

SONY

Q2 FY2020 Consolidated Financial Results

(Three months ended September 30, 2020)

October 28, 2020

Sony Corporation

Please be aware that, in the following remarks, statements made 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. These statements are based on management's assumptions in light of the information currently available to it, and, therefore, you should not place undue reliance on them.

Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

For additional information as to risks and uncertainties, as well as other factors that could cause actual results to differ, please refer to today's press release, which can be accessed by visiting www.sony.net/IR.

■ Q2 FY2020 Consolidated Financial Results and FY2020 Consolidated Results Forecast

■ Segments Outlook

- Major changes are occurring in society and the economy, as well as in people's lives, primarily due to the spread of the new coronavirus disease ("COVID-19") and an increase in geopolitical risks.
- At Sony, the increased export restrictions the U.S. government has imposed on a certain major Chinese customer are having a significant negative impact on our image sensor business while stay-at-home demand resulting from COVID-19 is having a positive impact primarily on our game business.
- In an operating environment such as this where change is both rapid and broad, our diverse business portfolio augments the resilience of Sony and provides us an opportunity to expand new businesses.
- Now I will explain the following the consolidated results for the second quarter ended September 30, 2020 ("FY20 Q2") and the forecast for FY20, and the state of each of our business segments.

Q2 FY2020 Consolidated Results

(Bln Yen)

	Q2 FY19	Q2 FY20	Change
Sales & operating revenue	2,122.3	2,113.5	-8.8 bln yen (-0%)
Operating income	279.0	317.8	+38.8 bln yen (+14%)
Income before income taxes	262.1	299.6	+37.5 bln yen (+14%)
Net income attributable to Sony Corporation's stockholders	187.9	459.6	+271.7 bln yen (+145%)
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	148.59 yen	367.82 yen	+219.23 yen
Average rate			
1 US dollar	107.4 yen	106.2 yen	
1 Euro	119.3 yen	124.1 yen	

- FY20 Q2 consolidated sales decreased slightly compared to the same quarter of the previous fiscal year (“year-on-year”) to 2 trillion 113.5 billion yen, but consolidated operating income increased 38.8 billion yen year-on-year to 317.8 billion yen, which was a record high for the second quarter.
- Income before income taxes increased 37.5 billion yen year-on-year to 299.6 billion yen.
- Net income attributable to Sony Corporation’s stockholders for the quarter increased 271.7 billion yen year-on-year to 459.6 billion yen. This significant increase in net income was primarily due to the improvement in operating income I mentioned and a 214.9 billion yen reversal of a portion of the valuation allowances recorded against deferred tax assets in the consolidated tax filing group in Japan.
- For details of adjusted profit excluding extraordinary items recorded in Q2, please refer to pages 3 through 6 of the presentation materials.

Q2 FY2020 Results by Segment

(Bln Yen)

		Q2 FY19	Q2 FY20	Change	FX Impact
Game & Network Services (G&NS)	Sales	454.4	506.6	+52.2	+2.3
	Operating income	65.0	104.9	+39.9	+1.3
Music	Sales	219.3	230.9	+11.6	-1.5
	Operating income	37.5	52.9	+15.4	
Pictures	Sales	260.6	192.3	-68.3	-2.2
	Operating income	39.3	31.8	-7.6	
Electronics Products & Solutions (EP&S)	Sales	493.5	504.7	+11.2	-1.2
	Operating income	41.4	54.0	+12.6	+1.1
Imaging & Sensing Solutions (I&SS)	Sales	310.7	307.1	-3.6	-2.9
	Operating income	76.4	49.8	-26.5	+1.0
Financial Services	Revenue	377.2	373.9	-3.2	
	Operating income	38.8	43.7	+4.9	
All Other	Sales	68.9	49.2	-19.7	
	Operating income	2.4	3.2	+0.8	
Corporate and elimination	Sales	-62.3	-51.2	+11.1	
	Operating income	-21.8	-22.5	-0.7	
Consolidated total	Sales	2,122.3	2,113.5	-8.8	
	Operating income	279.0	317.8	+38.8	

· Sales and Revenue 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).
 · Both Sales and Revenue include operating revenue and intersegment sales (applies to all following pages).
 · For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see Notes on page 29 (applies to all following pages).

- This slide shows the results by segment for FY20 Q2.

FY2020 Consolidated Results Forecast

(Bln Yen)

	FY19	FY20 August FCT	FY20 October FCT	Change from August FCT
Sales & operating revenue	8,259.9	8,300	8,500	+200 bln yen (+2%)
Operating income	845.5	620	700	+80 bln yen (+13%)
Income before income taxes	799.5	685	765	+80 bln yen (+12%)
Net income attributable to Sony Corporation's stockholders	582.2	510	800	+290 bln yen (+57%)
Operating Cash Flow (Sony without Financial Services)	762.9	550	630	+80 bln yen (+15%)
Average rate	Actual	Assumption (Q2-Q4 FY20)	Assumption (Q3-Q4 FY20)	Dividend per Share
1 US dollar	108.7 yen	Approx. 107 yen	Approx. 105 yen	Interim 25 yen
1 Euro	120.8 yen	Approx. 120 yen	Approx. 123 yen	Year-end Undecided

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

- Next, I will show the consolidated results forecast for FY20.
- Consolidated sales are expected to increase 200 billion yen compared with the previous forecast to 8 trillion 500 billion yen and operating income is expected to increase 80 billion yen to 700 billion yen.
- We have also upwardly revised the forecast for income before income taxes to 765 billion yen and net income attributable to Sony Corporations' stockholders to 800 billion yen.
- Our forecast for consolidated operating cash flow excluding the Financial Services segment is 630 billion yen, an increase of 80 billion yen compared with our previous forecast.
- Our assumed foreign currency exchange rates for the second half of the fiscal year are 105 yen to the U.S. dollar and 123 yen to the Euro.

FY2020 Results Forecast by Segment

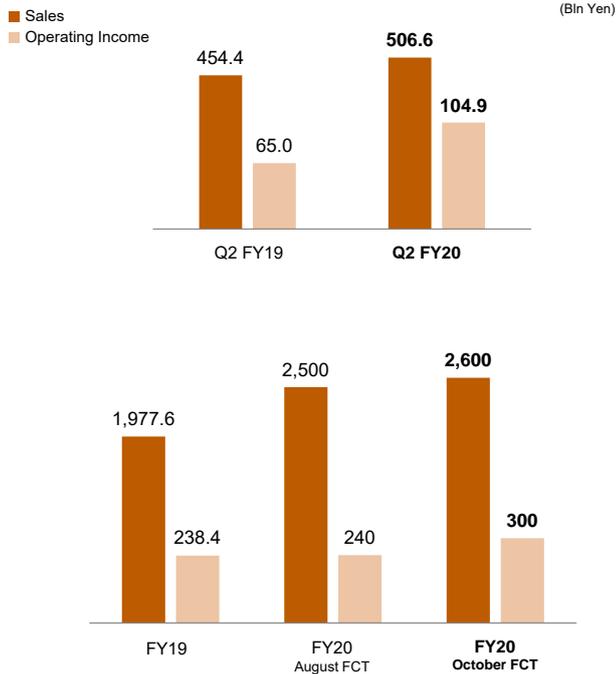
(Bln Yen)

		FY19	FY20 August FCT	FY20 October FCT	Change from August FCT
Game & Network Services (G&NS)	Sales	1,977.6	2,500	2,600	+100
	Operating income	238.4	240	300	+60
Music	Sales	849.9	790	850	+60
	Operating income	142.3	130	152	+22
Pictures	Sales	1,011.9	760	760	—
	Operating income	68.2	41	48	+7
Electronics Products & Solutions (EP&S)	Sales	1,991.3	1,870	1,870	—
	Operating income	87.3	60	67	+7
Imaging & Sensing Solutions (I&SS)	Sales	1,070.6	1,000	960	-40
	Operating income	235.6	130	81	-49
Financial Services	Revenue	1,307.7	1,400	1,460	+60
	Operating income	129.6	142	155	+13
All Other, Corporate and elimination	Operating income	-55.9	-123	-103	+20
Consolidated total	Sales	8,259.9	8,300	8,500	+200
	Operating income	845.5	620	700	+80

- This slide shows our forecast by segment.
- I will now explain the situation in each of our business segments.

Game & Network Services Segment (“G&NS Segment”)

Sales and Operating Income



Q2 FY2020 (year-on-year)

- Sales: 52.2 bln yen (11%) significant increase (FX Impact: +2.3 bln yen)
 - (+) Increase in game software sales
 - (+) Increase in sales for PlayStation®Plus (PS Plus)
 - (-) Decrease in PlayStation®4 hardware sales
- OI: 39.9 bln yen significant increase (FX Impact: +1.3 bln yen)
 - (+) Increase in first-party software sales
 - (+) Increase in PS Plus sales
 - (-) Increase in costs

FY2020 Forecast (change from August forecast)

- Sales: 100 bln yen (4%) upward revision
 - (+) Higher-than-expected software sales, mainly add-on content
- OI: 60 bln yen upward revision
 - (+) Higher-than-expected software sales, mainly add-on content
 - (+) Higher-than-expected PS Plus sales

- First is the G&NS segment.
- Software and network services performed well in Q2 primarily due to our first-party software title Ghosts of Tsushima becoming a big hit and PlayStation®Plus subscribers increasing as a result of stay-at-home demand.
- Sales increased 11% year-on-year to 506.6 billion yen with all categories increasing except for hardware, which is anticipating the launch of the PlayStation®5 (“PS5™”).
- Operating income significantly increased 39.9 billion yen to 104.9 billion yen, primarily due to an increase in software revenue.
- The FY20 sales forecast has been revised upward 100 billion yen compared to the previous forecast to 2 trillion 600 billion yen and the operating income forecast has been revised upward 60 billion yen to 300 billion yen.
- Although it has leveled off compared with its peak in April, stay-at-home demand, which drove sales and profit in this segment in the first half of the fiscal year, continued to have a positive impact, with total PlayStation user game play time in September up approximately 30% compared to the same month of the previous year.
- We expect this level of stay-at-home demand to continue in the second half.

PS5™ Launch Strategy



©Sony Interactive Entertainment Inc. All rights reserved. Design and specifications are subject to change without notice.

Marvel's Spider-Man: Miles Morales ©2020 MARVEL

ASTRO's PLAYROOM ©Sony Interactive Entertainment Inc.

Horizon Forbidden West ©Sony Interactive Entertainment Europe. Published by Sony Interactive Entertainment Inc. Developed by Guerrilla.

Returnal ©Sony Interactive Entertainment Inc. All Rights Reserved.

Ratchet & Clank: Rift Apart ©Sony Interactive Entertainment LLC. Created and developed by Insomniac Games, Inc.

Gran Turismo™ 7 ©Sony Interactive Entertainment Inc. Developed by Polyphony Digital Inc.

Demon's Souls ©Sony Interactive Entertainment Inc.

Sackboy: A Big Adventure ©Sony Interactive Entertainment Europe. Developed by Sumo Digital.

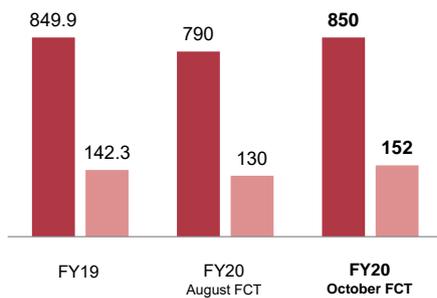
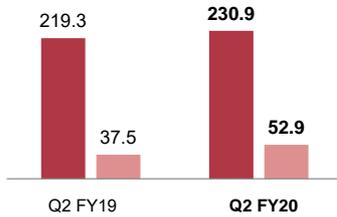
- Last month we announced the price, release date and software title lineup of the PS5™.
- The price we announced is the same one we incorporated into the fiscal year forecast we disclosed at the last earnings announcement, so there has been no change.
- As for the unit sales of the PS5™ this fiscal year, we are aiming to exceed the 7.6 million units we sold in the fiscal year of launch of the PlayStation®4, which achieved substantial market share and was a major success.
- As for software for the PS5™, we expect to have more titles than at any launch in our history, thanks to our high-quality, first-party software that is exclusive to the PlayStation, and to collaboration with our publisher partners.
- We expect to launch the PS5™ in great shape due to this appealing software lineup, the strength of the PlayStation brand, our pre-eminent game ecosystem and our cohesive gamer community.
- Our strategy is to grow sales and profit through increased user engagement driven by great game experiences on the PS5™, and we aim to accelerate the growth of recurring sales and profit by expanding the reach of our community through further strengthening of network services going forward.

Music Segment

Sales and Operating Income

■ Sales
■ Operating Income

(Bln Yen)



Q2 FY2020 (year-on-year)

- Sales: 11.6 bln yen (5%) increase (FX Impact: -1.5 bln yen)
 - (+) Higher sales for Recorded Music
 - (+) Increase in streaming revenues
 - (+) Strong physical media sales for several releases
- OI: 15.4 bln yen significant increase
 - (+) Impact of increase in sales
 - (+) Gain recorded in connection with the transfer of an overseas business (5.4 bln yen)

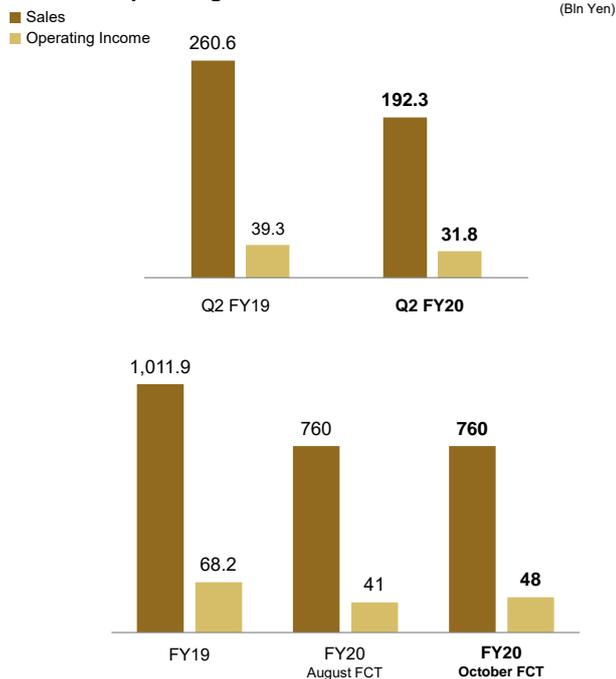
FY2020 Forecast (change from August forecast)

- Sales: 60.0 bln yen (8%) upward revision
 - (+) Increase in streaming revenues for Recorded Music
 - (+) Higher sales for Visual Media and Platform
 - (+) Strong performance of game applications for mobile devices
 - (+) Increase in anime business sales
- OI: 22.0 bln yen upward revision
 - (+) Impact of increase in sales

- Next is the Music segment.
- FY20 Q2 sales increased 5% year-on-year to 230.9 billion yen, primarily due to an increase in streaming revenue and a hit album release by Kenshi Yonezu in Japan.
- Operating income increased 15.4 billion yen to 52.9 billion yen due to the impact of the increase in sales and a one-time gain resulting from the transfer of a business.
- In the Recorded Music space, advertising-supported streaming, which was negatively impacted by COVID-19, is recovering and streaming revenue during the quarter continued to grow at the high rate of 18% year-on-year.
- Primarily because streaming revenue in Recorded Music is exceeding our expectations, FY20 sales are expected to increase 60 billion yen compared to our previous forecast to 850 billion yen and operating income is expected to increase 22 billion yen to 152 billion yen.
- *Demon Slayer – Kimetsu no Yaiba – the Movie: Mugen Train*, which Aniplex Inc., a consolidated subsidiary of Sony, co-produced and co-distributed, opened on October 16, 2020 and became the first film ever released in Japan to exceed 10 billion yen in box office revenue in the ten days after opening.
- The TV series is being distributed outside of Japan via channels such as Funimation, which is also a Sony Group company, and it is extremely popular.
- We expect this IP to contribute even further to the enhancement of synergy across our entertainment businesses, not just the animation business we are focusing on.

Pictures Segment

Sales and Operating Income



Q2 FY2020 (year-on-year)

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

- Sales: 68.3 bln yen (26%) significant decrease (U.S. dollar basis: -615 mil USD / -25%)
 - (-) Significant decrease in theatrical revenues due to theater closings resulting from the impact of COVID-19
 - (-) Lower advertising revenues for Media Networks resulting from the impact of COVID-19
 - (-) Lower revenues from fewer deliveries of TV shows due to production shutdowns resulting from the impact of COVID-19
 - (+) Higher television licensing and home entertainment revenues from Motion Pictures prior year and catalog titles
- OI: 7.6 bln yen decrease
 - (-) Decrease in sales
 - (+) Lower marketing costs in Motion Pictures

FY2020 Forecast (change from August forecast)

- Sales: Remain unchanged from August forecast
 - (+) Higher-than-expected home entertainment and television licensing sales in Motion Pictures
 - (+) Higher-than-expected recovery of advertising sales in Media Networks
 - (-) Delays in theatrical releases due to theater closures resulting from the impact of COVID-19
- OI: 7 bln yen upward revision
 - (+) Higher-than-expected home entertainment and television licensing sales in Motion Pictures

- Next is the Pictures segment.
- FY20 Q2 sales significantly decreased 26% year-on-year to 192.3 billion yen primarily due to a significant decrease in theatrical releases resulting from the impact of COVID-19, compared to the same quarter of the previous fiscal year in which the major hit Spider-Man: Far from Home was released, as well as a decrease in advertising revenue in Media Networks.
- Operating income decreased 7.6 billion yen year-on-year to 31.8 billion yen as the impact of the decrease in sales was partially offset by a decrease in marketing expenses in Motion Pictures and other factors.
- Our forecast for FY20 sales has not changed, but the forecast for operating income has increased 7 billion yen to 48 billion yen to reflect the results of the first half.

Current State of the Business (Pictures Segment)

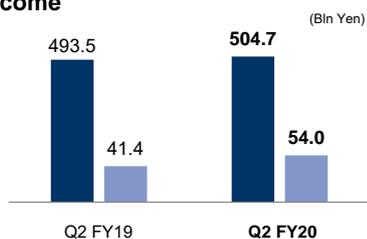
- **Gradually restarted motion picture and TV show production**
- **Continued to postpone release of major films**
- **Impact on financial results of theatrical release postponement will be longer term**
- **Advertising revenue is recovering**

- While taking steps to prevent the spread of COVID-19, we have restarted motion picture and TV show production in stages since July.
- Box office revenue has begun to recover, but the closure of theaters in major cities in the U.S. continues, and the major studios are postponing the release of large films. Once theaters reopen, there is a possibility that increased competition from a crowded motion picture release schedule will cause the recovery of our sales and profit to be delayed.
- The Motion Pictures business model is one where sales and profit are generated over multiple years, starting with theatrical release, where hits are made, and progressing to successive windows such as home entertainment and TV and video-on-demand licensing. As a result, the negative impact on our financial results of not being able to release films into theaters will continue for several years going forward.
- On the other hand, advertising revenue in the Media Networks business, which was significantly negatively impacted by COVID-19, is recovering.

Electronics Products & Solutions Segment (“EP&S Segment”)

Sales and Operating Income

■ Sales
■ Operating Income

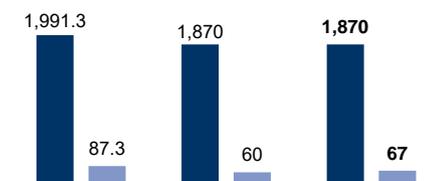


Mobile Communications*
(included above)

	Q2 FY19	Q2 FY20
Sales to External Customers	77.7	79.1
Operating Income	0.6	9.5

Q2 FY2020 (year-on-year)

- Sales: 11.2 bln yen (2%) increase (FX Impact: -1.2 bln yen)
 - (+) Increase in unit sales of televisions
 - (-) Decrease in unit sales of broadcast- and professional-use products and digital cameras
- OI: 12.6 bln yen significant increase (FX Impact: +1.1 bln yen)
 - (+) Reductions in operating costs
 - (+) Improvement in the product mix of televisions and increase in unit sales
 - (-) Decrease in unit sales of broadcast- and professional-use products and digital cameras



FY2020 Forecast (change from August forecast)

- Sales: Remain unchanged from August forecast
- OI: 7.0 bln yen upward revision
 - (+) Positive impact of foreign exchange rates

Mobile Communications*
(included above)

	FY19	FY20 August FCT	FY20 October FCT
Sales to External Customers	362.1	—	—
Operating Income	-21.1	—	—

* Mobile Communications includes the smartphone business and internet-related service business.

- Next is the EP&S segment.
- FY20 Q2 sales increased 2% year-on-year to 504.7 billion yen primarily due to an increase in unit sales of TVs.
- Operating income increased 12.6 billion yen year-on-year to 54.0 billion yen primarily due to a reduction in operating costs and an improvement in the product mix and an increase in the unit sales of TV.
- No change has been made to the forecast for FY20 sales, but, primarily due to the favorable impact of foreign currency exchange rates, we increased the FY20 operating income forecast by 7 billion yen compared to the previous forecast to 67 billion yen.

Current State of the Business (EP&S Segment)

- **Continuing to manage the business with extreme caution**
- **Rebuilding the business structure to generate profits continuously**
- **Bringing reality, real-time and remote value to customers**

- Although this segment was significantly negatively impacted by COVID-19 early, from February of this year, it regained its stability in Q2 thanks to a stabilization of the supply chain, stay-at-home demand for home audio and video products, and a recovery of demand for digital cameras and other products.
- Nevertheless, we are operating the business with extreme caution as recent signs of a resurgence of COVID-19, including intermittent disruption of the supply chain, have proven that the unpredictable situation is continuing.
- We are working to build a business that can generate a profit under even more severe circumstances by further accelerating management of the segment as one entity, improving the efficiency of our operations and optimizing our scale.
- Moreover, in order to bring reality, real-time and remote value to our customers using Sony's technology, we will work diligently to sow the seeds of future growth.

Imaging & Sensing Solutions Segment (“I&SS Segment”)

Sales and Operating Income

■ Sales
■ Operating Income

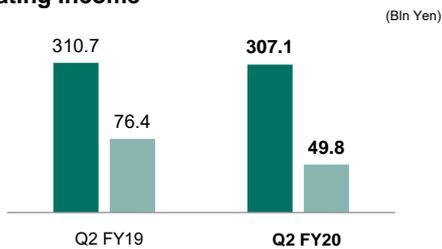


Image Sensors Sales	274.8	268.6
---------------------	-------	-------

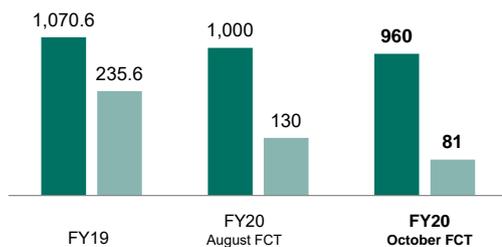


Image Sensors Sales	930.2	870	820
Additions to long-lived assets for I&SS Segment	276.8	260	235
for Image Sensors (included above)	265.7	240	215

Q2 FY2020 (year-on-year)

- Sales: 3.6 bln yen (1%) decrease (FX Impact: -2.9 bln yen)
 - (-) Decrease in sales of image sensors for digital cameras
- OI: 26.5 bln yen significant decrease (FX Impact: +1.0 bln yen)
 - (-) Inventory write-downs of certain image sensors for mobile products (-17.5 bln yen)
 - (-) Increase in research and development expenses as well as depreciation and amortization expenses
 - (-) Impact of decrease in sales

FY2020 Forecast (change from August forecast)

- Sales: 40 bln yen (4%) downward revision
 - (-) Decrease in sales of image sensors for mobile products
 - (+) Increase in sales of image sensors for digital cameras
 - (+) Increase in sales in businesses other than image sensors such as analog LSIs
- OI: 49 bln yen downward revision
 - (-) Impact of decrease in sales
 - (-) Inventory write-downs of certain image sensors for mobile products (-17.5 bln yen)
 - (-) Negative impact of foreign exchange rates

- Next is the I&SS segment.
- FY20 Q2 sales decreased slightly year-on-year to 307.1 billion yen and operating income significantly decreased 26.5 billion yen to 49.8 billion yen.
- FY20 sales are expected to decrease 40 billion yen to 960 billion yen and operating income is expected to significantly decrease 49 billion yen to 81 billion yen.
- Even accounting for the decrease in operating income in FY20, we expect the difference between the total of operating cash flow and investing cash flow for the segment over the three fiscal years begun April 1, 2018 to be positive.
- Pursuant to export restrictions announced by the U.S. government on August 17, 2020 we terminated product shipments to a certain major Chinese customer as of September 15, 2020.
- The forecast disclosed today for the second half of this fiscal year does not include any shipments to that customer.
- In addition, the operating income for the quarter includes an approximately 17.5 billion yen write-down of finished goods and work-in-progress inventory for that customer recorded at the end of September.

Business Strategy Update (I&SS Segment)

- **Strengthen and revise business strategy to reflect changes in the environment**
 - ✓ **Postpone the timing of capital expenditures**
 - ✓ **Continue to enhance research and development**
 - ✓ **Expand and diversify customer base**

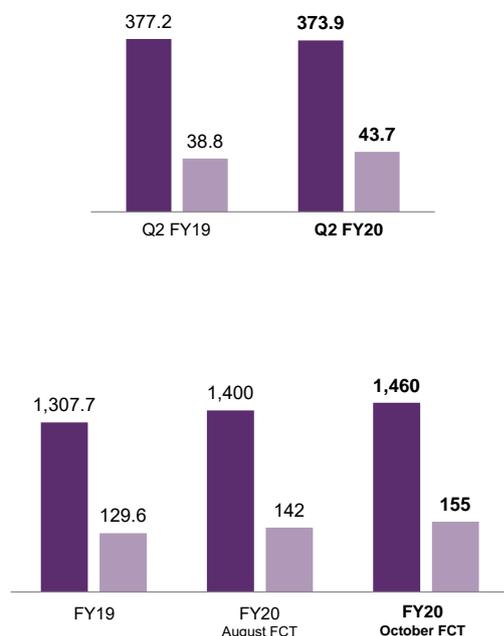
- **Mid- to long-term business growth**

- Based on this situation, we are further revising the business strategy, as I explained at the previous earnings announcement, from the perspective of capital expenditures, research and development and customer base.
- We are further postponing the timing of capital expenditures, with cumulative capital expenditures for the three fiscal years begun April 1, 2018 expected to be reduced 40 billion yen from the approximately 650 billion yen I explained last time.
- We do not think it is prudent to prematurely reduce research and development spending because we want to meet the needs of a wide range of smartphone customers, as well as maintain and increase our future technological competitive advantage.
- We have had some success expanding and diversifying our customer base for FY21. The financial impact on our business in FY20 is limited, but we think it is possible to recapture, in FY21, a large portion of the market share, on a unit basis, we lost this fiscal year.
- However, we expect that it will take a long time for other customers to follow the trend to higher-functionality and larger die-sized smartphone cameras that the Chinese customer was leading. Thus, we expect the substantial recovery of profitability driven by these high value-added products to take place in the fiscal year ending March 31, 2023 (“FY22”).
- By recapturing market share in FY21 through an increase in sales of commodity sensors, and by recouping our business profitability in FY22 through more high value-added products, we aim to return the mobile image sensor business to growth.
- In addition, there is no change to our mid-to long-term strategy of growing our business through expansion of applications that use edge AI and 3D sensing capabilities, as well as through starting up automotive sensors in earnest.

Financial Services Segment

Financial Services Revenue and Operating Income

■ Financial Services Revenue
■ Operating Income (Bln Yen)



Q2 FY2020 (year-on-year)

- Revenue: Essentially flat
 - (-) Decrease in revenue at Sony Life (15.6 bln yen decrease, revenue: 324.0 bln yen)
 - (-) Decrease in premiums from single premium insurance
 - (+) Increase in net gains on investments in the separate accounts
 - (+) Impact of an equity affiliate becoming a wholly-owned subsidiary in the fourth quarter of the previous fiscal year
 - (+) Improvement in valuation gains and losses on securities at Sony Bank
- OI: 4.9 bln yen increase
 - (+) Improvement in valuation gains and losses on securities at Sony Bank
 - (+) Decline in the loss ratio for automobile insurance at Sony Assurance
 - (-) Decrease in OI at Sony Life (1.4 bln yen decrease, OI: 33.2 bln yen)
 - (-) Expenses recorded for various provisions related to COVID-19
 - (-) Deterioration in net gains and losses related to market fluctuations for variable life insurance*
 - (+) Improvement in foreign exchange gains and losses in U.S. dollar-denominated insurance

FY2020 Forecast (change from August forecast)

- Revenue: 60 bln yen (4%) upward revision
 - (+) Increase in net gains on investments in the separate accounts at Sony Life
- OI: 13 bln yen upward revision
 - (+) Decline in the loss ratio for automobile insurance at Sony Assurance
 - (+) Improvement in valuation gains and losses on securities at Sony Bank

* Overall deterioration 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

- Last is the Financial Services segment.
- FY20 Q2 financial services revenue was essentially flat at 373.9 billion yen.
- Operating income increased 4.9 billion yen to 43.7 billion yen primarily due to an improvement in valuation gains and losses on securities held at Sony Bank and a decline in the loss ratio for automobile insurance at Sony Assurance.
- We expect FY20 Financial Services revenue to increase 60 billion yen compared to our previous forecast to 1 trillion 460 billion yen primarily due to an increase in net gains on investments in the separate account related to variable insurance products at Sony Life.
- We expect operating income to increase 13 billion yen to 155 billion yen primarily due to the decline in the loss ratio for automobile insurance at Sony Assurance.

Disclosure for Financial Services Business

- **Sony Financial Holdings**
 - ✓ **Financial services revenue by entity**

- **Sony Life**
 - ✓ **Revenue breakdown / Operating Income**
 - ✓ **Policy amount in force / New policy amount**
 - ✓ **Number of Lifeplanner® sales employees**

- Sony Financial Holdings Inc. became a wholly-owned subsidiary of Sony Corporation on September 2, 2020.
- Going forward, we will disclose the information shown here pertaining to the Financial Services segment on a quarterly basis in our Supplemental Information..

Business Momentum Going Forward

Game & Network Services	(+) Expansion of PlayStation™Network user base (+) Enhancement of user engagement through PS5™ launch (-) Decrease in positive impact from stay-at-home demand in Network Services and Software sales	 → 
Music	(+) Solid growth in the streaming market (+) Increase in licensing revenue from recovery of advertising market (+) Gradual reopening of live events	 → 
Pictures	(+) Increase in long-term revenue and profit opportunity due to restart of production and theatrical release of motion pictures (-) Impact on revenue and profit of significant decrease in production and theatrical release of motion pictures in FY20 (+) Increase in revenue and profit opportunity due to recovery in TV program production and advertising demand	 → 
Electronics Products & Solutions	(+) Recovery of market demand (+) Streamlined operations and positive impact from restructuring (-) Continued intermittent supply chain risks	 → 
Imaging & Sensing Solutions	(-) Termination of sales to a certain Chinese customer (+) Expansion of market share with other customers (-) Time required to improve product mix	 → 
Financial Services	(+) New policy acquisition partially due to more remote consulting (-) Continued low interest rate environment	 → 

Weak  <  <  <  <  Strong

· The above illustrates current expectations regarding the future direction of each business.
· For FY2020 Consolidated Results Forecast and FY2020 Results Forecast by Segment, see pages 14 and 15.

- Lastly, I will discuss the outlook for our businesses into next fiscal year.
- This slide shows our current view as to the momentum for each business from today through next fiscal year and beyond.
- As I have explained today, we are incorporating a negative impact on the financial results of the I&SS segment relating to a certain major Chinese customer, but there is no change to the mid-to long-term growth momentum of our business overall, and we are gaining confidence that it is possible to strengthen and grow our business despite the COVID-19 pandemic.
- We aim to grow even more in the future by returning to the path of profit growth from next fiscal year, which is when our next mid-range plan begins.
- This concludes my remarks.

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"), Sony/ATV Music Publishing LLC ("Sony/ATV") and EMI Music Publishing Ltd. ("EMI") 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 U.S. GAAP. 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, Sony/ATV and EMI, 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 Holdings Inc. ("SFH") and SFH'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 SFH and Sony Life disclose separately on a Japanese statutory basis.

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. 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.