

# Financial Data (Consolidated)

## Principal Indicators of Operating Performance

Sony Financial Holdings Inc.  
For the years ended March 31,

Millions of yen

	2015	2016	2017	2018	2019
Ordinary revenues	1,352,325	1,362,044	1,381,667	1,503,630	<b>1,629,182</b>
Ordinary profit	90,062	71,103	66,326	66,843	<b>93,856</b>
Profit attributable to owners of the parent	54,419	43,355	41,621	51,895	<b>62,074</b>
Comprehensive income	90,707	71,105	21,433	52,207	<b>57,415</b>
Total net assets	550,672	604,377	601,139	625,406	<b>656,846</b>
Total assets	9,545,868	10,352,114	11,471,845	12,401,446	<b>13,468,215</b>
Net assets per share (yen)	1,262.94	1,386.32	1,378.63	1,433.73	<b>1,505.20</b>
Net income per share (yen)	125.10	99.67	95.69	119.30	<b>142.69</b>
Diluted net income per share (yen)	—	—	95.68	119.29	<b>142.67</b>
Cash flows from operating activities	425,656	602,475	692,445	819,721	<b>802,921</b>
Cash flows from investing activities	(445,431)	(558,825)	(624,749)	(680,845)	<b>(659,815)</b>
Cash flows from financing activities	(13,087)	(17,437)	(34,057)	(14,496)	<b>(26,845)</b>
Cash and cash equivalents at the end of the period	207,422	233,620	268,381	393,133	<b>509,594</b>
Number of employees	8,448	9,029	9,739	10,719	<b>11,055</b>

Note: Diluted net income per share for the years ended March 31, 2015 and 2016 is not shown because there are no dilutive shares.

For the years ended March 31,

%

	2015	2016	2017	2018	2019
Sony Life's adjusted ROE	9.6	—	—	—	—
Sony Life's core ROEV	—	5.0	3.6	5.9	<b>6.4</b>
Sony Assurance's adjusted ROE	14.2	13.3	14.4	16.1	<b>15.2</b>
Sony Bank's ROE	6.0	5.0	4.1	5.5	<b>7.3</b>
Consolidated adjusted ROE	9.5	5.2	3.9	6.1	<b>6.7</b>

Each ROE is calculated as follows:

Sony Life's core ROEV

$$\frac{\text{New business value} + \text{Expected existing business contribution}}{\text{MCEV}^* \text{ as of the beginning of the fiscal year less dividends paid plus MCEV}^* \text{ as of the end of the fiscal year, divided by two}}$$

Sony Assurance's adjusted ROE

$$\frac{\text{Net income (loss)} + \text{Provision amount for catastrophe reserve and its provision amount for reserve for price fluctuations, in each case after taxes}}{\text{The average amount of net assets plus the sum of catastrophe reserve and its reserve for price fluctuations during the fiscal year, in each case after taxes}}$$

Sony Bank's ROE

$$\frac{\text{Profit (loss) attributable to owners of the parent}}{\text{The average amount of net assets during the fiscal year}}$$

Consolidated adjusted ROE for fiscal 2018

Consolidated adjusted ROE = Consolidated adjusted profit divided by consolidated adjusted capital

$$\frac{\begin{aligned} &\text{Sony Life: New business value plus expected existing business contribution} \\ &+ \text{Sony Assurance: Net income (loss) plus provision amount for catastrophe reserve and its provision} \\ &\quad \text{amount for reserve for price fluctuations, in each case after taxes} \\ &+ \text{Sony Bank: Profit (loss) attributable to owners of the parent} \end{aligned}}{\begin{aligned} &\text{Sony Life: MCEV}^* \text{ as of the beginning of the fiscal year less dividends paid plus MCEV}^* \text{ as of the end of the fiscal year, divided by two} \\ &+ \text{Sony Assurance: The average amount of net assets plus the sum of catastrophe reserve} \\ &\quad \text{and its reserve for price fluctuations during the fiscal year, in each case after taxes} \\ &+ \text{Sony Bank: The average amount of net assets during the fiscal year} \end{aligned}}$$

Note: Sony Life has changed its formula for calculating the numerator (adjusted profit) from fiscal 2016, whereby core ROEV rather than adjusted ROE is used as an indicator for calculating consolidated adjusted ROE. Meanwhile, as of fiscal 2016 Sony Life's MCEV is calculated by using the ultimate forward rate. Consolidated adjusted ROE for fiscal 2015 was recalculated based on these changes. However, Sony Life's core ROEV was partially calculated by the simplified method.

Sony Life's adjusted ROE (used for calculating consolidated adjusted ROE up to fiscal 2014)

$$\frac{\text{The amount of increase in market consistent embedded value (MCEV)}^* \text{ during the fiscal year} + \text{Dividends paid}}{\text{MCEV}^* \text{ as of the beginning of the fiscal year less dividends paid plus MCEV}^* \text{ as of the end of the fiscal year, divided by two}}$$

\* Sony Life discloses Market Consistent Embedded Value ("MCEV"). Sony Life's MCEV is calculated in compliance with the European Insurance CFO Forum Market Consistent Embedded Value Principles©\*\* ("MCEV Principles"), the international standard in disclosing MCEV published by the CFO Forum comprising CFOs from major insurance companies in Europe.

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# ■ SFH Consolidated Financial Statements

## Consolidated Balance Sheets

Sony Financial Holdings Inc.  
As of March 31, 2018 and 2019

	Millions of yen	
	2018	2019
<b>Assets</b>		
Cash and due from banks	327,633	415,894
Call loans and bills bought	65,500	93,700
Monetary claims purchased	5,378	4,916
Money held in trust	291,582	291,324
Securities	9,581,206	10,373,188
Loans	1,785,877	1,942,546
Tangible fixed assets	106,051	104,128
Land	63,106	63,106
Buildings	32,468	30,899
Leased assets	6,074	6,536
Construction in progress	5	77
Other tangible fixed assets	4,397	3,508
Intangible fixed assets	35,684	43,909
Software	35,059	43,327
Goodwill	583	551
Leased assets	0	—
Other intangible fixed assets	40	30
Due from reinsurers	934	1,341
Foreign exchanges	9,346	8,471
Other assets	168,736	159,361
Net defined benefit asset	3,426	3,476
Deferred tax assets	21,242	27,556
Reserve for possible loan losses	(1,152)	(1,602)
<b>Total Assets</b>	<b>12,401,446</b>	<b>13,468,215</b>

# ■ SFH Consolidated Financial Statements

	Millions of yen	
	2018	2019
<b>Liabilities</b>		
Policy reserves and others	8,763,349	9,479,071
Reserve for outstanding claims	74,712	78,285
Policy reserves	8,683,153	9,396,241
Reserve for policyholders' dividends	5,484	4,544
Due to agencies	1,873	2,073
Due to reinsurers	5,563	5,769
Deposits	2,159,246	2,302,313
Call money and bills sold	96,000	130,611
Borrowed money	173,944	203,871
Foreign exchanges	228	244
Bonds payable	20,000	20,000
Other liabilities	470,501	578,477
Reserve for employees' bonuses	3,906	4,377
Net defined benefit liability	33,179	34,081
Reserve under the special laws	48,135	50,343
Reserve for price fluctuations	48,135	50,343
Deferred tax liabilities	0	24
Deferred tax liabilities on land revaluation	109	109
<b>Total Liabilities</b>	<b>11,776,039</b>	<b>12,811,368</b>
<b>Net Assets</b>		
Shareholders' equity		
Common stock	19,927	19,963
Capital surplus	191,157	191,193
Retained earnings	283,911	319,886
Treasury stock	(55)	(55)
<b>Total shareholders' equity</b>	<b>494,941</b>	<b>530,987</b>
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	133,991	128,800
Net deferred gains (losses) on hedging instruments, net of taxes	(902)	(1,077)
Land revaluation, net of taxes	(2,439)	(2,439)
Remeasurements of defined benefit plans, net of taxes	(1,929)	(1,470)
<b>Total accumulated other comprehensive income</b>	<b>128,719</b>	<b>123,812</b>
Subscription rights to shares	97	149
Non-controlling interests	1,648	1,896
<b>Total Net Assets</b>	<b>625,406</b>	<b>656,846</b>
<b>Total Liabilities and Net Assets</b>	<b>12,401,446</b>	<b>13,468,215</b>

# ■ SFH Consolidated Financial Statements

## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Sony Financial Holdings Inc.

For the years ended March 31, 2018 and 2019

Millions of yen

(1) Consolidated Statements of Income	2018	2019
<b>Ordinary Revenues</b>	1,503,630	<b>1,629,182</b>
<b>Ordinary Revenues from the Life Insurance Business</b>	1,347,762	<b>1,461,632</b>
<b>Income from insurance premiums</b>	1,057,411	<b>1,134,048</b>
Insurance premiums	1,054,867	<b>1,130,676</b>
Ceded reinsurance commissions	2,544	<b>3,372</b>
<b>Investment income</b>	242,703	<b>278,950</b>
Interest income and dividends	157,276	<b>166,953</b>
Income from money held in trust, net	4,490	<b>4,490</b>
Gains on trading securities, net	2	—
Gains on sale of securities	0	<b>6,107</b>
Gains on redemption of securities	1	—
Foreign exchange gains, net	—	<b>13,455</b>
Other investment income	1	—
Gains on separate accounts, net	80,931	<b>87,943</b>
<b>Other ordinary income</b>	47,646	<b>48,633</b>
<b>Ordinary Revenues from the Non-life Insurance Business</b>	110,091	<b>115,101</b>
<b>Underwriting income</b>	108,316	<b>113,173</b>
Net premiums written	108,253	<b>113,101</b>
Interest and dividends on deposits of premiums	62	<b>72</b>
<b>Investment income</b>	1,731	<b>1,857</b>
Interest income and dividends	1,324	<b>1,372</b>
Gains on sale of securities	470	<b>557</b>
Transfer to interest and dividends on deposits of premiums	(62)	<b>(72)</b>
<b>Other ordinary income</b>	43	<b>69</b>
<b>Ordinary Revenues from the Banking Business</b>	39,712	<b>45,766</b>
<b>Interest income</b>	28,344	<b>31,926</b>
Interest income on loans	17,064	<b>17,473</b>
Interest income and dividends on securities	11,204	<b>14,382</b>
Interest income on call loans and bills bought	2	<b>1</b>
Interest income on deposits with banks	63	<b>62</b>
Other interest income	9	<b>7</b>
<b>Fees and commissions</b>	6,751	<b>9,398</b>
<b>Other operating income</b>	3,823	<b>3,926</b>
Gains on foreign exchange transactions, net	3,456	<b>3,599</b>
Others	366	<b>326</b>
<b>Other ordinary income</b>	794	<b>515</b>
<b>Other</b>	6,064	<b>6,681</b>
<b>Other ordinary income</b>	6,064	<b>6,681</b>

# ■ SFH Consolidated Financial Statements

	Millions of yen	
	2018	2019
<b>Ordinary Expenses</b>	1,436,787	<b>1,535,325</b>
<b>Ordinary Expenses from the Life Insurance Business</b>	1,296,417	<b>1,386,074</b>
<b>Insurance claims and other payments</b>	436,538	<b>457,252</b>
Insurance claims	92,342	<b>92,997</b>
Annuity payments	12,566	<b>13,489</b>
Insurance benefits	119,294	<b>131,824</b>
Surrender payments	199,263	<b>204,351</b>
Other payments	3,314	<b>3,659</b>
Reinsurance premiums	9,756	<b>10,929</b>
<b>Provision for policy reserves and others</b>	638,343	<b>704,780</b>
Provision for reserve for outstanding claims	2,211	<b>2,433</b>
Provision for policy reserves	636,131	<b>702,346</b>
Interest portion of reserve for policyholders' dividends	0	<b>0</b>
<b>Investment expenses</b>	32,889	<b>24,650</b>
Interest expenses	151	<b>1,604</b>
Losses on trading securities, net	—	<b>126</b>
Losses on sale of securities	0	<b>34</b>
Losses on valuation of securities	—	<b>4,026</b>
Losses on redemption of securities	2	<b>—</b>
Losses on derivatives, net	11,403	<b>13,925</b>
Foreign exchange losses, net	15,280	<b>—</b>
Provision for reserve for possible loan losses	23	<b>329</b>
Depreciation of real estate for rent and others	1,680	<b>1,599</b>
Other investment expenses	4,346	<b>3,003</b>
<b>Operating expenses</b>	139,420	<b>146,776</b>
<b>Other ordinary expenses</b>	49,226	<b>52,614</b>
<b>Ordinary Expenses from the Non-life Insurance Business</b>	102,798	<b>107,413</b>
<b>Underwriting expenses</b>	73,943	<b>77,925</b>
Net losses paid	52,482	<b>56,608</b>
Loss adjustment expenses	8,067	<b>8,220</b>
Net commission and brokerage fees	1,295	<b>1,214</b>
Provision for reserve for outstanding losses and claims	1,194	<b>1,139</b>
Provision for underwriting reserves	10,903	<b>10,741</b>
<b>Investment expenses</b>	2	<b>1</b>
Losses on sale of securities	—	<b>0</b>
Other investment expenses	2	<b>1</b>
<b>Operating, general and administrative expenses</b>	28,848	<b>29,482</b>
<b>Other ordinary expenses</b>	4	<b>4</b>

# ■ SFH Consolidated Financial Statements

	Millions of yen	
<b>Consolidated Statements of Income (Continued)</b>	2018	2019
<b>Ordinary Expenses from the Banking Business</b>	30,428	34,135
<b>Interest expenses</b>	7,656	8,566
Interest expenses on deposits	5,320	6,744
Interest expenses on call money and bills sold	(73)	88
Interest on payables under repurchase agreements	—	312
Interest on borrowed money	0	0
Interest expenses on bonds	40	12
Interest expenses on interest rate swaps	2,360	1,400
Other interest expenses	8	7
<b>Fees and commissions</b>	4,676	5,883
<b>Other operating expenses</b>	105	485
<b>General and administrative expenses</b>	17,733	18,786
<b>Other ordinary expenses</b>	257	414
<b>Other</b>	7,141	7,702
<b>Other ordinary expenses</b>	7,141	7,702
<b>Ordinary Profit</b>	66,843	93,856
<b>Extraordinary Gains</b>	13,258	0
Gains on disposal of fixed assets	13,258	0
<b>Extraordinary Losses</b>	2,180	2,367
Losses on disposal of fixed assets	187	92
Impairment losses	2	67
Provision for reserve under the special laws	1,953	2,207
Provision for reserve for price fluctuations	1,953	2,207
Others	36	—
Provision for Reserve for Policyholders' Dividends	3,271	2,146
<b>Income Before Income Taxes</b>	74,650	89,343
Income Taxes_Current	29,008	31,871
Income Taxes_Deferred	(6,344)	(4,853)
<b>Total Income Taxes</b>	22,664	27,018
<b>Profit</b>	51,985	62,325
<b>Profit Attributable to Non-controlling Interests</b>	90	250
<b>Profit Attributable to Owners of the Parent</b>	51,895	62,074

	Millions of yen	
<b>(2) Consolidated Statements of Comprehensive Income</b>	2018	2019
Profit	51,985	62,325
Other Comprehensive Income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	(857)	(5,215)
Net deferred gains (losses) on hedging instruments, net of taxes	251	(174)
Remeasurements of defined benefit plans, net of taxes	827	456
Share of other comprehensive income of entities accounted for using equity method	—	23
Total other comprehensive income	221	(4,909)
<b>Comprehensive Income</b>	52,207	57,415
Details:		
Comprehensive income attributable to owners of the parent	52,116	57,167
Comprehensive income attributable to non-controlling interests	91	248

# ■ SFH Consolidated Financial Statements

## Consolidated Statements of Changes in Net Assets

Sony Financial Holdings Inc.

For the years ended March 31, 2018 and 2019

Millions of yen

	2018				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	19,900	195,277	255,062	(81)	470,157
Changes during the period					
Issuance of new shares	27	27	—	—	55
Dividends from surplus	—	—	(23,922)	—	(23,922)
Profit attributable to owners of the parent	—	—	51,895	—	51,895
Disposal of treasury shares	—	(5)	—	26	21
Transfer of loss on disposal of treasury shares	—	5	(5)	—	—
Reversal of land revaluation	—	—	973	—	973
Adjustments due to change of scope of consolidation	—	—	(92)	—	(92)
Change in ownership interest of parent due to transactions with non-controlling interests	—	(4,147)	—	—	(4,147)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	27	(4,119)	28,849	26	24,784
Balance at the end of the period	19,927	191,157	283,911	(55)	494,941

Millions of yen

	2018							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Land revaluation, net of taxes	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning of the period	134,849	(1,154)	(1,465)	(2,756)	129,472	49	1,460	601,139
Changes during the period								
Issuance of new shares	—	—	—	—	—	—	—	55
Dividends from surplus	—	—	—	—	—	—	—	(23,922)
Profit attributable to owners of the parent	—	—	—	—	—	—	—	51,895
Disposal of treasury shares	—	—	—	—	—	—	—	21
Transfer of loss on disposal of treasury shares	—	—	—	—	—	—	—	—
Reversal of land revaluation	—	—	—	—	—	—	—	973
Adjustments due to change of scope of consolidation	—	—	—	—	—	—	—	(92)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	(4,147)
Net changes of items other than shareholders' equity	(857)	251	(973)	827	(752)	48	187	(516)
Total changes during the period	(857)	251	(973)	827	(752)	48	187	24,267
Balance at the end of the period	133,991	(902)	(2,439)	(1,929)	128,719	97	1,648	625,406

## ■ SFH Consolidated Financial Statements

### Consolidated Statements of Changes in Net Assets (Continued)

Millions of yen

	2019				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	19,927	191,157	283,911	(55)	494,941
Changes during the period					
Issuance of new shares	35	35	—	—	71
Dividends from surplus	—	—	(26,099)	—	(26,099)
Profit attributable to owners of the parent	—	—	62,074	—	62,074
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	35	35	35,975	—	36,046
Balance at the end of the period	19,963	191,193	319,886	(55)	530,987

Millions of yen

	2019							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on available-for-sale securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Land revaluation, net of taxes	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning of the period	133,991	(902)	(2,439)	(1,929)	128,719	97	1,648	625,406
Changes during the period								
Issuance of new shares	—	—	—	—	—	—	—	71
Dividends from surplus	—	—	—	—	—	—	—	(26,099)
Profit attributable to owners of the parent	—	—	—	—	—	—	—	62,074
Net changes of items other than shareholders' equity	(5,191)	(174)	—	458	(4,907)	52	248	(4,606)
Total changes during the period	(5,191)	(174)	—	458	(4,907)	52	248	31,439
Balance at the end of the period	128,800	(1,077)	(2,439)	(1,470)	123,812	149	1,896	656,846



# SFH Consolidated Financial Statements

## Consolidated Statements of Cash Flows

Sony Financial Holdings Inc.

For the years ended March 31, 2018 and 2019

Millions of yen

	2018	2019
Cash flows from operating activities		
Income before income taxes	74,650	89,343
Depreciation of real estate for rent and others	1,680	1,599
Depreciation and amortization	11,828	11,297
Impairment losses	2	67
Amortization of goodwill	32	32
Increase (decrease) in reserve for outstanding claims	3,405	3,573
Increase (decrease) in policy reserve	647,035	713,088
Interest portion of reserve for policyholders' dividends	0	0
Provision for (reversal of) reserve for policyholders' dividends	3,271	2,146
Increase (decrease) in reserve for possible loan losses	(140)	449
Increase (decrease) in net defined benefit liability	2,363	1,630
Increase (decrease) in reserve for directors' retirement benefits	(176)	—
Increase (decrease) in reserve for price fluctuations	1,953	2,207
Interest income and dividends	(186,943)	(200,253)
(Gains) losses on securities	(80,057)	(94,790)
Interest expenses	8,327	10,698
Losses (gains) on derivatives	11,403	13,925
Exchange (gains) losses	23,489	(17,258)
(Gains) losses on disposal of tangible fixed assets	(13,283)	78
Equity in (gains) losses of affiliates	2,338	1,748
Net (increase) decrease in loans	(56,745)	(147,727)
Net increase (decrease) in deposits	87,987	143,031
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	80,000	30,000
Net increase (decrease) in call money and bills sold	26,000	54,902
Net (increase) decrease in call loans and bills bought	(4,805)	461
Net (increase) decrease in foreign exchange (assets)	(2,077)	874
Net increase (decrease) in foreign exchange (liabilities)	119	16
Others, net	15,506	21,467
<b>Subtotal</b>	<b>657,168</b>	<b>642,611</b>
Interest and dividends received	197,007	205,869
Interest paid	(8,484)	(10,221)
Policyholders' dividends paid	(3,517)	(3,086)
Income taxes paid	(22,451)	(32,251)
<b>Net cash provided by (used in) operating activities</b>	<b>819,721</b>	<b>802,921</b>
Cash flows from investing activities		
Net (increase) decrease in deposits	5	—
Investments in money held in trust	(101)	(1,044)
Proceeds from money held in trust	6,532	4,522
Purchases of securities	(1,104,737)	(1,219,208)
Proceeds from sale and redemption of securities	427,925	526,015
Investments in loans	(60,315)	(63,716)
Collections of loans	28,761	30,341
Net gains (losses) from the settlement of derivative financial instruments	(22,997)	7,389
Net increase (decrease) in collateral for securities lending transactions	(6,719)	27,166
Others, net	32,553	48,264
<b>Total of net cash provided by (used in) investment transactions</b>	<b>(699,092)</b>	<b>(640,270)</b>
<b>Total of net cash provided by (used in) operating activities and investment transactions</b>	<b>120,629</b>	<b>162,651</b>
Purchases of tangible fixed assets	(2,049)	(1,255)
Proceeds from sales of tangible fixed assets	36,700	1
Purchases of intangible fixed assets	(12,481)	(17,794)
Purchase of securities of a non-consolidated subsidiary	(339)	(50)
Purchase of securities of affiliates	(3,450)	(300)
Others, net	(132)	(147)
<b>Net cash provided by (used in) investing activities</b>	<b>(680,845)</b>	<b>(659,815)</b>
Cash flows from financing activities		
Proceeds from debt borrowing	5,266	4,640
Repayments of debt	(5,133)	(4,712)
Cash dividends paid	(23,921)	(26,095)
Proceeds from issuance of bonds	19,938	—
Payments for redemption of bonds	(10,000)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(171)	—
Others, net	(474)	(476)
<b>Net cash provided by (used in) financing activities</b>	<b>(14,496)</b>	<b>(26,645)</b>
Effect of exchange rate changes on cash and cash equivalents	(2)	0
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>124,377</b>	<b>116,461</b>
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	373	—
Cash and cash equivalents at the beginning of the period	268,381	393,133
Cash and cash equivalents at the end of the period	393,133	509,594

Note: The above Consolidated Statements of Cash Flows have been prepared based on Article 210-10 of Ordinance for Enforcement of the Insurance Business Act of Japan.

# ■ SFH Consolidated Financial Statements

## Significant Basic Items for the Preparation of the Consolidated Financial Statements

(For the year ended March 31, 2019)

### 1 Principles of Consolidation

#### (1) Scope of consolidation

##### Consolidated subsidiaries: 10 companies

Company names

Sony Life Insurance Co., Ltd.  
Sony Assurance Inc.  
Sony Bank Inc.  
Sony Payment Services Inc.  
SmartLink Network Hong Kong Limited  
Sony Lifecare Inc.  
Lifecare Design Inc.  
Proud Life Inc.  
Sony Financial Ventures Inc.  
SFV · GB L.P.

##### Non-consolidated subsidiaries:

There are no main non-consolidated subsidiaries. Non-consolidated subsidiaries are excluded from the scope of consolidation for the current year because they are immaterial in light of the total assets, ordinary revenues, profit or loss (amounts equivalent to the Group's interests in these companies), retained earnings (amounts equivalent to the Group's interests in these companies) and accumulated other comprehensive income (amounts equivalent to the Group's interests in these companies) and their exclusion from the scope of consolidation does not hinder a rational judgment of the Sony Financial Group's financial position and results of operations.

##### Change in the scope of consolidation:

Sony Financial Ventures Inc. and SFV · GB L.P., companies in the Venture Capital Business, were newly established and are included in the scope of consolidation from the fiscal year ended March 31, 2019. The business performance of both companies is included under "Other" in consolidated statements of income.

#### (2) Application of the equity method

##### Affiliates accounted for by the equity method: 2 companies

Company names

AEGON Sony Life Insurance Co., Ltd.  
SA Reinsurance Ltd.

##### Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method:

There are no main non-consolidated subsidiaries or affiliates. Non-consolidated subsidiaries and affiliates are not accounted for by the equity method because they are immaterial in light of the profit or loss (amounts equivalent to the Group's interests in these companies) and retained earnings (amounts equivalent to the Group's interests in these companies) and their exclusion does not hinder a rational judgment of the Sony Financial Group's financial position and results of operations.

#### (3) Fiscal year-end of consolidated subsidiaries

Fiscal year-end of all consolidated subsidiaries is March 31, the same date as the consolidated financial statements of SFH.

#### (4) Amortization of goodwill

Goodwill is equally amortized using the straight-line method over a period of up to 20 years.

### 2 Note on Going Concerns

There is no related information to be reported.

## 3 Summary of Significant Accounting Policies

### (1) Securities

Securities, including monetary claims purchased which are equivalent to securities, and securities managed as assets of money held in trust, are stated in the following manner: Securities held for trading purposes ("trading securities") are stated at fair value with unrealized gains and losses charged to income. The cost of such securities sold is determined by the moving-average method. Held-to-maturity securities and policy-reserve-matching bonds held in accordance with the "Temporary Treatment of Accounting and Auditing concerning Policy-Reserve-Matching Bonds in the Insurance Industry" (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 21, issued on November 16, 2000; hereinafter "the Industry Audit Committee Report No. 21") are stated at amortized cost (straight-line method) using the moving-average method. Available-for-sale securities whose fair values are readily determinable are stated at fair value in the consolidated balance sheets based on market prices prevailing at each balance sheet date, with unrealized gains (losses), net of taxes, included in net assets and acquisition costs calculated using the moving-average method. Available-for-sale securities whose fair values are deemed extremely difficult to determine are stated at acquisition cost based on the moving-average method.

Net unrealized gains (losses) on available-for-sale securities, net of taxes, are recorded as a separate component of net assets.

The overview of risk management policies of policy-reserve-matching bonds is as follows:

Among the bonds corresponding to sub-segments (according to insurance class, years to maturity, etc.) for individual life insurance and individual annuity sold by domestic life insurance subsidiaries, SFH records those held with the purpose of controlling the duration of insurance liabilities as policy-reserve-matching bonds, in accordance with the Industry Audit Committee Report No. 21.

### (2) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value included in income for the period in which they arise, except for derivatives that are designated by SFH and its consolidated subsidiaries (the "Companies") as "hedging instruments."

### (3) Tangible fixed assets (excluding leased assets)

All tangible fixed assets, including real estate for lease, are initially recorded at cost. Subsequent expenses related to asset improvements are capitalized or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Companies and the cost of the item can be measured reliably.

All other repairs and maintenance charges are charged to income when incurred.

Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

- Buildings: 3 to 50 years
- Other tangible fixed assets: 2 to 20 years

### (4) Intangible fixed assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method generally over 5 years, its estimated useful life.

### (5) Leased assets

All leased assets with respect to non-ownership-transfer finance leases are amortized by the straight-line method over the lease term, without any residual value.

### (6) Reserve for possible loan losses

The reserve for possible loan losses is provided as follows for losses from bad debts mainly in accordance with self-assessment guidelines and write-off and reserve guidelines.

With respect to receivables such as loans to borrowers subject to bankruptcy, court-guided rehabilitation or similar legal or formal proceedings (the "Bankrupt Borrowers"), loans to borrowers that are substantially in the same condition as the Bankrupt Borrowers (the "Substantially Bankrupt Borrowers") and money on deposits whose market value declined significantly, the Companies provide a reserve in the amount expected to be uncollectible after deducting amounts expected to be collectible from collateral, guarantees and other means. For loans to borrowers that are not yet bankrupt but are highly likely to be bankrupt in the future (the "potentially bankrupt borrowers"), the Companies provide a reserve in the amount deemed necessary by comprehensively considering the borrowers' solvency of the remaining amount after deducting amounts expected to be collectible from collateral, guarantees and other means. For other loans, the Companies provide a reserve in the amount calculated by multiplying the loans by a historical loan loss ratio determined over certain periods.

All loans are subject to asset assessment by the related operational departments in accordance with self-assessment guidelines, and the assessment results are reviewed by the departments responsible for asset inspection that are independent from the operational departments. The amount of reserve is provided based upon the above results.

### (7) Reserve for employees' bonuses

The reserve for employees' bonuses is provided for the estimated amount of bonuses the Companies are required to pay for services provided during the current fiscal year.

### (8) Reserve for price fluctuations

Pursuant to requirements under Article 115 of the Insurance Business Act of Japan, the reserve for price fluctuations is provided for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets that are exposed to losses due to market price fluctuations. This reserve is only used to reduce losses arising from price fluctuations on those assets.

## (9) Accounting for retirement benefits

### 1) Method of attributing projected retirement benefits

In the calculation of retirement benefit obligations, the Companies mainly apply the benefit formula basis in attributing projected retirement benefits to the periods until the end of the current fiscal year.

### 2) Amortization method of prior service cost and net actuarial gain or loss

Unrecognized prior service cost is amortized using the straight-line method within the employees' average remaining service period at incurrence. Unrecognized net actuarial gain or loss is amortized using the straight-line method over 7 to 16 years within the employees' average remaining service period, commencing from the fiscal year immediately following incurrence.

### 3) Adoption of a simplified method at small enterprises, etc.

For calculating net retirement benefit liabilities and retirement benefit expenses, the parent company and some consolidated subsidiaries apply a simplified method that treats amounts required for voluntary resignation at fiscal year-end as retirement benefit obligations.

## (10) Translation of foreign assets or liabilities

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates in effect at each balance sheet date, whereas components of net assets denominated in foreign currencies are translated at historical rates. The current year's profit and loss accounts are translated into yen using the average exchange rate for the fiscal year.

## (11) Hedge accounting

The banking subsidiary applies either deferred hedge accounting or fair value hedge accounting to its transactions for hedging interest rate risks on financial assets and liabilities. With regard to hedging that offsets fluctuating interest rates on fixed-rate loans, the subsidiary identifies the hedged items that are grouped on the basis of a certain period of their remaining maturity and designates interest rate swaps as a hedging instrument, in accordance with "Accounting and Auditing Treatments on Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of the Japanese Institute of Certified Public Accountants (the "Industry Audit Committee") Statement No. 24, February 13, 2002). With regard to hedging that fixes the cash flow of a foretasted transaction of a short-term fixed-rate deposit, the subsidiary identifies the hedged items that are grouped on the basis of a certain period of their interest rate revision and designates interest rate swaps as a hedging instrument, in accordance with the Industry Audit Committee, Statement No. 24. With regard to hedging that offsets fluctuations in the fair value of fixed-rate bonds that are classified as available-for-sale securities, the subsidiary identifies the hedged items individually and designates interest rate swaps and others as a hedging instrument. With regard to hedging that offsets exchange rate fluctuations of securities denominated in foreign currencies, the subsidiary identifies the hedged items individually and designates currency swaps as a hedging instrument. The above-mentioned hedging instruments are designated with almost identical significant terms and conditions for both the hedging items and the hedged instruments. Accordingly, such hedges are considered highly effective, allowing the banking subsidiary to ensure hedging effectiveness.

## (12) Cash and cash equivalents in the Consolidated Statements of Cash Flows

Cash equivalents consist of highly liquid investments without significant market risks, such as demand deposits and short-term investments with an original maturity of 3 months or less.

## (13) Accounting for consumption taxes

National and local consumption taxes (the "consumption taxes") received and paid by the Companies, excluding loss adjustment expenses and operating, general and administrative expenses of SFH's non-life insurance subsidiary, are not included in income and expenses. Under the Consumption Tax Act of Japan, the consumption taxes paid on property and equipment are not deductible from the consumption taxes received; they are recorded as "other assets" and amortized on a straight-line basis over 5 years. Other non-deductible consumption taxes are charged to income as incurred.

## (14) Policy reserves

Pursuant to Article 116 of the Insurance Business Act of Japan, SFH's life insurance subsidiary maintains a policy reserve for the fulfillment of future obligations under life insurance contracts. The policy reserve is established by the net level premium reserve method, which assumes a constant or level amount of net insurance premiums over the term of the relevant policy when calculating the amount of the reserve required to fund all future policy claims. The net insurance premium is a portion of the premium covering insurance underwriting risk, which is estimated based on factors such as mortality rates, investment yield, surrender rates and other factors. The net level premium reserve for individual insurance contracts underwritten from fiscal 1996 is calculated using mortality and interest rates set by the Financial Services Agency of Japan as standard policy reserve. Additionally, the net level premium reserve for individual insurance contracts underwritten before fiscal 1996 is calculated using mortality and interest rates approved by the supervisor of insurance business in Japan.

# Notes to the Consolidated Financial Statements

(For the year ended March 31, 2019)

## 1 Notes to the Consolidated Balance Sheets

1. Securities with a book value of ¥439,070 million and loans of ¥412,559 million were pledged as collateral for the ¥331,055 million of collateral for securities lending transactions, ¥49,000 million of call money and bills sold, the ¥200,000 million of borrowed money and payables under repurchase agreements of ¥101,764 million at March 31, 2019. In addition to the assets described above, securities with a book value of ¥10,829 million, cash collateral paid for financial instruments of ¥25,558 million and initial margins of futures markets of ¥3,279 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2019.
2. The consolidated balance sheet amount of securities loaned for consumption under the loan agreement was ¥259,569 million.
3. Securities include shares in non-consolidated subsidiaries and affiliates worth ¥11,403 million. Among these, investments in jointly controlled companies are ¥10,969 million.
4. The balance of loans includes ¥180 million in loans to bankrupt borrowers (before deductions for reserve for possible loan losses) and ¥1,220 million in non-accrual delinquent loans (before deductions for reserve for possible loan losses). Loans to bankrupt borrowers include loans that have been in arrears on principal or interest payments for a considerably long period of time or loans (before deductions for reserve for possible loan losses) on which principal or interest payments are considered unlikely to occur in the future for other reasons and on which interest income is not recognized. These loans are with reasons defined under Article 96-1-3, i through v of the Order for Enforcement of the Corporation Tax Act (Enforcement Order 97 of 1965) or 96-1-4 of the same guidelines. Non-accrual delinquent loans are loans on which accrued interest income is not recognized, excluding loans to bankrupt borrowers and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
5. The balance of loans does not include past due loans (3 months or more). Past due loans (3 months or more) are loans on which principal or interest payments are delayed for 3 months or more from the date following the due date, excluding loans to bankrupt borrowers and non-accrual delinquent loans.
6. The balance of loans includes ¥800 million in restructured loans (before deductions for reserve for possible loan losses). Restructured loans are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt waiver) in order to support the borrowers' recovery from financial difficulties, excluding loans to bankrupt borrowers, non-accrual delinquent loans and past due loans (3 months or more).
7. The total amount of loans to bankrupt borrowers, non-accrual delinquent loans and restructured loans was ¥2,201 million (before deductions for reserve for possible loan losses).
8. In terms of loan participation, the participating principals that were accounted for as loans to the original obligor in accordance with "Accounting and Presentation of Loan Participation" (Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, Statement No. 3, November 28, 2014) include the consolidated balance sheet amount of ¥6,636 million.
9. Accumulated depreciation of tangible fixed assets as of March 31, 2019 was ¥40,392 million.
10. The balance sheet includes ¥1,300,701 million in assets and liabilities in equal amounts related to separate accounts as stipulated in Article 118 of the Insurance Business Act of Japan as of March 31, 2019, at SFH's life insurance subsidiary.
11. Changes in the reserve for policyholders' dividends at SFH's life insurance subsidiary for the fiscal year ended March 31, 2019 are as follows:

Balance at the beginning of the period	¥5,484 million
Policyholders' dividends during the period	¥3,086 million
Increase in interest	¥0 million
Provision for reserve for policyholders' dividends	¥2,146 million
Balance at the end of the period	¥4,544 million

- 12.** On March 31, 2002, SFH's life insurance subsidiary revalued its land for operating purposes, as permitted by the Act on Revaluation of Land (Act No. 34, enacted March 31, 1998—the "Law"). The tax effect of the revaluation difference is accounted for differently, depending on whether there are gains or losses; when there is a loss, a valuation allowance is fully provided for the tax effect of the loss, and when there is a gain, the tax effect is recorded in "deferred tax liabilities on land revaluation." After excluding these amounts, the net revaluation difference is reported as "land revaluation" in net assets. The revaluation method stipulated by Article 3-3 of the Law was based on the land appraisal in conformity with Article 2-5 of the Order for Enforcement Related to the Law (Cabinet Order No. 119, effective from March 31, 1998).
- 13.** Contracts for commitments to provide credit lines and overdrafts of the life insurance subsidiary and the banking subsidiary are agreements to lend to customers, up to a prescribed amount, as long as there is no violation of the conditions stipulated in the contracts. The amount of unused commitments at March 31, 2019 was ¥27,553 million, and the amount of unused commitments whose original contract terms are within 1 year at March 31, 2019 was ¥27,553 million.
- 14.** Expected future losses of the life insurance subsidiary under the life insurance policyholder protection structure stipulated under Article 259 of the Insurance Business Act of Japan amounted to ¥10,983 million.  
Such losses are recognized as expenses during the fiscal year in which they are contributed.

**15.** Net assets per share were ¥1,505.20.

**16.** Financial instruments:

### (1) Description of financial instruments

#### 1) Policy on financial instruments

The Companies conduct the life insurance, non-life insurance and banking businesses, etc., in accordance with the provisions of the Insurance Business Act of Japan, the Banking Act of Japan and other relevant provisions. With regard to financial assets (except for assets in separate accounts as stipulated in Item 1, Article 118 of the Insurance Business Act of Japan in the life insurance business), to ensure steady investment income the Companies hold various investment assets, including Japanese government and corporate bonds, stocks and loans. Deposits from individual customers in the banking business account for nearly all of the Companies' financial liabilities. Although the Companies hold financial assets as well as financial liabilities, which are subject to the risk of interest rate and exchange rate fluctuations, they strive to protect themselves from the negative effects of these fluctuations by maintaining an appropriate balance between assets and liabilities by conducting asset-liability management (ALM) in each of the businesses. Furthermore, derivative transactions are used to control risks in the life insurance business and banking business.

#### 2) Financial instruments and related risks

Securities, loans, deposits and derivative transactions constitute the majority of the companies' financial instruments. They are subject to market risk, which is the risk of incurring losses when their values change due to fluctuations in interest rates, foreign exchange rates, stock prices, etc., as well as credit risk, which is the risk of incurring losses when the value of assets declines or disappears due to a deterioration in financial or other conditions of an entity to which credit is provided. In addition, they are subject to market liquidity risk, which is the risk of loss due to an inability to conduct market transactions, as well as the risk of loss if the companies are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.

Most of the securities holdings are in domestic government bonds, foreign government bonds and corporate bonds. Other holdings include domestic stocks, foreign securities and investments in partnerships.

The majority of loans are policy loans in the life insurance business, and individual mortgage loans in the banking business. However, policy loans are limited to the amount of surrender payments, and mortgage loans are backed by real estate. Consequently, loan-related risks are relatively low.

Deposits are mainly those from individual customers, some of which are denominated in foreign currencies.

The life insurance business uses several derivative transactions such as forward foreign exchange transactions, stock index futures trading and total return swap transactions for stocks mainly to hedge the market risk for financial assets and liabilities and, as a matter of policy, does not use derivative transactions for speculative purposes. Hedge accounting is not applied to derivative transactions used in the life insurance business.

The banking business uses several derivative transactions, and it uses interest rate swaps, etc., to hedge the market risk for financial assets and liabilities. In this category, hedge accounting is applied. Interest rate swaps, etc., are used to hedge against the interest rate risk of fixed-rate loans and deposits. Currency swaps are used to hedge against the exchange rate risk of bonds denominated in foreign currencies. In hedge accounting, hedge effectiveness is assessed based on the requirements stipulated in the "Accounting Standards for Financial Instruments" and other standards.

#### 3) Risk management of financial instruments

SFH formulates fundamental principles for risk management and manages risks specific to its subsidiaries' scale, business content and other attributes.

Our Risk Management Guidelines establish specific conditions for managing Group risks, while each of the subsidiaries manages risks on its own. SFH's Corporate Control Department submits periodic reports to SFH's Board of Directors and Executive Committee on subsidiaries' risk management conditions recognized through monitoring or by holding Risk Management Meetings.

##### (i) Credit risk

The Companies use the following methods to manage the credit risk of principal subsidiaries:

- (a) At the life insurance subsidiary, the risk management division manages issuer credit risk on securities and counterparty risks by specifying details such as risk management methods and procedures in regulations. The risk management division periodically reports such information to the Board of Directors and the Executive Committee.
- (b) The non-life insurance subsidiary ascertains issuer credit information and market values on securities in line with various regulations for asset management risk. The risk management division reports on the situation regularly to the Board of Directors and the Executive Committee.

- (c) The banking subsidiary has formulated and conformed to various regulations for managing credit risks, and controls credit risk depending on the nature of each type of financial asset. In respect of individual loans, the subsidiary has developed a framework for managing individual credit, including credit screenings, management of credit information, setting of collateral and the handling of problem assets on a case-by-case basis.
- In respect of corporate loans or bonds payable, the subsidiary has developed a framework for managing corporate credit and market credit, including credit screenings, credit limit control, the management of credit information, credit ratings, the setting of guarantees or collateral and handling of problem assets on a case-by-case basis.
- The subsidiary manages market credit risk, such as securities issuer credit risk and, on derivative transactions, counterparty risk, by periodically assessing market value information.
- The aforementioned credit risk management is carried out by the risk management division and the screening division.
- These divisions periodically report risk management conditions to management via the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.
- (ii) Market risk
- The Companies use the following methods to manage the market risk of principal subsidiaries:
- (a) The life insurance subsidiary manages various market-related risks in the following manner:
- **Interest rate risk**  
Interest rate risk is managed by the risk management division based on the regulations for interest rate risk management that specify details such as risk management methods and procedures. Based on ALM policies that are determined through such methods as deliberation by the Executive Committee, the subsidiary determines and confirms actual risk conditions with the Board of Directors. The division maintains an overall grasp on the interest rates and durations of financial instruments, and monitors them based on the analysis of the quantity of risk using value at risk ("VaR"), and it periodically reports such information to the Board of Directors and the Executive Committee.
  - **Exchange rate risk**  
Exchange rate risk is managed by the risk management division based on the regulations for exchange rate risk management that specify details such as risk management methods and procedures. The division periodically reports such information to the Board of Directors and the Executive Committee.
  - **Equity market price fluctuation risk**  
Equity market price fluctuation risk is managed by the risk management division based on the regulations for equity market price fluctuation risk management that specify details such as risk management methods and procedures. The division periodically reports such information to the Board of Directors and the Executive Committee.
  - **Derivative transactions**  
Derivative transactions are managed by the risk management division based on the regulations for derivative transactions that specify details such as risk management methods and procedures. The division periodically reports such information to the Board of Directors and the Executive Committee.
- (b) The non-life insurance subsidiary manages various market-related risks in the following manner:
- **Interest rate risk**  
Regulations on asset management risk specify the details such as risk management methods and procedures based on risk management policies determined by the Board of Directors. The risk management division monitors individual risks and reports on the situation regularly to the Board of Directors and the Executive Committee.
  - **Price fluctuation risk**  
Equity securities are held for strategic investments for the purpose of enhancing business partnerships. In accordance with regulations on asset management risk, the risk management division monitors the market environment and financial conditions, and reports on the situation regularly to the Board of Directors and the Executive Committee.
- (c) The banking subsidiary manages various market-related risks in the following manner. The risk management division handles each of these risks and periodically reports risk management conditions to the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.
- **Interest rate and exchange rate risk**  
By formulating and conforming with market risk management regulations, the subsidiary manages the risk of loss from changes in the value of assets and liabilities (including off-balance-sheet items) as well as from changes in income from assets and liabilities, owing to fluctuations in various market risk factors, such as interest rates, exchange rates and stock prices. Market risk management regulations specify details such as risk management methods and procedures. Based on ALM and risk management policies that are determined through such methods as deliberation by the Board of Directors, an ALM committee and a risk management committee meet—typically once each month—to understand and confirm actual conditions and deliberate future responses and risk conditions. On a daily basis, the risk management division maintains an overall understanding of interest and exchange rates on financial assets and liabilities, as well as their durations, conducts monitoring that includes VaR and interest rate sensitivity analysis and ensures regulatory conformance. The subsidiary also conducts interest rate swaps, currency swaps, foreign exchange and other derivative transactions to hedge against interest and exchange rate fluctuation risks.
  - **Market price fluctuation risk**  
The subsidiary manages the holding of investment products, including securities, in accordance with market risk management regulations as well as market credit risk. The investment division purchases securities externally, and risks associated with changes in the market price of such securities are managed through prior screening by the screening division, the setting and control of investment limits by the risk management division, and continuous monitoring by each responsible division.
  - **Derivative transactions**  
Derivative transactions are executed in accordance with regulations on market risk. The subsidiary also separates and conducts internal checks of individual departments' execution of transactions, evaluation of hedge effectiveness and operations management.
  - **Quantitative information on market risk**  
The principal financial instruments affected by the major risk parameters of interest rate risk and exchange rate fluctuation risk are loans, securities, deposits in the banking business and derivative transactions.
- The impact of such risks on these financial assets and liabilities was calculated using the historical simulation method to determine gains or losses over a given period of 20 business days, assuming the fluctuation of interest and exchange rates

## ■ SFH Consolidated Financial Statements

within a rational forecast band determined over an observation period of 250 business days. The Companies then employed quantitative analysis to manage interest rate and exchange rate fluctuation risks. The resulting risk amount with a 99% confidence interval was ¥1,405 million as of the end of this fiscal year.

This amount of impact is based on the assumption that risk parameters other than interest rates and exchange rates are fixed. In the event that fluctuations exceed the rational forecast band for interest and exchange rates, the risk impact may exceed the amount calculated. The aforementioned market risk management is carried out primarily by the risk management division. The division periodically reports risk management conditions to the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

### (iii) Liquidity risk

The Companies use the following methods to manage the liquidity risk of principal subsidiaries.

- (a) At the life insurance subsidiary, in line with liquidity risk management regulations, the accounting division prepares and updates cash flow plans in a timely manner based on the reports from departments and manages cash flows, and the risk management division manages the liquidity risk. The accounting division and risk management division periodically or as needed report such information to the Board of Directors and the Executive Committee.
- (b) The non-life insurance subsidiary establishes regulations related to liquidity risk. Its cash flow management division prepares and updates cash flow plans. The risk management division manages liquidity risk by monitoring the situations and reports on the situations regularly to the Board of Directors and the Executive Committee.
- (c) The banking subsidiary has formulated and conformed with regulations for managing liquidity risk and manages a variety of liquidity risks. Concerning the management of cash flow risks, cash flows are classified into phases based on the degree of pressure, and methods for risk management and reporting are set out for each phase, while guidelines are formulated and reviewed as necessary. To manage market liquidity risk, the subsidiary works to understand market liquidity conditions that pertain to the types of products it handles. The subsidiary formulates and revises guidelines on a product-by-product basis, as necessary. The aforementioned liquidity risk management is carried out by the risk management division. The division periodically reports risk management conditions to the Board of Directors and the Executive Committee. In addition, the internal audit division conducts regular audits.

### 4) Supplementary explanation of the fair value of financial instruments

Market prices of financial instruments are considered to indicate their fair values, unless market prices are not available. In this case, rational methods are used to measure their fair values. Although these measurements use assumptions that are believed to be reasonable under the circumstances, the resulting values may differ if measured using different assumptions.

## (2) Fair value information on financial instruments

Below is fair value information on financial instruments as of March 31, 2019, excluding securities whose fair values are not readily determinable (see Note 2).

	Millions of yen		
	2019		
	Consolidated balance sheet amount	Fair value	Difference
As of March 31,			
1) Cash and due from banks	415,894	415,894	—
2) Call loans and bills bought	93,700	93,700	—
3) Money held in trust			
Other money held in trust	291,324	291,324	—
4) Securities			
Trading securities	1,185,507	1,185,507	—
Held-to-maturity securities	6,850,128	8,902,627	2,052,499
Policy-reserve-matching bonds	680,757	764,282	83,525
Available-for-sale securities	1,634,941	1,634,941	—
5) Loans	1,942,546		
Reserve for possible loan losses (*1)	(898)		
Loans (after deduction for reserve for possible loan losses)	1,941,648	2,138,531	196,883
Total Financial Assets	13,093,901	15,426,808	2,332,907
1) Deposits	2,302,313	2,303,826	1,513
2) Call money and bills sold	130,611	130,611	—
3) Borrowed money	203,871	204,185	314
4) Bonds payable	20,000	20,113	113
5) Payables under repurchase agreements	101,764	101,764	—
6) Collateral for securities lending transactions	331,055	331,055	—
Total Financial Liabilities	3,089,616	3,091,557	1,941
Derivative financial instruments (*2)			
Hedge accounting not applied	[5,950]	[5,950]	—
Hedge accounting applied	[13,085]	[13,085]	—
Total Derivative Financial Instruments	[19,035]	[19,035]	—

(\*1) Excludes general and specific reserves for possible loan losses.

(\*2) Figures are totals resulting from derivative transactions, which are accounted for as other assets and liabilities on the consolidated balance sheets. If the total is a debt amount, the above figure is shown in [ ].



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(Note 1) Calculation of the fair value of financial instruments

## Financial Assets

### 1) Cash and due from banks and 2) Call loans and bills bought

The fair value is regarded as the carrying amount, as they are approximately equal.

### 3) Money held in trust

In individual money held in trust mainly for investment purposes, the fair value of bonds is the market price on financial instrument exchanges or the price indicated by a financial institution. Please see "18. Fair value information on money held in trust," which indicates fair values by purpose.

### 4) Securities

The fair value of stocks is the market price on stock markets or financial instrument exchanges. The fair value of bonds and investment funds is the market price or the price indicated by a financial institution. Please see "17. Fair value information on securities," which indicates fair values by purpose.

### 5) Loans

(i) Loans in the banking business

The fair value of these loans is calculated by type, by estimating their future cash flows and then applying a prescribed discount rate. The discount rate is determined by adding to the LIBOR-based yield curve a premium corresponding to the allowance rate of general provision for loan losses.

(ii) Policy loans in the life insurance business

The fair value of policyholder loans is valued by discounting future cash flows to their current value.

(iii) General loans

The fair value of general loans is regarded as the carrying amount, as they are approximately equal.

## Financial Liabilities

### 1) Deposits

The fair value of deposits is calculated by type, by estimating their future cash flows and then applying a prescribed discount rate. The discount rate is determined by adding to the LIBOR-based yield curve a premium corresponding to the banking subsidiary's cumulative default rate by rating.

### 2) Call money and bills sold

The fair value is regarded as the carrying amount, as they are approximately equal.

### 3) Borrowed money

The present value of borrowed money is calculated by discounting the future cash flows of the principal and interest with the LIBOR-based yield curve.

### 4) Bonds payable

The fair value of bonds payable is the market price or the price indicated by a financial institution.

### 5) Payables under repurchase agreements

The fair value is regarded as the carrying amount, as they are approximately equal.

### 6) Collateral for securities lending transactions

The fair value is regarded as the carrying amount, as they are approximately equal.

## Derivative Transactions

Please see "19. Derivative financial instruments," which indicates measurement of fair value.

(Note 2) Securities whose fair values are deemed extremely difficult to determine are as follows. They are not included in "4) Securities" of Financial Assets in (Note 1) above.

	Millions of yen
	2019
	Consolidated balance sheet amount
As of March 31,	
1) Unlisted stocks in non-consolidated subsidiaries and affiliates (*1)	11,403
2) Unlisted stocks other than those in 1) above (*1)	389
3) Investment in partnership (*2)	10,061
Total	21,854

(\*1) Unlisted stocks have no market prices and their fair values are not readily determinable.

(\*2) Assets included in "investment in partnership" are stocks in unlisted companies.

Note: Unlisted stocks and investment in partnership are considered impaired if their actual value decreases materially below the acquisition cost and such decline is considered non-recoverable. Their actual value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss (hereinafter, "impairment") for the fiscal year.

Impairment losses on unlisted stocks and investment in partnership were not recognized for the fiscal year.

Impairment losses are principally recorded when their actual value as of the end of the fiscal year has declined by 50% or more from the acquisition cost.

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(Note 3) Future redemption schedule of monetary claims and securities with maturities

	2019			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
As of March 31,				
Cash and due from banks	415,894	—	—	—
Call loans and bills bought	93,700	—	—	—
Securities				
Held-to-maturity securities	6,268	37,419	390,410	6,748,306
Japanese government and corporate bonds	6,168	37,319	390,410	6,032,010
Japanese government and local government bonds	5,311	34,487	390,110	5,629,610
Japanese corporate bonds	857	2,832	300	402,400
Others	100	100	—	716,296
Policy-reserve-matching bonds	—	—	3,220	739,274
Japanese government and corporate bonds	—	—	3,220	596,430
Japanese government and local government bonds	—	—	—	483,630
Japanese corporate bonds	—	—	3,220	112,800
Others	—	—	—	142,844
Available-for-sale securities	132,469	406,250	278,119	674,026
Japanese government and corporate bonds	37,818	163,580	243,701	386,450
Japanese government and local government bonds	26,412	99,664	241,200	386,450
Japanese corporate bonds	11,406	63,915	2,501	—
Others	94,650	242,670	34,418	287,576
Loans (*)	6,302	38,673	63,862	1,616,078
Total	654,633	482,344	735,612	9,777,685

(\*) This figure excludes ¥198,369 million with no fixed redemption such as policyholder loans, and ¥18,312 million in overdrafts.

(Note 4) The future return schedule of deposits and other liabilities with interest

	2019					
	1 year or less	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
As of March 31,						
Deposits (*)	2,160,620	72,423	19,797	11,082	10,813	27,577
Call money and bills sold	130,611	—	—	—	—	—
Borrowed money	512	30,122	80,122	93,112	—	—
Bonds payable	—	—	—	10,000	—	10,000
Payables under repurchase agreements	101,764	—	—	—	—	—
Collateral for securities lending transactions	331,055	—	—	—	—	—
Total	2,724,564	102,546	99,919	114,195	10,813	37,577

(\*) Demand deposits are included in "1 year or less."

## 17. Fair value information on securities as of March 31, 2019:

\* In addition to "Securities" on the consolidated balance sheets, the figures in the following tables include beneficiary certificates of investment trust in "Monetary claims purchased."

### (1) Trading securities

As of March 31,	2019
	Valuation gains charged to income

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## (2) Held-to-maturity securities

	Millions of yen		
	2019		
	Consolidated balance sheet amount	Fair value	Difference
As of March 31,			
Fair values exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	6,350,623	8,413,175	2,062,552
Japanese government and local government bonds	6,045,152	8,063,327	2,018,174
Japanese corporate bonds	305,471	349,848	44,377
Others	206,528	217,026	10,497
Subtotal	6,557,151	8,630,201	2,073,050
Fair values not exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	103,822	97,983	(5,839)
Japanese corporate bonds	103,822	97,983	(5,839)
Others	189,153	174,441	(14,711)
Subtotal	292,976	272,425	(20,551)
Total	6,850,128	8,902,627	2,052,499

## (3) Policy-reserve-matching bonds

	Millions of yen		
	2019		
	Consolidated balance sheet amount	Fair value	Difference
As of March 31,			
Fair values exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	600,839	680,444	79,605
Japanese government and local government bonds	492,212	554,811	62,598
Japanese corporate bonds	108,626	125,633	17,006
Others	62,079	66,207	4,128
Subtotal	662,919	746,652	83,733
Fair values not exceeding the consolidated balance sheet amount			
Japanese government and corporate bonds	15,087	14,894	(192)
Japanese corporate bonds	15,087	14,894	(192)
Others	2,751	2,735	(15)
Subtotal	17,838	17,629	(208)
Total	680,757	764,282	83,525

## (4) Available-for-sale securities

	Millions of yen		
	2019		
	Consolidated balance sheet amount	Acquisition cost	Difference
As of March 31,			
Consolidated balance sheet amount exceeding the acquisition cost			
Japanese government and corporate bonds	933,528	807,489	126,038
Japanese government and local government bonds	870,362	744,960	125,402
Japanese corporate bonds	63,165	62,529	635
Equity securities	19,931	9,101	10,830
Others	290,241	282,166	8,074
Subtotal	1,243,700	1,098,758	144,942
Consolidated balance sheet amount not exceeding the acquisition cost			
Japanese government and corporate bonds	31,765	31,794	(29)
Japanese government and local government bonds	16,070	16,092	(21)
Japanese corporate bonds	15,694	15,701	(7)
Equity securities	811	908	(96)
Others	363,580	367,306	(3,725)
Subtotal	396,157	400,009	(3,852)
Total	1,639,857	1,498,767	141,090

Note: As the unlisted stocks of ¥389 million (consolidated balance sheet amount) and investment in partnership of ¥10,061 million (consolidated balance sheet amount) have no market prices and their fair values are not readily determinable, they are not included in the table above.

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## (5) Held-to-maturity securities sold during the period

There is no related information to be reported.

## (6) Policy-reserve-matching bonds sold during the period

There is no related information to be reported.

## (7) Available-for-sale securities sold during the period

For the year ended March 31,	Millions of yen		
	2019		
	Sales	Total gains on sales	Total losses on sales
Japanese government and corporate bonds	64,014	212	475
Japanese government and local government bonds	45,264	207	262
Japanese corporate bonds	18,749	4	212
Equity securities	10,716	6,655	34
Others	6,157	58	0
Total	80,889	6,925	509

## (8) Impairment of available-for-sale securities

Available-for-sale securities with fair value are considered impaired if the fair value decreases materially below the acquisition cost and such decline is considered non-recoverable. The fair value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss for the fiscal year.

¥4,026 million of impairment losses for available-for-sale securities (including ¥4,026 million of foreign securities) was recognized for the year ended March 31, 2019.

"Material decline" is indicated when the fair value declines by 30% or more from the acquisition cost.

## 18. Fair value information on money held in trust as of March 31, 2019:

### (1) Money held in trust for trading

There is no related information to be reported.

### (2) Money held in trust for held-to-maturity and policy-reserve-matching

There is no related information to be reported.

### (3) Other money held in trust (other than for trading, held-to-maturity or policy-reserve-matching)

As of March 31,	Millions of yen				
	2019				
	Consolidated balance sheet amount	Acquisition cost	Difference	Items whose consolidated balance sheet amount exceeds acquisition cost	Items whose consolidated balance sheet amount does not exceed acquisition cost
Other money held in trust	291,324	254,055	37,269	37,275	(6)

Notes: 1. The amount of jointly invested monetary trusts that is included in the table above as of March 31, 2019 is ¥40 million.

2. "Items whose consolidated balance sheet amount exceeds acquisition cost" and "Items whose consolidated balance sheet amount does not exceed acquisition cost" are the breakdown of the difference.

### (4) Impairment of other money held in trust

Securities with fair values that are included in other money held in trust are considered impaired if their fair value decreases materially below the acquisition cost and such decline is considered non-recoverable.

No impairment loss was recognized for the year ended March 31, 2019.

"Material decline" is indicated when the fair value declines by 30% or more from the acquisition cost.

## 19. Derivative financial instruments:

### (1) Hedge accounting not applied

Below is a summary of contractual or notional amounts, current market or fair values, valuation gains or losses, and the method of calculating the fair values of derivatives, classified by transaction, to which hedge accounting is not applied. Notional amounts do not indicate exposure to credit loss.

#### 1) Interest rate derivatives

As of March 31,	Millions of yen			
	2019			
	Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions				
Interest rate swaps				
Fixed-rate receivable/ Floating-rate payable	21,053	20,967	8	8
Floating-rate receivable/ Fixed-rate payable	23,064	22,978	4	4
Interest swaption				
Sold	5,300	5,300	(18)	12
Total	—	—	(4)	25

Notes: 1. The above transactions are valued at market, and the valuation gains or losses are recorded in the consolidated statements of income.

2. Fair values are calculated using the discounted cash flow and option pricing models.

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## 2) Currency derivatives

			2019			Millions of yen
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions	Forward foreign exchanges	Sold	72,263	—	(437)	(437)
		Bought	98,562	—	8	8
	Foreign exchange margin transaction	Sold	46,283	—	954	954
		Bought	22,230	—	1,130	1,130
	Currency options	Sold	60	—	(0)	(0)
		Bought	190	—	1	0
Currency forward contracts	Sold	15	—	(0)	(0)	
	Bought	12,786	—	(270)	(270)	
Total			—	—	1,386	1,386

Notes: 1. The above transactions are valued at market, and the valuation gains or losses are recorded in the consolidated statements of income.

2. Fair value is measured using the discounted cash flow, option pricing models and other methods.

## 3) Stock derivatives

			2019			Millions of yen
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Listed	Stock index futures	Sold	58,724	—	308	308
Over-the-counter transactions	Total return swap	Sold	63,107	—	(7,640)	(7,640)
Total			—	—	(7,331)	(7,331)

Notes: 1. The above transactions are valued at market, and the valuation gains or losses are recorded in the consolidated statements of income.

2. The fair value for exchange-traded transactions is the closing price on the Exchange at the end of the fiscal year. The fair value for the over-the-counter transactions is stated at the share prices at the end of the fiscal year and other methods.

## (2) Hedge accounting is applied

The following provides a summary of contractual or notional amounts, current market or fair values, valuation gains or losses, and the method of calculating the fair values of derivatives, classified by transactions, to which hedge accounting is applied. Notional amounts do not indicate exposure to credit loss.

### 1) Interest rate derivatives

			2019			Millions of yen
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	
Hedge accounting	Hedging instrument	Hedged item				
Deferred hedge accounting	Interest rate swaps					
	Floating-rate receivable/ Fixed-rate payable	Deposits	73,000	73,000	(686)	
Fair value hedge accounting	Interest rate swaps					
	Floating-rate receivable/ Fixed-rate payable	Available-for-sale securities (bonds)	222,816	192,342	(10,672)	
Total			—	—	(11,358)	

Notes: 1. Deferred hedge accounting is applied in accordance with the Industry Audit Committee No. 24, along with fair value hedge accounting.

2. Fair value is calculated using the discounted cash flow and other methods.

### 2) Currency derivatives

			2019			Millions of yen
As of March 31,			Notional amount total	Notional amount over 1 year	Fair value	
Hedge accounting	Hedging instrument	Hedged item				
Deferred hedge accounting	Currency swaps					
		Available-for-sale securities (bonds)	23,255	23,255	(931)	
Fair value hedge accounting	Currency swaps					
		Available-for-sale securities (bonds)	24,000	10,000	(795)	
Total			—	—	(1,726)	

Notes: 1. Deferred hedge accounting is applied in accordance with the Industry Audit Committee No. 25, along with fair value hedge accounting.

2. Fair value is calculated using the discounted cash flow and other methods.

## 20. Information about retirement benefit obligations as of March 31, 2019:

### (1) Overview of retirement benefit plans

The life insurance subsidiary provides a lump-sum retirement benefit plan to sales staff and a defined benefit corporate pension plan and defined contribution pension plan to internal office staff. The non-life insurance subsidiary provides a lump-sum retirement benefit plan and a defined contribution pension plan. SFH and its banking subsidiary mainly provide a lump-sum retirement benefit plan. SFH and some consolidated subsidiaries calculate retirement benefit obligations based on the simplified method.

### (2) Defined benefit plans

#### 1) Reconciliation of beginning and ending balances of retirement benefit obligations (excluding those listed in 9))

	Millions of yen
For the year ended March 31,	<b>2019</b>
Balance at the beginning of the period of retirement benefit obligations	45,222
Service cost	4,959
Interest cost	107
Net actuarial gain arising during the period	145
Retirement benefits paid	(3,540)
Balance at the end of the period of retirement benefit obligations	46,893

#### 2) Reconciliation of beginning and ending balances of plan assets (excluding those listed in 9))

	Millions of yen
For the year ended March 31,	<b>2019</b>
Balance at the beginning of the period of plan assets	15,601
Expected return on plan assets	159
Net actuarial gain arising during the period	28
Employer contribution	1,223
Retirement benefits paid	(567)
Balance at the end of the period of plan assets	16,445

#### 3) Reconciliation of the ending balances of retirement benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets.

	Millions of yen
As of March 31,	<b>2019</b>
Funded retirement benefit obligations	12,738
Plan assets	(16,445)
	(3,706)
Unfunded retirement benefit obligations	34,311
Net liabilities and assets recorded on the consolidated balance sheets	30,604
Net defined benefit liability	34,081
Net defined benefit asset	(3,476)
Net liabilities and assets recorded on the consolidated balance sheets	30,604

#### 4) Components and amounts of retirement benefit expenses

	Millions of yen
For the year ended March 31,	<b>2019</b>
Service cost	4,959
Interest cost	107
Expected return on plan assets	(159)
Amortization of net actuarial gain	750
Others	113
Retirement benefit expenses related to defined benefit plans	5,772

Note: SFH includes retirement benefit expenses in "Others" based on the simplified method.

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## 5) Remeasurements of defined benefit plans (before tax deductions)

The breakdown of items recorded as remeasurements of defined benefit plans (before tax deductions) is as follows:

	Millions of yen
For the year ended March 31,	<u>2019</u>
Net actuarial gain	633
Total	633

## 6) Accumulated remeasurements of defined benefit plans (before tax deductions)

The breakdown of items recorded as accumulated remeasurements of defined benefit plans (before tax deductions) is as follows:

	Millions of yen
As of March 31,	<u>2019</u>
Unrecognized net actuarial gain	(2,090)
Total	(2,090)

## 7) Plan assets

(i) Main components of plan assets

The percentage share of components by main asset class out of total plan assets is as follows:

	%
As of March 31,	<u>2019</u>
Bonds	66
Equity securities	30
Others	5
Total	100

(ii) Method of setting the long-term rate of expected return on plan assets

The long-term rate of expected return on plan assets is determined by taking into account the current and expected allocation of plan assets and the current long-term return rate and the long-term return rate that is expected in the future based on the various assets that comprise the plan assets.

## 8) Basis for calculating actuarial gain or loss

Main basis for calculating actuarial gain or loss as of March 31, 2019

Discount rate	0.1%–0.6%
Long-term rate of expected return on plan assets	1.0%–2.6%

## 9) Reconciliation of beginning and ending balances of net defined benefit liability of the plan based on the simplified method

	Millions of yen
For the year ended March 31,	<u>2019</u>
Balance at the beginning of the period of net defined benefit liability	132
Retirement benefit expenses	33
Retirement benefits paid	(4)
Contribution to the plan	(23)
Others	17
Balance at the end of the period of net defined benefit liability	156

## (3) Defined contribution plans

The amount of contribution required for defined contribution plans by the Companies was ¥355 million.

## 21. Information on stock options, etc., as of March 31, 2019:

### (1) Expenses and line items associated with stock options, etc.

Operating expenses, etc. ¥121 million

### (2) Description and volume of stock options as well as their changes

#### 1) Description of stock options

The first series of stock acquisition rights of SFH

Category and number of eligible recipients	4 executive directors of SFH
Number of stock options granted by type of share <sup>(Note)</sup>	Common stock 52,900 shares
Grant date	August 8, 2016
Vesting conditions	Options rights are to be vested upon grant. However, if the recipient loses the position of executive director of the Company prior to the Ordinary General Meeting of Shareholders in 2017, he/she can exercise the number of stock options calculated by multiplying the number of stock options granted, by the number of months he/she serves as executive director from July 2016 up to the month of losing his/her position, and dividing the value by 12. The rest of the stock options granted shall no longer be exercisable on or after the date of the recipient losing his/her position, and is cancelled.
Eligible period of service	From June 24, 2016 to the date of the Ordinary General Meeting of Shareholders in 2017
Exercise period	From August 9, 2016 to August 8, 2046 However, eligible recipients of stock acquisition rights may exercise all (but not part) of the stock acquisition rights held by him/her only during the period from the day immediately following the date on which such holder loses any and all of his/her office(s) as executive director of SFH up to ten days (in the event that the tenth day is a holiday, the following business day) thereafter.

The second series of stock acquisition rights of SFH

Category and number of eligible recipients	3 executive directors of SFH 7 executive directors of SFH subsidiaries
Number of stock options granted by type of share <sup>(Note)</sup>	Common stock 41,700 shares
Grant date	August 7, 2017
Vesting conditions	Options rights are to be vested upon grant. However, if the recipient loses the position of executive director of the Company and its subsidiaries prior to the Ordinary General Meeting of Shareholders in 2018, he/she can exercise the number of stock options calculated by multiplying the number of stock options granted, by the number of months he/she serves as executive director from July 2017 up to the month of losing his/her position, and dividing the value by 12. The rest of the stock options granted shall no longer be exercisable on or after the date of the recipient losing his/her position, and is cancelled.
Eligible period of service	From June 21, 2017 to the date of the Ordinary General Meeting of Shareholders in 2018
Exercise period	From August 8, 2017 to August 7, 2047 However, eligible recipients of stock acquisition rights may exercise all (but not part) of the stock acquisition rights held by him/her only during the period from the day immediately following the date on which such holder loses any and all of his/her office(s) as executive director of SFH and its subsidiaries up to ten days (in the event that the tenth day is a holiday, the following business day) thereafter.

The third series of stock acquisition rights of SFH

Category and number of eligible recipients	3 executive directors of SFH 6 executive directors of SFH subsidiaries
Number of stock options granted by type of share <sup>(Note)</sup>	Common stock 31,600 shares
Grant date	August 7, 2018
Vesting conditions	Options rights are to be vested upon grant. However, if the recipient loses the position of executive director of the Company and its subsidiaries prior to the Ordinary General Meeting of Shareholders in 2019, he/she can exercise the number of stock options calculated by multiplying the number of stock options granted, by the number of months he/she serves as executive director from July 2018 up to the month of losing his/her position, and dividing the value by 12. The rest of the stock options granted shall no longer be exercisable on or after the date of the recipient losing his/her position, and is cancelled.
Eligible period of service	From June 22, 2018 to the date of the Ordinary General Meeting of Shareholders in 2019
Exercise period	From August 8, 2018 to August 7, 2048 However, eligible recipients of stock acquisition rights may exercise all (but not part) of the stock acquisition rights held by him/her only during the period from the day immediately following the date on which such holder loses any and all of his/her office(s) as executive director of SFH and its subsidiaries up to ten days (in the event that the tenth day is a holiday, the following business day) thereafter.

Note: Stock options have been converted and stated as number of shares.



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## 2) Volume of stock options and their changes

Stock options that existed in the year ended March 31, 2019, are presented as follows, and have been converted and stated as number of shares.

(i) Number of stock options

	The first series of stock acquisition rights of SFH	The second series of stock acquisition rights of SFH	The third series of stock acquisition rights of SFH
Before vesting (shares)			
At the end of the previous year	—	—	—
Granted	—	—	31,600
Lapsed	—	—	—
Vested	—	—	31,600
Number of unvested stock options	—	—	—
After vesting (shares)			
At the end of the previous year	35,700	41,700	—
Vested	—	—	31,600
Exercised	—	7,700	—
Lapsed	—	—	—
Number of unexercised stock options	35,700	34,000	31,600

(ii) Unit price information

	The first series of stock acquisition rights of SFH	The second series of stock acquisition rights of SFH	The third series of stock acquisition rights of SFH
Exercise price	¥ 1	¥ 1	¥ 1
Average share price at the time of exercise	—	¥2,000	—
Fairly assessed value on the grant date	¥1,236	¥1,695	¥2,003

## (3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options that were granted in the year ended March 31, 2019 is as follows:

### 1) Assessment method used

Black-Scholes model

### 2) Main basic values and their estimation method

	The third series of stock acquisition rights of SFH
Volatility of share price (*1)	31.507%
Expected remaining period (*2)	4.4 years
Expected dividend (*3)	¥60/share
Risk-free rate (*4)	(0.082%)

(\*1) Calculated based on the past share prices during the period corresponding to the expected remaining period of 4.4 years in (\*2).

(\*2) Calculated by weighting and averaging the expected period of service by the amount to be granted.

(\*3) Based on the actual dividends for the fiscal year ended March 31, 2018.

(\*4) Calculated using the average compound yield of long-term JGB with the remaining period approximate to the expected remaining period of 4.4 years in (\*2).

## (4) Method for estimating the number of stock options vested

As it is difficult, as a general rule, to reasonably estimate the number of stock options to lapse in the future, SFH adopts a method that only reflects the actual number lapsed.

## (5) Description of restricted stock compensation

	The first series of restricted stock compensation of SFH
Categories and numbers of eligible recipients	3 executive directors of SFH 4 executive officers of SFH 7 executive directors of SFH subsidiaries 30 executive officers of SFH subsidiaries
Number of shares granted	27,513 shares of common stock
Grant date	August 7, 2017
Transfer restriction period	From August 7, 2017 to August 7, 2020
Cancellation conditions	On the condition that the recipient has maintained his/her position of executive director, etc., of SFH continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period. If the recipient loses his/her position of executive director, etc., prior to the expiration of the transfer restriction period for reasons that the Board of Directors of SFH deems justifiable, he/she can cancel the transfer restriction for the number of allocated stock calculated by multiplying the number of allocated stock by the number of months he/she serves as executive director, etc., from the month of the appointment of his/her respective position up to the month of losing his/her position, and dividing the value by 12. SFH shall acquire the allocated stock not subject to the cancellation of the transfer restriction free of charge immediately after the cancellation.
Fairly assessed value on the grant date	¥2,020

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The second series of restricted stock compensation of SFH

Categories and numbers of eligible recipients	3 executive directors of SFH 4 executive officers of SFH 6 executive directors of SFH subsidiaries 33 executive officers of SFH subsidiaries
Number of shares granted	27,770 shares of common stock
Grant date	August 7, 2018
Transfer restriction period	From August 7, 2018 to August 7, 2021
Cancellation conditions	On the condition that the recipient has maintained his/her position of executive director, etc., of SFH continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period. If the recipient loses his/her position of executive director, etc., prior to the expiration of the transfer restriction period for reasons that the Board of Directors of SFH deems justifiable, he/she can cancel the transfer restriction for the number of allocated stock calculated by multiplying the number of allocated stock by the number of months he/she serves as executive director, etc., from the month of the appointment of his/her respective position up to the month of losing his/her position, and dividing the value by 12. SFH shall acquire the allocated stock not subject to the cancellation of the transfer restriction free of charge immediately after the cancellation.
Fairly assessed value on the grant date	¥2,091

### 22. Information on tax effect accounting as of March 31, 2019:

#### (1) Breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities

As of March 31,	Millions of yen 2019
Deferred tax assets	
Tax loss carried forward (*2)	1,857
Policy reserves and others	42,830
Reserve for price fluctuations	14,096
Net defined benefit liability	8,608
Write-down of securities	2,267
Depreciation and amortization	4,587
Net deferred losses on hedging instruments	556
Others	7,744
Subtotal of deferred tax assets	82,548
Valuation allowance on tax loss carried forward (*2)	(1,857)
Valuation allowance on total deductible temporary differences	(3,129)
Subtotal of valuation allowance (*1)	(4,987)
Total deferred tax assets	77,561
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	(49,331)
Others	(697)
Total deferred tax liabilities	(50,028)
Net deferred tax assets (liabilities)	27,532

Notes 1. Valuation allowance increased mainly due to the additional recognition of valuation allowance for losses on valuation of securities in Sony Life Insurance Co., Ltd., a subsidiary of the Company.

2. Tax loss carried forward and the deferred tax assets by carry forward period

As of March 31, 2019	Millions of yen						Total
	1 year or less	More than 1 year to 2 years	More than 2 year to 3 years	More than 3 year to 4 years	More than 4 year to 5 years	More than 5 years	
Tax loss carried forward	6	4	12	211	375	1,246	1,857
Valuation allowance	(6)	(4)	(12)	(211)	(375)	(1,246)	(1,857)
Deferred tax assets	—	—	—	—	—	—	—

\* Tax loss carried forward is calculated by multiplying statutory effective tax rate.

#### (2) Breakdown of major items giving rise to a significant difference between the statutory effective tax rate and the effective income tax rate after application of tax effect accounting

As of March 31,	% 2019
Statutory effective tax rate	30.6
(Adjustments)	
Difference in tax rate of subsidiaries	(2.4)
Increase (decrease) in valuation allowance	1.0
Others	1.0
Effective income tax rate after application of tax effect accounting	30.2

## 23. Asset retirement obligations:

Asset retirement obligations recorded on the consolidated balance sheets

### (1) Overview of asset retirement obligations

The reserve for asset retirement obligations is provided for the obligation to restore sites to their original states under the lease agreement of commercial properties, as well as the estimated amount of asbestos removal cost associated with investment and rental property in accordance with Ordinance on Prevention of Health Impairment due to Asbestos and others.

### (2) Basis of measurement for asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the usable period to be 15 to 50 years from acquisition and then applying a 0.1% to 2.3% discount rate.

### (3) Changes in the balance of asset retirement obligations

	Millions of yen
For the year ended March 31,	<b>2019</b>
Balance at the beginning of the period	2,131
Increase due to purchase of tangible fixed assets	52
Changes resulting from the passage of time	15
Decrease due to performance of asset retirement obligations	(23)
Balance at the end of the period	2,176

## 24. Fair value information on investment and rental property:

Some consolidated subsidiaries own rental office buildings in Tokyo and other areas. Income related to investment and rental property amounted to ¥4,959 million for the year ended March 31, 2019. Below is the consolidated balance sheet amount, net of changes during the period, and the fair value at the end of the current period.

	Millions of yen
For the year ended March 31,	<b>2019</b>
Consolidated balance sheet amount	
Balance at the beginning of the period	86,376
Changes during the period	(2,385)
Balance at the end of the period	83,991
Fair value at the end of the period	183,534

Notes: 1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and impairment losses.  
2. The fair value at the end of the period is determined by a licensed third-party real estate appraisal agent.

## 25. A subsequent event is as follows:

May 17, 2019 – The Board of Directors passed a comprehensive resolution and reached an agreement with the Company's wholly-owned consolidated subsidiary Sony Life Insurance Co., Ltd., to make AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd. its subsidiaries (sub-subsidiaries of the Company) by acquiring 50% of the outstanding shares of each company. The aim is to accelerate management decision making and streamline business operation at both companies.

### 1. Name of acquiree of equity acquisition

AEGON International B.V.

### 2. Details on equity acquisition

(1) AEGON Sony Life Insurance Co., Ltd.

(i) Outline of the company

- a. Capital ¥18,750 million (As of March 31, 2019)
- b. Business Life insurance business

(ii) The number of shares to be acquired and ownership interest after the acquisition

- a. The number of shares to be acquired 18,750,000 shares
- b. Ownership interest after the acquisition 100% (inclusive of 100% held indirectly)

(2) SA Reinsurance Ltd.

(i) Outline of the company

- a. Capital ¥15,900 million (As of March 31, 2019)
- b. Business Reinsurance business

(ii) The number of shares to be acquired and ownership interest after the acquisition

- a. The number of shares to be acquired 7,950,000 shares
- b. Ownership interest after the acquisition 100% (inclusive of 100% held indirectly)

### 3. Acquisition price

Total (Approximate amount) ¥16,250 million (Including ¥250 million of approximate advisory cost, etc.)

Note: Acquisition price will be determined after making certain adjustments, as necessary.

### 4. Timing of equity acquisition

Second half of fiscal year 2019 (subject to approval of relevant agencies)

# ■ SFH Consolidated Financial Statements

## 2 Notes to the Consolidated Statements of Income

Profit attributable to owners of the parent per share is calculated based on the weighted-average number of shares of common stock outstanding during the period. For the year ended March 31, 2019, net income per share was ¥142.69. The basis for this calculation for the year ended March 31, 2019 is profit attributable to owners of the parent of ¥62,074 million, the entire amount of which is applicable to common stock. The weighted-average number of shares outstanding for the year ended March 31, 2019 was 435,016 thousand shares.

Diluted net income per share attributable to owners of the parent was ¥142.67. There was no adjustment to profit attributable to owners of the parent for a basis for calculation, and common stock reflecting the dilutive shares increased by 87 thousand shares.

## 3 Notes to the Consolidated Statements of Comprehensive Income

Reclassification adjustments and income tax benefit (expense) on components of other comprehensive income for the year ended March 31, 2019 are as follows:

	Millions of yen
For the year ended March 31,	2019
Net unrealized gains (losses) on available-for-sale securities, net of taxes:	
Gains (losses) arising during the period	(2,805)
Reclassification adjustments	(3,947)
Pre-tax amount	(6,752)
Income tax benefit (expense)	1,537
Net unrealized gains (losses) on available-for-sale securities, net of taxes	(5,215)
Net deferred gains (losses) on hedging instruments, net of taxes:	
Gains (losses) arising during the period	954
Reclassification adjustments	(1,205)
Pre-tax amount	(251)
Income tax benefits (expense)	76
Net deferred gains (losses) on hedging instruments, net of taxes	(174)
Remeasurements of defined benefit plans, net of taxes:	
Gains (losses) arising during the period	(117)
Reclassification adjustments	750
Pre-tax amount	633
Income tax benefits (expense)	(177)
Remeasurements of defined benefit plans, net of taxes	456
Share of other comprehensive income of entities accounted for using equity method	
Gains (losses) arising during the period	23
Total other comprehensive income	(4,909)

## 4 Notes to the Consolidated Statements of Changes in Net Assets

### 1. Types and numbers of shares issued are as follows

	Thousands of shares			
	2019			
For the year ended March 31,	Number of shares as of April 1, 2018	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2019
Issued shares				
Common stock	435,027	35	—	435,062
Total	435,027	35	—	435,062
Treasury stock				
Common stock	35	1	—	37
Total	35	1	—	37

Notes: 1. The increase of 35 thousand shares in common stock (of shares outstanding) was due to exercise of subscription rights to shares (stock options) involving 7 thousand shares and allocation of 27 thousand shares of restricted stock by resolution of the Board of Directors.

2. The increase of 1 thousand shares in common stock (of treasury stock) was due to acquiring, without consideration, a part of the common stock allocated to executive officers of SFH subsidiaries as restricted stock compensation.

## ■ SFH Consolidated Financial Statements

### 2. Information on stock acquisition rights is as follows:

Detail of stock acquisition rights		Balance as of March 31, 2019 (Millions of yen)
SFH	Stock acquisition rights as stock options	149

### 3. Information on dividends is as follows:

#### (1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2018	Common stock	¥26,099 million	¥60	March 31, 2018	June 25, 2018

#### (2) Dividends to be paid in the next fiscal year

Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2019	Common stock	¥27,189 million	Retained earnings	¥62.5	March 31, 2019	June 24, 2019

## 5 Notes to the Consolidated Statements of Cash Flows

### 1. The reconciliation of cash and cash equivalents in the statement of cash flows to cash and due from banks as stated in the consolidated balance sheet as of March 31, 2019 is as follows:

	Millions of yen
For the year ended March 31,	<b>2019</b>
Cash and due from banks	<b>415,894</b>
Call loans of life insurance subsidiary	<b>93,700</b>
Cash and cash equivalents	<b>509,594</b>

### 2. Cash flows from investing activities include cash flows from lending operations of the insurance business.