balance	12,025	—	5,580	10,391	—	6,097

(b) Reinsurance contracts

The table below shows the balances of the CSM by transition approach.

(Millions of yen)

	Six months ended September 30, 2024			Six months ended September 30, 2025		
	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition
Opening balance	478	—	75	363	—	33
Changes that relate to current service	(39)	—	(44)	(31)	—	(4)
Changes that relate to future service	(6)	—	17	(6)	—	(21)
Reinsurance finance gains and losses, net	4	—	0	3	—	0
Other	—	—	—	—	—	—
Closing balance	437	—	48	328	—	7

The insurance revenue by transition approach is presented in sections (1)(i)a(a) and (1)(ii)a(a).

- (ii) Changes in accumulated other comprehensive income for financial assets measured at fair value through other comprehensive income due to the application of IFRS 17.

The table below shows the changes in accumulated other comprehensive income during the six months ended September 30, 2024 and 2025 for financial assets measured at fair value through other comprehensive income, among investment assets related to groups of insurance contracts to which Sony FG applied the modified retrospective approach or the fair value approach as of the date of the transition.

(Millions of yen)

	Six months ended September 30, 2024	Six months ended September 30, 2025
Opening balance	7,901	563,421
Net change in fair value	325,666	426,379
Net amount reclassified to profit or loss	983	(41,262)
Related income tax	(91,461)	(111,414)
Closing balance	243,088	837,123

(3) Significant judgements and estimates

(i) Fulfillment cash flows

Fulfillment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Sony FG's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then Sony FG uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

Estimates of future cash flows

In estimating future cash flows, Sony FG incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims, benefits and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect Sony FG's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, Sony FG takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. Sony FG's assumption for cost inflation is based on the inflation swap rate for the first 40 years. For periods beyond the 41st year, the inflation rate is assumed to increase in a manner consistent with the extrapolation method used for the ultra-long-term portion of the risk-free rate, reaching 2.00% by the 70th year, which corresponds to the expected inflation rate embedded in the ultimate forward rate.

Cash flows within the boundary of a contract relate directly to the fulfillment of the contract, including those for which Sony FG has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which Sony FG belongs.

Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- costs that Sony FG will incur in providing investment services; and
- costs that Sony FG will incur in performing investment activities to the extent that Sony FG performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.

The main allocation bases are as follows:

- Insurance acquisition cash flows: Based on the number of contracts, death benefit amounts, and annualized commissions for each group of contracts.
- Claims handling costs: Based on the number of claims for each group of contracts.
- Policy maintenance costs: Based on the number of in-force contracts or total insured amounts for each group of contracts.
- Premium collection costs: Based on the number of in-force contracts under premium payment, taking into account cost by collection channel for each product.
- Asset management costs: Based on the amount of assets under management.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of Sony FG's substantive rights and obligations under the contract.

Some individual life insurance contracts issued by Sony FG include automatic renewal clauses. For certain contracts, Sony FG considers that future renewal cash flows fall within the contract boundary when it does not have the practical ability to reassess the risks of those contracts. This is because, in cases where Sony FG is obligated to accept renewal contracts without underwriting, it does not reflect individual contract risks, and the premium rates applied to renewals are equivalent to those for new contracts other than renewals. As a result, Sony FG does not have the practical ability to reassess the risks, and therefore cannot set prices or benefit levels that fully reflect those risks.

Certain individual annuity insurance contracts do not have rates determined at the commencement of the annuity phase; instead, the basic rates established at the inception of the contract are applied. Sony FG has concluded that the cash flows arising after the commencement of the annuity phase are within the same contract boundary as those before commencement. This is because Sony FG does not have the practical ability to revise the pricing of the insurance contract at the designated annuity commencement date.

Measurement methods and inputs for insurance contracts

Liability for remaining coverage

The methods and main inputs used by the life insurance subsidiary to measure insurance contracts are as follows:

	Weighted average (%)	
	April 1, 2024	March 31, 2025
Mortality rates	1.02	1.03
Lapse and surrender rates	3.57	3.80

The methods and main inputs used by the non-life insurance subsidiary to measure fire insurance contracts are as follows:

	Weighted average (%)	
	April 1, 2024	March 31, 2025
Loss ratios	49.92	63.13

Sony FG estimates the mortality rates based on the historical and most recent actual outcomes and analyzes the historical experience and trends in data using statistical methods. When estimating the mortality and morbidity rates for each group of insurance contracts, Sony FG takes into account the characteristics of policyholders including gender, health conditions and smoking habits and the characteristics of the group of insurance contracts such as the selective effects over time. The estimates are revised in a timely manner to reflect changes in lifestyle, as well as changes in social conditions such as improvement of mortality and morbidity rates in the future.

Sony FG estimates loss ratios for measuring fire insurance contracts based on past and recent actual results. The impact of natural disasters is also taken into account through statistical analysis of historical experience and data trends.

Sony FG estimates the lapse and surrender rates based on the historical and most recent actual outcomes and determines the probability-weighted lapse and surrender rates for each group of insurance contracts by analyzing historical experience and trends in data using statistical methods.

Lapse and surrender rates are estimated, taking into account both ordinary and dynamic lapses, and reflect the tendency to higher surrender rates when the yield on contracts increases or exceeds the guaranteed minimum guaranteed level under variable insurance and similar contracts. Additionally, historical actual data is considered. If there is no or little historical actual data, the actual results of similar products as well as domestic and overseas practical trends are used as reference.

Sony FG projects estimates of future expenses based on the current expense levels. The expenses comprise expenses directly attributable to the group of insurance contracts, including the allocation of fixed and variable overhead expenses. In addition, Sony FG adjusts the estimated expenses in future using the expected inflation rate.

For participating contracts, the extent to which participation percentages exceed minimum participation percentages are key assumptions in measuring those contracts. The assumed estimated crediting rates and participation percentages are generally based on the actual rates and percentages applied in the current year.

For certain participating insurance contracts other than direct participating contracts, the effects of discretionary changes on fulfillment cash flows are adjusted through the CSM. Although Sony FG retains discretion over the investment policy for these contracts, the policy is set in response to market conditions. Therefore, changes in financial assumptions that affect the investment policy are reflected in insurance finance income or expenses. In addition, since Sony FG has the discretion to revise the dividend policy, the effects of changes in the dividend policy on fulfillment cash flows are also adjusted through the CSM.

Liabilities for incurred claims

As of the reporting date, Sony FG estimates the ultimate cost of settling claims incurred but unpaid, as well as the value of salvage, subrogation, and other expected recoveries, by reviewing individual reported claims and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims, including incurred but not reported (IBNR) claims, is estimated using a range of loss reserving techniques, such as the chain-ladder method and the Bornhuetter-Ferguson method

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. Sony FG determines the risk-free yield curves using the yields on government bonds. The yield curve is determined by incorporating long-term real interest rate and inflation expectations. Regarding extrapolation for the periods in which market data is not available, a method using an ultimate forward rate is applied. Specifically, Sony FG uses an ultimate forward rate of 3.5% and starts extrapolation in the 40th year (or the 30th year for U.S. dollar). The forward rates for the 41st year (or the 31st year for U.S. dollar) and onwards are extrapolated so that they will converge to the level of the ultimate forward rate in 30 years, using the Smith-Wilson method. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are determined by setting up a reference portfolio of Sony FG's assets.

The table below sets out the yield curves used to discount the cash flows of insurance contracts for major currencies (converted at the spot rate).

Term	Yield curve (%)					
	April 1, 2024		March 31, 2025		September 30, 2025	
	JPY	USD	JPY	USD	JPY	USD
1 year	0.06	5.11	0.65	4.09	0.81	3.68
5 years	0.38	4.25	1.13	4.01	1.26	3.81
10 years	0.77	4.25	1.54	4.31	1.70	4.27
20 years	1.58	4.63	2.34	4.83	2.82	5.00
30 years	1.95	4.37	2.69	4.68	3.47	4.92
40 years	2.14	4.07	3.02	4.29	3.91	4.50

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that each insurance subsidiary would require for bearing non-financial risk, and are allocated to groups of insurance contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits, in a way that is consistent with the compensation that the insurance company would require and that reflects its degree of risk aversion.

The risk adjustments for non-financial risk are determined mainly using a cost of capital technique.

In applying a cost of capital technique, Sony FG determines the risk adjustment for non-financial risk by applying a cost-of-capital rate to the amount of capital required for each future reporting date and discounting the result using risk-free rates adjusted for illiquidity. The required capital is determined by estimating the probability distribution of the present value of future cash flows from insurance contracts at each future reporting date and calculating the capital that Sony FG would require to meet its contractual obligations to pay claims and expenses at a 99.5% confidence level for one year. The cost-of-capital rate represents the additional reward that investors require for exposure to the non-financial risk. The cost-of-capital rates for the transition date and for the previous consolidated fiscal year, were 3.0% for both the life insurance and non-life insurance subsidiaries.

In addition, the risk adjustments determined by applying a cost of capital technique for the transition date and for the previous consolidated fiscal year correspond to the confidence levels of 84.1% and 81.3% and, for the life insurance subsidiary, and 63.6% and 60.2%, for the non-life insurance subsidiary (time horizon: the life of the insurance contracts), respectively.

To determine the risk adjustments for non-financial risk for reinsurance contracts, Sony FG applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

(ii) CSM

Determination of coverage units

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each period is determined by identifying the coverage units in the group and recognizing in profit or loss the amount of the CSM allocated to the coverage units provided during the current period. The number of coverage units is determined by considering for each contract the quantity of benefits provided and its expected coverage period.

Insurance services provided under insurance contracts include insurance coverage. In the case of direct participating contracts, they also include investment-related services, whereby the entity manages underlying items on behalf of the policyholders. For non-direct participating contracts, where applicable, investment-return services that generate investment returns for policyholders are also included.

Specifically, Sony FG determines the quantity of benefits based on:

Life insurance subsidiary

- the death benefit amount in the case of contracts for which the death benefit amount increases or decreases based on the period (e.g., whole life, term life and variable life insurance contracts);
- the premium amount proportionate to the insurance period in the case of contracts whose host contract and riders have different coverage types (e.g., disease and health insurance contracts); and
- the cash surrender value (or the premium reserve during the annuity payment period) in the case of annuity contracts with investment-related services (e.g., individual variable annuity contracts)

Non-life insurance subsidiary

- insured amount (for buildings, household goods, and earthquake riders) in the case of fire insurance.
- maximum benefit amount (total) in the case of medical insurance; and

The evaluation of the quantity of benefits for contracts that provide both insurance coverage and investment-return services, or insurance coverage and investment-related services, involves significant judgment. Sony FG considers the characteristics of each insurance contract and determines the relative weighting of the benefits provided by each service. The total quantity of benefits is calculated by aggregating the benefits associated with each insurance contract service.

(iii) Investment components

Sony FG identifies the investment component of an insurance contract by determining the amount that it is required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs or not. These include circumstances in which an insured event occurs, or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

(iv) Fair value of insurance contracts

Sony FG has measured the fair value of insurance contracts when it applied the fair value approach on transition to IFRS 17 (refer to (2)).

The cash flows considered in the fair value measurement are consistent with those that are within the contract boundary. Therefore, in line with the estimation of fulfilment cash flows under IFRS 17, expected future cash flows relating to renewals of insurance contracts that are outside the contract boundary are not considered in determining the fair value of those contracts.

Sony FG's approach to measuring fair value differs from the requirements for measuring fulfilment cash flows under IFRS 17 in certain respects. These differences result in the recognition of a CSM at the date of transition.

In particular, while Sony FG considers the cash flows included in the measurement of fulfilment cash flows under IFRS 17 in measuring fair value, it adjusts those cash flows to reflect the perspective of market participants.

Specifically, the following adjustments are applied:

- expense cash flows are increased to cover a reasonable level of general overheads that are not directly attributable to fulfilling the insurance contracts but that a market participant acquiring the contracts would expect to bear;
- uses the discount rates applied in measuring fulfilment cash flows but increases the rates to reflect the effect of the Group's non-performance risk; and
- includes a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require to assume the obligations to service the insurance contracts. In determining the risk premium, Sony FG allows for certain risks that were not reflected in the fulfilment cash flows but would be considered by market participants - e.g. interest rate risk, inflation risk and general operational risk.

(Subsequent Events)

(Repurchase of shares of common stock)

The Company has repurchased shares of its own common stock pursuant to Article 459, Paragraph 1 of the Companies Act of Japan and Article 36 of SFGI's Articles of Incorporation, which was approved at the meeting of its Board of Directors held on August 8, 2025, as follows.

1. Reason for the repurchase

To flexibly repurchase its own shares for the purpose of mitigating the impact on the supply and demand of the Company's shares, and improving capital efficiency at the Company.

2. Details of the resolution on the facility for the repurchase of shares

- | | |
|--|---|
| (1) Class of shares for repurchase | : Common stock of the Company |
| (2) Total number of shares for repurchase | : 1 billion shares (maximum)
(13.99% of total number of shares issued and outstanding (excluding treasury stock)) |
| (3) Total purchase amount for repurchase of shares | : 100 billion yen (maximum) |
| (4) Period of repurchase | : September 29, 2025 to August 8, 2026 |
| (5) Methods of repurchase | : Open market purchase through the Tokyo Stock Exchange based on a discretionary trading contract and purchase through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Purchase Trading System (ToSTNeT-3) |

3. Details of the repurchase executed

- | | |
|--|---|
| (1) Class of shares repurchased | : Common stock of the Company |
| (2) Total number of shares repurchased | : 252,240,300 shares |
| (3) Total amount of shares repurchased | : 40,424,599,521 yen |
| (4) Period of repurchase | : October 2, 2025 to November 14, 2025 |
| (5) Methods of repurchase | : Open market purchase through the Tokyo Stock Exchange based on a discretionary trading contract and purchase through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Purchase Trading System (ToSTNeT-3) |

(Issuance of domestic subordinated bonds)

On October 17, 2025, the Company determined to issue domestic subordinated unsecured bonds through public offering in Japan, as outlined below:

- | | |
|------------------------|---|
| (1) Type of bonds | : Domestic subordinated unsecured bonds denominated in Japanese yen, offered publicly in Japan |
| (2) Total amount | : Up to ¥150 billion, to be issued in one or multiple tranches |
| (3) Issuance period | : From October 17, 2025 to December 31, 2025 |
| (4) Interest rate | : Initial 5-year period: Up to 3.0%
From 5th year: Up to 5-year JGB yield +2.0%
From 10th year: Up to 5-year JGB yield +3.0% |
| (5) Issue price | : ¥100 per amount of ¥100 of each bond |
| (6) Maturity date | : Bonds will mature in 30 years, with optional early redemption available after 5 years |
| (7) Special Provisions | : Bonds will include provisions for interest deferral, early redemption, and subordination |
| (8) Use of Proceeds | : Proceeds are planned to be used for subordinated loans to Sony Life and for general corporate purposes of the Company |
| (9) Other Matters | : Specific details regarding the issuance date, total amount, interest rate, and other matters stipulated in Article 676 of the Companies Act, as well as external disclosures and all other necessary matters related to the issuance of bonds, shall be determined by the Corporate Executive Officer and Chief Financial Officer within the scope of the above determination |

Cautionary Statement

Statements made in this material with respect to Sony FG's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony FG. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. Sony FG cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore investors should not place undue reliance on them. Investors also should not rely on any obligation of Sony FG to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The information contained in this material does not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe to any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever in Japan or abroad.