

SONY

Q2 FY2022 Consolidated Financial Results

(Three months ended September 30, 2022)

November 1, 2022

Sony Group Corporation

Please be aware that, in the following remarks, statements made with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. These statements are based on management's assumptions in light of the information currently available to it, and, therefore, you should not place undue reliance on them.

Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

For additional information as to risks and uncertainties, as well as other factors that could cause actual results to differ, please refer to today's press release, which can be accessed by visiting www.sony.com/en/SonyInfo/IR.

- **Q2 FY2022 Consolidated Financial Results and FY2022 Consolidated Results Forecast**
- **Segments Outlook**

- Today I would like to start by talking about the business environment surrounding Sony.
- We recognize that the risk of the global economy slowing down is increasing further due to factors such as rising tensions between the U.S. and China, soaring energy prices and expanding inflationary pressure, as well as rapid interest rate hikes in various countries.
- We are taking steps to prepare for further deterioration of the business environment in each of our businesses, especially in Entertainment, Technology & Services (“ET&S”) and Imaging & Sensing Solutions (“I&SS”) which are relatively more sensitive to an economic recession.
- Now I would like to explain the following: the consolidated results for the second quarter ended September 30, 2022 (“FY22 Q2”) and the consolidated results forecast for the fiscal year ending March 31, 2023 (“FY22”), as well as the state of each of our business segments.

Q2 FY2022 Consolidated Results

(Bln Yen)

	Q2 FY21	Q2 FY22	Change
Sales*	2,369.4	2,751.9	+382.5 bln yen (+16%)
Operating income	318.5	344.0	+25.6 bln yen (+8%)
Income before income taxes	283.1	345.8	+62.7 bln yen (+22%)
Net income attributable to Sony Group Corporation's stockholders	213.1	264.0	+50.9 bln yen (+24%)
Net income attributable to Sony Group Corporation's stockholders per share of common stock (diluted)	170.26 yen	212.29 yen	+42.03 yen
Average Rate			
1 US dollar	110.1 yen	138.2 yen	
1 Euro	129.8 yen	139.3 yen	

* "Sales" is used to mean "sales and financial services revenue" in accordance with International Financial Reporting Standards ("IFRS") (applies to all following pages).

- Consolidated sales for the quarter increased 16% compared to the same quarter of the previous fiscal year ("year-on-year") to 2,751.9 billion yen, and consolidated operating income increased 25.6 billion yen to 344.0 billion yen, both record highs for the second quarter and the first half.
- Income before income taxes increased 62.7 billion yen year-on-year to 345.8 billion yen, and net income attributable to Sony Group Corporation's shareholders increased 50.9 billion yen to 264.0 billion yen.

Q2 FY2022 Results by Segment

(Bln Yen)

		Q2 FY21	Q2 FY22	Change	FX Impact
Game & Network Services (G&NS)	Sales	645.4	720.7	+75.3	+93.9
	Operating income	82.7	42.1	-40.5	-10.7
Music	Sales	271.6	359.3	+87.7	+53.7
	Operating income	50.6	78.7	+28.1	
Pictures	Sales	260.7	337.5	+76.8	+69.1
	Operating income	31.6	27.6	-4.0	
Entertainment, Technology & Services (ET&S) *	Sales	581.9	677.0	+95.1	+77.2
	Operating income	72.7	77.8	+5.1	+8.2
Imaging & Sensing Solutions (I&SS)	Sales	278.3	398.4	+120.1	+61.7
	Operating income	49.7	74.0	+24.3	+37.8
Financial Services	Revenue	368.4	304.5	-63.9	
	Operating income	43.1	54.6	+11.6	
All Other	Sales	24.5	20.7	-3.7	
	Operating income	8.6	4.8	-3.8	
Corporate and elimination	Sales	-61.4	-66.3	-4.8	
	Operating income	-20.5	-15.7	+4.8	
Consolidated total	Sales	2,369.4	2,751.9	+382.5	
	Operating income	318.5	344.0	+25.6	

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

* The former Electronics Products & Solutions (EP&S) segment has been renamed the Entertainment, Technology & Services (ET&S) segment effective from April 2022. This change has not resulted in any reclassification of businesses across segments (applies to all following pages).

- This slide shows the results by segment for FY22 Q2.

FY2022 Consolidated Results Forecast

(Bln Yen)

	FY21	FY22 July FCT	FY22 November FCT	Change from July FCT
Sales	9,921.5	11,500	11,600	+100 bln yen (+1%)
Operating income	1,202.3	1,110	1,160	+50 bln yen (+5%)
Income before income taxes	1,117.5	1,070	1,120	+50 bln yen (+5%)
Net income attributable to Sony Group Corporation's stockholders	882.2	800	840	+40 bln yen (+5%)
Operating Cash Flow (Sony without Financial Services)	813.3	820	820	-
Average rate	Actual	Assumption (Q2-Q4 FY22)	Assumption (Q3-Q4 FY22)	Dividend per Share
1 US dollar	112.3 yen	Approx. 130 yen	Approx. 140 yen	Interim 35 yen
1 Euro	130.5 yen	Approx. 138 yen	Approx. 138 yen	Year-end Undecided

Consolidated Operating Cash Flow (Sony without Financial Services) is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

- Next, I will explain the FY22 consolidated earnings forecast.
- The forecast for consolidated sales is 11 trillion 600 billion yen, an increase of 100 billion yen from the previous forecast.
- The forecast for operating income is upwardly revised to 1 trillion 160 billion yen, an increase of 50 billion yen and the same amount that we forecasted at the beginning of the fiscal year.
- The forecast for consolidated operating cash flow excluding the Financial Services segment is unchanged.
- The assumed foreign exchange rates are approximately 140 yen to the U.S. dollar and approximately 138 yen to the euro.

FY2022 Results Forecast by Segment

(Bln Yen)

		FY21	FY22 July FCT	FY22 November FCT	Change from July FCT
Game & Network Services (G&NS)	Sales	2,739.8	3,620	3,630	+10
	Operating income	346.1	255	225	-30
Music	Sales	1,116.9	1,280	1,370	+90
	Operating income	210.9	230	265	+35
Pictures	Sales	1,238.9	1,380	1,450	+70
	Operating income	217.4	100	115	+15
Entertainment, Technology & Services (ET&S)	Sales	2,339.2	2,450	2,510	+60
	Operating income	212.9	180	180	-
Imaging & Sensing Solutions (I&SS)	Sales	1,076.4	1,440	1,440	-
	Operating income	155.6	200	220	+20
Financial Services	Revenue	1,533.8	1,440	1,310	-130
	Operating income	150.1	220	220	-
All Other, Corporate and elimination	Operating income	-90.7	-75	-65	+10
Consolidated total	Sales	9,921.5	11,500	11,600	+100
	Operating income	1,202.3	1,110	1,160	+50

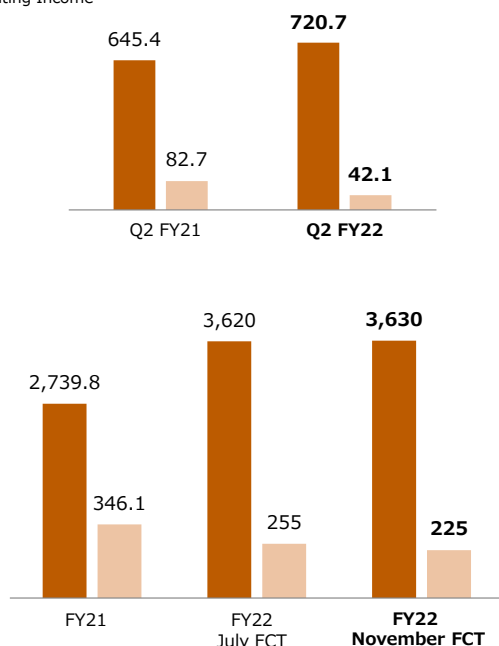
- The forecast for each segment is as shown.
- I will now explain the situation in each of our business segments.

Game & Network Services Segment (G&NS Segment)

Sales and Operating Income

■ Sales
■ Operating Income

(Bln Yen)



Q2 FY2022 (year-on-year)

- Sales: 75.3 bln yen (12%) significant increase (FX Impact: +93.9 bln yen)
 - (+) Impact of foreign exchange rates
 - (-) Decrease in sales of non-first-party titles including add-on content
- OI: 40.5 bln yen (49%) significant decrease (FX Impact: -10.7 bln yen)
 - (-) Increase in costs
 - (-) Increase in costs for game software development
 - (-) Recording of expenses associated with acquisitions, including Bungie, Inc.*1
 - (-) Negative impact of foreign exchange rates reflecting the high ratio of U.S. dollar-denominated costs
 - (-) Impact of decrease in sales of non-first-party titles including add-on content
 - (+) Decrease in losses from hardware

FY2022 Forecast (change from July forecast)

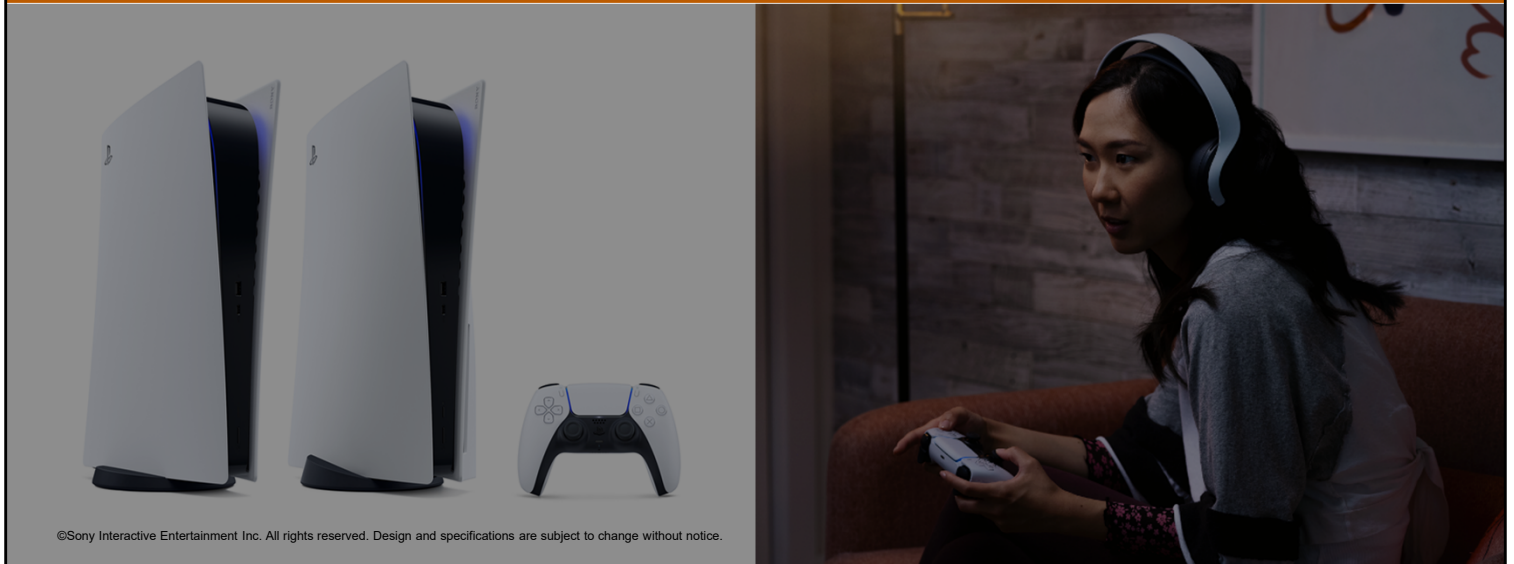
- Sales: 10 bln yen (0%) upward revision
 - (+) Impact of foreign exchange rates
 - (+) Increase in hardware sales due to price revisions for PlayStation@5 hardware
 - (-) Decrease in sales of non-first-party titles including add-on content
- OI: 30 bln yen (12%) downward revision
 - (-) Impact of decrease in sales of non-first-party titles including add-on content
 - (-) Negative impact of foreign exchange rates reflecting the high ratio of U.S. dollar-denominated costs
 - (+) Decrease in losses from hardware

*1 In Q2 FY22, 17.4 bln yen was recorded as expenses associated with acquisitions completed in 1H FY22.

* In the November forecast, Sony has incorporated approximately 61 bln yen in expenses associated with acquisitions completed within FY22, including Bungie, Inc. The actual amount of expenses is subject to change depending on factors such as completion timing and the accounting treatment to be finalized after the closing dates.

- First is the Game & Network Services (“G&NS”) segment.
- Q2 sales increased 12% year-on-year to 720.7 billion yen, primarily due to the impact of foreign exchange rates, despite a decrease in sales of third-party software.
- Operating income decreased a significant 40.5 billion yen year-on-year to 42.1 billion yen primarily due to the recording of expenses associated with acquisitions including Bungie, Inc. (“Bungie”), an increase in software development costs and the negative impact of foreign exchange rates, partially offset by a decrease in losses on hardware.
- FY22 sales are expected to be 3 trillion 630 billion yen, an increase of 10 billion yen from the previous forecast, due to the impact of foreign exchange rates, partially offset by a reduction in the sales forecast for third-party software reflecting the results of Q2.
- On the other hand, operating income is expected to be 225 billion yen, a decrease of 30 billion yen from the previous forecast.
- Regarding hardware profitability, we are expecting a slight improvement from the previous forecast due to price changes and cost reduction, partially offset by the negative impact of foreign exchange rates.
- Regarding software profitability, we have downwardly revised our forecast because we think it will take more time for engagement to recover from its currently low level.
- In addition, our forecast for expenses associated with acquisitions is expected to increase from the previous forecast by 4 billion yen, due to the impact of foreign exchange rates, and amount to approximately 61 billion yen. Operating income excluding this amount is estimated to be 286 billion yen.

Current State of the Business



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- Although total gameplay time spent by PlayStation users during Q2 increased slightly versus the previous quarter, it decreased 10% year-on-year primarily due to the impact of an increase in opportunities to go outside resulting from a reduction in COVID-19 infections.
- When we compare software sales for this quarter with the same period of the previous fiscal year, we see sales of past library titles declined sharply, while sales of major new titles remained strong. Users appear to be playing a smaller number of titles out of a desire to spend less money.
- The number of PlayStation Plus subscriber accounts at the end of September decreased 4% from the end of June to 45.4 million accounts. We see that this decrease results from a greater decline in user engagement among PlayStation 4 (PS4) users than expected.
- On the other hand, the ratio of PS Plus subscribers among PlayStation 5 (PS5) users remains at a level significantly higher than that of PS4. We are putting even more effort into accelerating the penetration of PS5 hardware to recover this user engagement going forward.



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**FY22 Q2
PS5 Units Produced**

over 6.5 million

- Regarding production of PS5 hardware, restrictions on the supply of materials and logistics have significantly eased, and the number of units produced during the quarter exceeded 6.5 million, progressing faster than planned.
- We recognize that demand from customers for the PS5 continues to be strong as the actual sales situation at retail stores in the U.S. is such that, in September, it took an average of 17.5 hours to sell out of 100 thousand units after their arrival.
- To meet this strong demand, we will do our utmost to bring forward supply into the year-end holiday selling season and aim to exceed our FY22 forecast of 18 million units.

Software Business



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- In terms of first-party software, we plan to release a new popular franchise title, *God of War Ragnarok*, on November 9.
- The previous *God of War* game released in 2018 was one of the biggest titles ever released exclusively for PlayStation, selling 23 million units cumulative to date. We expect similar performance from this new title as well.
- Regarding Bungie, *Destiny 2: The Witch Queen Season of Plunder*, which was released in August, is off to a good start. In addition, we have announced *Destiny 2: Lightfall*, which is an expansion pack scheduled for release in February of next year, and we are receiving great expectations from fans as a result.
- In addition, Bungie's collaboration with PlayStation Studios is progressing well.
- Regarding PC software, we released *Marvel's Spider-Man* in August and the popular IP that was also a hit movie, *Uncharted: Legacy of Thieves Collection*, in October.
- These titles have been rated highly with Metacritic Metascores of 87 and 88 respectively, and, in the two months since release, sales of *Marvel's Spider-Man* approached the highest level ever for a PC software title released by Sony.

Current State of the Business



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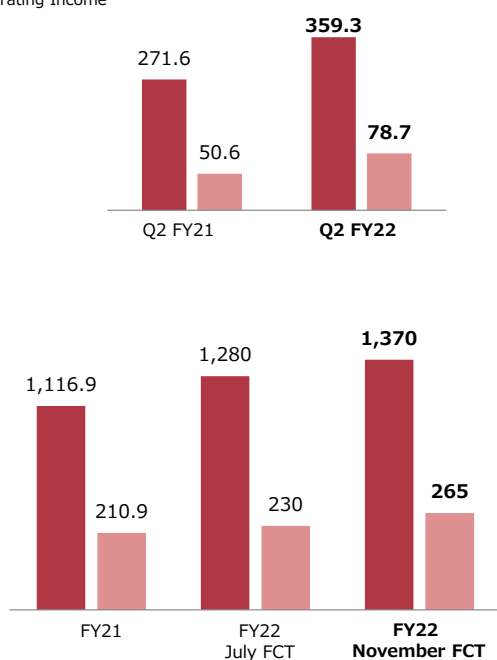
- In this way, we are actively pursuing various measures to further increase user engagement and re-accelerate the growth of our game business from both the hardware and software perspectives. We expect to see the results of these efforts contribute to sales and profit in earnest from the second half of this fiscal year and next fiscal year.

Music Segment

Sales and Operating Income

■ Sales
■ Operating Income

(Bln Yen)



Q2 FY2022 (year-on-year)

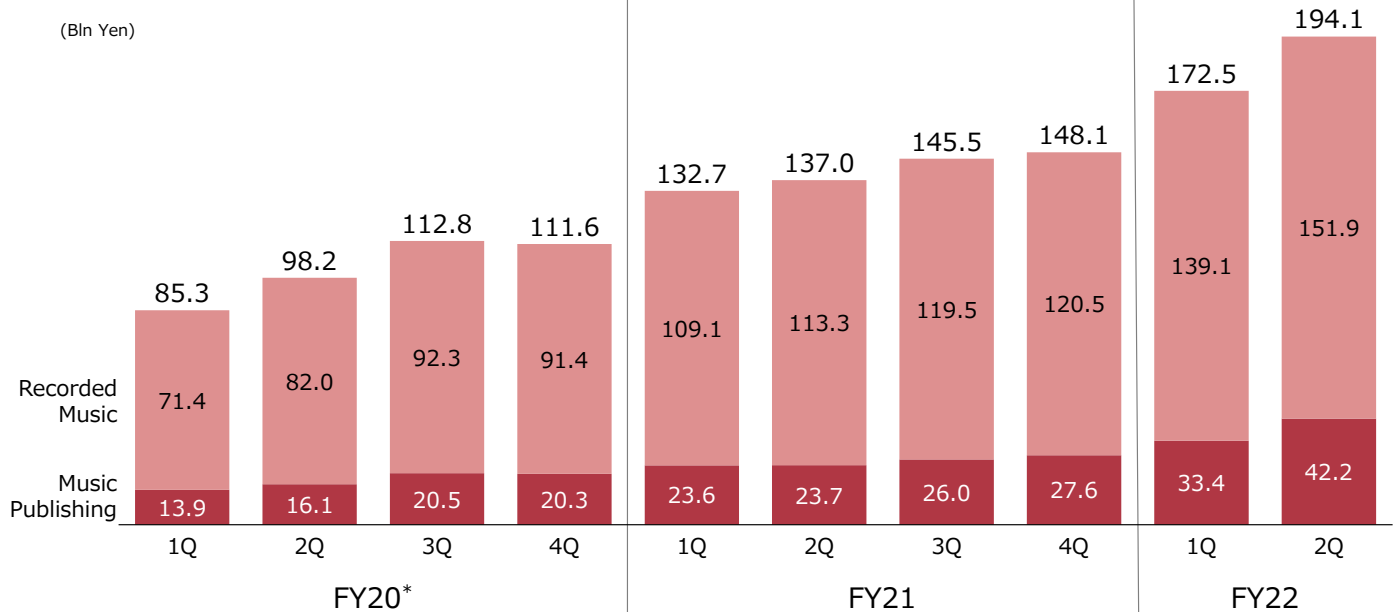
- Sales: 87.7 bln yen (32%) significant increase (FX Impact: +53.7 bln yen)
 - (+) Impact of foreign exchange rates
 - (+) Higher sales for Recorded Music and Music Publishing from paid subscription streaming services
- OI: 28.1 bln yen (56%) significant increase
 - (+) Positive impact of foreign exchange rates
 - (+) Impact of increase in Recorded Music and Music Publishing sales
 - (+) Impact of litigation settlements received in relation to lawsuits for Recorded Music and Music Publishing (net of expenses, 5.7 billion yen)

FY2022 Forecast (change from July forecast)

- Sales: 90 bln yen (7%) upward revision
 - (+) Impact of foreign exchange rates
 - (+) Higher sales for Recorded Music resulting from an increase in revenue from streaming services
 - (+) Higher sales of game applications for Visual and Media Platform
 - (+) Litigation settlements received in relation to lawsuits recorded during Q2 FY22.
- OI: 35 bln yen (15%) upward revision
 - (+) Positive impact of foreign exchange rates
 - (+) Impact of increase in sales

- Next is the Music segment.
- Q2 sales increased a significant 32% year-on-year to 359.3 billion yen, mainly due to the impact of foreign exchange rates and an increase in streaming sales.
- Operating income was 78.7 billion yen, a significant increase of 28.1 billion yen year-on-year, mainly due to the positive impact of foreign exchange rates and the increase in sales.
- The contribution to operating income from Visual Media and Platforms accounted for a mid-teens percentage of the operating income of the segment for the quarter.
- In the mobile game application space, thanks to collaboration with Lasengle Inc., which Aniplex acquired in February of this year, our efforts to strengthen development and services are progressing smoothly and our sales of *Fate/Grand Order* in the first half of this fiscal year, which is the eighth year since the launch of that title, exceeded the level of the first half of the previous fiscal year.
- Primarily due to the impact of foreign exchange rates and the results of the fiscal year so far, we upwardly revised both sales and operating income forecast: sales to 1 trillion 370 billion yen, an increase of 90 billion yen from the previous forecast, and operating income to 265 billion yen, an increase of 35 billion yen from the previous forecast.

Streaming Revenue Growth



* Sony adopted IFRS starting in the three months ended June 30, 2021, in lieu of the previously applied generally accepted accounting principles in the United States (US GAAP), and the above figures for FY20 are also presented in accordance with IFRS. Recorded Music streaming revenue for FY20 assumes that adjustments were made from the first quarter of FY20 due to changes in contract terms with a portion of customers. For the details of such adjustments, please refer to page 11 of the Supplemental Information for Q4 FY21. Adjusted streaming revenue is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

- Streaming sales in this segment continue to grow steadily, with year-on-year increases of 34% for Recorded Music and 78% for Music Publishing, 7% and 42%, respectively, on a U.S. dollar basis.
- In Recorded Music, an average of 48 of our songs ranked in the top 100 songs in Spotify's weekly global music rankings for the first half of the current fiscal year, which substantially exceeded the average of 36 of our songs that ranked in the twelve months of the previous fiscal year.
- We are maintaining a high share of the hit charts by continuing to generate hits from the contributions of new artists and well-established artists alike, such as Beyonce who released her first new album in six years: *Renaissance*.

Strategic Investment



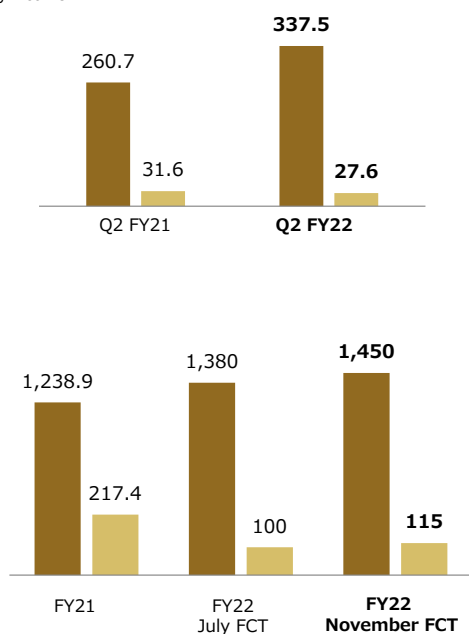
- Now, I will take a moment to review our strategic investments in this segment.
- We are actively making strategic investments to capture further growth in the music market, which is driven by streaming.
- M&As we executed in new growth areas include the artist services company AWAL, Brazilian label Som Livre, influential hip-hop label Alamo Records, merchandising company Ceremony of Roses, and podcast production company Somethin' Else.
- In addition, we are carefully selecting which music catalogs of industry-leading influential artists to acquire, such as Bruce Springsteen. These acquisitions perform the important role of generating stable, long-term royalty income, further expanding song revenue opportunities, and increasing our presence in the music industry.
- These strategic investments are steadily producing results, and we expect operating income this fiscal year of Sony Music Group, which is responsible for our music business outside of Japan, to reach a record high for the sixth consecutive year.

Pictures Segment

Sales and Operating Income

■ Sales
■ Operating Income

(Bln Yen)



Q2 FY2022 (year-on-year)

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

- Sales: 76.8 bln yen (29%) significant increase (U.S. dollar basis: 70 mil USD / 3%)
 - (+) Higher revenues for films released theatrically in FY22 in Motion Pictures
 - (+) Higher television licensing and home entertainment revenues for titles released in FY21 in Motion Pictures
 - (+) Higher revenues for anime streaming services, including the impact of the acquisition of Crunchyroll
 - (+) Impact of the acquisition of Industrial Media
 - (-) Absence of new films licensed to digital streaming services in Motion Pictures
 - (-) Decrease in series deliveries for Television Productions
- OI: 4.0 bln yen (13%) decrease (U.S. dollar basis: -85 mil USD / -30%)
 - (-) Impact of absence of new films licensed to digital streaming services in Motion Pictures
 - (-) Increase in marketing costs to support current year theatrical releases
 - (+) Impact of above-mentioned increase in sales

FY2022 Forecast (change from July forecast)

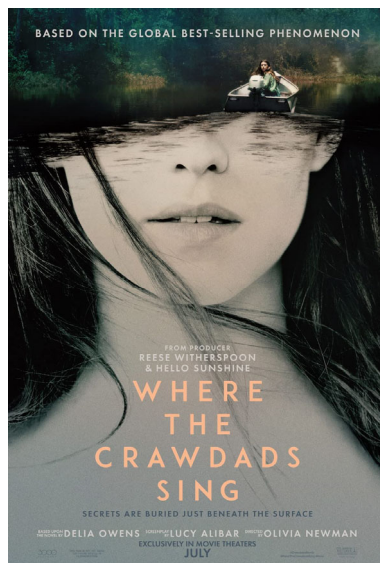
- Sales: 70 bln yen (5%) upward revision
 - (+) Impact of foreign exchange rates
- OI: 15 bln yen (15%) upward revision
 - (+) Higher contribution from catalog product in Television Productions
 - (+) Higher contribution from catalog product in Motion Pictures
 - (+) Positive impact of foreign exchange rates

- Next is the Pictures segment.
- Q2 sales increased 29% year-on-year to 337.5 billion yen primarily due to the impact of foreign exchange rates.
- Operating income decreased 4.0 billion yen year-on-year to 27.6 billion yen primarily due to the existence, in the same period of the previous fiscal year, of licensing revenues from digital streaming services for new films.
- FY22 sales are expected to be 1 trillion 450 billion yen, an increase of 70 billion yen from the previous forecast primarily due to the impact of foreign exchange rates.
- We have upwardly revised the operating income forecast to 115 billion yen, an increase of 15 billion yen compared to the previous forecast, primarily due to the contribution of catalogue product in Television Productions and Motion Pictures, as well as the positive impact of foreign exchange rates.

Major Theatrical Releases in Q2 FY2022



Action/Comedy/Thriller



Drama/Mystery/Thriller



Action/Drama/History

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- In Motion Pictures, as you can see, Sony released original works in different genres during the quarter, and all of them performed well.
- Among them was *Where the Crawdads Sing*, a movie adaptation of a best-selling novel which achieved box office revenue that greatly exceeded our expectations. The movie was made by 3000 Pictures, a studio of Sony Pictures Entertainment, which has a partnership with Harper Collins, a major global publishing company. We are seeing the success of our efforts to discover excellent original works and make them into movies, which we have been focusing on to date.

Crunchyroll Update



- Now, I will give you an update on Crunchyroll, our anime distribution business.
- The integration of the Crunchyroll and Funimation services is progressing smoothly, and the number of paying members has increased to nearly 10 million so far, an expansion of the business that exceeds our initial expectations.
- The company is also actively involved in overseas theatrical distribution of Japanese anime. *Dragon Ball Super: Super Hero* was released in August in the U.S. and secured the number one box office revenue in the first week of its release.
- Also, on August 4, we completed the acquisition of The Right Stuf, Inc., a U.S. e-commerce company that sells anime DVDs, character goods, comics and more.
- Through this acquisition, Crunchyroll will aim to strengthen its merchandising business and establish a more multifaceted and deeper engagement with the anime fan community.

Acquisition of Pixomondo



- Next, I would like to explain our recent acquisition of Pixomondo.
- Having seven facilities in North America and Europe, Pixomondo offers end-to-end services from virtual production to visual effects.
- It is a pioneer in the field having won numerous Academy and Emmy Awards for the projects it has worked on. It has superb technological capability and a rich history of success. It is also known for using the Unreal Engine game engine provided by Epic Games, in which we invest, to make its visual effects.
- In the virtual production market, which is expected to grow significantly in the future, we will aim to combine Sony's hardware and software technology and our video production know-how with Pixomondo's technological capability to establish a leading position.

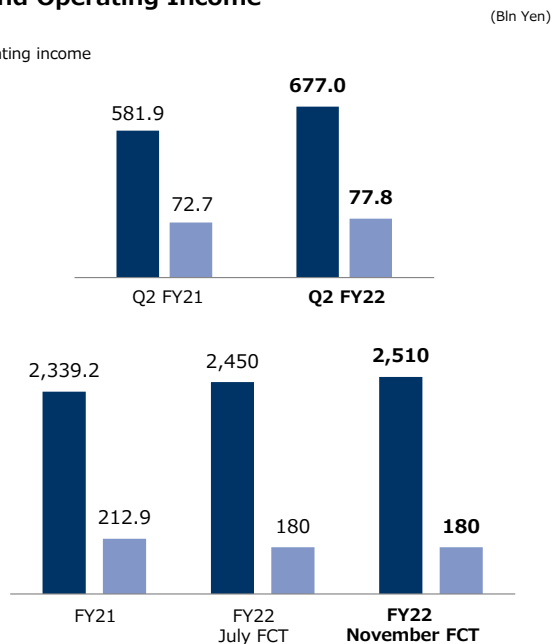
Progress of the Merger with Zee Entertainment



- Lastly, I will explain the progress towards the merger of Sony Pictures Networks India and Zee Entertainment Enterprises Ltd. ("Zee").
- Following the approval by the Competition Commission of India on October 4, Zee's shareholders approved the merger at the extraordinary shareholders' meeting held on October 14.
- The merger process is progressing steadily, and we currently expect the transaction to close by the end of the first half of next fiscal year.

Entertainment, Technology & Services Segment (ET&S Segment)

Sales and Operating Income



Q2 FY2022 (year-on-year)

- Sales: 95.1 bln yen (16%) significant increase (FX Impact: +77.2 bln yen)
 - (+ Impact of foreign exchange rates
 - (+ Increase in sales of digital cameras due to an increase in unit sales
- OI: 5.1 bln yen (7%) increase (FX Impact: +8.2 bln yen)
 - (+ Positive impact of foreign exchange rates
 - (+ Impact of increase in sales of digital cameras due to an increase in unit sales and an improvement in the product mix
 - (- Impact of decrease in sales of smartphones due to a decrease in unit sales

FY2022 Forecast (change from July forecast)

- Sales: 60 bln yen (2%) upward revision
 - (+ Impact of foreign exchange rates
 - (+ Increase in sales of digital cameras due to an increase in unit sales
 - (- Decrease in sales of televisions and smartphones due to a decrease in unit sales
- OI: Remains unchanged from July forecast
 - (+ Decrease in operating expenses
 - (+ Impact of increase in sales of digital cameras due to an increase in unit sales
 - (- Impact of decrease in sales of televisions and smartphones due to a decrease in unit sales

- Next is the ET&S segment.
- Q2 sales increased a significant 16% year-on-year to 677.0 billion yen, mainly due to the impact of foreign exchange rates.
- Operating income increased 5.1 billion yen year-on-year to 77.8 billion yen, primarily due to the positive impact of foreign exchange rates and the impact of an increase in sales of digital cameras.
- Although we have incorporated the additional risk of a market slowdown in the second half of the fiscal year, our FY22 sales forecast is 2 trillion 510 billion yen, an increase of 60 billion yen from the previous forecast, mainly due to the impact of foreign exchange rates.
- There is no change from the previous forecast for operating income.

Current State of the Business



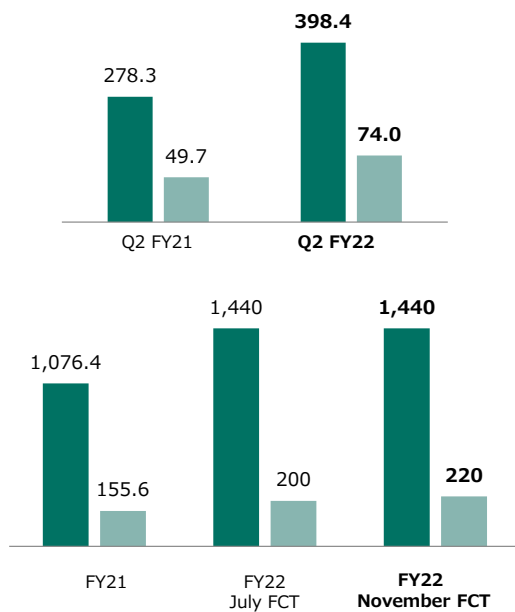
- In the current quarter, we were able to quickly recover from the supply chain turmoil caused by the lockdown in Shanghai in the first quarter and restore a stable supply. This enabled us to recover sales and profit primarily in the digital camera space.
- On the other hand, for TVs, the deterioration of the business environment is becoming apparent, such as increasing downward pressure on prices due to an oversupply of panels and sluggish demand especially in Europe.
- We anticipate that the environment will become even more severe going into next fiscal year due to the global economic slowdown and we are trying to minimize risks by strengthening integrated operations from production to sales and thoroughly controlling costs.
- As of the end of September, daily turnover of inventory in every product category has decreased versus the end of June and we are paying close attention to demand trends as we reduce inventory even further toward the end of the year.
- In addition, we are accelerating our efforts to strengthen our business structure from next fiscal year onwards through such measures as automation of production and digitization of manufacturing and sales operations, strengthening the cooperation between ET&S and I&SS and G&NS in procurement and logistics, and further optimization of the break-even point according to the business environment.
- In addition, new business areas which have been positioned as our growth axis, such as sports, life sciences, network services and virtual production, are expected to increase their sales by approximately 20% from the previous fiscal year and we will continue to steadily promote a shift to businesses that generate stable sales and profit.

Imaging & Sensing Solutions Segment (I&SS Segment)

Sales and Operating Income

■ Sales
■ Operating Income

(Bln Yen)



Q2 FY2022 (year-on-year)

- Sales: 120.1 bln yen (43%) significant increase (FX Impact: +61.7 bln yen)
 - (+ Impact of foreign exchange rates
 - (+ Increase in sales of image sensors for mobile products
 - (+ Improvement in product mix
 - (-) Decrease in unit sales
- OI: 24.3 bln yen (49%) significant increase (FX Impact: +37.8 bln yen)
 - (+ Positive impact of foreign exchange rates
 - (+ Impact of increase in sales of image sensors for mobile products
 - (-) Increase in research and development expenses as well as depreciation and amortization expenses
 - (-) Increase in manufacturing costs

FY2022 Forecast (change from July forecast)

- Sales: Remains unchanged from July forecast
 - (+ Impact of foreign exchange rates
 - (-) Decrease in unit sales of image sensors for mobile products
 - (-) Decrease in unit sales of image sensors for industrial equipment and security cameras
- OI: 20 bln yen (10%) upward revision
 - (+ Positive impact of foreign exchange rates
 - (-) Impact of decrease in sales of image sensors

- Next is the Imaging & Sensing Solutions (I&SS) segment.
- Q2 sales increased a significant 43% year-on-year to 398.4 billion yen, mainly due to the impact of foreign exchange rates and higher sales of image sensors for mobile devices.
- Operating income was 74.0 billion yen, a significant increase of 24.3 billion yen year-on-year, mainly due to the positive impact of foreign exchange rates and the benefit from the increase in sales, despite increases in research and development and other expenses.
- Our FY22 sales forecast remains unchanged from the previous forecast.
- We have upwardly revised our operating income forecast by 20 billion yen from the previous forecast to 220 billion yen primarily due to the positive impact of foreign exchange rates.

Current State of the Business

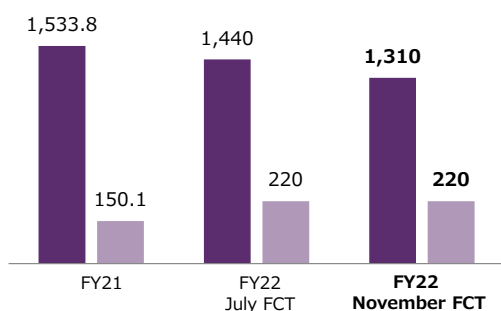
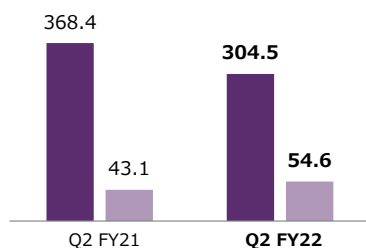


- The slowdown in the smartphone market, particularly in China, did not improve during Q2, but the impact was generally within the scope assumed in our previous forecast.
- On the other hand, high-end smartphone cameras are progressing as expected with larger die-sizes, higher resolution and higher performance. Benefitting from this, sales reached an historic high for this segment in the second quarter.
- Due to the improved supply of logic semiconductors, it has become possible to increase the production of larger die-sizes and higher resolution sensors, which means that we can pro-actively introduce high value-added sensors to high-end products going forward.
- We expect image sensor shipments in the third quarter ending December 31, 2022, to remain at a high level, but we also believe that we need to consider the risk of a further economic slowdown in the end-user product market in the fourth quarter ending March 31, 2023. Therefore, in the current forecast, we have incorporated additional risks into our sales plan, and we have made a conservative forecast.
- Regarding inventories, we are continuing to utilize existing production capacity and manage strategic inventories to optimize the timing of future capital investment, while carefully examining the demand outlook for the next fiscal year.
- Inventory at the end of the quarter was up about 33% year-on-year, which we believe is broadly in line with sales growth for the year.
- From the next fiscal year onwards, we expect the trend of increasing adoption of large die-sizes and higher resolution sensors in high-end smartphones to drive the growth of this segment. At the same time, the automotive business is also steadily expanding, and we have great expectations for this business to grow over the medium- to long-term.

Financial Services Segment

Financial Services Revenue and Operating Income

■ Financial Services Revenue
■ Operating Income (Bln Yen)



Q2 FY2022 (year-on-year)

- Revenue: 63.9 bln yen (17%) significant decrease
 - (-) Significant decrease in revenue at Sony Life (71.6 bln yen decrease, revenue: 251.8 bln yen)
 - (-) Deterioration in net gains and losses on investments in the separate accounts
- OI: 11.6 bln yen (27%) significant increase
 - (+) Recovery of an unauthorized withdrawal of funds at a subsidiary of Sony Life in FY21 (22.1 bln yen)
 - (-) Significant decrease in OI at Sony Life (12.4 bln yen decrease, OI: 26.3 bln yen)
 - (-) Increase primarily in insurance payments related to COVID-19
 - (+) Increase in profits due to accumulation of policy amount in force

FY2022 Forecast (change from July forecast)

- Revenue: 130 bln yen (9%) downward revision
 - (-) Deterioration in net gains and losses on investments in the separate accounts at Sony Life
- OI: Remains unchanged from July forecast

- Last is the Financial Services segment.
- FY22 Q2 financial services revenue decreased 17% year-on-year to 304.5 billion yen, mainly due to a deterioration in net gains and losses on investments in the separate accounts at Sony Life Insurance Ltd. ("Sony Life").
- Operating income at Sony Life increased a significant 11.6 billion yen year-on-year to 54.6 billion yen, primarily due to the impact of the recovery of funds that were the subject of an unauthorized withdrawal and the recording of losses in the previous fiscal year, partially offset primarily by an increase in insurance payments related to COVID-19.
- The FY22 financial services revenue forecast is 1 trillion 310 billion yen, a decrease of 130 billion yen from the previous forecast, primarily reflecting the deterioration in net gains and losses on investments in the separate accounts at Sony Life.
- There is no change from the previous forecast for operating income.

SONY

- To summarize this earnings announcement, first of all, our biggest regret is that we have made a significant downward revision to the operating income forecast of the G&NS segment for the second consecutive quarter in a row.
- As CFO, I take this very seriously, and I view improving the accuracy of our earnings forecasts as an important goal.
- On the other hand, when looking at the entire group, in the first half of the fiscal year, we think that each business responded swiftly to major changes in the business environment.
- Furthermore, the results of the investments we have made in the Music and I&SS segments have made up for the weakness of the G&NS segment and the cost structure of each business segment has balanced out the significant fluctuations in foreign exchange rates. Due to these factors, we think that we have stabilized the sales and profit of the whole group through our diversified business portfolio and think that we have enhanced our resiliency.
- We anticipate that the business environment will become even more severe from now into next fiscal year, and each business is taking steps to prepare for this.
- In addition, while facing these issues in the short term, we will also work to implement measures to grow over the long term.
- That concludes my remarks.

Notes

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

The descriptions of sales on a constant currency basis reflect sales calculated by applying the yen's monthly average exchange rates from the same period of the previous fiscal year to local currency-denominated monthly sales in the relevant period of the current fiscal year. For Sony Music Entertainment ("SME") and Sony Music Publishing LLC ("SMP") in the Music segment, and in the Pictures 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 sales and operating income (loss) for that segment.

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

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

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

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

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

Cautionary Statement

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