SONY

Q3 FY2023 Consolidated Financial Results

(Three months ended December 31, 2023)

February 14, 2024

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 FY2023 Consolidated Financial Results and FY2023 Consolidated Results Forecast**
- **Segments Outlook**

- Today, after Ms. Matsuoka and Mr. Hayakawa explain the content shown here, I will summarize the entire earnings briefing.

Q3 FY2023 Consolidated Results

(Bln Yen)

	Q3 FY22	Q3 FY23	Change
Sales*	3,078.3	**3,747.5**	+669.2 (+22%)
Operating income	421.6	**463.3**	+41.8 (+10%)
Income before income taxes	391.4	**458.6**	+67.1 (+17%)
Net income attributable to Sony Group Corporation's stockholders	321.5	**363.9**	+42.4 (+13%)
Net income attributable to Sony Group Corporation's stockholders per share of common stock (diluted)	259.62 yen	**294.82 yen**	+35.20 yen
Adjusted OIBDA	561.5	**628.3**	+66.8 (+12%)
Adjusted EBITDA	529.5	**605.0**	+75.5 (+14%)
Operating Cash Flow (Sony without Financial Services) (nine-month cumulative)	189.7	**618.5**	+428.8 (+226%)
Average Rate			
1 US dollar	141.7 yen	**147.9 yen**	
1 Euro	144.2 yen	**159.0 yen**	

* "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, in lieu of the previously applied IFRS 4 "Insurance Contracts". Figures for FY22 are restated in accordance with IFRS 17 (applies to all following pages).
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.
For further details about Adjusted OIBDA and Adjusted EBITDA including their formulas and reconciliations, see pages 18-24 (applies to all following pages).

- Consolidated sales for the quarter were 3 trillion 747.5 billion yen, a significant increase of 22% compared to the same quarter of the previous fiscal year ("year-on-year"), a record high on a quarterly basis, and consolidated operating income increased 41.8 billion yen year-on-year to 463.3 billion yen, the second highest level on a quarterly basis.

- Net income increased 42.4 billion yen year-on-year to 363.9 billion yen and adjusted EBITDA increased 75.5 billion yen to 605.0 billion yen.

- Nine-month cumulative consolidated operating cash flow excluding the Financial Services segment was 618.5 billion yen.

FY2023 Consolidated Results Forecast

(Bln Yen)

	FY22	FY23 November FCT	FY23 February FCT	Change from November FCT
Sales	10,974.4	12,400	**12,300**	-100 (-1%)
Operating income	1,302.4	1,170	**1,180**	+10 (+1%)
Income before income taxes	1,274.5	1,160	**1,190**	+30 (+3%)
Net income attributable to Sony Group Corporation's stockholders	1,005.3	880	**920**	+40 (+5%)
Adjusted OIBDA	1,816.9	1,785	**1,785**	-
Adjusted EBITDA	1,797.6	1,785	**1,770**	-15 (-1%)
Operating Cash Flow (Sony without Financial Services)	415.5	1,160	**1,080**	-80 (-7%)
Foreign exchange rate	Actual (Average)	Assumption (Q3-Q4 FY2023)	Assumption (Q4 FY2023)	
1 US dollar	135.4 yen	Approx. 142 yen	Approx. 142 yen	
1 Euro	140.9 yen	Approx. 152 yen	Approx. 153 yen	

Dividend per Share	
Interim	40 yen
Year-end (Planned)	45 yen
Full year (Planned)	85 yen

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.

- The full-year consolidated results forecast is for sales to be 12 trillion 300 billion yen, a decrease of 100 billion yen from the previous forecast, for operating income to be 1 trillion 180 billion yen, an increase of 10 billion yen from the previous forecast, and for net income to be 920 billion yen, an increase of 40 billion yen from the previous forecast.

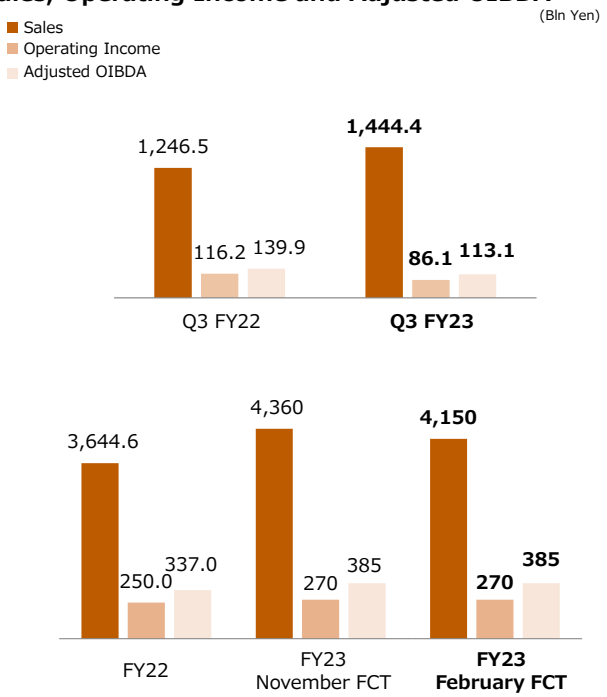
- Adjusted EBITDA is expected to be 1 trillion 770 billion yen, a decrease of 15 billion yen from the previous forecast primarily reflecting the impact of foreign exchange rates on non-operating profit and loss.

- The consolidated operating cash flow forecast excluding the Financial Services segment is expected to be 1 trillion 80 billion yen, a decrease of 80 billion yen from the previous forecast, mainly reflecting an increase in working capital in the G&NS segment.

- Now, I will move on to an overview of each business segment.

Game & Network Services Segment (G&NS Segment)

Sales, Operating Income and Adjusted OIBDA



Q3 FY2023 (year-on-year)

- Sales: 197.9 bln yen (16%) significant increase (FX Impact: +76.0 bln yen)
  - ·(+) Increase in sales of non-first-party titles including add-on content
  - ·(+) Impact of foreign exchange rates
- OI: 30.1 bln yen (26%) significant decrease (FX Impact: +14.6 bln yen) / Adjusted OIBDA: 26.8 bln yen (19%) decrease
  - ·(−) Increase in losses from hardware mainly due to promotions
  - ·(−) Impact of decrease in sales of first-party titles
  - ·(+) Impact of increase in sales of non-first-party titles including add-on content
  - ·(+) Positive impact of foreign exchange rates

FY2023 Forecast (change from November forecast)

- Sales: 210 bln yen (5%) downward revision
  - ·(−) Decrease in sales of hardware resulting from lower unit sales
  - ·(+) Impact of foreign exchange rates
  - ·(+) Increase in sales of non-first-party titles including add-on content
- OI / Adjusted OIBDA: Remain unchanged from November forecast
  - ·(+) Impact of increase in sales of non-first-party titles including add-on content
  - ·(−) Increase in losses from hardware mainly due to promotions

- First is the Game & Network Services ("G&NS") segment.
- FY23 Q3 sales increased a significant 16% year-on-year to 1 trillion 444.4 billion yen, primarily due to increased third-party software sales and the impact of foreign exchange rates.
- Operating income decreased a significant 30.1 billion yen year-on-year to 86.1 billion yen, primarily due to a deterioration in the profitability of PlayStation 5 ("PS5") hardware mainly due to promotions and adjusted OIBDA decreased 26.8 billion yen to 113.1 billion yen.
- The full-year forecast is for sales to be 4 trillion 150 billion yen, a decrease of 210 billion yen from the previous forecast, and operating income and adjusted OIBDA to be unchanged.
- Inventory-related reserves that were additionally recorded in the current quarter mainly due to an increase in inventory resulting from a decline in PS5 unit sales in the current quarter are expected to be recorded as a recovery gain in the fourth quarter due to a decrease in inventory.
- As a result, there is no impact on our full-year operating income forecast, but there is an expected shift in profit of approximately 30 billion yen from the current quarter to the fourth quarter.

Current State of the Business

- PS5 hardware unit sales in the quarter were 8.2 million units, which fell short of the target to hit our annual shipment target of 25 million units, but was a record high number of quarterly unit sales for PS5, and PS5 cumulative sales have exceeded 50 million units.

- Due to the impact of the increasing popularity of PS5 and third-party free-to-play hit titles, key user engagement metrics increased significantly with monthly active users for all of PlayStation in December reaching a record high of 123 million accounts and total game play time for the quarter increasing 13% year-on-year.

- Based on the results for this quarter, PS5 unit sales for this fiscal year are expected to be around 21 million units.

- Regarding first-party software, the cumulative sales of *Marvel's Spider-Man 2*, which was released last October, exceeded 10 million copies as of February 4, and the *Marvel's Spider-Man* game series has now sold-through over 50 million units including sales from PC.

- The game is our second blockbuster hit in two years following *God of War Ragnarök*, which was released in the same period last year, and is making a major contribution to profits.

- Regarding network services, despite the impact of a slight year-on-year decrease in the number of PlayStation Plus subscribers, revenue increased 11% year-on-year, mainly due to the impacts of a further shift to premium services and price revisions.

Outlook for Next Fiscal Year (compared to the current fiscal year)

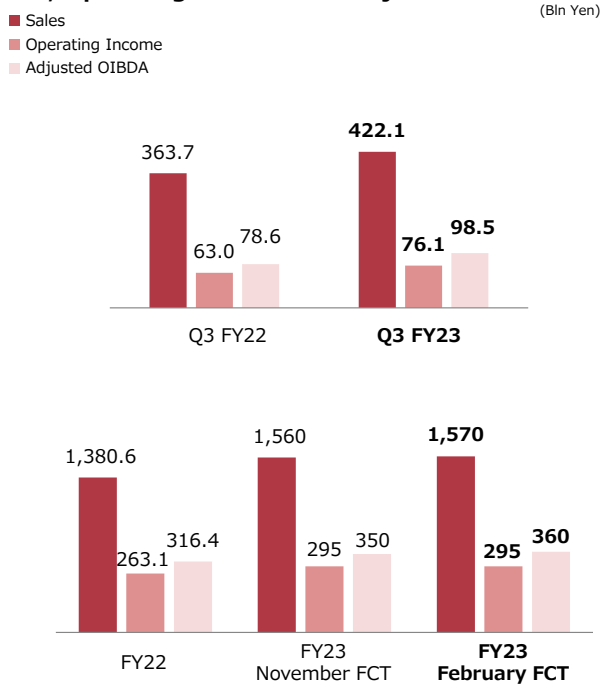
PS5 Hardware unit sales	Gradual decline
Software sales	Decrease, with no plan for release of major franchise titles
Burden of acquisition-related costs	Easing
First-party software profit	Slight decrease
Third-party software sales	Gradual expansion
Network Services revenue	Gradual expansion

- Now, I would like to explain our current view on the outlook for this segment next fiscal year.
- Regarding the PS5 hardware, which will enter its fifth year since launch, partially due to its entering the latter half of the console cycle, we aim to optimize sales with a greater emphasis on the balance with profits, so we anticipate a gradual decline in unit sales from next fiscal year onwards.
- We expect third-party software sales to continue to expand gradually due to the expansion of the PS5 installed base and the high level of user engagement.
- In network services, we expect subscribers to be on par with this fiscal year or slightly less due to the impact of price revisions we implemented in this fiscal year, but we expect sales to gradually expand due to a shift to attractive premium services.
- Regarding first-party software, we aim to continue to focus on producing high-quality works and developing live service games, but, while major projects are currently under development, we do not plan to release any new major existing franchise titles next fiscal year like *God of War Ragnarök* and *Marvel's Spider-Man*.
- Although the burden of acquisition-related costs will ease next fiscal year, we expect profit from first-party software to decrease slightly from this fiscal year due to the impact of the decrease in sales.
- Based on this, operating income for next fiscal year is currently expected to increase slightly from this fiscal year. However, while this is our base-line, we are reviewing measures for further improvement in profitability in advance of the annual financial results announcement this May.

Music Segment

Sales, Operating Income and Adjusted OIBDA

(Bln Yen)



Q3 FY2023 (year-on-year)

- Sales: 58.4 bln yen (16%) significant increase (FX Impact: +13.9 bln yen)
  - ・(+) Higher sales for Recorded Music and Music Publishing from paid subscription streaming services
  - ・(+) Higher revenues for merchandise, license and other sales in Recorded Music
  - ・(+) Impact of foreign exchange rates
- OI: 13.1 bln yen (21%) significant increase
  / Adjusted OIBDA: 19.9 bln yen (25%) significant increase
  - ・(+) Impact of increase in Recorded Music and Music Publishing sales
  - ・(−) Increase in selling, general and administrative expenses

FY2023 Forecast (change from November forecast)

- Sales: 10 bln yen (1%) upward revision
  - ・(+) Impact of foreign exchange rates
- OI: Remains unchanged from November forecast
  / Adjusted OIBDA: 10 bln yen (3%) upward revision
  - ・(+) Improvement in profitability
  - ・(−) Increase in depreciation and amortization expenses*

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

- Next is the Music segment.
- FY23 Q3 sales increased 16% year-on-year to 422.1 billion yen and operating income increased 13.1 billion yen to 76.1 billion yen, both significant increases.
- Adjusted OIBDA increased 19.9 billion yen year-on-year to 98.5 billion yen.
- Streaming revenue for the quarter on a U.S. dollar basis continued to grow, increasing 12% for Recorded Music and 17% for Music Publishing.
- Profit contribution from Visual Media and Platform was a mid-single digits percentage of the operating income of the segment.
- The FY23 forecast is for sales to increase 10 billion yen from the previous forecast to 1 trillion 570 billion yen, operating income to be unchanged and adjusted OIBDA to increase 10 billion yen to 360 billion yen.

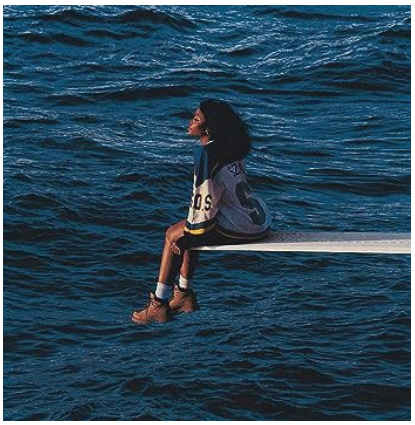
Revenue Opportunities Through Music Catalogs

- In recent years, the expansion of the streaming market has greatly expanded the revenue opportunities and asset value of music catalogs that have been released for a certain period of time.
- During the quarter, the total streams of five of our holiday song catalogs by our artists exceeded 1 billion in the U.S.
- Mariah Carey's album *"Merry Christmas*," ranked in the top ten of SME's (Sony Music Entertainment) album sales for the quarter, 29 years after it was released.
- In Music Publishing, the use of catalogs synchronized with images such as background music for movies and advertisements is also an important source of revenue.
- To date, we have established a strong foundation that we expect will contribute to achieving stable revenue and expanding our market share in the music business by acquiring the publishing rights to the large catalog works held by EMI Music Publishing and the catalogs of industry-leading artists such as Bruce Springsteen and Paul Simon.
- Moreover, depending on the rights for each catalog, we plan to expand opportunities to use the music and are working to create new revenue such as in the artist merchandise and event promotion areas.

The 66th Grammy Awards

Miley Cyrus
Record of the Year
Best Pop Solo Performance

Victoria Monét
Best New Artist

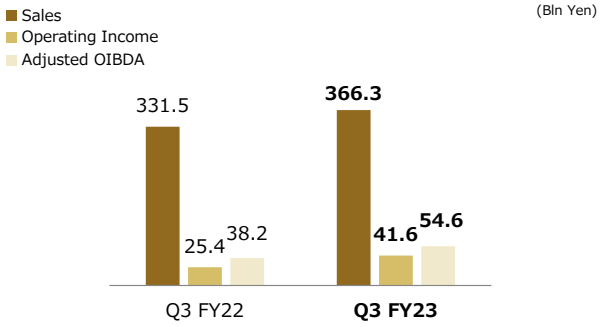


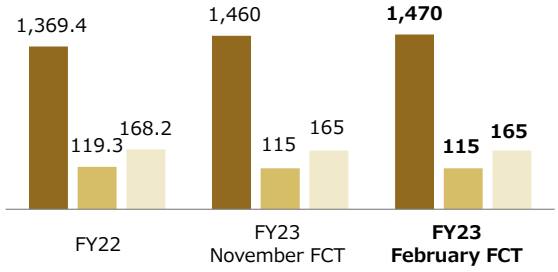
SZA
Best R&B Song
Best Progressive R&B Album
Best Pop Duo/Group Performance

- Of the four major awards presented at the 66th Grammy Awards on February 5, Miley Cyrus won Record of the Year and Victoria Monet won Best New Artist.
- Sony Music Group artists and songwriters won awards in multiple other categories including SZA, who was nominated in nine categories, the most of any artist this year, and won in three of them.

Pictures Segment

Sales, Operating Income and Adjusted OIBDA





Q3 FY2023 (year-on-year)

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

- Sales: 34.8 bln yen (10%) significant increase
  (U.S. dollar basis: +125 mil USD / +5%)
  - ·(+) Increase in television and digital streaming licensing revenues as well as home entertainment sales, mainly due to contribution of theatrical releases in FY23
  - ·(+) Increase in revenues for Crunchyroll due to paid subscriber growth
  - ·(−) Decrease in theatrical revenues
- OI: 16.2 bln yen (64%) significant increase
  (U.S. dollar basis: +102 mil USD / +57%)
  / Adjusted OIBDA: 16.3 bln yen (43%) significant increase
  (U.S. dollar basis: +99 mil USD / +37%)
  - ·(+) Impact of increase in sales

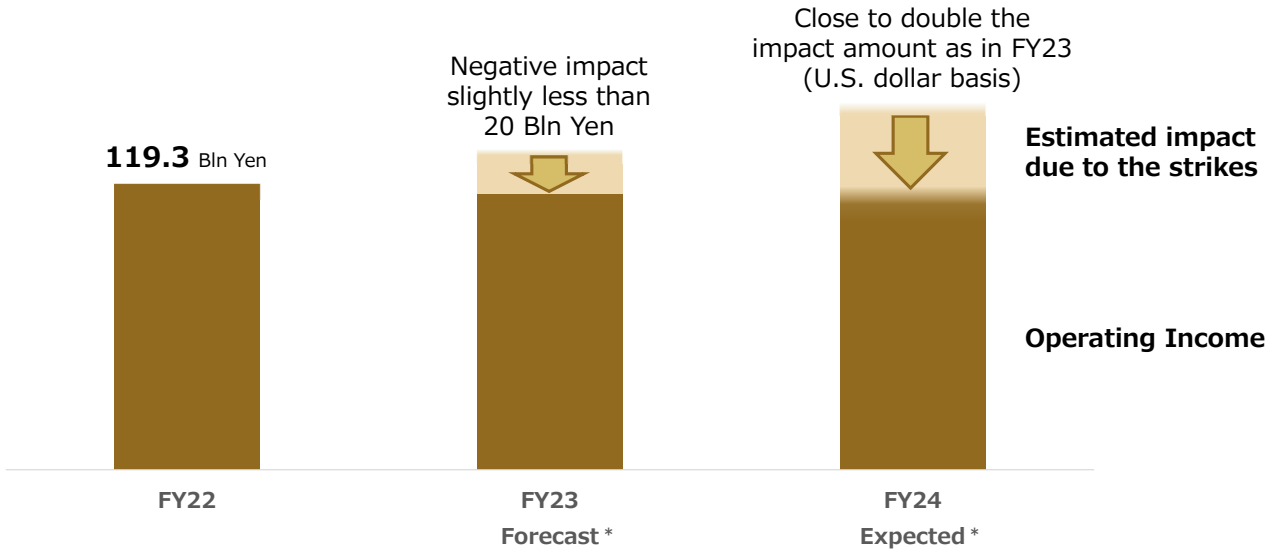
FY2023 Forecast (change from November forecast)

- Sales: 10 bln yen (1%) upward revision
  - ·(+) Impact of foreign exchange rates
- OI / Adjusted OIBDA: Remain unchanged from November forecast

- Next is the Pictures segment.
- In the current quarter, sales increased by 10% year-on-year to 366.3 billion yen, and operating income increased significantly 16.2 billion yen year-on-year to 41.6 billion yen, mainly due to increases in television and digital streaming licensing revenues and home entertainment sales in Motion Pictures.
- Adjusted OIBDA increased 16.3 billion yen year-on-year to 54.6 billion yen.
- The FY23 forecast is for sales to increase 10 billion yen from the previous forecast to 1 trillion 470 billion yen and for operating income and adjusted OIBDA to be unchanged.

Impact of Strikes

Pictures Segment Operating Income



*As of February 2024

- Although the Hollywood strikes have finally ended, delays in script development have caused continued changes in movie release schedules and delays in the delivery of television shows. As a result, we estimate the impact of the strikes on profits in the current fiscal year to be a little less than 20 billion yen.

- Next fiscal year, in addition to continued delays in releases, it is expected that digital streaming licensing and other revenues will decline due to a decrease in the number of films released this fiscal year, so the negative impact on profits due to the strikes is expected to reach its peak and the amount of such impact on a U.S. dollar basis is expected to be slightly less than twice as much as in the current fiscal year.

Current State of the Business

- On the other hand, the paying subscribers of Crunchyroll, which is driving growth in this segment, exceeded 13 million as of the end of December last year and have expanded at an average pace of 23% a year since we acquired the business in August 2021.

- In addition to continuing to provide appealing anime content to core fans, we are focusing on measures to broaden the anime fan base and deepen engagement by collaborating with external partners such as Amazon, expanding the service into growth markets such as Brazil, India, and Southeast Asia, and further expanding in business areas such as theatrical distribution of anime movies and e-commerce.

- Amortization costs associated with the acquisition are expected to decrease significantly from next fiscal year onwards, and we expect this to further contribute to profit in this segment.

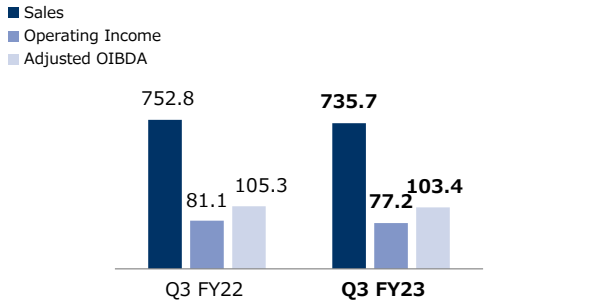
Outlook for Next Fiscal Year

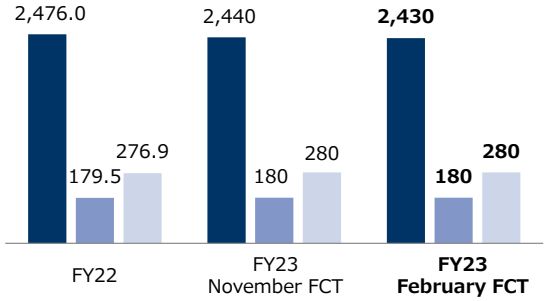
- For the next fiscal year, despite the challenging environment where the impact from the strikes on profitability is expected to increase, we are aiming for a level of operating income that exceeds the current fiscal year as we intend to further grow our Crunchyroll business, develop and produce content all over the world, enhance theatrical distribution by distributing films from third-party studios, and maintain our strong focus on cost control.

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

Sales, Operating Income and Adjusted OIBDA

(Bln Yen)





Q3 FY2023 (year-on-year)

- Sales: 17.1 bln yen (2%) decrease (FX Impact: +27.3 bln yen)
  - ·(−) Decrease in sales of televisions resulting from lower unit sales
  - ·(+) Impact of foreign exchange rates
- OI: 3.9 bln yen (5%) decrease (FX Impact: +8.0 bln yen) / Adjusted OIBDA: 1.9 bln yen (2%) decrease
  - ·(−) Impact of lower unit sales of televisions
  - ·(+) Positive impact of foreign exchange rates

FY2023 Forecast (change from November forecast)

- Sales: 10 bln yen (0%) downward revision
  - ·(−) Decrease in sales of televisions resulting from lower unit sales
  - ·(+) Impact of foreign exchange rates
- OI / Adjusted OIBDA: Remain unchanged from November forecast
  - ·(−) Impact of lower unit sales of televisions
  - ·(+) Reductions in operating expenses

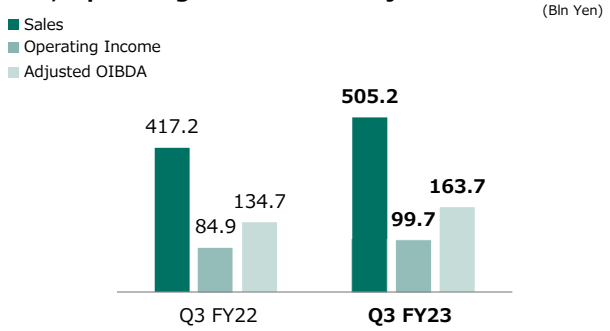
- Next is the Entertainment, Technology & Services segment.
- FY23 Q3 sales decreased 2% year-on-year to 735.7 billion yen, mainly due to lower sales of televisions, and operating income decreased 3.9 billion yen to 77.2 billion yen and adjusted OIBDA was 103.4 billion yen, down 1.9 billion yen.
- The FY23 forecast is for sales to decrease 10 billion yen from our previous forecast to 2 trillion 430 billion yen, and for operating income and adjusted OIBDA to be unchanged.

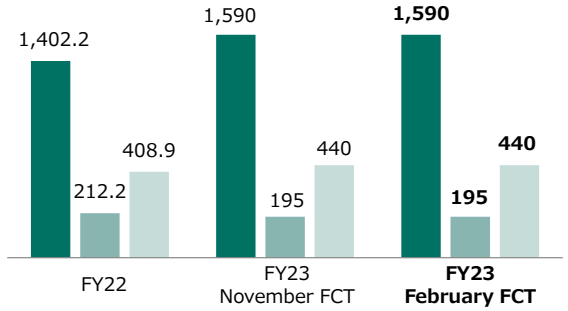
Current State of the Business

- Looking at the overall year-end selling season, the season generally proceeded as expected.
- In the North American market, there was no sign of a major decline in demand, as had been expected, and sales were relatively steady.
- In the Chinese market, while demand for televisions fell sharply, demand for digital cameras was higher than expected, and overall performance was roughly in-line with expectations.
- Furthermore, as a result of careful production and sales control, the overall inventory level in the segment at the end of December, was significantly reduced to 341.3 billion yen, a 18% decrease year-on-year.
- Regarding televisions in the fourth quarter, we plan to further reduce inventory and reduce costs based on the results of the year-end selling season. Regarding digital cameras and interchangeable lenses, we aim to continue to expand our business, including through the introduction of new products to the market.

Imaging & Sensing Solutions Segment (I&SS Segment)

Sales, Operating Income and Adjusted OIBDA





Q3 FY2023 (year-on-year)

- Sales: 88.0 bln yen (21%) significant increase (FX Impact: +19.6 bln yen)
  - ·(+) Increase in sales of image sensors for mobile products
    - ·(+) Increase in unit sales
    - ·(+) Improvement in product mix
  - ·(+) Impact of foreign exchange rates
- OI: 14.9 bln yen (18%) increase (FX Impact: +13.1 bln yen) / Adjusted OIBDA: 29.0 bln yen (22%) significant increase
  - ·(+) Impact of increase in sales
  - ·(+) Positive impact of foreign exchange rates
  - ·(−) Increase in depreciation and amortization expenses*
  - ·(−) Increase in costs associated with the launch of mass production of a new image sensor for mobile products

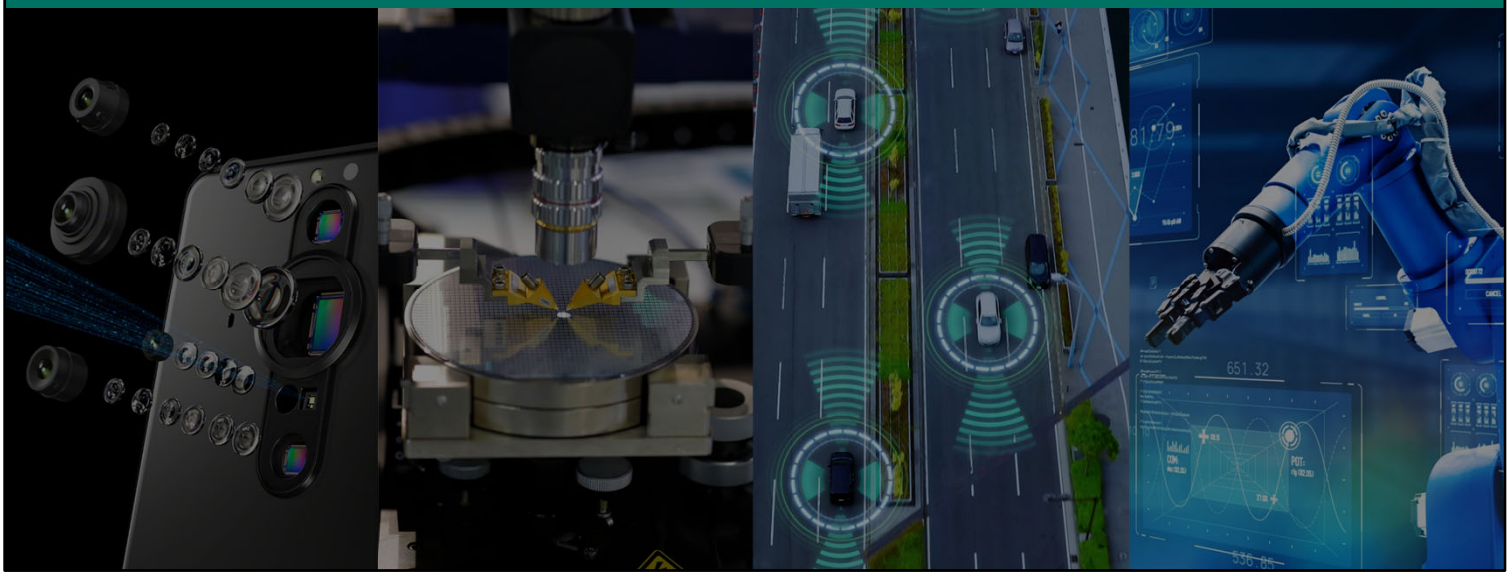
FY2023 Forecast (change from November forecast)

- Sales: Remains unchanged from November forecast
  - ·(+) Impact of foreign exchange rates
  - ·(−) Decrease in sales in businesses other than image sensors
- OI / Adjusted OIBDA: Remain unchanged from November forecast
  - ·(+) Positive impact of foreign exchange rates
  - ·(−) Increase in costs
  - ·(−) Impact of decrease in sales

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

- Next is the Imaging & Sensing Solutions segment.
- FY23 sales for the quarter increased significantly 21% year-on-year to 505.2 billion yen primarily due to an increase in sales of image sensors for mobile, and operating income increased 14.9 billion yen to 99.7 billion yen, both new record highs for the segment.
- Adjusted OIBDA increased 29.0 billion yen year-on-year to 163.7 billion yen.
- The FY23 forecast is unchanged from the previous forecast.

Current State of the Business



- We believe that the smartphone product market, which has continued to experience negative growth compared to the last calendar year, has hit the bottom in the current quarter, but the North American market is still showing declines compared to the last calendar year, and there is still uncertainty in the outlook.

- During the quarter, sales increased significantly year-on-year primarily due to a recovery of the smartphone product market and the introduction of large-sized sensors for high-end products.

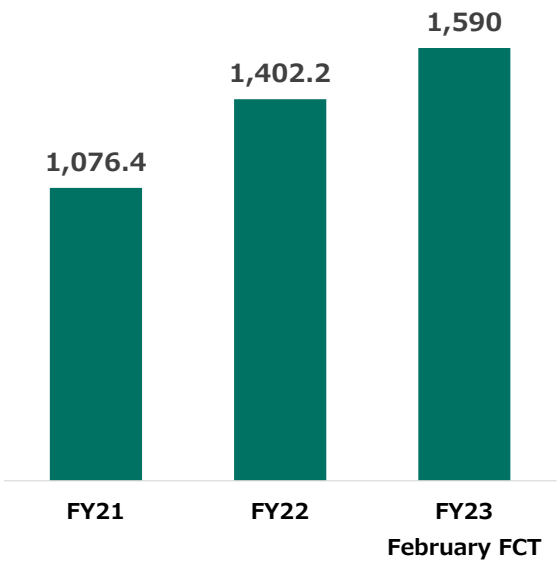
- Nevertheless, we plan to continue to operate our business cautiously for the time being while continuing to monitor product market trends and inventory status.

- The yield rate of mobile sensors, which is the most important issue for the current fiscal year, is progressing, following the improvement curve assumed in the previous forecast, and the impact on profitability has not changed from the previous forecast.

- Regarding the sensor business other than mobile sensors, the delay in recovery in the sensor market for industrial and social infrastructure has become particularly noticeable, so we plan to proceed with production adjustments and improve inventory in the fourth quarter.

Outlook for Next Fiscal Year and Beyond

I&SS Segment Sales Trend (Bln Yen)



Average annual sales growth rate forecast (FY21 → FY23)

Yen basis: +22%

U.S. Dollar basis: +8%*

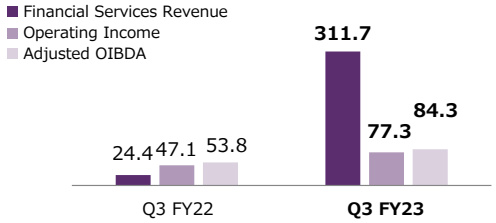
*Reference value calculated by translating quarterly sales in yen at the quarterly average rate.

- Sales in the segment during the current mid-range plan are expected to grow significantly by an average of 22% per year on a yen basis and 8% on a U.S. dollar basis.
- We have been able to steadily transition our mobile sensors to becoming larger and more value-added, and we believe that we will be able to continue to grow our business in the period of the next mid-range plan.
- On the other hand, at a time when sales are not increasing as planned, primarily due to the market environment, we recognize that the significant increase in manufacturing costs, mainly due to capital expenditures, and production operation losses such as those brought on by a deterioration in yield, are issues that need to be addressed in order to further improve profitability going forward.
- Regarding image sensor capital expenditures in the period of the next mid-range plan, we plan to leverage the production capacity and strategic inventory we have built-up ahead of time and to optimize new investment.

Financial Services Segment

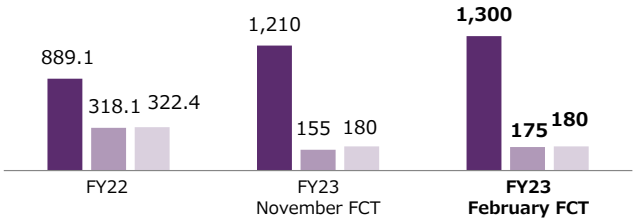
Financial Services Revenue, Operating Income and Adjusted OIBDA

(Bln Yen)



Sony Life Operating Income Breakdown

	Q3 FY22	Q3 FY23
Insurance service result*1	42.1	**46.4**
Other*2	-2.5	**25.3**
Total	39.6	**71.7**



Sony Life Operating Income Breakdown

	FY22	FY23 November FCT	FY23 February FCT
Insurance service result*1	159.9	185	**185**
Other*2	110.0	-65	**-65**
Total	269.9	120	**120**

Q3 FY2023 (year-on-year)

- Revenue: 287.3 bln yen (1,177%) significant increase
  - ·(+) Significant increase in revenue at Sony Life (279.7 bln yen increase, revenue: 249.0 bln yen)
  - ·(+) Improvement in net gains and losses on investments related to market fluctuations for both the general account and the separate accounts
- OI: 30.2 bln yen (64%) significant increase / Adjusted OIBDA: 30.5 bln yen (57%) significant increase
  - ・(+) Significant increase in OI at Sony Life (32.1 bln yen increase, OI: 71.7 bln yen)
  - ・(+) Improvement in net gains and losses related to market fluctuations for variable life insurance and other products

FY2023 Forecast (change from November forecast)

- Revenue: 90 bln yen (7%) upward revision
  - ・(+) Increase in net gains on investment in the separate accounts at Sony Life
- OI: 20 bln yen (13%) upward revision / Adjusted OIBDA: Remains unchanged from November forecast
  - ・(+) Recording of a gain from the transfer of a portion of shares of Sony Payment Services Inc. in Q4 FY23*3

*1 Insurance service result = Insurance revenue – Insurance service expenses

*2 Other = Other financial services revenue – Insurance finance expenses (income) – Other financial services expense
"Other" corresponds to the total of Investment result and Other result in "Supplemental Information". Although "Other" was presented as "Other profit and loss" in the presentation slide used in Sony's Q1 FY23 Earning Announcement and Q2 FY23 Earnings Announcement, it will be presented as "Other" starting from our Q3 FY23 Earnings Announcement.

*3 Factor for change in operating income only, not included in factors for change in Adjusted OIBDA.

- Lastly, there is the Financial Services segment.
- For the current quarter, mainly due to the impact of market fluctuations on Sony Life, financial services revenue increased 287.3 billion yen year-on-year to 311.7 billion yen, and operating income increased 30.2 billion yen to 77.3 billion yen, both significant increases.
- Adjusted OIBDA increased 30.5 billion yen year-on-year to 84.3 billion yen.
- Sony Life's cumulative new policy amount in force during the nine months ended December 31, 2023 continued to grow steadily, increasing 22% year-on-year to 7.3 trillion yen.
- FY23 financial services revenue is expected to increase 90 billion yen from our previous forecast to 1 trillion 300 billion yen and operating income is expected to increase 20 billion yen from the previous forecast to 175 billion yen, reflecting the recording of a gain mainly from the transfer of a portion of the shares of Sony Payment Services Inc. by Sony Bank.
- Adjusted OIBDA is unchanged from the previous forecast.
- Please note that this forecast incorporates costs associated with profit-quality improvement measures at Sony Life going forward. Excluding the recording of the gain mainly from the transfer I just mentioned, we have made no change to our previous forecast.

Outlook for Next Fiscal Year and Beyond

- Finally, I would like to speak about the main points regarding the forecast for this fiscal year and the outlook for each business in next fiscal year and beyond.
- Regarding the outlook for the current fiscal year, consolidated operating income for the quarter reached a level approaching the record high level achieved in the third quarter of the fiscal year ended March 31, 2022, and I think we have created good momentum toward completing the current mid-range plan.
- Looking ahead to next fiscal year, in the G&NS segment, we expect operating income to slightly increase from the current fiscal year as the gradual growth in third-party software and network services due to the expansion of the PS5 installed base offsets a decrease in profit from first-party software.
- In the Pictures segment, although the impact of the strikes is expected to peak next fiscal year, we are aiming for a level of operating income that exceeds the current fiscal year mainly due to the expected growth of Crunchyroll, development of our global production and thorough control of costs.
- In the I&SS segment, we expect moderate sales growth due to a recovery of the smartphone market as well as an increase in the size and value add of mobile sensors, which we have been promoting to date. Regarding image sensor capital expenditure during the period of the next mid-range plan, we currently assume that we will be able to keep it to approximately 70% to 80% of the current mid-range plan period by taking full advantage of our existing production facilities and strategic inventory.
- In the Financial Services segment, we were able to obtain approval for the corporate restructuring plan for a partial spin-off under the Act on Strengthening Industrial Competitiveness of Japan. Based on this approval, we are working in earnest to prepare for the spin-off and listing of the shares of Sony Financial Group Inc. in October 2025.
- That’s all for the explanation.

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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.

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 developments relating to the situations in Ukraine and Russia and in the Middle East 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.