

Effects of Transition to International Financial Reporting Standards (IFRS)

February 3, 2021

Sony Corporation

Notes Regarding the Material

As announced in the "Notice Regarding Voluntary Adoption of International Financial Reporting Standards (IFRS)" dated February 3, 2021, Sony has decided to voluntarily adopt IFRS beginning in the fiscal year starting April 1, 2021 in lieu of the currently applied generally accepted accounting principles in the United States ("U.S. GAAP"). This material was prepared for the purpose of explaining the major expected impacts of the adoption of IFRS on Sony's consolidated financial statements. The information contained in this material is preliminary, is unaudited and does not necessarily reflect every impact of the adoption of IFRS on Sony's consolidated financial statements and therefore may differ from Sony's actual financial information based on IFRS to be disclosed at a later date. In addition, this material does not constitute an offer of securities for sale in the United States or any other jurisdiction.

Sony plans to disclose its consolidated financial statements in accordance with IFRS from the first quarter of the fiscal year ending March 31, 2022. Planned disclosure for each accounting period is as follows:

Accounting period	Disclosure materials	Accounting standards applied
Fiscal year ending March 31, 2021	Earnings release (financial statements and outlook) Consolidated financial statements pursuant to the Companies Act of Japan Annual Securities Report / Form 20-F	U.S. GAAP*
First quarter and subsequent quarters of the fiscal year ending March 31, 2022	Quarterly earnings release (quarterly financial statements and outlook) Quarterly Securities Report	IFRS
Fiscal year ending March 31, 2022	Earnings release (financial statements and outlook) Consolidated financial statements pursuant to the Companies Act of Japan Annual Securities Report / Form 20-F	IFRS

* The forecast for the fiscal year ending March 31, 2022 to be included in the earnings release for the fiscal year ending March 31, 2021 will be based on IFRS.

Major Impacts on IFRS Balance Sheet as of April 1, 2020, Transition Date

(Bln yen / Rounded and Unaudited)

U.S. GAAP		IFRS		U.S. GAAP
	+1,934.4			
Assets 23,032.7	(1) Increase in investments due to a change in the measurement method of debt securities at Sony Life Insurance Co., Ltd. ("Sony Life") +2,433.7 Decrease in deferred acquisition costs related to the above change -413.0 (2) Decrease in goodwill due to a change in the testing units under IFRS -96.8	Assets 24,967.1	Liabilities 18,972.6	Liabilities 18,248.3
		Equity 5,994.5		Equity 4,784.4
			+724.3	
			(1) Increase in insurance liabilities and deferred tax liabilities related to a change in the measurement method of debt securities at Sony Life +761.1	
			+1,210.1	
			(1) Increase in accumulated other comprehensive income and noncontrolling interests related to a change in the measurement method of debt securities at Sony Life +1,259.6	
			(3)&(4) Transfer of cumulative translation adjustments on foreign operations and adjustment of remeasurements of defined benefit liabilities from accumulated other comprehensive income to retained earnings*	

* The total balance of equity is not affected as these reclassifications occur within equity.

· The numbers (1) to (4) above correspond to the numbers of the items described on p.4-5 of this material.

· The balances presented as U.S. GAAP are adjusted to reflect the adoption of the new accounting standards from the balances disclosed in Sony's most recent Form 20-F. (Refer to p.30-31 of Sony's Quarterly Securities Report for the three months ended September 30, 2020).

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Major Impacts on Balance Sheets from IFRS Transition

Item	U.S. GAAP	IFRS	Detail
(1) Measurement method for debt securities such as bonds held by Sony Life	Amortized cost measurement	Fair value measurement ("FVOCI")*1	<ul style="list-style-type: none"> Expected to adopt fair value measurement method for debt securities held for ALM*2 purposes in accordance with classification requirements of financial assets under IFRS As a result of the change in the fair value measurement, it will impact the remeasurement of deferred insurance acquisition costs and insurance liabilities of the related insurance contracts Expected to record the impact in accumulated other comprehensive income in equity (net of tax effects and noncontrolling interests adjustments)
(2) Impairment testing units for goodwill	Reporting unit (operating segment or one level below an operating segment)	CGU*3 or group of CGUs that is expected to benefit from the synergies of business combinations	<ul style="list-style-type: none"> Because certain CGUs are grouped at a lower level than a reporting unit, the goodwill was allocated to multiple CGUs As a result of required impairment tests as of the transition date, goodwill allocated to certain CGUs (including businesses already sold or disposed) is expected to be determined irrecoverable and impairment losses will be recognized in retained earnings

*1 Fair Value through Other Comprehensive Income (method in which gains or losses from fair value measurements are recognized in other comprehensive income).

*2 Asset-liability management ("ALM") indicates the practice of managing assets and liabilities comprehensively against interest rate risk of insurance liabilities.

*3 Cash-generating unit ("CGU") is the smallest group for internal management purposes that generates cash flows largely independently from other groups.

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Major Impacts on Balance Sheets from IFRS Transition

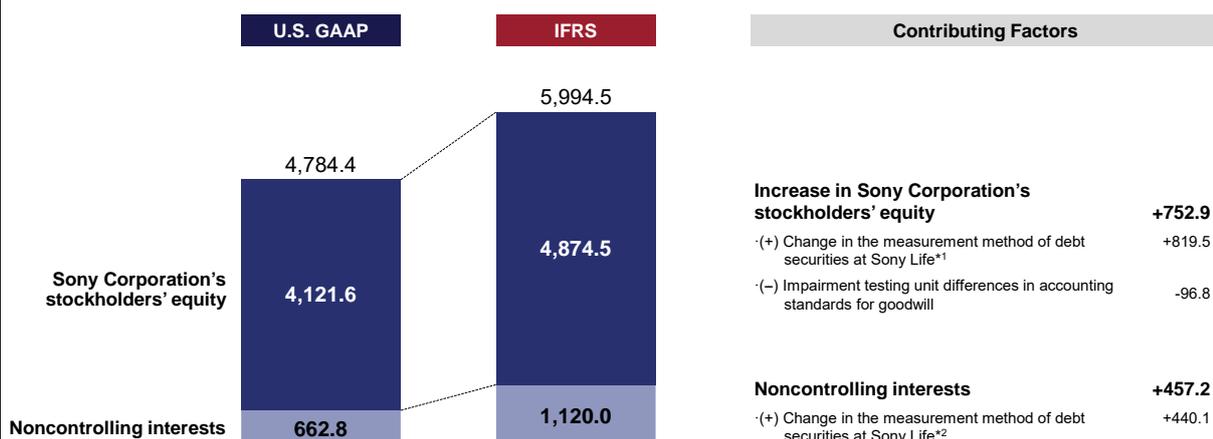
Item	U.S. GAAP	IFRS	Detail
(3) Translation adjustments on foreign operations	—	Optionally able to elect the cumulative translation adjustments balance to be zero at the transition date	■ Expected to elect cumulative translation adjustments to be zero at the transition date and to transfer it from accumulated other comprehensive income to retained earnings*
(4) Adjustment of remeasurements of defined benefit liabilities (actuarial gains and losses)	Recognize in accumulated other comprehensive income	Recognize in accumulated other comprehensive income and transfer to retained earnings immediately	■ Expected to retrospectively apply accounting policies under IFRS and transfer the adjusted balance as of the transition date from accumulated other comprehensive income to retained earnings*

* The total balance of equity is not affected as these reclassifications occur within equity.

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Major Impacts on Equity of IFRS Balance Sheet as of April 1, 2020, Transition Date

(Bln yen / Rounded and Unaudited)



*¹ Until FY2023, when IFRS 17 "Insurance Contracts" becomes effective for Sony Life, which is included in the Financial Services segment, the asset side is measured at fair value based on IFRS 9 "Financial Instruments" by being recorded through accumulated other comprehensive income on the balance sheet and as a result Sony Corporation's stockholders' equity is expected to increase temporarily. This will be a factor that lowers the consolidated return on equity (ROE) when calculated under IFRS as compared to the calculation prepared under the application of U.S. GAAP.

*² Sony Financial Holdings Inc. ("SFH") became a wholly-owned subsidiary on September 2, 2020; however, because the balances presented above are as of April 1, 2020, the amounts do not reflect the full acquisition of SFH. After the full acquisition, an increase in noncontrolling interests related to a change in the measurement method of debt securities at Sony Life is expected to be treated as an increase in Sony Corporation's stockholders' equity.

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Major Impacts on Profit or Loss from IFRS Transition

Item	U.S. GAAP	IFRS	Detail
Impacts on sales and operating income			
<ul style="list-style-type: none"> Financial services revenue and expenses <p>Changes in classification and measurement method for financial instruments held in the Financial Services segment:</p>			
E.g., changes in measurement method for certain debt securities held by Sony Bank Inc.	Elected to record unrealized gains or losses in financial services revenue	Amortized cost measurement	<ul style="list-style-type: none"> No recording of unrealized gains or losses from fair value measurements under IFRS
Impacts on income before income taxes and net income attributable to Sony Corporation's stockholders			
<ul style="list-style-type: none"> Other income or expenses 			
Impacts expected from excluding gains and losses on equity securities such as stocks	Other income or expenses	Other comprehensive income	<ul style="list-style-type: none"> Expected to elect to not record in profit or loss under IFRS*
* Except for certain securities			

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Major Impacts on Cash Flow from IFRS Transition

Item	U.S. GAAP	IFRS	Detail
Consolidated			
Principal payments for operating lease liabilities	Operating activities	Financing activities	<ul style="list-style-type: none"> Cash flow from operating activities increases compared to U.S. GAAP
Purchases and sales of content assets* ¹	Investing activities* ²	Operating activities	<ul style="list-style-type: none"> Cash flow from operating activities decreases when content assets are purchased compared to U.S. GAAP
Financial Services			
Fund management (investments and advances)	Investing activities	Operating activities	<ul style="list-style-type: none"> Under U.S. GAAP, classification of these items is defined by the nature of transactions, while IFRS allows the principal revenue-producing activities to be classified in operating activities
Financing (deposits from customers, repurchase agreement, secured call money, etc.)	Financing activities	Operating activities	
Policyholders' account in the life insurance business	Financing activities	Operating activities	

*¹ Content assets include music catalogs, artist contracts, music distribution rights, film costs, etc.

*² Except for film costs, which are classified in operating activities under U.S. GAAP

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Cautionary Statement

Statements made in this material 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.