SONY

Q2 FY2021 Consolidated Financial Results

(Three months ended September 30, 2021)

October 28, 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.

- **Q2 FY2021 Consolidated Financial Results and FY2021 Consolidated Results Forecast**
- **Segments Outlook**

- Today, I will discuss the following topics.

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).

- FY21 Q2 consolidated sales increased 13% compared to the same quarter of the previous fiscal year ("year-on-year") to 2 trillion 369.4 billion yen and consolidated operating income increased 3.2 billion yen year-on-year to 318.5 billion yen, both record highs for the second quarter.

- Income before income taxes decreased 20.6 billion yen year-on-year to 283.1 billion yen, primarily due to a deterioration of valuation gains and losses on securities investments.

- Net income attributable to Sony Group Corporation's shareholders was 213.1 billion yen, a decrease of 245.5 billion yen compared to the same quarter of the previous fiscal year which included the recording of a 214.3 billion yen reversal of valuation allowances recorded against deferred tax assets.

- See pages 3 to 6 of the presentation materials for a depiction of each profit metric adjusted to exclude one-time items.

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).

- This slide shows the results by segment for FY21 Q2.

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.

- Next, I will show the consolidated results forecast for FY21.
- Consolidated sales are expected to increase 200 billion yen compared to our previous forecast to 9 trillion 900 billion yen and operating income is expected to increase 60 billion yen to 1 trillion 40 billion yen.
- We have also upwardly revised our forecast for income before income taxes to 990 billion yen and our forecast for net income attributable to Sony Group Corporation's shareholders to 730 billion yen.
- Our forecast for consolidated operating cash flow excluding the Financial Services segment is unchanged at 890 billion yen.

FY2021 Results Forecast by Segment

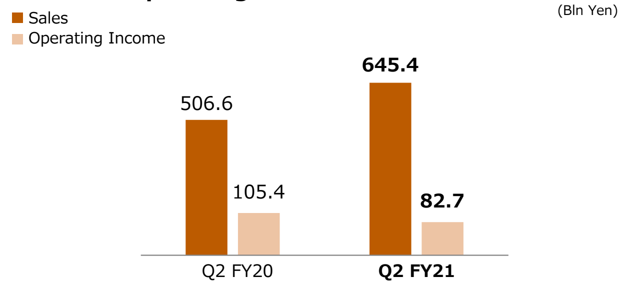
(Bln Yen)

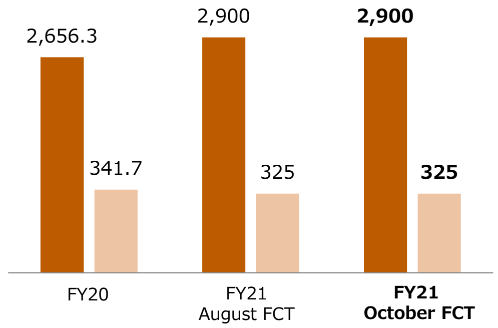
Segment		FY20	FY21 August FCT	FY21 October FCT	Change from August FCT
Game & Network Services (G&NS)	Sales	2,656.3	2,900	**2,900**	-
	Operating income	341.7	325	**325**	-
Music	Sales	939.9	1,040	**1,070**	+30
	Operating income	184.8	190	**200**	+10
Pictures	Sales	753.0	1,120	**1,180**	+60
	Operating 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

- 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





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

- First is the Game & Network Services segment.
- FY21 Q2 sales increased a significant 27% year-on-year to 645.4 billion yen, primarily due to an increase in PlayStation®5 (“PS5™”) hardware sales and an increase in game software sales of third-party titles.
- Operating income decreased 22.7 billion yen year-on-year to 82.7 billion yen, primarily due to a deterioration in the profitability of hardware and peripheral devices.
- Our FY21 forecast remains unchanged from the previous forecast.

Current State of the Business

- Driven by an increase in add-on content sales, Q2 game software sales exceeded those in the same quarter of the previous fiscal year when stay-at-home demand was strong.
- Total gameplay time of PlayStation users decreased 17% year-on-year but the fact that add-on content sales exceeded those in the same quarter of the previous fiscal year is a positive sign that the quality of user engagement has increased.
- In the second half of this fiscal year, the first-party software titles Horizon Forbidden West and Gran Turismo 7, as well as major third-party software titles, are scheduled to be released.
- As more game fans play these exciting titles, we expect user engagement to increase even more.
- At this time, there is no change to our FY21 unit sales target for PS5™ hardware, but several factors are significantly impacting the supply of the product such as the disruption of the global distribution supply chain and limitations on the supply of components, especially semiconductors.
- We are continuing to exert every effort to maintain the momentum of the PlayStation platform by meeting the expectations of the people who are waiting for a PS5™.

Efforts to Strengthen Our Software Development Capability

- To further strengthen our software development capability, we announced the acquisition of Firesprite in September and Bluepoint Games this month.

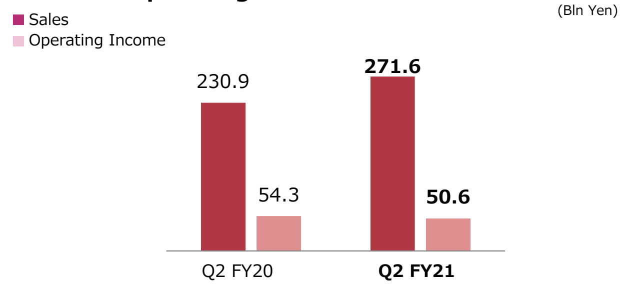
- Both companies have excellent technical capabilities and superb track-records, and they have heretofore contributed to the development of many of our game software titles. Going forward we plan to leverage these studios to increase the development capability of the PlayStation Studios and diffuse the expertise necessary to deploy games to PCs and mobile devices.

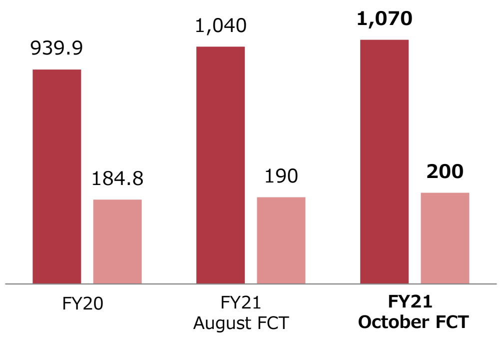
- As a result of the acquisitions announced since the beginning of this fiscal year, the number of PlayStation Studios will increase by 4 to 16, and the number of developers will increase by almost 20%.

- We plan to continue to aggressively invest in our development capability going forward.

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

- Next is the Music segment.
- FY21 Q2 sales increased a significant 18% year-on-year to 271.6 billion yen, primarily due to an increase in streaming revenue.
- Despite the impact of the increase in sales, operating income decreased to 50.6 billion yen, 3.7 billion yen lower than in the same quarter of the previous fiscal year in which a 5.9 billion yen one-time gain was recorded for the transfer of a business outside of Japan.
- The contribution to the operating income of the quarter from Visual Media and Platform, which includes mobile game applications and anime, accounted for approximately one-fourth of the operating income of the segment.
- FY21 sales are expected to increase 30 billion yen compared to our previous forecast to 1 trillion 70 billion yen and FY21 operating income is expected to increase 10 billion yen compared to our previous forecast to 200 billion yen.

Current State of the Business

- Streaming revenue in Q2 continued to grow at a high rate: 38% year-on-year in Recorded Music and 47% year-on-year in Music Publishing.

- Sony Music Group, which is responsible for our music businesses outside of Japan where the growth of the streaming market is conspicuous, is expected to reach record high operating income this fiscal year for the fifth consecutive year.

- We continue to generate hits thanks to our enhanced efforts to discover and nurture artists. In Q2, the Recorded Music business had an average of 38 songs in Spotify's global top 100 songs ranking.

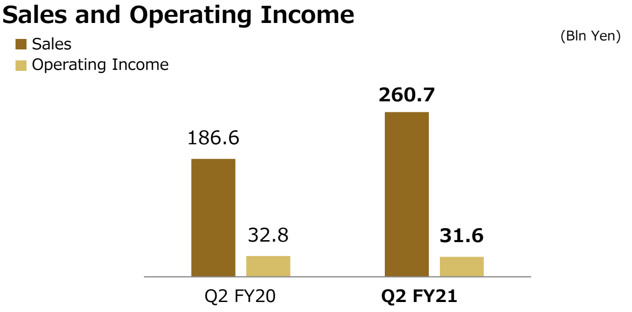
- Moreover, the new song Easy on Me, which was released by world-renowned singer-songwriter Adele after a six-year hiatus on October 14, made history as the most-played song on Spotify in a single day. We have high expectations for her album 30, which will be released next month.

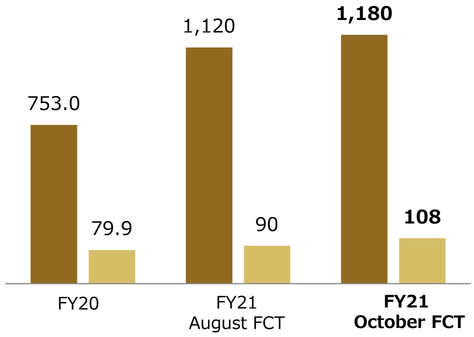
- Sony's competitive advantages in the music business lie in our global ecosystem that can meet the diverse needs of artists and the fact that, because our music business is part of the Sony Group, we can offer artists opportunities to express their creativity in areas such as games and pictures.

- In addition, we are enhancing our many artist-friendly initiatives, such as offering them financial and other support, and we believe these initiatives underpin the strong financial performance of this segment.

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

- Next is the Pictures segment.
- FY21 Q2 sales increased a significant 40% year-on-year to 260.7 billion yen, primarily due to an increase in sales of Television Productions and Media Networks.
- Despite the impact of the increase in sales, operating income decreased 1.2 billion yen year-on-year to 31.6 billion yen primarily due to an increase in marketing expenses related to the release of films in theaters.
- FY21 sales are expected to increase 60 billion yen compared to our previous forecast to 1 trillion 180 billion yen and operating income is expected to increase 18 billion yen compared to our previous forecast to 108 billion yen.

Current State of the Business for Motion Pictures

- Primarily in the U.S., we have begun to gradually release major films in theaters and our film Venom: Let There Be Carnage, which was released this month, generated box office revenue of approximately 10 billion yen in the first three days of its release in the U.S., which is the best opening performance of any film during the pandemic.

- We are planning to release other compelling IP from Sony to theaters going forward, such as Ghostbusters: Afterlife and Spider-Man: No Way Home.

- On the other hand, we plan to monetize family-oriented films this fiscal year, such as Hotel Transylvania: Transformania, by directly licensing them to video streaming services, as we do not believe they will draw sufficient theatrical audiences during the pandemic.

- Going forward, we plan to continue to respond appropriately to the changes in the environment through a flexible releasing strategy aimed at maximizing the long-term value of our films.

India Growth Strategy

- Last month, we signed a non-binding term sheet to merge a subsidiary of Sony Pictures Entertainment (“SPE”) and Zee Entertainment Enterprises, a media company in India. Under the proposed merger, SPE would hold a majority stake in the resulting merged company.

- Under the term sheet, the two parties are conducting mutual due diligence and Zee has agreed to negotiate exclusively with SPE for a period of 90 days with the goal of reaching definitive agreements.

- India has an economic base which is rapidly growing, primarily among the younger generation, and it is the largest linear TV market in the world that is still growing. In addition, the opportunity for digital distribution services is beginning to grow rapidly due to improvements in India’s communications infrastructure.

- SPE’s Indian business, which includes the video distribution service SONY LIV, is a leading TV broadcasting business in India, and it accounted for slightly less than 40% of the sales of Media Networks in Q2.

- As a growth area in the Pictures segment, we plan to continue to proactively seek opportunities to expand this business by using the profitability of the TV broadcasting business and our content assets to strengthen our digital distribution service.

Growth Strategy for Anime Business

- Now I will explain our anime business that spans the Music and Pictures segments.

- On August 9 of this year, we completed the acquisition of Crunchyroll by Funimation, a joint venture between SPE and Aniplex.

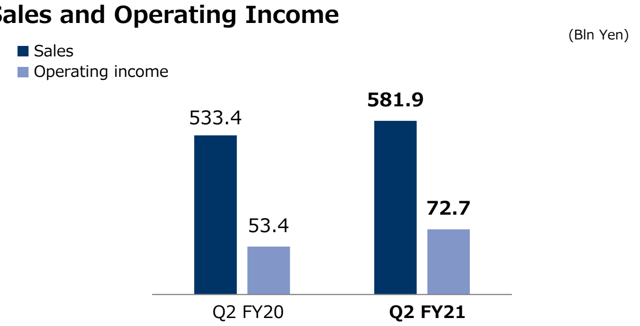
- Crunchyroll is the world's largest anime-dedicated direct-to-consumer service with more than 120 million registered users and more than 5 million paying subscribers in more than 200 countries and territories.

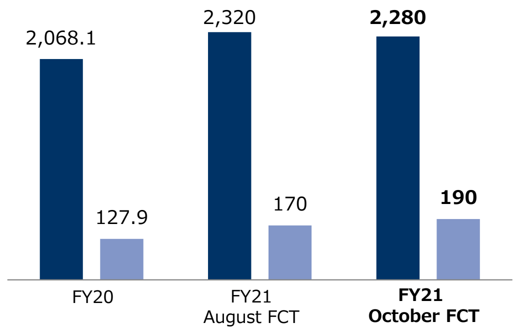
- The market for Japanese anime outside of Japan has grown significantly at a compound annual growth rate of 30% since 2014.

- We aim to create the most beloved video distribution platform for anime fans around the world by delivering compelling content through an enhanced distribution service brought about by the integration of Funimation and Crunchyroll.

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

- Next is the Electronics Products & Solutions ("EP&S") segment.
- Primarily due to the impact of foreign exchange rates and an increase in the sales of smartphones, Q2 sales increased 9% year-on-year to 581.9 billion yen.
- Operating income increased a significant 19.3 billion yen year-on-year to 72.7 billion yen, primarily due to the benefit of the increase in sales and an improvement in the product mix.
- FY21 sales are expected to decrease 40 billion yen compared to our previous forecast to 2 trillion 280 billion yen while operating income is expected to increase 20 billion yen compared to the previous forecast to 190 billion yen to reflect the results of FY21 Q2.

Current State of the Business

- During Q2, we were unable to meet the demand for some products because the resurgence of the COVID-19 pandemic in Southeast Asia led to limitations on our factory operations and on the supply of components. However, we maintained a high level of profitability due to our ability to maintain prices and shift to higher value-added models.

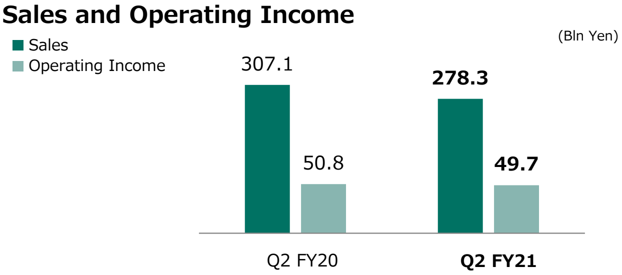
- In the TV business, although we were able to maintain market prices during Q2, a rapid decrease in panel prices going forward could impact the market prices of our products, so we have incorporated that possibility into our forecast and will closely monitor market trends in order to control inventory and margin.

- In addition, limitations on the supply of components, especially semiconductors, have recently become apparent and we have incorporated the impact of these shortages into our forecast for the fiscal year.

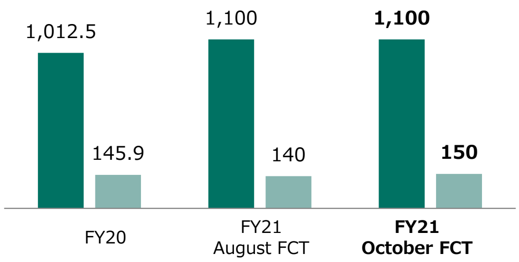
- Prior to incorporating these risks, the forecasted operating income for the second half of the fiscal year was essentially flat compared to the second half of the previous fiscal year.

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

- Next is the Imaging & Sensing Solutions (“I&SS”) segment.
- FY21 Q2 sales decreased 9% year-on-year to 278.3 billion yen and operating income decreased 1.0 billion yen year-on-year to 49.7 billion yen.
- Our FY21 sales forecast remains unchanged from the previous forecast, but operating income is expected to increase 10 billion yen compared to our previous forecast to 150 billion yen.

Current State of the Business

- Although the mobile sensor business was impacted by the recent weakness in the Chinese smartphone market, the tight supply and demand situation for semiconductors in general, and delays in the production of smartphones and components for smartphones in Southeast Asia, there is no major change to our FY21 forecast for the business primarily due to the positive impact of foreign exchange rates and a reduction in expenses.

- We are taking steps to minimize the impact on our financial performance this fiscal year of restrictions on the quantity and increases in the price of logic wafers procured from foundries.

- The efforts we have made to expand our customer base are also progressing steadily. However, securing the logic wafers necessary to increase the quantity and enhance the added value of our sensors from next fiscal year has become a major issue.

- We are continuing to negotiate with our foundries, but the tight supply and demand situation is expected to continue next fiscal year.

- Despite these challenges, we upwardly revised our fiscal year forecast for image sensors sold into Audio Visual and industrial equipment. The market for these sensors is growing faster than anticipated primarily due to a recovery in the market for digital cameras and an increase in demand for factory automation.

- This market is more stable than the market for mobile applications and has high profitability, so we expect that it will contribute to the stabilization of the profit of the entire image sensor business going forward.

Towards Securing Logic Wafers

- Now I would like to discuss the potential construction of a semiconductor factory in Japan by Taiwan Semiconductor Manufacturing Company ("TSMC"), which was announced by TSMC the other day.

- Sony outsources almost all the production of logic wafers as part of the process of our manufacturing image sensors, so securing a stable supply of logic wafers is a critical business issue at a time when the global semiconductor shortage is expected to be prolonged.

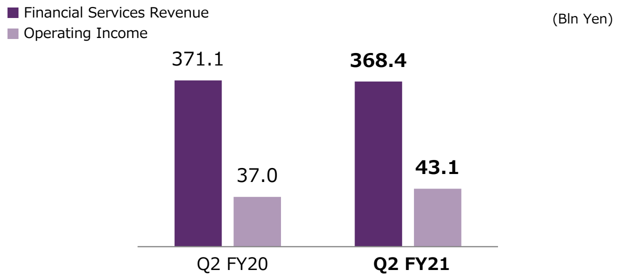
- Because building a factory of this nature could serve as a possible solution to this problem, in close collaboration with TSMC and the Ministry of Economy, Trade and Industry of Japan, we are studying the possibility of adding TSMC's Japan factory to our sources of logic wafers, and leveraging our expertise managing our own semiconductor factories in Japan to assist TSMC in building the new factory.

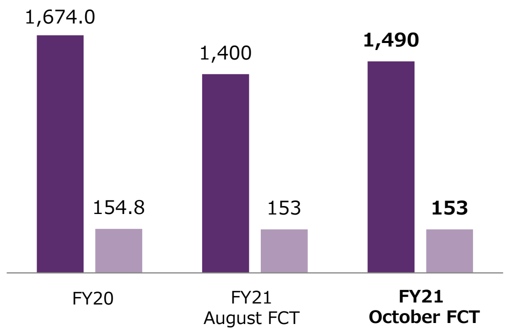
- We believe that further strengthening and deepening our partnership with TSMC, which has the world's leading semiconductor production technology, is extremely meaningful for Sony.

- However, this matter is subject to further study and discussion.

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

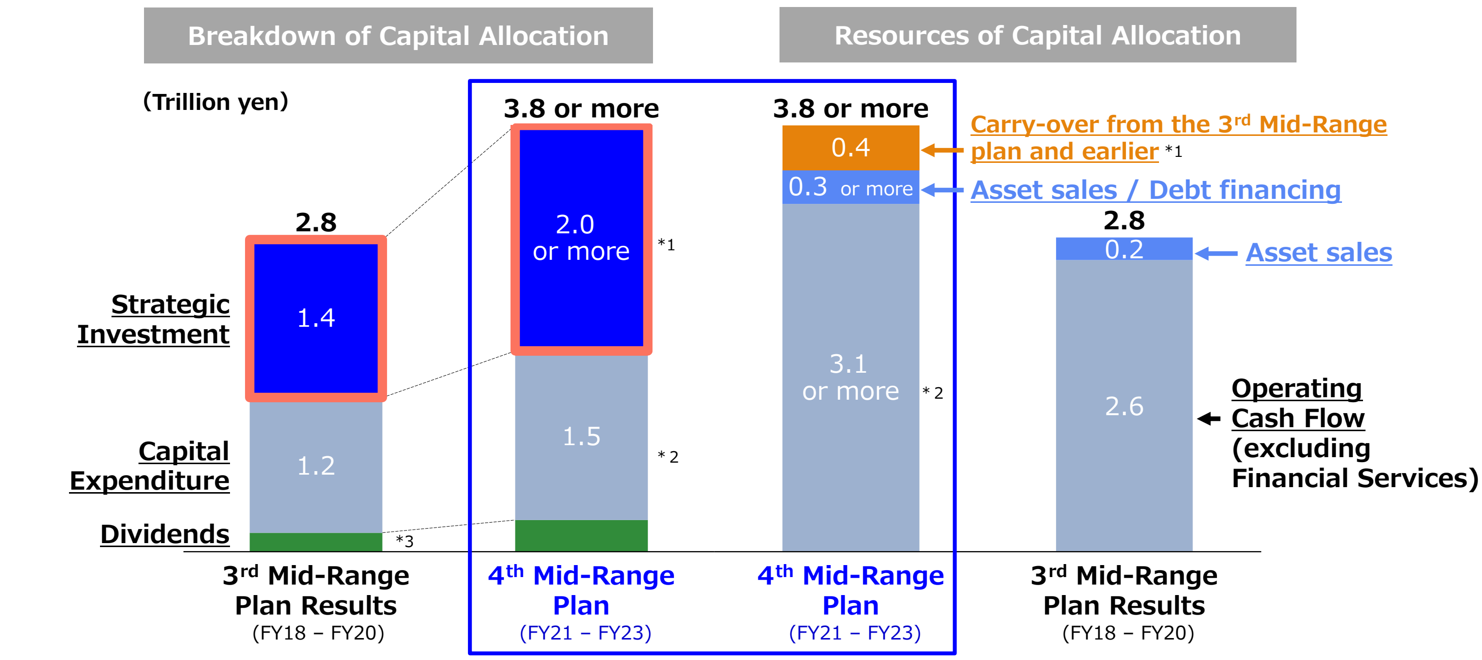
*1 Sony Life merged with its subsidiary which is engaged in the annuity business as of April 1, 2021. Due to the merger, from FY2021, the revenue at this subsidiary is included in the revenue at Sony Life. Excluding the impact of the above merger, the revenue at Sony Life decreased 4.4 billion yen year-on-year.
*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.

- Last is the Financial Services segment.
- FY21 Q2 financial services revenue was 368.4 billion yen, essentially flat year-on-year and operating income increased 6.0 billion yen to 43.1 billion yen, primarily due to an increase in profit at Sony Life Insurance Co., Ltd (“Sony Life”).
- New policy amount in force at Sony Life during Q2 exceeded that in the same quarter of the previous fiscal year primarily due to the strength of our business selling to corporations.
- FY21 financial services revenue is expected to increase 90 billion yen compared to our previous forecast to 1 trillion 490 billion yen.
- Our forecast for operating income remains unchanged from the previous forecast.

Progress of Strategic Investments

- Lastly, I will discuss the strategic investments we are accelerating in order to grow over the medium- to long-term.

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.

- Approximately 1 trillion yen of the approximately 1.4 trillion yen in strategic investments we made from April 1, 2018 to March 31, 2021 was used to acquire businesses, while the rest was used to obtain minority equity stakes and repurchase Sony's stock.

- We expect to generate operating cash flow of approximately 180 billion yen from the acquired businesses over the three years from April 1, 2021 to March 31, 2024. As a part of our resources for capital allocation, we intend to use this cash flow for further investment, accelerating the cycle whereby returns generated from previous investments are used to invest in future growth.

- Our ability to invest early in areas with high growth potential has increased and opportunities to invest have also steadily increased, especially in the entertainment space.

- During the period of the current mid-range plan, we plan to make strategic investments of more than 2 trillion yen, including Sony stock repurchases. The total amount paid so far for companies and assets that have already been acquired, including Crunchyroll, is approximately 280 billion yen, and the total amount of investments already decided upon is approximately 120 billion yen.

- Last week, we announced the sale of GSN Games, a casual mobile game business under SPE. We plan to reallocate the capital generated from the sale of businesses and assets like this to strategic investment in growth areas.

- 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") 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.