SONY

Q2 FY2021 Consolidated Financial Results

(Three months ended September 30, 2021)

October 28, 2021

Sony Group Corporation

Q2 FY2021 Consolidated Results

(Bln Yen)

	Q2 FY20	Q2 FY21	Change
Sales*	2,105.1	**2,369.4**	+264.2 bln yen (+13%)
Operating income	315.2	**318.5**	+3.2 bln yen (+1%)
Income before income taxes	303.7	**283.1**	-20.6 bln yen (-7%)
Net income attributable to Sony Group Corporation's stockholders	458.6	**213.1**	-245.5 bln yen (-54%)
Net income attributable to Sony Group Corporation's stockholders per share of common stock (diluted)	367.08 yen	**170.26 yen**	-196.82 yen
Average Rate			
1 US dollar	106.2 yen	**110.1 yen**	
1 Euro	124.1 yen	**129.8 yen**	

* "Sales" is used to mean "sales and financial services revenue" in accordance with International Financial Reporting Standards ("IFRS") (applies to all following pages).

Q2 FY2021 Consolidated Results: Year-on-year Change

	Year-on-year Change	Contributing Factors (+) Better／(-) Worse
Sales	**+264.2 bln yen** **+13 %**	・(+) Significant increases in G&NS, Pictures and Music segments sales ・(+) Increase in EP&S segment sales On a constant currency basis*, sales increased approx. 3%
Operating income	**+3.2 bln yen** **+1 %**	・(+) Significant increase in EP&S segment operating income ・(+) Increase in All Other operating income primarily due to an increase in the share of profit of the investment in M3, Inc. (“M3”) ・(-) Significant decrease in G&NS segment operating income
Income tax expense	**+226.6 bln yen** (Effective tax rate -52%→24%)	・(-) In the same quarter of the previous fiscal year, the reversal of a previous write-down of a significant portion of the deferred tax assets of the consolidated tax filing group in Japan was recorded

* For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see Note on page 22 (applies to all following pages).

Adjusted Operating Income (Q2)

	Operating Income	Adjusted Operating Income	Adjusted Operating Income excludes the following items*
Q2 FY20	315.2 bln yen	**327.6 bln yen**	■ Gain recorded in connection with a business transfer (Music segment: +5.9 billion yen) ■ Inventory write-downs of certain image sensors for mobile products (I&SS segment: -17.5 bln yen) ■ Expenses related to the Sony Global Relief Fund for COVID-19 (Corporate and elimination: -0.8 bln yen)
Q2 FY21	318.5 bln yen	**313.4 bln yen**	■ The share of profit of the investment in M3 related to a gain on a change in M3’s equity interest in an affiliated company, resulting from the issuance of new shares in connection with the affiliated company’s public listing (All Other: +5.1 bln yen)
Change from FY20	+3.2 bln yen	**-14.3 bln yen** (-4%)	

* These monetary amounts are disclosed in the Quarterly Financial Statements, the Presentation Slides and the Quarterly Securities Reports for the relevant quarters.
Adjusted operating income is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

Adjusted Income Before Income Taxes (Q2)

	Income Before Income Taxes	Adjusted Income Before Income Taxes	Adjusted Income Before Income Taxes excludes the following items*
Q2 FY20	303.7 bln yen	**316.1 bln yen**	■ Gain recorded in connection with a business transfer (Music segment: +5.9 billion yen) ■ Inventory write-downs of certain image sensors for mobile products (I&SS segment: -17.5 bln yen) ■ Expenses related to the Sony Global Relief Fund for COVID-19 (Corporate and elimination: -0.8 bln yen)
Q2 FY21	283.1 bln yen	**278.0 bln yen**	■ The share of profit of the investment in M3 related to a gain on a change in M3's equity interest in an affiliated company, resulting from the issuance of new shares in connection with the affiliated company's public listing (All Other: +5.1 bln yen)
Change from FY20	-20.6 bln yen	**-38.1 bln yen** (-12%)	

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Adjusted income before income taxes is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

Adjusted Net Income Attributable to Sony Group Corporation's Stockholders (Q2)

	Net Income Attributable to Sony Group Corporation's Stockholders	Adjusted Net Income Attributable to Sony Group Corporation's Stockholders	Adjusted Net Income Attributable to Sony Group Corporation's Stockholders excludes the following items*
Q2 FY20	458.6 bln yen	**254.4 bln yen**	■ Gain recorded in connection with a business transfer (Music segment: +5.9 billion yen) ■ Inventory write-downs of certain image sensors for mobile products (I&SS segment: -17.5 bln yen) ■ Expenses related to the Sony Global Relief Fund for COVID-19 (Corporate and elimination: -0.8 bln yen) ■ Tax adjustment with regard to the above three items (+2.3 bln yen) ■ Reversal of a previous write-down of a significant portion of the deferred tax assets of the consolidated tax filing group in Japan (+214.3 bln yen)
Q2 FY21	213.1 bln yen	**209.2 bln yen**	■ The share of profit of the investment in M3 related to a gain on a change in M3's equity interest in an affiliated company, resulting from the issuance of new shares in connection with the affiliated company's public listing (All Other: +5.1 bln yen) ■ Tax adjustment with regard to the above item (-1.2 bln yen)
Change from FY20	-245.5 bln yen	**-45.1 bln yen** (-18%)	

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Adjusted net income attributable to Sony Group Corporation's stockholders is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

Adjusted Net Income Attributable to Sony Group Corporation's Stockholders (Q2)

Q2 FY20

(Bln Yen)

	Income Before Income Taxes	Taxes	Effective Tax Rate	Net Income Attributable to Sony Group Corporation's Stockholders
Financial results	**303.7**	**-157.9**	**-52.0%**	**458.6**
Adjusted items impacting effective tax rate Reversal of a previous write-down of a significant portion of the deferred tax assets of the consolidated tax filing group in Japan	—	+214.3	—	-214.3
Subtotal	**303.7**	**56.4**	**18.6%**	**244.3**
Other adjusted items *	+12.4	+2.3	**18.6%**	+10.1
Adjusted results	**316.1**	**58.7**	**18.6%**	**254.4**

Q2 FY21

	Income Before Income Taxes	Taxes	Effective Tax Rate	Net Income Attributable to Sony Group Corporation's Stockholders
Financial results	**283.1**	**68.7**	**24.3%**	**213.1**
Adjusted items impacting effective tax rate	—	—	—	—
Subtotal	**283.1**	**68.7**	**24.3%**	**213.1**
Other adjusted items *	-5.1	-1.2	**24.3%**	-3.9
Adjusted results	**278.0**	**67.5**	**24.3%**	**209.2**

* See page 5 for details regarding adjusted items.

Adjusted results are not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

Q2 FY2021 Results by Segment

(Bln Yen)

		Q2 FY20	Q2 FY21	Change	FX Impact
Game & Network Services (G&NS)	Sales	506.6	**645.4**	+138.8	+20.7
	Operating income	105.4	**82.7**	-22.7	+3.4
Music	Sales	230.9	**271.6**	+40.7	+6.3
	Operating income	54.3	**50.6**	-3.7	
Pictures	Sales	186.6	**260.7**	+74.2	+9.1
	Operating income	32.8	**31.6**	-1.2	
Electronics Products & Solutions (EP&S)	Sales	533.4	**581.9**	+48.5	+20.0
	Operating income	53.4	**72.7**	+19.3	+7.6
Imaging & Sensing Solutions (I&SS)	Sales	307.1	**278.3**	-28.8	+8.7
	Operating income	50.8	**49.7**	-1.0	-0.3
Financial Services	Revenue	371.1	**368.4**	-2.7	
	Operating income	37.0	**43.1**	+6.0	
All Other	Sales	22.9	**24.5**	+1.6	
	Operating income	1.5	**8.6**	+7.1	
Corporate and elimination	Sales	-53.5	**-61.4**	-8.0	
	Operating income	-19.9	**-20.5**	-0.6	
Consolidated total	Sales	2,105.1	**2,369.4**	+264.2	
	Operating income	315.2	**318.5**	+3.2	

Due to organizational changes as of April 1, 2021, from Q1 FY21, Sony transferred some of the businesses and functions previously included within All Other and Corporate and elimination to the EP&S segment. Sales and operating income (loss) of each segment for FY20 are presented to conform to the organizational structure for FY21 (applies to all following pages).

Sales in each business segment represents sales and revenue recorded before intersegment transactions are eliminated. Operating income in each business segment represents operating income reported before intersegment transactions are eliminated and excludes unallocated corporate expenses (applies to all following pages).

1H FY2021 Consolidated Results

(Bln Yen)

	1H FY20	1H FY21	Change
Sales	4,068.1	**4,626.2**	+558.1 bln yen (+14%)
Operating income	536.9	**598.5**	+61.6 bln yen (+11%)
Income before income taxes	572.3	**566.3**	-6.0 bln yen (-1%)
Net income attributable to Sony Group Corporation's stockholders	652.2	**424.9**	-227.2 bln yen (-35%)
Net income attributable to Sony Group Corporation's stockholders per share of common stock (diluted)	522.51 yen	**339.45 yen**	-183.06 yen
Average rate			
1 US dollar	106.9 yen	**109.8 yen**	
1 Euro	121.3 yen	**130.8 yen**	

Adjusted Operating Income (1H)

	Operating Income	Adjusted Operating Income	Adjusted Operating Income excludes the following items*
1H FY20	536.9 bln yen	**545.4 bln yen**	■ Gain on the sale of a portion of shares of Pledis Entertainment Co., Ltd. (Music segment: +7.2 bln yen) ■ Gain recorded in connection with a business transfer (Music segment: +5.9 billion yen) ■ Inventory write-downs of certain image sensors for mobile products (I&SS segment: -17.5 bln yen) ■ Expenses related to the Sony Global Relief Fund for COVID-19 (Corporate and elimination: -4.2 bln yen)
1H FY21	598.5 bln yen	**604.8 bln yen**	■ One-time loss recorded at a subsidiary of Sony Life (Financial Services segment: -16.8 bln yen) ■ The share of profit of the investment in M3 related to a gain on a change in M3's equity interest in an affiliated company, resulting from the issuance of new shares in connection with the affiliated company's public listing (All Other: +5.1 bln yen) ■ Settlement gain in connection with the termination of the defined benefit pension plan at certain U.S. subsidiaries (mainly in Corporate and elimination: +5.5 bln yen)
Change from FY20	+61.6 bln yen	**+59.3 bln yen** (+11%)	

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Adjusted operating income is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

Adjusted Income Before Income Taxes (1H)

	Income Before Income Taxes	Adjusted Income Before Income Taxes	Adjusted Income Before Income Taxes excludes the following items*
1H FY20	572.3 bln yen	**580.8 bln yen**	■ Gain on the sale of a portion of shares of Pledis Entertainment Co., Ltd. (Music segment: +7.2 bln yen) ■ Gain recorded in connection with a business transfer (Music segment: +5.9 billion yen) ■ Inventory write-downs of certain image sensors for mobile products (I&SS segment: -17.5 bln yen) ■ Expenses related to the Sony Global Relief Fund for COVID-19 (Corporate and elimination: -4.2 bln yen)
1H FY21	566.3 bln yen	**572.5 bln yen**	■ One-time loss recorded at a subsidiary of Sony Life (Financial Services segment: -16.8 bln yen) ■ The share of profit of the investment in M3 related to a gain on a change in M3's equity interest in an affiliated company, resulting from the issuance of new shares in connection with the affiliated company's public listing (All Other: +5.1 bln yen) ■ Settlement gain in connection with the termination of the defined benefit pension plan at certain U.S. subsidiaries (mainly in Corporate and elimination: +5.5 bln yen)
Change from FY20	-6.0 bln yen	**-8.2 bln yen** (-1%)	

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Adjusted income before income taxes is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

Adjusted Net Income Attributable to Sony Group Corporation's Stockholders (1H)

	Net Income Attributable to Sony Group Corporation's Stockholders	Adjusted Net Income Attributable to Sony Group Corporation's Stockholders	Adjusted Net Income Attributable to Sony Group Corporation's Stockholders excludes the following items*
1H FY20	652.2 bln yen	**444.6 bln yen**	■ Gain on the sale of a portion of shares of Pledis Entertainment Co., Ltd. (Music segment: +7.2 bln yen) ■ Gain recorded in connection with a business transfer (Music segment: +5.9 billion yen) ■ Inventory write-downs of certain image sensors for mobile products (I&SS segment: -17.5 bln yen) ■ Expenses related to the Sony Global Relief Fund for COVID-19 (Corporate and elimination: -4.2 bln yen) ■ Tax adjustment with regard to the above four items (+1.8 bln yen) ■ Reversal of a previous write-down of a significant portion of the deferred tax assets of the consolidated tax filing group in Japan (+214.3 bln yen)
1H FY21	424.9 bln yen	**429.6 bln yen**	■ One-time loss recorded at a subsidiary of Sony Life (Financial Services segment: -16.8 bln yen) ■ The share of profit of the investment in M3 related to a gain on a change in M3's equity interest in an affiliated company, resulting from the issuance of new shares in connection with the affiliated company's public listing (All Other: +5.1 bln yen) ■ Settlement gain in connection with the termination of the defined benefit pension plan at certain U.S. subsidiaries (mainly in Corporate and elimination: +5.5 bln yen) ■ Tax adjustment with regard to the above three items (+1.5 bln yen)
Change from FY20	-227.2 bln yen	**-14.9 bln yen** (-3%)	

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Adjusted net income attributable to Sony Group Corporation's stockholders is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

Adjusted Net Income Attributable to Sony Group Corporation's Stockholders (1H)

1H FY20

(Bln Yen)

	Income Before Income Taxes	Taxes	Effective Tax Rate	Net Income Attributable to Sony Group Corporation's Stockholders
Financial results	**572.3**	**-93.5**	**-16.3%**	**652.2**
Adjusted items impacting effective tax rate Reversal of a previous write-down of a significant portion of the deferred tax assets of the consolidated tax filing group in Japan	—	+214.3	—	-214.3
Subtotal	**572.3**	**120.8**	**21.1%**	**437.9**
Other adjusted items *	+8.5	+1.8	21.1%	+6.7
Adjusted results	**580.8**	**122.6**	**21.1%**	**444.6**

1H FY21

	Income Before Income Taxes	Taxes	Effective Tax Rate	Net Income Attributable to Sony Group Corporation's Stockholders
Financial results	**566.3**	**138.8**	**24.5%**	**424.9**
Adjusted items impacting effective tax rate	—	—	—	—
Subtotal	**566.3**	**138.8**	**24.5%**	**424.9**
Other adjusted items *	+6.2	+1.5	24.5%	+4.7
Adjusted results	**572.5**	**140.3**	**24.5%**	**429.6**

* See page 11 for details regarding adjusted items.

Adjusted results are not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

1H FY2021 Results by Segment

(Bln Yen)

		1H FY20	1H FY21	Change	FX Impact
Game & Network Services (G&NS)	Sales	1,112.7	**1,261.2**	+148.5	+46.2
	Operating income	229.3	**165.9**	-63.3	+13.1
Music	Sales	408.0	**526.5**	+118.5	+9.3
	Operating income	89.9	**106.0**	+16.1	
Pictures	Sales	361.6	**465.4**	+103.8	+12.5
	Operating income	59.9	**57.0**	-2.9	
Electronics Products & Solutions (EP&S)	Sales	894.8	**1,158.2**	+263.4	+43.6
	Operating income	44.5	**144.5**	+99.9	+20.9
Imaging & Sensing Solutions (I&SS)	Sales	513.3	**496.3**	-17.0	+12.4
	Operating income	77.0	**80.2**	+3.2	-2.3
Financial Services	Revenue	811.4	**782.8**	-28.6	
	Operating income	73.0	**67.1**	-6.0	
All Other	Sales	48.2	**46.4**	-1.8	
	Operating income	5.1	**12.8**	+7.7	
Corporate and elimination	Sales	-81.9	**-110.7**	-28.8	
	Operating income	-41.6	**-34.9**	+6.8	
Consolidated total	Sales	4,068.1	**4,626.2**	+558.1	
	Operating income	536.9	**598.5**	+61.6	

FY2021 Consolidated Results Forecast

(Bln Yen)

	FY20	FY21 August FCT	FY21 October FCT	Change from August FCT
Sales	8,998.7	9,700	**9,900**	+200 bln yen (+2%)
Operating income	955.3	980	**1,040**	+60 bln yen (+6%)
Income before income taxes	998.0	955	**990**	+35 bln yen (+4%)
Net income attributable to Sony Group Corporation's stockholders	1,029.6	700	**730**	+30 bln yen (+4%)
Operating Cash Flow (Sony without Financial Services)	1,150.3	890	**890**	-

Average rate	Actual	Assumption (Q2-Q4 FY21)	Assumption (Q3-Q4 FY21)
1 US dollar	106.1 yen	Approx. 110 yen	Approx. 111 yen
1 Euro	123.7 yen	Approx. 131 yen	Approx. 130 yen

Dividend per Share	
Interim	30 yen
Year-end	Undecided

Consolidated Operating Cash Flow (Sony without Financial Services) is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

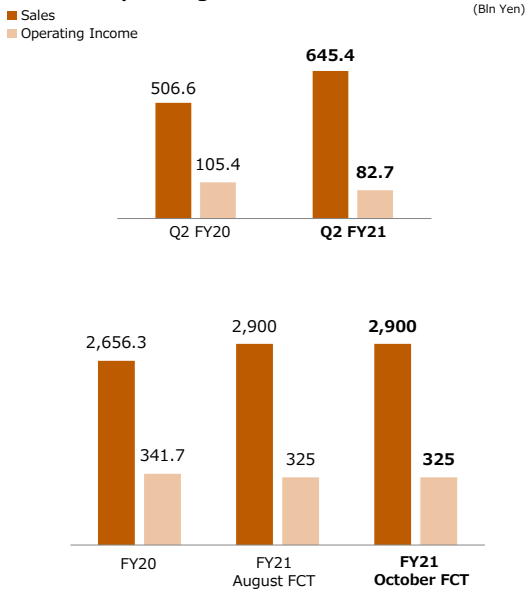
FY2021 Results Forecast by Segment

(Bln Yen)

		FY20	FY21 August FCT	FY21 October FCT	Change from August FCT
Game & Network Services (G&NS)	Sales	2,656.3	2,900	**2,900**	-
	Operating income	341.7	325	**325**	-
Music	Sales	939.9	1,040	**1,070**	+30
	Operating income	184.8	190	**200**	+10
Pictures	Sales	753.0	1,120	**1,180**	+60
	Operating income	79.9	90	**108**	+18
Electronics Products & Solutions (EP&S)	Sales	2,068.1	2,320	**2,280**	-40
	Operating income	127.9	170	**190**	+20
Imaging & Sensing Solutions (I&SS)	Sales	1,012.5	1,100	**1,100**	-
	Operating income	145.9	140	**150**	+10
Financial Services	Revenue	1,674.0	1,400	**1,490**	+90
	Operating income	154.8	153	**153**	-
All Other, Corporate and elimination	Operating income	-79.6	-88	**-86**	+2
Consolidated total	Sales	8,998.7	9,700	**9,900**	+200
	Operating income	955.3	980	**1,040**	+60

Game & Network Services Segment (G&NS Segment)

Sales and Operating Income



Q2 FY2021 (year-on-year)

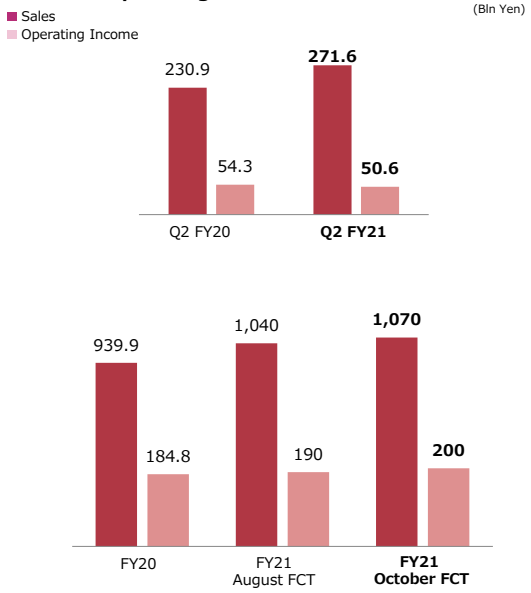
- Sales: 138.8 bln yen (27%) significant increase (FX Impact: +20.7 bln yen)
  - ·(+) Increase in sales of hardware
  - ·(+) Impact of foreign exchange rates
  - ·(+) Increase in sales of non-first-party titles including add-on content
  - ·(−) Decrease in sales of first-party titles
- OI: 22.7 bln yen significant decrease (FX Impact: +3.4 bln yen)
  - ·(−) Deterioration of operating results for hardware and peripheral devices
    - ·(−) Decrease in unit sales of PlayStation®4 hardware and peripheral devices
    - ·(−) Loss resulting from strategic price points for PlayStation®5 hardware that were set lower than manufacturing costs
  - ·(−) Decrease in sales of first-party titles
  - ·(−) Increase in selling, general and administrative expenses
  - ·(+) Increase in sales of non-first-party titles including add-on content

FY2021 Forecast (change from August forecast)

- Sales / OI: Remain unchanged from August forecast

Music Segment

Sales and Operating Income



Q2 FY2021 (year-on-year)

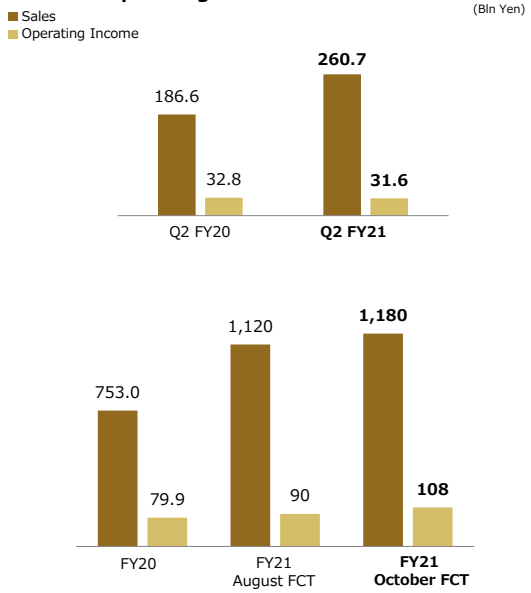
- Sales: 40.7 bln yen (18%) significant increase
  - ·(+) Higher sales for Recorded Music and Music Publishing
    - ·(+) Increase in revenue from paid subscription streaming services
    - ·(+) Increase in revenue from advertising-supported streaming services which were impacted by COVID-19 in Q2 FY20
    - ·(−) Decrease in physical media sales for Recorded Music
- OI: 3.7 bln yen decrease
  - ·(−) Absence of a gain recorded in connection with the transfer of an overseas business in Q2 FY20 (5.9 billion yen)
  - ·(−) Increase in selling, general and administrative expenses
  - ·(+) Impact of increase in sales

FY2021 Forecast (change from August forecast)

- Sales: 30 bln yen (3%) upward revision
  - ·(+) Higher sales for Visual Media and Platform
    - ·(+) Higher sales of game applications for mobile devices
    - ·(+) Higher licensing revenue in anime business
  - ·(+) Higher sales for Music Publishing resulting from an increase in revenue from streaming services
- OI: 10 bln yen upward revision
  - ·(+) Impact of increase in sales

Pictures Segment

Sales and Operating Income



Q2 FY2021 (year-on-year)

The following analysis is on a U.S. dollar basis

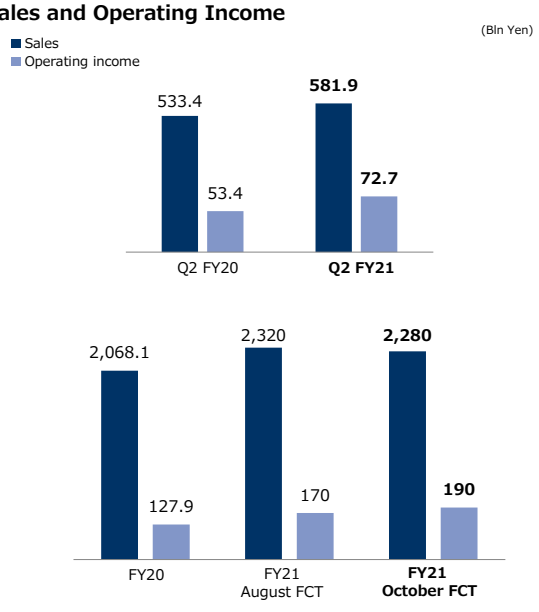
- Sales: 74.2 bln yen (40%) significant increase (U.S. dollar basis: 612 mil USD / 35 %)
  - ·(+) Higher sales for Television Productions due to increased deliveries of titles
  - ·(+) Higher sales for Media Networks
    - ·(+) Increase in sales resulting from Crunchyroll acquisition in Media Networks
    - ·(+) Higher advertising revenues in India
  - ·(+) Higher sales for Motion Pictures
    - ·(+) Increase in television licensing revenue and theatrical revenues on current year films
    - ·(−) Decrease in revenues due to limited prior year theatrical releases
- OI: 1.2 bln yen decrease
  - ·(−) Increase in marketing costs in Motion Pictures for current year theatrical releases
  - ·(+) Impact of increase in sales

FY2021 Forecast (change from August forecast)

- Sales: 60 bln yen (5%) upward revision
  - ·(+) Increase in sales resulting from Crunchyroll acquisition in Media Networks
  - ·(+) Higher television licensing and home entertainment revenues for catalog product in Motion Pictures
- OI: 18 bln yen upward revision
  - ·(+) Impact of increase in sales in Motion Pictures

Electronics Products & Solutions Segment (EP&S Segment)

Sales and Operating Income



Q2 FY2021 (year-on-year)

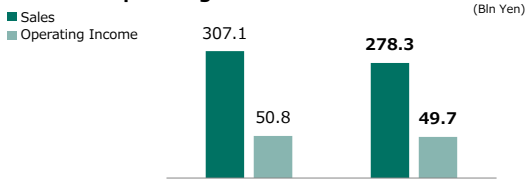
- Sales: 48.5 bln yen (9%) increase (FX Impact: +20.0 bln yen)
  - ·(+) Impact of foreign exchange rates
  - ·(+) Increase in sales of smartphones due to an increase in unit sales
- OI: 19.3 bln yen significant increase (FX Impact: +7.6 bln yen)
  - ·(+) Improvement in the product mix of televisions, digital cameras and Audio and Video
  - ·(−) Decreases in unit sales of televisions and Audio and Video

FY2021 Forecast (change from August forecast)

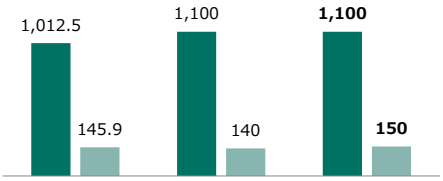
- Sales: 40 bln yen (2%) downward revision
  - ·(−) Lower-than-expected sales of digital cameras due to a decrease in unit sales
  - ·(+) Higher-than-expected sales of televisions due to an increase in unit sales
- OI: 20 bln yen upward revision
  - ·(+) Improvement in the product mix of digital cameras and increase in unit sales of televisions
  - ·(+) Decrease in operating expenses
  - ·(−) Decrease in unit sales of digital cameras

Imaging & Sensing Solutions Segment (I&SS Segment)

Sales and Operating Income



	Q2 FY20	**Q2 FY21**
Image Sensors Sales	268.6	**245.3**



	FY20	FY21 August FCT	**FY21 October FCT**
Image Sensors Sales	872.2	945	**960**
Additions to long-lived assets for I&SS Segment	194.0	305	**295**
for Image Sensors (included above)	180.0	285	**275**

Q2 FY2021 (year-on-year)

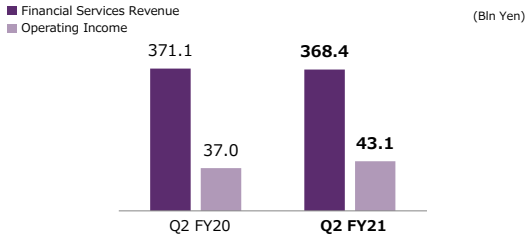
- Sales: 28.8 bln yen (9%) decrease (FX Impact: +8.7 bln yen)
  - ·(−) Decrease in sales of image sensors for mobile products
    - ·(−) Deterioration of the product mix
    - ·(+) Increase in unit sales
  - ·(+) Increase in unit sales of image sensors for digital cameras due to recovery from the impact of COVID-19
- OI: 1.0 bln yen decrease (FX Impact: -0.3 bln yen)
  - ·(−) Impact of decrease in sales
  - ·(+) Absence of inventory write-downs of certain image sensors for mobile products in Q2 FY20 (17.5 bln yen)

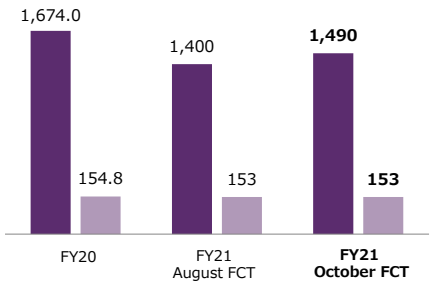
FY2021 Forecast (change from August forecast)

- Sales: Remain unchanged from August forecast
  - ·(+) Higher-than-expected sales of image sensors for digital cameras and for industrial equipment
  - ·(−) Lower-than-expected sales in businesses other than image sensors
- OI: 10 bln yen upward revision
  - ·(+) Impact of higher-than-expected sales of image sensors for digital cameras and for industrial equipment

Financial Services Segment

Financial Services Revenue and Operating Income





Q2 FY2021 (year-on-year)

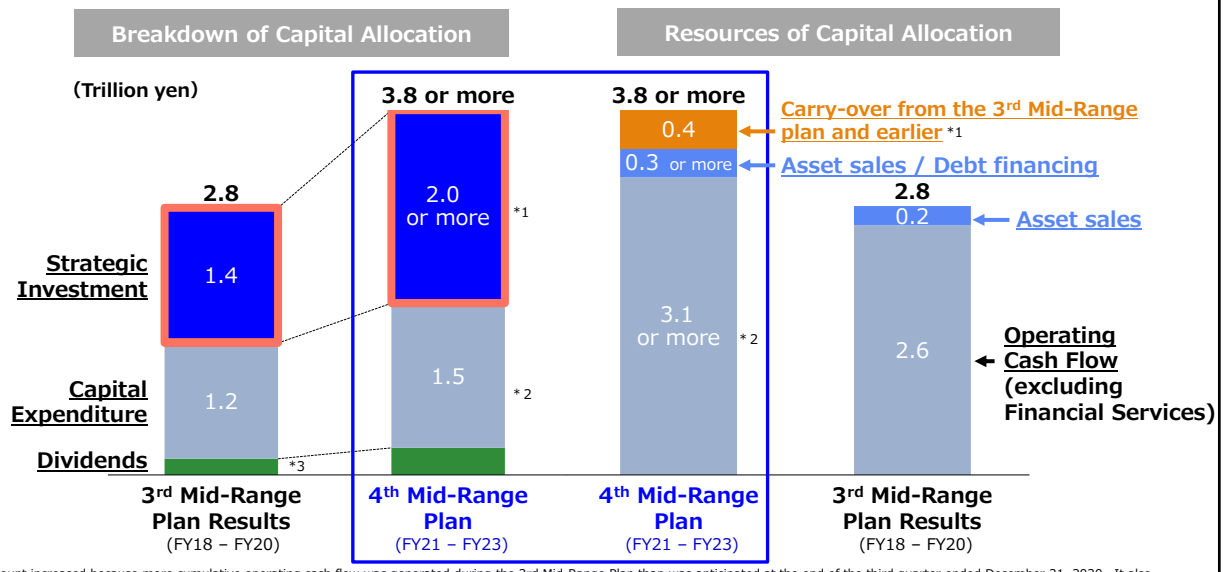
- Revenue: Essentially flat
  - ·(+) Increase in revenue at Sony Life*1 (1.1 bln yen increase, revenue: 323.4 bln yen)
    - ·(+) Increase in insurance premium revenue
    - ·(−) Decrease in net gains on investments in the separate accounts
- OI: 6.0 bln yen increase
  - ·(+) Increase in OI at Sony Life (8.9 bln yen increase, OI: 38.8 bln yen)
    - · (+) Decrease in expenses for various provisions related to COVID-19
    - · (+) Improvement in net gains and losses related to market fluctuations for variable life insurance and other products*2
    - · (+) Higher insurance premium revenue reflecting an increase in the policy amount in force
    - · (−) Increase in insurance payments

FY2021 Forecast (change from August forecast)

- Revenue: 90 bln yen (6%) upward revision
  - ·(+) Increase in net gains on investments in the separate accounts at Sony Life
- OI: Remain unchanged from August forecast

*1 Sony Life merged with its subsidiary which is engaged in the annuity business as of April 1, 2021. Due to the merger, from FY2021, the revenue at this subsidiary is included in the revenue at Sony Life. Excluding the impact of the above merger, the revenue at Sony Life decreased 4.4 billion yen year-on-year.
*2 Overall improvement in the provision of policy reserves for minimum guarantees for variable life insurance and other products resulting from market fluctuations, and net gains and losses on derivative transactions to hedge market risks.

Fourth Mid-Range Plan Capital Allocation (excl. Financial Services)



*1 Amount increased because more cumulative operating cash flow was generated during the 3rd Mid-Range Plan than was anticipated at the end of the third quarter ended December 31, 2020. It also increased because of the postponement of cash outflows for strategic investments that were already decided.
*2 Figures in the 4th Mid-Range Plan are based on IFRS. Operating cash flow includes the impact of the difference in accounting standards relating to principal payments for operating lease liabilities and the purchases and sales of content assets. Capital expenditure includes increases in right-of-use assets related to operating lease agreements.
*3 Actual dividends paid in the 3rd Mid-Range Plan were approximately 170 billion yen.

Notes

Sales on a Constant Currency Basis and the Impact of Foreign Exchange Rate Fluctuations

The descriptions of sales on a constant currency basis reflect sales calculated by applying the yen's monthly average exchange rates from the same period of the previous fiscal year to local currency-denominated monthly sales in the relevant period of the current fiscal year. For Sony Music Entertainment ("SME") and Sony Music Publishing LLC ("SMP") in the Music segment, the constant currency amounts are calculated by applying the monthly average U.S. dollar / yen exchange rates after aggregation on a U.S. dollar basis.

Results for the Pictures segment are described on a U.S. dollar basis as the Pictures segment reflects the operations of Sony Pictures Entertainment Inc. ("SPE"), a U.S.-based operation that aggregates the results of its worldwide subsidiaries in U.S. dollars.

The impact of foreign exchange rate fluctuations on sales is calculated by applying the change in the yen's periodic weighted average exchange rate for the same period of the previous fiscal year from the relevant period of the current fiscal year to the major transactional currencies in which the sales are denominated. The impact of foreign exchange rate fluctuations on operating income (loss) is calculated by subtracting from the impact on sales the impact on cost of sales and selling, general and administrative expenses calculated by applying the same major transactional currencies calculation process to cost of sales and selling, general and administrative expenses as for the impact on sales. The I&SS segment enters into its own foreign exchange hedging transactions, and the impact of those transactions is included in the impact of foreign exchange rate fluctuations on operating income (loss) for that segment.

This information is not a substitute for Sony's consolidated financial statements measured in accordance with IFRS. However, Sony believes that these disclosures provide additional useful analytical information to investors regarding the operating performance of Sony.

Notes about Financial Performance of the Music, Pictures and Financial Services segments

The Music segment results include the yen-based results of Sony Music Entertainment (Japan) Inc. and the yen-translated results of SME and SMP, which aggregate the results of their worldwide subsidiaries on a U.S. dollar basis.

The Pictures segment results are the yen-translated results of SPE, which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis. Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results is specified as being on "a U.S. dollar basis".

The Financial Services segment results include Sony Financial Group Inc. ("SFGI") and SFGI's consolidated subsidiaries such as Sony Life Insurance Co., Ltd. ("Sony Life"), Sony Assurance Inc., and Sony Bank Inc. The results of Sony Life discussed in the Financial Services segment differ from the results that SFGI and Sony Life disclose separately on a Japanese statutory basis. On October 1, 2021, SFGI changed its company name from Sony Financial Holdings Inc.

Cautionary Statement

Statements made in this presentation with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. Sony cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore investors should not place undue reliance on them. Please note that Sony has disclosed the consolidated financial statements and its forecast for consolidated results for the fiscal year ending March 31, 2022 based on International Financial Reporting Standards (IFRS). Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to:

(i) Sony's ability to maintain product quality and customer satisfaction with its products and services;
(ii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including image sensors, game and network platforms, smartphones and televisions, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing customer preferences;
(iii) Sony's ability to implement successful hardware, software, and content integration strategies, and to develop and implement successful sales and distribution strategies in light of new technologies and distribution platforms;
(iv) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures, investments, capital expenditures, restructurings and other strategic initiatives;
(v) changes in laws, regulations and government policies in the markets in which Sony and its third-party suppliers, service providers and business partners operate, including those related to taxation, as well as growing consumer focus on corporate social responsibility;
(vi) Sony's continued ability to identify the products, services and market trends with significant growth potential, to devote sufficient resources to research and development, to prioritize investments and capital expenditures correctly and to recoup its investments and capital expenditures, including those required for technology development and product capacity;
(vii) Sony's reliance on external business partners, including for the procurement of parts, components, software and network services for its products or services, the manufacturing, marketing and distribution of its products, and its other business operations;
(viii) the global economic and political environment in which Sony operates and the economic and political conditions in Sony's markets, particularly levels of consumer spending;
(ix) Sony's ability to meet operational and liquidity needs as a result of significant volatility and disruption in the global financial markets or a ratings downgrade;
(x) Sony's ability to forecast demands, manage timely procurement and control inventories;
(xi) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony's assets, liabilities and operating results are denominated;
(xii) Sony's ability to recruit, retain and maintain productive relations with highly skilled personnel;
(xiii) Sony's ability to prevent unauthorized use or theft of intellectual property rights, to obtain or renew licenses relating to intellectual property rights and to defend itself against claims that its products or services infringe the intellectual property rights owned by others;
(xiv) the impact of changes in interest rates and unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;
(xv) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment;
(xvi) risks related to catastrophic disasters, pandemic disease or similar events;
(xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information and the personally identifiable information of its employees and customers, potential business disruptions or financial losses; and
(xviii) the outcome of pending and/or future legal and/or regulatory proceedings.

Risks and uncertainties also include the impact of any future events with material adverse impact. The continued impact of COVID-19 could heighten many of the risks and uncertainties noted above. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.