

SONY

# Q1 FY2023 Consolidated Financial Results

(Three months ended June 30, 2023)

August 9, 2023

Sony Group Corporation

## Q1 FY2023 Consolidated Results

(Bln Yen)

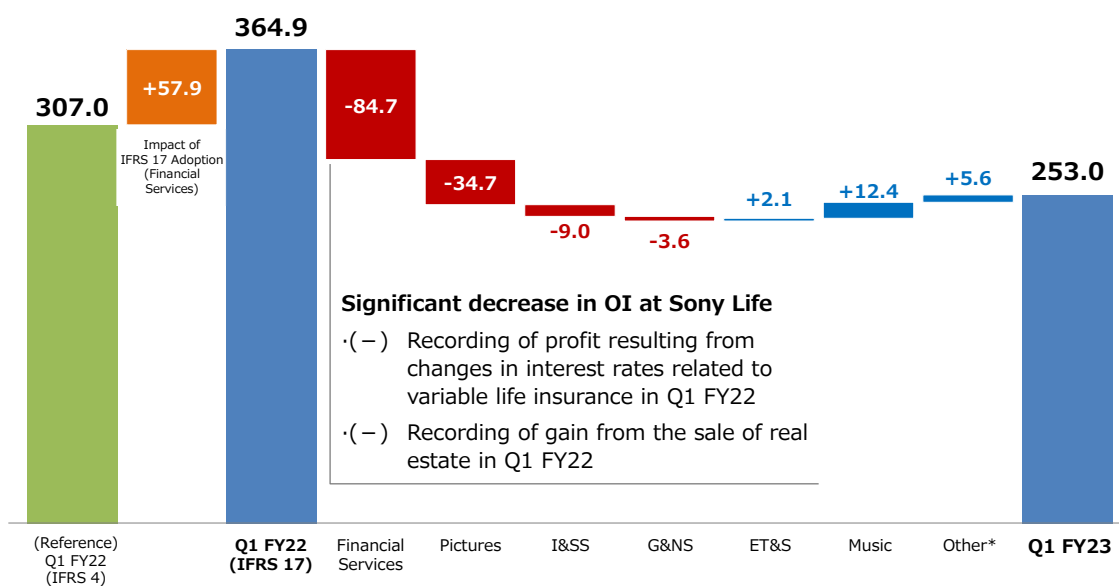
	(Reference) IFRS 4 Q1 FY22	Q1 FY22	Q1 FY23	Change
Sales*	2,311.5	2,229.8	<b>2,963.7</b>	+733.9 (+33%)
Operating income	307.0	364.9	<b>253.0</b>	-111.8 (-31%)
Income before income taxes	291.4	349.3	<b>276.0</b>	-73.2 (-21%)
Net income attributable to Sony Group Corporation's stockholders	218.2	261.1	<b>217.5</b>	-43.5 (-17%)
Net income attributable to Sony Group Corporation's stockholders per share of common stock (diluted)	175.21 yen	209.66 yen	<b>175.67 yen</b>	-33.99 yen
Adjusted OIBDA	431.0	488.9	396.1	-92.8 (-19%)
Adjusted EBITDA	439.0	496.9	406.2	-90.6 (-18%)
Average Rate				
1 US dollar	129.4 yen	129.4 yen	<b>137.0 yen</b>	
1 Euro	138.0 yen	138.0 yen	<b>149.2 yen</b>	

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

Sony has adopted IFRS 17 "Insurance Contracts" ("IFRS 17") from Q1 FY23. Figures for Q1 FY22 and FY22 are restated in accordance with IFRS 17 (applies to all following pages).  
Adjusted OIBDA and Adjusted EBITDA are not measures in accordance with IFRS. However, Sony believes that these disclosures may be useful information to investors.  
For further details about Adjusted OIBDA and Adjusted EBITDA including their formulas and reconciliations, see page 17-21 (applies to all following pages).

## Q1 FY2023 Operating Profit by Segment

(Bln Yen)



\* Other: All other, corporate and elimination

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## Q1 FY2023 Consolidated Results: Year-on-year Change

	Year-on-year Change	Contributing Factors (+) Better / (-) Worse
Sales	<b>+733.9 bln yen</b> <b>+33%</b>	·(+) Significant increases in Financial Services, G&NS, I&SS and Music segments sales On a constant currency basis*, sales increased approx. 28%
Operating income	<b>-111.8 bln yen</b> <b>-31%</b>	·(-) Significant decreases in Financial Services and Pictures segments operating income ·(+) Significant increase in Music segment operating income
Income tax expense	<b>-30.0 bln yen</b> ( Effective tax rate 25%→21% )	·(+) Reversal of liabilities for uncertain tax positions ·(+) Impact of a lower tax rate in Japan resulting mainly from the change in the rules for research and development credits
Adjusted OIBDA	<b>-92.8 bln yen</b> <b>-19%</b>	·(-) Significant decreases in Financial Services and Pictures segments Adjusted OIBDA
Adjusted EBITDA	<b>-90.6 bln yen</b> <b>-18%</b>	

\* For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see page 21 (applies to all following pages).

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## Adjusted Income\*<sup>1</sup> (Q1)

(Bln Yen)

	Q1 FY22			Q1 FY23			Change from Q1 FY22	
	Before adjustment	Non-recurring (profit) / loss* <sup>2</sup>	Adjusted	Before adjustment	Non-recurring (profit) / loss* <sup>2</sup>	Adjusted	Before adjustment	Adjusted
Operating income	364.9	-	364.9	253.0	-6.0	247.0	-111.8 (-31%)	-117.8 (-32%)
Income before income taxes	349.3	-	349.3	276.0	-6.0	270.0	-73.2 (-21%)	-79.3 (-23%)
Income taxes	88.1 <small>(Effective tax rate 25%)</small>	-	88.1 <small>(Effective tax rate 25%)</small>	58.1 <small>(Effective tax rate 21%)</small>	-1.3	56.8 <small>(Effective tax rate 21%)</small>	-30.0 (-34%)	-31.2 (-35%)
Net income attributable to Sony Group Corporation's stockholders	261.1	-	261.1	217.5	-4.7	212.8	-43.5 (-17%)	-48.3 (-18%)

Adjusted Income is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

\*1 Adjusted Income does not include non-recurring profit and loss.

\*2 For further details about non-recurring profit and loss, see page 5 (applies to all following pages).

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## Non-Recurring Profit and Loss

(Bln Yen)

	Q1 FY22	FY22		Q1 FY23
Items included in operating income (before adjustment)	-	+27.8	Items included in operating income (before adjustment)	+6.0
Impact of litigation settlements, net of expenses, received in relation to lawsuits for Recorded Music and Music Publishing (Music segment·Q2)	-	+5.7	Remeasurement gain resulting from the consolidation of a company previously accounted for using the equity method (Music segment·Q1)	+6.0
Recovery of an unauthorized withdrawal of funds at a subsidiary of Sony Life in FY21 (Financial Services segment·Q2)	-	+22.1		
Items included in Financial income (expense)	-	-	Items included in Financial income (expense)	-
Items included in income before income taxes (before adjustment)	-	+27.8	Items included in income before income taxes (before adjustment)	+6.0
Items included in income taxes (before adjustment)	-	+5.6	Items included in income taxes (before adjustment)	+1.3
Tax effect with regard to the above two items	-	+5.6	Tax effect with regard to the above item	+1.3
Items included in net income attributable to noncontrolling interests	-	-	Items included in net income attributable to noncontrolling interests	-
Items included in net income attributable to Sony Group Corporation's stockholders (before adjustment)	-	+22.2	Items included in net income attributable to Sony Group Corporation's stockholders (before adjustment)	+4.7

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## Q1 FY2023 Results by Segment

		Q1 FY22	Q1 FY23	Change	FX Impact	(Bln Yen)
Game & Network Services (G&NS)	Sales	604.1	771.9	+167.8	+40.6	
	Operating income	52.8	49.2	-3.6	+2.5	
	Adjusted OIBDA	70.2	75.9	+5.7		
Music	Sales	308.1	358.2	+50.2	+15.2	
	Operating income	61.0	73.4	+12.4		
	Adjusted OIBDA	74.8	82.9	+8.2		
Pictures	Sales	341.4	320.4	-21.0	+17.7	
	Operating income	50.7	16.0	-34.7		
	Adjusted OIBDA	61.8	28.5	-33.4		
Entertainment, Technology & Services (ET&S)	Sales	552.3	571.8	+19.5	+16.8	
	Operating income	53.6	55.6	+2.1	+1.4	
	Adjusted OIBDA	76.9	80.9	+3.9		
Imaging & Sensing Solutions (I&SS)	Sales	237.8	292.7	+54.9	+23.2	
	Operating income	21.7	12.7	-9.0	+18.2	
	Adjusted OIBDA	67.3	70.0	+2.7		
Financial Services	Revenue	216.0	681.4	+465.4		
	Operating income	139.2	54.5	-84.7		
	Adjusted OIBDA	145.6	61.4	-84.2		
All Other	Sales	19.3	19.5	+0.2		
	Operating income	2.9	2.5	-0.4		
	Adjusted OIBDA	3.9	3.6	-0.3		
Corporate and elimination	Operating income	-16.9	-10.8	+6.0		
	Adjusted OIBDA	-11.7	-7.1	+4.6		
Consolidated total	Sales	2,229.8	2,963.7	+733.9		
	Operating income	364.9	253.0	-111.8		
	Adjusted OIBDA	488.9	396.1	-92.8		
	Adjusted EBITDA*	496.9	406.2	-90.6		

Sales in each business segment represents sales and revenue recorded before intersegment transactions are eliminated (applies to all following pages). 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).

Adjusted OIBDA and Adjusted EBITDA are not measures in accordance with IFRS. However, Sony believes that these disclosures may be useful information to investors.

\* The differences between Adjusted EBITDA and Adjusted OIBDA on a consolidated basis represent financial income and financial expenses (excluding interest expenses, net, and gains on revaluation of equity instruments, net). Adjusted EBITDA by segment is not calculated and disclosed because Sony does not include financial income and financial expenses in its performance evaluations by segment, mainly due to the fact that Sony manages its foreign exchange exposure centrally and globally, except for the Financial Services segment (applies to all following pages).

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## FY2023 Consolidated Results Forecast

	FY22	FY23 April FCT	FY23 August FCT	Change from April FCT	(Bln Yen)
Sales	10,974.4	11,500	12,200	+700 (+6%)	
Operating income	1,302.4	1,170	1,170	-	
Income before income taxes	1,274.5	1,140	1,140	-	
Net income attributable to Sony Group Corporation's stockholders	1,005.3	840	860	+20 (+2%)	
Adjusted OIBDA	1,816.9	1,770	1,770	-	
Adjusted EBITDA	1,797.6	1,750	1,750	-	
Operating Cash Flow (Sony without Financial Services)	415.5	1,250	1,250	-	
Foreign exchange rate	Actual (Average)	Assumption	Assumption (Q2-Q4 FY2023)	Dividend per Share (planned)	
1 US dollar	135.4 yen	Approx. 130 yen	Approx. 135 yen	Interim 40 yen	
1 Euro	140.9 yen	Approx. 138 yen	Approx. 146 yen	Year-end Undecided	

Adjusted OIBDA, Adjusted EBITDA and Consolidated Operating Cash Flow (Sony without Financial Services) are not measures in accordance with IFRS. However, Sony believes that these disclosures may be useful information to investors.

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## FY2023 Results Forecast by Segment

(Bln Yen)

		FY22	FY23 April FCT	FY23 August FCT	Change from April FCT
<b>Game &amp; Network Services (G&amp;NS)</b>	Sales	3,644.6	3,900	<b>4,170</b>	+270
	Operating income	250.0	270	<b>270</b>	-
	Adjusted OIBDA	337.0	365	<b>375</b>	+10
<b>Music</b>	Sales	1,380.6	1,410	<b>1,490</b>	+80
	Operating income	263.1	265	<b>280</b>	+15
	Adjusted OIBDA	316.4	325	<b>335</b>	+10
<b>Pictures</b>	Sales	1,369.4	1,520	<b>1,470</b>	-50
	Operating income	119.3	120	<b>120</b>	-
	Adjusted OIBDA	168.2	165	<b>165</b>	-
<b>Entertainment, Technology &amp; Services (ET&amp;S)</b>	Sales	2,476.0	2,380	<b>2,430</b>	+50
	Operating income	179.5	180	<b>180</b>	-
	Adjusted OIBDA	276.9	280	<b>280</b>	-
<b>Imaging &amp; Sensing Solutions (I&amp;SS)</b>	Sales	1,402.2	1,600	<b>1,560</b>	-40
	Operating income	212.2	200	<b>180</b>	-20
	Adjusted OIBDA	408.9	445	<b>425</b>	-20
<b>Financial Services</b>	Revenue	889.1	870	<b>1,320</b>	+450
	Operating income	318.1	180	<b>180</b>	-
	Adjusted OIBDA	322.4	205	<b>205</b>	-
<b>All Other, Corporate and elimination</b>	Operating income	-39.8	-45	<b>-40</b>	+5
	Adjusted OIBDA	-12.9	-15	<b>-15</b>	-
	<b>Consolidated total</b>				
	Sales	10,974.4	11,500	<b>12,200</b>	+700
	Operating income	1,302.4	1,170	<b>1,170</b>	-
	Adjusted OIBDA	1,816.9	1,770	<b>1,770</b>	-
	Adjusted EBITDA	1,797.6	1,750	<b>1,750</b>	-

Adjusted OIBDA and Adjusted EBITDA are not measures in accordance with IFRS. However, Sony believes that these disclosures may be useful information to investors.

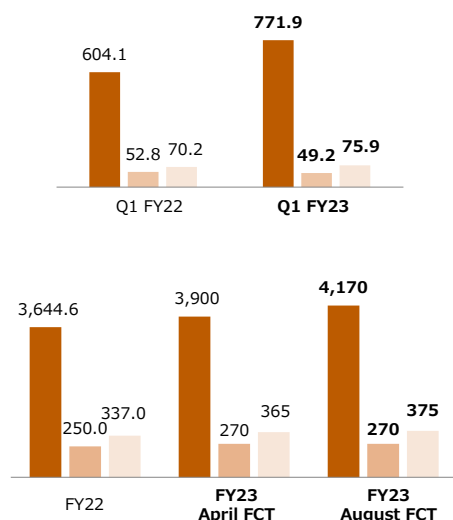
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## Game & Network Services Segment (G&NS Segment)

### Sales, Operating Income and Adjusted OIBDA

(Bln Yen)

- Sales
- Operating Income
- Adjusted OIBDA



### Q1 FY2023 (year-on-year)

- Sales: 167.8 bln yen (28%) significant increase (FX Impact: +40.6 bln yen)
  - (+ Increase in sales of non-first-party titles including add-on content
  - (+ Increase in sales of hardware
  - (+ Impact of foreign exchange rates

- OI: 3.6 bln yen (7%) decrease (FX Impact: +2.5 bln yen) / Adjusted OIBDA: 5.7 bln yen (8%) increase

- (-) Increase in costs\*1 mainly due to the impact of acquisitions including Bungie, Inc.\*2
- (+ Impact of increase in sales of non-first-party titles including add-on content

### FY2023 Forecast (change from April forecast)

- Sales: 270 bln yen (7%) upward revision
  - (+ Increase in sales of non-first-party titles including add-on content
  - (+ Impact of foreign exchange rates
- OI: Remains unchanged from April forecast / Adjusted OIBDA: 10 bln yen (3%) upward revision
  - (+ Impact of increase in sales of non-first-party titles including add-on content
  - (+ Decrease in costs\*3
  - (-) Deterioration in profitability of PlayStation@5 hardware mainly due to changes in promotions by geographic region and the sales channel mix
  - (-) Impact of changes in the launch dates of a portion of first-party titles

\*1 This increase in costs includes an increase in depreciation and amortization expense. The increase in depreciation and amortization expense is a factor for change in operating income only and is not included in factors for change in Adjusted OIBDA. As a result, Adjusted OIBDA increased while operating income decreased.

\*2 The impact of acquisitions includes expenses associated with acquisitions from FY22 onward (the impact on operating income for Q1 FY23 was 16.6 bln yen).

\*3 This decrease in costs is expected to be partially offset by an increase in depreciation and amortization expense. The increase in depreciation and amortization expense is a factor for change in operating income only and is not included in factors for change in Adjusted OIBDA. As a result, the forecast for Adjusted OIBDA has been upwardly revised while the forecast for operating income remains unchanged.

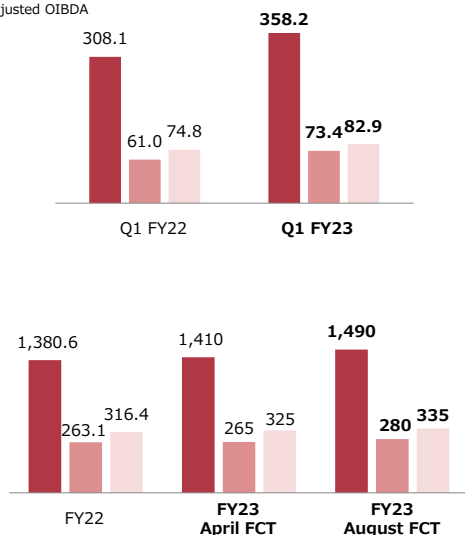
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## Music Segment

### Sales, Operating Income and Adjusted OIBDA

(Bln Yen)

■ Sales  
■ Operating Income  
■ Adjusted OIBDA



### Q1 FY2023 (year-on-year)

- Sales: 50.2 bln yen (16%) significant increase (FX Impact: +15.2 bln yen)
  - (+ ) Higher sales for Recorded Music and Music Publishing from paid subscription streaming services
  - (+ ) Impact of foreign exchange rates
- OI: 12.4 bln yen (20%) significant increase / Adjusted OIBDA: 8.2 bln yen (11%) increase
  - (+ ) Impact of increase in Recorded Music and Music Publishing sales
  - (+ ) Remeasurement gain resulting from the consolidation of a company previously accounted for using the equity method (6.0 bln yen)\*
  - (+ ) Positive impact of foreign exchange rates
  - (- ) Increase in selling, general and administrative expenses

### FY2023 Forecast (change from April forecast)

- Sales: 80 bln yen (6%) upward revision
  - (+ ) Impact of foreign exchange rates
- OI: 15 bln yen (6%) upward revision / Adjusted OIBDA: 10 bln (3%) yen upward revision
  - (+ ) Positive impact of foreign exchange rates
  - (+ ) Remeasurement gain resulting from the consolidation of a company previously accounted for using the equity method recorded during Q1 (6.0 bln yen)\*

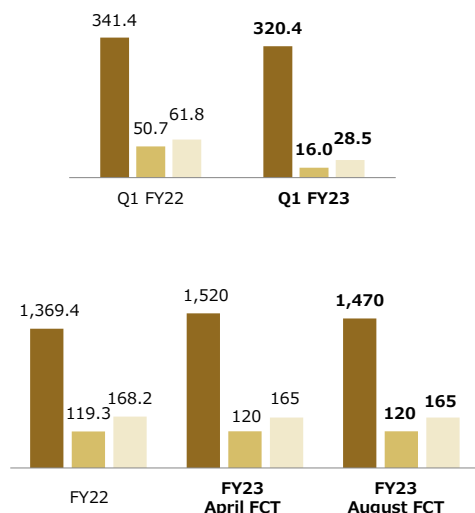
\* Factor for change in operating income only, not included in factors for change in Adjusted OIBDA. | 10

## Pictures Segment

### Sales, Operating Income and Adjusted OIBDA

(Bln Yen)

■ Sales  
■ Operating Income  
■ Adjusted OIBDA



### Q1 FY2023 (year-on-year)

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

- Sales: 21.0 bln yen (6%) decrease (U.S. dollar basis: -308 mil USD / -12%)
  - (- ) Decrease in deliveries of U.S. television series
  - (- ) Lower home entertainment and digital streaming service licensing revenues compared to Q1 FY22, which benefitted from the contribution of several franchise films released theatrically in FY21
  - (+ ) Higher theatrical revenues
- OI: 34.7 bln yen (68%) significant decrease (U.S. dollar basis: -280 mil USD / -71%) / Adjusted OIBDA: 33.4 bln yen (54%) significant decrease (U.S. dollar basis: -270 mil USD / -57%)
  - (- ) Impact of decrease in sales
  - (- ) Higher marketing costs in support of a greater number of theatrical releases in FY23

### FY2023 Forecast (change from April forecast)

- Sales: 50 bln yen (3%) downward revision
  - (- ) Impact of strikes conducted by WGA and SAG-AFTRA\*, which are expected to lead to lower revenues mainly due to release date changes for some theatrical releases in Motion Pictures and delays in deliveries of television series in Television Productions
  - (+ ) Impact of foreign exchange rates
- OI / Adjusted OIBDA: Remain unchanged from April forecast
  - (- ) Impact of decrease in sales in connection with strikes
  - (+ ) Contribution from strong performances for films released theatrically in Q1 FY23
  - (+ ) Positive impact of foreign exchange rates

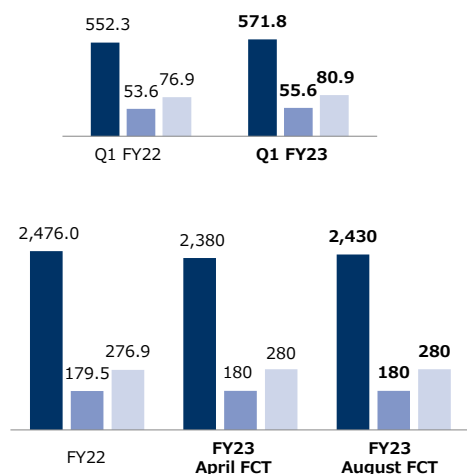
\*WGA: Writers Guild of America  
SAG-AFTRA: Screen Actors Guild - American Federation of Television and Radio Artists | 11

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

### Sales, Operating Income and Adjusted OIBDA

(Bln Yen)

- Sales
- Operating Income
- Adjusted OIBDA



#### Q1 FY2023 (year-on-year)

- Sales: 19.5 bln yen (4%) increase (FX Impact: +16.8 bln yen)
  - (+ ) Impact of foreign exchange rates
  - (+ ) Increase in sales of digital cameras due to an increase in unit sales
  - (- ) Decrease in sales of smartphones and televisions due to a decrease in unit sales
- OI: 2.1 bln yen (4%) increase (FX Impact: +1.4 bln yen) / Adjusted OIBDA: 3.9 bln yen (5%) increase
  - (+ ) Reductions in operating costs for televisions
  - (- ) Impact of decrease in sales of smartphones due to a decrease in unit sales

#### FY2023 Forecast (change from April forecast)

- Sales: 50 bln yen (2%) upward revision
  - (+ ) Impact of foreign exchange rates
- OI / Adjusted OIBDA: Remain unchanged from April forecast

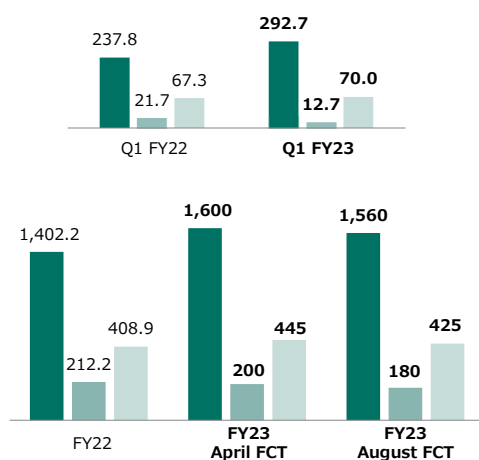
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## Imaging & Sensing Solutions Segment (I&SS Segment)

### Sales, Operating Income and Adjusted OIBDA

(Bln Yen)

- Sales
- Operating Income
- Adjusted OIBDA



#### Q1 FY2023 (year-on-year)

- Sales: 54.9 bln yen (23%) significant increase (FX Impact: +23.2 bln yen)
  - (+ ) Increase in sales of image sensors for mobile products
  - (+ ) Improvement in product mix
  - (+ ) Increase in unit sales
  - (+ ) Impact of foreign exchange rates
- OI: 9.0 bln yen (41%) decrease (FX Impact: +18.2 bln yen) / Adjusted OIBDA: 2.7 bln yen (4%) increase
  - (- ) Increase in manufacturing costs
  - (- ) Increase in depreciation and amortization expenses\*
  - (- ) Impact of decrease in sales of image sensors for industrial and social infrastructure
  - (- ) Increase in research and development expenses
  - (+ ) Positive impact of foreign exchange rates
  - (+ ) Impact of increase in sales of image sensors for mobile products

#### FY2023 Forecast (change from April forecast)

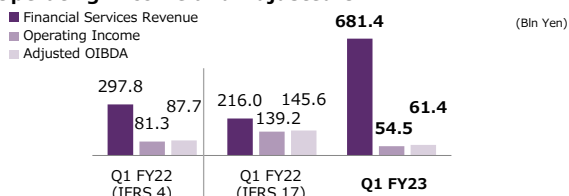
- Sales: 40 bln yen (3%) downward revision
  - (- ) Decrease in unit sales of image sensors for mobile products
  - (- ) Decrease in unit sales of image sensors for industrial and social infrastructure
  - (+ ) Impact of foreign exchange rates
- OI: 20 bln yen (10%) downward revision / Adjusted OIBDA: 20 bln yen (4%) downward revision
  - (- ) Impact of decrease in sales
  - (+ ) Positive impact of foreign exchange rates

\* Factor for change in operating income only, not included in factors for change in Adjusted OIBDA. As a result, Adjusted OIBDA increased while operating income decreased.

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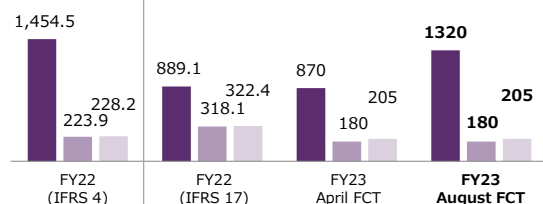
## Financial Services Segment

### Financial Services Revenue, Operating Income and Adjusted OIBDA



#### Details of OI at Sony Life

	Q1 FY22 (IFRS 4)	Q1 FY22 (IFRS 17)	Q1 FY23
Insurance service result <sup>*1</sup>	-	42.9	42.7
Other profit and loss <sup>*2</sup>	-	90.6	3.3
Total	-	133.5	46.0



#### Details of OI at Sony Life

	FY22 (IFRS 4)	FY22 (IFRS 17)	FY23 August FCT
Insurance service result <sup>*1</sup>	-	159.9	-
Other profit and loss <sup>*2</sup>	-	110.1	-
Total	-	270.0	-

#### Q1 FY2023 (year-on-year)

- Revenue: 465.4 bln yen (215%) significant increase
  - (+) Significant increase in revenue at Sony Life (454.8 bln yen increase, revenue: 622.3 bln yen)
  - (+) Improvement in net gains and losses on investments in the separate accounts
- OI: 84.7 bln yen (61%) significant decrease / Adjusted OIBDA: 84.2 bln yen (58%) significant decrease
  - (-) Significant decrease in OI at Sony Life (87.5 bln yen decrease, OI: 46.0 bln yen)
  - (-) Recording of profit resulting from changes in interest rates related to variable life insurance in Q1 FY22
  - (-) Recording of gain from the sale of real estate in Q1 FY22

#### FY2023 Forecast (change from April forecast)

- Revenue: 450 bln yen (52%) upward revision
  - (+) Increase in net gains on investments in the separate accounts at Sony Life
- OI / Adjusted OIBDA: Remain unchanged from April forecast

\*1 Insurance service result = Insurance revenue - Insurance service expenses

\*2 Other profit and loss = Other financial services revenue - Insurance finance expenses (income) - Other financial services expense

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## Details of Changes of IFRS 17 Adoption

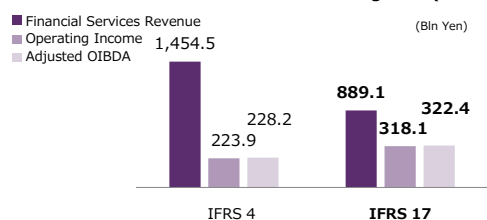
Item	IFRS 4	IFRS 17	Changes
<b>Statements of Financial Position</b>			
Measurement method for investment assets in insurance business (Principle)		Measure at fair value ("FV") at the end of each quarter (IFRS 9)	<ul style="list-style-type: none"> <li>The accounting standard (IFRS 9 "Financial Instruments"), which addresses the measurement of investment assets, has been applied before the adoption of IFRS 17 and continues to be applied.</li> <li>In principle, investment assets are measured at FV and their evaluated gains and losses are recorded through accumulated other comprehensive income ("AOCl") (for fixed insurance) or profit and loss (for variable life insurance).</li> </ul>
Measurement method for insurance contract liabilities (Principle)	In principle, fix based on assumptions at the time of contract execution (fixed insurance)	Evaluate with the latest assumptions at the end of each quarter (all insurance)	<ul style="list-style-type: none"> <li>Insurance contract liabilities are evaluated based on the assumptions at the end of each quarter, and the impact of changes in the assumptions of financial variables such as interest rates is recorded in AOCl (for fixed insurance) or profit and loss (for variable life insurance).</li> <li>The accounting treatment is consistent with the treatment of FV measurement of investment assets under IFRS 9.</li> <li>At the beginning of FY22, which is the transition date for IFRS 17, AOCl decreased due to an increase in insurance contract liabilities resulting from changes in the assumptions such as those of interest rates.</li> <li>Future unearned profits that are expected to arise from insurance contracts are recognized as a liability (Contractual Service Margin), allocated over the insurance periods and recorded in profit or loss (insurance service result).</li> </ul>
	In principle, evaluate with the best estimate at the end of each fiscal year (variable life insurance)		
<b>Statements of Income</b>			
Financial Services Revenue (Insurance premiums/insurance revenue)	In principle, recognize all insurance premiums as revenue	The portions of insurance premiums equivalent to the surrender benefit, etc. are not recorded as revenue	<ul style="list-style-type: none"> <li>Financial Services Revenue decreased due to a deduction of the amounts equivalent to the surrender benefit, etc. (investment component), which were previously included in insurance premium revenue (Financial Services Expenses also decreased due to the deduction of the investment component, which was previously included in insurance payments).</li> </ul>
	Allocate earned profit to each period based on the assumptions at the time of contract execution	Review earned profit based on the assumptions at the end of each quarter and allocate it to each period	<ul style="list-style-type: none"> <li>Under both standards, profits and losses related to insurance service are allocated stably in each period.</li> </ul>
Operating Income	Liabilities regarding minimum guarantee are evaluated based on the best estimate at the end of each fiscal year, and the changes affect operating income (variable life insurance)	Liabilities regarding minimum guarantee are evaluated based on the latest assumptions at the end of each quarter, and the changes affect operating income (variable life insurance)	<ul style="list-style-type: none"> <li>Under both standards, investment gains and losses are affected by market fluctuations. However, under IFRS 17, the impact of evaluation of both insurance contract liabilities and investment assets regarding variable life insurance is calculated based on the same latest assumptions at the end of each quarter and is recorded in operating income. (The impact of evaluation regarding fixed insurance is recorded in AOCl.)</li> </ul>

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## Application of IFRS 17 “Insurance Contracts”

### FY2022 results for the Financial Services segment (IFRS 4 / IFRS 17)

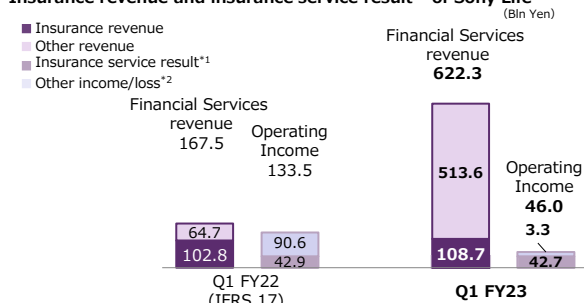


### Impact of the adoption of IFRS 17 on FY2022 results

#### (Financial Services segment)

- Revenue: 565.5 bln yen (39%) significant decrease
  - (-) Impact mainly from deducting the amounts equivalent to the surrender benefit, etc., which were previously included in insurance premium revenue, from financial services revenue in the life insurance business (Expenses also decreased due to the deduction of the amounts equivalent to the surrender benefit, etc., which were previously included in insurance payments)
- OI: 94.2 bln yen (42%) significant increase
  - / Adjusted OIBDA: 94.2 bln yen (41%) significant increase
  - (+) Impact from a decrease in insurance contract liabilities related to variable life insurance in accordance with a reevaluation of insurance contract liabilities under IFRS 17 in the life insurance business

### Insurance revenue and insurance service result\*1 of Sony Life



- \*1 Insurance service result = Insurance revenue – Insurance service expenses  
 \*2 Others income/loss = Other financial services revenue – Insurance finance expenses (income) – Other financial services expense

### Impact of the application of IFRS 17 on the operating income at Sony Life

#### 1. Within operating income, a stable shift in insurance service result is expected

- Insurance service result arising from insurance contracts will be recognized stably over the term of those contracts and show a stable shift according to an accumulation of the number of policies in force, in principle.

#### 2. Other income/loss, which mainly consists of investment results, will be affected by impacts of market fluctuations

- Insurance contract liabilities are reevaluated based on the latest financial variables such as interest rates at the end of each quarter, and the changes of liabilities related to minimum guarantee of variable life insurance are recorded in profit and loss, which are subject to the impact of market fluctuations including interest rate fluctuations.
- In FY22, hedging operations against the profit and loss resulting from market fluctuations were performed on the assumption of IFRS 4. Therefore, a large profit was recorded due to recalculation after the adoption of IFRS 17. From FY23, hedging operations have been transitioned to operations based on the assumption of IFRS 17.
- Please refer to “Supplemental Information” for key indicators affecting the reevaluation of insurance contract liabilities.

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## Reconciliation Table for Adjusted EBITDA (Q1)

(Bln Yen)

	Q1 FY22	Q1 FY23
<b>Net income attributable to Sony Group Corporation’s stockholders</b>	<b>261.1</b>	<b>217.5</b>
Net income attributable to noncontrolling interests	0.1	0.4
Income taxes	88.1	58.1
Interest expenses, net, recorded in Financial income (expense)	0.8	0.5
(Gain) / loss on revaluation of equity instruments, net, recorded in Financial income (expense)	22.7	-13.4
Depreciation and amortization expense*1	124.0	149.1
Non-recurring (profit) / loss*2	–	-6.0
<b>Adjusted EBITDA</b>	<b>496.9</b>	<b>406.2</b>

Adjusted EBITDA is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

\*1 Depreciation and amortization expense excludes amortization for film costs, broadcasting rights and internally developed game content and master recordings included in Content assets.

\*2 Items included in operating income

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## Reconciliation Table for Adjusted OIBDA (Q1)

(Bln Yen)

	Q1 FY22				Q1 FY23			
	Operating Income	Depreciation and Amortization* <sup>1</sup>	Non-recurring (profit) / loss* <sup>2</sup>	Adjusted OIBDA	Operating Income	Depreciation and Amortization* <sup>1</sup>	Non-recurring (profit) / loss* <sup>2</sup>	Adjusted OIBDA
Game & Network Services (G&NS)	52.8	17.5	–	70.2	49.2	26.7	–	75.9
Music	61.0	13.8	–	74.8	73.4	15.6	-6.0	82.9
Pictures	50.7	11.2	–	61.8	16.0	12.5	–	28.5
Entertainment, Technology & Services (ET&S)	53.6	23.4	–	76.9	55.6	25.2	–	80.9
Imaging & Sensing Solutions (I&SS)	21.7	45.6	–	67.3	12.7	57.3	–	70.0
Financial Services	139.2	6.4	–	145.6	54.5	6.9	–	61.4
All Other	2.9	1.0	–	3.9	2.5	1.2	–	3.6
Corporate and elimination	-16.9	5.2	–	-11.7	-10.8	3.7	–	-7.1
<b>Consolidated total</b>	<b>364.9</b>	<b>124.0</b>	<b>–</b>	<b>488.9</b>	<b>253.0</b>	<b>149.1</b>	<b>-6.0</b>	<b>396.1</b>

Adjusted OIBDA is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

\*1 Depreciation and Amortization excludes amortization for film costs, broadcasting rights and internally developed game content and master recordings included in Content assets.

\*2 Items included in operating income

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## Reconciliation Table for Adjusted EBITDA

(Bln Yen)

	FY22
<b>Net income attributable to Sony Group Corporation's stockholders</b>	<b>1,005.3</b>
Net income attributable to noncontrolling interests	6.5
Income taxes	262.7
Interest expenses, net, recorded in Financial income (expense)	4.0
(Gain) /loss on revaluation of equity instruments, net, recorded in Financial income (expense)	4.6
Depreciation and amortization expense* <sup>1</sup>	542.2
Non-recurring (profit) / loss* <sup>2</sup>	-27.8
<b>Adjusted EBITDA</b>	<b>1,797.6</b>

Adjusted EBITDA is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

\*1 Depreciation and amortization expense excludes amortization for film costs, broadcasting rights and internally developed game content and master recordings included in Content assets.

\*2 Items included in operating income

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## Reconciliation Table for Adjusted OIBDA

(Bln Yen)

	FY22			
	Operating Income	Depreciation and Amortization <sup>*1</sup>	Non-recurring (profit) / loss <sup>*2</sup>	Adjusted OIBDA
<b>Game &amp; Network Services (G&amp;NS)</b>	250.0	87.0	-	337.0
<b>Music</b>	263.1	59.0	-5.7	316.4
<b>Pictures</b>	119.3	48.9	-	168.2
<b>Entertainment, Technology &amp; Services (ET&amp;S)</b>	179.5	97.4	-	276.9
<b>Imaging &amp; Sensing Solutions (I&amp;SS)</b>	212.2	196.7	-	408.9
<b>Financial Services</b>	318.1	26.3	-22.1	322.4
<b>All Other, Corporate and elimination</b>	-39.8	26.8	-	-12.9
<b>Consolidated total</b>	<b>1,302.4</b>	<b>542.2</b>	<b>-27.8</b>	<b>1,816.9</b>

Adjusted OIBDA is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

\*1 Depreciation and Amortization excludes amortization for film costs, broadcasting rights and internally developed game content and master recordings included in Content assets.

\*2 Items included in operating income

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## Notes

### Notes about Adjusted OIBDA and Adjusted EBITDA

Adjusted OIBDA (Operating Income Before Depreciation and Amortization) and Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) are calculated by the following formulas:

Adjusted OIBDA = Operating income + Depreciation and amortization expense\* - the profit and loss amount that Sony deems non-recurring

Adjusted EBITDA = Net income attributable to Sony Group Corporation's stockholders + Net income attributable to noncontrolling interests + Income taxes + Interest expenses, net, recorded in Financial income and Financial expense - Gain on revaluation of equity instruments, net, recorded in Financial income and Financial expense + Depreciation and amortization expense\* - the profit and loss amount that Sony deems non-recurring

\* In the above formulas, depreciation and amortization expense excludes amortization for film costs and broadcasting rights, as well as for internally developed game content and master recordings included in Content assets.

Adjusted OIBDA and Adjusted EBITDA are not measures in accordance with IFRS. However, Sony believes that these disclosures may be useful information to investors. Adjusted OIBDA and Adjusted EBITDA should be considered in addition to, not as a substitute for, Sony's results in accordance with IFRS.

### 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 and condensed 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 Assurance Inc., and Sony Bank Inc. The results discussed in the Financial Services segment differ from the results that SFGI and SFGI's consolidated subsidiaries disclose separately on a Japanese statutory basis.

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## 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 cyber security 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 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.