SONY

Q3 FY2022 Consolidated Financial Results

(Three months ended December 31, 2022)

February 2, 2023

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.

- Q3 FY2022 Consolidated Financial Results and FY2022 Consolidated Results Forecast
- Segments Outlook

• Today, I will explain the following topics.

Q3 FY2022 Consolidated Results

(Bln Yen)

	Q3 FY21	Q3 FY22	Change
Sales*	3,031.3	**3,412.9**	+381.6 bln yen (+13%)
Operating income	465.2	**428.7**	-36.4 bln yen (-8%)
Income before income taxes	461.6	**398.6**	-63.0 bln yen (-14%)
Net income attributable to Sony Group Corporation's stockholders	346.2	**326.8**	-19.4 bln yen (-6%)
Net income attributable to Sony Group Corporation's stockholders per share of common stock (diluted)	276.65 yen	**263.89 yen**	-12.76 yen
Average Rate			
1 US dollar	113.7 yen	**141.7 yen**	
1 Euro	130.1 yen	**144.2 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 13% compared to the same quarter of the previous fiscal year ("year-on-year") to 3 trillion 412.9 billion yen and consolidated operating income decreased 36.4 billion yen to 428.7 billion yen.

- This operating income result was close to the record high reached in the same quarter of the previous fiscal year which benefitted from the recording of a 70.2 billion yen gain on the transfer of a business in the Pictures segment.

- Income before income taxes decreased by 63.0 billion yen year-on-year to 398.6 billion yen, and net income attributable to Sony Group Corporation's stockholders decreased 19.4 billion yen to 326.8 billion yen.

Q3 FY2022 Results by Segment

(Bln Yen)

Segment		Q3 FY21	Q3 FY22	Change	FX Impact
Game & Network Services (G&NS)	Sales	813.3	**1,246.5**	+433.3	+174.9
	Operating income	92.9	**116.2**	+23.4	-3.2
Music	Sales	295.9	**363.7**	+67.9	+53.9
	Operating income	55.1	**63.0**	+7.8	
Pictures	Sales	461.2	**331.5**	-129.7	+64.6
	Operating income	149.4	**25.4**	-123.9	
Entertainment, Technology & Services (ET&S) *	Sales	686.9	**752.8**	+65.9	+82.7
	Operating income	80.0	**81.1**	+1.1	-3.0
Imaging & Sensing Solutions (I&SS)	Sales	324.8	**417.2**	+92.3	+70.8
	Operating income	64.7	**84.9**	+20.2	+43.7
Financial Services	Revenue	471.3	**359.0**	-112.3	
	Operating income	35.2	**54.3**	+19.1	
All Other	Sales	27.4	**25.1**	-2.4	
	Operating income	8.2	**9.1**	+0.9	
Corporate and elimination	Sales	-49.6	**-83.0**	-33.4	
	Operating income	-20.3	**-5.2**	+15.1	
Consolidated total	Sales	3,031.3	**3,412.9**	+381.6	
	Operating income	465.2	**428.7**	-36.4	

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).

- The results for the quarter by segment are as shown here.

FY2022 Consolidated Results Forecast

(Bln Yen)

	FY21	FY22 November FCT	FY22 February FCT	Change from November FCT
Sales	9,921.5	11,600	**11,500**	-100 bln yen (-1%)
Operating income	1,202.3	1,160	**1,180**	+20 bln yen (+2%)
Income before income taxes	1,117.5	1,120	**1,120**	-
Net income attributable to Sony Group Corporation's stockholders	882.2	840	**870**	+30 bln yen (+4%)
Operating Cash Flow (Sony without Financial Services)	813.3	820	**550**	-270 bln yen (-33%)

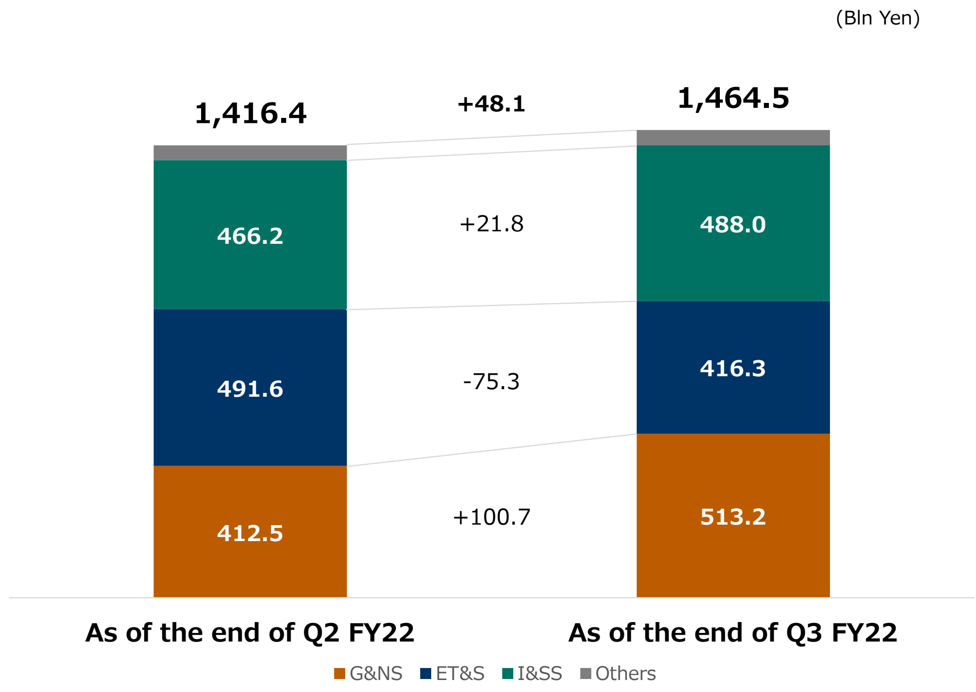
Average rate	Actual	Assumption (Q3-Q4 FY22)	Assumption (Q4 FY22)
1 US dollar	112.3 yen	Approx. 140 yen	Approx. 134 yen
1 Euro	130.5 yen	Approx. 138 yen	Approx. 139 yen

Dividend per Share	
Interim	35 yen
Year-end(Planned)	40 yen
Full year(Planned)	75 yen

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 fiscal year consolidated results forecast.
- The consolidated sales forecast is 11 trillion 500 billion yen, a decrease of 100 billion yen from the previous forecast.
- We have upwardly revised our forecast for operating income 20 billion yen to 1 trillion 180 billion yen.
- On the other hand, the forecast for consolidated operating cash flow excluding the Financial Services segment has decreased 270 billion yen from the previous forecast to 550 billion yen, primarily reflecting a significant increase in working capital.

Inventory Situation



- Now, I will explain our inventory situation which is the primary cause of the increase in working capital.
- Inventories at the end of the current quarter were 1 trillion 464.5 billion yen, an increase of 48.1 billion yen from the end of the previous quarter.
- In the G&NS segment, the increase in inventories of PlayStation 5 (“PS5”), for which production and sales expanded significantly during the quarter, and PlayStation VR2 (“PS VR2”), which is scheduled to be released this month, are notable.
- The primary reason for the increase in working capital was our decision to raise the level of inventory in an effort to ensure that we can achieve our sales plan for the fourth quarter and to maximize the penetration of PS5, considering the continued risks related to the supply chain and logistics for PS5.
- In the ET&S segment, although inventory reduction progressed to a certain level from the end of the previous quarter, we recognize that it is still slightly higher than the appropriate level, and we plan to accelerate further reduction toward the end of the fiscal year.
- In the I&SS segment, we are continuing to manage strategic inventory, paying close attention to inventory quality and carefully balancing inventory risks while maximizing the use of existing capacity and optimizing the timing of capital investment.

FY2022 Results Forecast by Segment

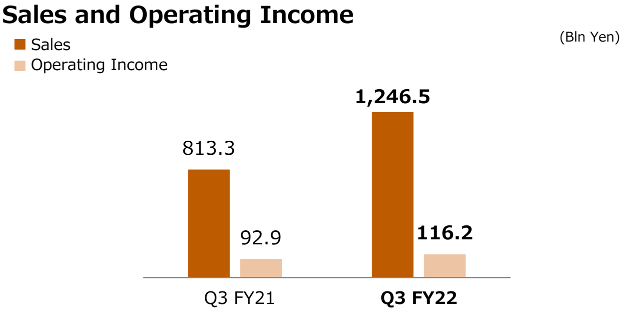
(Bln Yen)

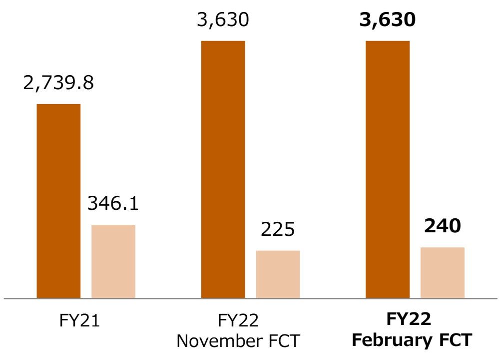
		FY21	FY22 November FCT	FY22 February FCT	Change from November FCT
Game & Network Services (G&NS)	Sales	2,739.8	**3,630**	**3,630**	-
	Operating income	346.1	**225**	**240**	+15
Music	Sales	1,116.9	**1,370**	**1,370**	-
	Operating income	210.9	**265**	**265**	-
Pictures	Sales	1,238.9	**1,450**	**1,400**	-50
	Operating income	217.4	**115**	**115**	-
Entertainment, Technology & Services (ET&S)	Sales	2,339.2	**2,510**	**2,480**	-30
	Operating income	212.9	**180**	**180**	-
Imaging & Sensing Solutions (I&SS)	Sales	1,076.4	**1,440**	**1,420**	-20
	Operating income	155.6	**220**	**220**	-
Financial Services	Revenue	1,533.8	**1,310**	**1,310**	-
	Operating income	150.1	**220**	**220**	-
All Other, Corporate and elimination	Operating income	-90.7	**-65**	**-60**	+5
Consolidated total	Sales	9,921.5	**11,600**	**11,500**	-100
	Operating income	1,202.3	**1,160**	**1,180**	+20

- The forecast for each segment is as shown here.
- Now, let’s move on to an overview of each business.

Game & Network Services Segment (G&NS Segment)

Sales and Operating Income





Q3 FY2022 (year-on-year)

- Sales: 433.3 bln yen (53%) significant increase (FX Impact: +174.9 bln yen)
  - ·(+) Increase in sales of hardware
  - ·(+) Impact of foreign exchange rates
  - ·(+) Increase in sales of first-party titles
- OI: 23.4 bln yen (25%) significant increase (FX Impact: -3.2 bln yen)
  - ·(+) Impact of increase in sales of first-party titles
  - ·(−) Increase in costs
    - ·(−) Provision for expenses related to network business transactions
    - ·(−) Recording of expenses associated with acquisitions, including Bungie, Inc.*1

FY2022 Forecast (change from November forecast)

- Sales: Remains unchanged from November forecast
- OI: 15 bln yen (7%) upward revision
  - ·(+) Positive impact of foreign exchange rates

*1 In Q3 FY22, 18.0 bln yen was recorded as expenses associated with acquisitions completed in Q1-Q3 FY22.

* In the February forecast, Sony has incorporated approximately 57 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.
- FY22 Q3 sales increased a significant 53% year-on-year to 1 trillion 246.5 billion yen, mainly due to increased sales of hardware and the impact of foreign exchange rates.
- Operating income increased a significant 23.4 billion yen year-on-year to 116.2 billion yen, mainly due to the impact of increased sales of first-party software, despite an increase in costs.
- The forecast for FY22 sales is unchanged from the previous forecast.
- We have upwardly revised our operating income forecast to 240 billion yen, an increase of 15 billion yen from the previous forecast.
- Expenses associated with acquisitions for the current fiscal year are expected to be approximately 57 billion yen.

Increase in the Supply of PS5 Hardware and Expansion of Engagement

- 7.1 million units of PS5 hardware were sold during the quarter and the cumulative number of units sold by the end of December exceeded 32 million.

- Based on this result, we have set our sales forecast for the fiscal year at 19 million units. By optimizing our operations, we are exerting every effort to sell as many units as possible to meet the strong demand.

- Due to the penetration of PS5, the percentage of PS5 users in the number of monthly active users ("MAU") in December increased to about 30%.

- Engagement metrics of users who transitioned from PlayStation 4 ("PS4") to PS5, such as their PS Plus subscription rate, gameplay time, and average spending amount are significantly higher than those when they played on PS4, so we will continue to focus on accelerating the transition of PS4 users to PS5.

- In addition, nearly 30% of PS5's MAUs are users who never used PS4, so, with the spread of PS5, the acquisition of new users is progressing.

- Although total game-play time of all PlayStation users during the quarter was down 3% year-on-year, it was up 6% compared to the prior quarter, and it was up 14% in December compared with the prior month. We believe that user engagement is on a recovery trend due to the penetration of PS5 and the contribution of hit titles.

Software Business

- In terms of software for PlayStation, the new title, *God of War Ragnarök*, recorded sales of more than 11 million copies in the first 10 weeks after its release on November 9, making it the fastest-selling first-party title ever.

- Looking ahead to next fiscal year, we have strong titles planned to be released for both first- and third-party, including *Marvel's Spider-Man 2*.

- The sales contribution of PC software is steadily increasing thanks to the roll-out of our popular IP to PCs, such as *Marvel's Spider-Man: Miles Morales* which went on sale in November.

- As for Bungie, pre-orders are steadily increasing for the *Destiny 2: Lightfall* expansion, which is scheduled to be released this month.

PS VR2

To be released on February 22, 2023

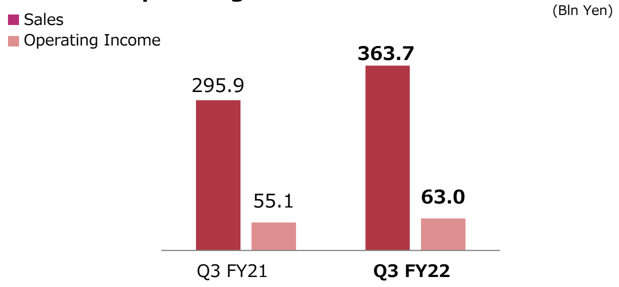
- On the 22nd of this month, PS VR2 will be released worldwide.
- By maximizing next-generation sensing functionality and the performance of PS5, we aim to provide a virtual reality experience like never before.
- In anticipation of the launch, we are preparing a lineup of more than 30 titles, including *Horizon Call of the Mountain*, the latest title in our IP and *Gran Turismo 7*, which will be upgradeable to PS VR2 for free.

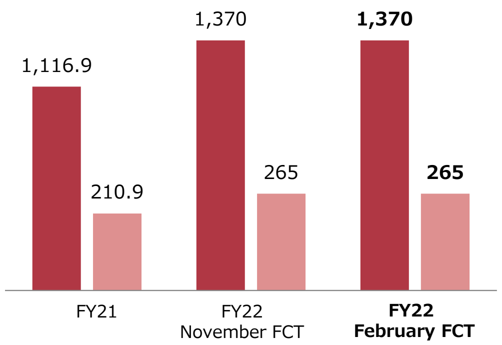
Summary

- In this way, we are seeing steady results from the various measures we have taken in terms of both hardware and software, and we believe that we have created positive momentum to re-accelerate the growth of the game business centered on the expansion of the penetration of PS5.

Music Segment

Sales and Operating Income





Q3 FY2022 (year-on-year)

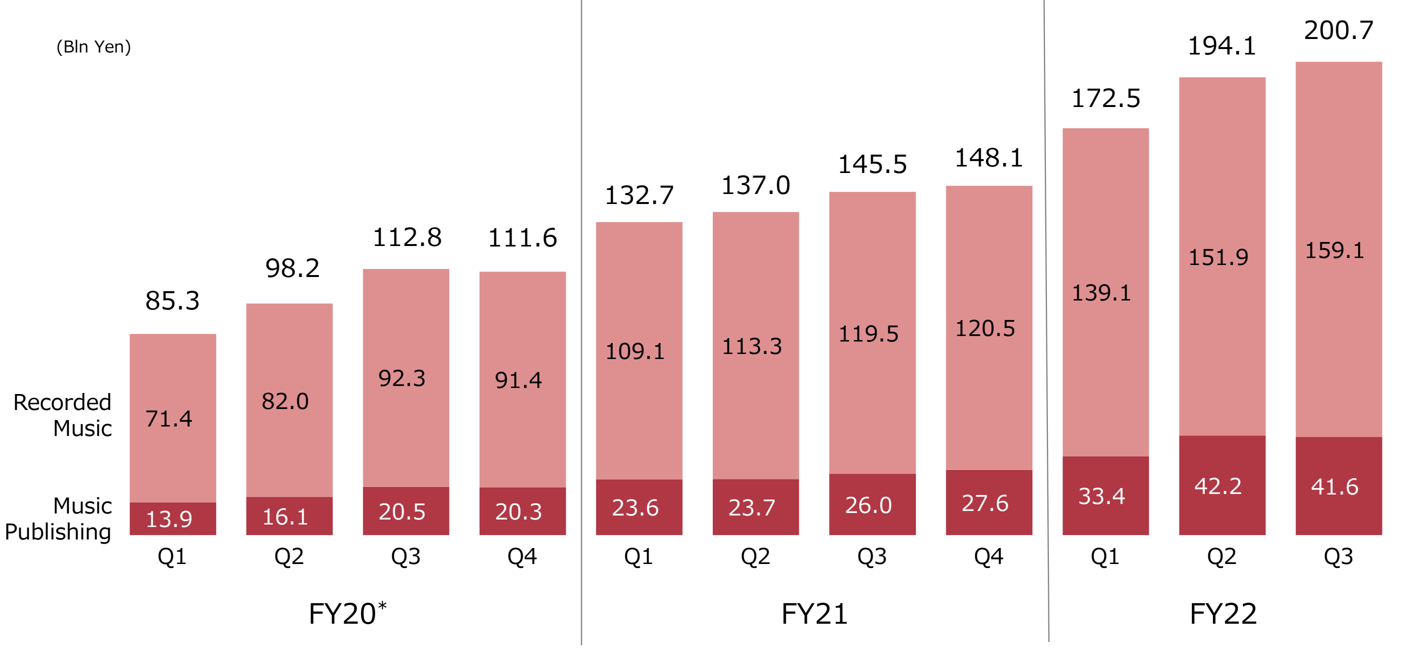
- Sales: 67.9 bln yen (23%) significant increase (FX Impact: +53.9 bln yen)
  - ・(+) Impact of foreign exchange rates
  - ・(+) Higher sales for Recorded Music and Music Publishing from paid subscription streaming services
  - ・(−) Lower sales in the anime business for Visual Media & Platform
- OI: 7.8 bln yen (14%) increase
  - ・(+) Positive impact of foreign exchange rates
  - ・(−) Impact of lower sales for Visual Media & Platform

FY2022 Forecast (change from November forecast)

- Sales / OI: Remain unchanged from November forecast

- Next is the Music segment.
- FY22 Q3 sales increased 23% year-on-year to 363.7 billion yen, mainly due to the impact of foreign exchange rates and an increase in streaming sales.
- Operating income was 63.0 billion yen, an increase of 7.8 billion yen year-on-year.
- The contribution to operating income from Visual Media and Platform accounted for approximately 10 percent of the operating income of the segment for the quarter.
- There is no change from the previous fiscal year forecast.

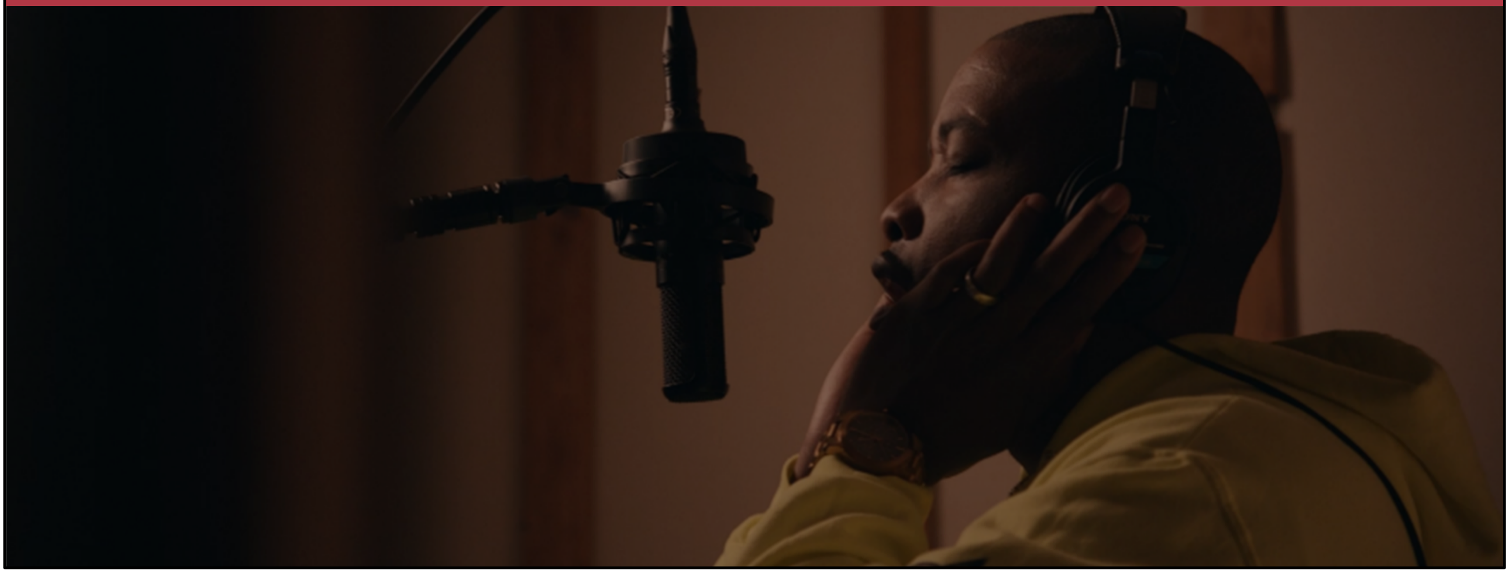
Streaming Revenue Growth



* 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 the quarter continued to grow steadily, with year-on-year increases of 33% for Recorded Music and 60% for Music Publishing, 7% and 28%, respectively, on a U.S. dollar basis.

Q3 FY2022 Highlights



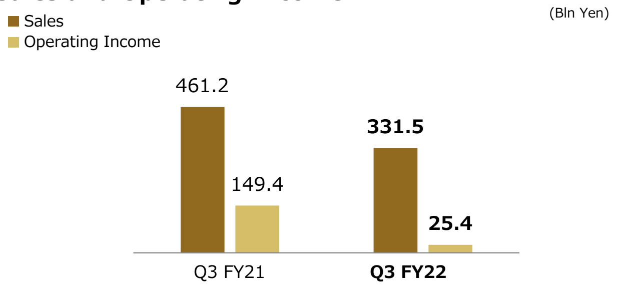
- In Recorded Music, following the first half of the fiscal year during which we had many new hit albums by artists such as Harry Styles and Beyoncé, we continue to generate hits, with an average of 38 songs in Spotify's top 100 weekly global music rankings for the current quarter.

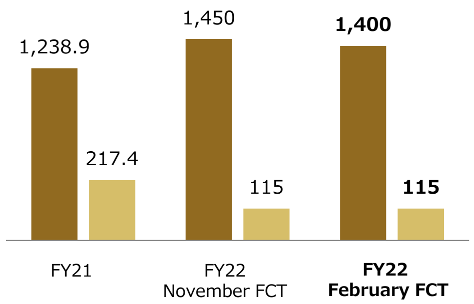
- Among them, singer-songwriter SZA's album, *SOS*, released on December 9, became a big hit, remaining number one on the Billboard 200 chart for a consecutive 7 weeks after its release.

- In Music Publishing, our affiliated song writers participated in all of the top 5 most streamed albums on Spotify in calendar year 2022, and we believe this has further solidified Sony's position as the industry leader.

Pictures Segment

Sales and Operating Income





Q3 FY2022 (year-on-year)

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

- Sales: 129.7 bln yen (28%) significant decrease
  (U.S. dollar basis: -1,715 mil USD / -42%)
  - ·(−) Lower theatrical revenues for Motion Pictures as Q3 FY21 benefitted from several films including *Spider-Man: No Way Home* and *Venom: Let There Be Carnage*
  - ·(−) Lower licensing revenues for Television Productions as Q3 FY21 benefitted from the licensing of *Seinfeld*
  - ·(+) Impact of acquisitions including Bad Wolf and Industrial Media
- OI: 123.9 bln yen (83%) significant decrease
  (U.S. dollar basis: -1,135 mil USD / -86%)
  - ·(−) Absence of gain from the transfer of GSN Games business in Q3 FY21
  - ·(−) Impact of above-mentioned decrease in sales

FY2022 Forecast (change from November forecast)

- Sales: 50 bln yen (3%) downward revision
  - ·(−) Lower-than-expected revenues for Motion Pictures resulting from release date changes for some theatrical releases
  - ·(−) Lower-than-expected revenues for Television Productions due to delays in deliveries of television episodes
  - ·(−) Impact of foreign exchange rates
- OI: Remains unchanged from November forecast
  - ·(+) Lower marketing costs due to the release date changes for some theatrical releases in Motion Pictures
  - ·(−) Impact of decrease in sales

- Next is the Pictures segment.
- FY22 Q3 sales were 331.5 billion, a significant decrease of 28% compared to the same quarter of the previous fiscal year which benefitted from the blockbuster release of *Spider-Man: No Way Home* and a significant licensing agreement for the popular U.S. television series *Seinfeld*.
- Operating income fell a significant 123.9 billion yen to 25.4 billion yen primarily due to the recording of a gain from the transfer of the GSN Games business in the same quarter of the previous fiscal year and the impact of the decrease in sales.
- The FY22 forecast for sales is 1 trillion 400 billion yen, a decrease of 50 billion yen from the previous forecast.
- There is no change from the previous forecast for operating income.

Current State of the Business


- Due to fewer films being released resulting mainly from production delays brought on by the COVID-19 pandemic, box office revenue in the U.S. in calendar year 2022 was about 60% of calendar year 2019.

- Nevertheless, we expect box office revenue to recover to the level it achieved before COVID-19 due to the substantial release of large-scale films starting in March.

- Next fiscal year, Sony plans to release highly-appealing films including the sequel to the Academy Award-winning animation film *Spider-Man: Across the Spider-Verse* and a new film from the Sony Pictures Universe of Marvel Characters, following ones like *Venom.*

- Crunchyroll's paid membership exceeded 10 million as of the end of last calendar year, and its business distributing Japanese anime to theaters overseas is expanding steadily as evidenced by the hit release of *One Piece Film: Red*.

Collaboration between Game and Pictures Businesses

PlayStation™
PRODUCTIONS

Sony Interactive Entertainment

SONY PICTURES

- Following on from *Uncharted*, which recorded box office revenue of more than 400 million U.S. dollars worldwide, more than 10 projects are underway to convert game IP to video including *Gran Turismo* and *God of War.*

- The live-action television drama adaptation of The *Last of Us* began airing on HBO and HBO Max in the U.S. on January 15 and became a big hit with its first episode having reached approximately 22 million viewers domestically since its release.

- Due to this, the game title *The Last of Us Part 2*, released in 2020, returned to the top of Amazon's sales ranking for PS4 software in the U.S., which has had a positive impact on game catalog sales.

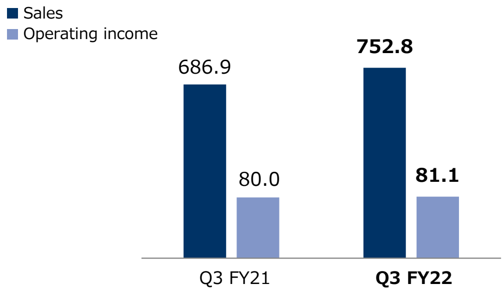
- Moreover, in March, we plan to release the first PC game software using this IP.

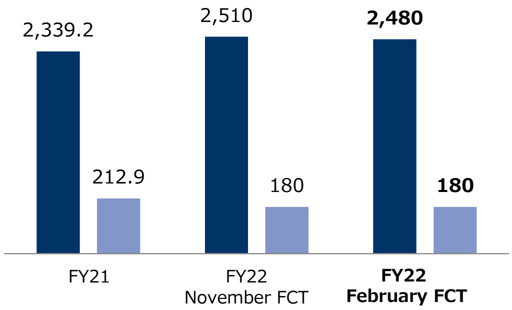
- In this way, we plan to further increase and strengthen the value of our highly-appealing IP through multifaceted exploitation of that IP through collaboration across our businesses.

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

Sales and Operating Income

(Bln Yen)





Q3 FY2022 (year-on-year)

- Sales: 65.9 bln yen (10%) increase (FX Impact: +82.7 bln yen)
  - ·(+) Impact of foreign exchange rates
  - ·(+) Increase in sales of digital cameras due to an increase in unit sales
  - ·(−) Decrease in sales of televisions due to a decrease in unit sales
- OI: 1.1 bln yen (1%) increase (FX Impact: -3.0 bln yen)
  - ·(+) Impact of increase in sales of digital cameras due to an increase in unit sales
  - ·(−) Impact of decrease in sales of televisions due to a decrease in unit sales

FY2022 Forecast (change from November forecast)

- Sales: 30 bln yen (1%) downward revision
  - ·(−) Decrease in sales of televisions due to a decrease in unit sales
- OI: Remains unchanged from November forecast
  - ·(−) Impact of decrease in sales
  - ·(+) Decrease in operating expenses

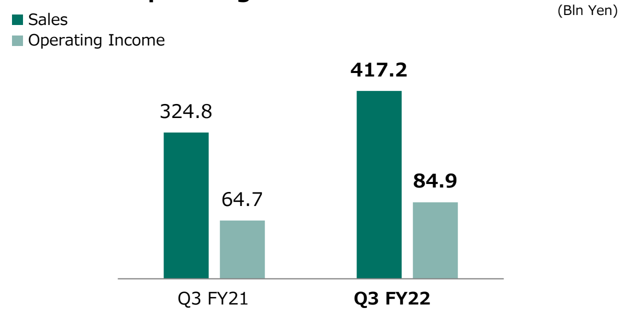
- Next is the Entertainment Technology & Services (ET&S) segment.
- FY22 Q3 sales increased 10% year-on-year to 752.8 billion yen due to foreign exchange rates and increased sales of digital cameras.
- Operating income increased 1.1 billion yen year-on-year to 81.1 billion yen, primarily due to the benefit of the increased sales of digital cameras, despite the impact of decreased sales of televisions.
- The FY22 forecast for sales is 2 trillion 480 billion yen, a decrease of 30 billion yen from the previous forecast.
- There is no change from the previous forecast for operating income.

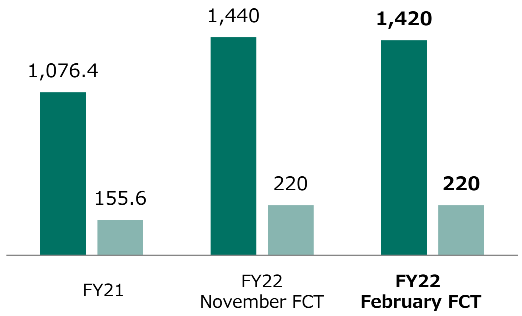
Current State of the Business

- By responding swiftly to market changes and minimizing the impact of the economic slowdown and deterioration of the market environment in certain categories such as TVs, we secured a profit for the entire segment during the quarter that was the same level of the same quarter of the previous fiscal year.
- Regarding interchangeable-lens cameras, although pent-up demand due to product shortages in the previous fiscal year is abating, there has been no noticeable negative impact from the economic slowdown so far, and sales are relatively stable.
- We have been able to control the supply chain disruption caused by the resurgence of COVID-19 in China since the end of last year so that it does not affect sales. We are closely monitoring the situation after the Chinese New Year and are taking necessary action.
- We anticipate that the business environment will become even more severe over the next fiscal year. Therefore, we will revise our sales plan for the fourth quarter even more conservatively and will proceed with business operations with the top priorities being prevention of any negative impact from being carried over into next fiscal year and acceleration of our efforts to further strengthen our business structure.

Imaging & Sensing Solutions Segment (I&SS Segment)

Sales and Operating Income





Q3 FY2022 (year-on-year)

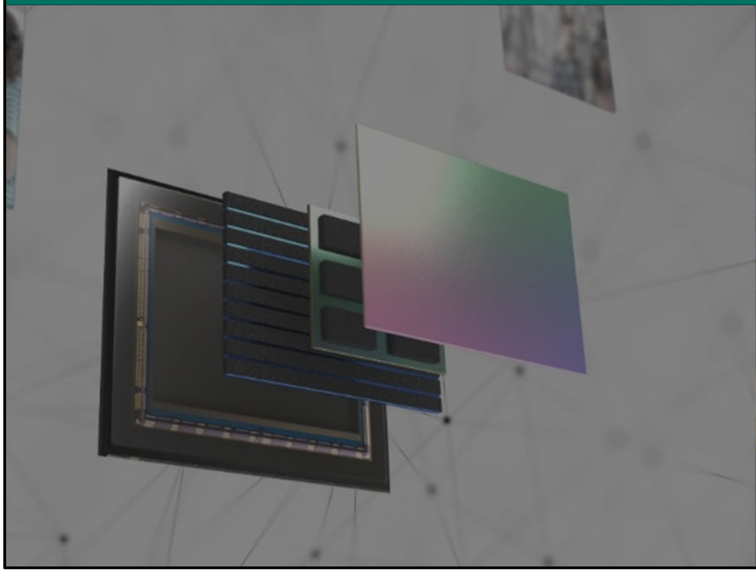
- Sales: 92.3 bln yen (28%) significant increase (FX Impact: +70.8 bln yen)
  - ·(+) Impact of foreign exchange rates
  - ·(+) Increase in sales of image sensors for mobile products
    - ·(+) Improvement in product mix
    - ·(−) Decrease in unit sales
- OI: 20.2 bln yen (31%) significant increase (FX Impact: +43.7 bln yen)
  - ·(+) Positive impact of foreign exchange rates
  - ·(−) Increase in manufacturing costs
  - ·(−) Increase in depreciation and amortization expenses as well as research and development expenses

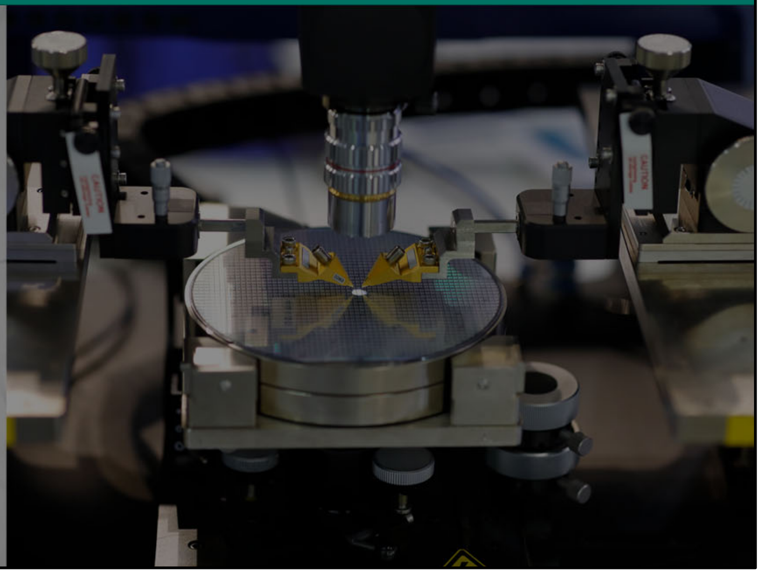
FY2022 Forecast (change from November forecast)

- Sales: 20 bln yen (1%) downward revision
  - ·(−) Decrease in sales of image sensors for mobile products
    - ·(−) Decrease in unit sales
    - ·(+) Improvement in product mix
- OI: Remains unchanged from November forecast
  - ·(−) Impact of decrease in sales
  - ·(+) Decrease in manufacturing costs

- Next is the Imaging & Sensing Solutions (I&SS) segment.
- FY22 Q3 sales increased a significant 28% year-on-year to 417.2 billion yen, mainly due to the impact of foreign exchange rates and an increase in sales of image sensors for mobile products.
- Operating income was 84.9 billion yen, a significant increase of 20.2 billion yen year-on-year, mainly due to the positive impact of foreign exchange rates, despite an increase in costs.
- Both sales and operating income for the current quarter were record highs for this segment.
- The FY22 sales forecast has been decreased 20 billion yen from the previous forecast to 1 trillion 420 billion yen.
- There is no change from the previous forecast for operating income.

Current State of the Business





- The smartphone market continues to be sluggish, centered on mid-range and low-end products in China. Recently, this trend has become partially conspicuous for high-end products as well, but that is largely within the expectations of our previous forecast.

- At present, we assume that the smartphone market will recover moderately starting from the second half of the fiscal year ending March 31, 2024, and we are proceeding with careful verification and assessment in preparation for formulating a business plan for the next fiscal year.

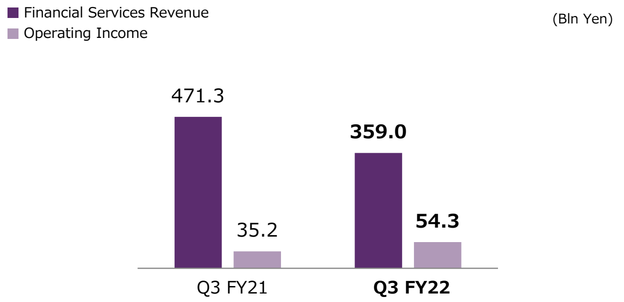
- On the other hand, sales of our large-format, high-definition sensors for flagship models have grown significantly from the previous fiscal year, leading to significant growth in sales of the segment.

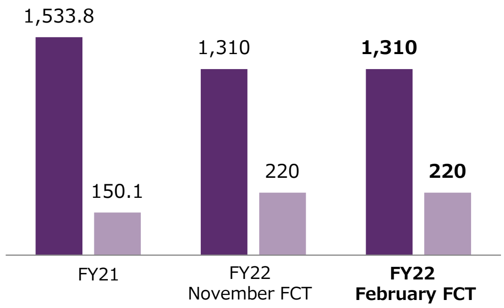
- We believe that the growth in the trend toward larger size, higher image quality, and higher performance mobile sensors is a major achievement in the quarter. Taking this into account, we will continue to consider medium- to long-term investments in increased production capacity to further expand our image sensor market share.

- In the automotive sensor business, we expect to double sales in the current fiscal year compared to the previous fiscal year and we expect sales to continue to grow at a high level from the next fiscal year as well.

Financial Services Segment

Financial Services Revenue and Operating Income





Q3 FY2022 (year-on-year)

- Revenue: 112.3 bln yen (24%) significant decrease
  - ·(−) Significant decrease in revenue at Sony Life (122.0 bln yen decrease, revenue: 303.1 bln yen)
    - ·(−) Deterioration in net gains and losses on investments in the separate accounts
- OI: 19.1 bln yen (54%) significant increase
  - ·(+) Significant increase in OI at Sony Life (16.2 bln yen increase, OI: 47.0 bln yen)
    - ·(+) Reversal of policy reserves due to an increase in interest rates
    - ·(+) Increase in profits due to accumulation of policy amount in force

FY2022 Forecast (change from November forecast)

- Revenue / OI : Remain unchanged from November forecast

- Last is the Financial Services segment.
- FY22 Q3 financial services revenue decreased a significant 24% year-on-year to 359.0 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 increased a significant 19.1 billion yen year-on-year to 54.3 billion yen, primarily due to a reversal of policy reserves at Sony Life resulting from the rise in interest rates during the quarter.
- Sony Life’s new policy amount in force increased 57% year-on-year due to growth in the corporate business and strong sales mainly of the new individual variable annuity SOVANI.
- There is no change from the previous forecast.

- Next fiscal year will be the final year of the fourth mid-range plan, and it will be an important fiscal year where we establish the next mid-range plan.

- I believe that the most important theme in the next mid-range plan is the Sony Group's strategy for further growth beyond the current trough of the economic cycle.

- Next fiscal year, we anticipate that we will need to operate our business in the face of headwinds. While each business will focus on responding quickly and decisively to the challenges it faces, we also will steadily lay the foundation for the future.

- We plan to further evolve the diversity of our businesses and human resources, which are our strengths, enhance the resilience of our business portfolio, and take on the challenge of creating new value in growth markets.

- This concludes my remarks.

Notes

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

The descriptions of sales on a constant currency basis reflect sales calculated by applying the yen's monthly average exchange rates from the same period of the previous fiscal year to local currency-denominated monthly sales in the relevant period of the current fiscal year. For Sony Music Entertainment ("SME") 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.