SONY

Q1 FY2021 Consolidated Financial Results

(Three months ended June 30, 2021)

August 4, 2021

Sony Group 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.com/en/SonyInfo/IR.

- Q1 FY2021 Consolidated Financial Results and FY2021 Consolidated Results Forecast
- Segments Outlook

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- Today I will discuss the following topics.
- We have changed our accounting standard to IFRS from the current fiscal year, so the results for the current quarter, our forecast for the current fiscal year, and the results for the previous fiscal year, which I will explain today, are all based on IFRS.

Q1 FY2021 Consolidated Results

(Bln Yen)

	Q1 FY20	Q1 FY21	Change
Sales*	1,962.9	**2,256.8**	+293.9 bln yen (+15%)
Operating income	221.7	**280.1**	+58.3 bln yen (+26%)
Income before income taxes	268.6	**283.2**	+14.6 bln yen (+5%)
Net income attributable to Sony Group Corporation's stockholders	193.6	**211.8**	+18.2 bln yen (+9%)
Net income attributable to Sony Group Corporation's stockholders per share of common stock (diluted)	155.27 yen	**169.22 yen**	+13.95 yen
Average Rate			
1 US dollar	107.6 yen	**109.5 yen**	
1 Euro	118.5 yen	**131.9 yen**	

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

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- FY21 Q1 consolidated sales increased 15% compared to the same quarter of the previous fiscal year ("year-on-year") to 2 trillion 256.8 billion yen and consolidated operating income increased a significant 58.3 billion yen year-on-year to 280.1 billion yen, both record highs for the first quarter.

- Income before income taxes increased 14.6 billion yen year-on-year to 283.2 billion yen, and net income attributable to Sony Group Corporation's shareholders increased 18.2 billion yen to 211.8 billion yen.

Q1 FY2021 Results by Segment

(Bln Yen)

		Q1 FY20	Q1 FY21	Change	FX Impact
Game & Network Services (G&NS)	Sales	606.1	**615.8**	+9.7	+25.5
	Operating income	123.9	**83.3**	-40.6	+9.7
Music	Sales	177.1	**254.9**	+77.8	+3.0
	Operating income	35.6	**55.4**	+19.7	
Pictures	Sales	175.1	**204.7**	+29.6	+3.3
	Operating income	27.0	**25.4**	-1.7	
Electronics Products & Solutions (EP&S)	Sales	361.4	**576.3**	+214.9	+23.6
	Operating income	-8.9	**71.8**	+80.6	+13.2
Imaging & Sensing Solutions (I&SS)	Sales	206.2	**218.1**	+11.9	+3.7
	Operating income	26.2	**30.5**	+4.3	-2.0
Financial Services	Revenue	440.2	**414.4**	-25.9	
	Operating income	36.0	**24.0**	-12.0	
All Other	Sales	25.3	**22.0**	-3.3	
	Operating income	3.5	**4.2**	+0.6	
Corporate and elimination	Sales	-28.5	**-49.3**	-20.8	
	Operating income	-21.7	**-14.3**	+7.4	
Consolidated total	Sales	1,962.9	**2,256.8**	+293.9	
	Operating income	221.7	**280.1**	+58.3	

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).

- This slide shows the results by segment for FY21 Q1.

FY2021 Consolidated Results Forecast

(Bln Yen)

	FY20	FY21 April FCT	FY21 August FCT	Change from April FCT
Sales	8,998.7	9,700	**9,700**	-
Operating income	955.3	930	**980**	+50 bln yen (+5%)
Income before income taxes	998.0	905	**955**	+50 bln yen (+6%)
Net income attributable to Sony Group Corporation's stockholders	1,029.6	660	**700**	+40 bln yen (+6%)
Operating Cash Flow (Sony without Financial Services)	1,150.3	910	**890**	-20 bln yen (-2%)

Average rate	Actual	Assumption	Assumption (Q2-Q4 FY21)
1 US dollar	106.1 yen	Approx. 107 yen	Approx. 110 yen
1 Euro	123.7 yen	Approx. 126 yen	Approx. 131 yen

Dividend per Share (Planned)	
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.

- Next, I will show the consolidated results forecast for FY21.
- Our consolidated sales forecast remains unchanged from the previous forecast.
- Our operating income forecast has increased 50 billion yen from our previous forecast to 980 billion yen, primarily reflecting the results of FY21 Q1.
- We have also upwardly revised our forecast for income before income taxes to 955 billion yen and our forecast for net income attributable to Sony Group Corporation's shareholders to 700 billion yen.
- Our forecast for consolidated operating cash flow excluding the Financial Services segment has decreased 20 billion yen from the previous forecast to 890 billion yen.
- Although forecasted operating cash flow will benefit from the upward revision in the forecast for profit, we project an increase in the acquisition of content assets, such as music catalogs, which are included in operating cash flow under IFRS.

FY2021 Results Forecast by Segment

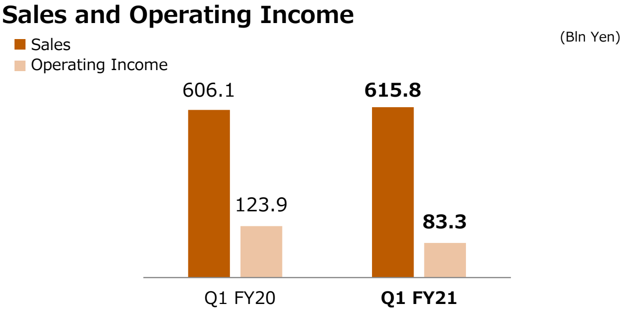
(Bln Yen)

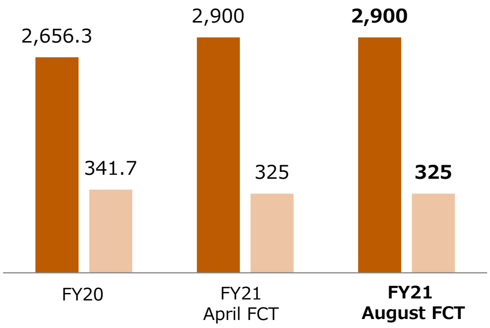
Segment		FY20	FY21 April FCT	FY21 August FCT	Change from April FCT
Game & Network Services (G&NS)	Sales	2,656.3	2,900	**2,900**	-
	Operating income	341.7	325	**325**	-
Music	Sales	939.9	990	**1,040**	+50
	Operating income	184.8	162	**190**	+28
Pictures	Sales	753.0	1,140	**1,120**	-20
	Operating income	79.9	83	**90**	+7
Electronics Products & Solutions (EP&S)	Sales	2,068.1	2,260	**2,320**	+60
	Operating income	127.9	148	**170**	+22
Imaging & Sensing Solutions (I&SS)	Sales	1,012.5	1,130	**1,100**	-30
	Operating income	145.9	140	**140**	-
Financial Services	Revenue	1,674.0	1,400	**1,400**	-
	Operating income	154.8	170	**153**	-17
All Other, Corporate and elimination	Operating income	-79.6	-98	**-88**	+10
Consolidated total	Sales	8,998.7	9,700	**9,700**	-
	Operating income	955.3	930	**980**	+50

- This slide shows our forecast by segment for FY21.
- I will now explain the situation in each of our business segments.

Game & Network Services Segment (G&NS Segment)

Sales and Operating Income





Q1 FY2021 (year-on-year)

- Sales: 9.7 bln yen (2%) increase (FX Impact: +25.5 bln yen)
  - ·(+) Increase in sales of hardware and peripheral devices
  - ·(+) Impact of foreign exchange rates
  - ·(–) Decrease in sales of non-first-party titles including add-on content
- OI: 40.6 bln yen significant decrease (FX Impact: +9.7 bln yen)
  - ·(–) Decrease in sales of non-first-party titles including add-on content
  - ·(–) Deterioration of operating results for hardware
    - ·(–) Loss resulting from strategic price points for PlayStation®5 hardware that were set lower than manufacturing costs
    - ·(–) Decrease in unit sales of PlayStation®4 hardware
  - ·(–) Increase in selling, general and administrative expenses
  - ·(+) Positive impact of foreign exchange rates

FY2021 Forecast (change from April forecast)

- Sales / OI: Remain unchanged from April forecast

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- First is the Game & Network Services segment.
- FY21 Q1 sales increased 2% year-on-year to 615.8 billion yen primarily due to an increase in hardware sales resulting from the launch of PlayStation®5 (“PS5™”) and the impact of foreign exchange rates, partially offset by lower software sales.
- Operating income decreased a significant 40.6 billion yen year-on-year to 83.3 billion yen primarily due to the impact of the decrease in software sales, a deterioration in hardware profit, and an increase in selling, general and administrative expenses.
- Our FY21 forecast remains unchanged from the previous forecast, and there is no change to this fiscal year’s target of selling more than 14.8 million units of PS5™, which was the number of units we sold of PlayStation®4 in the fiscal year after its launch.

Current State of the Business

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- FY21 Q1 software and network services revenue decreased 15% compared to the same quarter of the previous fiscal year when stay-at-home demand was high around the world, primarily due to a decrease in software add-on revenue from third-party titles. Nevertheless, software sales increased 38% compared to the same quarter of the fiscal year ended March 31, 2020 (“FY19”), which was before the COVID-19 pandemic, and we believe that the game market has expanded significantly over the last two years.

- Similarly, total gameplay time of PlayStation users in FY21 Q1 decreased 32% year-on-year but increased 18% compared to the same quarter of FY19, showing continued steady growth.

- Sales of first-party software decreased compared to the same quarter of the previous fiscal year when The Last of Us Part II was a big hit, but sales of all the titles we released during the quarter, including Ratchet & Clank: Rift Apart and MLB® The Show™ 21, exceeded our expectations.

- Thanks in part to strong add-on sales, MLB® The Show™ 21 contributed significantly to sales and profit during the quarter. We have begun to release our first-party titles on platforms other than PlayStation, and MLB® The Show™ 21 was one such title, which followed upon the initial success we had with the PC versions of Horizon Zero Dawn and Days Gone.

Efforts to Strengthen Our Software Development Capability

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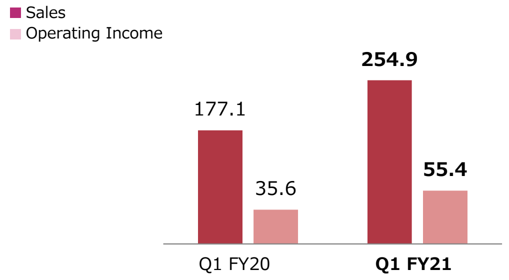
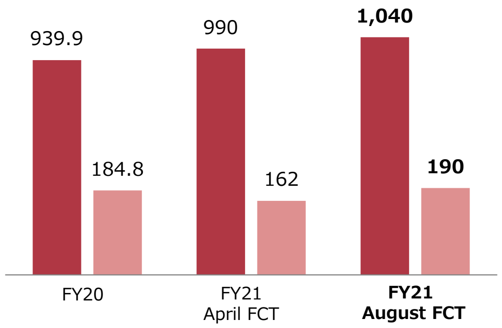
- PlayStation Studios, which oversees our first-party software production on a global basis, is accelerating investment to strengthen its production capabilities.
- In June, we announced the acquisition of Housemarque, which is the 13th studio under PlayStation Studios.
- Housemarque is a Finnish studio that has been successful for more than 20 years due to its superb technological capability and creativity, and it has received extremely high praise for Returnal, which it developed and released exclusively on PS5™ in FY21 Q1.
- Seven of our 13 studios have been acquired and have produced numerous hits and compelling IP such as The Last of US series, the Horizon series, and Ghost of Tsushima.
- In July, we announced the acquisition of Nixxes, a Dutch software development company that has excellent technology for porting game software between different platforms, such as PCs. We expect that Nixxes will offer technological support to all our studios in a horizontal manner.
- Going forward, we intend to continue to proactively make strategic investments with the aim of developing new IP, supporting our multi-platform strategy, and strengthening our service offerings including through add-on content.

Music Segment

Sales and Operating Income

(Bln Yen)





Q1 FY2021 (year-on-year)

- Sales: 77.8 bln yen (44%) 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 and physical media which were impacted by COVID-19 in Q1 FY20
  - ･(+) Higher sales for Visual Media and Platform
    - ･(+) Increase in sales in the anime business, primarily reflecting the contribution of physical media revenue from *Demon Slayer – Kimetsu no Yaiba – the Movie: Mugen Train*
- OI: 19.7 bln yen significant increase
  - ･(+) Impact of increase in sales
  - ･(−) Absence of gain recorded on the sale of a portion of shares of Pledis in Q1 FY20 (7.2 bln yen)

FY2021 Forecast (change from April forecast)

- Sales: 50 bln yen (5%) upward revision
  - ･(+) Higher sales for Recorded Music resulting from an increase in revenue from streaming services
  - ･(+) Impact of foreign exchange rates
- OI: 28 bln yen upward revision
  - ･(+) Impact of increase in sales

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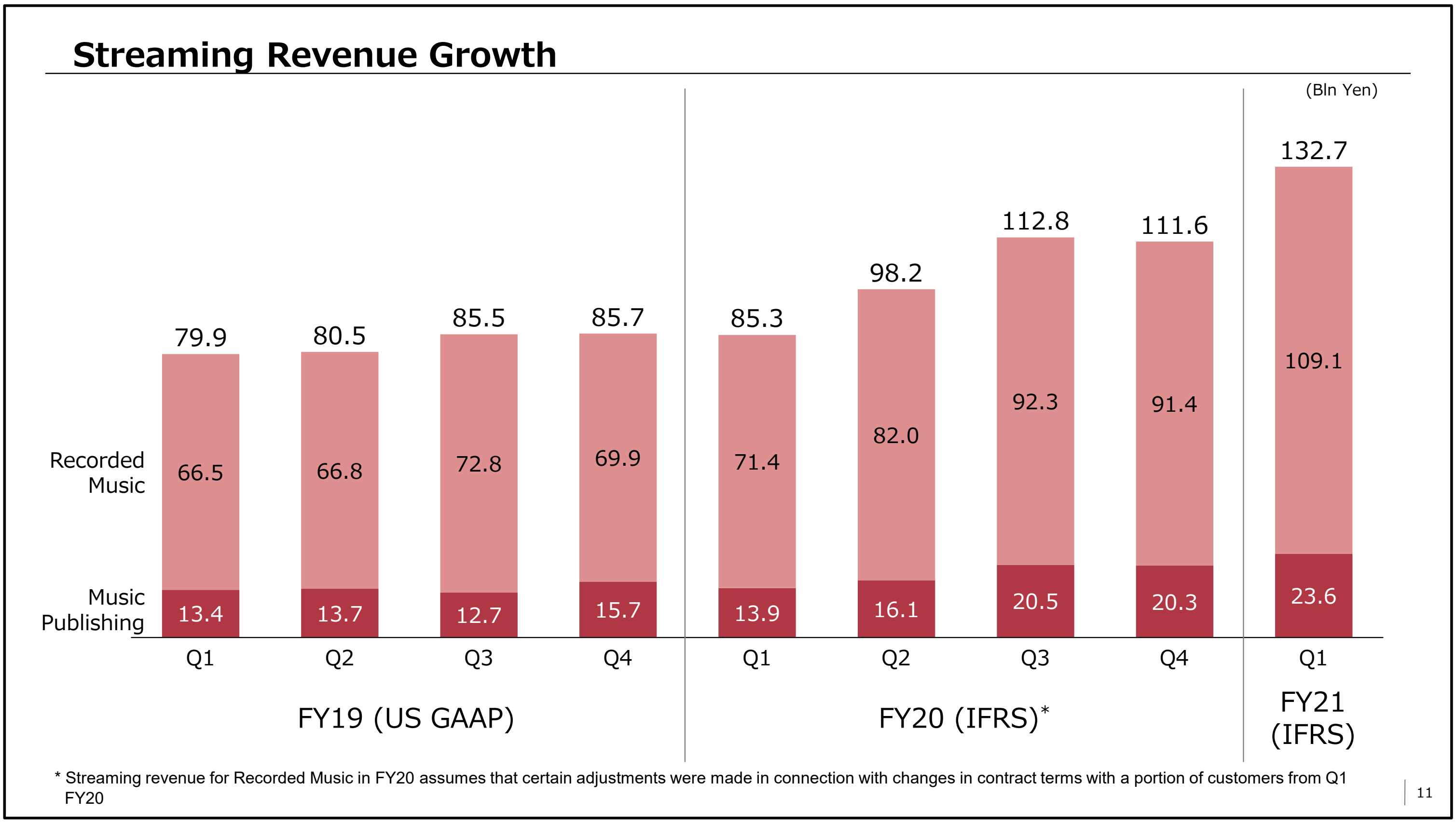
- Next is the Music segment.
- FY21 Q1 sales increased a significant 44% year-on-year to 254.9 billion yen as sales increased in all categories driven primarily by growth in streaming.
- Sales of products related to Demon Slayer – Kimetsu no Yaiba – the Movie: Mugen Train were the primary driver of the increase in sales of Visual Media and Platform.
- Primarily due to the benefit of the increase in sales, operating income increased significantly to 55.4 billion yen, 19.7 billion yen higher than the same quarter of the previous fiscal year in which a 7.2 billion yen one-time gain was recorded for the transfer of an equity stake in a third party.
- FY21 sales are expected to increase 50 billion yen compared to our previous forecast to 1 trillion 40 billion yen and FY21 operating income is expected to increase 28 billion yen compared to our previous forecast to 190 billion yen.
- The previous fiscal year's operating income included one-time gains of 13.2 billion yen, primarily from the transfer of equity stakes, and the historic blockbuster hit Demon Slayer. Nevertheless, we expect operating income this fiscal year to exceed that of last fiscal year because of the strong current momentum.



- Streaming revenue, which is the largest growth driver in this business, grew considerably due to strong paid streaming and a recovery in advertising-supported streaming which was negatively impacted by the COVID-19 pandemic. During the quarter, streaming revenue increased significantly, 53% year-on-year in Recorded Music and 70% year-on-year in Music Publishing.

- We are steadily improving our ability to generate hits by discovering and nurturing new artists. In this quarter as well, we had an average of 36 songs in Spotify's global top 100 songs ranking, and debut songs from our new artists are increasing in this hit ranking.

Recent Acquisitions / Investments / Alliance Deals

Acquisition completed – May 2021

Acquisition announced – June 2021

Acquisition announced – June 2021

Alliance announced – July 2021

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- In the area of strategic investment, we completed the acquisition of the DIY artist service business AWAL in May. This acquisition will strategically complement The Orchard in the growing indie market, enabling us to provide services to artists in various stages of their careers.

- In June, we announced the acquisitions of Somethin' Else, a major British podcast production company, and Alamo Records, a music label focused on hip hop in the U.S.

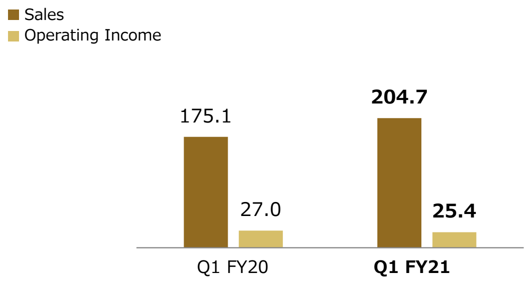
- And, in July, we announced an alliance with the rapidly growing online game platform Roblox. The alliance provides our artists the opportunity to connect with the Roblox community through virtual events and other means, and it creates revenue-generating opportunities that go beyond music.

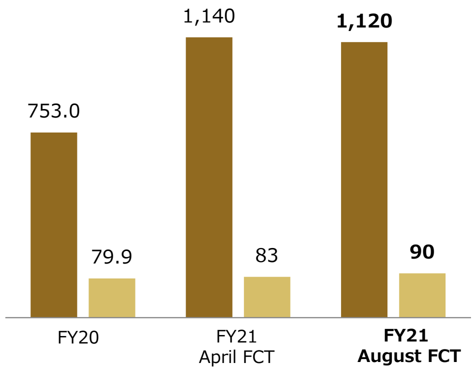
- Through proactive strategic investments and partnerships such as these, we aim to further grow our business and generate higher profitability than our competitors.

Pictures Segment

Sales and Operating Income

(Bln Yen)





Q1 FY2021 (year-on-year)

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

- Sales: 29.6 bln yen (17%) significant increase (U.S. dollar basis: 245 mil USD / 15 %)
  - ·(+) Higher sales for Media Networks due to higher advertising and subscription revenues
  - ·(+) Higher sales for Motion Pictures
    - ·(+) Increase in television licensing revenue
    - ·(−) Decrease in sales such as home entertainment due to limited prior year theatrical releases
  - ·(−) Lower licensing revenues in Television Productions
- OI: 1.7 bln yen decrease
  - ·(−) Decrease in sales, higher production costs in Television Productions
  - ·(+) Impact of increase in sales for Media Networks and Motion Pictures

FY2021 Forecast (change from April forecast)

- Sales: 20 bln yen (2%) downward revision
  - · (−) Decrease in sales for Motion Pictures and Television Productions
    - ·(−) Delays in some theatrical releases and deliveries of television episodes due in part to the impact of COVID-19
- OI: 7 bln yen upward revision
  - ·(+) Higher-than-expected television licensing sales in Motion Pictures and Television Productions
  - ·(−) Impact of decrease in sales

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- Next is the Pictures segment.
- FY21 Q1 sales increased 17% year-on-year to 204.7 billion yen primarily due to an increase in sales of Media Networks and Motion Pictures, partially offset by a decrease in sales of Television Productions.
- Operating income decreased 1.7 billion yen year-on-year to 25.4 billion yen, primarily due to the decrease in sales and an increase in production costs in Television Productions.
- FY21 sales are expected to decrease 20 billion yen compared to our previous forecast to 1 trillion 120 billion yen primarily due to later than originally anticipated theatrical release of motion picture product and deliveries of TV programming product.
- FY21 operating income is expected to increase 7 billion yen compared to our previous forecast to 90 billion yen primarily due to an increase in licensing revenue, partially offset by the impact of the decrease in sales.

Current State of the Business

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- In Motion Pictures, while U.S. box office revenue has recovered to about 40% to 50% of what it was prior to COVID-19, it remains uncertain when the situation will return to normal due to a resurgence of COVID-19.

- Given these circumstances, we are taking a flexible approach to our release strategy for films that are ready to be introduced to the market so as to maximize the long-term value of those works.

- For example, while we decided to further postpone the theatrical release of major films like Venom and Hotel Transylvania: Transformania, we decided to license to video streaming services the films Cinderella and Vivo, which were originally scheduled for theatrical release.

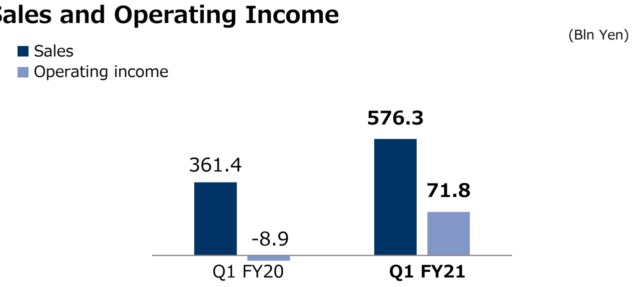
- Meanwhile, demand for content from video streaming services remains strong and the increase in licensing revenue from new releases and catalog product has exceeded the decrease in revenue caused by the lack of major theatrical releases in the previous fiscal year.

- In Media Networks, our video direct-to-consumer ("DTC") services are increasing their customer bases significantly, with paid subscribers since June 2020 increasing approximately 80% at our anime DTC service Funimation and approximately 700% at Sony LIV, our video DTC service in India.

- Pure Flix, which we acquired last fiscal year, has also increased its paying subscribers quickly, reaching a number today that we thought, at the time of acquisition, it would take another year to achieve.

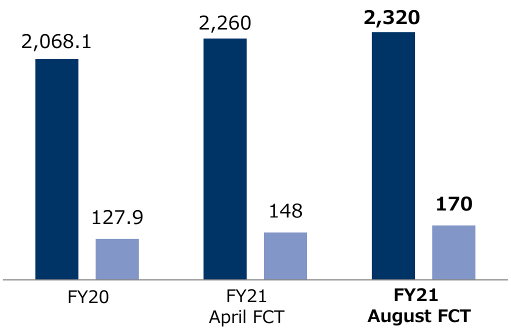
Electronics Products & Solutions Segment (EP&S Segment)

Sales and Operating Income



Q1 FY2021 (year-on-year)

- Sales: 214.9 bln yen (59%) significant increase (FX Impact: +23.6 bln yen)
  - ·(+) Increase in sales of televisions, digital cameras and Audio and Video due to an improvement in the product mix and increase in unit sales
- OI: 80.6 bln yen significant improvement (FX Impact: +13.2 bln yen)
  - ·(+) Impact of increase in sales
  - ·(+) Positive impact of foreign exchange rates



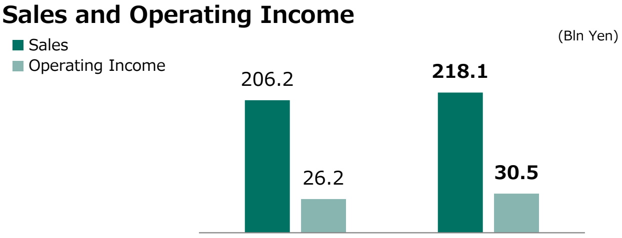
FY2021 Forecast (change from April forecast)

- Sales: 60 bln yen (3%) upward revision
  - ·(+) Impact of foreign exchange rates
  - ·(+) Higher-than-expected sales of digital cameras due to an increase in unit sales
  - ·(−) Lower-than-expected sales of televisions due to a decrease in unit sales
- OI: 22 bln yen upward revision
  - ·(+) Increase in unit sales and improvement in the product mix of digital cameras
  - ·(+) Positive impact of foreign exchange rates
  - ·(−) Decrease in unit sales of televisions

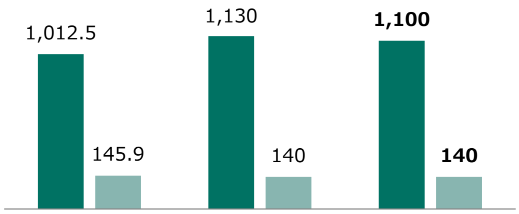
- Next is the Electronics Products & Solutions ("EP&S") segment.
- Primarily due to an increase in unit sales of televisions and digital cameras, as well as the impact of foreign exchange rates, sales for the quarter increased significantly to 576.3 billion yen, a 59% increase compared to the same quarter of the previous fiscal year which was severely negatively impacted by COVID-19.
- Operating income increased a significant 80.6 billion yen to 71.8 billion yen year-on-year, primarily due to the benefit of the increase in sales and an improvement in the product mix.
- FY21 sales are expected to increase 60 billion yen compared to the previous forecast to 2 trillion 320 billion yen and operating income is expected to increase 22 billion yen to 170 billion yen to reflect the results of FY21 Q1.
- In the TV business, the market for high-value-added, large-screen products, which is our focus, remains strong, but we are beginning to see a decline in the stay-at-home demand that has continued since last fiscal year in the market for low-priced, small- and medium-sized products. While the supply of TV panels is tight, we have maintained price and shifted our focus to higher value-added models, resulting in our average selling price rising a significant 38% year-on-year.
- In the digital camera business, which suffered a significant contraction in demand around the world due to COVID-19, sales are strong in all regions due to a recovery in demand and a shift in the market to high-performance and high-spec products, as well as our strong product competitiveness.
- At the same time, the recent resurgence of COVID-19 in Southeast Asia has caused governments to place restrictions on personal and corporate activity, and we have had to reduce our operations at our factories in Malaysia from the end of May. There is a risk that parts of our component supply chain could also be negatively impacted.
- Our FY21 forecast incorporates these emerging supply-side risks as well as demand-side risks, such as lower stay-at-home demand from the second half of the fiscal year.

Imaging & Sensing Solutions Segment (I&SS Segment)

Sales and Operating Income



	Q1 FY20	**Q1 FY21**
Image Sensors Sales	179.9	**187.2**



	FY20	FY21 April FCT	**FY21 August FCT**
Image Sensors Sales	872.2	970	**945**
Additions to long-lived assets for I&SS Segment	194.0	305	**305**
for Image Sensors (included above)	180.0	285	**285**

Q1 FY2021 (year-on-year)

- Sales: 11.9 bln yen (6%) increase (FX Impact: +3.7 bln yen)
  - ·(+) Increase in unit sales of image sensors for digital cameras due to the recovery from the impact of COVID-19
  - ·(−) Decrease in sales of image sensors for mobile products
    - ·(−) Deterioration of the product mix
    - ·(+) Increase in unit sales
- OI: 4.3 bln yen increase (FX Impact: -2.0 bln yen)
  - ·(+) Impact of increase in sales

FY2021 Forecast (change from April forecast)

- Sales: 30 bln yen (3%) downward revision
  - ·(−) Decrease in unit sales of image sensors for mobile products
  - ·(+) Impact of foreign exchange rates
- OI: Remain unchanged from April forecast
  - ·(+) Positive impact of foreign exchange rates
  - ·(−) Impact of decrease in sales

- Next is the Imaging & Sensing Solutions ("I&SS") segment.
- FY21 Q1 sales increased 6% year-on-year to 218.1 billion yen and operating income increased 4.3 billion yen year-on-year to 30.5 billion yen.
- FY21 sales are expected to decrease 30 billion yen compared to our previous forecast to 1 trillion 100 billion yen but our operating income forecast remains unchanged from the previous forecast.

Smartphone Market and Expansion of the Customer Base

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- In the mobile sensor business, shipments to Chinese manufacturers have slowed since May primarily due to the stagnation of the Chinese smartphone market and inventory adjustments. However, since we had incorporated this level of demand to some extent into our forecast, we recorded sales and profit for the quarter that were essentially in-line with our expectations.

- We were able to offset a year-on-year decrease in shipments to a certain Chinese customer and generate overall segment sales and profit that exceeded the same quarter of the previous fiscal year because of a steady increase in shipments to a major non-Chinese customer and a recovery in demand for image sensors for digital cameras.

- Regarding the efforts we have made to expand our customer base, adoption of our image sensors by Chinese smartphone manufacturers is progressing smoothly, and we have made strides in recovering our market share on a volume basis so far this fiscal year.

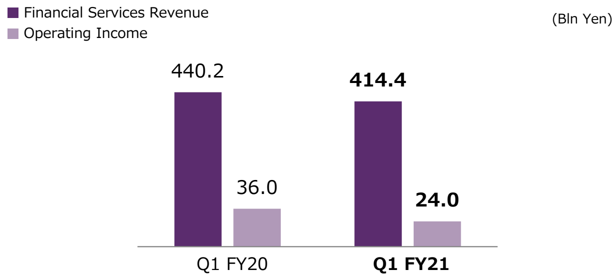
- In addition, we have gotten off to a good start when it comes to getting our high value-added image sensors designed into the flagship models that many smartphone makers plan to launch in the first half of 2022.

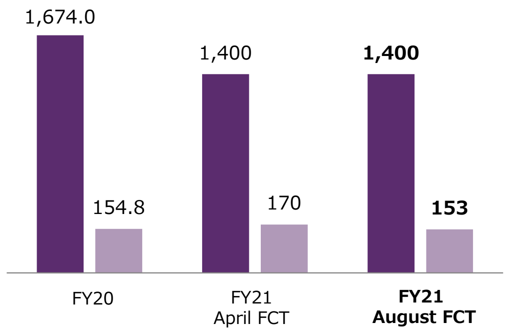
- On the other hand, we are concerned about the high-end smartphone market in China which is lacking momentum because there are no big hit products like those that had been sold in 2019 and 2020 by the Chinese manufacturer mentioned above.

- Since this situation could have an impact on the speed at which our mobile sensor business profitability is expected to recover from next fiscal year, we are monitoring the situation as well as the recovery of the Chinese smartphone market in the short-term.

Financial Services Segment

Financial Services Revenue and Operating Income





Q1 FY2021 (year-on-year)

- Revenue: 25.9 bln yen (6%) decrease
  - ·(−) Decrease in revenue at Sony Life (17.0 bln yen decrease, revenue: 371.4 bln yen)
    - ·(−) Decrease in net gains on investments in the separate accounts
    - ·(+) Increase in insurance premium revenue
- OI: 12.0 bln yen significant decrease
  - ·(−) One-time loss recorded at a subsidiary of Sony Life (-16.8 bln yen)
  - ·(−) Deterioration in valuation gains and losses on securities at Sony Bank
  - ·(−) Increase in the loss ratio for automobile insurance at Sony Assurance
  - ·(+) Increase in OI at Sony Life (11.9 bln yen increase, OI: 35.1 bln yen)
    - · (+) Decrease in expenses for various provisions related to COVID-19
    - · (+) Decrease in policy reserves due to a review of the basic rates associated with the integration of the annuity business

FY2021 Forecast (change from April forecast)

- Revenue : Remain unchanged from April forecast
- OI: 17 bln yen downward revision
  - ·(−) Above-mentioned one-time loss recorded at a subsidiary of Sony Life

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- Last is the Financial Services segment.
- FY21 Q1 financial services revenue decreased 6% year-on-year to 414.4 billion yen, primarily due to a decrease in net gains on investments in the separate accounts at Sony Life Insurance Co., Ltd ("Sony Life").
- Operating income decreased 12.0 billion yen year-on-year to 24.0 billion yen, mainly due to the impact of a one-time loss recorded at a consolidated subsidiary of Sony Life.
- As was announced today by Sony Life, in May of this year, we discovered an unauthorized withdrawal of approximately 17 billion yen out of a bank account in the name of SA Reinsurance Ltd., an overseas consolidated subsidiary of Sony Life. As a result, we recorded a loss equal to the amount of the withdrawal in Q1.
- After making this discovery, Sony Life immediately took action, including reporting the matter to the relevant authorities, and is continuing to work with the authorities investigating the matter to recover the funds and gain a full accounting of what occurred. We sincerely apologize for causing concern, but this matter has no impact on the insurance contracts that the customers of Sony Life have entered into.
- Our FY21 forecast for financial services revenue remains unchanged from the previous forecast. Operating income is expected to decrease 17 billion yen compared to the previous forecast to 153 billion yen.

Enhanced Disclosure

(Q1 FY21 ~)

Sony Life

MCEV・New Business Value

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- At the IR Day held in May, we explained our strategy to maximize the value of the Financial Services business by strengthening group management to sustainably grow the business in a profitable way.

- To demonstrate our progress in-line with this strategy, from this earnings announcement, we have decided to disclose two important indicators for assessing the corporate value of Sony Life – Market Consistent Embedded Value (MCEV) and New Policy Value – in our Supplemental Information document every quarter.

- We also increased the dividend that the Financial Services business paid at the end of the previous fiscal year by 20 yen per share to 90 yen per share. The business is expected to make additional contributions to the Sony Group through stable dividend increases.

- This concludes my remarks.

SONY

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 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. 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.