SONY

Consolidated Financial Statements

For the fiscal year ended March 31, 2021

Sony Group Corporation
TOKYO, JAPAN

Contents

Management's Annual Report on Internal Control over Financial Reporting

Sony's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Sony's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Sony's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Sony;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Sony are being made only in accordance with authorizations of management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Sony's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Sony's management evaluated the effectiveness of Sony's internal control over financial reporting as of March 31, 2021 based on the criteria established in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Sony maintained effective internal control over financial reporting as of March 31, 2021.

Sony's independent registered public accounting firm, PricewaterhouseCoopers Aarata LLC, has issued an audit report on the effectiveness of Sony's internal control over financial reporting as of March 31, 2021, presented on page 3 to 5.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Sony Group Corporation (Sony Group Kabushiki Kaisha)

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Sony Group Corporation and its subsidiaries (the "Company") as of March 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, cash flows and changes in stockholders' equity for each of the three years in the period ended March 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases as of April 1, 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Realizability of deferred tax assets for entity and its national tax filing group in Japan

As described in Note 2 and Note 21 to the consolidated financial statements, carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish a valuation allowance for deferred tax assets is assessed periodically with appropriate consideration given to all positive and negative evidence related to the realization of the deferred tax assets. Management's judgments related to this assessment consider, among other matters, the nature, frequency and severity of current and cumulative losses on an individual tax jurisdiction basis, forecasts of future income after consideration of uncertain tax positions, excess of carrying value over the tax basis of net assets, the duration of statutory carryforward periods, the past utilization of net operating loss carryforwards prior to expiration, as well as prudent and feasible tax planning strategies which would be employed by the Company to prevent net operating loss and tax credit carryforwards from expiring unutilized. For the fiscal year ended March 31, 2021, based on an assessment of the available positive and negative evidence including the Company's positive earnings for the past several years, despite the spread of COVID-19, as a result of the acquisition of Sony Financial Holdings Inc., the taxable income of the entity and its national tax filing group in Japan has increased and is expected to be stable going forward. Based on an assessment of the available positive and negative evidence, in particular recent profit history and forecasted profitability, in the quarter ended September 30, 2020, Sony reversed the valuation allowance recorded against a significant portion of the deferred tax assets in Japan, primarily for temporary differences and net operating losses. As a result, Sony recorded a tax benefit of 214,900 million yen.

The principal considerations for our determination that performing procedures relating to the realizability of deferred tax assets for the entity and its national tax filing group in Japan were a critical audit matter are (i) there was significant judgment involved by management in an assessment of the available positive and negative evidence including forecasted income, and (ii) this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's assessment, including forecasts of future income.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of the realizability of deferred tax assets, including assessing positive and negative evidence including future forecasted income for the entity and its national tax filing group in Japan. These procedures also included, among others, evaluating management's weighing of positive and negative evidence; testing the completeness of the positive and negative evidence used; and evaluating the reasonableness of assumptions used by management, including the Company's ability to generate income in the entity and its national tax filing group in Japan.

Valuation of liabilities for future insurance policy benefits and deferred acquisition costs

As described in Note 2 and 10 to the consolidated financial statements, liabilities for future insurance policy benefits include liabilities for minimum guarantee benefits related to certain variable annuity and variable life insurance contracts. The Company has elected fair value options for variable annuity contracts with minimum guarantee benefits in their entirety, which includes liabilities for minimum guarantee benefits. The fair value of the liabilities for minimum guarantee benefits is calculated as the present value of future expected cash flows. The significant assumptions used in the valuation include mortality rates, lapse rates, discount rates, and investment yields. As of March 31, 2021, the liabilities for minimum guarantee benefits for the variable annuity contracts were 42,309 million yen. Liabilities are also established for the variable life contracts that include minimum guarantee benefits features. For these contract features, the liabilities for minimum guarantee benefits are calculated using current best estimate assumptions and are based on the ratio of the present value of expected total excess payments divided by the present value of expected total assessments over the life of the contract. The significant assumptions in the valuation include mortality rates, lapse rates, discount rates and investment yields. As of March 31, 2021, the liabilities for minimum guarantee benefits for the variable life contracts were 58,246 million yen. Also, the Company defers acquisition costs that are related directly to the acquisition or renewal of insurance policies to the extent such costs are determined to be recoverable from future profits. Among them, the deferred insurance acquisition costs for non-traditional life insurance contracts such as variable annuity contracts, variable life contracts, and investment contracts are amortized over the expected life at a constant rate based on the present value of the estimated gross profit. The present value of the estimated gross profit is affected by a number of assumptions, including investment yields, mortality rates, lapse rates and discount rates. At March 31, 2021, deferred insurance acquisition costs for non-traditional life insurance contracts were 253,687 million yen.

The principal considerations for our determination that performing procedures relating to assumptions used for measurement of the liabilities for minimum guarantee benefits and deferred insurance acquisition costs for non-traditional life insurance contracts is a critical audit matter are (i) there was significant judgment involved by management in developing the aforementioned assumptions, (ii) this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management’s assumptions, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the design and operating effectiveness of controls relating to the significant assumptions of the liabilities for minimum guarantee benefits and deferred insurance acquisition costs for non-traditional life insurance contracts, which included controls over the development of significant assumptions, such as mortality rates, lapse rates, discount rates, and investment yields, and controls over the completeness and accuracy of data used by management in developing the assumptions, such as past claim, lapse, discount rates, and investment yield data. These procedures also included, among others, testing the completeness and accuracy of data used by management in developing the assumptions; and considering the reasonableness of the assumptions across products, in relation to prior periods, and in relation to management’s historical experience or industry knowledge. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the methodology used by management to determine their assumptions and the reasonableness of the aforementioned assumptions used in the valuation of the liabilities for minimum guarantee benefits and deferred insurance acquisition costs for non-traditional life insurance contracts, based on industry knowledge and the Company’s historical experience.

/s/ PricewaterhouseCoopers Aarata LLC
Tokyo, Japan
June 22, 2021

We have served as the Company’s auditor since 2006.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31

	Yen in millions	
	2020	**2021**
ASSETS		
Current assets:		
Cash and cash equivalents	1,512,357	1,786,982
Marketable securities (including assets pledged that secured parties are permitted to sell or repledge of 17,521 million yen and 48,899 million yen in 2020 and 2021)	1,847,772	2,902,438
Notes and accounts receivable, trade and contract assets	1,028,793	1,099,300
Allowance for credit losses	(25,873)	(29,406)
Inventories	589,969	637,391
Other receivables	188,106	283,499
Prepaid expenses and other current assets	594,021	538,540
Total current assets	5,735,145	7,218,744
Film costs	427,336	459,426
Investments and advances:		
Affiliated companies	207,922	226,218
Securities investments and other (including assets pledged that secured parties are permitted to sell or repledge of 930,882 million yen and 1,751,452 million yen in 2020 and 2021)	12,526,210	14,046,196
Allowance for credit losses	—	(8,419)
	12,734,132	14,263,995
Property, plant and equipment:		
Land	81,482	79,557
Buildings	659,556	683,249
Machinery and equipment	1,725,720	1,748,961
Construction in progress	76,391	100,728
	2,543,149	2,612,495
Less — Accumulated depreciation	1,634,505	1,627,061
	908,644	985,434
Other assets:		
Operating lease right-of-use assets	359,510	337,322
Finance lease right-of-use assets	33,100	39,772
Intangibles, net	906,310	996,305
Goodwill	783,888	827,149
Deferred insurance acquisition costs	600,901	657,420
Deferred income taxes	210,372	207,470
Other	340,005	361,803
	3,234,086	3,427,241
Total assets	23,039,343	26,354,840

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SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	Yen in millions	
	2020	2021
LIABILITIES		
Current liabilities:		
Short-term borrowings	810,176	1,187,868
Current portion of long-term debt	29,807	131,699
Current portion of long-term operating lease liabilities	68,942	73,362
Notes and accounts payable, trade	380,810	599,569
Accounts payable, other and accrued expenses	1,630,197	1,756,833
Accrued income and other taxes	145,996	165,406
Deposits from customers in the banking business	2,440,783	2,773,885
Other	733,732	1,126,802
Total current liabilities	6,240,443	7,815,424
Long-term debt	634,966	773,294
Long-term operating lease liabilities	314,836	290,259
Accrued pension and severance costs	324,655	254,103
Deferred income taxes	549,538	366,761
Future insurance policy benefits and other	6,246,047	6,599,977
Policyholders' account in the life insurance business	3,642,271	4,331,065
Other	289,285	294,302
Total liabilities	18,242,041	20,725,185
Redeemable noncontrolling interest	7,767	8,179
Commitments and contingent liabilities		
EQUITY		
Sony Group Corporation's stockholders' equity:		
Common stock, no par value —		
2020 — Shares authorized: 3,600,000,000; shares issued: 1,261,058,781	880,214	
2021 — Shares authorized: 3,600,000,000; shares issued: 1,261,058,781		880,214
Additional paid-in capital	1,289,719	1,486,721
Retained earnings	2,768,856	3,857,152
Accumulated other comprehensive income —		
Unrealized gains on securities, net	161,191	101,305
Unrealized gains on derivative instruments, net	1,248	2,761
Pension liability adjustment	(235,520)	(223,468)
Foreign currency translation adjustments	(509,872)	(404,529)
Debt valuation adjustments	1,973	(89)
	(580,980)	(524,020)
Treasury stock, at cost		
Common stock		
2020 — 40,898,841 shares	(232,503)	
2021 — 21,831,206 shares		(124,228)
	4,125,306	5,575,839
Noncontrolling interests	664,229	45,637
Total equity	4,789,535	5,621,476
Total liabilities and equity	23,039,343	26,354,840

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

Fiscal year ended March 31

	Yen in millions		
	2019	**2020**	**2021**
Sales and operating revenue:			
Net sales	7,306,235	6,856,090	7,252,766
Financial services revenue	1,274,708	1,299,847	1,661,520
Other operating revenue	84,744	103,948	85,074
	8,665,687	8,259,885	8,999,360
Costs and expenses:			
Cost of sales	5,150,750	4,753,174	5,072,596
Selling, general and administrative	1,576,825	1,502,625	1,469,955
Financial services expenses	1,112,446	1,171,875	1,488,963
Other operating (income) expense, net	(71,568)	(3,611)	7,468
	7,768,453	7,424,063	8,038,982
Equity in net income (loss) of affiliated companies	(2,999)	9,637	11,487
Operating income	894,235	845,459	971,865
Other income:			
Interest and dividends	21,618	19,278	10,457
Gain on equity securities, net	118,677	—	247,026
Other	4,440	2,671	6,752
	144,735	21,949	264,235
Other expenses:			
Interest	12,467	11,090	12,185
Loss on equity securities, net	—	20,180	—
Foreign exchange loss, net	11,279	26,789	16,056
Net periodic benefit costs other than service costs	—	4,572	8,811
Other	3,576	5,327	6,678
	27,322	67,958	43,730
Income before income taxes	1,011,648	799,450	1,192,370
Income taxes:			
Current	166,748	172,391	154,422
Deferred	(121,650)	4,799	(153,427)
	45,098	177,190	995
Net income	966,550	622,260	1,191,375
Less — Net income attributable to noncontrolling interests	50,279	40,069	19,599
Net income attributable to Sony Group Corporation's stockholders	916,271	582,191	1,171,776

	Yen		
	2019	**2020**	**2021**
Per share data:			
Common stock			
Net income attributable to Sony Group Corporation's stockholders			
— Basic	723.41	471.64	952.29
— Diluted	707.74	461.23	936.90

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Fiscal year ended March 31

	Yen in millions		
	2019	**2020**	**2021**
Net income	966,550	622,260	1,191,375
Other comprehensive income, net of tax —			
Unrealized gains (losses) on securities	33,285	40,390	(102,492)
Unrealized gains on derivative instruments	1,223	1,267	1,513
Pension liability adjustment	(13,960)	74,971	12,965
Foreign currency translation adjustments	8,444	(75,888)	106,826
Debt valuation adjustments	—	3,032	(3,120)
Total comprehensive income	995,542	666,032	1,207,067
Less — Comprehensive income attributable to noncontrolling interests	57,669	54,151	8,231
Comprehensive income attributable to Sony Group Corporation's stockholders	937,873	611,881	1,198,836

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

Fiscal year ended March 31

	Yen in millions		
	2019	**2020**	**2021**
Cash flows from operating activities:			
Net income	966,550	622,260	1,191,375
Adjustments to reconcile net income to net cash provided by operating activities —			
Depreciation and amortization, including amortization of deferred insurance acquisition costs and contract costs	374,026	416,642	390,693
Amortization of film costs	348,493	329,809	273,044
Accrual for pension and severance costs, less payments	(33,631)	8,948	(42,936)
Other operating (income) expense, net	(71,568)	(3,611)	7,468
(Gain) loss on securities investments, net (other than financial services business)	(118,630)	20,177	(247,033)
(Gain) loss on marketable securities and securities investments held in the financial services business, net	(66,383)	93,088	(478,321)
Deferred income taxes	(121,650)	4,799	(153,427)
Equity in net (income) loss of affiliated companies, net of dividends	7,947	(5,114)	(4,948)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade and contract assets	1,144	62,654	(37,779)
(Increase) decrease in inventories	30,455	40,315	(57,007)
Increase in film costs	(410,994)	(361,194)	(280,541)
Increase (decrease) in notes and accounts payable, trade	18,534	(91,435)	211,939
Increase (decrease) in accrued income and other taxes	(20,039)	(40,144)	80,165
Increase in future insurance policy benefits and other	544,179	520,683	905,343
Increase in deferred insurance acquisition costs	(88,807)	(99,433)	(102,289)
Increase in marketable securities held in the life insurance business	(64,034)	(124,270)	(156,132)
(Increase) decrease in other current assets	16,576	(37,286)	(102,400)
Increase (decrease) in other current liabilities	56,723	(27,083)	62,619
Other	(110,153)	19,940	(109,683)
Net cash provided by operating activities	1,258,738	1,349,745	1,350,150
Cash flows from investing activities:			
Payments for purchases of fixed assets	(312,644)	(439,761)	(512,239)
Proceeds from sales of fixed assets	17,585	18,758	15,823
Payments for investments and advances by financial services business	(1,078,250)	(1,319,062)	(1,631,017)
Payments for investments and advances (other than financial services business)	(53,525)	(48,853)	(103,143)
Proceeds from sales or return of investments and collections of advances by financial services business	309,498	343,740	449,081
Proceeds from sales or return of investments and collections of advances (other than financial services business)	2,442	14,456	20,309
Payment for EMI Music Publishing acquisition, net of cash acquired	(244,197)	—	—
Proceeds from sales of businesses	—	12,816	3,151
Proceeds related to sales of Spotify Technology S.A. Shares	82,467	—	—
Proceeds from sales of Olympus Corporation Shares	—	80,357	—
Other	(30,821)	(14,729)	(23,481)
Net cash used in investing activities	(1,307,445)	(1,352,278)	(1,781,516)

(Continued on following page.)

Consolidated Statements of Cash Flows (Continued)

	Yen in millions		
	2019	**2020**	**2021**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	94,351	118,447	406,857
Payments of long-term debt	(382,671)	(198,055)	(98,134)
Increase in short-term borrowings, net	123,979	193,332	355,536
Proceeds from issuance of short-term borrowings in connection with payment for purchase of noncontrolling interest in Sony Financial Holdings Inc.	—	—	396,500
Payments of short-term borrowings in connection with payment for purchase of noncontrolling interest in Sony Financial Holdings Inc.	—	—	(396,500)
Increase in deposits from customers in the financial services business, net	246,945	258,720	467,286
Dividends paid	(38,067)	(49,574)	(61,288)
Payments for purchase of treasury stock	(100,177)	(200,211)	(366)
Payment for purchase of noncontrolling interest in Nile Acquisition LLC	(32,041)	—	—
Payment for purchase of noncontrolling interest in Game Show Network, LLC	—	(39,894)	—
Payment for purchase of noncontrolling interest in Sony Financial Holdings Inc.	—	—	(396,698)
Other	(35,203)	(17,107)	(6,226)
Net cash provided by (used in) financing activities	(122,884)	65,658	666,967
Effect of exchange rate changes on cash and cash equivalents, including restricted	52,465	(21,643)	36,668
Net increase (decrease) in cash and cash equivalents, including restricted	(119,126)	41,482	272,269
Cash and cash equivalents, including restricted, at beginning of the fiscal year	1,592,939	1,473,813	1,515,295
Cash and cash equivalents, including restricted, at end of the fiscal year	1,473,813	1,515,295	1,787,564
Less — Restricted cash and cash equivalents, included in other current assets and other assets	3,740	2,938	582
Cash and cash equivalents at end of the fiscal year	1,470,073	1,512,357	1,786,982
Supplemental data:			
Cash paid during the fiscal year for —			
Income taxes	210,499	216,922	119,084
Interest	10,882	10,000	8,491
Non-cash investing and financing activities —			
Conversion of convertible bonds	16	430	78,342
Obtaining assets by entering into finance leases	32,541	6,478	9,597

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

	Yen in millions							
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive income**	**Treasury stock, at cost**	**Sony Group Corporation's stockholders' equity**	**Noncontrolling interests**	**Total equity**
Balance at March 31, 2018	865,678	1,282,577	1,440,387	(616,746)	(4,530)	2,967,366	679,791	3,647,157
Cumulative effect of newly adopted ASUs			7,976	(15,526)		(7,550)	5,432	(2,118)
Issuance of new shares	431	431				862		862
Exercise of stock acquisition rights	8,174	8,174				16,348		16,348
Conversion of convertible bonds	8	8				16		16
Stock-based compensation		1,159				1,159		1,159
Comprehensive income:								
Net income			916,271			916,271	50,279	966,550
Other comprehensive income, net of tax —								
Unrealized gains on securities				24,370		24,370	8,915	33,285
Unrealized gains on derivative instruments				1,223		1,223		1,223
Pension liability adjustment				(14,013)		(14,013)	53	(13,960)
Foreign currency translation adjustments				10,022		10,022	(1,578)	8,444
Total comprehensive income						937,873	57,669	995,542
Stock issue costs, net of tax		(147)				(147)		(147)
Dividends declared (35.00 yen per share)			(44,048)			(44,048)	(28,961)	(73,009)
Purchase of treasury stock					(100,177)	(100,177)		(100,177)
Reissuance of treasury stock		1			3	4		4
Transactions with noncontrolling interests shareholders and other		(25,329)				(25,329)	(23,618)	(48,947)
Balance at March 31, 2019	874,291	1,266,874	2,320,586	(610,670)	(104,704)	3,746,377	690,313	4,436,690

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SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Group Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2019	874,291	1,266,874	2,320,586	(610,670)	(104,704)	3,746,377	690,313	4,436,690
Cumulative effect of ASU 2016-02			(7,472)			(7,472)		(7,472)
Issuance of new shares	529	529				1,058		1,058
Exercise of stock acquisition rights	5,179	5,180				10,359		10,359
Conversion of convertible bonds	215	215				430		430
Stock-based compensation		1,980				1,980		1,980
Comprehensive income:								
Net income			582,191			582,191	40,069	622,260
Other comprehensive income, net of tax —								
Unrealized gains on securities				26,156		26,156	14,234	40,390
Unrealized gains on derivative instruments				1,267		1,267		1,267
Pension liability adjustment				74,937		74,937	34	74,971
Foreign currency translation adjustments				(74,643)		(74,643)	(1,245)	(75,888)
Debt valuation adjustments				1,973		1,973	1,059	3,032
Total comprehensive income						611,881	54,151	666,032
Stock issue costs, net of tax		(80)				(80)		(80)
Dividends declared (45.00 yen per share)			(55,111)			(55,111)	(25,885)	(80,996)
Purchase of treasury stock					(200,211)	(200,211)		(200,211)
Reissuance of treasury stock		0			2	2		2
Cancellation of treasury stock		(1,072)	(71,338)		72,410	—		—
Transactions with noncontrolling interests shareholders and other		16,093				16,093	(54,350)	(38,257)
Balance at March 31, 2020	880,214	1,289,719	2,768,856	(580,980)	(232,503)	4,125,306	664,229	4,789,535

(Continued on following page.)

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Group Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2020	880,214	1,289,719	2,768,856	(580,980)	(232,503)	4,125,306	664,229	4,789,535
Cumulative effect of ASU 2016-13			(3,669)			(3,669)	(1,386)	(5,055)
Exercise of stock acquisition rights		(354)	(735)		18,074	16,985		16,985
Conversion of convertible bonds			(11,060)		89,402	78,342		78,342
Stock-based compensation		1,577				1,577		1,577
Comprehensive income:								
Net income			1,171,776			1,171,776	19,599	1,191,375
Other comprehensive income, net of tax —								
Unrealized losses on securities				(90,521)		(90,521)	(11,971)	(102,492)
Unrealized gains on derivative Instruments				1,513		1,513		1,513
Pension liability adjustment				12,962		12,962	3	12,965
Foreign currency translation adjustments				105,643		105,643	1,183	106,826
Debt valuation adjustments				(2,537)		(2,537)	(583)	(3,120)
Total comprehensive income						1,198,836	8,231	1,207,067
Dividends declared (55.00 yen per share)			(68,016)			(68,016)	(12,996)	(81,012)
Purchase of treasury stock					(366)	(366)		(366)
Reissuance of treasury stock		354			1,165	1,519		1,519
Transactions with noncontrolling interests shareholders and other		195,425		29,900		225,325	(612,441)	(387,116)
Balance at March 31, 2021	880,214	1,486,721	3,857,152	(524,020)	(124,228)	5,575,839	45,637	5,621,476

The accompanying notes are an integral part of these statements.

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Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Sony Group Corporation and Consolidated Subsidiaries

1. *Nature of operations*

Sony Corporation changed its name to "Sony Group Corporation", effective as of April 1, 2021. Sony Group Corporation and its consolidated subsidiaries (hereinafter collectively referred to as "Sony" or "Sony Group") are engaged in the development, design, production, manufacture, offer and sale of various kinds of electronic equipment, instruments and devices for consumer, professional and industrial markets such as network services, home gaming consoles and software, televisions, audio and video recorders and players, still and video cameras, smartphones, and image sensors. Sony's primary manufacturing facilities are located in Asia including Japan. Sony also utilizes third-party contract manufacturers for certain products. Sony's products and services are marketed throughout the world by sales subsidiaries and unaffiliated distributors as well as direct sales and offers via the internet. Sony is engaged in the development, production, manufacture, and distribution of recorded music and the management and licensing of the words and music of songs as well as production and distribution of animation titles, including game applications based on the animation titles. Sony is also engaged in the production, acquisition and distribution of motion pictures and television programming and the operation of television and digital networks. Further, Sony is also engaged in various financial services businesses, including life and non-life insurance operations through its Japanese insurance subsidiaries and banking operations through a Japanese internet-based banking subsidiary.

2. *Summary of significant accounting policies*

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with U.S. GAAP. These adjustments were not recorded in the statutory books and records as Sony Group Corporation and its subsidiaries in Japan maintain their records and prepare their statutory financial statements in accordance with accounting principles generally accepted in Japan, while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in the countries of their domicile.

(1) Significant accounting policies

Basis of consolidation and accounting for investments in affiliated companies -

The consolidated financial statements include the accounts of Sony Group Corporation and its majority-owned subsidiary companies, general partnerships and other entities in which Sony has a controlling interest, and variable interest entities ("VIEs") for which Sony is the primary beneficiary. All intercompany transactions and accounts are eliminated. Investments in business entities in which Sony does not have control, but has the ability to exercise significant influence over operating and financial policies, generally through 20-50% ownership, are accounted for under the equity method. In addition, investments in general partnerships in which Sony does not have a controlling interest and limited partnerships are also accounted for under the equity method if more than minor influence over the operation of the investee exists (generally through more than 3-5% ownership). When the interest in the partnership is so minor that Sony has no significant influence over the operation of the investee, the interest in the partnership is carried at fair value. Under the equity method, investments are stated at cost plus/minus Sony's portion of equity in undistributed earnings or losses. Sony's equity in current earnings or losses of such entities is reported net of income taxes and is included in operating income (loss) after the elimination of unrealized intercompany profits. If the value of an investment has declined and is judged to be other-than-temporary, the investment is written down to its estimated fair value.

On occasion, a consolidated subsidiary or an affiliated company accounted for by the equity method may issue its shares to third parties in either a public or private offering or upon conversion of convertible debt to common stock at amounts per share in excess of or less than Sony's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in ownership interest are recorded in earnings within the fiscal year in which the change in interest transactions occurs.

Gains or losses that result from a loss of a controlling financial interest in a subsidiary are recorded in earnings along with fair value remeasurement gains or losses on any retained investment in the entity, while a change in interest in a consolidated subsidiary that does not result in a change in control is accounted for as a capital transaction and no gains or losses are recorded in earnings.

The excess of the cost over the underlying net equity of investments in consolidated subsidiaries and affiliated companies accounted for on an equity basis is allocated to identifiable tangible and intangible assets and liabilities based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over Sony's underlying net equity is recognized as goodwill as a component of the investment balance.

Use of estimates -

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining the valuation of investment securities, valuation of inventories, fair values of long-lived assets, fair values of goodwill and other intangible assets, fair values of assets and liabilities assumed in business combinations, product warranty liability, pension and severance plans, valuation of deferred tax assets, uncertain tax positions, film costs, and insurance related liabilities. Actual results could significantly differ from those estimates. The timing and extent to which the spread of COVID-19 may negatively impact Sony's business will depend on future developments, which are uncertain. This uncertainty could result in greater variability in accounting estimates and assumptions.

Translation of foreign currencies -

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate fiscal year end exchange rates and all income and expense accounts are translated at exchange rates that approximate those rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income. Upon remeasurement of a previously held equity interest in accordance with the accounting guidance for business combinations achieved in stages, accumulated translation adjustments, if any, are included in earnings.

Monetary assets and liabilities denominated in foreign currencies are translated at appropriate fiscal year end exchange rates and the resulting translation gains or losses are recognized into income.

Cash, cash equivalents and restricted cash -

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Sony includes restricted cash within cash and cash equivalents in the statement of cash flows.

Marketable debt and equity securities -

Debt securities designated as available-for-sale are carried at fair value with unrealized gains or losses included as a component of accumulated other comprehensive income, net of applicable taxes. Equity securities that have a readily determinable fair value, and debt securities classified as trading securities, are carried at fair value with unrealized gains or losses included in income. Debt securities that are expected to be held-to-maturity are carried at amortized cost. The allowance for credit losses is evaluated and recorded for debt securities classified as either available-for-sale or held-to-maturity as necessary. Realized gains and losses are determined on the average cost method and are reflected in income.

Debt securities designated as available-for-sale are regularly reviewed for impairment. For such debt securities which are at an unrealized loss position, Sony determines whether a decline in fair value below the amortized cost basis has resulted from a credit loss or other factors by considering not only the length of time a security has been in an unrealized loss position, but also factors such as the extent to which the fair value is less than the amortized cost basis, adverse conditions specifically related to the security, payment structure of the debt security, failure of the issuer of the security to make scheduled interest or principal and any changes to the related ratings, in conjunction with the possibility that Sony sells such security before recovery of its amortized cost basis. Sony compares the present value of cash flow expected to be collected from the security with the amortized cost basis. If the present value of cash flows expected to be collected is less than the amortized cost basis, an allowance for credit losses is recorded up to the amount that the fair value is less than the amortized cost basis in the consolidated statements of income. Any impairment that is not accounted for as the allowance for credit losses is recorded through other comprehensive income (loss), net of applicable taxes.

The assessment on the risk of credit losses for debt securities designated as held-to-maturity is performed on a regular basis. Sony develops an estimate of expected credit losses over the contractual term by considering available information relevant to assessing the collectability of cash flows including internal information, external information, or a combination of both relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for such credit losses is recorded in income to present the net amount expected to be collected by such debt securities.

Equity securities that do not have readily determinable fair values -

Equity securities that do not have readily determinable fair values are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. If indicators for impairment are present for equity securities that do not have readily determinable fair values, Sony evaluates whether any such equity security is impaired. If any such security is judged to be impaired, Sony recognizes the impairment of the investment and the carrying value is adjusted to its fair value. Determination of impairment is based on the consideration of several factors, including operating results, business plans and estimated future cash flows. Fair value is determined through the use of various methodologies such as discounted cash flows, valuation of recent financings and comparable valuations of similar companies.

Allowance for credit losses -

Sony estimates expected credit losses and recognizes loss allowances for specific financial assets.

The loss allowance for notes and accounts receivable, trade and contract assets is measured at an amount equal to expected credit losses over the contractual term on a collective basis or an individual basis in a way that reflects past events, current conditions and reasonable and supportable forecasts about the future that are available at the reporting date incorporating factors such as the past-due status and the attributes of the counterparties.

The loss allowance for securities investments and other is primarily recognized for debt securities classified as available-for-sale or held-to-maturity and loans including housing loans in the Financial Services segment. The expected credit losses are measured over the contractual term on a collective basis or an individual basis in a way that reflects past events, current conditions and reasonable and supportable forecasts about the future that are available at the reporting date incorporating factors such as asset type, credit risk ratings, collateral collectability, past-due status and other relevant characteristics of financial assets. The expected credit losses for the financial assets are the product of the probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”), by leveraging the Basel III regulatory framework or based on the external information published by major credit rating agencies. The forward-looking economic information is also included in determining the PD.

Sony also writes off the gross carrying amount of the financial assets when it cannot reasonably expect to recover all or part of the assets.

For the loss allowance for debt securities classified as available-for-sale or held-to-maturity, also refer to “***Marketable debt and equity securities”*** above.

Inventories -

Inventories in the Game & Network Services (“G&NS”), Music, Pictures, Electronics Products & Solutions (“EP&S”) and Imaging & Sensing Solutions (“I&SS”) segments are valued at cost, not in excess of the net realizable value – i.e., estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal, cost being determined on the “average cost” basis.

Other receivables -

Other receivables include receivables which relate to arrangements with certain component manufacturers whereby Sony procures goods, including product components, for these component manufacturers and is reimbursed for the related purchases. No revenue or profit is recognized on these transfers. Sony will repurchase the inventory at a later date from the component manufacturers as either finished goods inventory or as partially assembled product.

Film costs -

Film costs, including direct production costs, production overhead and acquisition costs, are stated at the lower of unamortized cost or estimated fair value and classified as noncurrent assets. Film costs of content predominantly monetized individually are amortized, and the estimated liabilities for residuals and participations are accrued using an individual-film-forecast method based on the ratio of current period actual revenues to the estimated remaining total revenues. Film costs also include broadcasting rights, which are recognized when the license period begins and the program is available for use and consist of acquired programming to be aired on Sony's worldwide channel network. Film costs of content predominantly monetized with other content, including broadcasting rights, are amortized based on estimated usage or on a straight-line basis over the useful life, as appropriate, although broadcasting rights licensed under multi-year live-event sports programming agreements are generally amortized based on the ratio of the current period's actual advertising revenue and an allocation of subscription fee revenue to the estimated total remaining attributable revenues. Estimates used in calculating the fair value of film costs are based upon assumptions about future demand and market conditions and are reviewed on a periodic basis. Content produced by Television Productions and Motion Pictures in the Pictures segment is predominantly monetized individually. Substantially all content within Media Networks is predominantly monetized with other content.

Property, plant and equipment and depreciation -

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method. Useful lives for depreciation range from 2 to 50 years for buildings and from 2 to 10 years for machinery and equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

Leases -

When entering into a contract, Sony determines whether an arrangement contains a lease at its inception. An arrangement contains a lease if it conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. Operating leases are included in operating lease right-of-use assets, current portion of long-term operating lease liabilities, and long-term operating lease liabilities on Sony's consolidated balance sheets. Finance leases are included in finance lease right-of-use assets, current portion of long-term debt, and long-term debt on Sony's consolidated balance sheets.

Right-of-use assets represent Sony's right to use an underlying asset for the lease term and lease liabilities represent Sony's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Right-of-use assets also include any lease payments or initial direct costs incurred on or before the commencement date and exclude lease incentives. In determining the present value of lease payments, Sony generally uses its incremental borrowing rate, as the implicit rate is not available for most of its leases. Sony determines its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing, taking into account the lease term and the economic environment of each country or region at commencement date. The lease terms include options to extend or terminate the lease when it is reasonably certain that Sony will exercise that option. Lease expense for operating leases recorded on the consolidated balance sheets is recognized on a straight-line basis over the lease term. Sony accounts for the lease and non-lease components of all underlying asset classes as a single lease component. Sony has applied the short-term lease exception for leases with a term of one year or less, where right-of-use assets and lease liabilities are not recognized and the expense is recognized on a straight-line basis.

As of April 1, 2019, Sony adopted Accounting Standards Update ("ASU") 2016-02, which amends leasing guidance, on a modified retrospective basis with no restatement of comparative periods. Prior to the adoption of ASU 2016-02 on April 1, 2019, right-of-use assets and lease liabilities for operating leases were not recognized in Sony's consolidated balance sheets.

Goodwill and other intangible assets -

Goodwill and indefinite lived intangible assets are tested annually for impairment during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Such an event or change in circumstances would include unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, which are periodically reviewed by Sony's management.

In the fourth quarter of the fiscal year ended March 31, 2021, Sony elected not to perform an optional qualitative assessment of goodwill and instead proceeded directly to a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount. Reporting units are Sony's operating segments or one level below the operating segments. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, not to exceed the total amount of goodwill allocated to the reporting unit. Indefinite lived intangible assets are tested for impairment by comparing the fair value of the intangible asset with its carrying value, and if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The fair value of a reporting unit or indefinite lived intangible asset is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions, including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, earnings multiples, the determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. Consideration is also given to Sony's market capitalization in relation to the sum of the calculated fair values of the reporting units, including reporting units with no goodwill, and taking into account corporate level assets and liabilities not assigned to individual reporting units as well as a reasonable control premium.

The assumptions used for projected future cash flows and the timing of such cash flows are based on the forecast and mid-range plan ("MRP") of each reporting unit and take into account such factors as historical experience, market and industry information, and current and forecasted economic conditions. Perpetual growth rates are utilized to determine a terminal cash flow value and are generally set after the three-year forecasted period for the MRP. Certain reporting units, such as those in the Pictures segment, utilize longer forecast periods and base the terminal value on an exit price using an earnings multiple applied to the final year of the forecasted earnings, which also takes into consideration a control premium. Discount rates are derived from the weighted average cost of capital of market participants in similar businesses.

When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method.

Management believes that the assumptions used to estimate the fair value in the goodwill impairment tests are reasonable, including, but not limited to, the potential impacts arising from the spread of COVID-19.

Intangible assets with finite useful lives mainly consist of patent rights, know-how, license agreements, customer relationships, trademarks, software to be sold, leased or otherwise marketed, internal-use software, music catalogs, artist contracts, and television carriage contracts (broadcasting agreements). Patent rights, know-how, license agreements, trademarks, software to be sold, leased or otherwise marketed, and internal-use software are generally amortized on a straight-line basis over 3 to 10 years. Customer relationships, music catalogs, artist contracts and television carriage contracts (broadcasting agreements) are generally amortized on a straight-line basis over 10 to 44 years.

Capitalized software -

The costs related to establishing the technological feasibility of software to be sold, leased or otherwise marketed are expensed as incurred as a part of research and development in cost of sales. Costs that are incurred to produce the finished product after technological feasibility is established are capitalized and amortized to cost of sales over the estimated economic life, which is generally three years. The technological feasibility of game software is established when the product master is completed. Consideration to capitalize game software development costs before this point is limited to the development costs of games for which technological feasibility can be proven at an earlier stage. At each balance sheet date, Sony performs reviews to ensure that unamortized capitalized software costs remain recoverable from future profits of the related software products.

The costs incurred for internal-use software during the application development stage are capitalized and amortized, mainly to selling, general and administrative expenses, on a straight-line basis over the estimated useful life. Costs related to the preliminary project stage and post implementation activities are expensed as incurred.

Deferred insurance acquisition costs -

Costs that vary with and are directly related to the acquisition or renewal of insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs include such items as commissions, medical examination costs and inspection report fees, and are subject to recoverability testing at least annually to ensure that the capitalized amounts do not exceed the present value of anticipated gross profits or premiums less benefits and maintenance expenses, as applicable. The deferred insurance acquisition costs for traditional life insurance contracts are amortized over the premium-paying period of the related insurance policies using assumptions consistent with those used in computing policy reserves. The deferred insurance acquisition costs for non-traditional life insurance contracts are amortized over the expected life at a constant rate based on the present value of the estimated gross profit. Investment yields, mortality rates, lapse rates and discount rates are used as important assumptions for the present value of the estimated gross profit.

Product warranty -

Sony provides for the estimated cost of product warranties at the time revenue is recognized. The product warranty is calculated based upon product sales, estimated probability of failure and estimated cost per claim. The variables used in the calculation of the provision are reviewed on a periodic basis.

Future insurance policy benefits -

Liabilities for future insurance policy benefits are primarily comprised of the present value of estimated future payments to policyholders. These liabilities are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. These assumptions are reviewed on a periodic basis. Liabilities for future policy benefits includes the liabilities for the minimum guarantee benefits of variable annuities and variable life insurance contracts. As discussed below in "*Fair value measurement*," Sony elected the fair value option for certain of these liabilities for future insurance policy benefits.

Policyholders' account in the life insurance business -

Liabilities for policyholders' account in the life insurance business represent the contract value that has accrued to the benefit of the policyholders as of the balance sheet date. This liability is generally equal to the accumulated account deposits, plus interest credited, less policyholder withdrawals and other charges assessed against the account balances. Liabilities for policyholders' account in the life insurance business includes the liabilities related to the variable annuities and variable life insurance contracts with minimum guarantee benefits. As discussed below in "*Fair value measurement*," Sony elected the fair value option for certain of these liabilities for policyholders' account in the life insurance business.

Impairment of long-lived assets -

Sony reviews the recoverability of the carrying value of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicate that the individual carrying amount of an asset or asset group may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying value of the asset or asset group with their estimated undiscounted future cash flows. If the cash flows are determined to be less than the carrying value of the asset or asset group, an impairment loss would be recognized during the period for the amount by which the carrying value of the asset or asset group exceeds estimated fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying value or fair value less cost to sell and are not depreciated. Fair value is determined using the present value of estimated net cash flows or comparable market values. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates applied to determine terminal values, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables.

Management believes that the estimates of future cash flows and fair values are reasonable, including, but not limited to, the potential impacts arising from the spread of COVID-19.

Fair value measurement -

Sony measures fair value as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Sony has elected the fair value option in the banking business for certain foreign securities. The election was made to mitigate accounting mismatches related to fluctuations of foreign exchange rates by allowing the gains and losses on the translation of these securities to be included in current earnings. Sony has also elected the fair value option for certain future insurance policy benefits and policyholders' account in the life insurance business which are not normally measured at fair value. The election was made to mitigate accounting mismatches related to the changes in the fair value between liabilities for those future insurance policy benefits and policyholders' account due to changes in the minimum guarantee risk of contracts of variable annuities with minimum guarantee benefits, and the underlying investment managed for policyholders and derivatives. Changes in fair value resulting from changes in instrument-specific credit risk were estimated by incorporating the certain subsidiary's current credit spreads, and are recognized in other comprehensive income, net of tax.

The accounting guidance for fair value measurements specifies a hierarchy of inputs to valuation techniques based on the extent to which inputs used in measuring fair value are observable in the market. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Sony's assumptions about the assumptions that market participants would use in pricing the asset or liability. Observable market data is used if such data is available without undue cost and effort. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

Level 1 — Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 — Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3 — One or more significant inputs are unobservable.

When available, Sony uses unadjusted quoted market prices in active markets to measure fair value and classifies such items within level 1. If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Items valued using internally generated models are classified according to the lowest level input that is significant to the valuation. For certain financial assets and liabilities, Sony determines fair value using third-party information such as indicative quotes from dealers and quantitative input from investment advisors following Sony's established valuation procedures including validation against internally developed prices. Additionally, Sony considers both counterparty credit risk and Sony's own creditworthiness in determining fair value. Sony attempts to mitigate credit risk to third parties by entering into netting agreements and actively monitoring the creditworthiness of counterparties and its exposure to credit risk through the use of credit limits and by selecting major international banks and financial institutions as counterparties.

Derivative financial instruments -

All derivatives are recognized as either assets or liabilities in the consolidated balance sheets at fair value on a gross basis. Changes in the fair value of derivative financial instruments are either recognized periodically in income or stockholders' equity (as a component of accumulated other comprehensive income), depending on whether the derivative financial instrument qualifies as a hedge and the derivative is being used to hedge changes in fair value or cash flows.

The accounting guidance for hybrid financial instruments permits an entity to elect fair value remeasurement for any hybrid financial instrument if the hybrid instrument contains an embedded derivative that would otherwise be required to be bifurcated and accounted for separately under accounting guidance for derivative instruments and hedging activities. The election to measure the hybrid instrument at fair value is made on an instrument-by-instrument basis and is irreversible. Certain subsidiaries in the Financial Services segment had hybrid financial instruments, disclosed in Note 7 as debt securities, that contain embedded derivatives where the entire instrument was carried at fair value.

In accordance with accounting guidance for derivative instruments and hedging activities, various derivative financial instruments held by Sony are classified and accounted for as described below.

Fair value hedges

Changes in the fair value of derivatives designated as fair value hedges for recognized assets or liabilities or unrecognized firm commitments are recognized in earnings as offsets to changes in the fair value of the related hedged assets or liabilities.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges for forecasted transactions or exposures associated with recognized assets or liabilities are initially recorded in other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. The time value component of the fair value of option contracts is excluded from the assessment of hedge effectiveness and recognized in earnings on a straight-line basis over the life of the hedging instruments. Any difference between the change in fair value of the excluded component and the accumulated amount recognized in earnings on a straight-line basis is recognized in other comprehensive income.

Derivatives not designated as hedges

Changes in the fair value of derivatives that are not designated as hedges are recognized immediately in earnings.

Assessment of hedges

When applying hedge accounting, Sony formally documents all hedging relationships between the derivatives designated as hedges and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging activities. Sony links all hedges that are designated as fair value or cash flow hedges to specific assets or liabilities on the consolidated balance sheets or to the specific forecasted transactions. Sony also assesses, both at the inception of the hedge and on an on-going basis, whether the derivatives that are designated as hedges are highly effective in offsetting changes in fair value or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge, Sony discontinues hedge accounting.

Stock-based compensation -

Sony accounts for stock-based compensation using the fair value-based method and the expense is mainly included in selling, general and administrative expenses. Sony accounts for its stock acquisition rights plan using the fair value measured on the date of grant using the Black-Scholes option-pricing model. The stock acquisition rights plan is recognized, net of an estimated forfeiture rate, over the requisite service period using the accelerated method of amortization for grants with graded vesting. The estimated forfeiture rate is based on Sony's historical experience in the stock acquisition rights plans where the majority of the vesting terms have been satisfied.

Revenue recognition -

Sony recognizes revenue in an amount that reflects the consideration Sony expects in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers. This is in accordance with the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) Sony satisfies a performance obligation.

Sony owns a variety of intellectual property throughout its segments and recognizes revenue through the licensing of such intellectual property. Sony has both functional and symbolic intellectual property. The licensing of functional intellectual property grants a customer a right to use Sony's intellectual property as it exists at a point in time, and Sony satisfies its performance obligation at the point in time when the customer obtains control and is entitled to benefit from the license. The licensing of symbolic intellectual property grants a customer a right to access Sony's intellectual property over time, and Sony satisfies its performance obligation over the license period as Sony maintains the intellectual property.

Incremental costs of obtaining a contract and costs to fulfill a contract are recognized as assets when Sony expects to recover these costs. The incremental costs of obtaining a contract are those costs that would not have been incurred if the contract had not been obtained. Costs to fulfill a contract are those costs that are directly related to a contract or to an anticipated contract and that generate or enhance resources for Sony to satisfy its performance obligations. Sony applies a practical expedient and recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

Performance obligations in contracts for the EP&S and I&SS segments are primarily to deliver various kinds of electronic equipment, instruments and devices to customers. Revenues from these performance obligations are generally recognized when a promised good is delivered to a customer. However, if the sales contract contains a customer acceptance provision, then revenues are recognized when the customer accepts the promised good or when a deemed acceptance occurs by the lapse of time. Revenues are also recognized over time, primarily from the provision of internet broadband network services to subscribers over the subscription period. Revenues are recognized net of anticipated returns and sales incentives.

Within the G&NS segment, revenues from hardware, peripherals and software discs are recognized when performance obligations are satisfied by transferring control to the retailer/distributor, net of anticipated returns, sales incentives and cooperative advertising obligations. Revenues from platform licensing to publishers are recognized when physical software discs are delivered. Revenues from digital game content, which is licensed functional intellectual property, are recognized when the digital content is made available for use by the licensee via an online platform, net of anticipated sales incentives and credit card chargebacks. Revenues from digital game content involving multiple performance obligations, such as obligations to make content available on future dates, are allocated to each performance obligation based on the relative standalone selling prices that are observable in the market or Sony's best estimate. Revenues from subscription fees for digital subscription services are recognized over the subscription period.

Within the Music segment, Sony licenses intellectual property that transfer to a customer either a right to use Sony's intellectual property as it exists at the point in time in which the license is granted, or a right to access Sony's intellectual property as it exists throughout the license period. Revenues are recognized when the customer has the right to use or access the intellectual property and obtains control of the use or access of that license. Digital revenues include revenues from contracts with digital streaming services typically recognized as a single performance obligation, which is ongoing access to intellectual property in an evolving library of content over the contract term, predicated on: (1) the business practice and contractual ability to remove specific content without a requirement to replace the content and without impact to minimum royalty guarantees and (2) the contracts not containing a specific listing of content subject to the license. For these contracts, revenues are recognized on the basis of sales and usage royalties, except where there is an amount of a minimum royalty guarantee that is not expected to be recouped, or a fixed fee, which is recognized on a straight-line basis over the term of the contract. Revenues from the sale of physical product such as CDs, net of anticipated returns and sales incentives, are recognized when delivery has occurred and the product is available for sale to the public.

Within the Pictures segment, revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of motion picture and television programming for pay and free television exhibition and other markets are recognized when the product is available for use by the licensee. Revenues for motion picture and television program licensing arrangements involving multiple performance obligations, for example a fee for multiple titles, territories or availability dates, are allocated based on the relative standalone selling price of each performance obligation using Sony's best estimate based on available information such as market conditions and internal pricing guidelines. Each individual motion picture or television programming product delivered generally represents a separate performance obligation. Licensing revenue associated with certain renewals or extensions of existing agreements for motion pictures and television programming is recognized when the licensee can use and benefit from the content under the renewal or extension. Licensing revenue associated with minimum guarantees for symbolic intellectual property is recognized ratably over the license term. For home entertainment distribution, revenues from the sale of physical product such as DVDs and Blu-ray Disc™, net of anticipated returns and sales incentives, are recognized when delivery has occurred and the product is available for sale to the public. Revenues from electronic sell-through and video-on-demand are recognized when the product is made available for viewing via digital distribution platforms. Revenues from the sale of broadcast advertising are recognized when the advertisement is aired, and the performance obligation in these arrangements is the delivery of advertising spots and may include a guaranteed amount of impressions. When a guarantee for a number of impressions is not achieved, revenues are not recognized until additional advertising spots are delivered to provide the guaranteed impressions. Revenues from subscription fees received by television and digital networks are recognized when the service is provided. The performance obligation under network subscription arrangements is a license of functional intellectual property that is satisfied as programming is provided over the term of the arrangement.

Within the Financial Services segment, traditional life insurance policies that the life insurance subsidiary underwrites, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. Premiums from these policies are reported as revenue when due from policyholders. Amounts received as payment for non-traditional contracts such as interest sensitive whole life contracts, individual annuity contracts and other contracts without life contingencies are recognized in policyholders' account in the life insurance business. Revenues from these contracts are comprised of fees earned for administrative and contract-holder services, which are recognized over the period of the contracts, and included in financial services revenue. Property and casualty insurance policies that the non-life insurance subsidiary underwrites are primarily automotive insurance contracts which are categorized as short-duration contracts. Premiums from these policies are reported as revenue over the period of the contract in proportion to the amount of insurance protection provided.

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

Cost of sales -

Costs classified as cost of sales relate to the producing and manufacturing of products and include items such as material cost, subcontractor cost, depreciation of fixed assets, amortization of intangible assets, personnel expenses, research and development costs, and amortization of film costs related to motion picture and television productions.

Research and development costs -

Research and development costs, included in cost of sales, include items such as salaries, personnel expenses and other direct and indirect expenses associated with research and product development. Research and development costs are expensed as incurred.

Selling, general and administrative -

Costs classified as selling expenses relate to promoting and selling products and include items such as advertising, promotion, shipping and warranty expenses. General and administrative expenses include operating items such as officers' salaries, personnel expenses, depreciation of fixed assets, office rental for sales, marketing and administrative divisions, allowance for credit losses and amortization of intangible assets.

Financial services expenses -

Financial services expenses include a provision for policy reserves and amortization of deferred insurance acquisition costs, and all other operating costs, such as personnel expenses, depreciation of fixed assets, and office rental of subsidiaries, in the Financial Services segment.

Advertising costs -

Advertising costs are expensed when the advertisement or commercial appears in the selected media.

Shipping and handling costs -

The majority of shipping and handling, warehousing and internal transfer costs for finished goods are included in selling, general and administrative expenses. An exception to this is in the Pictures segment where such costs are charged to cost of sales as they are an integral part of producing and distributing motion pictures and television programming. All other costs related to Sony's distribution network are included in cost of sales, including inbound freight charges, purchasing and receiving costs, inspection costs and warehousing costs for raw materials and in-process inventory. Shipping and handling activities that occur after control of the related good transfers are treated as separate performance obligations. Amounts paid by customers for shipping and handling costs are included in net sales.

Income taxes -

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income, and the tax liability attributed to undistributed earnings of subsidiaries and affiliated companies accounted for by the equity method expected to be remitted in the foreseeable future. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically with appropriate consideration given to all positive and negative evidence related to the realization of the deferred tax assets. Management's judgments related to this assessment consider, among other matters, the nature, frequency and severity of current and cumulative losses on an individual tax jurisdiction basis, forecasts of future profitability after consideration of uncertain tax positions, excess of appreciated asset value over the tax basis of net assets, the duration of statutory carryforward periods, the past utilization of net operating loss carryforwards prior to expiration, as well as prudent and feasible tax planning strategies which would be employed by Sony to prevent net operating loss and tax credit carryforwards from expiring unutilized.

Sony records assets and liabilities for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Sony continues to recognize interest and penalties, if any, with respect to income taxes, including unrecognized tax benefits, as interest expense and as income tax expense, respectively, in the consolidated statements of income. The amount of income taxes Sony pays is subject to ongoing audits by various taxing authorities, which may result in proposed assessments. In addition, several significant items related to intercompany transfer pricing are currently the subject of negotiations between taxing authorities in different jurisdictions as a result of pending advance pricing agreement applications and competent authority requests. Sony's estimate for the potential outcome for any uncertain tax issues is judgmental and requires significant estimates. Sony assesses its income tax positions and records tax benefits for all years subject to examinations based upon the evaluation of the facts, circumstances and information available at that reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, Sony records the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. If Sony does not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. However, Sony's future results may include favorable or unfavorable adjustments to Sony's estimated tax liabilities due to closure of income tax examinations, the outcome of negotiations between taxing authorities in different jurisdictions, new regulatory or judicial pronouncements or other relevant events. As a result, the amount of unrecognized tax benefits, and the effective tax rate, may fluctuate significantly.

The U.S. Tax Cuts and Jobs Act of 2017 (the "U.S. Tax Reform Act") subjects a U.S. entity to tax on Global Intangible Low Tax Income ("GILTI") earned by its foreign subsidiaries. Sony has elected to account for GILTI as a current period expense when incurred.

Net income (loss) attributable to Sony Group Corporation's stockholders per share ("EPS") -

Basic EPS is computed based on the weighted-average number of shares of common stock outstanding during each period. The computation of diluted EPS reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to Sony Group Corporation's stockholders.

(2) Recently adopted accounting pronouncements

Measurement of credit losses on financial instruments -

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, which amends the accounting guidance for credit losses on financial instruments. The ASU requires the consideration of all available relevant information when estimating expected credit losses, including past events, current conditions and forecasts and their implications for expected credit losses. This ASU was effective for Sony as of April 1, 2020. The adoption of this ASU did not have a material impact on Sony's results of operations and financial position.

Improvements to Accounting for Costs of Films and License Agreements for Program Materials -

In March 2019, the FASB issued ASU 2019-02, which updates the guidance for the capitalization of film costs associated with episodic television series, requires the use of fair value rather than net realizable value when determining potential impairments of broadcasting rights, and modifies the presentation and disclosure requirements for films and broadcasting rights. In addition, upon capitalization of film costs entities are required to determine qualitatively whether the predominant monetization strategy is on a title-by-title basis or together with other films and/or broadcast rights as part of a film group, such as in the case of a release of a film as part of a library of content on a streaming service. In the case of a film group, impairments are evaluated at the overall film group level rather than the individual title level. This ASU was effective for Sony as of April 1, 2020 and was applied on a prospective basis. Upon adoption, Sony reclassified broadcasting rights in the Pictures segment and animation film production costs in the Music segment included in inventories to film costs.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Changes to the opening balances resulting from the adoption of the above ASUs were as follows:

	Yen in millions				
	March 31, 2020	Impact of Adoption ASU 2016-13	ASU 2019-02	Total	April 1, 2020
ASSETS					
Current assets:					
Notes and accounts receivable, trade and contract assets	1,028,793	—	—	—	1,028,793
Allowance for credit losses*	(25,873)	(280)	—	(280)	(26,153)
Inventories	589,969	—	(31,517)	(31,517)	558,452
Other receivables	188,106	(30)	—	(30)	188,076
Prepaid expenses and other current assets	594,021	(12)	—	(12)	594,009
Total current assets	5,735,145	(322)	(31,517)	(31,839)	5,703,306
Film costs	427,336	—	31,517	31,517	458,853
Investments and advances:					
Securities investments and other	12,526,210	780	—	780	12,526,990
Allowance for credit losses	—	(6,341)	—	(6,341)	(6,341)
Total investments and advances	12,734,132	(5,561)	—	(5,561)	12,728,571
Other assets:					
Deferred income taxes	210,372	45	—	45	210,417
Other	340,005	(721)	—	(721)	339,284
Total other assets	3,234,086	(676)	—	(676)	3,233,410
Total assets	23,039,343	(6,559)	—	(6,559)	23,032,784
LIABILITIES					
Deferred income taxes	549,538	(1,504)	—	(1,504)	548,034
Total liabilities	18,242,041	(1,504)	—	(1,504)	18,240,537
EQUITY					
Sony Group Corporation's stockholders' equity:					
Retained earnings	2,768,856	(3,669)	—	(3,669)	2,765,187
Total Sony Group Corporation's stockholders' equity	4,125,306	(3,669)	—	(3,669)	4,121,637
Noncontrolling interests	664,229	(1,386)	—	(1,386)	662,843
Total equity	4,789,535	(5,055)	—	(5,055)	4,784,480
Total liabilities and equity	23,039,343	(6,559)	—	(6,559)	23,032,784

* Under ASU 2016-13, Sony changed the presentation from "Allowance for doubtful accounts" to "Allowance for credit losses" on the consolidated balance sheets.

Disclosures for Fair Value Measurement -

In August 2018, the FASB issued ASU 2018-13, which amends disclosure requirements related to fair value measurement. This ASU was effective for Sony as of April 1, 2020. Since this ASU only impacts disclosures, the adoption had no impact on Sony's results of operations and financial position.

Disclosures for Defined Benefit Plans -

In August 2018, the FASB issued ASU 2018-14, which amends disclosure requirements related to defined benefit pension and other postretirement plans. This ASU was effective for Sony as of April 1, 2020. Since this ASU only impacts disclosures, the adoption had no impact on Sony's results of operations and financial position.

(3) Recent accounting pronouncements not yet adopted

On February 3, 2021, Sony announced that its Board of Directors approved the voluntary adoption of International Financial Reporting Standards ("IFRS") for its consolidated financial statements, in lieu of the currently applied U.S. GAAP. This decision was made with the goal of further streamlining and maintaining the quality of Sony's financial and management reporting systems over the mid- to long-term, and improving the international comparability of financial information in the capital markets. Sony plans to disclose its consolidated financial statements in accordance with IFRS from the first quarter of the fiscal year ending March 31, 2022. As a result, recent accounting pronouncements not yet adopted under U.S. GAAP have been excluded from this disclosure.

(4) Reclassifications

Certain reclassifications of the financial statements and accompanying footnotes for the fiscal years ended March 31, 2019 and 2020 have been made to conform to the presentation for the fiscal year ended March 31, 2021.

3. *Inventories*

Inventories are comprised of the following:

	Yen in millions	
	March 31	
	2020	2021
Finished products	345,231	398,478
Work in process	149,969	133,560
Raw materials, purchased components and supplies	94,769	105,353
Inventories	589,969	637,391

4. *Film costs*

Film costs are comprised of the following:

	Yen in millions	
	March 31	
	2020	2021
Motion picture productions:		
Released	99,482	68,302
Completed and not released	18,776	20,148
In production and development	67,199	141,268
Television productions:		
Released	186,344	126,236
In production and development	25,093	33,712
Film costs for content predominantly monetized individually	396,894	389,666
Film costs for Media Networks content*1	61,959	69,760
Less: current portion of broadcasting rights included in inventories*2	(31,517)	—
Film costs	427,336	459,426

*1 Substantially all of Sony's film costs for Media Networks content are broadcasting rights and predominantly monetized with other content.

*2 Sony adopted ASU 2019-02 effective as of April 1, 2020, and as a result, broadcasting rights in the Pictures segment and animation film production costs in the Music segment were reclassified from inventories to film costs.

The amortization of film costs is recorded in cost of sales. Amortization expense of film costs of content predominantly monetized individually was 276,902 million yen and 209,674 million yen during the fiscal years ended March 31, 2020, and 2021, respectively. Amortization expense of film costs of content predominantly monetized as part of a film group was 52,907 million yen and 63,370 million yen during the fiscal years ended March 31, 2020, and 2021, respectively.

67% of film costs for completed and not released content is expected to be amortized in the next twelve months. Unamortized film costs for released content and Media Networks content at March 31, 2021 are expected to be amortized as follows:

Fiscal year ending March 31	Film costs for released content predominantly monetized individually	Film costs for Media Networks content
2022	77%	42%
2023	11%	24%
2024	3%	14%
Total	91%	80%

Approximately 167 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

5. *Investments in affiliated companies*

The summarized combined financial information that is based on information provided by the equity investees including information for significant equity affiliates and the reconciliation of such information to the consolidated financial statements is shown below:

Balance Sheets

	Yen in millions	
	March 31	
	2020	2021
Current assets	389,195	435,910
Noncurrent assets	164,852	172,795
Current liabilities	194,219	208,306
Noncurrent liabilities and noncontrolling interests	60,469	61,232
Percentage of ownership in equity investees	20%-50%	20%-50%

Statements of Income

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Net revenues	390,457	387,678	414,934
Operating income	53,920	58,431	78,096
Net income attributable to controlling interests	5,539	34,916	46,914
Percentage of ownership in equity investees	20%-50%	20%-50%	20%-50%

On November 14, 2018, Sony Corporation of America (“SCA”), Sony’s wholly-owned subsidiary, completed the acquisition of the entirety of the approximately 60% equity interest held by the investor consortium led by the Mubadala Investment Company in DH Publishing, L.P. (“EMI”), which owned and managed EMI Music Publishing. As a result of this acquisition, EMI became a wholly-owned subsidiary of Sony as described in Note 24.

The carrying value of Sony’s investment in M3, Inc. (“M3”) exceeded its proportionate share in the underlying net assets of M3 by 65,541 million yen at March 31, 2021. The excess is substantially attributable to the remeasurement to fair value of the remaining shares of M3, and allocated to identifiable tangible and intangible assets. The intangible assets relate primarily to M3’s medical web-portal. The unassigned residual value of the excess is recognized as goodwill as a component of the investment balance. The amounts allocated to intangible assets are amortized net of the related tax effects to equity in net income (loss) of affiliated companies over their respective estimated useful lives, principally 10 years, using the straight-line method.

With the exception of M3 as described above, there was no significant difference between Sony's proportionate share in the underlying net assets of the investees and the carrying value of investments in affiliated companies at March 31, 2020 and 2021.

On December 19, 2019, SRE Holdings Corporation ("SRE"), Sony's consolidated subsidiary, became a publicly listed company on the Tokyo Stock Exchange Mothers market (the "Listing"). Upon the Listing, Sony sold a portion of its shares of SRE, and shares issued by SRE were publicly offered (collectively, the "Sale"). Sony's ownership of SRE's total shares, which was 56.3% before the Sale, has decreased to 44.5% after the Sale. As a result, SRE has become an affiliate accounted for under the equity method of Sony. In connection with the Sale, Sony recorded a gain of 17,266 million yen, which consisted of both a remeasurement gain based on fair value for the shares Sony continues to hold after the Sale, and a realized gain for the sold shares, in other operating (income) loss, net in the consolidated statements of income for the fiscal year ended March 31, 2020.

On January 29, 2020, Sony Life Insurance Co., Ltd.("Sony Life"), Sony's consolidated subsidiary, completed the acquisition of the entirety of 50% equity interest held by AEGON International B.V. in AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd. (collectively, the "JVs"). As a result of this acquisition, the JVs became consolidated subsidiaries of Sony as described in Note 24. AEGON Sony Life Insurance Co., Ltd. changed its name to "Sony Life With Insurance Co., Ltd.," as of April 1, 2020, and Sony Life With Insurance Co., Ltd., was subsequently merged with Sony Life as of April 1, 2021.

Several affiliated companies are listed on the Tokyo Stock Exchange and Sony's investments in these companies have an aggregate carrying value and fair value of 150,339 million yen and 1,785,481 million yen, respectively, as of March 31, 2021.

The number of affiliated companies accounted for under the equity method as of March 31, 2020 and 2021 were 140 and 135, respectively.

Account balances and transactions with affiliated companies accounted for under the equity method are presented below. There are no other material transactions or account balances with any other related parties.

	Yen in millions	
	March 31	
	2020	2021
Accounts receivable, trade	12,030	5,814
Other receivables	1,589	3,014
Other current assets	9,757	16,097
Accounts payable, trade	1,497	1,409
Short-term borrowings	31,557	21,367
Finance lease liabilities and other	34,564	48,018
Operating lease liabilities	2,393	2,730

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Sales	41,437	35,951	32,372
Purchases	5,584	3,479	3,058

Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFI Leasing Company, Limited ("SFIL"), a leasing company in Japan, in the fiscal year ended March 31, 2019. SFIL is accounted for under the equity method and is 34% owned by Sony.

MITSUI-SOKO Supply Chain Solutions, Inc. is accounted for under the equity method and is 34% owned by Sony as a result of the sale of the logistics business on April 1, 2015. As of the fiscal years ended March 31, 2020 and 2021, account balances with MITSUI-SOKO Supply Chain Solutions, Inc. and its subsidiaries were 1,181 million yen and 1,649 million yen, respectively, which are mainly included in accrued expenses. For the fiscal years ended March 31, 2020 and 2021, transactions were 6,069 million yen and 7,139 million yen, respectively, which are mainly included in general and administrative expenses.

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2019, 2020 and 2021 were 4,948 million yen, 4,523 million yen and 6,539 million yen, respectively.

6. *Transfer of financial assets*

Sony has established several accounts receivable sales programs mainly within the EP&S segment. Through these programs, Sony can sell receivables to a commercial bank or a special purpose entity associated with a sponsor bank. Total receivables sold during the fiscal years ended March 31, 2019, 2020 and 2021 were 81,947 million yen, 65,214 million yen and 36,664 million yen, respectively. These transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. Sony includes the sales proceeds from these receivables as cash flows within operating activities in the consolidated statement of cash flows because the receivables are the result of operating activities and are short term in nature. Gains and losses from these transactions were insignificant. Although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing assets or liabilities are recorded as the costs of collection of the sold receivables and the income from servicing such receivables are insignificant.

Certain accounts receivable sales programs above also involve VIEs. Refer to Note 23.

7. *Marketable securities and securities investments*

Marketable securities and securities investments, primarily held in the Financial Services segment, include debt securities for which the aggregate cost, gross unrealized gains and losses and fair value pertaining to available-for-sale securities and held-to-maturity securities are as follows.

	Yen in millions							
	March 31, 2020				March 31, 2021			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Debt securities:								
Available-for-sale securities:								
Japanese national government bonds	1,552,036	210,459	(566)	1,761,929	2,301,995	159,880	(18,609)	2,443,266
Japanese local government bonds	69,132	73	(33)	69,172	73,989	94	(20)	74,063
Japanese corporate bonds	202,164	19,112	(567)	220,709	259,932	13,356	(1,475)	271,813
Foreign government bonds	198,777	81,014	(14)	279,777	323,557	23,118	(20,819)	325,856
Foreign corporate bonds	361,422	507	(2,179)	359,750	382,231	1,102	(459)	382,874
Securitized products	205,223	0	—	205,223	198,593	—	—	198,593
Other	14,398	1,867	(12)	16,253	42,469	3,492	(140)	45,821
	2,603,152	313,032	(3,371)	2,912,813	3,582,766	201,042	(41,522)	3,742,286
Held-to-maturity securities:								
Japanese national government bonds	6,204,505	2,098,885	(1,397)	8,301,993	6,244,125	1,650,057	(13,390)	7,880,792
Japanese local government bonds	2,504	331	—	2,835	1,716	294	—	2,010
Japanese corporate bonds	482,050	61,176	(4,754)	538,472	543,870	36,071	(14,919)	565,022
Foreign government bonds	723,937	302,297	—	1,026,234	850,740	51,494	(25,277)	876,957
Foreign corporate bonds	98	7	—	105	27,392	572	(109)	27,855
Securitized products	5,418	—	(421)	4,997	69,062	65	(4)	69,123
	7,418,512	2,462,696	(6,572)	9,874,636	7,736,905	1,738,553	(53,699)	9,421,759
Total	10,021,664	2,775,728	(9,943)	12,787,449	11,319,671	1,939,595	(95,221)	13,164,045

The following table presents the cost and fair value of debt securities classified as available-for-sale securities and held-to-maturity securities by contractual maturity:

	Yen in millions			
	March 31, 2021			
	Available-for-sale securities		Held-to-maturity securities	
	Cost	Fair value	Cost	Fair value
Due in one year or less	568,574	568,625	6,680	6,757
Due after one year through five years	419,311	434,470	288,952	307,127
Due after five years through ten years	650,929	725,747	252,897	284,725
Due after ten years	1,943,952	2,013,444	7,188,376	8,823,150
Total	3,582,766	3,742,286	7,736,905	9,421,759

Proceeds from sales of available-for-sale securities were 66,906 million yen, 84,362 million yen and 60,188 million yen for the fiscal years ended March 31, 2019, 2020 and 2021, respectively. On these sales, gross realized gains were 240 million yen, 354 million yen and 358 million yen and gross realized losses were 475 million yen, 128 million yen and 145 million yen, respectively, for the fiscal years ended March 31, 2019, 2020 and 2021.

Marketable securities classified as trading securities, which are held primarily in the Financial Services segment, totaled 270,120 million yen and 288,895 million yen as of March 31, 2020 and 2021, respectively. Sony recorded net unrealized gains of 3,610 million yen, net unrealized gains of 1,705 million yen, and net unrealized losses of 1,055 million yen for the fiscal years ended March 31, 2019, 2020 and 2021, respectively. Changes in the fair value of trading securities are primarily recognized in financial services revenue in the consolidated statements of income.

The following tables present the gross unrealized losses on, and fair value of, Sony's investment securities with unrealized losses, aggregated by investment category and the length of time that individual investment securities have been in a continuous unrealized loss position, at March 31, 2020 and 2021.

	Yen in millions					
	March 31, 2020					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities:						
Available-for-sale securities:						
Japanese national government bonds	51,746	(539)	2,032	(27)	53,778	(566)
Japanese local government bonds	25,010	(10)	16,340	(23)	41,350	(33)
Japanese corporate bonds	62,118	(548)	10,694	(19)	72,812	(567)
Foreign government bonds	—	—	1,537	(14)	1,537	(14)
Foreign corporate bonds	86,220	(2,133)	18,896	(46)	105,116	(2,179)
Securitized products	—	—	—	—	—	—
Other	12,055	(12)	—	—	12,055	(12)
Total	237,149	(3,242)	49,499	(129)	286,648	(3,371)

	Yen in millions					
	March 31, 2021					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities:						
Available-for-sale securities:						
Japanese national government bonds	485,941	(18,418)	29,424	(191)	515,365	(18,609)
Japanese local government bonds	20,421	(8)	15,256	(12)	35,677	(20)
Japanese corporate bonds	73,238	(925)	42,310	(550)	115,548	(1,475)
Foreign government bonds	128,085	(20,800)	1,522	(19)	129,607	(20,819)
Foreign corporate bonds	29,651	(302)	12,026	(157)	41,677	(459)
Securitized products	—	—	—	—	—	—
Other	1,162	(140)	—	—	1,162	(140)
Total	738,498	(40,593)	100,538	(929)	839,036	(41,522)

At March 31, 2021, Sony determined that the decline in value for securities with unrealized losses shown in the above table has not resulted from credit losses.

For the fiscal years ended March 31, 2020 and 2021, with respect to equity securities included in marketable securities and securities investments, Sony recorded net realized gains of 20,176 million yen and 44,372 million yen due to the sale of equity securities and net unrealized loss of 134,831 million yen and net unrealized gains of 682,650 million yen due to revaluation of equity securities held as of March 31, 2020 and 2021, respectively. Gains or losses arising from equity securities held in the Financial Services segment are recorded in financial services revenue, and gains or losses arising from equity securities held in all segments other than the Financial Services segment are recorded in gain (loss) on equity securities, net in the consolidated statement of income. Included in the gains and (losses) noted above were gains and (losses) recorded by Sony with respect to the equity securities held by Sony in Spotify Technology S.A. ("Spotify").

On April 3, 2018, Spotify was publicly listed for trading on the New York Stock Exchange. Sony owned 5.707% of Spotify's shares at the time of the public listing.

During the fiscal year ended March 31, 2019, Sony sold a portion of the Spotify shares that it owned for aggregate consideration of 82,616 million yen (768 million U.S. dollars) in cash proceeds. The sale of such shares, offset by costs to be paid to Sony's artists and distributed labels and other transaction costs which directly related to the gains recognized from the sale of Spotify shares, resulted in a net pre-tax realized gain of 54,179 million yen (504 million U.S. dollars) recorded in gain on equity securities, net in the consolidated statement of income. The payments to Sony's artists and distributed labels are included within Other in the cash flows from investing activities of the consolidated statement of cash flows.

The remaining Spotify shares retained as of March 31, 2019 had a gross fair value of 78,947 million yen (711 million U.S. dollars), and the revaluation of such shares resulted in a pre-tax unrealized gain, net of costs to be paid to Sony's artists and distributed labels and other costs which directly related to the gains recognized from the revaluation of Spotify shares, of 47,543 million yen (449 million U.S. dollars) recorded in gain on equity securities, net in the consolidated statement of income for the fiscal year ended March 31, 2019.

During the fiscal year ended March 31, 2020, Sony did not sell any portion of the Spotify shares that it owned. The revaluation of the remaining Spotify shares retained as of March 31, 2020 resulted in a pre-tax unrealized loss, net of a decrease in costs to be paid to Sony's artists and distributed labels, of 6,063 million yen (57 million U.S. dollars) recorded in loss on equity securities, net in the consolidated statements of income for the fiscal year ended March 31, 2020.

During the fiscal year ended March 31, 2021, Sony did not sell any portion of the Spotify shares that it owned. The revaluation of the remaining Spotify shares retained as of March 31, 2021 resulted in a pre-tax unrealized gain, net of costs to be paid to Sony's artists and distributed labels, of 51,310 million yen (480 million U.S. dollars) recorded in gain on equity securities, net in the consolidated statements of income for the fiscal year ended March 31, 2021.

The aggregate carrying amounts of securities that do not have readily determinable fair values as of March 31, 2020 and 2021 totaled 30,120 million yen and 82,744 million yen, respectively. Sony recorded no upward adjustments for securities that do not have readily determinable fair values for the fiscal year ended March 31, 2019, and upward adjustments of 1,070 million yen and 20,921 million yen for securities that do not have readily determinable fair values for the fiscal years ended March 31, 2020 and 2021, respectively. The upward adjustments primarily resulted from new stock issuances by investees which were deemed to be observable price changes and the adjustments were calculated based on the price of such issuances. Sony recorded downward adjustments (including impairments) of 4,285 million yen, 9,075 million yen and 4,826 million yen for securities that do not have readily determinable fair values for the fiscal years ended March 31, 2019, 2020 and 2021, respectively.

The following table presents the cost of debt securities classified as held-to-maturity securities by a credit quality indicator based on a ratings system, which is primarily a composite of external ratings at March 31, 2020 and 2021. These debt securities held primarily in the Financial Services segment are substantially all composed of investment grade securities.

	Yen in millions	
	March 31	
	2020	2021
Debt securities:		
Held-to-maturity securities:		
AAA	5,516	69,161
AA	1,193,053	1,465,168
A	6,219,943	6,202,576
BBB	—	—
Other	—	—
Total	7,418,512	7,736,905

8. *Leases*

Sony leases certain communication and commercial equipment, plant, office space, warehouses, employees' residential facilities and other assets under both finance and operating leases.

(1) Lease cost

The components of lease cost are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2020	2021
Finance Lease cost		
Amortization of right-of-use assets	10,077	7,795
Interest on lease liabilities	1,266	863
Total finance lease cost	11,343	8,658
Operating lease cost	76,863	80,309
Short-term lease cost	20,620	17,805
Variable lease cost	141	108
Sublease income	(3,860)	(2,256)
Total lease cost	105,107	104,624

(2) Supplemental consolidated balance sheet information related to leases

Supplemental consolidated balance sheet information related to leases is as follows:

	Yen in millions	
	March 31	
	2020	2021
Finance leases		
Current portion of long-term debt	9,240	7,382
Long-term debt	29,843	43,684
Total finance lease liabilities	39,083	51,066

	March 31	
	2020	2021
Weighted average remaining lease term		
Operating leases	8.61 years	8.08 years
Finance leases	9.91 years	16.85 years

	March 31	
	2020	2021
Weighted average discount rate		
Operating leases	2.338%	2.119%
Finance leases	3.147%	1.776%

(3) Maturities of lease liabilities

Maturities of lease liabilities as of March 31, 2021 are as follows:

	Yen in millions	
Fiscal year ending March 31	Operating leases	Finance leases
2022	79,980	8,309
2023	65,595	6,909
2024	55,127	5,067
2025	36,893	4,306
2026	29,850	2,941
Later fiscal years	130,838	33,869
Total lease payments	398,283	61,401
Less imputed interest	34,662	10,335
Total	363,621	51,066

(4) Other information

Other information related to leases is as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2020	2021
Cash paid for amounts included in the measurement of lease liabilities		
Payments for operating leases, included in cash flows from operating activities	71,612	75,907
Payments for finance leases, included in cash flows from financing activities	33,088	9,311
Right-of-use assets obtained in exchange for new operating lease liabilities	124,380	46,710

9. *Goodwill and other intangible assets*

Intangible assets other than goodwill acquired during the fiscal year ended March 31, 2021 totaled 187,596 million yen, which are subject to amortization, and are comprised of the following:

	Intangible assets acquired during the fiscal year	Weighted-average amortization period
	Yen in millions	Years
Patent rights, know-how and license agreements	14,131	5
Software to be sold, leased or otherwise marketed	17,255	3
Internal-use software	87,788	5
Music catalogs	61,341	19
Other	7,081	3

In the fiscal year ended March 31, 2021, additions to internal-use software primarily related to the capitalization of new software across several business platforms.

Intangible assets subject to amortization are comprised of the following:

	Yen in millions			
	March 31, 2020		March 31, 2021	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	173,800	(154,772)	180,379	(143,448)
Customer relationships	16,104	(12,467)	18,681	(13,962)
Trademarks	11,115	(6,079)	11,177	(6,394)
Software to be sold, leased or otherwise marketed	141,111	(110,663)	156,820	(124,819)
Internal-use software	594,109	(384,236)	660,133	(437,438)
Music catalogs	612,266	(124,787)	708,320	(151,568)
Artist contracts	41,764	(29,017)	42,902	(30,425)
Television carriage contracts (broadcasting agreements)	53,266	(21,645)	55,752	(27,162)
Other	56,769	(42,631)	63,102	(57,001)
Total	1,700,304	(886,297)	1,897,266	(992,217)

The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2019, 2020 and 2021 was 109,452 million yen, 110,819 million yen and 118,260 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

Fiscal year ending March 31	Yen in millions
2022	102,884
2023	88,057
2024	66,244
2025	48,197
2026	33,799

Total carrying amount of intangible assets having an indefinite life is comprised of the following:

	Yen in millions	
	March 31	
	2020	2021
Trademarks	69,975	70,265
Distribution agreements	18,834	18,834
Other	3,494	2,157
Total	92,303	91,256

The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2020 and 2021 are as follows:

	G&NS	Music	Pictures	EP&S	I&SS	Financial Services	All Other	Total
Balance, March 31, 2019:								
Goodwill — gross	153,955	403,676	252,262	194,416	46,564	7,931	28,570	1,087,374
Accumulated impairments	—	(306)	(106,778)	(182,462)	—	(706)	(28,570)	(318,822)
Goodwill	153,955	403,370	145,484	11,954	46,564	7,225	—	768,552
Increase (decrease) due to:								
Acquisitions	17,945	2,956	14,889	364	—	3,609	—	39,763
Sales and dispositions	—	—	(609)	—	—	—	—	(609)
Impairments	—	—	—	—	—	—	—	—
Translation adjustments	(926)	(13,802)	(5,410)	(129)	(372)	—	—	(20,639)
Other	—	(1,199)	(1,980)	—	—	—	—	(3,179)
Balance, March 31, 2020:								
Goodwill — gross	170,974	391,631	257,074	194,635	46,192	11,540	28,269	1,100,315
Accumulated impairments	—	(306)	(104,700)	(182,446)	—	(706)	(28,269)	(316,427)
Goodwill	170,974	391,325	152,374	12,189	46,192	10,834	—	783,888
Increase (decrease) due to:								
Acquisitions	—	1,791	13,007	5,156	—	—	—	19,954
Sales and dispositions	—	(902)	(392)	—	—	—	—	(1,294)
Impairments	—	—	—	—	—	—	—	—
Translation adjustments	1,386	16,609	6,026	267	318	—	—	24,606
Other	—	—	1,467	(1,472)	—	—	—	(5)
Balance, March 31, 2021:								
Goodwill — gross	172,360	409,129	278,991	198,600	46,510	11,540	28,526	1,145,656
Accumulated impairments	—	(306)	(106,509)	(182,460)	—	(706)	(28,526)	(318,507)
Goodwill	172,360	408,823	172,482	16,140	46,510	10,834	—	827,149

10. *Insurance-related accounts*

Sony's Financial Services segment subsidiaries in Japan maintain their accounting records as described in Note 2 in accordance with the accounting principles and practices generally accepted in Japan, which vary in some respects from U.S. GAAP.

Those differences are mainly that insurance acquisition costs for life and non-life insurance contracts are charged to income when incurred in Japan whereas in the United States those costs are deferred and amortized generally over the premium-paying period of the related insurance policies, and that future policy benefits for life insurance contracts calculated locally under the authorization of the supervisory administrative agencies are comprehensively adjusted using mainly the net level premium method with certain adjustments of actuarial assumptions for U.S. GAAP purposes. For the purpose of preparing the consolidated financial statements, appropriate adjustments have been made to reflect the accounting for these items in accordance with U.S. GAAP.

The combined amounts of statutory net equity of the insurance subsidiaries, which is not measured in accordance with U.S. GAAP, as of March 31, 2020 and 2021 were 586,983 million yen and 573,430 million yen, respectively.

(1) Insurance policies

Life insurance policies that subsidiaries in the Financial Services segment underwrite, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. The life insurance revenues for the fiscal years ended March 31, 2019, 2020 and 2021 were 910,011 million yen, 1,052,316 million yen and 913,361 million yen, respectively. Property and casualty insurance policies that a subsidiary in the Financial Services segment underwrites are primarily automotive insurance contracts, which are categorized as short-duration contracts. The non-life insurance revenues for the fiscal years ended March 31, 2019, 2020 and 2021 were 111,392 million yen, 115,730 million yen and 123,574 million yen, respectively.

(2) Deferred insurance acquisition costs

Amortization of deferred insurance acquisition costs charged to income for the fiscal years ended March 31, 2019, 2020 and 2021 amounted to 79,906 million yen, 93,734 million yen and 44,738 million yen, respectively. At March 31, 2020 and 2021, the balances of deferred insurance acquisition costs of non-traditional life insurance contracts were 206,363 million yen and 253,687 million yen, respectively.

(3) Future insurance policy benefits

Liabilities for future insurance policy benefits, except the portion of liabilities for minimum guarantee benefits which is described below, which mainly relate to individual life insurance policies, are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 0.5% to 4.5% and are based on factors such as market conditions and expected investment returns. Morbidity, mortality and withdrawal assumptions for all policies are based on either the subsidiary’s own experience or various actuarial tables. Generally these assumptions are locked-in throughout the life of the contract upon the issuance of new insurance, although significant changes in experience or assumptions may require Sony to provide for expected future losses.

Liabilities for future policy benefits includes the liabilities for the minimum guarantee benefits of variable annuities and variable life insurance contracts. The details regarding the minimum guarantee benefits are presented in (5) below. Sony elected the fair value option for certain of these liabilities for future insurance policy benefits. Refer to Note 13.

At March 31, 2020 and 2021, future insurance policy benefits amounted to 6,237,048 million yen and 6,592,763 million yen, respectively.

(4) Policyholders’ account in the life insurance business

Policyholders’ account in the life insurance business represents an accumulation of account deposits plus credited interest less withdrawals, expenses and mortality charges. Policyholders’ account includes universal life insurance and investment contracts. Universal life insurance includes interest sensitive whole life contracts and variable life insurance contracts. The credited rates associated with interest sensitive whole life contracts range from 1.7% to 2.0%. For variable life insurance contracts, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. Investment contracts mainly include single payment endowment contracts, single payment educational endowment contracts, individual variable annuities and policies after the start of annuity payments. The credited rates associated with investment contracts, except for individual variable annuities, range from 0.01% to 6.3%. For individual variable annuities, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. The liabilities for policyholders’ account in the life insurance business includes the liabilities related to the variable annuities and variable life insurance contracts with minimum guarantee benefits. Sony elected the fair value option for certain of these liabilities for policyholders’ account in the life insurance business. Refer to Note 13.

At March 31, 2020 and 2021, policyholders' account in the life insurance business is comprised of the following:

	Yen in millions	
	March 31	
	2020	2021
Universal life insurance	2,611,577	3,067,791
Investment contracts	885,690	1,103,785
Other	145,004	159,489
Total	3,642,271	4,331,065

(5) Minimum guarantee benefit for variable annuities and variable life insurance contracts

Regarding variable annuities and variable life insurance contracts, minimum guarantee benefits (minimum death benefit, minimum accumulation benefit, etc.) are provided, and Sony bears the risk of fulfilling the minimum guarantee benefits prescribed in the contracts to policyholders. The fair value option is applied to the portion of the liability for variable annuity contracts with minimum guarantee benefits. Refer to Note 13. Excluding the portion of the liability measured at fair value, the liability for the minimum guarantee benefit is calculated based on the ratio of the present value of expected total excess payments divided by the present value of expected total assessments over the life of the contract. Mortality rates, lapse rates, discount rates and investment yield are used as significant assumptions for this calculation. The policyholders' account value, net amount at risk, liability for the minimum guarantee benefit, and average attained age at March 31, 2020 and 2021 are as follows.

	Yen in millions		
	March 31, 2020		
	Variable annuities	Variable life insurance contracts	Total
Policyholders' account value	464,093	1,096,935	1,561,028
Net amount at risk	71,685	4,564,214	4,635,899
Liability for minimum guarantee benefit	64,045	79,860	143,905

	Age	
	March 31 2020	
	Variable annuities	Variable life insurance contracts
Average attained age	60	45

	Yen in millions		
	March 31, 2021		
	Variable annuities	Variable life insurance contracts	Total
Policyholders' account value	490,152	1,486,001	1,976,153
Net amount at risk	50,861	5,074,637	5,125,498
Liability for minimum guarantee benefit	42,309	58,246	100,555

	Age	
	March 31 2021	
	Variable annuities	Variable life insurance contracts
Average attained age	61	45

11. *Short-term borrowings and long-term debt*

Short-term borrowings are comprised of the following:

	Yen in millions	
	March 31	
	2020	2021
Unsecured loans:		
with a weighted-average interest rate of 0.86%	91,725	
with a weighted-average interest rate of 0.77%		58,659
Repurchase agreement:		
with a weighted-average interest rate of 0.93%	567,194	
with a weighted-average interest rate of 0.06%		917,792
Call money:		
with a weighted-average interest rate of 0.13%	151,257	
with a weighted-average interest rate of -0.03%		211,417
	810,176	1,187,868

At March 31, 2021, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with a book value of 787,977 million yen as collateral for 917,792 million yen of short-term repurchase agreements. The repurchase agreement provides for net settlement upon a termination event.

At March 31, 2021, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with a book value of 68,863 million yen as collateral for 59,500 million yen of secured call money.

In addition to the above, at March 31, 2021, certain subsidiaries in the Financial Services segment entered into securities-for-securities lending transactions, pursuant to which they pledged securities investments with a value of 326,156 million yen as collateral and received marketable securities with a value of 373,274 million yen as collateral. The amount of this received collateral was recorded in other current liabilities of the consolidated balance sheets for the debt of these transactions. The collateral received is permitted to be sold or repledged as collateral, but was not sold or pledged as of March 31, 2021.

Furthermore, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with an aggregate book value of 12,769 million yen as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Long-term debt is comprised of the following:

	Yen in millions	
	March 31	
	2020	2021
Unsecured loans, representing obligations principally to banks:		
Due 2020 to 2029, with interest rates ranging from 0.01 % to 5.10 % per annum	17,880	
Due 2021 to 2030, with interest rates ranging from 0.01 % to 5.10 % per annum		238,196
Unsecured 0.23% bonds, due 2021	89,894	89,969
Unsecured 0.11% bonds, due 2022	10,000	10,000
Unsecured 1.41% bonds, due 2022	10,000	10,000
Unsecured 0.28% bonds, due 2023	15,000	15,000
Unsecured 0.13% bonds, due 2024	29,886	29,911
Unsecured 0.15% bonds, due 2024		9,971
Unsecured 0.22% bonds, due 2025	10,000	10,000
Unsecured 0.18% bonds, due 2026	10,000	10,000
Unsecured 0.20% bonds, due 2026		19,943
Unsecured 0.42% bonds, due 2026	24,923	24,935
Unsecured 0.30% bonds, due 2029	59,738	59,760
Unsecured zero coupon convertible bonds, due 2022:		
Conversion price 4,996.0 yen per common share	119,531	
Conversion price 4,982.5 yen per common share		41,189
Secured 0.00% loans, due 2022 to 2023	201,205	
Secured 0.00% loans, due 2021 to 2026		240,019
Finance lease liabilities and other:		
Due 2020 to 2050, with interest rates ranging from 0.01% to 12.59% per annum	56,350	
Due 2021 to 2051, with interest rates ranging from 0.01% to 5.45% per annum		85,564
Guarantee deposits received	10,366	10,536
	664,773	904,993
Less — Portion due within one year	29,807	131,699
	634,966	773,294

At March 31, 2021, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with a book value of 54,624 million yen and housing loans with a book value of 562,731 million yen as collateral for a 240,000 million yen long-term secured loan.

On July 21, 2015, Sony issued 120,000 million yen of 130% callable unsecured zero coupon convertible bonds with stock acquisition rights due 2022 (the "Zero Coupon Convertible Bonds"). The bondholders are entitled to stock acquisition rights effective from September 1, 2015 to September 28, 2022. The initial conversion price was 5,008.0 yen per common share. In addition to the standard anti-dilution provisions, the conversion price is reduced for a certain period before an early redemption triggered upon the occurrence of certain corporate events including a merger, corporate split and delisting event. The reduced amount of the conversion price will be determined by a formula that is based on the effective date of the reduction and Sony's common stock price. The reduced conversion price ranges from 3,526.5 yen to 5,008.0 yen per common share. The conversion price is also adjusted for dividends in excess of 25 yen per common share per fiscal year. The conversion price has been adjusted to 4,969.2 yen per common share since May 10, 2021 because the payment of the total annual dividend per common share for the fiscal year ended March 31, 2021 was 55 yen, which is in excess of 25 yen. If each of the closing sales prices per share of Sony Group Corporation's common stock on the Tokyo Stock Exchange for 20 consecutive trading days is 130% or more of the conversion price of the Zero Coupon Convertible Bonds applicable on those trading days, subject to a public announcement of specified information within 15 days from the last day of those trading days, on or after July 21, 2020, Sony has the option to redeem all of the Zero Coupon Convertible Bonds outstanding at 100% of the principal amount on the specified redemption day (which must be on or after the 30th day until the 60th day following the announcement day). Sony was not required to bifurcate any of the embedded features contained in the Zero Coupon Convertible Bonds for accounting purposes. There are no significant adverse debt covenants under the Zero Coupon Convertible Bonds.

Sony borrowed 322.5 billion yen in July 2020, and 74.0 billion yen in October 2020 from a Japanese private bank, in order to procure the funds necessary to acquire the common shares and the related stock acquisition rights not held by Sony of Sony Financial Holdings Inc. ("SFH"), a consolidated subsidiary of Sony, with the aim of making SFH a wholly-owned subsidiary of Sony. Sony fully repaid the outstanding balance of 396.5 billion yen by the end of March 2021.

In July 2020, in order to enhance liquidity, Sony executed an approximate 2 billion U.S. dollar bank loan from a group of lenders with eight- to ten-year maturity terms in connection with Sony's November 2018 acquisition of the remaining approximately 60% equity interest in DH Publishing, L.P., which owns EMI Music Publishing. This bank loan utilizes the Japan Bank for International Cooperation ("JBIC") Facility, which was established to facilitate overseas mergers and acquisitions by Japanese companies. Approximately 60%, or 1.2 billion U.S. dollars, is from the JBIC Facility and borrowed in U.S. dollars and approximately 40%, or 86 billion yen (approximately 0.8 billion U.S. dollars), is from Japanese private banks and borrowed in yen. The terms of this loan agreement require accelerated repayment of the loan if Sony discontinues the acquired business.

There are no significant adverse debt covenants or cross-default provisions related to the other short-term borrowings and long-term debt.

Aggregate amounts of annual maturities of long-term debt are as follows:

Fiscal year ending March 31	Yen in millions
2022	131,699
2023	106,626
2024	95,016
2025	188,572
2026	26,867
Later fiscal years	356,213
Total	904,993

At March 31, 2021, Sony had unused committed lines of credit amounting to 580,453 million yen and can generally borrow up to 180 days from the banks with whom Sony has committed line contracts. Furthermore, at March 31, 2021, Sony had commercial paper programs totaling 1,053,550 million yen. Sony can issue commercial paper for a period generally not in excess of 270 days up to the size of the programs.

12. *Housing loans and deposits from customers in the banking business*

(1) Housing loans in the banking business

Sony acquires and holds certain financial receivables in the normal course of business. The majority of financing receivables held by Sony consists of housing loans in the banking business and no other significant financial receivables exist.

A subsidiary in the banking business monitors the credit quality of housing loans based on the credit ratings of debtors which are classified by the financial conditions and the past due status of individual obligors. Past due status is monitored on a daily basis and the credit ratings of debtors is reviewed on a quarterly basis.

The allowance for the credit losses is established based on the credit ratings of debtors and the evaluation of collateral. The amount of housing loans in the banking business and the corresponding allowance for credit losses as of March 31, 2020 were 1,927,054 million yen and 780 million yen, respectively, and as of March 31, 2021 were 2,354,546 million yen and 1,004 million yen, respectively. During the fiscal years ended March 31, 2020 and 2021, charge-offs on housing loans in the banking business and changes in the allowance for credit losses were not significant.

The balance of housing loans placed on nonaccrual status or past due status were not significant as of March 31, 2020 and 2021.

The following table presents the amortized cost of housing loans in the banking business by credit quality indicator based on the credit ratings of debtors as of March 31, 2020.

	Yen in millions
	March 31, 2020
Housing loans by the credit ratings of debtors:	
Normal*	1,923,648
Other than normal	3,406
Total	1,927,054

* Normal is defined as borrowers who do not have particular problems with their financial position.

The following table presents the amortized cost of housing loans in the banking business by both credit quality indicator based on the credit ratings of debtors and year of origination as of March 31, 2021.

	Yen in millions						
	March 31, 2021						
	Amortized Cost by Origination Year						
	Fiscal year ended March 31						
	2021	2020	2019	2018	2017	Prior	Total
Housing loans by the credit ratings of debtors:							
Normal*	547,133	349,334	252,609	158,546	269,450	772,072	2,349,144
Other than normal	212	136	358	265	218	4,213	5,402
Total assets	547,345	349,470	252,967	158,811	269,668	776,285	2,354,546

* Normal is defined as borrowers who do not have particular problems with their financial position.

(2) Deposits from customers in the banking business

All deposits from customers in the banking business within the Financial Services segment are interest bearing deposits. At March 31, 2020 and 2021, the balances of time deposits and thrift saving deposits issued in amounts of 10 million yen or more were 320,351 million yen and 391,442 million yen, respectively. These amounts have been classified as current liabilities mainly due to the ability of the customers to make withdrawals prior to maturity.

At March 31, 2021, aggregate amounts of annual maturities of time deposits and thrift saving deposits with a remaining term of more than one year are as follows:

Fiscal year ending March 31	Yen in millions
2023	36,586
2024	19,643
2025	3,135
2026	3,159
2027	400
Later fiscal years	28,805
Total	91,728

13. *Fair value measurements*

As discussed in Note 2, assets and liabilities subject to the accounting guidance for fair value measurements held by Sony are classified and accounted for as described below.

(1) Assets and liabilities that are measured at fair value on a recurring basis

The following section describes the valuation techniques used by Sony to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

Debt securities, equity securities, and other investments

Where quoted prices are available in an active market, securities are classified in level 1 of the fair value hierarchy. Level 1 securities include exchange-traded equities. If quoted market prices are not available for the specific security or the market is inactive, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and mainly classified in level 2 of the hierarchy. Level 2 securities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the fair value hierarchy. Level 3 securities primarily include certain securitized products, certain hybrid financial instruments, certain private equity investments, and certain domestic and foreign corporate bonds not classified within level 1 or level 2.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within level 1 of the fair value hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of Sony's derivative positions are valued using internally developed models that use as their basis readily observable market parameters – i.e., parameters that are actively quoted and can be validated to external sources, including industry pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes option pricing model, which are consistently applied. Where derivative products have been established for some time, Sony uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit rating of the counterparty. Further, many of these models do not contain a high level of subjectivity as the techniques used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within level 2 of the fair value hierarchy.

In determining the fair value of Sony's interest rate swap derivatives, Sony uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of each instrument. For foreign currency derivatives, Sony's approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities. These derivatives are classified within level 2 since Sony primarily uses observable inputs in its valuation of its derivative assets and liabilities.

Future insurance policy benefits and policyholders' account in the life insurance business

In determining the fair value of future insurance policy benefits and policyholders' account in the life insurance business to which Sony applies the fair value option, Sony uses the present value of future expected cash flows based on mortality rates, lapse rates, discount rates, investment yield and various actuarial assumptions. These are classified within level 3 since Sony primarily uses unobservable inputs in its valuation.

In determining the fair value of liability for the minimum guarantee benefits of variable annuities, Sony uses mortality rates (0.004%~44.865%, weighted average 0.896%), lapse rates (1.000%~7.500%, weighted average 4.312%), and discount rates (-0.046%~3.379%, weighted average 0.967%) as significant unobservable inputs. The weighted average rates of mortality and lapse are calculated by weighting the balance of the asset portfolio related to variable annuity contracts to the rates of mortality and lapse at the end of the fiscal year in accordance with the age of each contract, moneyness and other relevant factors. The weighted average discount rates are calculated by weighting the balance of the asset portfolio related to variable annuity contracts by currency to the average of 50 years' discount rates. The fair value of the minimum guarantee accumulation benefits, which is the primary minimum guarantee risk, generally declines with higher mortality rates, higher lapse rates, or higher discount rates.

The fair value of Sony's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2020 and 2021 are as follows.

Yen in millions, March 31, 2020

	Level 1	Level 2	Level 3	Total	Presentation in the consolidated balance sheets: Marketable securities	Securities investments and other	Other current assets	Other noncurrent assets
Assets:								
Debt securities								
Trading securities	24,330	245,790	—	270,120	270,120	—	—	—
Available-for-sale securities								
Japanese national government bonds	—	1,761,929	—	1,761,929	10,011	1,751,918	—	—
Japanese local government bonds	—	69,172	—	69,172	15,334	53,838	—	—
Japanese corporate bonds	—	220,679	30	220,709	14,774	205,935	—	—
Foreign government bonds*1	—	279,777	—	279,777	2,690	277,087	—	—
Foreign corporate bonds*2	—	343,980	15,770	359,750	94,156	265,594	—	—
Securitized products*3	—	33,383	171,840	205,223	—	205,223	—	—
Other	—	4,152	12,101	16,253	—	16,253	—	—
Equity securities	950,744	581,642	—	1,532,386	1,434,612	97,774	—	—
Other investments*4	7,162	816	9,242	17,220	—	17,220	—	—
Derivative assets*5	1,310	41,073	—	42,383	—	—	40,784	1,599
Total assets	983,546	3,582,393	208,983	4,774,922	1,841,697	2,890,842	40,784	1,599

	Level 1	Level 2	Level 3	Total	Presentation in the consolidated balance sheets: Future insurance policy benefits	Policyholders' account	Other current liabilities	Other noncurrent liabilities
Liabilities:								
Future insurance policy benefits and policyholders' account in the life insurance business*6	—	—	532,191	532,191	64,045	468,146	—	—
Derivative liabilities*5	2,077	33,789	—	35,866	—	—	16,814	19,052
Total liabilities	2,077	33,789	532,191	568,057	64,045	468,146	16,814	19,052

Yen in millions

March 31, 2021

	Level 1	Level 2	Level 3	Total	Presentation in the consolidated balance sheets: Marketable securities	Securities investments and other	Other current assets	Other noncurrent assets
Assets:								
Debt securities								
Trading securities	30,164	258,731	—	288,895	288,895	—	—	—
Available-for-sale securities								
Japanese national government bonds	—	2,443,266	—	2,443,266	394,295	2,048,971	—	—
Japanese local government bonds	—	74,063	—	74,063	29,624	44,439	—	—
Japanese corporate bonds	—	264,644	7,169	271,813	24,980	246,833	—	—
Foreign government bonds*1	—	325,856	—	325,856	—	325,856	—	—
Foreign corporate bonds*2	—	365,029	17,845	382,874	117,209	265,665	—	—
Securitized products*3	—	44,104	154,489	198,593	—	198,593	—	—
Other	—	21,466	24,355	45,821	—	45,821	—	—
Equity securities	1,757,134	704,214	—	2,461,348	2,044,763	416,585	—	—
Other investments*4	7,544	4,128	9,326	20,998	—	20,998	—	—
Derivative assets*5	261	28,476	—	28,737	—	—	14,412	14,325
Total assets	1,795,103	4,533,977	213,184	6,542,264	2,899,766	3,613,761	14,412	14,325

	Level 1	Level 2	Level 3	Total	Presentation in the consolidated balance sheets: Future insurance policy benefits	Policyholders' account	Other current liabilities	Other noncurrent liabilities
Liabilities:								
Future insurance policy benefits and policyholders' account in the life insurance business*6	—	—	536,189	536,189	42,309	493,880	—	—
Derivative liabilities*5	1,116	39,238	—	40,354	—	—	26,086	14,268
Total liabilities	1,116	39,238	536,189	576,543	42,309	493,880	26,086	14,268

*1 7,771 million yen and 15,654 million yen are included in foreign securities for which the fair value option has been elected and classified in level 2 for the fiscal years ended March 31, 2020 and 2021. In the consolidated balance sheets, 2,386 million yen are included as marketable securities for the fiscal years ended March 31, 2020 and 5,385 million yen and 15,654 million yen are included as securities investment and other for the fiscal years ended March 31, 2020 and 2021, respectively.

*2 188,426 million yen and 228,761 million yen are included in foreign securities for which the fair value option has been elected and classified in level 2 for the fiscal years ended March 31, 2020 and 2021, respectively. In the consolidated balance sheets, 34,502 million yen and 52,637 million yen are included as marketable securities and 153,924 million yen and 176,124 million yen are included as securities investment and other for the fiscal years ended March 31, 2020 and 2021, respectively.

*3 193,430 million yen and 192,451 million yen are included in foreign securities for which the fair value option has been elected and classified in level 2 and level 3 for the fiscal years ended March 31, 2020 and 2021, respectively, and are included in the consolidated balance sheets as securities investments and other.

*4 Other investments include certain hybrid financial instruments and certain private equity investments.

*5 Derivative assets and liabilities are recognized and disclosed on a gross basis.

*6 Future insurance policy benefits and policyholders' account in the life insurance business are those for which the fair value option has been elected.

7 Net loss of 12,408 million yen and net gains of 4,645 million yen arising from assets and liabilities for which the fair value option has been elected are included in financial services revenue and financial services expense in the consolidated statements of income for the fiscal years ended March 31, 2020 and 2021, respectively.

The changes in fair value of level 3 assets and liabilities for the fiscal years ended March 31, 2020 and 2021 are as follows:

	Yen in millions					
	Fiscal year ended March 31, 2020					
	Assets					Liabilities
	Debt securities					Future insurance policy benefits and Policyholders' account
	Available-for-sale securities					
	Japanese corporate bonds	Foreign corporate bonds	Securitized products	Other	Other investments	
Beginning balance	—	22,704	165,083	—	6,918	—
Acquisition of AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd.*1	—	—	—	—	—	547,190
Total realized and unrealized gains (losses):						
Included in earnings (loss)*2	—	311	(18,151)	—	(500)	12,500
Included in other comprehensive income (loss)*3	—	(73)	1	—	—	3,032
Purchases and Issuances	30	13,597	40,175	12,101	4,711	5,295
Sales	—	—	—	—	(9)	—
Settlements	—	(20,867)	(12,967)	—	(1,878)	(4,762)
Transfers into level 3*4	—	3,374	—	—	—	—
Transfers out of level 3*5	—	(3,276)	(2,301)	—	—	—
Ending balance	30	15,770	171,840	12,101	9,242	532,191
Changes in unrealized gains (losses) relating to instruments still held at reporting date:						
Included in earnings (loss)*2	—	(94)	(16,507)	—	(376)	10,273

	Yen in millions					
	Fiscal year ended March 31, 2021					
	Assets					Liabilities
	Debt securities					Future insurance policy benefits and Policyholders' account
	Available-for-sale securities					
	Japanese corporate bonds	Foreign corporate bonds	Securitized products	Other	Other investments	
Beginning balance	30	15,770	171,840	12,101	9,242	532,191
Total realized and unrealized gains (losses):						
Included in earnings (loss)*2	—	1,465	14,000	5,703	772	(16,475)
Included in other comprehensive income (loss)*3	(461)	73	—	(11)	—	(3,120)
Purchases and Issuances	7,600	5,441	—	11,215	28	1,996
Sales	—	—	—	—	(2)	—
Settlements	—	(7,835)	(34,488)	(4,681)	(825)	(17,593)
Other	—	(1,613)	1,014	28	111	
Transfers into level 3*4	—	4,544	2,123	—	—	—
Ending balance	7,169	17,845	154,489	24,355	9,326	536,189
Changes in unrealized gains (losses) relating to instruments still held at reporting date:						
Included in earnings (loss)*2	—	600	17,419	—	(77)	(29,205)
Included in other comprehensive income (loss)*3	(461)	14	—	(17)	—	(3,120)

*1 Refer to Note 24.

*2 Earning effects are included in financial services revenue and financial services expense in the consolidated statements of income.

*3 Unrealized gains (losses) are included in unrealized gains (losses) on securities, net for available-for-sale securities and included in debt valuation adjustments for future insurance policy benefits and policyholders' account in the consolidated statements of comprehensive income.

*4 Certain corporate bonds and certain securitized products were transferred into level 3 because differences between the fair value determined by indicative quotes from dealers and the fair value determined by internally developed prices became significant and the observability of the inputs used decreased.

*5 Certain corporate bonds and certain securitized products were transferred out of level 3 because observable market data became available.

Level 3 assets include certain securitized products, certain private equity investments, and certain domestic and foreign corporate bonds for which quoted prices are not available in a market and where there is less transparency around inputs. In determining the fair value of such assets, Sony uses third-party information such as indicative quotes from dealers without adjustment. Level 3 liabilities include future insurance policy benefits and policyholders' account in the life insurance business whose underlying figures are unobservable, and whose fair value is calculated in-house.

(2) Assets and liabilities that are measured at fair value on a nonrecurring basis

Sony also has assets and liabilities that are required to be remeasured to fair value on a nonrecurring basis when certain circumstances occur. During the fiscal years ended March 31, 2020 and 2021, such remeasurements to fair value related primarily to the following:

	During the fiscal year ended March 31, 2020			
	Estimated fair value			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Remeasurement of retained investment in SRE	15,911	—	—	13,347
Long-lived assets impairments	—	—	8,155	(36,003)
				(22,656)

	During the fiscal year ended March 31, 2021			
	Estimated fair value			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Long-lived assets impairments	—	—	32,033	(25,685)
				(25,685)

Long-lived assets impairments

Sony recorded an impairment loss of 19,172 million yen and 12,714 million yen for the fiscal years ended March 31, 2019 and 2020, respectively, included within the EP&S segment, related to long-lived assets in the smartphone business asset group. For the smartphone business asset group, the corresponding estimated future cash flows leading to the impairment charge reflected smartphone sales results and expectation of difficulty in the business environment.

Sony recorded an impairment loss of 12,858 million yen for the fiscal year ended March 31, 2019, included within All Other, related to long-lived assets and goodwill in the storage media business asset group. As a result of conducting a strategic review of the business and evolving market trends, Sony reduced the corresponding estimated future cash flows of this business and the estimated ability to recover the entire carrying amount of the long-lived assets and goodwill within the period applicable to the impairment determination, resulting in an impairment charge for the fiscal year ended March 31, 2019.

These measurements are classified as level 3 because significant unobservable inputs, such as the condition of the assets or projections of future cash flows, the timing of such cash flows and the discount rate reflecting the risk inherent in future cash flows, were considered in the fair value measurements. For the fiscal year ended March 31, 2019, a discount rate of 8.5% and projected revenue growth rates ranging from (26)% to 24% were used in the fair value measurements related to the long-lived assets for the smartphone business. For the fiscal year ended March 31, 2020, a discount rate of 10.6% and projected revenue growth rates ranging from (10)% to 70% were used in the fair value measurements related to the long-lived assets for the smartphone business. For the fiscal year ended March 31, 2019, a discount rate of 8.9% and projected revenue growth rates ranging from (34)% to 21% were used in the fair value measurements related to the long-lived assets and goodwill for the storage media business.

Except as described above, no other impairment losses were individually material for the fiscal year ended March 31, 2020. The other impairment losses were primarily related to the impairment losses in asset groups within Media Networks in the Pictures segment related to a review of the channel portfolio for the fiscal year ended March 31, 2020.

There was no individually material impairment loss for the fiscal year ended March 31, 2021.

Remeasurement of retained investment in SRE

During the fiscal year ended March 31, 2020, Sony sold part of its shares in SRE and remeasured the remaining shares to fair value. This measurement is classified as level 1 because a quoted price for the shares of SRE is available on the Tokyo Stock Exchange. Refer to Note 5.

Remeasurement of previously owned equity interest in AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd.

During the fiscal year ended March 31, 2020, Sony remeasured to fair value the previously owned equity interests in AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd. (collectively, the "JVs") in connection with acquisition of the JVs. The measurement is classified as level 3 because significant unobservable inputs, such as projections of future cash flows and market comparables of similar transactions and companies, were considered in the fair value measurements. AEGON Sony Life Insurance Co., Ltd. changed its name to "Sony Life With Insurance Co., Ltd.," as of April 1, 2020, and Sony Life With Insurance Co., Ltd., was subsequently merged with Sony Life as of April 1, 2021. Refer to Note 24.

(3) Financial instruments

The estimated fair values by fair value hierarchy level of certain financial instruments that are not reported at fair value are summarized as follows:

	Yen in millions				
	March 31, 2020				
	Estimated fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Housing loans in the banking business	—	2,161,432	—	2,161,432	1,927,054
Total assets	—	2,161,432	—	2,161,432	1,927,054
Liabilities:					
Long-term debt including the current portion	—	699,358	—	699,358	664,773
Investment contracts included in policyholders' account in the life insurance business	—	969,464	—	969,464	885,690
Total liabilities	—	1,668,822	—	1,668,822	1,550,463

	Yen in millions				
	March 31, 2021				
	Estimated fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Housing loans in the banking business	—	—	2,559,073	2,559,073	2,354,546
Total assets	—	—	2,559,073	2,559,073	2,354,546
Liabilities:					
Long-term debt including the current portion	—	911,885	39,989	951,874	904,993
Investment contracts included in policyholders' account in the life insurance business	—	1,159,195	—	1,159,195	1,103,785
Total liabilities	—	2,071,080	39,989	2,111,069	2,008,778

The summary excludes cash and cash equivalents, call loans, time deposits, notes and accounts receivable, trade, call money, short-term borrowings, notes and accounts payable, trade and deposits from customers in the banking business because the carrying values of these financial instruments approximated their fair values due to their short-term nature. The summary also excludes held-to-maturity securities disclosed in Note 7.

Cash and cash equivalents, call loans and call money are classified in level 1. Time deposits, short-term borrowings, deposits from customers in the banking business are classified in level 2. Held-to-maturity securities, included in marketable securities and securities investments and other in the consolidated balance sheets, primarily include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds and are substantially all classified in level 2. The fair values of housing loans in the banking business, included in securities investments and other in the consolidated balance sheets, were estimated based on the discounted future cash flows using interest rates reflecting London Interbank Offered Rate base yield curves with certain risk premiums. Transfers of housing loans in the banking business into Level 3 occurred primarily due to increases in the significance of unobservable inputs from the fiscal year ended March 31, 2021. The fair values of long-term debt including the current portion and investment contracts included in policyholders' account in the life insurance business were estimated based on either the market value or the discounted future cash flows using Sony's current incremental borrowing rates for similar liabilities.

14. *Derivative instruments and hedging activities*

Sony has certain financial instruments including financial assets and liabilities acquired in the normal course of business. Such financial instruments are exposed to market risk arising from the changes in foreign currency exchange rates and interest rates. In applying a consistent risk management strategy for the purpose of reducing such risk, Sony uses derivative financial instruments, which include foreign exchange forward contracts, foreign currency option contracts, and interest rate swap agreements (including interest rate and currency swap agreements). Certain other derivative financial instruments are entered into in the Financial Services segment for asset-liability management ("ALM") purposes. These instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major countries. These derivatives generally mature or expire within six months after the balance sheet date. Other than derivatives utilized in the Financial Services segment for ALM, Sony does not use derivative financial instruments for trading or speculative purposes. These derivative transactions utilized for ALM in the Financial Services segment are executed within certain limits in accordance with an internal risk management policy.

Derivative financial instruments held by Sony are classified and accounted for as described below.

Fair value hedges

Both the derivatives designated as fair value hedges and the hedged items are reflected at fair value in the consolidated balance sheets. Changes in the fair value of the derivatives designated as fair value hedges, as well as offsetting changes in the carrying value of the underlying hedged items, are recognized in income. For the fiscal years ended March 31, 2019, 2020 and 2021, there were no amounts excluded from the assessment of hedge effectiveness of fair value hedges.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in other comprehensive income ("OCI") and reclassified into earnings when the hedged transaction affects earnings. The time value component of the fair value of option contracts is excluded from the assessment of hedge effectiveness and recognized in earnings on a straight-line basis over the life of the hedging instruments. Any difference between the change in fair value of the excluded component and the accumulated amount recognized in earnings on a straight-line basis is recognized in OCI.

Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are recognized in income.

A description of the purpose and classification of the derivative financial instruments held by Sony is as follows:

Foreign exchange forward contracts and foreign currency option contracts

Foreign exchange forward contracts and purchased and written foreign currency option contracts are utilized primarily to limit the exposure affected by changes in foreign currency exchange rates on cash flows generated or anticipated by Sony's transactions and accounts receivable and payable denominated in foreign currencies. The majority of written foreign currency option contracts are a part of range forward contract arrangements and expire in the same month with the corresponding purchased foreign currency option contracts.

Sony also entered into foreign exchange forward contracts and foreign exchange range forward contracts which effectively fixed the cash flows from certain forecasted purchase and sale transactions denominated in foreign currencies for the fiscal years ended March 31, 2019, 2020 and 2021. Accordingly, these derivatives have been designated as cash flow hedges.

Foreign exchange forward contracts and foreign currency option contracts that do not qualify as hedges are marked-to-market with changes in value recognized in other income and expenses.

Foreign exchange forward contracts, foreign currency option contracts and currency swap agreements held by certain subsidiaries in the Financial Services segment are marked-to-market with changes in value recognized in financial services revenue.

Interest rate swap agreements (including interest rate and currency swap agreements

Interest rate swap agreements are utilized primarily to lower funding costs, to diversify sources of funding and to limit Sony's exposure associated with underlying borrowings and available-for-sale debt securities resulting from adverse fluctuations in interest rates, foreign currency exchange rates and changes in fair values.

Interest rate swap agreements entered into in the Financial Services segment are used for reducing the risk arising from the changes in the fair value of fixed rate available-for-sale debt securities. These derivatives are considered to be a hedge against changes in the fair value of available-for-sale debt securities in the Financial Services segment. Accordingly, these derivatives have been designated as fair value hedges. Sony also entered into interest rate swap agreements in order to manage the risk of the interest rate fluctuation for certain loan arrangements. These derivatives are considered to be a hedge of the exposure to the variability in the cash flows of the loans which have variable interest rate arrangements. As such, these derivatives have been designated as a cash flow hedge.

Certain subsidiaries in the Financial Services segment have interest rate swap agreements as part of their ALM, which are marked-to-market with changes in value recognized in financial service revenues.

Any other interest rate swap agreements that do not qualify as hedges, which are used for reducing the risk arising from changes of variable rate debt, are marked-to-market with changes in value recognized in other income and expenses.

Other agreements

Certain subsidiaries in the Financial Services segment have equity future contracts, equity swap agreements, bond future contracts, commodity future contracts, interest rate swaption agreements, other currency contracts and hybrid financial instruments as part of their ALM, which are marked-to-market with changes in value recognized in financial services revenue. The hybrid financial instruments, disclosed in Note 7 as debt securities, contained embedded derivatives that are not required to be bifurcated because the entire instruments are carried at fair value.

The estimated fair values of Sony's outstanding derivative instruments are summarized as follows:

Derivatives designated as hedging instruments	Balance sheet location	Fair value		Balance sheet location	Fair value	
		Yen in millions				
		March 31			March 31	
	Asset derivatives	2020	2021	Liability derivatives	2020	2021
Interest rate contracts	Prepaid expenses and other current assets	9	—	Current liabilities: Other	183	286
Interest rate contracts	Other assets: Other	27	10,921	Liabilities: Other	8,177	6,064
Foreign exchange contracts	Prepaid expenses and other current assets	1,799	8	Current liabilities: Other	—	6,000
		1,835	10,929		8,360	12,350

Derivatives not designated as hedging instruments	Balance sheet location	Fair value		Balance sheet location	Fair value	
		Yen in millions				
		March 31			March 31	
	Asset derivatives	2020	2021	Liability derivatives	2020	2021
Interest rate contracts	Prepaid expenses and other current assets	44	50	Current liabilities: Other	200	408
Interest rate contracts	Other assets: Other	1,523	1,817	Liabilities: Other	9,120	8,204
Foreign exchange contracts	Prepaid expenses and other current assets	19,655	14,097	Current liabilities: Other	14,580	14,233
Foreign exchange contracts	Other assets: Other	49	1,587	Liabilities: Other	1,755	—
Equity contracts	Prepaid expenses and other current assets	18,886	240	Current liabilities: Other	1,476	5,157
Bond contracts	Prepaid expenses and other current assets	306	17	Current liabilities: Other	290	2
Commodity contracts	Prepaid expenses and other current assets	85	—	Current liabilities: Other	85	0
		40,548	17,808		27,506	28,004
Total derivatives		42,383	28,737		35,866	40,354

Presented below are the effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the fiscal years ended March 31, 2019, 2020 and 2021.

Derivatives under fair value hedging relationships	Location of gains or (losses) recognized in income on derivative instruments	Amounts of gains or (losses) recognized in income on derivative instruments		
		Yen in millions		
		Fiscal year ended March 31		
		2019	2020	2021
Interest rate contracts	Financial services revenue	(1,835)	(3,925)	(1,189)
Total		(1,835)	(3,925)	(1,189)

Derivatives under cash flow hedging relationships	Yen in millions Fiscal year ended March 31 2019	2020	2021
	Amounts recognized in unrealized gains (losses) on derivative instruments in OCI (before tax)		
Interest rate contracts:			
Components included in the assessment of hedge effectiveness	—	—	10,153
Foreign exchange contracts:			
Components included in the assessment of hedge effectiveness	2,315	1,712	(2,210)
Components excluded from the assessment of hedge effectiveness that were recognized based on amortization approach	—	1,087	263
Total	2,315	2,799	8,206

Derivatives under cash flow hedging relationships	Affected line item in consolidated statements of income	Yen in millions Fiscal year ended March 31 2019	2020	2021
		Amounts reclassified from unrealized gains (losses) on derivative instruments in accumulated OCI (before tax)		
Interest rate contracts:				
Components included in the assessment of hedge effectiveness	Interest	—	—	285
Foreign exchange contracts:				—
Components included in the assessment of hedge effectiveness	Cost of sales	(1,093)	—	—
Components included in the assessment of hedge effectiveness	Net sales	—	106	(5,382)
Components excluded from the assessment of hedge effectiveness that were recognized based on amortization approach	Net sales	—	(1,087)	(263)
Total		(1,093)	(981)	(5,360)

Derivatives not designated as hedging instruments	Location of gains or (losses) recognized in income on derivative instruments	Yen in millions — Amounts of gains or (losses) recognized in income on derivative instruments — Fiscal year ended March 31		
		2019	2020	2021
Interest rate contracts	Financial services revenue	(3,192)	1,190	(9,603)
Foreign exchange contracts	Financial services revenue	(8,198)	2,473	(10,730)
Foreign exchange contracts	Foreign exchange loss, net	(7,437)	10,184	(8,454)
Equity contracts	Financial services revenue	(7,649)	15,438	(85,118)
Bond contracts	Financial services revenue	—	(2,954)	99
Commodity contracts	Financial services revenue	—	110	4,790
Total		(26,476)	26,441	(109,016)

Presented below are the amortized cost of hedged items, which are available-for-sale debt securities, and cumulative amount of fair value hedging adjustments to hedged items under fair value hedging relationships as of March 31, 2020 and 2021.

Derivatives under fair value hedging relationships	Balance sheet location of hedged items	Yen in millions — March 31, 2020 — Amortized cost	Cumulative effect to carrying amount of hedged items by fair value hedges
Interest rate contracts	Marketable securities	15,255	—
Interest rate contracts	Securities investments and other	91,080	—
Total		106,335	—

Derivatives under fair value hedging relationships	Balance sheet location of hedged items	Yen in millions — March 31, 2021 — Amortized cost	Cumulative effect to carrying amount of hedged items by fair value hedges
Interest rate contracts	Marketable securities	30,167	—
Interest rate contracts	Securities investments and other	74,872	—
Total		105,039	—

The following table summarizes additional information, including notional amounts, for each type of derivative:

	Yen in millions — March 31, 2020		March 31, 2021	
	Notional amount	Fair value	Notional amount	Fair value
Foreign exchange contracts:				
Foreign exchange forward contracts*	989,966	3,201	1,176,589	(5,420)
Currency option contracts purchased	473	7	36,234	15
Currency option contracts written	460	(5)	36,164	(1,790)
Currency swap agreements	893,874	(1,006)	612,813	490
Other currency contracts*	62,080	2,971	68,663	2,164
Interest rate contracts:				
Interest rate swap agreements	994,133	(16,019)	979,554	(1,969)
Interest rate swaption agreements	18,700	(58)	38,700	(205)
Equity contracts:				
Equity future contracts	63,354	(871)	129,526	(746)
Equity swap agreements	103,409	18,281	117,055	(4,171)
Bond contracts:				
Bond future contracts	56,546	16	169,441	15
Commodity contracts:				
Commodity future contracts	1,465	0	2,957	(0)

* Revision has been made to correct the notional amount of foreign exchange forward contracts and the presentation of fair values of foreign exchange forward contracts and other currency contracts as of March 31, 2020.

All derivatives are recognized as either assets or liabilities in the consolidated balance sheets on a gross basis, but certain subsidiaries have entered into master netting agreements or other similar agreements, which are mainly International Swaps and Derivatives Association (ISDA) Master Agreements. An ISDA Master Agreement is an agreement between two counterparties that may have multiple derivative contracts with each other, and such ISDA Master Agreement may provide for the net settlement of all or a specified group of these derivative contracts, through a single payment, in a single currency, in the event of a default on or affecting any one derivative contract, or a termination event affecting all or a specified group of derivative contracts. Presented below are the effects of offsetting derivative assets, derivative liabilities, financial assets and financial liabilities as of March 31, 2020 and 2021.

	Yen in millions			
	As of March 31, 2020			
	Gross amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements		Net amounts
		Financial instruments	Cash collateral	
Derivative assets subject to master netting agreements	38,281	12,614	20,545	5,122
Derivative assets not subject to master netting agreements	4,102			4,102
Total assets	42,383	12,614	20,545	9,224
Derivative liabilities subject to master netting agreements	31,896	7,086	23,873	937
Derivative liabilities not subject to master netting agreements	3,970			3,970
Repurchase, securities lending and similar arrangements	567,194	564,874	—	2,320
Total liabilities	603,060	571,960	23,873	7,227

	Yen in millions			
	As of March 31, 2021			
	Gross amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements		Net amounts
		Financial instruments	Cash collateral	
Derivative assets subject to master netting agreements	15,159	10,666	2,008	2,485
Derivative assets not subject to master netting agreements	13,578			13,578
Securities borrowing and securities lending transactions	326,156	326,156		—
Total assets	354,893	336,822	2,008	16,063
Derivative liabilities subject to master netting agreements	38,966	11,052	16,225	11,689
Derivative liabilities not subject to master netting agreements	1,388			1,388
Repurchase, securities lending and similar arrangements	917,792	911,881	—	5,911
Total liabilities	958,146	922,933	16,225	18,988

15. *Pension and severance plans*

(1) Defined benefit and severance plans

Upon terminating employment, employees of Sony Group Corporation and its subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pension payments as described below. Sony Group Corporation and certain of its subsidiaries' pension plans utilize a point-based plan under which a point is added every year reflecting the individual employee's performance over that year. Under the point-based plan, the amount of payment is determined based on the sum of cumulative points from past services and interest points earned on the cumulative points regardless of whether or not the employee is voluntarily retiring.

Under the plans, in general, the defined benefits cover 65% of the indemnities under existing regulations to employees. The remaining indemnities are covered by severance payments by the companies. The pension benefits are payable at the option of the retiring employee either in a lump-sum amount or monthly pension payments. Contributions to the plans are funded through several financial institutions in accordance with the applicable laws and regulations.

From April 1, 2012, Sony Group Corporation and substantially all of its subsidiaries in Japan have modified existing defined benefit pension plans such that life annuities will no longer accrue additional service benefits, with those participants instead accruing fixed-term annuities. The defined benefit pension plans were closed to new participants and a defined contribution plan was also introduced.

From October 1, 2019, Sony Group Corporation and substantially all of its subsidiaries in Japan have amended their defined benefit pension plans and have implemented defined contribution plans for all employees other than those employees that had retired before the amendments. As a result, accrued pension and severance costs decreased 74,872 million yen and accumulated other comprehensive income increased 81,230 million yen in the consolidated balance sheets as of the fiscal year ended March 31, 2020. In addition, a loss on the pension plan amendment of 6,358 million yen was recorded in other expenses in the consolidated statements of income for the fiscal year ended March 31, 2020.

In addition, several of Sony's foreign subsidiaries have defined benefit pension plans or severance indemnity plans, which cover substantially all of their employees. Under such plans, the related cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on the current rate of pay and length of service.

The components of net periodic benefit costs for the fiscal years ended March 31, 2019, 2020 and 2021 were as follows:

Japanese plans:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Service cost	23,128	17,948	12,763
Interest cost	7,020	4,162	3,684
Expected return on plan assets	(16,695)	(17,040)	(10,802)
Recognized actuarial loss	15,365	12,969	8,852
Amortization of prior service costs	(7,864)	(4,294)	(343)
Losses on curtailments and settlements	—	6,358	—
Net periodic benefit costs	20,954	20,103	14,154

Foreign plans:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Service cost	2,780	3,616	2,767
Interest cost	10,083	9,212	6,509
Expected return on plan assets	(11,797)	(10,916)	(6,395)
Recognized actuarial loss	2,656	2,606	3,614
Amortization of prior service costs	(269)	2	1,058
Losses on curtailments and settlements	1,804	68	2,128
Net periodic benefit costs	5,257	4,588	9,681

The changes in the benefit obligation and plan assets as well as the funded status and composition of amounts recognized in the consolidated balance sheets were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2020	2021	2020	2021
Change in benefit obligation:				
Benefit obligation at beginning of the fiscal year	1,034,954	658,863	351,918	359,811
Service cost	17,948	12,763	3,616	2,767
Interest cost	4,162	3,684	9,212	6,509
Plan participants' contributions	—	—	487	269
Plan amendments	—	—	10,210	157
Actuarial (gain) loss	(3,330)	271	19,776	32,432
Foreign currency exchange rate changes	—	—	(16,919)	29,486
Curtailments and settlements	(359,205)	—	(4,434)	(14,587)
Other	2	43	—	—
Benefits paid	(35,668)	(35,563)	(14,055)	(18,555)
Benefit obligation at end of the fiscal year	658,863	640,061	359,811	398,289
Change in plan assets:				
Fair value of plan assets at beginning of the fiscal year	742,204	437,206	274,749	281,110
Actual return on plan assets	2,942	59,536	26,738	(596)
Foreign currency exchange rate changes	—	—	(14,904)	25,433
Employer contribution	7,453	2,333	9,916	38,169
Plan participants' contributions	—	—	487	269
Curtailments and settlements	(284,333)	—	(3,146)	(11,927)
Benefits paid	(31,060)	(22,664)	(12,730)	(16,967)
Fair value of plan assets at end of the fiscal year	437,206	476,411	281,110	315,491
Funded status at end of the fiscal year	(221,657)	(163,650)	(78,701)	(82,798)

Amounts recognized in the consolidated balance sheets consist of:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2020	2021	2020	2021
Noncurrent assets	3,391	5,746	24,777	13,660
Current liabilities	—	—	(4,355)	(12,364)
Noncurrent liabilities	(225,048)	(169,396)	(99,123)	(84,094)
Ending balance	(221,657)	(163,650)	(78,701)	(82,798)

Amounts recognized in accumulated other comprehensive income, excluding tax effects, consist of:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2020	2021	2020	2021
Prior service cost (credit)	(369)	(26)	10,058	9,350
Net actuarial loss	223,354	163,401	66,326	102,821
Ending balance	222,985	163,375	76,384	112,171

The accumulated benefit obligations for all defined benefit pension plans were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2020	2021	2020	2021
Accumulated benefit obligations	654,209	635,285	354,100	392,375

The accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2020	2021	2020	2021
Accumulated benefit obligations	640,890	621,296	226,080	200,020
Fair value of plan assets	420,497	456,662	130,955	109,468

The projected benefit obligations and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2020	2021	2020	2021
Projected benefit obligations	645,544	626,057	234,652	205,915
Fair value of plan assets	420,497	456,662	131,546	109,468

Weighted-average assumptions used to determine benefit obligations as of March 31, 2020 and 2021 were as follows:

	Japanese plans		Foreign plans	
	March 31		March 31	
	2020	2021	2020	2021
Discount rate	0.6%	0.6%	2.0%	1.4%
Interest crediting rate	3.4	3.4	4.8	4.8
Rate of compensation increase	*	*	2.2	2.5

* Substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

Weighted-average assumptions used to determine the net periodic benefit costs for the fiscal years ended March 31, 2019, 2020 and 2021 were as follows:

	Japanese plans			Foreign plans		
	Fiscal year ended March 31			Fiscal year ended March 31		
	2019	2020	2021	2019	2020	2021
Discount rate	0.8%	0.6%	0.6%	2.9%	2.8%	2.0%
Expected return on plan assets	2.6	2.6	2.5	4.4	4.2	2.3
Interest crediting rate	3.5	3.5	3.4	4.8	4.8	4.8
Rate of compensation increase	*	*	*	2.6	2.3	2.2

* Substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

Sony reviews these assumptions for changes in circumstances.

The weighted-average rate of compensation increase is calculated based only on the pay-related plans. The point-based plans discussed above are excluded from the calculation because payments made under the plan are not based on employee compensation.

The mortality rate assumptions are based on life expectancy and death rates for different types of participants.

To determine the expected long-term rate of return on pension plan assets, Sony considers the current and expected asset allocations, as well as the historical and expected long-term rates of returns on various categories of plan assets. Sony's pension investment policy recognizes the expected growth and the variability risk associated with the long-term nature of pension liabilities, the returns and risks of diversification across asset classes, and the correlation among assets. The asset allocations are designed to maximize returns consistent with levels of liquidity and investment risk that are considered prudent and reasonable. While the pension investment policy gives appropriate consideration to recent market performance and historical returns, the investment assumptions utilized by Sony are designed to achieve a long-term return consistent with the long-term nature of the corresponding pension liabilities.

The investment objectives of Sony's plan assets are designed to generate returns that will enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the retirement dates and life expectancy of the plans' participants. The obligations are estimated using actuarial assumptions, based on the current economic environment and other pertinent factors. Sony's investment strategy balances the requirement to generate returns, using potentially higher yielding assets such as equity securities, with the need to control risk in the portfolio with less volatile assets, such as fixed-income securities. Risks include, among others, inflation, volatility in equity values and changes in interest rates that could negatively impact the funding level of the plans, thereby increasing their dependence on contributions from Sony. To mitigate any potential concentration risk, thorough consideration is given to balancing the portfolio among industry sectors and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The target allocations as of March 31, 2021, are, as a result of Sony's asset liability management, 20% of equity securities, 51% of fixed income securities and 29% of other investments for the pension plans of Sony Group Corporation and most of its subsidiaries in Japan, and, on a weighted average basis, 6% of equity securities, 29% of fixed income securities and 65% of other investments for the pension plans of foreign subsidiaries.

The fair values of the assets held by Japanese and foreign plans, which are classified in accordance with the fair value hierarchy described in Note 2, are as follows:

	Japanese plans			
	Yen in millions			
	Fair value at March 31,	Fair value measurements using inputs considered as		
Asset class	2020	Level 1	Level 2	Level 3
Cash and cash equivalents	24,851	24,851	—	—
Equity:				
Equity securities*1	50,646	47,308	3,338	—
Fixed income:				
Government bonds*2	107,478	1,087	106,391	—
Corporate bonds*3	71,192	20	71,172	—
Asset-backed securities*4	1,090	—	1,090	—
Commingled funds*5	58,740	—	58,740	—
Commodity funds*6	21,823	—	21,823	—
Private equity*7	30,191	—	—	30,191
Hedge funds*8	48,410	—	—	48,410
Real estate and other *9	22,785	—	(2,586)	25,371
Total	437,206	73,266	259,968	103,972

	Japanese plans			
	Yen in millions			
	Fair value at March 31,	Fair value measurements using inputs considered as		
Asset class	2021	Level 1	Level 2	Level 3
Cash and cash equivalents	53,298	53,298	—	—
Equity:				
Equity securities*1	63,927	59,946	3,981	—
Fixed income:				
Government bonds*2	116,687	1,149	115,538	—
Corporate bonds*3	30,348	19	30,329	—
Asset-backed securities*4	1,029	—	1,029	—
Commingled funds*5	89,281	—	89,281	—
Commodity funds*6	22,283	—	22,283	—
Private equity*7	29,153	—	—	29,153
Hedge funds*8	47,384	—	—	47,384
Real estate and other*9	23,021	—	(2,488)	25,509
Total	476,411	114,412	259,953	102,046

*1 Includes approximately 37 percent and 42 percent of Japanese equity securities, and 63 percent and 58 percent of foreign equity securities for the fiscal years ended March 31, 2020 and 2021, respectively.

*2 Includes approximately 36 percent of debt securities issued by Japanese national and local governments, and 64 percent of debt securities issued by foreign national and local governments for the fiscal years ended March 31, 2020 and 2021.

*3 Includes debt securities issued by Japanese and foreign corporation and government related agencies.

*4 Includes primarily mortgage-backed securities.

*5 Commingled funds represent pooled institutional investments, including primarily investment trusts. They include approximately 50 percent and 54 percent of investments in equity, 45 percent and 43 percent of investments in fixed income, and 5 percent and 3 percent of investments in other for the fiscal years ended March 31, 2020 and 2021, respectively.

*6 Represents commodity futures funds.

*7 Includes multiple private equity funds of funds that primarily invest in venture, buyout, and distressed markets in the United States and Europe.

*8 Includes primarily funds that invest in a portfolio of a broad range of hedge funds to diversify the risks and reduce the volatilities associated with a single hedge fund.

*9 Includes primarily private real estate investment trusts.

	Foreign plans			
	Yen in millions			
		Fair value measurements using inputs considered as		
Asset class	Fair value at March 31, 2020	Level 1	Level 2	Level 3
Cash and cash equivalents	4,632	4,632	—	—
Equity:				
Equity securities*1	18,380	17,762	618	—
Fixed income:				
Government bonds*2	93,826	—	93,826	—
Corporate bonds*3	31,769	—	31,769	—
Asset-backed securities	1,320	—	1,320	—
Insurance contracts*4	19,334	—	7,156	12,178
Commingled funds*5	78,280	—	78,280	—
Real estate and other*6	33,569	—	11,272	22,297
Total	281,110	22,394	224,241	34,475

	Foreign plans			
	Yen in millions			
		Fair value measurements using inputs considered as		
Asset class	Fair value at March 31, 2021	Level 1	Level 2	Level 3
Cash and cash equivalents	5,914	5,914	—	—
Equity:				
Equity securities*1	11,349	10,631	718	—
Fixed income:				
Government bonds*2	18,843	—	18,843	—
Corporate bonds*3	59,071	—	59,071	—
Asset-backed securities	120	—	120	—
Insurance contracts*4	156,567	—	7,480	149,087
Commingled funds*5	59,867	—	59,867	—
Other	3,760	—	69	3,691
Total	315,491	16,545	146,168	152,778

*1 Includes primarily foreign equity securities.

*2 Includes primarily foreign government debt securities.

*3 Includes primarily foreign corporate debt securities.

*4 Includes annuity contracts with or without profit sharing and bulk insurance contracts.

*5 Commingled funds represent pooled institutional investments including mutual funds, common trust funds, and collective investment funds. They are primarily comprised of foreign equities and fixed income investments.

*6 Includes primarily private real estate investment trusts.

Each level in the fair value hierarchy, in which each plan asset is classified, is determined based on inputs used to measure the fair values of the asset, and does not necessarily indicate the risks or rating of the asset.

The following is a description of the valuation techniques used to measure Japanese and foreign plan assets at fair value. The valuation techniques are applied consistently from period to period.

Equity securities are valued at the closing price reported in the active market in which the individual securities are traded. These assets are generally classified as level 1.

The fair value of fixed income securities is typically estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. These assets are generally classified as level 2.

The fair value of annuity contracts with or without profit sharing is estimated using the valuation techniques for fixed income securities explained above. These assets are generally classified as level 2.

Bulk insurance contracts are valued based on actuarial estimates of the market price of the contracts, whose underlying figures are unobservable. These assets are generally classified as level 3.

Commingled funds are typically measured using the valuation provided by the administrator of the fund and reviewed by Sony. The valuation is based on Sony's interest in the value of the underlying assets owned by the fund minus liabilities. These assets are classified as level 1, level 2 or level 3 depending on availability of quoted market prices.

Commodity funds are valued using inputs that are derived principally from or corroborated by observable market data. These assets are generally classified as level 2.

Private equity and private real estate investment trust valuations require significant judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. These assets are initially valued at cost and are reviewed periodically utilizing available and relevant market data to determine if the carrying value of these assets should be adjusted. These investments are classified as level 3.

Hedge funds are measured using the valuation provided by the administrator or custodian of the fund and reviewed by Sony. The valuation is based on Sony's interest in the value of the underlying assets owned by the fund minus liabilities. These investments are classified as level 3.

The following table sets forth a summary of changes in the fair values of Japanese and foreign plans' level 3 assets for the fiscal years ended March 31, 2020 and 2021:

	Japanese plans			
	Yen in millions			
	Fair value measurement using significant unobservable inputs (Level 3)			
	Private equity	Hedge funds	Real estate and other	Total
Beginning balance at April 1, 2019	27,956	71,606	21,392	120,954
Return on assets held at end of year	2,649	(648)	418	2,419
Purchases, sales, and settlements, net	(414)	(22,548)	3,561	(19,401)
Ending balance at March 31, 2020	30,191	48,410	25,371	103,972
Return on assets held at end of year	7,793	4,199	1,558	13,550
Purchases, sales, and settlements, net	(1,083)	(4,182)	178	(5,087)
Transfers, net	(7,748)	(1,043)	(1,598)	(10,389)
Ending balance at March 31, 2021	29,153	47,384	25,509	102,046

	Foreign plans		
	Yen in millions		
	Fair value measurement using significant unobservable inputs (Level 3)		
	Insurance contracts	Real estate and other	Total
Beginning balance at April 1, 2019	12,494	22,089	34,583
Return on assets held at end of year	559	132	691
Purchases, sales, and settlements, net	(373)	755	382
Other*	(502)	(679)	(1,181)
Ending balance at March 31, 2020	12,178	22,297	34,475
Return on assets held at end of year	(3,904)	(402)	(4,306)
Purchases, sales, and settlements, net	139,769	(19,605)	120,164
Other*	1,044	1,401	2,445
Ending balance at March 31, 2021	149,087	3,691	152,778

* Primarily consists of translation adjustments.

Sony makes contributions to its defined benefit pension plans as deemed appropriate by management after considering the fair value of plan assets, expected return on plan assets and the present value of benefit obligations. Sony expects to contribute approximately 2 billion yen to the Japanese plans and approximately 12 billion yen to the foreign plans during the fiscal year ending March 31, 2022.

The expected future benefit payments are as follows:

	Japanese plans	Foreign plans
Fiscal year ending March 31	Yen in millions	Yen in millions
2022	38,662	106,434
2023	36,885	12,742
2024	38,468	13,063
2025	37,414	13,633
2026	37,947	13,735
2027 — 2031	183,084	76,482

(2) Defined contribution plans

Total defined contribution expenses for the fiscal years ended March 31, 2019, 2020 and 2021 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Japanese plans	3,353	6,925	10,992
Foreign plans	11,602	10,313	9,639

16. ***Stockholders' equity***

(1) Common stock

Changes in the number of shares of common stock issued and outstanding during the fiscal years ended March 31, 2019, 2020 and 2021 have resulted from the following:

	Number of shares
Balance at March 31, 2018	1,266,552,149
Issuance of new shares	149,900
Exercise of stock acquisition rights	4,525,300
Conversion of convertible bonds	2,992
Balance at March 31, 2019	1,271,230,341
Issuance of new shares	184,900
Exercise of stock acquisition rights	2,294,900
Conversion of convertible bonds	86,040
Cancellation of treasury stock	(12,737,400)
Balance at March 31, 2020	1,261,058,781
Balance at March 31, 2021	1,261,058,781

At March 31, 2021, 22,289,133 shares of common stock would be issued upon the conversion or exercise of all convertible bonds and stock acquisition rights outstanding.

Conversions of convertible bonds into common stock are accounted for in accordance with the provisions of the Companies Act of Japan (Kaishaho) and related regulations (collectively the "Companies Act") by crediting approximately one-half of the conversion proceeds to the common stock account and the remainder to the additional paid-in capital account.

Sony Group Corporation may purchase its own shares at any time by a resolution of the Board of Directors up to the retained earnings available for dividends to shareholders, in accordance with the Companies Act.

Sony Group Corporation's Board of Directors resolved and authorized the repurchase of shares of its own common stock pursuant to the Companies Act and Sony Group Corporation's Articles of Incorporation at the meeting of the Board of Directors held on May 16, 2019. During the year ended March 31, 2020, Sony Group Corporation repurchased 33,059,200 shares of its common stock for an amount of 199,999 million yen under the above resolution.

Based on the resolution of Sony Group Corporation's Representative Corporate Executive Officer delegated by the Board of Directors, Sony Group Corporation canceled 12,737,400 shares of its common stock held as treasury stock on March 26, 2020.

Although Sony Group Corporation approved on August 4, 2020 by resolution of the Board of Directors the setting of parameters for the repurchase of its own common stock pursuant to the Companies Act and Sony Group Corporation's Articles of Incorporation, no common stock was acquired based on these parameters during the fiscal year ended March 31, 2021.

(2) Retained earnings

The amount of statutory retained earnings of Sony Group Corporation available for dividends to shareholders as of March 31, 2021 was 913,889 million yen. The appropriation of retained earnings for the fiscal year ended March 31, 2021, including cash dividends for the six-month period ended March 31, 2021, has been incorporated in the consolidated financial statements. This appropriation of retained earnings was approved at the meeting of the Board of Directors of Sony Group Corporation held on April 28, 2021 and was then recorded in the statutory books of account, in accordance with the Companies Act.

Retained earnings include Sony's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of 61,226 million yen and 71,417 million yen at March 31, 2020 and 2021, respectively.

(3) Other comprehensive income

Changes in accumulated other comprehensive income, net of tax, by component for the fiscal years ended March 31, 2019, 2020 and 2021 were as follows:

	Yen in millions				
	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Pension liability adjustment	Foreign currency translation adjustments	Total
Balance at March 31, 2018	126,191	(1,242)	(296,444)	(445,251)	(616,746)
Cumulative effect of ASU 2016-01	(15,526)	—	—	—	(15,526)
Other comprehensive income before reclassifications	33,124	2,316	(23,448)	10,071	22,063
Amounts reclassified out of accumulated other comprehensive income*	161	(1,093)	9,488	(1,627)	6,929
Net other comprehensive income	33,285	1,223	(13,960)	8,444	28,992
Less: Other comprehensive income attributable to noncontrolling interests	8,915	—	53	(1,578)	7,390
Balance at March 31, 2019	135,035	(19)	(310,457)	(435,229)	(610,670)

	Yen in millions					
	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Pension liability adjustment	Foreign currency translation adjustments	Debt valuation adjustments	Total
Balance at March 31, 2019	135,035	(19)	(310,457)	(435,229)	—	(610,670)
Other comprehensive income before reclassifications	40,334	1,193	(17,519)	(75,814)	3,032	(48,774)
Amounts reclassified out of accumulated other comprehensive income*	56	74	92,490	(74)	—	92,546
Net other comprehensive income	40,390	1,267	74,971	(75,888)	3,032	43,772
Less: Other comprehensive income attributable to noncontrolling interests	14,234	—	34	(1,245)	1,059	14,082
Balance at March 31, 2020	161,191	1,248	(235,520)	(509,872)	1,973	(580,980)

	Yen in millions					
	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Pension liability adjustment	Foreign currency translation adjustments	Debt valuation adjustments	Total
Balance at March 31, 2020	161,191	1,248	(235,520)	(509,872)	1,973	(580,980)
Other comprehensive income before reclassifications	(102,588)	5,571	2,358	107,661	(3,081)	9,921
Amounts reclassified out of accumulated other comprehensive income*	96	(4,058)	10,607	(835)	(39)	5,771
Net other comprehensive income	(102,492)	1,513	12,965	106,826	(3,120)	15,692
Less: Other comprehensive income attributable to noncontrolling interests	(11,971)	—	3	1,183	(583)	(11,368)
Transactions with noncontrolling interests shareholders and other	30,635	—	(910)	(300)	475	29,900
Balance at March 31, 2021	101,305	2,761	(223,468)	(404,529)	(89)	(524,020)

* Foreign currency translation adjustments were transferred from accumulated other comprehensive income to net income as a result of a complete or substantially complete liquidation or sale of certain foreign subsidiaries and affiliates.

Reclassifications out of accumulated other comprehensive income for the fiscal years ended March 31, 2019, 2020 and 2021 were as follows:

Comprehensive income components	Yen in millions Amounts reclassified from accumulated other comprehensive income			Affected line items in consolidated statements of income
	2019	2020	2021	
Unrealized gains (losses) on securities	235	82	130	Financial services revenue
Tax expense or (benefit)	(74)	(26)	(34)	
Net of tax	161	56	96	
Unrealized gains (losses) on derivative instruments	(1,093)	—	—	Cost of sales
	—	106	(5,382)	Net sales
	—	—	285	Interest
Total before tax	(1,093)	106	(5,097)	
Tax expense or (benefit)	—	(32)	1,039	
Net of tax	(1,093)	74	(4,058)	
Pension liability adjustment	9,891	92,514	13,181	*
Tax expense or (benefit)	(403)	(24)	(2,574)	
Net of tax	9,488	92,490	10,607	
Foreign currency translation adjustments	(1,627)	(74)	(835)	Foreign exchange loss, net, other operating (income) expense, net and other income: other
Tax expense or (benefit)	—	—	—	
Net of tax	(1,627)	(74)	(835)	
Debt valuation adjustments	—	—	(39)	Financial services expenses
Tax expense or (benefit)	—	—	—	
Net of tax	—	—	(39)	
Total amounts reclassified out of accumulated other comprehensive income, net of tax	6,929	92,546	5,771	

* The amortization of pension and postretirement benefit components is included in the computation of net periodic pension cost. Refer to Note 15.

(4) Equity transactions with noncontrolling interests

Net income attributable to Sony Group Corporation’s stockholders and transfers (to) from the noncontrolling interests for the fiscal years ended March 31, 2019, 2020 and 2021 were as follows:

	Yen in millions Fiscal year ended March 31		
	2019	2020	2021
Net income attributable to Sony Group Corporation’s stockholders	916,271	582,191	1,171,776
Transfers (to) from the noncontrolling interests:			
Increase (decrease) in additional paid-in capital for purchase of additional shares in consolidated subsidiaries	(22,775)	16,372	196,002
Change from net income attributable to Sony Group Corporation’s stockholders and transfers (to) from the noncontrolling interests	893,496	598,563	1,367,778

During the fiscal year ended March 31, 2019, Sony acquired from the Estate of Michael Jackson (the “Estate”) the 25.1% interest in Nile Acquisition LLC (“Nile”) held by the Estate. A total of 287.5 million U.S. dollars was paid to the Estate for the acquisition. The difference between the cash consideration paid and the carrying amount of the noncontrolling interests was recognized as a decrease to additional paid-in capital of 295.9 million U.S. dollars. As a result of the acquisition, Nile became a wholly-owned subsidiary of Sony.

During the fiscal year ended March 31, 2020, Sony, through a wholly-owned subsidiary in the Pictures segment, acquired AT&T Inc.'s ("AT&T") 42% equity interest in Game Show Network, LLC ("Game Show Network"), a U.S.-based media network subsidiary. As a result of this acquisition, Game Show Network has become a wholly-owned subsidiary of Sony. Sony paid 53,992 million yen (496 million U.S. dollars) to AT&T, including 129 million U.S. dollars of dividends Sony distributed to AT&T prior to the acquisition. The difference between the cash paid and the carrying amount of the noncontrolling interests was recognized as an increase to additional paid-in capital.

During the fiscal year ended March 31, 2021, Sony Group Corporation acquired all the common shares and the related stock acquisition rights not held by Sony Group Corporation of SFH, a consolidated subsidiary of Sony Group Corporation, and SFH has become a wholly-owned subsidiary of Sony Group Corporation. Consideration for this acquisition was 396,698 million yen. The net difference between the consideration, the decrease in the carrying amount of the noncontrolling interests of 622,364 million yen and the increase in accumulated other comprehensive income of 30,203 million yen was recognized as an increase to additional paid-in capital of 195,463 million yen.

17. *Stock-based compensation plans*

The stock-based compensation expense for the fiscal years ended March 31, 2019, 2020 and 2021 was 5,499 million yen, 5,958 million yen and 8,927 million yen, respectively.

Sony has a stock-based compensation incentive plan for selected directors, corporate executive officers and employees in the form of a stock acquisition rights plan. The stock acquisition rights generally have three year graded vesting schedules and are exercisable up to ten years from the date of grant.

The total cash received from exercises under all of the stock acquisition rights plans during the fiscal years ended March 31, 2019, 2020 and 2021 was 12,757 million yen, 7,560 million yen and 12,430 million yen, respectively. Sony issued new shares of common stock or disposed of treasury stock upon exercise of these rights.

The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal years ended March 31, 2019, 2020 and 2021 was 1,593 yen, 1,864 yen and 2,207 yen, respectively. The fair value of stock acquisition rights granted on the date of grant and used to recognize compensation expense for the fiscal years ended March 31, 2019, 2020 and 2021 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Fiscal year ended March 31		
	2019	2020	2021
Weighted-average assumptions			
Risk-free interest rate	1.37%	0.70%	0.17%
Expected lives	5.98 years	5.73 years	5.41 years
Expected volatility*	32.52%	29.30%	26.97%
Expected dividends	0.35%	0.32%	0.34%

* Expected volatility was based on the historical volatilities of Sony Group Corporation's common stock over the expected life of the stock acquisition rights.

A summary of the activities regarding the stock acquisition rights plan during the fiscal year ended March 31, 2021 is as follows:

	Fiscal year ended March 31, 2021			
	Number of shares	Weighted-average exercise price	Weighted-average remaining life	Total intrinsic value
		Yen	Years	Yen in millions
Outstanding at beginning of the fiscal year	12,876,700	4,982		
Granted	4,534,600	9,221		
Exercised	3,178,300	3,911		
Forfeited or expired	210,600	6,280		
Outstanding at end of the fiscal year	14,022,400	6,653	7.80	68,218
Exercisable at end of the fiscal year	5,800,700	4,535	6.34	38,794

The total intrinsic value of shares exercised under the stock acquisition rights plan during the fiscal years ended March 31, 2019, 2020 and 2021 was 13,325 million yen, 7,575 million yen and 15,202 million yen, respectively.

As of March 31, 2021, there was 9,119 million yen of total unrecognized compensation expense related to nonvested stock acquisition rights. This expense is expected to be recognized over a weighted-average period of 2.06 years.

18. *Revenue*

(1) Contract balances

Receivables from contracts with customers, contract assets and contract liabilities are comprised of the following:

	Yen in millions	
	March 31, 2020	March 31, 2021
Receivables from contracts with customers*1	1,126,597	1,176,828
Contract assets*1	13,985	12,204
Contract liabilities*2	271,286	294,911

*1 Receivables from contracts with customers and contract assets are included in the consolidated balance sheets as “Notes and accounts receivable, trade and contract assets” and “Other”, non-current.

*2 Contract liabilities are included in the consolidated balance sheets as “Other”, both current and non-current.

Contract liabilities principally relate to customer advances received prior to performance. Revenues of 204,265 million yen and 216,931 million yen were recognized during the fiscal years ended March 31, 2020 and 2021, which were included in the balances of contract liabilities at March 31, 2019 and 2020, respectively. Revenues of 61,706 million yen and 76,405 million yen were recognized during the fiscal years ended March 31, 2020 and 2021 from performance obligations satisfied prior to March 31, 2019 and 2020, respectively.

(2) Performance obligations

Remaining (unsatisfied or partially unsatisfied) performance obligations represent future revenues not yet recorded for firm orders that have not yet been performed. Sony applies practical expedients to exclude certain information about the remaining performance obligations, primarily related to contracts with an expected original duration of less than one year, and sales-based or usage-based royalty revenue on licenses of intellectual property. The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied at March 31, 2021, of which more than half are expected to be recognized within one year and substantially all within three years.

	Yen in millions
	March 31, 2021
Pictures — Motion Pictures and Television Productions*1	644,569
Pictures — Media Networks	20,346
Music*2	57,904
Others	47,211

*1 For Motion Pictures and Television Productions in the Pictures segment, Sony has included all contracts regardless of duration.

*2 Amount included in the Music segment primarily consists of minimum royalty guarantees or fixed fees in contracts related to license revenue for ongoing access to an evolving library of content. These contracts also include the potential for sales-based or usage-based royalties to exceed the minimum guarantees, and these additional royalties are excluded from the amount above, of which substantially all are recognized as revenue within three years.

(3) Contract costs

Contract costs are comprised as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
Incremental costs of obtaining a contract	7,464	8,348

Sony applies practical expedients to recognize the incremental costs of obtaining a contract as an expense if the amortization period of the asset that otherwise would have been recognized is one year or less. The amortization of 6,420 million yen and 7,271 million yen was recognized during the fiscal years ended March 31, 2020 and 2021, respectively. The incremental costs of obtaining a contract are primarily recognized in the EP&S segment for the internet-related service business and amortized to expense over the contract period.

(4) Disaggregation of revenue

For the breakdown of sales and operating revenue by segments, product categories and geographies, refer to Note 27.

19. *Restructuring charges*

As part of its effort to improve the performance of the various businesses, Sony has undertaken a number of restructuring initiatives. Sony defines restructuring initiatives as activities initiated by Sony, which are designed to generate a positive impact on future profitability. These activities include exiting a business or product category, implementing a headcount reduction program, realignment of its manufacturing sites to low-cost areas, utilizing the services of third-party original equipment and design manufacturers (OEMs and ODMs), a review of its development and design structure, and the streamlining of its sales and administrative functions. The restructuring activities are generally short term in nature and are generally completed within one year of initiation.

The changes in the accrued restructuring charges for the fiscal years ended March 31, 2019, 2020 and 2021 are as follows:

	Yen in millions			
	Employee termination benefits	Non-cash write-downs and disposals, net*	Other associated costs	Total
Balance at March 31, 2018	19,486	—	4,188	23,674
Restructuring costs	24,449	2,731	5,825	33,005
Non-cash charges	—	(2,731)	—	(2,731)
Cash payments	(19,150)	—	(2,555)	(21,705)
Adjustments	955	—	(357)	598
Balance at March 31, 2019	25,740	—	7,101	32,841
Restructuring costs	22,957	100	1,653	24,710
Non-cash charges	—	(100)	—	(100)
Cash payments	(23,385)	—	(6,703)	(30,088)
Adjustments	(674)	—	(131)	(805)
Balance at March 31, 2020	24,638	—	1,920	26,558
Restructuring costs	19,669	2,806	3,240	25,715
Non-cash charges	—	(2,806)	—	(2,806)
Cash payments	(24,246)	—	(3,152)	(27,398)
Adjustments	(891)	—	144	(747)
Balance at March 31, 2021	19,170	—	2,152	21,322

* Significant asset impairments excluded from restructuring charges are described in Note 13.

Total costs incurred in connection with these restructuring programs by segment for the fiscal years ended March 31, 2019, 2020 and 2021 are as follows:

	Yen in millions				
	Fiscal year ended March 31, 2019				
	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Game & Network Services	—	—	—	—	—
Music	2,991	201	3,192	—	3,192
Pictures	4,795	—	4,795	—	4,795
Electronics Products & Solutions	11,437	4,574	16,011	86	16,097
Imaging & Sensing Solutions	—	—	—	—	—
Financial Services	—	—	—	—	—
All Other and Corporate	5,226	3,781	9,007	—	9,007
Total	24,449	8,556	33,005	86	33,091

	Yen in millions				
	Fiscal year ended March 31, 2020				
	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Game & Network Services	—	—	—	—	—
Music	3,179	6	3,185	—	3,185
Pictures	545	—	545	—	545
Electronics Products & Solutions	14,500	227	14,727	—	14,727
Imaging & Sensing Solutions	—	—	—	—	—
Financial Services	—	—	—	—	—
All Other and Corporate	4,733	1,520	6,253	256	6,509
Total	22,957	1,753	24,710	256	24,966

	Yen in millions				
	Fiscal year ended March 31, 2021				
	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Game & Network Services	3,524	553	4,077	13	4,090
Music	(1,139)	96	(1,043)	—	(1,043)
Pictures	1,519	54	1,573	—	1,573
Electronics Products & Solutions	11,466	4,205	15,671	—	15,671
Imaging & Sensing Solutions	1,362	—	1,362	—	1,362
Financial Services	—	—	—	—	—
All Other and Corporate	2,937	1,138	4,075	148	4,223
Total	19,669	6,046	25,715	161	25,876

* Other associated costs includes non-cash write-downs and disposals, net.

Depreciation associated with restructured assets as used in the context of the disclosures regarding restructuring activities refers to the increase in depreciation expense caused by revising the useful life and the salvage value of depreciable fixed assets under an approved restructuring plan. Any impairment of the assets is recognized immediately in the period it is identified.

Retirement programs

Sony has undergone several headcount reduction programs to further reduce operating costs primarily in an effort to improve the performance of certain segments related to the EP&S segment and reduce cost at the headquarters function. Through measures including the realignment of its manufacturing sites, a review of its development and design structure, and the streamlining of its sales and administrative functions, Sony has continued to implement a company-wide (including headquarters) rationalization. Sony intends to reallocate and optimize its workforce through programs including work reassignments and outplacements. The employee termination benefits costs in the above table are included in selling, general and administrative in the consolidated statements of income.

EP&S

In an effort to improve the performance of each business in the EP&S segment, Sony has implemented a number of restructuring initiatives targeting profitability improvement. These activities resulted in restructuring charges mainly overseas totaling 16,011 million yen, 14,727 million yen and 15,671 million yen for the fiscal years ended March 31, 2019, 2020 and 2021, respectively.

20. *Supplemental consolidated statements of income information*

(1) Other operating (income) expense, net

Sony records transactions in other operating (income) expense, net due to either the nature of the transaction or in consideration of factors including the relationship to Sony's core operations.

Other operating (income) expense, net is comprised of the following:

	Yen in millions		
	March 31		
	2019	2020	2021
Gain on remeasurement of EMI shares*1	(116,939)	—	—
Gain on remeasurement and sale of SRE shares*2	—	(17,266)	—
Gain on remeasurement of AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd. shares*3	—	(1,827)	—
(Gain) loss on purchase/sale of interests in subsidiaries and affiliates, net	(1,557)	(12,801)	(16,895)
(Gain) loss on sale, disposal or impairment of assets, net*4	46,928	29,778	23,835
Other	—	(1,495)	528
	(71,568)	(3,611)	7,468

*1 Refer to Notes 5 and 24.

*2 Refer to Note 5.

*3 Refer to Notes 5 and 24.

*4 Refer to Notes 9, 13 and 19.

(2) Research and development costs

Research and development costs charged to cost of sales for the fiscal years ended March 31, 2019, 2020 and 2021 were 481,202 million yen, 499,290 million yen and 525,175 million yen, respectively.

(3) Advertising costs

Advertising costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2019, 2020 and 2021 were 385,500 million yen, 359,458 million yen and 260,068 million yen, respectively.

(4) Shipping and handling costs

Shipping and handling costs for finished goods included in selling, general and administrative expenses for the fiscal years ended March 31, 2019, 2020 and 2021 were 51,757 million yen, 46,196 million yen and 82,708 million yen, respectively, which included the internal transportation costs of finished goods.

21. *Income taxes*

Domestic and foreign components of income before income taxes and the provision for current and deferred income taxes attributable to such income are summarized as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Income before income taxes:			
Sony Group Corporation and all subsidiaries in Japan	310,020	466,253	488,738
Foreign subsidiaries	701,628	333,197	703,632
	1,011,648	799,450	1,192,370
Income taxes — Current:			
Sony Group Corporation and all subsidiaries in Japan	82,081	105,755	81,706
Foreign subsidiaries	84,667	66,636	72,716
	166,748	172,391	154,422
Income taxes — Deferred:			
Sony Group Corporation and all subsidiaries in Japan	17,907	9,421	(172,095)
Foreign subsidiaries	(139,557)	(4,622)	18,668
	(121,650)	4,799	(153,427)
Total income tax expense	45,098	177,190	995

A reconciliation of the differences between the Japanese statutory tax rate and the effective tax rate is as follows:

	Fiscal year ended March 31		
	2019	2020	2021
Statutory tax rate	31.5%	31.5%	31.5%
Non-deductible expenses	0.7	0.3	0.1
Income tax credits	(1.6)	(1.7)	(1.2)
Change in statutory tax rate and law	(0.3)	(0.4)	(0.1)
Change in valuation allowances (other than the reversal of valuation allowance in U.S. and Japan national tax below)	2.3	(8.1)	(5.0)
The reversal of valuation allowances in the U.S.	(15.3)	—	(5.5)
The reversal of valuation allowances relating to the national tax of Sony Group Corporation and its national tax filing group in Japan	—	—	(18.0)
Change in deferred tax liabilities on undistributed earnings of foreign subsidiaries and corporate joint ventures	(0.1)	0.2	0.7
Lower tax rate applied to life and non-life insurance business in Japan	(0.5)	(0.6)	(0.4)
Foreign income tax differential	(6.4)	(2.4)	(5.0)
Adjustments to tax reserves	(0.3)	0.9	(0.3)
The remeasurement gain for the equity interest in EMI	(2.4)	—	—
Japan controlled foreign company taxation	0.0	5.3	2.5
Other	(3.1)	(2.8)	0.8
Effective income tax rate	4.5%	22.2%	0.1%

On December 22, 2017, the U.S. Tax Reform Act was signed into law, making significant changes to the U.S. tax rules. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning January 1, 2018 and the transition of U.S. international taxation from a worldwide tax system to a modified territorial system, with a one-time mandatory transition tax on previously deferred foreign earnings of U.S. subsidiaries.

In addition to lowering the statutory corporate tax rate from 35% to 21%, the U.S. Tax Reform Act also eliminated certain deductions, included new restrictions on the deduction for interest, introduced a new tax regime called the Base Erosion Anti-Abuse Tax or "BEAT", and changed how foreign earnings of the U.S. group are subject to tax. The U.S. Tax Reform Act also enhanced and extended the option to claim accelerated depreciation and amortization deductions by allowing full expensing of qualified property, including film costs, through 2022. The U.S. Tax Reform Act also provided for beneficial treatment of certain income derived by a U.S. entity from outside the United States (referred to as Foreign Derived Intangible Income or "FDII").

The BEAT creates a minimum tax on multinational corporations by requiring companies subject to the BEAT to pay the greater of their regular tax liability (less certain credits, including foreign tax credits) or 10% for taxable years beginning in 2019 (6.25% for the fiscal year ended March 31, 2019) of a modified tax base which adds back certain related party payments. The BEAT comparison to regular tax must be done each year if the taxpayer's "base erosion" related party payments exceed 3% of total deductions on its U.S. tax return. The U.S. Treasury Department issued regulations which allow taxpayers to elect to forgo deductions in order to stay below the 3% threshold. Sony initially expected to exceed the 3% threshold for the fiscal year ended March 31, 2019, but upon further detailed analysis at the time of the tax return filing, determined that it would be below the 3% threshold and therefore could use foreign tax credits to offset its regular tax liability. Sony filed its tax return for the fiscal year ended March 31, 2020 and reported that it was below the 3% threshold and used foreign tax credits to offset its regular tax liability. Sony believes it will be close to the 3% threshold for the fiscal year ended March 31, 2021, and will avail itself of the election in the regulations that allows it to forgo deductions as necessary to come under the threshold. Accordingly, Sony has provided for its taxes assuming the U.S. regular tax liability is offset by tax credits. Sony is required to determine if it is subject to the BEAT on an annual basis, to account for the BEAT as a period cost and to record deferred taxes at the regular statutory rate. Accordingly, Sony has recorded its U.S. deferred tax assets and liabilities at 21%.

Sony provides a valuation allowance for its deferred tax assets, which includes net operating losses, temporary differences and tax credits, when it is more likely than not that some portion, or all, of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the relevant tax jurisdiction.

As of December 31, 2018, SCA and its U.S. consolidated tax filing group continued its profitable trend, primarily as a result of the G&NS segment and the Music segment. Based on an assessment of the available positive and negative evidence, in the quarter ended December 31, 2018, Sony reversed the valuation allowances established against a significant portion of the deferred tax assets in the United States, primarily for net operating losses, temporary differences and certain tax credits, and recorded a tax benefit of 154,201 million yen. During the fiscal year ended March 31, 2021, Sony reversed additional valuation allowances against general business tax credits and foreign tax credits in the United States.

As of September 30, 2020, despite the spread of COVID-19, as a result of the acquisition of SFH, the taxable income of Sony Group Corporation and its national tax filing group in Japan has increased and is expected to be stable going forward. Based on an assessment of the available positive and negative evidence, in particular recent profit history and forecasted profitability, in the quarter ended September 30, 2020, Sony reversed the valuation allowances recorded against a significant portion of the deferred tax assets in Japan, primarily for temporary differences and certain net operating losses. As a result, Sony recorded a tax benefit of 214,900 million yen in the quarter ended September 30, 2020. Valuation allowances continue to be recorded on the remaining deferred tax assets in Japan, primarily foreign tax credits, due to restrictions on the use of such assets and their relatively short remaining carryforward periods.

The significant components of deferred tax assets and liabilities are as follows:

	Yen in millions	
	March 31	
	2020	2021
Deferred tax assets:		
Operating loss carryforwards for tax purposes	348,714	302,647
Accrued pension and severance costs	77,559	59,608
Amortization including film costs	65,349	45,506
Lease liabilities	100,720	91,186
Warranty reserves and accrued expenses	116,234	138,413
Future insurance policy benefits	42,056	44,023
Inventories	15,512	28,086
Depreciation	39,085	45,096
Tax credit carryforwards	94,900	63,590
Loss on equity securities	11,815	—
Allowance for credit losses	9,090	7,958
Impairment of investments	6,029	1,821
Deferred revenue	24,420	24,502
Other	122,591	167,255
Gross deferred tax assets	1,074,074	1,019,691
Less: Valuation allowance	(608,243)	(276,382)
Total deferred tax assets	465,831	743,309
Deferred tax liabilities:		
Insurance acquisition costs	(170,868)	(187,155)
Future insurance policy benefits	(193,315)	(196,045)
Unbilled accounts receivable in the Pictures segment	(26,214)	(7,894)
Right-of-use assets	(96,970)	(85,244)
Unrealized gains on securities	(92,791)	(51,147)
Gain on equity securities	—	(109,218)
Intangible assets acquired through stock exchange offerings	(23,949)	(23,949)
Intangible assets derived from EMI Music Publishing acquisition	(89,909)	(93,481)
Undistributed earnings of foreign subsidiaries and corporate joint ventures	(25,359)	(41,515)
Investment in M3	(38,303)	(41,347)
Other	(47,319)	(65,605)
Gross deferred tax liabilities	(804,997)	(902,600)
Net deferred tax liabilities	(339,166)	(159,291)

Based on the weight of the available positive and negative evidence, for the fiscal year ended March 31, 2021, Sony continued to maintain valuation allowances against the deferred tax assets at certain subsidiaries in Japan, as well as at Sony Mobile Communications in Sweden, Sony Europe B.V. in the United Kingdom, certain subsidiaries in Brazil, and certain subsidiaries in other tax jurisdictions. As of March 31, 2021, Sony Group Corporation and its national tax filing group in Japan recorded a valuation allowance of 13,549 million yen relating to national tax and 126,631 million yen relating to local taxes.

The net changes in the total valuation allowance were decreases of 176,721 million yen, 114,871 million yen and 331,861 million yen for the fiscal years ended March 31, 2019, 2020 and 2021, respectively.

The decrease in the valuation allowances during the fiscal year ended March 31, 2019 was mainly due to the reversal of the valuation allowances on significant deferred tax assets in SCA and its U.S. consolidated tax filing group and the use of net operating loss carryforwards and other deferred tax assets in the national tax filing group in Japan and other jurisdictions.

The decrease in the valuation allowances during the fiscal year ended March 31, 2020 was mainly due to the use of net operating loss carryforwards and other deferred tax assets in the national tax filing group in Japan and the use of foreign tax credits and certain research and development credits in the consolidated tax filing group in the United States.

The decrease in the valuation allowances during the fiscal year ended March 31, 2021 was mainly due to the reversal of the valuation allowances on significant deferred tax assets in Sony Group Corporation and its national tax filing group in Japan and general business tax credits and foreign tax credits in the consolidated tax filing group in the United States.

At March 31, 2021, 14,573 million yen of deferred income taxes have not been provided on undistributed earnings of certain foreign subsidiaries and corporate joint ventures not expected to be remitted in the foreseeable future totaling 910,802 million yen. In addition, deferred income taxes have not been provided on the gain on the book/tax basis difference in subsidiaries, including a gain of 61,544 million yen on a subsidiary's sale of stock arising from the issuance of common stock of Sony Music Entertainment (Japan) Inc. in a public offering to third parties in November 1991 and the remeasurement gain for the equity interest in EMI recorded in the fiscal year ended March 31, 2019 (Refer to Note 24). Sony does not anticipate any significant tax consequences on the possible future disposition of these investments based on its tax planning strategies.

At March 31, 2021, Sony had net operating loss carryforwards, the tax effect of which totaled 302,647 million yen, which may be available as an offset against future taxable income on tax returns to be filed in various tax jurisdictions. With the exception of 107,935 million yen with no expiration period, substantially all of the total net operating loss carryforwards expire at various dates between the fiscal years ending March 31, 2022 and 2024.

Tax credit carryforwards at March 31, 2021 amounted to 63,590 million yen. With the exception of 17,742 million yen with no expiration period, substantially all of the total available tax credit carryforwards expire at various dates between the fiscal years ending March 31, 2022 and 2031.

A reconciliation of the beginning and ending gross amounts of unrecognized tax benefits is as follows:

	Yen in millions		
	March 31		
	2019	2020	2021
Balance at beginning of the fiscal year	95,425	50,577	41,268
Reductions for tax positions of prior years	(31,396)	(331)	(761)
Additions for tax positions of prior years	3,094	162	52
Additions based on tax positions related to the current year	2,594	8,074	8,267
Settlements	(4,235)	(13,240)	(4,467)
Lapse in statute of limitations	(14,824)	(1,251)	(1,095)
Foreign currency translation adjustments	(81)	(2,723)	2,476
Balance at end of the fiscal year	50,577	41,268	45,740
Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	35,004	29,539	33,126

The major changes in the total gross amount of unrecognized tax benefit balances relate to transfer pricing adjustments, including as a result of the Advance Pricing Agreements ("APAs") and competent authority requests filed for certain subsidiaries in the G&NS, EP&S and I&SS segments and All Other, with respect to the intercompany cross-border transactions. The APAs include agreements between Sony and the relevant taxing authorities under the authority of the mutual agreement procedure specified in income tax treaties. Sony reviews its estimated tax expense based on the progress made in these procedures, and the progress of transfer pricing audits generally, and makes adjustments to its estimates as necessary. In addition, the APAs are government to government negotiations, and therefore it is possible that the final outcomes of the agreements may differ from Sony's current assessment of the more-likely-than-not outcomes of such agreements.

During the fiscal year ended March 31, 2019, Sony reversed 1,479 million yen of interest expense and recorded 218 million yen of penalties. At March 31, 2019, Sony had recorded liabilities of 9,309 million yen and 4,855 million yen for the payments of interest and penalties, respectively.

During the fiscal year ended March 31, 2020, Sony reversed 1,276 million yen of interest expense and recorded 117 million yen of penalties. At March 31, 2020, Sony had recorded liabilities of 8,033 million yen and 4,971 million yen for the payments of interest and penalties, respectively.

During the fiscal year ended March 31, 2021, Sony recorded 2,150 million yen of interest expense and reversed 514 million yen of penalties. At March 31, 2021, Sony had recorded liabilities of 10,183 million yen and 4,458 million yen for the payments of interest and penalties, respectively.

Sony operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited by Japanese and foreign taxing authorities. As a result of audit settlements, the conclusion of current examinations, the expiration of the statute of limitations in several jurisdictions and other reevaluations of Sony's tax positions, it is expected that the amount of unrecognized tax benefits will change in the next twelve months. Accordingly, Sony believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to 1,522 million yen within the next twelve months.

Sony remains subject to examinations by Japanese taxing authorities for tax years from 2011 through 2020, and by the U.S. tax authorities for tax years from 2017 through 2020 and other material foreign taxing authorities for tax years from 2006 through 2020.

22. *Reconciliation of the differences between basic and diluted EPS*

Reconciliation of the differences between basic and diluted EPS for the fiscal years ended March 31, 2019, 2020 and 2021 is as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Net income attributable to Sony Group Corporation's stockholders for basic and diluted EPS computation	916,271	582,191	1,171,776
	Thousands of shares		
Weighted-average shares outstanding	1,266,592	1,234,408	1,230,480
Effect of dilutive securities:			
Stock acquisition rights	4,088	3,853	4,820
Zero coupon convertible bonds	23,966	23,994	15,392
Weighted-average shares for diluted EPS computation	1,294,646	1,262,255	1,250,692
	Yen		
Basic EPS	723.41	471.64	952.29
Diluted EPS	707.74	461.23	936.90

Potential shares of common stock which were excluded from the computation of diluted EPS for the fiscal years ended March 31, 2019 and 2020 were 5,731 thousand shares, 3,212 thousand shares, respectively. Potential shares of common stock were not excluded from the computation of diluted EPS for the fiscal year ended March 31, 2021. Potential shares related to stock acquisition rights were excluded as anti-dilutive for the fiscal years ended March 31, 2019 and 2020 when the exercise price for those shares was in excess of the average market value of Sony's common stock for those fiscal years. The zero coupon convertible bonds issued in July 2015 were included in the diluted EPS calculation under the if-converted method beginning upon issuance.

23. *Variable interest entities*

Sony has entered into various arrangements with VIEs.

(1) Consolidated VIEs

Certain of Sony's VIEs are consolidated as it was determined, based on a qualitative assessment, that Sony is the primary beneficiary. Sony has the power to direct the activities that most significantly impact the VIEs' economic performance as well as the obligation to absorb the losses of the VIEs as Sony is responsible for providing funding to the VIEs and, in most cases, absorbs all losses until the VIEs become profitable. The assets of Sony are not available to settle the obligations of these VIEs. As of March 31, 2021, the total assets and liabilities for these VIEs were not significant and Sony does not provide any significant financial or other support to these VIEs.

(2) Unconsolidated VIEs

As described in Note 6, certain accounts receivable sales programs also involve VIEs. These VIEs are all special purpose entities associated with the sponsor banks. Based on a qualitative assessment, Sony is not the primary beneficiary and therefore does not consolidate these entities as Sony does not have the power to direct the activities, an obligation to absorb losses, or the right to receive the residual returns of these VIEs. Sony's maximum exposure to losses from these VIEs is considered insignificant.

In the Financial Services segment, Sony has variable interests in VIEs where Sony is not the primary beneficiary. Sony's variable interests in such VIEs include equity securities, securitized products, foreign corporate bonds and other investments.

The following tables present the carrying value of the variable interests of unconsolidated VIEs in the Financial Services segment, the presentation in the consolidated balance sheet, and the maximum exposure to loss associated with these variable interests as of March 31, 2020 and 2021. Maximum exposure to loss does not reflect Sony's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Sony enters into to reduce its exposure. The risks associated with VIEs in which Sony is involved are limited to the amount recorded in the consolidated balance sheets and the amount of commitments.

	Yen in millions			
	March 31, 2020			
	Presentation in the consolidated balance sheets			
	Marketable securities	Securities investments and other	Prepaid expenses and other current assets	Maximum exposure to loss
Equity securities*1	579,773	6,229	—	587,602
Securitized products	—	210,641	—	210,641
Foreign corporate bonds*2	41,452	41,036	—	82,488
Other investments	—	16,253	21,000	43,719
Total	621,225	274,159	21,000	924,450

	Yen in millions			
	March 31, 2021			
	Presentation in the consolidated balance sheets			
	Marketable securities	Securities investments and other	Prepaid expenses and other current assets	Maximum exposure to loss
Equity securities*1	681,201	6,698	—	688,428
Securitized products	—	270,818	—	270,818
Foreign corporate bonds*2	49,011	31,026	—	80,037
Other investments	101	42,525	21,000	83,659
Total	730,313	351,067	21,000	1,122,942

*1 Equity securities include Investment funds.

*2 Foreign corporate bonds include repackaged bonds.

24. *Acquisitions*

(1) EMI Music Publishing acquisition

On November 14, 2018, Sony Corporation of America, Sony's wholly-owned subsidiary, completed the acquisition of the entirety of the approximately 60% equity interest held by the investor consortium led by the Mubadala Investment Company in DH Publishing, L.P. ("EMI"), which owned and managed EMI Music Publishing, for the equity purchase price of 257,168 million yen (2,269 million U.S. dollars), which includes payments related to warrants and management equity plans. Sony paid all the consideration in cash upon the acquisition. As a result of this acquisition, EMI has become a wholly-owned subsidiary of Sony. This acquisition allows Sony to build upon its music publishing library by providing the Company with full ownership of the EMI Music Publishing catalog which was being administered by Sony's wholly-owned music publishing subsidiary, Sony/ATV Music Publishing. Sony's consolidated income statements for the fiscal year ended March 31, 2019 include revenue and operating income of 28,871 million yen (260 million U.S. dollars) and 6,432 million yen (58 million U.S. dollars), respectively, attributable to EMI since the date of acquisition. Sony's consolidated income statements for the three months ended March 31, 2019 include revenue and operating income of 18,420 million yen (167 million U.S. dollars) and 4,522 million yen (41 million U.S. dollars), respectively, attributable to EMI.

Prior to the acquisition, Sony's interest in EMI was accounted for under the equity method of accounting. As a result of Sony obtaining a controlling interest in EMI, Sony consolidated EMI using the acquisition method of accounting and recorded the fair value of the identifiable assets, liabilities assumed and residual goodwill of EMI. Sony remeasured the approximately 40% equity interest in EMI that Sony already owned prior to the acquisition at a fair value of 141,141 million yen (1,245 million U.S. dollars) which resulted in the recognition of a non-cash gain of 116,939 million yen (1,032 million U.S. dollars) recorded in other operating income, net for the three months ended December 31, 2018. Sony did not record any tax expense or deferred tax liability corresponding to this gain. Sony also assumed EMI's existing interest-bearing debt of 148,621 million yen (1,311 million U.S. dollars) as a result of this acquisition, of which 108,942 million yen (961 million U.S. dollars) was repaid immediately from Sony's existing cash.

The following table summarizes the preliminary and final fair values assigned to the assets and liabilities of EMI that were recorded in the Music segment. Certain areas of the purchase price allocation were not yet finalized as of the fiscal year ended March 31, 2019, including the valuation of income taxes and residual goodwill.

	Yen in millions		
	Acquired assets and liabilities recorded at fair value as of acquisition date (Preliminary)	Measurement period adjustments	Acquired assets and liabilities recorded at fair value as of acquisition date (Final)
Cash and cash equivalents	12,971		12,971
Notes and accounts receivable, trade and contract assets	32,287		32,287
Prepaid expenses and other current assets	10,220	(98)	10,122
Securities investments and other	1,476		1,476
Intangibles, net	420,534		420,534
Goodwill	237,271	(1,206)	236,065
Other	10,023		10,023
Total assets	724,782	(1,304)	723,478
Notes and accounts payable, trade	1,731		1,731
Accounts payable, other and accrued expenses	70,675		70,675
Accrued income and other taxes	3,082	(69)	3,013
Long-term debt	148,621		148,621
Accrued pension and severance costs	1,947		1,947
Deferred income taxes	94,849	(1,235)	93,614
Other	5,564		5,564
Total liabilities	326,469	(1,304)	325,165

Intangibles mainly consists of music publishing catalogs with weighted average amortization periods of 43 years. Goodwill represents unidentifiable intangible assets, such as future growth from new revenue streams and synergies with existing Sony assets and businesses, and is calculated as the excess of the purchase price over the estimated fair value of the tangible and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the Music segment.

The following unaudited supplemental pro forma financial information presents the combined results of operations of Sony and EMI as though the acquisition had occurred as of the beginning of the fiscal year ended March 31, 2018:

	Yen in millions, Yen per share amounts
	Fiscal year ended March 31
	2019
Net sales	8,738,209
Operating income	801,973
Net income attributable to Sony Group Corporation's stockholders	817,629
Per share data:	
— Basic EPS	645.53
— Diluted EPS	631.55

The unaudited supplemental pro forma financial information is based on estimates and assumptions, which Sony believes are reasonable, and is not intended to represent or be indicative of what Sony's consolidated net income attributable to Sony Group Corporation's stockholders would have been had the acquisition been completed at the beginning of the fiscal year ended March 31, 2018 and should not be taken as indicative of Sony's future consolidated net income attributable to Sony Group Corporation's stockholders. The unaudited supplemental pro forma financial information includes the elimination of equity in net income and consolidation of EMI, the adjustment of the gain from the remeasurement of the previously owned equity interest, incremental intangible asset amortization, net of the related tax effects and the adjustments of expenses incurred in relation to warrants and management equity plans.

(2) Insomniac Games, Inc. acquisition

On November 15, 2019, Sony Interactive Entertainment LLC, a wholly-owned subsidiary in the G&NS segment of Sony, completed the acquisition of Insomniac Games, Inc. ("Insomniac Games"), a game developer. The consideration for this acquisition of 24,895 million yen (229 million U.S. dollars) was mainly paid in cash. As a result of this acquisition, Insomniac Games has become a wholly-owned subsidiary of Sony.

As a result of this acquisition, Sony recorded 17,945 million yen (164 million U.S. dollars) of goodwill and 6,794 million yen (62 million U.S. dollars) of intangible assets. The cash consideration paid in this transaction, net of cash received, is included within Other in the investing activities section of the consolidated statements of cash flows. Pro forma results of operations have not been presented because the effect of the acquisition was not material.

(3) Silvergate Media acquisition

On December 9, 2019, Sony, through a wholly-owned subsidiary in the Pictures segment, acquired Silvergate Media Group ("Silvergate"), a company focused on developing, producing and licensing children's animation. The consideration for this acquisition of 21,017 million yen (192 million U.S. dollars) was paid in cash. As a result of this acquisition, Sony owns (1) 100% of Silvergate Topco Limited, which holds all assets of Silvergate other than certain rights held by Silvergate BP Bidco Limited, and (2) 31% of Silvergate BP Bidco Limited, the entity through which Silvergate produces its Peter Rabbit television series, and Sony recorded 11,431 million yen (106 million U.S. dollars) of goodwill and 3,387 million yen (32 million U.S. dollars) of intangible assets. The cash consideration paid in this transaction, net of cash received, is included within Other in the investing activities section of the consolidated statements of cash flows. Pro forma results of operations have not been presented because the effect of the acquisition was not material.

(4) Acquisition of equity interests in joint ventures in the life insurance business

On January 29, 2020, Sony Life, Sony's consolidated subsidiary, acquired 50% of the shares of AEGON Sony Life Insurance Co., Ltd. and SA Reinsurance Ltd. (collectively, the "JVs") from AEGON International B.V. The purchase price for the acquisition was 18,750 million yen and Sony Life paid all the consideration in cash upon the acquisition. As a result of this acquisition, Sony Life owns 100% of the shares of the JVs and the JVs have become consolidated subsidiaries of Sony. Sony Life will endeavor to make use of the strength and know-how of the variable annuity business accumulated by AEGON Sony Life Insurance Co., Ltd, strengthen the initiatives for the senior market, and improve earnings in an early stage by enhancing efficiency through integrated operation and organizational management. AEGON Sony Life Insurance Co., Ltd. changed its name to "Sony Life With Insurance Co., Ltd.," as of April 1, 2020, and Sony Life With Insurance Co., Ltd., was subsequently merged with Sony Life as of April 1, 2021.

Prior to the acquisition, Sony's interest in the JVs was accounted for under the equity method of accounting. As a result of Sony obtaining a controlling interest in the JVs, Sony consolidated the JVs using the acquisition method of accounting and recorded the fair value of the identifiable assets, liabilities assumed and residual goodwill of the JVs. Sony remeasured the 50% equity interest in the JVs that Sony already owned prior to the acquisition at a fair value of 13,932 million yen which resulted in the recognition of a non-cash gain of 1,827 million yen recorded in other operating income, net. Sony did not record any tax expense or deferred tax liability corresponding to this gain.

The following table summarizes the fair values assigned to the assets and liabilities of the JVs that were recorded in the Financial Services segment.

	Yen in millions
Cash and cash equivalents	27,380
Marketable securities	530,851
Prepaid expenses and other current assets	21,933
Securities investments and other	15,329
Goodwill	3,609
Other	406
Total assets	599,508
Future insurance policy benefits and other	66,599
Policyholders' account in the life insurance business	495,248
Other	4,979
Total liabilities	566,826

Goodwill represents the expected improvement of profitability due to business integration with Sony Life and operational efficiency, and is calculated as the excess of the purchase price over the estimated fair value of the tangible and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the Financial Services segment. Pro forma results of operations have not been presented because the effect of the acquisition was not material.

(5) Other acquisitions

During the fiscal year ended March 31, 2019, Sony completed other acquisitions for total consideration of 7,743 million yen which were paid for primarily in cash and there was no material contingent consideration subject to future change. As a result of these acquisitions, Sony recorded 5,773 million yen of goodwill and 4,422 million yen of intangible assets.

During the fiscal year ended March 31, 2020, Sony completed other acquisitions for total consideration of 6,853 million yen which were paid for primarily in cash and there was no material contingent consideration subject to future change. As a result of these acquisitions, Sony recorded 6,778 million yen of goodwill and 2,301 million yen of intangible assets.

During the fiscal year ended March 31, 2021, Sony completed other acquisitions for total consideration of 21,674 million yen which were paid for primarily in cash and there was no material contingent consideration subject to future change. As a result of these acquisitions, Sony recorded 19,954 million yen of goodwill and 6,237 million yen of intangible assets.

No significant amounts have been allocated to in-process research and development and all of the entities described above have been consolidated into Sony's results of operations since their respective acquisition dates. Pro forma results of operations have not been presented because the effects of other acquisitions, individually and in aggregate, were not material.

25. *Collaborative arrangements*

Sony's collaborative arrangements primarily relate to arrangements entered into, through subsidiaries in the Pictures segment, with one or more active participants to jointly finance, produce and/or distribute motion pictures or television programming under which both the subsidiaries and the other active participants share in the risks and rewards of ownership. These arrangements are referred to as co-production and distribution arrangements.

Sony typically records an asset for only the portion of the motion pictures or television programming it owns and finances. Sony and the other participants typically distribute the product in different media or markets. Revenues earned and expenses incurred for the media or markets in which Sony distributes the product are typically recorded on a gross basis. Sony typically does not record revenues earned and expenses incurred when the other participants distribute the product. Sony and the other participants typically share in the profits from the distribution of the product in all media or markets. For motion pictures, if Sony is a net receiver of (1) Sony's share of the profits from the media or markets distributed by the other participants less (2) the other participants' share of the profits from the media or markets distributed by Sony then the net amount is recorded as net sales. If Sony is a net payer then the net amount is recorded in cost of sales. For television programming, Sony records its share of the profits from the media or markets distributed by the other participants as sales, and the other participants' share of the profits from the media or markets distributed by Sony as cost of sales.

For the fiscal years ended March 31, 2019, 2020 and 2021, 42,343 million yen, 33,921 million yen and 19,944 million yen, respectively, were recorded as net sales for amounts due from the other participants and 22,702 million yen, 21,052 million yen and 24,853 million yen, respectively, were recorded as cost of sales for amounts owed to the other participants in these collaborative arrangements.

26. *Commitments, contingent liabilities and other*

(1) Loan commitments

Subsidiaries in the Financial Services segment have lines of credit in accordance with loan agreements with their customers. As of March 31, 2021, the total unused portion of the lines of credit extended under these contracts was 37,322 million yen. Based upon the information currently available, it is not possible to estimate the aggregate amounts of future year-by-year payments for these loan commitments.

(2) Purchase commitments and other

Purchase commitments and other outstanding as of March 31, 2021 amounted to 811,400 million yen. The major components of these commitments are as follows:

Certain subsidiaries in the Pictures segment have entered into agreements with creative talent for the development and production of motion pictures and television programming as well as agreements with third parties to acquire completed motion pictures, or certain rights therein, and to acquire the rights to broadcast certain live action sporting events. These agreements cover various periods mainly within three years. As of March 31, 2021, these subsidiaries were committed to make payments under such contracts of 105,921 million yen.

Certain subsidiaries in the Music segment have entered into contracts with recording artists, songwriters and companies for the future production, distribution and/or licensing of music product. These contracts cover various periods mainly within five years. As of March 31, 2021, these subsidiaries were committed to make payments of 149,021 million yen under such contracts.

In December 2020, Funimation Global Group, LLC, a joint venture between a subsidiary in the Pictures segment and a subsidiary in the Music segment, entered into a definitive agreement to acquire 100% of the equity interest in Ellation Holdings, Inc., a subsidiary of AT&T Inc., which operates the anime business Crunchyroll. The purchase price of this transaction is 1,175 million U.S. dollars subject to customary working capital and other adjustments. This transaction is subject to customary closing conditions, including regulatory approvals.

For the Acquisition of certain businesses of Kobalt Music Group Limited, refer to Note 28.

Certain subsidiaries in the G&NS segment have entered into long-term contracts for the development, distribution and publishing of game software. These contracts cover various periods mainly within seven years. As of March 31, 2021, these subsidiaries were committed to make payments of 32,959 million yen under such contracts.

Sony has entered into purchase contracts for fixed assets. As of March 31, 2021, Sony has committed to make payments of 135,297 million yen under such contracts.

Sony has entered into purchase contracts for materials. As of March 31, 2021, Sony has committed to make payments of 96,589 million yen under such contracts.

Sony has entered into sponsorship contracts related to advertising and promotional rights. These contracts cover various periods mainly within one year. As of March 31, 2021, Sony has committed to make payments of 5,396 million yen under such contracts.

The schedule of the aggregate amounts of year-by-year payment of purchase commitments during the next five fiscal years and thereafter is as follows:

Fiscal year ending March 31	Yen in millions
2022	519,953
2023	112,975
2024	66,939
2025	53,358
2026	13,786
Later fiscal years	44,389
Total	811,400

(3) Litigation

Sony Group Corporation and certain of its subsidiaries are defendants or otherwise involved in pending legal and regulatory proceedings. However, based upon the information currently available, Sony believes that the outcome from such legal and regulatory proceedings would not have a material impact on Sony's results of operations and financial position.

(4) Guarantees

Sony has issued guarantees that contingently require payments to guaranteed parties if certain specified events or conditions occur. The maximum potential amount of future payments under these guarantees as of March 31, 2021 amounted to 529 million yen.

In addition to the above, Sony also issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. The changes in the product warranty liability for the fiscal years ended March 31, 2019, 2020 and 2021 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Balance at beginning of the fiscal year	44,717	33,005	31,807
Additional liabilities for warranties	23,041	21,448	19,560
Settlements (in cash or in kind)	(26,326)	(21,491)	(19,666)
Changes in estimate for pre-existing warranty reserve	(7,370)	(562)	(860)
Translation adjustments	(1,057)	(593)	2,010
Balance at end of the fiscal year	33,005	31,807	32,851

The consideration received for extended warranty service, which is not a significant portion of the warranty activities provided by Sony, is excluded from the amounts in the table above.

27. *Business segment information*

The reportable segments presented below are the segments of Sony for which separate financial information is available and for which operating profit or loss amounts are evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The CODM does not evaluate segments using discrete asset information. Sony's CODM is its Chairman, President and Chief Executive Officer.

The G&NS segment includes network services businesses, the manufacture and sales of home gaming products and production and sales of software. The Music segment includes the Recorded Music, Music Publishing and Visual Media and Platform businesses. The Pictures segment includes the Motion Pictures, Television Productions and Media Networks businesses. The EP&S segment includes the Televisions business, the Audio and Video business, the Still and Video Cameras business, the smartphone business and internet-related service business. The I&SS segment includes the image sensors business. The Financial Services segment primarily represents individual life insurance and non-life insurance businesses in the Japanese market and a bank business in Japan. All Other consists of various operating activities, including the disc manufacturing and recording media businesses. Sony's products and services are generally unique to a single operating segment.

Segment sales and operating revenue:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Sales and operating revenue:			
Game & Network Services —			
Customers	2,224,622	1,919,760	2,604,713
Intersegment	86,250	57,791	51,565
Total	2,310,872	1,977,551	2,656,278
Music —			
Customers	795,025	838,592	927,250
Intersegment	12,464	11,317	12,617
Total	807,489	849,909	939,867
Pictures —			
Customers	985,270	1,010,714	757,580
Intersegment	1,603	1,140	1,187
Total	986,873	1,011,854	758,767
Electronics Products & Solutions —			
Customers	2,303,167	1,969,880	1,902,887
Intersegment	17,461	21,388	17,843
Total	2,320,628	1,991,268	1,920,730
Imaging & Sensing Solutions —			
Customers	770,622	985,259	937,859
Intersegment	108,708	85,317	74,638
Total	879,330	1,070,576	1,012,497
Financial Services —			
Customers	1,274,708	1,299,847	1,661,520
Intersegment	7,831	7,901	7,401
Total	1,282,539	1,307,748	1,668,921
All Other —			
Customers	299,806	214,999	196,517
Intersegment	45,931	36,421	32,736
Total	345,737	251,420	229,253
Corporate and elimination	(267,781)	(200,441)	(186,953)
Consolidated total	8,665,687	8,259,885	8,999,360

G&NS intersegment amounts primarily consist of transactions with All Other. I&SS intersegment amounts primarily consist of transactions with the G&NS segment and the EP&S segment. All Other intersegment amounts primarily consist of transactions with the G&NS segment, the Music segment and the Pictures segment. Corporate and elimination includes certain brand and patent royalty income.

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Segment profit or loss:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Operating income (loss):			
Game & Network Services	311,092	238,400	342,192
Music	232,487	142,345	188,056
Pictures	54,599	68,157	80,478
Electronics Products & Solutions	76,508	87,276	139,180
Imaging & Sensing Solutions	143,874	235,584	145,876
Financial Services	161,477	129,597	164,582
All Other	(11,127)	16,288	11,368
Total	968,910	917,647	1,071,732
Corporate and elimination	(74,675)	(72,188)	(99,867)
Consolidated operating income	894,235	845,459	971,865
Other income	144,735	21,949	264,235
Other expenses	(27,322)	(67,958)	(43,730)
Consolidated income before income taxes	1,011,648	799,450	1,192,370

Operating income (loss) is sales and operating revenue less costs and expenses, and includes equity in net income (loss) of affiliated companies.

Other significant items:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Equity in net income (loss) of affiliated companies:			
Game & Network Services	—	—	—
Music	(6,915)	4,239	570
Pictures	106	(629)	123
Electronics Products & Solutions	(38)	136	(36)
Imaging & Sensing Solutions	—	0	(123)
Financial Services	(682)	(104)	—
All Other	4,530	5,995	10,953
Consolidated total	(2,999)	9,637	11,487
Depreciation and amortization:			
Game & Network Services	29,023	29,135	38,707
Music	21,259	29,137	30,666
Pictures	24,081	21,665	19,330
Electronics Products & Solutions	61,749	63,291	62,145
Imaging & Sensing Solutions	110,746	134,035	152,380
Financial Services, including deferred insurance acquisition costs	91,179	106,667	59,885
All Other	4,940	5,095	4,363
Total	342,977	389,025	367,476
Corporate	31,049	27,617	23,217
Consolidated total	374,026	416,642	390,693

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The following table is a breakdown of sales and operating revenue to external customers by product category for each segment. Sony management views each segment as a single operating segment.

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Sales and operating revenue:			
Game & Network Services			
Digital Software and Add-on Content	1,102,231	1,010,296	1,454,654
Network Services	326,524	337,265	382,950
Hardware and Others	795,867	572,199	767,109
Total	2,224,622	1,919,760	2,604,713
Music			
Recorded Music — Streaming	227,513	276,039	337,100
Recorded Music — Others	199,413	191,114	179,167
Music Publishing	106,666	157,478	156,862
Visual Media and Platform	261,433	213,961	254,121
Total	795,025	838,592	927,250
Pictures			
Motion Pictures	436,017	475,061	271,081
Television Productions	288,816	301,224	267,123
Media Networks	260,437	234,429	219,376
Total	985,270	1,010,714	757,580
Electronics Products & Solutions			
Televisions	788,423	646,513	709,007
Audio and Video	362,580	346,060	313,975
Still and Video Cameras	421,506	384,142	338,694
Mobile Communications	487,330	362,144	358,580
Other	243,328	231,021	182,631
Total	2,303,167	1,969,880	1,902,887
Imaging & Sensing Solutions	770,622	985,259	937,859
Financial Services	1,274,708	1,299,847	1,661,520
All Other	299,806	214,999	196,517
Corporate	12,467	20,834	11,034
Consolidated total	8,665,687	8,259,885	8,999,360

Sony has realigned its product category configuration in regard to the new EP&S segment from the first quarter of the fiscal year ended March 31, 2020. Sony has also realigned its product category configuration in the Music segment with a more detailed breakdown in Recorded Music from the fourth quarter of the fiscal year ended March 31, 2020. In connection with these realignments, all prior period sales amounts by product category in the table above have been reclassified to conform to the current presentation.

In the G&NS segment, Digital Software and Add-on Content includes distribution of software titles and add-on content through network by Sony Interactive Entertainment; Network Services includes network services relating to game, video and music content; Hardware and Others includes home gaming consoles, packaged software and peripheral devices. In the Music segment, Recorded Music — Streaming includes the distribution of digital recorded music by streaming; Recorded Music — Others includes the distribution of recorded music by physical media and digital download as well as revenue derived from artists' live performances; Music Publishing includes the management and licensing of the words and music of songs; Visual Media and Platform includes the production and distribution of animation titles, including game applications based on the animation titles, and various service offerings for music and visual products. In the Pictures segment, Motion Pictures includes the worldwide production, acquisition and distribution of live-action and animated motion pictures;

Television Productions includes the production, acquisition and distribution of television programming; Media Networks includes the operation of television and digital networks worldwide. In the EP&S segment, Televisions includes LCD and OLED televisions; Audio and Video includes Blu-ray disc players and recorders, home audio, headphones and memory-based portable audio devices; Still and Video Cameras includes interchangeable lens cameras, compact digital cameras, consumer video cameras and video cameras for broadcast; Mobile Communications includes smartphones and an internet-related service business; Other includes display products such as projectors and medical equipment.

Within the EP&S segment, the operating income (loss) of Mobile Communications for the fiscal years ended March 31, 2019, 2020 and 2021 was (97,136) million yen, (21,057) million yen and 27,671 million yen, respectively.

Geographic Information:

Sales and operating revenue attributed to countries and areas based on location of external customers for the fiscal years ended March 31, 2019, 2020 and 2021 and property, plant and equipment, net and right-of-use assets as of March 31, 2020 and 2021 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2019	2020	2021
Sales and operating revenue:			
Japan	2,591,784	2,472,479	2,962,465
United States	1,982,135	1,864,390	2,153,466
Europe	1,862,166	1,697,791	1,816,244
China	770,416	845,235	762,766
Asia-Pacific	912,193	892,026	861,623
Other Areas	546,993	487,964	442,796
Total	8,665,687	8,259,885	8,999,360

	Yen in millions	
	March 31	
	2020	2021
Property, plant and equipment, net and right-of-use assets:		
Japan	946,922	999,280
United States	214,226	211,109
Europe	67,799	74,313
China	17,996	16,976
Asia-Pacific	46,932	48,515
Other Areas	7,379	12,335
Total	1,301,254	1,362,528

Major countries and areas in each geographic segment excluding Japan, United States and China are as follows:

(1) Europe: United Kingdom, France, Germany, Russia, Spain and Sweden
(2) Asia-Pacific: India, South Korea, Oceania, Thailand and Malaysia
(3) Other Areas: The Middle East/Africa, Brazil, Mexico and Canada

There are no individually material countries with respect to sales and operating revenue or property, plant and equipment, net and right-of-use assets included in Europe, Asia-Pacific and Other Areas.

Transfers between reportable business segments or geographic areas are made at individually negotiated prices that are intended to reflect a market-based transfer price.

There were no sales and operating revenue with any single major external customer for the fiscal years ended March 31, 2019, 2020 and 2021.

28. ***Subsequent events***

(1) Setting of parameters for repurchase of shares of its own common stock

Sony Group Corporation approved the setting of the following parameters for repurchase of its own common stock pursuant to the Companies Act of Japan and Sony Group Corporation's Articles of Incorporation at the meeting of its Board of Directors held on April 28, 2021:

1. Total number of shares for repurchase: 25 million shares (maximum)

2. Total purchase price for repurchase of shares: 200 billion yen (maximum)

3. Period of repurchase: April 30, 2021 to April 28, 2022

(2) Acquisition of certain businesses of Kobalt Music Group Limited

On May 18, 2021, Sony Music Entertainment, a wholly-owned subsidiary of Sony, acquired 100% of the shares and related assets of certain subsidiaries of Kobalt Music Group Limited ("Kobalt") relating to AWAL, Kobalt's music distribution business mainly for independent recording artists, and Kobalt Neighbouring Rights, Kobalt's music neighboring rights management business. The consideration for this acquisition of 49,794 million yen (456 million U.S. dollars) was paid in cash. Prior to the closing of the acquisition, the U.K. Competition and Markets Authority ("CMA") initiated a review of the transaction, and Sony continues to cooperate with such review. The accounting treatment for the acquisition, which is currently under review by the CMA, has not yet been determined as of the date of this report.