

SONY

Q1 FY2020 Consolidated Financial Results

(Three months ended June 30, 2020)

August 4, 2020

Sony Corporation

Q1 FY2020 Consolidated Results

(Bln Yen)

	Q1 FY19	Q1 FY20	Change
Sales & operating revenue	1,925.7	1,968.9	+43.2 bln yen (+2%)
Operating income	230.9	228.4	-2.5 bln yen (-1%)
Income before income taxes	231.0	319.9	+88.9 bln yen (+38%)
Net income attributable to Sony Corporation's stockholders	152.1	233.3	+81.1 bln yen (+53%)
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	119.22 yen	186.94 yen	+67.72 yen
Average rate			
1 US dollar	109.9 yen	107.6 yen	
1 Euro	123.5 yen	118.5 yen	

Q1 FY2020 Consolidated Results: Year-on-year Change

	Year-on-year Change	Contributing Factors (+) Increase / (-) Decrease
Sales & operating revenue	+43.2 bln yen +2%	<ul style="list-style-type: none"> · (+) Significant increases in G&NS and Financial Services segment sales · (-) Significant decrease in EP&S segment sales <p>On a constant currency basis*, sales increased 4%</p>
Operating income	-2.5 bln yen -1%	<ul style="list-style-type: none"> · (-) Significant deterioration in EP&S segment operating results · (-) Significant decrease in I&SS segment operating income · (-) Significant deterioration in Corporate and elimination operating results · (+) Significant increases in G&NS and Pictures segment operating income
Income tax expense	+7.9 bln yen (Effective tax rate 28% → 23%)	<ul style="list-style-type: none"> · (+) Decrease in tax expense due to Sony recording tax expense based on the assumption that it would be subject to the Base Erosion Anti-Abuse Tax, or "BEAT", in the U.S. consolidated tax group in the same quarter of the previous fiscal year · (+) In the current quarter, Sony is providing for its taxes assuming it is not subject to the BEAT and may offset its U.S. tax liability by tax credits against which Sony established valuation allowances · (-) Increase in deferred tax liabilities for Japan controlled foreign company taxation

* For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see Note on page 28.

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Adjusted Operating Income (Q1)

	Operating Income	Adjusted Operating Income	Adjusted Operating Income excludes the following items*
Q1 FY19	230.9 bln yen	223.0 bln yen	<ul style="list-style-type: none"> ■ Patent royalty revenue resulting from the signing of a licensing agreement (Corporate and elimination: +7.9 bln yen)
Q1 FY20	228.4 bln yen	225.2 bln yen	<ul style="list-style-type: none"> ■ Gain on the sale of a portion of shares of Pledis Entertainment Co., Ltd. (Music segment: +6.5 bln yen) ■ Expenses related to the Sony Global Relief Fund for COVID-19 (Corporate and elimination: -3.3 bln yen)
Change from FY19	-2.5 bln yen	+2.2 bln yen (+1%)	

* These monetary amounts are disclosed in the Quarterly 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.

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Adjusted Income Before Income Taxes (Q1)

	Income Before Income Taxes	Adjusted Income Before Income Taxes	Adjusted Income Before Income Taxes excludes the following items*
Q1 FY19	231.0 bln yen	223.1 bln yen	<ul style="list-style-type: none"> Patent royalty revenue resulting from the signing of a licensing agreement (Corporate and elimination: +7.9 bln yen)
Q1 FY20	319.9 bln yen	316.8 bln yen	<ul style="list-style-type: none"> Gain on the sale of a portion of shares of Pledis Entertainment Co., Ltd. (Music segment: +6.5 bln yen) Expenses related to the Sony Global Relief Fund for COVID-19 (Corporate and elimination: -3.3 bln yen)
Change from FY19	+88.9 bln yen	+93.7 bln yen (+42%)	

* These monetary amounts are disclosed in the Quarterly Financial Statements, the Presentation Slides and the Quarterly Securities Reports for the relevant quarters.

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

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Adjusted Net Income Attributable to Sony Corporation's Stockholders (Q1)

	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*
Q1 FY19	152.1 bln yen	146.4 bln yen	<ul style="list-style-type: none"> Patent royalty revenue resulting from the signing of a licensing agreement (Corporate and elimination: +7.9 bln yen) Tax adjustment with regard to the above (-2.2 bln yen)
Q1 FY20	233.3 bln yen	230.8 bln yen	<ul style="list-style-type: none"> Gain on the sale of a portion of shares of Pledis Entertainment Co., Ltd. (Music segment: +6.5 bln yen) Expenses related to the Sony Global Relief Fund for COVID-19 (Corporate and elimination: -3.3 bln yen) Tax adjustment with regard to the above (-0.7 bln yen)
Change from FY19	+81.1 bln yen	+84.4 bln yen (+58%)	

* These monetary amounts are disclosed in the Quarterly 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.

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Adjusted Net Income Attributable to Sony Corporation's Stockholders (Q1)

FY19

(Bln Yen)

	Income Before Income Taxes	Taxes	Effective Tax Rate	Net Income Attributable to Sony Corporation's Stockholders
Financial results	231.0	65.0	28.1%	152.1
Adjusted items impacting effective tax rate	-	-	-	-
Subtotal	231.0	65.0	28.1%	152.1
Other adjusted items *	-7.9	-2.2	28.1%	-5.7
Adjusted results	223.1	62.8	28.1%	146.4

FY20

	Income Before Income Taxes	Taxes	Effective Tax Rate	Net Income Attributable to Sony Corporation's Stockholders
Financial results	319.9	72.9	22.8%	233.3
Adjusted items impacting effective tax rate	-	-	-	-
Subtotal	319.9	72.9	22.8%	233.3
Other adjusted items *	-3.1	-0.7	22.8%	-2.4
Adjusted results	316.8	72.2	22.8%	230.8

* See page 5 for details regarding adjusted items.

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

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Q1 FY2020 Results by Segment

(Bln Yen)

		Q1 FY19	Q1 FY20	Change	FX Impact
Game & Network Services (G&NS)	Sales	457.5	606.1	+148.6	-14.8
	Operating income	73.8	124.0	+50.2	-2.8
Music	Sales	202.3	177.1	-25.1	-2.3
	Operating income	38.3	34.9	-3.4	
Pictures	Sales	186.1	175.1	-11.0	-4.0
	Operating income	0.4	24.7	+24.4	
Electronics Products & Solutions (EP&S)	Sales	483.9	331.8	-152.1	-9.3
	Operating income	25.1	-9.1	-34.2	-3.0
Imaging & Sensing Solutions (I&SS)	Sales	230.7	206.2	-24.5	-4.1
	Operating income	49.5	25.4	-24.1	-1.8
Financial Services	Revenue	336.9	446.8	+109.8	
	Operating income	46.1	47.2	+1.1	
All Other	Sales	69.6	54.1	-15.5	
	Operating income	-2.6	3.5	+6.1	
Corporate and elimination	Sales	-41.2	-28.3	+12.9	
	Operating income	0.4	-22.3	-22.7	
Consolidated total	Sales	1,925.7	1,968.9	+43.2	
	Operating income	230.9	228.4	-2.5	

Sales and revenue in each business segment represents sales and revenue recorded before intersegment transactions are eliminated. Operating income in each business segment represents operating income reported before intersegment transactions are eliminated and excludes unallocated corporate expenses (applies to all following pages).

Both Sales and revenue include operating revenue and intersegment sales (applies to all following pages).

For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see Notes on page 28 (applies to all following pages).

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FY2020 Consolidated Results Forecast

(Bln Yen)

	FY18	FY19	FY20 FCT	Change from FY19
Sales & operating revenue	8,665.7	8,259.9	8,300	+40.1 bln yen (+0%)
Operating income	894.2	845.5	620	-225.5 bln yen (-27%)
Income before income taxes	1,011.6	799.5	685	-114.5 bln yen (-14%)
Net income attributable to Sony Corporation's stockholders	916.3	582.2	510	-72.2 bln yen (-12%)
Operating Cash Flow (Sony without Financial Services)	753.4	762.9	550	-212.9 bln yen (-28%)
Average rate	Actual	Actual	Assumption (Q2-Q4 FY20)	Dividend per Share (Planned)
1 US dollar	110.9 yen	108.7 yen	Approx. 107 yen	Interim 25 yen
1 Euro	128.5 yen	120.8 yen	Approx. 120 yen	Year-end Undecided

Consolidated 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.

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FY2020 Consolidated Results Forecast: Change from FY2019

	Change from FY19	Contributing Factors (+) Increase / (-) Decrease
Sales & operating revenue	+40.1 bln yen +0%	·(+) Significant increases in G&NS and Financial Services segment sales ·(-) Decreases in Pictures, EP&S, I&SS and Music segment sales
Operating income	-225.5 bln yen -27%	·(-) Decreases in I&SS and all other segments' operating income, excluding Financial Services and G&NS segments ·(+) Increases in Financial Services and G&NS segment operating income
Net Income Attributable to Sony Corporation's Stockholders	-72.2 bln yen -12%	·(-) Expected decrease in income before income taxes ·(+) Expected reduction in tax expense ·(+) Decrease in net income attributable to non-controlling interests as a result of Sony Financial Holdings Inc. becoming a wholly-owned subsidiary

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FY2020 Results Forecast by Segment

(Bln Yen)

		FY18	FY19	FY20 FCT	Change from FY19
Game & Network Services (G&NS)	Sales	2,310.9	1,977.6	2,500	+522.4
	Operating income	311.1	238.4	240	+1.6
Music	Sales	807.5	849.9	790	-59.9
	Operating income	232.5	142.3	130	-12.3
Pictures	Sales	986.9	1,011.9	760	-251.9
	Operating income	54.6	68.2	41	-27.2
Electronics Products & Solutions (EP&S)	Sales	2,320.6	1,991.3	1,870	-121.3
	Operating income	76.5	87.3	60	-27.3
Imaging & Sensing Solutions (I&SS)	Sales	879.3	1,070.6	1,000	-70.6
	Operating income	143.9	235.6	130	-105.6
Financial Services	Revenue	1,282.5	1,307.7	1,400	+92.3
	Operating income	161.5	129.6	142	+12.4
All Other, Corporate and elimination	Operating income	-85.8	-55.9	-123	-67.1
Consolidated total	Sales	8,665.7	8,259.9	8,300	+40.1
	Operating income	894.2	845.5	620	-225.5

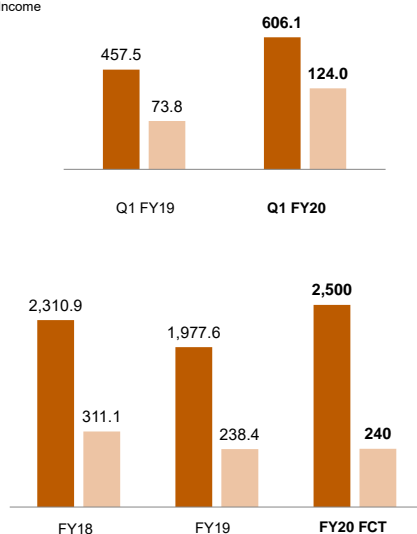
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Game & Network Services Segment ("G&NS Segment")

Sales and Operating Income

■ Sales
■ Operating Income

(Bln Yen)



Q1 FY2020 (year-on-year)

- Sales: 148.6 bln yen (32%) significant increase (FX Impact: -14.8 bln yen)
 - (+) Significant increase in game software sales
 - (+) Significant increase in sales for PlayStation®Plus (PS Plus)
 - (-) Decrease in PlayStation®4 hardware sales
- OI: 50.2 bln yen significant increase (FX Impact: -2.8 bln yen)
 - (+) Significant increase in game software sales
 - (+) Significant increase in PS Plus sales
 - (-) Increase in costs

FY2020 Forecast (year-on-year)

- Sales: 522.4 bln yen (26%) significant increase
 - (+) Significant increase in game software sales
 - (+) Significant increase in hardware sales due to PlayStation®5 (PS5™) launch
- OI: Essentially flat year-on-year
 - (+) Significant increase in game software sales
 - (+) Significant increase in PS Plus sales
 - (-) Increase in SG&A expenses related to introduction of PS5
 - (-) Increase in the costs of sales ratio for hardware

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Current State of the Business (G&NS Segment)

- Strong performance in Q1
- *The Last of Us Part II* and *Ghost of Tsushima* trending well
- PlayStation®Plus subscribers reached approx. 45 million*
- Aim to continue to enhance and expand user engagement for the launch of PlayStation®5

* As of the end of June 2020

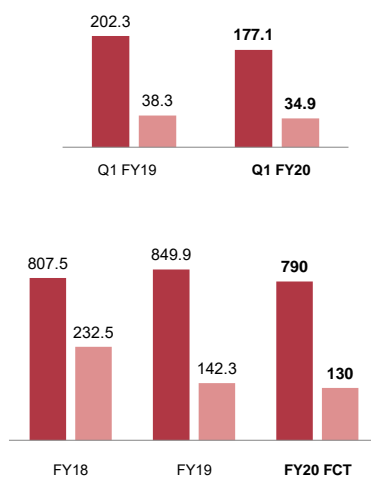
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Music Segment

Sales and Operating Income

■ Sales
■ Operating Income

(Bln Yen)



Q1 FY2020 (year-on-year)

- Sales: 25.1 bln yen (12%) significant decrease (FX Impact: -2.3 bln yen)
 - (-) Lower sales for Recorded Music and Music Publishing resulting from the impact of COVID-19
 - (-) Lower sales of physical media
 - (-) Decrease in advertising-supported streaming services revenues
 - (-) Decrease in music licensing revenues
 - (-) Lower sales for Visual Media and Platform in Japan resulting from the impact of COVID-19
 - (-) Lower sales for production of physical media
 - (-) Impact of postponement and cancellation of live events
 - (+) Increase in paid subscription streaming revenues
- OI: 3.4 bln yen decrease
 - (-) Impact of decrease in sales
 - (+) Gain recorded on the sale of a portion of shares of Pledis (6.5 bln yen)

FY2020 Forecast (year-on-year)

- Sales: 59.9 bln yen (7%) decrease
 - (-) Impact of COVID-19
 - (-) Decrease in sales of physical media for Recorded Music
 - (-) Postponement and cancellation of live events for Visual Media and Platform
 - (-) Decrease in music licensing revenues for Music Publishing
 - (+) Increase in paid subscription streaming revenues
- OI: 12.3 bln yen decrease
 - (-) Impact of decrease in sales
 - (+) Gain recorded on the sale of a portion of shares of Pledis (6.5 bln yen)

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Current State of the Business (Music Segment)

- Paid subscription streaming services continue to grow
- Revenue in most categories is being negatively impacted by the spread of COVID-19
- Launched the new service *Stagecrowd*
- New mobile game application *Disney Twisted-Wonderland* trending well

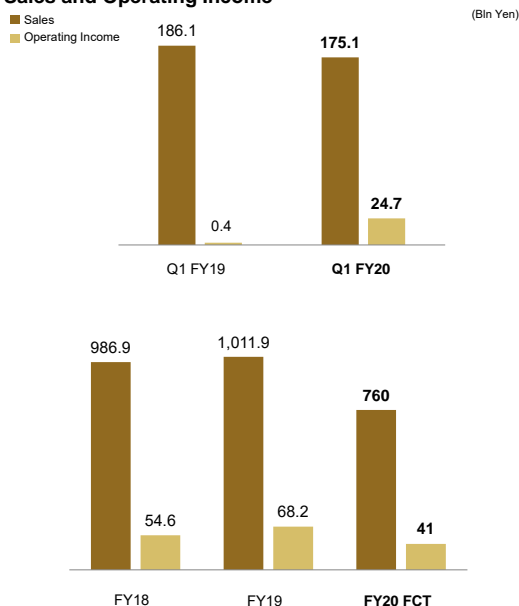


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Pictures Segment

Sales and Operating Income



Q1 FY2020 (year-on-year)

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

- Sales: 11.0 bln yen (6%) decrease (U.S. dollar basis: -69 mil USD / -4%)
 - (-) Decrease in theatrical revenues due to the impact of theater closures resulting from the impact of COVID-19
 - (-) Lower advertising revenues for Media Networks resulting from the impact of COVID-19
 - (+) Higher licensing revenues for US television product
- OI: 24.4 bln yen significant increase
 - (+) Lower marketing costs from the absence of theatrical releases
 - (-) Decrease in sales

FY2020 Forecast (year-on-year)

- Sales: 251.9 bln yen (25%) significant decrease
 - (-) Decrease in the number of theatrical releases resulting from the impact of theater closures as a result of the impact of COVID-19
 - (-) Prior fiscal year benefitted from several major theatrical releases
- OI: 27.2 bln yen significant decrease
 - (-) Decrease in sales
 - (+) Expected decrease in marketing costs from the decrease in the number of theatrical releases

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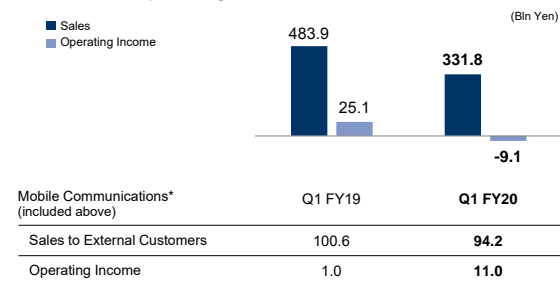
Current State of the Business (Pictures Segment)

- Significant production delays in Motion Pictures and TV Productions
- Demand for content from video distribution companies is high
- Negative impact from delays in theatrical releases on financial results will be 2-3 years
- Digital sales trending well

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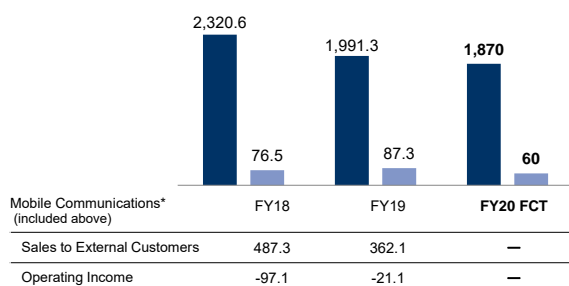
Electronics Products & Solutions Segment (“EP&S Segment”)

Sales and Operating Income



Q1 FY2020 (year-on-year)

- Sales: 152.1 bln yen (31%) significant decrease (FX Impact: -9.3 bln yen)
 - (-) Decrease in unit sales of digital cameras, televisions and Audio and Video resulting from the impact of COVID-19
- OI: 34.2 bln yen significant deterioration (FX Impact: -3.0 bln yen)
 - (-) Decrease in sales
 - (+) Reductions in operating costs in each of the businesses



FY2020 Forecast (year-on-year)

- Sales: 121.3 bln yen (6%) decrease
 - (-) Decrease in sales in the first quarter resulting from the impact of COVID-19
 - (-) Impact of foreign exchange rates
- OI: 27.3 bln yen significant decrease
 - (-) Decrease in sales
 - (-) Negative impact of foreign exchange rates
 - (+) Significant reductions in operating costs, including cost reductions resulting from restructuring initiatives undertaken prior to FY2020 for Mobile Communications

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

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Current State of the Business (EP&S Segment)

- Supply chain has almost fully recovered and customer demand is beginning to recover
- Transform the structure of the business into a more resilient one
- Promote the evolution of the business by developing products and services that enable reality, real-time and remote activity

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Imaging & Sensing Solutions Segment (“I&SS Segment”)

Sales and Operating Income

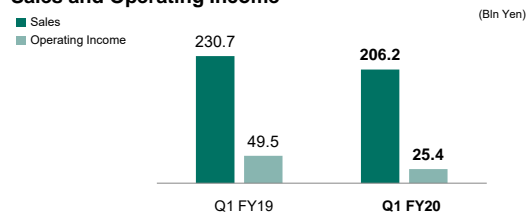


Image Sensors Sales	194.9	179.9
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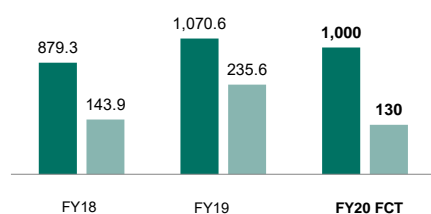


Image Sensors Sales	711.4	930.2	870
Additions to long-lived assets for I&SS Segment	146.3	276.8	260
for Image Sensors (included above)	128.9	265.7	240

Q1 FY2020 (year-on-year)

- Sales: 24.5 bln yen (11%) significant decrease (FX Impact: -4.1 bln yen)
 - (-) Decrease in sales of image sensors resulting primarily from the impact of COVID-19
 - (-) Decrease in unit sales of image sensors for digital cameras
 - (-) Decrease in unit sales of image sensors for mobile products
 - (-) Significant decrease in sales in businesses other than image sensors such as analog LSIs and display devices resulting from the impact of COVID-19
- OI: 24.1 bln yen significant decrease (FX Impact: -1.8 bln yen)
 - (-) Increase in depreciation and amortization expenses as well as research and development expenses
 - (-) Impact of decrease in sales

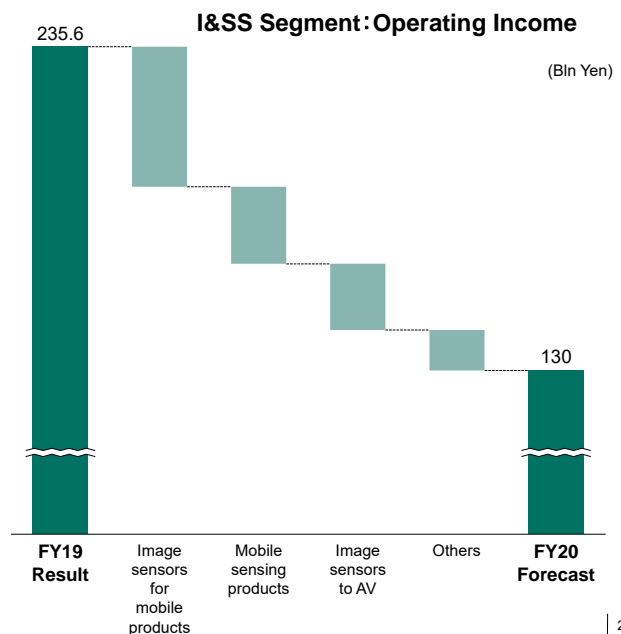
FY2020 Forecast (year-on-year)

- Sales: 70.6 bln yen (7%) decrease
 - (-) Decrease in sales of image sensors resulting primarily from the impact of COVID-19
 - (-) Deterioration of the product mix of image sensors for mobile products
 - (-) Decrease in unit sales of image sensors for digital cameras
- OI: 105.6 bln yen significant decrease
 - (-) Impact of decrease in sales
 - (-) Increase in research and development expenses as well as depreciation and amortization expenses

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Current State of Sensor Business (I&SS Segment)

- **Image sensors for mobile products**
 - ✓ Expected decrease in sales due to the change in business environment
 - ✓ Increase in depreciation and amortization expenses and manufacturing costs as well as research and development costs
- **Mobile sensing products**
 - ✓ Adoption by smartphone makers has been slow
- **Image sensors to AV**
 - ✓ Contraction of the sensor market for digital cameras



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Forecast and Capital Expenditure Plan from Next Fiscal Year Onward (I&SS Segment)

- **Modify and strengthen business strategy to respond to the change in environment**
 - ✓ Review the timing of planned capital expenditure
 - ✓ Review research and development projects
 - ✓ Expand and diversify our customer base
- **Grow the business over the mid- to long-term**

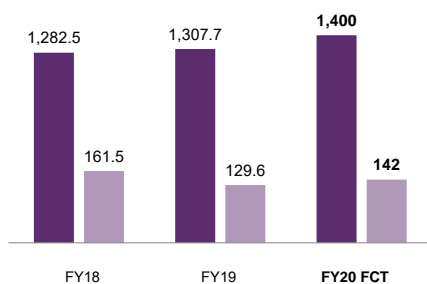
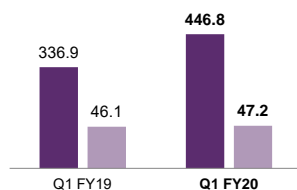
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Financial Services Segment

Financial Services Revenue and Operating Income

(Bln Yen)

■ Financial Services Revenue
■ Operating Income



Q1 FY2020 (year-on-year)

- Revenue: 109.8 bln yen (33%) significant increase
 - (+): Significant increase in revenue at Sony Life (89.6 bln yen increase, revenue: 389.0 bln yen)
 - (+): Increase in net gains on investments in the separate account
 - (+): Improvement in valuation gains and losses on securities at Sony Bank
- OI: 1.1 bln yen increase
 - (+): Improvement in valuation gains and losses on securities at Sony Bank
 - (+): Decline in the loss ratio for automobile insurance at Sony Assurance
 - (-): Significant decrease in OI at Sony Life (14.1 bln yen decrease, OI: 25.3 bln yen)
 - (-) Deterioration in net gains and losses related to market fluctuations and other factors for variable life insurance*
 - (-) Expenses recorded for various provisions related to COVID-19

FY2020 Forecast (year-on-year)

- Revenue: 92.3 bln yen (7%) increase
 - (+): Increase in revenue at Sony Life
 - (+): Improvement in investment performance in the separate accounts
 - (-): Decrease in premiums from single premium insurance
 - (+): Improvement in valuation gains and losses on securities at Sony Bank
- OI: 12.4 bln yen increase
 - (+): Improvement in valuation gains and losses on securities at Sony Bank
 - (-): Recording of expenses for various provisions related to COVID-19 at Sony Life

* 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

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Enhanced Segment Disclosure (Quarterly Disclosure in Supplemental Information)

■ G&NS Segment

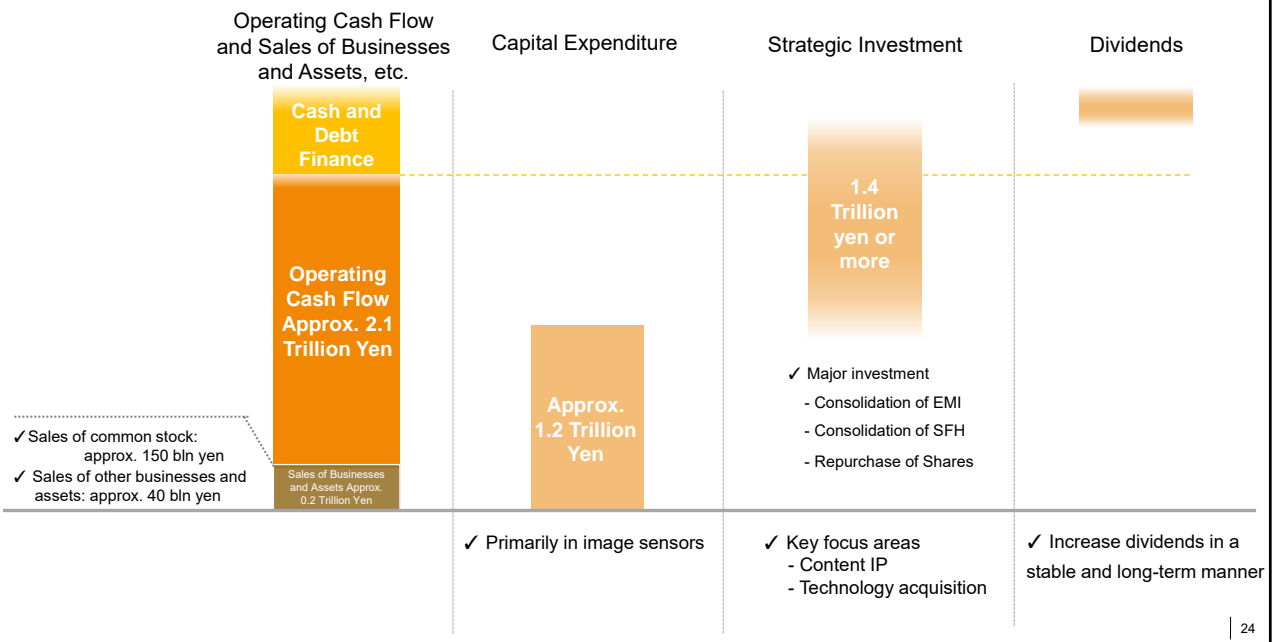
- Monthly active users on PlayStation™Network
- First-party software unit sales
- Add-on content sales

■ Music Segment

- Streaming sales in Music Publishing
- Mobile gaming sales

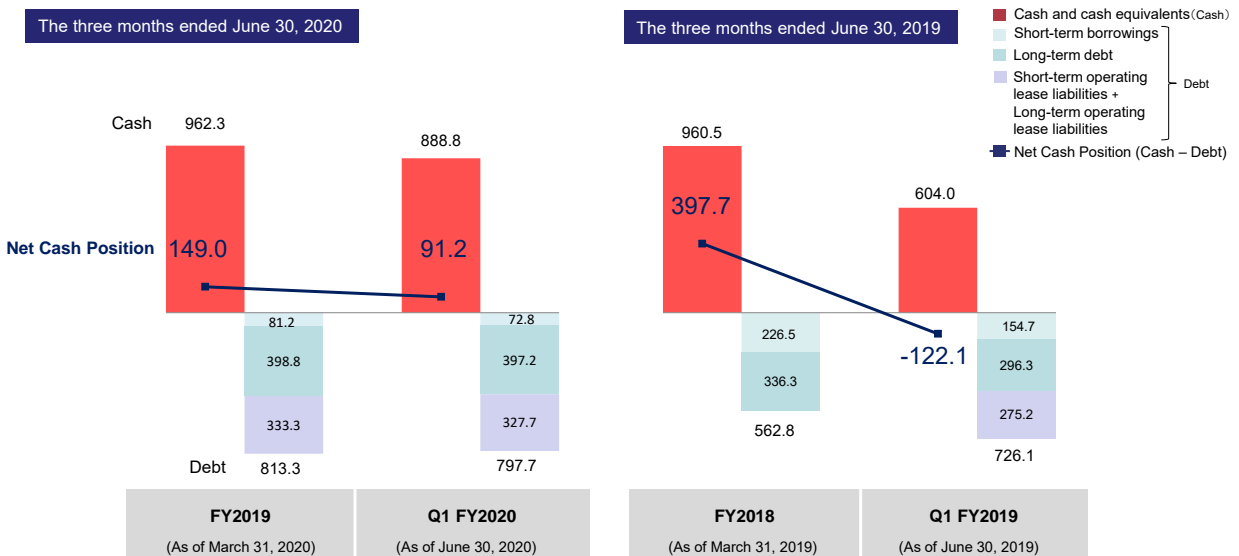
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Three Year Total Capital Allocation Forecast (without Financial Services)



Cash, Debt Balance (Sony without Financial Services)

(Bln Yen)



Q1 FY2020 Cash Flow (CF) Analysis (Sony without Financial Services)

(Bln Yen)

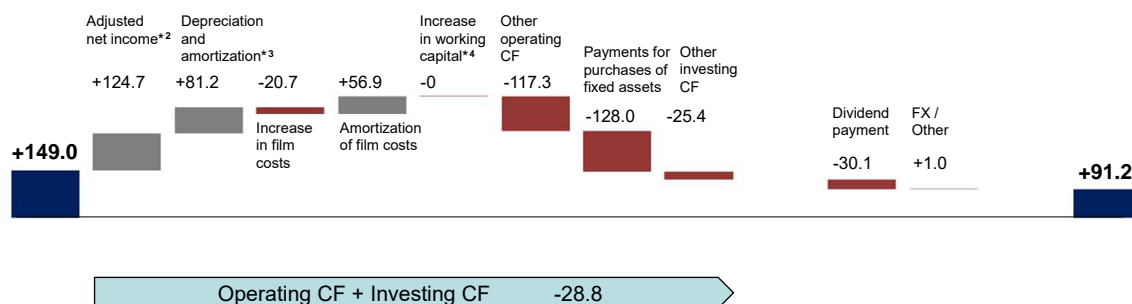
As of March 31, 2020

As of June 30, 2020

Cash – Debt¹

(Net Cash

Position)



*1 Please refer to page 25.

*2 This is the total of the following items contained in the "Q1 FY20 Financial Statements": "Net income (loss)" + "Other operating (income) expense, net" + "(Gain) loss on marketable securities and securities investments, net" on page F-8 (Condensed Statements of Cash Flows for Sony without Financial Services).

*3 This is the item contained in the "Q1 FY20 Financial Statements": "Depreciation and amortization, including amortization of deferred insurance acquisition costs and contract costs" on page F-8.

*4 This is the total of the following items contained in the "Q1 FY20 Financial Statements": "(Increase) decrease in notes, accounts receivable, trade and contract assets" + "(Increase) decrease in inventories" + "Increase (decrease) in notes and accounts payable, trade" on page F-8.

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Q1 FY2019 Cash Flow (CF) Analysis (Sony without Financial Services)

(Bln Yen)

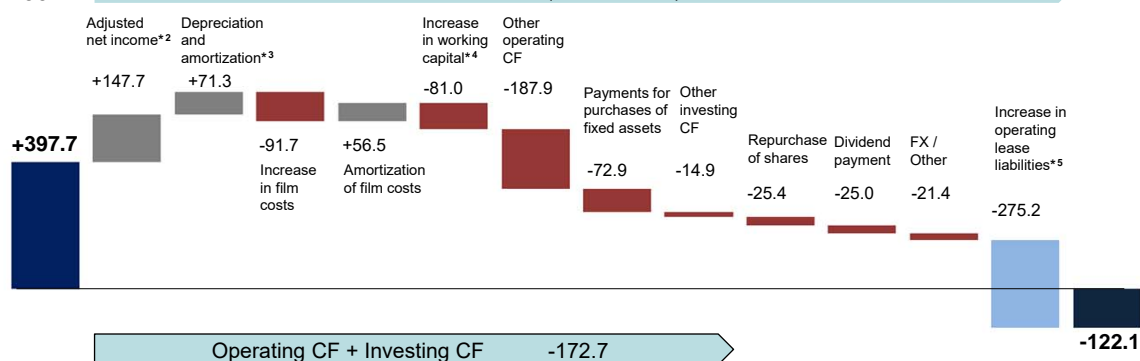
As of March 31, 2019

As of June 30, 2019

Cash – Debt¹

(Net Cash

Position)



*1 Please refer to page 25.

*2 This is the total of the following items contained in the "Q1 FY20 Financial Statements": "Net income (loss)" + "Other operating (income) expense, net" + "(Gain) loss on marketable securities and securities investments, net" on page F-8 (Condensed Statements of Cash Flows for Sony without Financial Services).

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*4 This is the total of the following items contained in the "Q1 FY20 Financial Statements": "(Increase) decrease in notes, accounts receivable, trade and contract assets" + "(Increase) decrease in inventories" + "Increase (decrease) in notes and accounts payable, trade" on page F-8.

*5 This is the total of the following items contained in the "Q1 FY20 Financial Statements": "Short-term operating lease liabilities" + "Long-term operating lease liabilities" on page F-6 (Condensed balance sheets for Sony without Financial Services).

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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.

Results for the Pictures segment are described on a U.S. dollar basis as the Pictures segment reflects the operations of Sony Pictures Entertainment Inc. ("SPE"), a U.S.-based operation that aggregates the results of its worldwide subsidiaries in U.S. dollars.

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

This information is not a substitute for Sony's consolidated financial statements measured in accordance with 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

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

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

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

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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, pandemic disease or similar events;
- (xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information and the personally identifiable information of its employees and customers, potential business disruptions or financial losses; and
- (xviii) the outcome of pending and/or future legal and/or regulatory proceedings.

Risks and uncertainties also include the impact of any future events with material adverse impact. The continued impact of COVID-19 could heighten many of the risks and uncertainties noted above. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.

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