

SONY

Q3 FY2019 Consolidated Financial Results

(Three months ended December 31, 2019)

February 4, 2020

Sony Corporation

Please be aware that, in the following remarks, statements made with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. These statements are based on management's assumptions in light of the information currently available to it, and, therefore, you should not place undue reliance on them. Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. For additional information as to risks and uncertainties, as well as other factors that could cause actual results to differ, please refer to today's press release, which can be accessed by visiting www.sony.net/IR.

- **Q3 FY2019 Consolidated Financial Results and FY2019 Consolidated Results Forecast**
- **Segments Outlook**

- Before I explain our results today, I want to speak a little about the spread of infection from the new coronavirus.
- First, we extend our condolences to the families of the people who have passed away and our thoughts are with those who have been infected.
- Sony is very concerned about the spread of infection.
- At this time, it is difficult to fully grasp what is going on, but we are exerting all efforts to gather information and assess the situation, and we are taking action where possible.
- Now I will explain two topics.

Q3 FY2019 Consolidated Results

(Bln Yen)

	Q3 FY18	Q3 FY19	Change
Sales & operating revenue	2,401.8	2,463.2	+61.4 bln yen (+3%)
Operating income	377.0	300.1	-76.9 bln yen (-20%)
Income before income taxes	340.5	310.3	-30.2 bln yen (-9%)
Net income attributable to Sony Corporation's stockholders	429.0	229.5	-199.4 bln yen (-46%)
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	330.77 yen	182.89 yen	-147.88 yen
Average rate			
1 US dollar	112.9 yen	108.8 yen	
1 Euro	128.8 yen	120.3 yen	

- FY19 Q3 consolidated sales increased 3% compared to the same quarter of the previous fiscal year ("year-on-year") to 2 trillion 463.2 billion yen and operating income decreased 76.9 billion yen year-on-year to 300.1 billion yen.
- Net income attributable to Sony Corporation's stockholders decreased 199.4 billion yen year-on-year to 229.5 billion yen.

Adjusted Operating Income (Q3)

	Operating Income	Adjusted Operating Income	Adjusted Operating Income excludes the following items*
Q3 FY18	377.0 bln yen	260.1 bln yen	<ul style="list-style-type: none"> ■ Remeasurement gain resulting from the consolidation of EMI (Music segment: +116.9 bln yen)
Q3 FY19	300.1 bln yen	276.5 bln yen	<ul style="list-style-type: none"> ■ Remeasurement and realized gains resulting from the public listing and sale of a portion of shares of SRE Holdings Corporation (All Other: +17.3 bln yen) ■ Realized and remeasurement gains resulting from the transfer of a portion of shares of NSF Engagement Corporation (Corporate and elimination: +6.3 bln yen)
Change from FY18	-76.9 bln yen	+16.5 bln yen (+6%)	

* These monetary amounts have been disclosed in the Financial Statements, the Presentation slides and the Quarterly Securities Reports for the relevant quarters.

Adjusted operating income is not a measure in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors.

- As is shown on this slide, certain extraordinary items were recorded in both the current quarter and the same quarter of the previous fiscal year.
- Excluding these extraordinary items, operating income would have increased 16.5 billion yen to 276.5 billion yen.

Adjusted Net Income Attributable to Sony Corporation's Stockholders (Q3)

	Net Income Attributable to Sony Corporation's Stockholders	Adjusted Net Income Attributable to Sony Corporation's Stockholders	Adjusted Net Income Attributable to Sony Corporation's Stockholders excludes the following items*
Q3 FY18	429.0 bln yen	157.9 bln yen	<ul style="list-style-type: none"> ■ Remeasurement gain resulting from the consolidation of EMI (Music segment: +116.9 bln yen) ■ Reversal of valuation allowances against a portion of deferred tax assets (+154.2 bln yen)
Q3 FY19	229.5 bln yen	216.2 bln yen	<ul style="list-style-type: none"> ■ Remeasurement and realized gains resulting from the public listing and sale of a portion of shares of SRE Holdings Corporation (All Other: +17.3 bln yen) ■ Realized and remeasurement gains resulting from the transfer of a portion of shares of NSF Engagement Corporation (Corporate and elimination: +6.3 bln yen) ■ Loss resulting from a change in Sony's Japanese pension plans (-6.4 bln yen) ■ Tax adjustment with regard to the above three items (-3.9 bln yen)
Change from FY18	-199.4 bln yen	+58.3 bln yen (+37%)	

* These monetary amounts have been disclosed in the Financial Statements, the Presentation slides and the Quarterly Securities Reports for the relevant quarters.

Adjusted net income attributable to Sony Corporation's stockholders is not a measure in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors.

- Also, excluding these extraordinary items, net income attributable to Sony Corporation's stockholders would have increased 58.3 billion yen from 157.9 billion yen in the same quarter of the previous fiscal year to 216.2 billion yen.

FY2019 Consolidated Results Forecast

(Bln Yen)

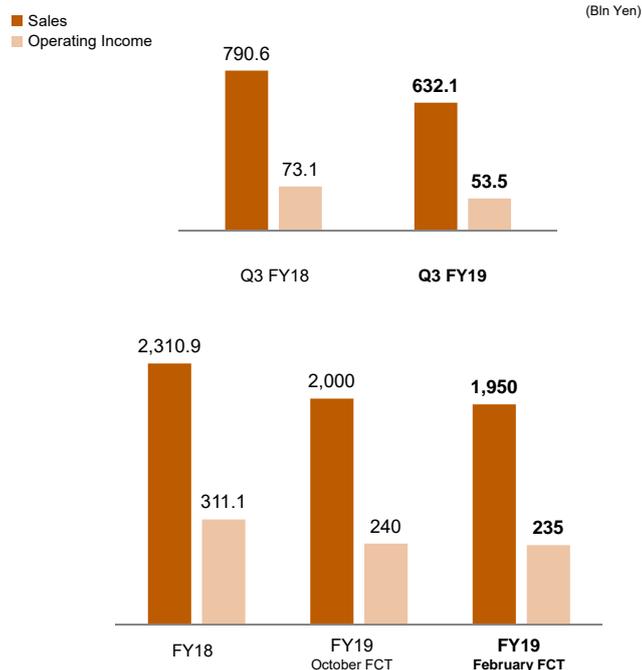
	FY18	FY19 October FCT	FY19 February FCT	Change from October FCT
Sales & operating revenue	8,665.7	8,400	8,500	+100 bln yen (+1%)
Operating income	894.2	840	880	+40 bln yen (+5%)
Income before income taxes	1,011.6	800	860	+60 bln yen (+8%)
Net income attributable to Sony Corporation's stockholders	916.3	540	590	+50 bln yen (+9%)
Operating Cash Flow* (Sony without Financial Services)	753.4	760	760	-
Average rate	Actual	Assumption (2H FY19)	Assumption (Q4 FY19)	Dividend per Share
1 US dollar	110.9 yen	Approx. 108 yen	Approx. 109 yen	Interim 20 yen
1 Euro	128.5 yen	Approx. 118 yen	Approx. 121 yen	Year-end (Planned) 25 yen
				Full year (Planned) 45 yen

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

- Next is the consolidated results forecast for FY19.
- Consolidated sales are expected to increase 100 billion yen compared with the previous forecast to 8 trillion 500 billion yen and operating income is expected to increase 40 billion yen to 880 billion yen.
- I will explain the breakdown of sales and operating income for each segment when I explain the segment results.
- Income before income taxes was upwardly revised to 860 billion yen and net income attributable to Sony Corporation's stockholders was upwardly revised to 590 billion yen.
- The forecast for operating cash flow excluding the Financial Services segment is 760 billion yen, unchanged from the previous forecast.
- The assumed foreign currency exchange rates for the fourth quarter ending March 31, 2020 ("Q4") are 109 yen to the U.S. dollar and 121 yen to the Euro.
- As for dividends this fiscal year, we expect to issue a year-end dividend of 25 yen per share which, when combined with the interim dividend already paid, will make our expected annual dividend 45 yen per share this fiscal year, 10 yen more than last fiscal year.
- Now I would like to discuss the impact of the spread of infection from the new coronavirus.
- I just explained how we have upwardly revised our consolidated results forecast for the fiscal year, but the impact of the spread of infection from the new coronavirus is not included in that forecast.
- At this time, it is difficult for us to assess the impact that it will have on our results. Depending on how the situation evolves, the impact could be large enough to eliminate the entire amount of the upward revision.
- We think there could be a major impact on our manufacturing, sales and supply chain operations, especially in the Imaging & Sensing Solutions ("I&SS") and Electronics Products & Solutions ("EP&S") segments.
- Going forward, we will continue to gather information, assess the impact and take any necessary action. Pursuant to that, if there is a material change to our forecast for the current fiscal year, we will disclose that change.
- I will now explain the situation in each of our business segments.

Game & Network Services Segment (G&NS Segment)

Sales and Operating Income



Q3 FY2019 (year-on-year)

- Sales: 158.5 bln yen (20%) significant decrease (FX Impact: -27.2 bln yen)
 - (-) Decrease in PlayStation®4 (PS4™) hardware unit sales
 - (-) Decrease in sales of non-first-party software titles
 - (-) Impact of foreign exchange rates
- OI: 19.6 bln yen significant decrease (FX Impact: -3.4 bln yen)
 - (-) Decrease in sales of non-first-party software titles
 - (+) Increase in sales for PlayStation®Plus

FY2019 Forecast (change from October forecast)

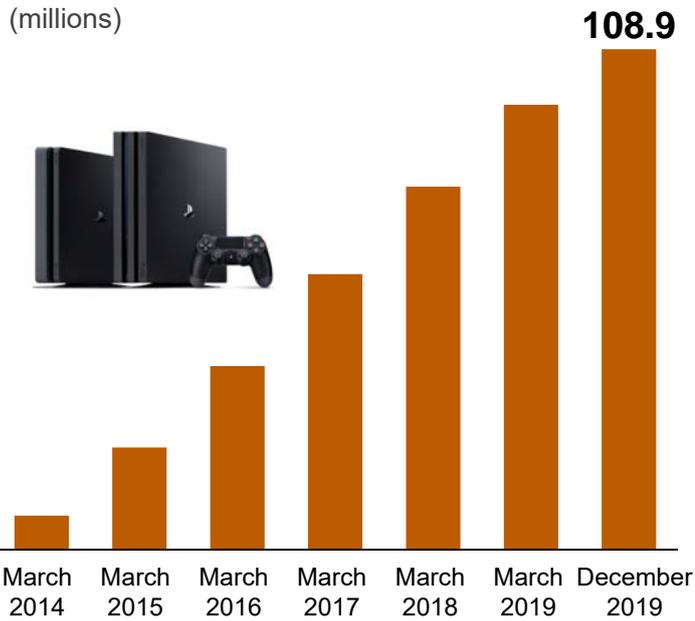
- Sales: 50 bln yen (3%) downward revision
 - (-) Lower-than-expected software sales of non-first-party titles
- OI: 5 bln yen downward revision
 - (-) Lower-than-expected software sales of non-first-party titles
 - (+) Cost reductions

- First, I will talk about the Game & Network Services segment.
- Sales for the quarter decreased 20% to 632.1 billion yen primarily due to a decrease in PlayStation®4 (“PS4”) hardware sales and software sales, as well as the negative impact of exchange rates.
- PS4 hardware is in its seventh year since launch and, partly because we announced the PlayStation®5 (“PS5™”) next generation console, unit sales decreased year-on-year.
- The yen-based average selling price of the hardware decreased due to the negative impact of exchange rates and an increase in the proportion of units sold during the selling season.
- However, we were able to secure a margin on hardware sales that was flat year-on-year because we kept the promotional price at the same level as during the last year-end selling season and because promotional costs were offset by a year-on-year reduction in component costs.
- Excluding the significant decrease in free to play titles and the impact of exchange rates, software sales were essentially flat year-on-year.
- Operating income decreased 19.6 billion yen to 53.5 billion yen, primarily due to the impact of the decrease in third-party software sales, partly offset by an increase in profit from growth in network services, mainly PlayStation®Plus (“PS Plus”).
- We revised downward our FY19 sales forecast 50 billion yen to 1 trillion 950 billion yen and our operating income forecast 5 billion yen to 235 billion yen.
- The revision in sales was due to a change in our forecast for third-party software sales, including the impact of postponement into next fiscal year of the sale of several titles.
- Despite the benefit of operating cost reductions, operating income was revised downward primarily due to the impact of the decrease in software sales.

G&NS Segment: Expanding PlayStation®4 Platform

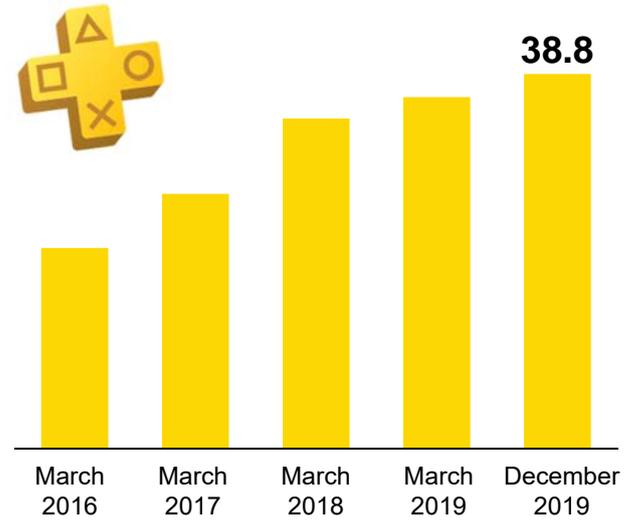
PS4™ Cumulative Unit Sales

(millions)



PS Plus Subscribers

(millions)



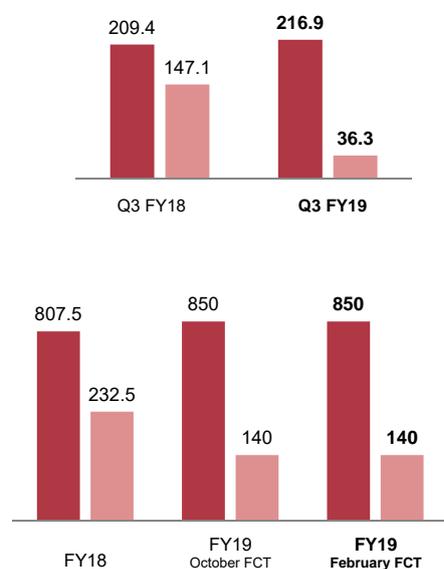
- Our financial results this fiscal year are in a period of adjustment as we approach the transition to the PS5 next generation console and because the contribution of free to play titles last fiscal year was quite large.
- On the other hand, when you look at our results over the mid- to long-term, you can see that our game business is steadily growing, as is evidenced by the growth of network services like PS Plus, and we expect that growth to continue going forward.
- The proportion of network services revenue continues to increase primarily due to the increase in PS Plus subscribers.
- We aim to leverage this large community and network services revenue stream to affect a smooth transition from the current console generation to the next, unlike in the past when profitability deteriorated significantly due to development and marketing costs.

Music Segment

Sales and Operating Income

■ Sales
■ Operating Income

(Bln Yen)



Q3 FY2019 (year-on-year)

- Sales: 7.6 bln yen (4%) increase (FX Impact: -5.4 bln yen)
 - (+) Higher sales for Music Publishing resulting from the consolidation of EMI
 - (+) Higher sales for Recorded Music primarily due to an increase in streaming revenues
 - (-) Lower sales for Visual Media and Platform primarily due to lower sales for *Fate/Grand Order*, a game application for mobile devices
- OI: 110.8 bln yen significant decrease
 - (-) Recording of a remeasurement gain (116.9 bln yen) resulting from the consolidation of EMI in Q3 FY18
 - (+) Recording of equity in net loss (5.2 bln yen) primarily resulting from expenses pursuant to the acquisition of the approximately 60% stake in EMI in Q3 FY18

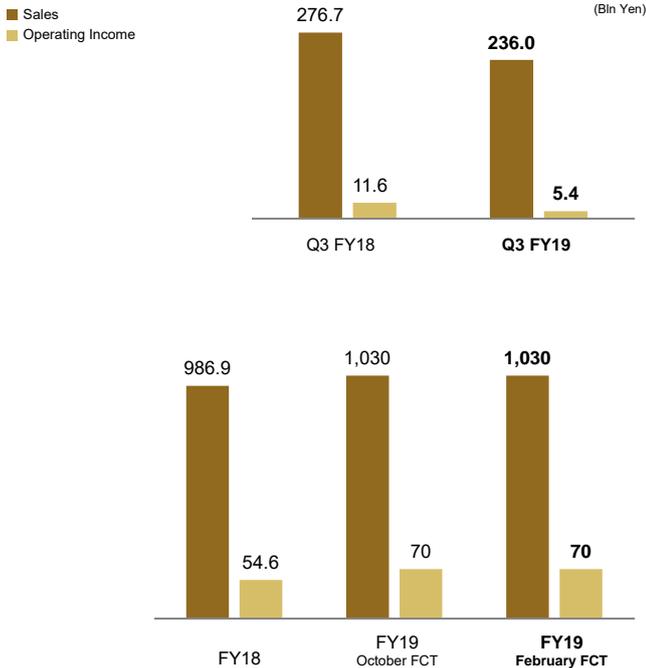
FY2019 Forecast

- Sales / OI : Remain unchanged from October forecast

- Next is the Music segment.
- FY19 Q3 sales increased 4% year-on-year to 216.9 billion yen, but operating income decreased 110.8 billion yen year-on-year to 36.3 billion yen.
- This decrease was primarily due to the absence of a remeasurement gain resulting from the consolidation of EMI Music Publishing recorded in the same quarter of the previous fiscal year, and a decrease in sales of mobile games in Japan.
- Excluding these items, our music business is steadily growing primarily due to the growth of the streaming market.
- Streaming revenue in our Recorded Music business continued to grow at a high rate, increasing 16% year-on-year and 20% year-on-year excluding the impact of the conversion to the yen.
- There is no change to our forecast for sales and operating income.

Pictures Segment

Sales and Operating Income



Q3 FY2019 (year-on-year)

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

- Sales: 40.7 bln yen (15%) significant decrease (U.S. dollar basis: -282 mil USD / -12%)
 - (-) Lower revenues for Motion Pictures
 - (-) Decrease in theatrical revenues due to the strong performance of *Venom* in Q3 FY18
 - (-) Lower television and home entertainment licensing revenues
 - (-) Lower sales for Media Networks due to the impact of the channel portfolio review
 - (+) Higher sales for Television Productions
 - (+) Higher licensing revenues from season 3 of *The Crown*
 - (+) Higher licensing revenues for U.S. television catalog product
- OI: 6.2 bln yen decrease
 - (-) Impact of lower Motion Pictures sales
 - (-) Increase in expenses for Television Productions
 - (-) Higher production costs as a result of the increase in the number of new U.S. network programming episodes produced in the current period
 - (-) Higher development expenses
 - (+) Lower expenses related to the above-mentioned channel portfolio review
 - (+) Benefit of the above-mentioned channel portfolio review

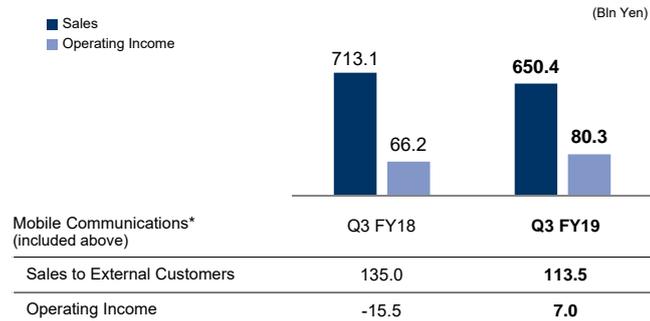
FY2019 Forecast

- Sales / OI : Remain unchanged from October forecast

- Next is the Pictures segment.
- FY19 Q3 sales decreased 15% year-on-year to 236.0 billion yen and operating income decreased 6.2 billion yen to 5.4 billion yen.
- The decrease in profit was primarily due to a significant decrease in Motion Pictures revenue, partially offset by an improvement in profitability due to the benefit of a channel portfolio review in Media Networks.
- In the same quarter of the previous fiscal year, the major hit *Venom* was released at the beginning of October, significantly contributing to profitability throughout that quarter.
- This fiscal year, the hit *Jumanji: The Next Level*, was released in mid-December, so the majority of its contribution to profitability will come in Q4 and beyond.
- While there were other releases that did not meet our expectations, overall, I believe that our Motion Pictures business has been performing well.
- Our FY19 sales and operating income forecast is unchanged
- Global box office revenue for calendar year 2019 increased, led by growth outside of the U.S.
- Similar to last year, Sony Pictures' had the fourth highest market share of box office revenue in the U.S. in calendar year 2019.
- However, while all the major studios except Disney experienced a decline in box office revenue, Sony Pictures' share increased 1 percentage point compared to the previous year, primarily due to the contribution of the major hit *Spider-Man: Far From Home*.
- I think this success is due to our leveraging IP such as *Spider-Man* and *Jumanji* to build strong franchises.

Electronics Products & Solutions Segment (EP&S Segment)

Sales and Operating Income

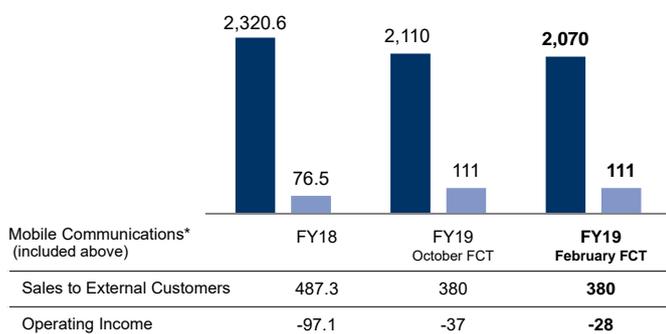


Q3 FY2019 (year-on-year)

- Sales: 62.7 bln yen (9%) decrease (FX Impact: -23.0 bln yen)
 - (-) Decrease in unit sales of smartphones and televisions
 - (-) Impact of foreign exchange rates
- OI: 14.1 bln yen significant increase (FX Impact: -6.1 bln yen)
 - (+) Reductions in operating costs mainly within Mobile Communications
 - (-) Decrease in sales

FY2019 Forecast (change from October forecast)

- Sales: 40 bln yen (2%) downward revision
 - (-) Lower-than-expected sales of televisions, digital cameras and broadcast- and professional-use products
- OI: Remains unchanged from October forecast
 - (-) Decrease in sales
 - (+) Reductions in operating costs



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

- Next is the EP&S segment.
- Sales for the quarter decreased 9% year-on-year to 650.4 billion yen primarily due to a decrease in sales of smartphones and TVs and the negative impact of exchange rates.
- Operating income increased 14.1 billion yen year-on-year to 80.3 billion yen.
- This increase was primarily due to the benefit of restructuring in Mobile Communications and reductions in operating expenses in the various businesses within the EP&S segment, partially offset by the impact of the decrease in sales.
- In order to reflect the deterioration of market conditions, we have reduced our sales forecast for the fiscal year 40 billion yen to 2 trillion 70 billion yen.
- The forecast for operating income remains unchanged as the impact of the decrease in sales is expected to be offset by improvements in operating costs across the various businesses.

EP&S Segment: Year-End Selling Season



4K OLED BRAVIA®, A9G



α (Alpha) Interchangeable-lens Digital Camera
α7R IV

- The competitive environment during the 2019 year-end selling season was particularly intense in the key product areas of TVs and mirrorless cameras, but, overall, we were able to control price, supply and inventory.
- Although competition in mirrorless cameras has increased as other companies have entered the market in earnest, we maintained our share in major markets and produced results for overall digital cameras that were higher year-on-year.
- The intensely competitive environment in the TV market continued due to a deterioration in panel prices, but we maintained a higher average selling price year-on-year by focusing on high valued-added and large screen models, and we have maintained inventory at an appropriate level.

Broadcast- and Professional-use Products Business

- On the other hand, our broadcast- and professional-use products business has seen a significant slowdown in China, an important market for the business, due to U.S./China trade friction and the negative impact that it is having on the economy.
- To respond to these circumstances, we are taking a variety of actions including a review of our business structure.

Mobile Communications Business

- Due to the benefit of restructuring that is ongoing, the Mobile Communications business continued to record a profit in Q3.
- In Q4, we intend to implement yet another fixed cost reduction plan and take other action to integrate the operations of this business with the other businesses in EP&S.
- We expect to record significant one-time costs primarily due to these actions in Q4, but the transformation of the business is progressing steadily toward break even next fiscal year.

Imaging & Sensing Solutions Segment

Sales and Operating Income

■ Sales
■ Operating Income

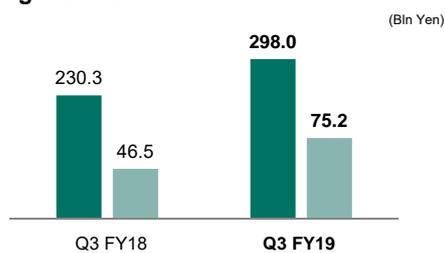


Image Sensors Sales	186.5	261.6
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Q3 FY2019 (year-on-year)

- Sales: 67.7 bln yen (29%) significant increase (FX Impact: -10.0 bln yen)
 - (+) Significant increase in sales of image sensors for mobile products
 - (+) Improvement in product mix
 - (+) Increase in unit sales
 - (-) Impact of foreign exchange rates
- OI: 28.7 bln yen significant increase (FX Impact: -8.7 bln yen)
 - (+) Increase in sales of image sensors for mobile products
 - (-) Increase in depreciation and amortization expenses as well as in research and development expenses
 - (-) Negative impact of foreign exchange rates

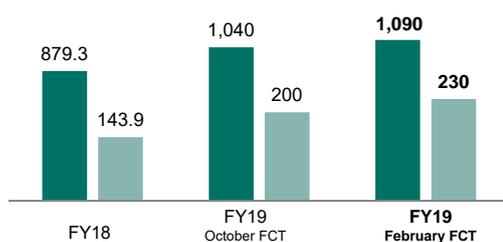


Image Sensors Sales	711.4	890	940
Additions to long-lived assets for I&SS Segment	146.3	300	280
for Image Sensors (included above)	128.9	280	265

FY2019 Forecast (change from October forecast)

- Sales: 50 bln yen (5%) upward revision
 - (+) Higher-than-expected sales of image sensors for mobile products
 - (+) Improvement in product mix
 - (+) Higher-than-expected unit sales
- OI: 30 bln yen upward revision
 - (+) Increase in sales of image sensors for mobile products

- Next is the I&SS segment.
- FY19 Q3 sales increased 29% year-on-year to 298.0 billion yen primarily due to an improvement in product mix and an increase in unit sales of image sensors for mobile devices.
- Operating income increased 28.7 billion yen year-on-year to 75.2 billion yen primarily due to the impact of the increase in sales, partially offset by an increase in research and development costs and depreciation expense.
- We revised upward our FY19 sales forecast 50 billion yen to 1 trillion 90 billion yen and our operating income forecast 30 billion yen to 230 billion yen.
- Demand for our image sensors in Q4 continues to be strong.
- Although production capacity is expanding according to plan and we continue to operate at full production capacity utilization, sales are increasing due to strong near-term demand, and that is preventing us from stockpiling strategic inventory as originally planned.
- In addition, partly due to the introduction of a highly competitive new product this fiscal year, we have been able to maintain our overall margin, all of which has enabled us to operate this business extremely well.
- There is no change to our view that demand will continue to increase over the mid- to long-term from next fiscal year, but, in regards to next fiscal year in particular, we cannot be too optimistic due to the impact of the spread of infection from the new coronavirus that I mentioned earlier, the competitive environment and various geopolitical risks.
- We will continue to closely monitor demand trends and the external environment as we manage this business going forward.

I&SS Segment: Mid- to Long-Term Measures for Growth

ToF Sensor for Mobile



Mobility



Industry and Factory Automation (Polarized Sensor)



Normal image



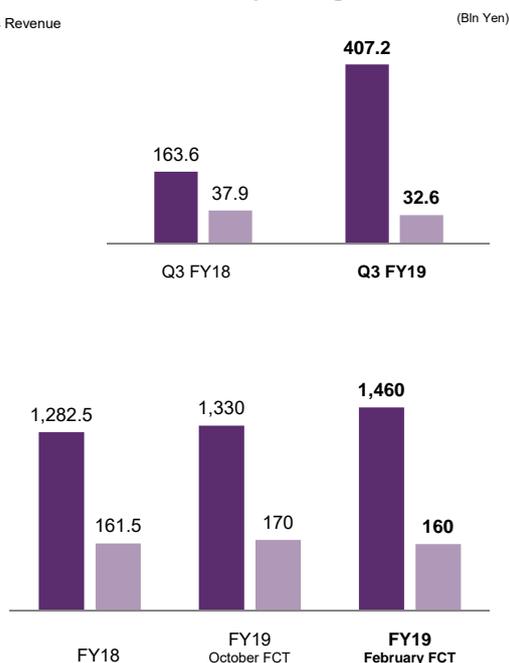
Polarization image

- Now I will talk a little about the action we are taking over the mid- to long-term.
- ToF sensors, which we expect will be the next growth driver after image sensors, have begun to sell well, although their size within the overall business is still small.
- We expect their adoption, primarily in mobile devices, to increase further from next fiscal year.
- Taking a longer-term view, as we made a point of showcasing at CES last month, we are taking steps to expand the adoption of Sony's imaging and sensing technology in the mobility space and in the diverse industrial and factory automation space.
- We plan to proactively invest even more in technology development to grow this business in the future, such as the hiring of personnel including algorithm and software engineers, and the building of an office in Osaka to serve as a design and development center for image sensors.

Financial Services Segment

Financial Services Revenue and Operating Income

■ Financial Services Revenue
■ Operating Income



Q3 FY2019 (year-on-year)

- Revenue: 243.6 bln yen (149%) significant increase
 - (+): Significant increase in revenue at Sony Life (238.3 bln yen increase, revenue: 368.4 bln yen)
 - (+): Improvement in investment performance in the separate accounts
- OI: 5.3 bln yen decrease
 - (-): Decrease at Sony Life (7.9 bln yen decrease, OI: 27.8 bln yen)
 - (-): Deterioration in net gains and losses related to market fluctuations and others for variable life insurance*
 - (+): Improvement in net gains and losses on the valuation of securities at Sony Bank

FY2019 Forecast (change from October forecast)

- Sales: 130 bln yen (10%) upward revision
 - (+): Improvement in investment performance in the separate accounts at Sony Life
- OI: 10 bln yen downward revision
 - (-): Sony Life: Deterioration in net gains and losses related to market fluctuations and other factors for variable life insurance*
 - (-): Sony Life: Deterioration in profit and loss due to a lower-than-expected increase in the policy amount in force

* Overall deterioration in the provision of policy reserves for minimum guarantees for variable life insurance, resulting from market fluctuations and other factors, and net gains and losses on derivative transactions to hedge market risks

- Lastly, I will explain the Financial Services segment.
- FY19 Q3 financial services revenue increased significantly by 243.6 billion yen year-on-year to 407.2 billion yen.
- This increase was primarily due to a significant increase in the investment performance of variable life insurance products in the separate account at Sony Life, resulting from the rise in the domestic and foreign stock markets during the quarter.
- Because a significant portion of the investment performance of the separate account is attributable to the owners of insurance policies, the contribution to operating income is minimal.
- Operating income decreased 5.3 billion yen year-on-year to 32.6 billion yen.
- This decrease was primarily due to a deterioration of net gains and losses as a result of a decrease in the provision of policy reserves and appraisal losses from its hedging activity, both pertaining to minimum guarantees for variable life insurance, resulting from the strong stock market conditions.
- We have upwardly revised our forecast for financial services revenue to 1 trillion 460 billion yen to reflect the current market environment.
- On the other hand, we have revised downward 10 billion yen our forecast for operating income to 160 billion yen. This is primarily due to the Q3 results and the fact that the increase in policy amount in force is slightly below expectations.

FY2019 Results Forecast by Segment [Reclassified]

(Bln Yen)

		FY18	FY19 October FCT	FY19 February FCT	Change from October FCT
Game & Network Services (G&NS)	Sales	2,310.9	2,000	1,950	-50
	Operating income	311.1	240	235	-5
Music	Sales	807.5	850	850	-
	Operating income	232.5	140	140	-
Pictures	Sales	986.9	1,030	1,030	-
	Operating income	54.6	70	70	-
Electronics Products & Solutions (EP&S)	Sales	2,320.6	2,110	2,070	-40
	Operating income	76.5	111	111	-
Imaging & Sensing Solutions (I&SS)	Sales	879.3	1,040	1,090	+50
	Operating income	143.9	200	230	+30
Financial Services	Revenue	1,282.5	1,330	1,460	+130
	Operating income	161.5	170	160	-10
All Other, Corporate and elimination	Operating income	-85.8	-91	-66	+25
Consolidated total	Sales	8,665.7	8,400	8,500	+100
	Operating income	894.2	840	880	+40

- Lastly, I will show the forecasts for each of our segments.
- This concludes my remarks.

Notes

Sales on a Constant Currency Basis and the Impact of Foreign Exchange Rate Fluctuations

The descriptions of sales on a constant currency basis reflect sales calculated by applying the yen's monthly average exchange rates from the same period of the previous fiscal year to local currency-denominated monthly sales in the relevant period of the current fiscal year. For Sony Music Entertainment ("SME"), Sony/ATV Music Publishing ("Sony/ATV") and EMI Music Publishing ("EMI") in the Music segment, the constant currency amounts are calculated by applying the monthly average U.S. dollar / yen exchange rates after aggregation on a U.S. dollar basis.

The Pictures segment reflects the operations of Sony Pictures Entertainment Inc. ("SPE"), a U.S.-based operation that aggregates the results of its worldwide subsidiaries in U.S. dollars. Because of this, the description of the year-on-year change in sales for the Pictures segment represents the change on a U.S. dollar basis.

The impact of foreign exchange rate fluctuations on sales is calculated by applying the change in the yen's periodic weighted average exchange rate for the same period of the previous fiscal year from the relevant period of the current fiscal year to the major transactional currencies in which the sales are denominated. The impact of foreign exchange rate fluctuations on operating income (loss) is calculated by subtracting from the impact on sales the impact on cost of sales and selling, general and administrative expenses calculated by applying the same major transactional currencies calculation process to cost of sales and selling, general and administrative expenses as for the impact on sales. The I&SS segment enters into its own foreign exchange hedging transactions, and the impact of those transactions is included in the impact of foreign exchange rate fluctuations on operating income (loss) for that segment. Additionally, the impact of foreign exchange hedging transactions entered into by the Mobile Communications business during the previous fiscal year is included in the impact of foreign exchange rate fluctuations on operating income (loss) for the EP&S segment.

This information is not a substitute for Sony's consolidated financial statements measured in accordance with U.S. GAAP. However, Sony believes that these disclosures provide additional useful analytical information to investors regarding the operating performance of Sony.

Notes about Financial Performance of the Music, Pictures and Financial Services segments

On November 14, 2018, Sony acquired the entirety of the approximately 60% equity interest held by the investor consortium led by Mubadala Investment Company in EMI, resulting in EMI becoming a wholly-owned subsidiary of Sony. Financial results of EMI included in the Music segment for the fiscal year ended March 31, 2019 include equity earnings (loss) from April 1 through November 13, 2018 and sales and operating income (loss) from November 14, 2018 through March 31, 2019. Sales and operating income (loss) for the Music segment in the fiscal year ending March 31, 2020 include the financial results of EMI from April 1, 2019 onward.

The Music segment results include the yen-translated results of SME, Sony/ATV and EMI, all U.S.-based operations which aggregate the results of their worldwide subsidiaries on a U.S. dollar basis, and the results of Sony Music Entertainment (Japan) Inc., a Japan-based music company which aggregates its results in yen.

The results presented in Pictures are a yen-translation of the results of SPE, a U.S.-based operation that aggregates the results of its worldwide subsidiaries on a U.S. dollar basis. Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results is specified as being on "a U.S. dollar basis."

The Financial Services segment results include Sony Financial Holdings Inc. ("SFH") and SFH's consolidated subsidiaries such as Sony Life Insurance Co., Ltd., Sony Assurance Inc., and Sony Bank Inc. The results of SFH and its consolidated subsidiaries discussed in the Financial Services segment differ from the results that these companies disclose separately on a Japanese statutory basis.

Cautionary Statement

Statements made in this release with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. Sony cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore investors should not place undue reliance on them. Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to:

- (i) Sony's ability to maintain product quality and customer satisfaction with its products and services;
- (ii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including image sensors, game and network platforms, smartphones and televisions, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing customer preferences;
- (iii) Sony's ability to implement successful hardware, software, and content integration strategies, and to develop and implement successful sales and distribution strategies in light of new technologies and distribution platforms;
- (iv) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures, investments, capital expenditures, restructurings and other strategic initiatives;
- (v) changes in laws, regulations and government policies in the markets in which Sony and its third-party suppliers, service providers and business partners operate, including those related to taxation, as well as growing consumer focus on corporate social responsibility;
- (vi) Sony's continued ability to identify the products, services and market trends with significant growth potential, to devote sufficient resources to research and development, to prioritize investments and capital expenditures correctly and to recoup its investments and capital expenditures, including those required for technology development and product capacity;
- (vii) Sony's reliance on external business partners, including for the procurement of parts, components, software and network services for its products or services, the manufacturing, marketing and distribution of its products, and its other business operations;
- (viii) the global economic and political environment in which Sony operates and the economic and political conditions in Sony's markets, particularly levels of consumer spending;
- (ix) Sony's ability to meet operational and liquidity needs as a result of significant volatility and disruption in the global financial markets or a ratings downgrade;
- (x) Sony's ability to forecast demands, manage timely procurement and control inventories;
- (xi) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony's assets, liabilities and operating results are denominated;
- (xii) Sony's ability to recruit, retain and maintain productive relations with highly skilled personnel;
- (xiii) Sony's ability to prevent unauthorized use or theft of intellectual property rights, to obtain or renew licenses relating to intellectual property rights and to defend itself against claims that its products or services infringe the intellectual property rights owned by others;
- (xiv) the impact of changes in interest rates and unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;
- (xv) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment;
- (xvi) risks related to catastrophic disasters or similar events;
- (xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information and the personally identifiable information of its employees and customers, potential business disruptions or financial losses; and
- (xviii) the outcome of pending and/or future legal and/or regulatory proceedings.

Risks and uncertainties also include the impact of any future events with material adverse impact. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.