A Creative Entertainment Company with a Solid Foundation of Technology
Purpose

Fill the world with emotion, through the power of creativity and technology.
Values

Dreams & Curiosity
Pioneer the future with dreams and curiosity.

Diversity
Pursue the creation of the very best by harnessing diversity and varying viewpoints.

Integrity & Sincerity
Earn the trust for the Sony brand through ethical and responsible conduct.

Sustainability
Fulfill our stakeholder responsibilities through disciplined business practices.
Evolution of the Sony Group
Centered Around Creativity

Kenichiro Yoshida
Representative Corporate Executive Officer,
Chairman, President and CEO
Management with a Long-Term View Based on Our Purpose

Our Purpose is to “fill the world with emotion, through the power of creativity and technology,” and our Corporate Direction is “getting closer to people”: the creators who create Kando and the users who experience it, as well as our employees who drive our businesses forward under our shared Purpose.

Sony today is the result of a consistent managerial effort focused on Kando and people that began with our first mid-range plan in FY2012.

Six Business Segments with Origins in Creativity

Sony has six business segments, all of which start with creativity. For the four years since I became CEO in 2018, we have been continuously investing in the growth of these segments, and we plan to continue active investment in content IP, direct-to-consumer (DTC) businesses, and technology.

Over the four years since FY2018, Sony has made strategic investments of more than ¥1 trillion in three of our businesses – Game & Network Services, Music, and Pictures – including the acquisition of EMI Music Publishing in 2018, which is in the content IP area and, thus, close to creators. We also acquired Crunchyroll in 2021, which is in the DTC services area, where we connect directly to users. These three businesses have been growing continuously over the past decade, supporting creators and delivering their creations to users. The growth in these fields will play a vital role in building Sony’s corporate value going forward. In FY2021, the combined sales of these three segments exceeded half of consolidated Sony sales for the first time, while their operating income accounted for two-thirds of consolidated operating income.

Game & Network Services (G&NS)

In G&NS, we are enhancing the creation of IP and DTC services. To create IP, we plan to continue collaborations and partnerships with third-party studios while simultaneously putting effort into reinforcing the production capabilities of our own PlayStation Studios. The segment reports over ¥1.8 trillion in sales from DTC services due primarily to the expansion of the PlayStation®5 (PS5™) platform, which was introduced in 2020, and we are working to further grow the PlayStation™Network (PSN), which has over 100 million2 active users per month. We have substantially revamped the PlayStation®Plus (PS Plus) subscription service, and we are putting more effort into intra-Group collaborations, particularly with the Pictures and Music segments. Bungie, Inc., which has strength in live service games, joined the Sony Group in July, 2022. Going forward, we plan to expand our reach to multiple platforms beyond PlayStation® by rolling out live games and first-party titles on PCs and mobile devices.

1. G&NS sales via network for FY2021
2. As of March 2022

Music

In Music, we are aiming to become the company that is closest to artists and songwriters, providing them with support from the creative side. In the music market, which has been growing since 2014 thanks to the expansion of streaming services, the primary growth forces, aside from the major labels, are independent labels, independent artists, and diversifying distribution partners. In addition to enhancing services for independent labels through The Orchard, we are offering more support to independent artists via AWAL, which we acquired in May 2021. To strengthen relationships with artists in specific regions, we acquired Som Livre of Brazil in March 2022, started a new label in India, and are investing in artists in Africa. We provide our artists and creators with comprehensive support for all aspects of their careers, including wellness and counseling services, and a robust suite of payment/royalty management and insight tools, among other initiatives. In our business, we collaborate with distribution partners, as well as a range of platforms across areas like social media, games, and fitness, so that we can provide more opportunities for artists.

Pictures

In the Pictures segment as well, support for creators and the creation and delivery of content IP are the core of our strategy. In Motion Pictures, our policy is to prioritize theatrical releases since theaters enhance the sensation of being present in the
story in real time. We also find that this approach strongly motivates creators to come and work with us. The theatrical release of Spider-Man: No Way Home earned the third-largest cumulative box-office revenue record in U.S. history, and Morbius, released this past April, also did well, proving the high value of content based on Marvel characters and increasing our determination to further expand the world of the Sony Pictures Universe of Marvel characters. We are also putting effort into inter-business collaboration to build content value. A case in point is the success of the film Uncharted, based on a PlayStation® title, which earned the third-largest box-office revenue in U.S. history among game-based films. Going forward, we plan to apply game IP to various media genres, including motion pictures and TV programs. As for digital streaming, we are increasing collaborations with many distribution partners, taking advantage of our position as an independent studio. While there are many communities of interest in the world, Sony focuses on delivering content directly in specific areas. A good example is anime, which spans several of our business segments and represents IP that we expect to expand in a multi-directional manner. In March 2022, we merged the Crunchyroll and Funimation services, affording a broader content lineup enabling us to enhance our anime DTC services. We also value culture-specific DTC services rooted in regional communities, and are working to further accelerate digital service businesses such as in the rapidly-growing Indian market. This illustrates Sony’s long-term vision of directly connecting with 1 billion people, so that we can better learn from users and get closer to their desires for specific entertainment choices.

3. As of June, 2022

Next, I would like to touch on our initiatives in the Entertainment, Technology & Services (ET&S) and Imaging & Sensing Solutions (I&SS) businesses, which provide technology, products and services to create and experience Kando content. At the core of this area are our electronics products and CMOS image sensors. Meanwhile, through our Financial Services business we provide people with peace of mind, a prerequisite for Kando.

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

In ET&S, we plan to continue to focus on television and audio products as a means of delivering Kando, and to capitalize on our strength in using technology and services that support creators. To better deliver Kando, we recently introduced the earbuds LinkBuds series, which offer the new experience of overlaying online sound on the sound of the surrounding offline world. User reviews of the product have been very positive. As for technology that supports creators, one example is Virtual Production. By combining camera and display technologies like the VENICE digital cinema camera and the Crystal LED display, which faithfully reproduces images of the physical world, and real-time image-processing technology, we are fusing the virtual and physical domains, setting creators free of time and space constraints and greatly enhancing freedom of expression.

**Imaging & Sensing Solutions (I&SS)**

Smartphone mobile devices have turned users around the world into creators. CMOS image sensors, a primary component of these devices, are the core product in our
I&SS segment. We have invested approximately ¥1 trillion in this field over the last four years, mainly in equipment to strengthen capacity for image sensor production in Japan, and we hold the leading share of the continuously growing image sensor market. Meanwhile, as a growth field for the future we are building a solutions business employing automotive image sensors and other technology for safe mobility, as well as intelligent vision sensors with AI processing.

Financial Services
We made the Financial Services business a wholly-owned subsidiary, investing approximately ¥400 billion in 2020. I said previously that all of Sony’s six businesses originate in creativity. Sony Life’s Lifeplanner sales specialists are creators that actualize people’s needs for peace of mind. Using Sony technology, we provide convenience in daily life and support through financial services to over 8 million customers in life insurance, non-life insurance, banking and other areas.

Becoming the Brand Chosen by Creators
In this way, all six of our business segments are centered around creativity. While the way in which content is delivered changes over time and with the evolution of technology, we believe that creativity generates Kando, and that this will continue to be the case in the future. Consequently, at Sony we are focused on the creators of Kando and the users that enjoy their creations, and strive to be chosen as their most-favored brand worldwide.

Initiatives in Kando Spaces, Our Future Growth Field
We are exploring fields that can become growth centers in terms of creation and delivery of Kando. Among those fields, we are putting special focus on the metaverse and mobility.

Metaverse
The means for delivering Kando are continually evolving. The current mainstay, entertainment over the internet, is broadly diversifying too, from downloading and streaming to more social, interactive experiences. Against a backdrop of technological progress, the experience of entertainment over the network is evolving into live experiences where time and space are shared with others. When people are connected in a live networked space, derived from game technology centered on real-time CG rendering, the result is an intersection of various genres, including games, movies, music and anime.

In this way, Sony considers the metaverse simultaneously a social space and a live network space, where various forms of entertainment intersect and expand. In creating this new value, we are leveraging our unique strengths. On top of that, in social and live services, which are important in the metaverse, Sony is embracing the challenge of creating and delivering Kando spaces alongside partners with extensive...
knowledge and experience in these areas. In games, we plan to enhance live service games by learning from Bungie. We also plan to launch more than ten live service games from PlayStation Studios by FY2025. In sports entertainment, in collaboration with Manchester City Football Club, we are reproducing the stadium and athletes in a networked space and developing new experiences. As for music, we are working to create new live entertainment experiences, such as virtual concerts and virtual space projects, using our volumetric capture technology.

Mobility
By developing the Walkman®, Sony created a new lifestyle in which people could take audio with them and enjoy it anywhere. Now, we are working to turn the mobility space into a new entertainment space.

The combination of mobility with information and communication technology will make the 1 billion vehicles operating on streets worldwide into services over the long term. In other words, the functions of the vehicles will be defined by software and updated through services.

There are three areas where Sony can contribute with this structural change in mind: safety, made possible by technology such as CMOS image sensors and SPAD depth sensors for LiDAR; entertainment, which transforms the mobility space into a Kando space; and adaptability, where we can apply our knowledge of cloud services to support the evolution of the vehicle.

Through research and development for our VISION-S electric vehicle announced in 2020, we realized that to contribute to the evolution of mobility we need to commercialize the vehicle and present it to the world, but we cannot do this on our own. To address this challenge, we signed a Memorandum of Understanding with Honda Motor Co., Ltd. in March 2022 to form a strategic alliance, and in June the same year signed a joint venture agreement to establish a new corporation, Sony Honda Mobility Inc., to offer high-value-added electric vehicles and mobility services. By applying Honda's development expertise in mobility, and the technology and knowledge in vehicle production it has built over decades, to the three areas where Sony can contribute, we plan to begin selling a jointly-developed electric vehicle in 2025.

Technology to Support Growth
To enable Sony to continue growing and embracing challenges, we are focusing particularly on AI and sensing technology. Sensing technology that captures the physical world and AI technology that allows learning from that world are becoming more important than ever, playing a vital role in ADAS for safe mobility, and in the audio-visual and entertainment fields where Sony has been engaged for many years.

Earlier, I introduced our initiatives in Virtual Production as an example of technology that supports creators. A technology that allows us to get closer to people, on the other hand, is PlayStation®VR2 (PS VR2), our next-generation virtual-reality (VR) system. VR is a key aspect of the live networked space that enables people in the physical realm to enter virtual space. Other examples of technologies that leverage our sensing and AI technology include the Gran Turismo Sophy™ AI racing agent, which enhances the value of experiences in the game space, and aibo, which grows by exercising its innate curiosity and interacting with people.

People, Society and the Earth: Our Responsibility and Contribution
Sony will continue to focus on management centered around Kando. For creators to produce Kando content and for users to enjoy it, it is necessary to create a society...
in which everyone can live with peace of mind in a healthy global environment. We believe it is important for us to fulfill our responsibility to society and the environment, and to contribute through our technologies and businesses. Recent examples of our efforts in relation to this responsibility include our climate change initiatives, our use of recycled plastics, and development of packaging that is conducive to recycling. In terms of our Road to Zero environmental plan, which we have been pursuing since 2010 to achieve a zero environmental footprint, we are accelerating our target of achieving carbon neutrality across the Sony Group by ten years, from 2050 to 2040, and have also moved up our target for achieving 100% renewable energy in our own operations by ten years, from 2040 to 2030.

In terms of our contribution, examples include our development of new environmentally conscious materials, the Synecoculture™ initiative, and our project to protect the earth by supporting environmental monitoring using AI and sensing technology.

Corporate Culture Based on Our Purpose

For Sony to continue creating value, it is essential that our Purpose is shared among our approximately 110,000 diverse Group employees.

I consider our Purpose to represent a promise to our employees, and a call to walk together on the path towards Kando creation, which is the reason for Sony’s existence within society. As we invest in various companies and talent, the Group’s corporate culture becomes even more vital. At Sony, our Purpose is now becoming established as our corporate culture, which I believe reinforces our capacity to create value and is directly linked to increasing our corporate value in the long term. I feel our Purpose is resonating across the Group because it is consistent with our management direction, and is becoming the established starting point when we think about business strategy.

Please look forward to Sony continuing to create new value based on our Purpose: to “fill the world with emotion.”
Special Feature: Increasing Content Value and Creating New Entertainment Experiences in *Kando* Spaces

Sony is working to increase the value of content it creates by getting closer to creators and users, primarily through three entertainment businesses – Game, Music and Pictures – while promoting the creation of new entertainment experiences in the *Kando* space as exploration for the future.

To increase the value of its content, Sony supports the work of creators who build *Kando*, strengthen our capacity to both forge content IP, through strategies like pro-active investment, and develop it on multiple fronts through collaborations among Sony Group businesses.

From the standpoint of communities of interest, in which diverse users and creators share *Kando* experiences and interests, Sony is enhancing its DTC model to directly connect with and deliver content to users.

Moreover, to create new *Kando* spaces, Sony is promoting initiatives in the metaverse and mobility as areas for future growth, making the most of its capabilities in sensing, AI and other technologies.

The metaverse, a live networking space built on shared time and space with integrated social elements, offers opportunities to leverage Sony’s strengths in diverse businesses and technologies to create new entertainment experiences.

As for mobility, Sony is actively exploring this sphere in line with its vision of evolving mobility spaces into entertainment spaces. To ensure sustainable growth in this area, Sony will take on the challenge of contribution to the evolution of mobility while striving to provide new customer experiences and value.

### Maximizing Value by Developing Content IP in Other Domains

#### Example 1: Uncharted

In 2019, PlayStation Productions was established to produce film and TV adaptations of PlayStation® game titles. A collaborative effort between Sony Interactive Entertainment (SIE) and Sony Pictures Entertainment (SPE), it aims to build the value of Sony content.

PlayStation Productions collaborated closely with SPE and video game developer Naughty Dog to debut their first film in February 2022, *Uncharted*. The film, starring Tom Holland and Mark Wahlberg, has since made over 148 million USD in the U.S. and 256 million USD internationally, for a worldwide total of 404 million USD as of June 2022. It currently stands as the 3rd highest-grossing video game adaptation in the U.S. and the 4th highest-grossing video game adaptation worldwide. Enjoying tremendous support from fans around the world, it has become a new franchise for SPE.

The *UNCHARTED* game series is an outstanding, cinematic action-adventure experience. The game series’ stunning locations, combat sequences and great characters made it a natural fit for film adaptation. The film adaptation was written as a new story featuring the world and characters of the *UNCHARTED* series, rather than an outright adaptation of the series’ story. This represents a good example of creators enhancing content value by taking advantage of Sony’s library of rich IP.

#### From PlayStation Productions

Sony’s approach relies on hiring talented filmmakers and trusting them to apply their creativity and vision when adapting Sony game IP. There is no set formula for success, but by combining a story and characters that have already proven to resonate with millions of fans, with the strong creative vision of a filmmaker, there is great potential for making magic.

Because many PlayStation® game IPs have titles marked by impressive stories and characters, they are considered highly adaptable to film and TV. By collaborating with SPE, we endeavor to create films and TV series that can be enjoyed by gamers and film fans alike.

Asad Qizilbash
Head of PlayStation Productions
The success of the Uncharted film kicked off Sony’s expansion in game IP value. PlayStation Productions currently has nine other projects in the works, including film adaptations Ghost of Tsushima and Gran Turismo, and TV series based on The Last of Us and Twisted Metal. Going forward, it will continue to pursue efforts to increase content value.

Example 2: Demon Slayer: Kimetsu no Yaiba
Aniplex, part of the Sony Music Group (Japan), adapted the graphic novel series Demon Slayer: Kimetsu no Yaiba for TV anime, which led to the theatrical release of Demon Slayer - Kimetsu no Yaiba - The Movie: Mugen Train. The film drew record box-office revenue as of May 2021 for a Japanese release, and worldwide it pulled over 40 million people into theaters, grossing over ¥50 billion. With a theme song by a Sony Music artist, it carried the popularity momentum forward into a video package, a console game, and another hit TV series. Having decided to produce a TV anime out of the Demon Slayer: Kimetsu no Yaiba Swordsmith Village Arc, Sony continues working to build its IP value.

To enhance DTC services by getting closer to users and learning from them, in 2017 SPE acquired Funimation, which mainly distributes and streams Japanese anime abroad, and in conjunction with Aniplex has been strengthening its services as a film-music joint venture. In August 2021, Sony Pictures also completed the acquisition of Crunchyroll, a DTC anime service provider in the U.S., with over 5 million subscribers to video-on-demand services. Crunchyroll is a pioneer in anime-streaming services, offering ad-based video-on-demand, mobile games, events and merchandise to more than 120 million registered users in over 200 countries and territories. The acquisition expands the streaming networks available for Funimation, Crunchyroll and their content partners, and increases opportunities for anime fans worldwide to experience anime, as well as for immensely talented creators to furnish excellent content. In March 2022, SPE integrated the Funimation and Crunchyroll services to focus on creating customer experiences through providing engaging content via unified anime subscriptions.

Over the past year, the teams of Crunchyroll and Funimation have come together focused singularly on bringing fans the ultimate anime experience. We have fused 1,000 global employees across two companies who are passionate about anime, and are now translating that passion into a 360-degree experience for fans through streaming, theatrical releases, games, events, publishing and home entertainment — all under the Crunchyroll brand. Fans, licensors, partners and the media have all responded positively to the direction we are heading in. We are only just getting started on accelerating the growth of anime worldwide.

Rahul Purini
Crunchyroll President
As part of its work to apply technologies to expand communities of interest in sports, music, and other entertainment fields, Sony signed a partnership agreement with Manchester City Football Club in November 2021. Their joint initiatives have begun to create a new generation of fan communities online that will help maximize fan engagement. Combining the technology of Sony Group firms and the global IP of Manchester City, Sony is working to fuse virtual and physical spaces, for which it develops attractive new content that helps Manchester City fans worldwide feel closer to the club. It is also conducting a proof of concept to establish a new fan community. Specifically, Sony plans to virtually recreate Manchester City’s home, the Etihad Stadium, in the metaverse as a forum for experiential value creation, where fans can socialize as they share their feelings of loyalty to the players and team. In terms of technology, it is making the most of the SkeleTRACK tracking system from Hawk-Eye Innovations Ltd., which became a Sony Group company in 2011. By analyzing the motion of players and balls, and reproducing high-definition imagery in real time, it is possible to develop new content that connects the physical and virtual domains. Sony is also exploring ways to develop new services by combining SkeleTRACK-collected data with graphics technology. By integrating cutting-edge Sony technology with Manchester City’s knowledge and experience in sports and fan engagement, Sony plans to create a new live networking community in which fans from all over the world can gather to interact with other fans, share time and space together, and explore their diverse passions.

From a Representative of the New Business Exploration Division

Sony has various advanced sensing technologies, and can utilize sensing data to create new value in collaboration with professionals in many industries and markets. One such partner, Manchester City, has an immense global fan base and closely analyzes fan engagement data. Learning from its findings and knowledge, Sony uses the data collected from tracked athletes and virtual spaces to strengthen fan engagement for the club. In this way it hopes the Virtual Etihad Stadium can be accessible by all fans together beyond times when games are actually happening. For the future, it is also considering partnerships with other clubs and broader applications of sensing technology to other media, like music and anime.

Hawk-Eye’s Tracking Systems

Hawk-Eye’s officiating services lead the sports industry, and are currently used in 25 sports at over 500 venues in over 90 countries worldwide. Their flagship optical tracking system, SkeleTRACK, acquires and analyzes data collected by tracking players and ball movement, which, when combined with their HawkVISION system, can generate 3D images that virtually reproduce the action in real time. SkeleTRACK is unique in its capacity to generate a skeletal model of each player. This allows for detailed analysis of the direction and center of gravity of each player’s body shift, as well as specific movement, which is then visualized through HawkVISION and used to review athletes’ performance and to entertain fans. Sony and Hawk-Eye are working to create new user experiences and exploring avenues to monetize the collected data, as well as to apply that data to video games and other media content.
VISION-S prototype, an SUV (VISION-S 02). VISION-S was developed around three concepts: safety, entertainment, and adaptability. The vehicle is equipped with 40 sensors, including CMOS image sensors and ToF sensors both inside and outside the vehicle, to provide advanced driving assistance, while network connectivity enables the vehicle to continuously evolve. Additionally, as a new space for entertainment, VISION-S offers in-cabin experiences of 360 Reality Audio, games and digital video services.

Understanding that commercial operation is vital to the evolution of mobility experiences, Sony established the operating company Sony Mobility Inc. in April 2022. The new company develops EV service platforms without owning many assets, and we intend to focus on collaboration with partners to leverage their assets. Sony has been collaborating with many partners, and in March 2022, we signed a memorandum of understanding with Honda Motor Co., Ltd. on a strategic alliance to jointly develop and sell electric vehicles and provide mobility services. In June 2022, Sony and Honda signed joint venture agreement to establish new company, "Sony Honda Mobility Inc." The new company is planned to begin the sale of EVs and provision of services for mobility in 2025. To support the earnings structure, we are also considering the introduction of a subscription system through service platform, on top of hardware sales.

By making the most of our AI and robotics technology, Sony relentlessly pursues possibility in mobility experiences, to offer diverse, revolutionary solutions.

As an initiative to contribute to the evolution of mobility, Sony exhibited a prototype of the VISION-S electric vehicle (VISION-S 01) in January 2020 at CES. We believe the next megatrend to follow mobile communication will be mobility, and that the definition of the automobile is about to undergo a major change. The evolution of mobility will cause shifts in lifestyles and society, helping to resolve social and environmental issues by promoting the transition to electric vehicles, service-oriented businesses and smart grids. With its strengths of creativity and technology, Sony is fully embracing the challenge of redefining mobility.

Since the VISION-S project began in 2018, we have been stepping up efforts, including prototype production and verification, testing on public roads, and verification tests of onboard 5G communication during high-speed driving. Our learnings from these exploratory experiences, as well as from collaborations with our partners, have been immense. At CES in January 2022, Sony exhibited its second VISION-S prototype, an SUV (VISION-S 02). VISION-S was developed around three concepts: safety, entertainment, and adaptability. The vehicle is equipped with 40 sensors, including CMOS image sensors and ToF sensors both inside and outside the vehicle, to provide advanced driving assistance, while network connectivity enables the vehicle to continuously evolve. Additionally, as a new space for entertainment, VISION-S offers in-cabin experiences of 360 Reality Audio, games and digital video services.
## Value Creation Model

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<th>Sony’s Purpose</th>
<th>Identity</th>
<th>Corporate Direction</th>
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<td>Purpose explains the reason for our existence, for Sony Group employees to work together along the same vector and create value from a long-term perspective; in other words, why we exist.</td>
<td>Identity expresses how we want to be perceived from the outside; in other words, who we are.</td>
<td>Corporate Direction sets out where we are headed.</td>
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Sony’s Purpose, to “fill the world with emotion, through the power of creativity and technology,” defines why Sony exists, and guides the 110,000 Sony Group employees along the same vector to create value from a long-term perspective. Based on this Purpose, Sony presents its Identity to the world as a “creative entertainment company with a solid foundation of technology.” Its Identity and Purpose are two sides of the same coin. Finally, Sony’s Corporate Direction is “getting closer to people,” specifically creators, employees and users.

Based on these foundations, Sony pursues management centered on people and Kando over the long term through six business segments: G&NS, Music, Pictures, ET&S, I&SS, and Financial Services. Sony designates creativity, technology and diversity of employees and businesses as drivers for value creation, which are essential to evolve and grow diverse businesses, promote collaboration, and create new value.

Through its businesses, Sony creates and delivers
Value Creation Model

**Key Drivers**

Key Drivers are the essential elements to realize value creation

- Creativity
- Technology
- Diversity

**Value Creation**

Value Created for people, society and the planet through diverse businesses

1. Enriching people’s hearts through the delivery of emotional experiences
2. Helping creators realize their dreams
3. Contributing to society through the delivery of safety, health and reliability

Connecting people through shared Kando requires a healthy planet and a society that allows everyone to live with peace of mind. This is why Sony prioritizes its responsibility to society and the environment, and works to make contributions through its technologies and businesses. Among the various sustainability challenges we face, Sony focuses on climate change; diversity, equity and inclusion; respect for human rights; and technology for sustainability, considering them the most important and influential factors in the creation of value*.

*For the most significant material topics related to sustainability, please refer to page 30.
Value Creation

Purpose

Fill the world with emotion, through the power of creativity and technology.

Value Creation

1. Enriching people’s hearts through the delivery of emotional experiences
2. Helping creators realize their dreams
3. Contributing to society through the delivery of safety, health and reliability

Sony manages diverse businesses with the aim of sustainably creating value with people at the core, thereby serving our Purpose to “fill the world with emotion, through the power of creativity and technology,” under our Corporate Direction of “getting closer to people.”

In pursuing our Purpose, Sony’s value creation through our businesses can be roughly divided into categories based on three perspectives: users, creators, and the society in which people live.

Examples from FY2021

- **G&NS**: Release of new gaming content and experiences through PSS™, including the highly anticipated first-party title Horizon Forbidden West
- **Music**: Continuous production of music creating emotion (In 2021, SMP had a significant interest in 8 out of 10 songs on Spotify’s year-end ‘Top Global Tracks’ chart, ‘Best Hip-Hop Songs’ chart, and ‘Best Pop Songs’ chart)
- **Pictures**: Provision of joy and excitement through global content such as Spider-Man: No Way Home, the renowned television series The Crown, and leading anime programming at Crunchyroll
- **ET&S**: Launch of LinkBuds: truly wireless earbuds enable new fused online-offline audio experiences
- **I&SS**: Development of world’s first 2-layer transistor pixel technology, supporting higher-quality smartphone images

In addition to generating content that moves people’s hearts, Sony’s content businesses, including the Games, Music and Pictures businesses, and our DTC businesses, create communities where users can gather together and share creative experiences. Sony’s Entertainment, Technology & Services businesses pursue technologies that offer “Reality,” “Real-time” and “Remote” to develop and provide environments for enjoying high-quality content and communication in order for people to be connected through emotion. The Imaging & Sensing Solution business provides key devices for smartphones used by people around the world to share emotions.
Helping creators realize their dreams

Sony crafts environments where creators can fully express their creativity and fulfill their potential by providing platforms, technologies and expertise, in addition to discovering, nurturing, and producing creators, and supporting Sony artists from all directions. Sony delivers the resulting content to move people’s hearts around the world across a variety of domains, including Games, Music and Pictures. Sony continues to contribute to maximizing the value of creators’ time through its electronic products, technologies and services that enable creators to express their vision, as well as providing remote solutions for content production and live events.

Examples from FY2021

- **G&NS**: Accelerated investment in content creators through studio acquisitions, including Bungie, Haven Studios, Firesprite, Housemarque, Bluepoint, Nixxes, and Valkyrie Entertainment
- **Music**: Strengthening of support of activities of independent artists through acquisition of AWAL/Kobalt Neighbouring Rights (investment amount: 430 million USD)
- **Pictures**: Support for diverse talent and works from various backgrounds (creation of the Creative Diversity Fund, Diverse Writers and Directors Program, and increased diversity of content)
- **ET&S**: Expansion of Virtual Production business through Crystal LED and digital cinema cameras
- **I&SS**: Global offering of image sensors supporting smartphones, digital cinema cameras, and digital interchangeable-lens cameras

Contributing to society through the delivery of safety, health and reliability

Sony helps to create a society in which people can enjoy daily lives filled with emotion through its businesses that support people with safety, health and reliability. Sony aims to contribute to automobile safety and a better future for mobility with its CMOS image sensors and automotive-sensor technologies, while Sony’s medical business aims to contribute to public health through applications in the fields of imaging, display and mechatronics technologies that we have cultivated over many years. In the Financial Services business, Sony focuses on providing customers with a sense of safety and assurance through pertinent advice, products and services that leverage a variety of information sources, while improving access to our services and promoting innovation for greater convenience in daily life.

Examples from FY2021

- **ET&S**: Expanding sales of ID7000™ Spectral Cell Analyzer, streamlined multicolor cell analysis with more than 44 colors
- **I&SS**: Commercialization of stacked SPAD depth sensor for automotive LiDAR
- **Financial Services**: Renewal of unique remote consulting systems (Sony Life)
- **ET&S**: Development of CGX10 Cell Isolation System, contributing to cell therapy advances
- **I&SS**: Free distribution of GOOD DRIVE app to help reduce traffic accidents (Sony Assurance)
- **ET&S**: Offered special mortgage rates for environmentally-conscious homes (Sony Bank)
Key Drivers for Creating Value

- Creativity
- Technology
- Diversity

Under Sony’s Purpose, to “fill the world with emotion, through the power of creativity and technology,” and to ensure that all of its employees are on the same vector when it comes to creating value from a long-term perspective, Sony has established four Values that are shared by all employees: “Dreams & Curiosity,” “Diversity,” “Integrity & Sincerity,” and “Sustainability.”

To generate Kando, Sony believes that it is essential to combine the creativity of creators, engineers and employees with continuously-evolving technologies, as well as to create new value organically across all business segments by bringing together diverse employees from various business areas, united by a shared Purpose and Values. Sony designates creativity, technology and diversity of employees and businesses as key drivers for value creation.

Endeavors to Create More Value

Unification of Value-Creation Drivers
Looking at its business portfolio, Sony has evolved into a corporation with strength in its diversity of businesses, all of which have established solid market positions. This can be seen as a result of long-term effort on the strength of value-creation drivers. The establishment of CBS/Sony Records Inc. in 1968 was the beginning of Sony’s entertainment business. This laid the foundation for the Group’s strategy going forward, that is, to develop software and hardware as the wheels on its drive axle, and led to its current principle of building on its strength of business diversity. The financial services segment, which is the origin of Sony’s direct-to-consumer operations, is working to increase the value provided to customers through Sony Group technology and enhanced collaboration with other business segments, putting its Lifeplanner sales specialists, who from the beginning have always embodied its core value, at the center of operations. One of the world’s leading game ecosystems, PlayStation®, was built on joint investment by Sony’s music and electronics segments. It is a good example of continuous value creation unifying the three value-creation drivers.

Focused Initiatives
Sony puts weight on value-creation drivers when investing management resources. Since the start of the third mid-range plan in FY2018 strategic investment targets have been set on content IP, DTC services, technology, and Sony-owned equities. Over the four years since FY2018, Sony has invested more than ¥1 trillion in content IP, which is the product of creativity, and DTC as the means to deliver it. Sony is reinforcing technology and HR strategies for each business segment as well as the entire Group in accordance with the evolution of the business. Sony’s People Philosophy, redefined in 2021 as “Special You, Diverse Sony,” clearly states that diversity is the foundation of Sony.
Sony’s top priority in this context is greater unity of value-creation drivers. Collaboration across the Group is becoming standard practice, and efforts to build IP value through cross-Group utilization and promotion, as well as Group-wide projects for the shared application of technology, regardless of segment borders, are increasing. For continuing growth and development of the entire Group under the new Group architecture effective since April 2021, Sony is promoting initiatives to unify value-creation drivers structurally and permanently. Examples include Sony University, a program to train future Sony executives and global leaders who drive businesses; the Corporate Distinguished Engineer (DE) program, which certifies engineers who formulate and execute technology strategies, while identifying signals of change and supporting the development of talent to ensure Sony’s sustainable growth; and the Technology Strategy Committees, which consist of technology-specific committees that transcend the boundaries of business segments and disseminate important technological information widely within the Group while training the next generation. A representative initiative is the Content Technology Strategy Committee, which has just started its second year, plans to further accelerate these initiatives. And led by Sony PCL, and one in the U.S. led by Sony Pictures. The film was shot, edited and completed with no travel between the teams. Sony’s Airpeak professional drone, the VENICE 2 digital cinema camera and the α7S III mirrorless interchangeable-lens camera were used for shooting, while Xperia 1 III / Xperia PRO 5G smartphones were sending cinema camera feeds and production site video live streaming between the U.S. and Japan in real time. Other original Sony technologies, including Ci Media Cloud Services and the 360 Virtual Mixing Environment utilizing spatial sound technology, were used in editing and other production processes.

More than just a test of new technologies and proof of concept, the project was an excellent learning opportunity for engineers, who get few opportunities for direct involvement in film production, to share opinions with creators, collaborate, and expand on various possibilities. Going forward, the working group would also like to take on new challenges like deploying AI technology for sound and image processing as well as budget and schedule management through script analysis.

Key Drivers Unite to Produce a Short Film

To test new technologies and ideas on the actual production floor, the Content Creation Working Group of the Content Technology Strategy Committee recently produced a ten-minute short film, Kilian’s Game, along with a seven-minute behind-the-scenes video, in collaboration with Sony Group companies, affiliated firms and rising Hollywood creators. The short film, which echoes the beginning of a suspense drama, showcases new filmmaking techniques born from the combination of creator ideas and various Sony Group technologies.

The team took full advantage of virtual production technology, displaying 3D background images synchronized with the camera work on a large Sony Crystal LED B-series screen. The production was a collaboration between two units, one based in Japan and led by Sony PCL, and one in the U.S. led by Sony Pictures. The film was shot, edited and completed with no travel between the teams. Sony’s Airpeak professional drone, the VENICE 2 digital cinema camera and the α7S III mirrorless interchangeable-lens camera were used for shooting, while Xperia 1 III / Xperia PRO 5G smartphones were sending cinema camera feeds and production site video live streaming between the U.S. and Japan in real time. Other original Sony technologies, including Ci Media Cloud Services and the 360 Virtual Mixing Environment utilizing spatial sound technology, were used in editing and other production processes.

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I carried this project forward with the conviction that “technology exists for the purpose of realizing a creative vision.” We believe it is best for filmmakers to try new tools based on their own interest, which can expand their imaginations and lead to great content for production. Both the U.S. and Tokyo unit directors oversaw production setup, lighting conditions and editing, and advised each other. This allowed the U.S. and Japan teams to share a creative vision, and helped them seamlessly complete the film. We are also confident that we established a new framework for virtual production flow in a completely remote context.

We believe one of the most significant benefits of this initiative is that we own all rights related to the short film we created. Therefore, we can use it, for example, to evaluate new filmmaking technologies, such as AI dubbing. The behind-the-scenes footage is also an important asset, to be used as a learning tool in future film and sound productions.

The Content Technology Strategy Committee, which has just started its second year, plans to use the knowledge gained from this project to take on new production challenges, such as sharing assets among diverse entertainment fields and content, including music videos and games.

From the Leader of the Content Creation Working Group

Yoshikazu Takashima
Distinguished Engineer
SVP Advanced Technology, Sony Pictures Entertainment Inc.
**Technology**

In line with its Purpose and Corporate Direction of “getting closer to people,” Sony works to deeply understand what motivates creators and users, and pursues related research and development based on that understanding. The Sony Group organizes its R&D efforts in terms of function and role along three timeframes that lead to achievement of the intended results (see chart below). Sony undertakes financially disciplined investment for corporate growth over the longer term, placing high priority on technologies that can be shared across businesses. Creation of new business is part of corporate R&D as well. Sony AI brings together the best and brightest talent from around the world, and embraces the challenge of giving free rein to human imagination and creativity through AI technology. It also promotes technological links and collaboration above and beyond organizational borders, producing positive results already apparent in the area of entertainment and mobility in particular.

Sony is developing various content in the permanent Virtual Production studio established in February 2022, ranging from motion pictures to television commercials and music videos, making full use of its in-house technologies. Gran Turismo Sophy™, an autonomous AI agent produced through collaboration among Sony AI, Polyphony Digital and SIE, is demonstrating breakthroughs in AI technology as well as its potential for building new value in the game experience. SynecO, a company established as a project of the Sony Innovation Fund: Environment, powers businesses specializing in environmental technology related to augmented ecosystems, such as Synecoculture™, a research project of Sony Computer Science Laboratories, Inc.

Going forward, Sony plans to strengthen inter-Group collaboration to build an R&D system that allows for seamless operations flowing from exploratory research to technology development, and the application of R&D results to products and services. Using technology to create synergy and accelerating business evolution in this way will enable Sony to continuously grow and develop.

**R&D Structure (Timeframes)**

- **Up to three years**
- **Five to ten years**
- **Ten years or more**

**R&D Structure**

- **Corporate R&D**
  - Fundamental technology development

- **Sony Computer Science Laboratories, Inc.**
  - Creation of new technologies and businesses

- **Sony AI**
  - Development of technologies in field of AI/robotics and applications for business

**Technologies Borne Out of Collaboration Within and Outside the Group**

- **Virtual Production**
- **Gran Turismo Sophy™**
- **SynecO, Inc.**

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**Message from the CTO**

**Hiroaki Kitano**

Corporate Executive Officer, Senior Executive Vice President and CTO
Officer in charge of R&D
Officer in charge of AI Collaboration
President and CEO, Sony Computer Science Laboratories, Inc.
Representative Director and CEO, Sony AI Inc.

The global COVID-19 pandemic and geopolitical risks have led to enormous change in the environment for human civilization, with the accumulation of climate change and other problems of planetary scale. I think it is essential to address these problems through the application of technology, and thereby contribute to pushing civilization forward and making our planet sustainable. To that end, we support technological development that helps businesses grow and innovation that better society and industry for the future. Our foundations for innovation are our diverse technologies and employees. Operating in systems where technology and employees connect organically, we respect diversity, equity and inclusion, deliver **Kando** to many creators and users, and strive to create new value that can contribute to the sustainability of society and the planet.
Diversity

Diversity and Value Creation
Ever since Masaru Ibuka co-founded Sony with Akio Morita with the belief that "Innovation is born out of the intersection of diverse ideas," Sony has continued to grow, becoming more diverse in every respect.

Starting from the electronics business, which began with the hope of using technology to contribute to society, Sony has continued to evolve, expanding the breadth of its business to include semiconductors, music, finance, motion pictures and games. From the start, Sony has had its sights set on the world, and has not only developed virtually all of its businesses globally, but has headquartered four of the eight main companies in its six business segments in the U.S., and conducts business on a global basis with an organizational structure optimized for each operation.

These diverse businesses across varied regions are sustained by Sony’s diverse employees, full of dreams and curiosity, who form the foundation for creative innovation. Sony has about 110,000 employees worldwide who are not only diverse in terms of nationality or race, but also, due to the expansion of Sony’s business, range dramatically in terms of job types, a diversity which constitutes the driving force behind the growth of each business. With their diverse backgrounds and varied specialties—including engineers, creators and even Lifeplanner sales specialists—these employees connect and intersect across businesses and regions, fusing technology and creativity to create new value with the common purpose of delivering Kando to the world.

Sony’s Purpose & Values and People Philosophy
Since its founding, Sony has respected the independence and challenging spirit of individuals, and cherished a corporate culture based on the partnership of choice between Sony and each individual employee, where each party is accountable for being responsive to the needs of the other. Sony’s People Philosophy, “Special You, Diverse Sony,” conveys the wish that each unique individual who shares Sony’s Purpose & Values, and Sony, which embraces diverse individuals, will continue to grow together, centered on this shared Purpose.

Based on this People Philosophy, Sony defines its Group-wide HR strategy as, “attract, develop and engage talented individuals,” with responsibilities led by the top HR executives of each business in an appropriate and timely manner that best suits their respective business and region.

Employee Engagement
Sony believes that the extent to which diverse individuals share common values and are able to maximize their individuality depends on their degree of empathy with Sony’s Purpose, and on employee engagement. Sony regularly conducts employee surveys to verify both of these components, and considers engagement to be a particularly important management index, incorporating it as a component of the indices for assessing the top management of each business segment, including Sony Group Corporation executives. Employee engagement has been consistently high in recent years, and going forward, Sony will continue to advance initiatives that lead to greater employee engagement and understanding of its Purpose, thereby realizing sustainable growth.

Employee Engagement Index
The index hit an all-time high in FY2021, reflecting high employee trust in the company. Sony values these results as paths to ongoing dialogue and action in each organization.

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>85%</td>
</tr>
<tr>
<td>FY2020</td>
<td>88%</td>
</tr>
<tr>
<td>FY2021</td>
<td>89%</td>
</tr>
</tbody>
</table>

Note: Percentage of employees who did not answer unfavorably to the questions

Purpose & Values (P&V): Reception and Empathy
With continuous messaging from management, online talk events, and other initiatives to improve P&V reception and retention, the percentage of positive responses remained high.

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understand the P&amp;V</td>
<td>62%</td>
<td>89%</td>
</tr>
<tr>
<td>Support the P&amp;V</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Use the P&amp;V in my daily work</td>
<td>3%</td>
<td>7%</td>
</tr>
</tbody>
</table>

FY2020
FY2021

- I agree
- I neither agree nor disagree / I disagree
Looking Back on FY2021

Sony is pursuing growth with a balanced focus on sales and profit under the fourth mid-range plan’s (FY2021-FY2023) theme of “Evolution of Sony.” To carry the plan forward, everyone in the Group is working along the same vector defined by the two themes “Exploitation and Exploration for Growth” and “Wise Pivot.” These themes together articulate our approach of maximizing profit in our existing businesses by responding flexibly to change, while transforming Sony into an even more resilient corporation by actively distributing management resources to new growth areas.

FY2021, the first year of the new mid-range plan, was another year of constant change in our business environment, with the Covid-19 pandemic continuing to spread widely and geopolitical risk expanding beyond conflict between the U.S. and China. To Sony, however, it was also a second consecutive year of setting new records for sales and operating income, as all our businesses sharpened their sensitivity to change and executed strategies with flexibility and agility.

ET&S, in particular, improved operations, reviewed suppliers and secured strategic inventory to report year-on-year revenue and profit growth despite tight supplies of parts and distribution disruptions throughout the year, as well as the impact of renewed COVID-19 spread in China and Southeast Asia. G&NS, ET&S and I&SS together succeeded with defensive collaboration, closely sharing information related to procurement and distribution as well as undertaking joint negotiations.

In FY2021 our three entertainment segments (G&NS, Music and Pictures) together made up more than half the Group’s consolidated sales for the first time, driving growth for the entire Group. I feel a strong sense of confidence resulting from the growth-oriented policies of each business segment and their efforts collaborating in the application of IP, such as through the creation of the hit film Uncharted. We will continue to actively pursue opportunities for Sony’s longer-term growth, like the metaverse, through inter-business collaboration.

While we can acknowledge the successes of FY2021, looking forward to FY2022, we also understand the need to do business with greater awareness of the risk of, for instance, a recession resulting from worldwide inflation, and we are facing these risks with heightened alertness.
Over the medium term, I think it will be more important than ever to skillfully manage geopolitical risk. In a politically divided world with a highly complex global economy, it is vital to respond to geopolitical changes and consider their effects over a long timeframe. At Sony, which operates diverse businesses worldwide, the effects of geopolitical risk on the value chain and on changes to our economic sensitivity vary by business. From the standpoint of the entire Group, risks tend to be dispersed, but we recognize that, rather than being complacent, we should pursue advanced, well-balanced risk management systems through higher sensitivity and by constantly sharing the latest information available.

### Capital Allocation and Strategic Investment

The fourth mid-range plan, which puts highest priority on initiatives for long-term growth, emphasizes capital allocation as an important strategic theme for realizing this growth. Having updated the plan based on the results of FY2021, we allocated ¥2 trillion or more to strategic investment and ¥1.7 trillion to capital expenditures, out of the ¥4 trillion or more sources of capital we expect to generate – mostly operating cash flow from the businesses excluding the Financial Services segment. By order of priority, the focus of strategic investments will remain as follows: IP and DTC, technology, and Sony in the form of share repurchases.

Of the ¥2 trillion budgeted for strategic investment, ¥1.06 trillion was either invested or earmarked for investment by the end of FY2021. I am encouraged by the fact that any delay in strategic investment amounts may lead to a postponement of growth or a reduction in the speed of future growth, so I am pleased that more than half of Sony’s strategic investment budget for the entire three years of the mid-range plan has already been invested or earmarked in the first year.

Strategic investments have gone forward as planned because the target areas for investment have been clearly determined based on Sony’s Purpose and management direction, and because each business remains focused on growth markets and has identified appropriate investment targets. We are also implementing initiatives for all businesses to share best practices when it comes to M&A processes and learn from one another in order to build investment muscle.

Of the capital invested or earmarked for investment by the end of FY2021, content IP accounts for the largest proportion, followed by DTC. As the means for delivering content to users evolve with the times, I believe the passion that creators put into their content, the Kando that content generates in users, and the value of that Kando will remain constant. Sony puts top priority on getting closer to creators, and this commitment shows in our investment figures.

We believe that internal and external disclosures of where our capital is allocated make our portfolio strategy and its progress clearly visible, and we plan to continue this practice on a regular basis.

In making strategic investment decisions, we set a minimum level of return to be achieved for each business area and currency as a target rate, and make decisions based on our capacity to exceed this rate, as well as whether the investment in question contributes to the long-term growth of the business. We carefully review the results of previous investments on a regular basis and pay close attention to changes in the external environment in an effort to improve investment returns.

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**Capital Allocation (Excluding Financial Services)**

<table>
<thead>
<tr>
<th>(Trillion yen)</th>
<th>Breakdown of Capital Allocation</th>
<th>Sources of Allocated Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Third Mid-Range Plan (actual)</td>
<td>sources of Allocated Capital</td>
</tr>
<tr>
<td>Strategic Investments</td>
<td>2.8</td>
<td>≥ 3.8</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>1.2</td>
<td>≥ 2.0</td>
</tr>
<tr>
<td>Dividends</td>
<td>1.4</td>
<td>≥ 2.0</td>
</tr>
<tr>
<td>Fourth Mid-Range Plan Initial Plan</td>
<td>1.5</td>
<td>≥ 2.0</td>
</tr>
<tr>
<td>Fourth Mid-Range Plan Latest Projection</td>
<td>1.7</td>
<td>≥ 2.0</td>
</tr>
<tr>
<td>Fourth Mid-Range Plan Latest Projection</td>
<td>0.4</td>
<td>≥ 3.8</td>
</tr>
<tr>
<td>Operating CF</td>
<td>0.3</td>
<td>Carry-over from Third MRP</td>
</tr>
<tr>
<td>Debt Financing / Cash / Asset Sales</td>
<td>2.8</td>
<td>≥ 4.0</td>
</tr>
</tbody>
</table>

Note: Fourth mid-range plan covers FY2021-FY2023; third mid-range plan covered FY2018-FY2020.

1. Improvements in cumulative operating CF for third mid-range plan from end of 3Q 2020 and delays in cash-outs related to strategic investments already decided
2. Financial figures in fourth mid-range plan based on IFRS, while those in third mid-range plan are under U.S. GAAP. Thus, operating CF includes the effects of differences in accounting standards for principal payments for operating lease liabilities and purchases and sales of content assets. Capital expenditures also include increases in right-of-use assets related to operating lease agreements.
3. Dividends in third mid-range plan were approximately ¥170 billion.
4. Latest forecasts disclosed at FY2021 financial results briefing (May 10, 2022)
Message from the CFO

In the third mid-range plan (FY2018-FY2020), we expended about ¥1 trillion of the total strategic investment fund of ¥1.4 trillion on business acquisitions, excluding minority shareholdings and repurchases of Sony shares. We project cumulative operating cash flow of ¥180 billion from these businesses over the three-year period from FY2021 to FY2023.

Going forward, cash flow generated as a return from those investments will be allocated to further investment as a source of capital allocation, thereby expanding the cycle of investment return and growth investment.

We repurchased Sony shares worth ¥300 billion during the third mid-range plan, and ¥97.4 billion as of April 2022 under the fourth mid-range plan. Another component of strategic investment is our plan to undertake flexible, agile repurchasing, taking into consideration our financial position and share price, within the ¥200 billion annual cap set in May 2022.

### Strategically Emphasized Indicators

In setting financial targets for the fourth mid-range plan, we prioritized indicators strongly associated with growth, choosing adjusted EBITDA as our benchmark. We made this choice for several reasons. First, EBITDA is a metric that can measure results for the entire Group, including the Financial Services segment. In addition, we believe it clearly shows returns on investment and promotes active investment. Finally, we believe it is considered highly compatible with techniques used to value businesses and corporations.

We initially set a target of ¥4.3 trillion, an increase of 23% or ¥800 billion from the cumulative figure for the three-year period of the third mid-range plan, but, taking the results of FY2021 into account, we now project an additional ¥600 billion, for a total of 4.9 trillion.

We also prioritize earnings per share (EPS), designating its growth as an important norm for management. To continuously increase EPS, beyond simply boosting profit, it is important to control the number of our shares through repurchases if needed. Since stock-based incentives are considered effective in attracting and retaining highly-specialized personnel, I believe that preventing dilution of our shares is particularly important.

We also pay special attention to the operating income margin. We see it as an indicator of how customers value our products and services, as well as an indicator of our capacity for additional investment and adaptability to environmental change. Our operating income margin has been steadily increasing over the past decade, and I think the fact that we have

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**Progress with Strategic Investment under Fourth Mid-Range Plan**

Progress toward ¥2 trillion (As of May 10, 2022)

- **Capital Allocation Balance**
  - Already Invested: 29%
  - Earmarked for Investment: 24%
  - Remaining: 47%

Major Investments Made or Earmarked (As of April 30, 2022)

<table>
<thead>
<tr>
<th>Category</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>IP</td>
<td>- AWAL acquisition (Music)</td>
</tr>
<tr>
<td></td>
<td>- Soni Livre acquisition (Music)</td>
</tr>
<tr>
<td></td>
<td>- Alamo Records acquisition (Music)</td>
</tr>
<tr>
<td></td>
<td>- Investment in Sony Pictures (Music)</td>
</tr>
<tr>
<td></td>
<td>- Las Vegas acquisition (Music)</td>
</tr>
<tr>
<td></td>
<td>- Ultra Records acquisition (Music)</td>
</tr>
<tr>
<td></td>
<td>- Bungie acquisition (G&amp;NS)</td>
</tr>
<tr>
<td></td>
<td>- Industrial Media acquisition (Pictures)</td>
</tr>
<tr>
<td></td>
<td>- Haven Entertainment Studios acquisition (G&amp;NS)</td>
</tr>
<tr>
<td>DTC</td>
<td>- Crunchyroll acquisition (Pictures)</td>
</tr>
<tr>
<td></td>
<td>- Investment in NetEase Cloud Music (Music)</td>
</tr>
<tr>
<td></td>
<td>- Entertainment of Japan (Computer)</td>
</tr>
<tr>
<td></td>
<td>- Investment in JASM, a semiconductor foundation under TSMC (I&amp;SS)</td>
</tr>
<tr>
<td>Others</td>
<td>- Investment in JASM, a semiconductor foundation under TSMC (G&amp;NS)</td>
</tr>
<tr>
<td></td>
<td>- Repurchases of Sony shares</td>
</tr>
</tbody>
</table>

Breakdown of Total Strategic Investments Made or Earmarked: about ¥1.06 trillion

(As of April 30, 2022)

- **Breakdown by Segment**
  - G&NS: 32%
  - Pictures: 22%
  - Music: 16%
  - Other: 9%

- **Breakdown by Investment Area**
  - DTC/Services: 14%
  - Repurchase of Common Stock: 9%
  - Other: 68%

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1. Cumulative total from April 1, 2021 to April 30, 2022
2. Excluding about ¥100 billion invested in music catalog included in operating cash flow
3. Excluding about ¥300 billion invested in Sony Pictures Networks India in preparation for merger with Zee Entertainment Enterprises Ltd.
4. ‘Other’ includes strategic investment in ET&S and I&SS segments and repurchases of Sony shares

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reported a double-digit figure consistently since FY2018 represents great progress.

**Sustainability Strategy**

The fourth mid-range plan guides our actions with regards to sustainability issues in terms of the environment, human resources, and human rights, marking them as strategic challenges for our businesses when aiming for sustainable growth. Based on this approach, each business has identified its priority issues on its own initiative and drawn up plans to address those issues through a sustainability strategy.

From an environmental standpoint, reducing greenhouse gas emissions from the production processes of the I&SS segment and from the use of ET&S products is a priority area. And socially, we have identified diversity and inclusion as major topics for discussion. We will steadily pursue solutions to these themes over the long term, while at the same time disclosing and sharing our progress with a wide range of stakeholders by making the meaning and influence of our efforts tangible.

In March 2022, the International Sustainability Standards Board of the IFRS Foundation delivered two proposals setting a comprehensive global baseline for sustainability disclosures. Initiatives of this sort, I predict, will encourage corporations to take similar action.

**Dialogue for Growth**

Over the past decade, Sony has worked to secure and stabilize profitability through the course of three mid-range plans. Throughout this process, we have been committed to ongoing dialogue with various stakeholders, especially our customers and the capital markets. We have gained much insight into how to accelerate improvement, which we subsequently put into practice.

Under our fourth mid-range plan, the goal of which is growth, we will continue to actively disseminate information about our growth strategies and progress in order to ensure that everyone understands and accurately assesses Sony’s growth potential. Further, we will incorporate the feedback we receive in our plans, and we will continue to endeavor to implement a cycle that further improves both the quality and the likelihood of success of our growth strategy.

We welcome your support of Sony’s ongoing evolution towards greater growth.

<table>
<thead>
<tr>
<th>Fourth Mid-Range Plan Financial Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA¹ Three-Year Cumulative Total (Trillion yen)</td>
</tr>
<tr>
<td>Actual (Reference)</td>
</tr>
<tr>
<td>3.5</td>
</tr>
</tbody>
</table>

¹ Refer to Annual Securities Reports for adjusted EBITDA for FY2021.

**Past Mid-Range Plans**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In FY2011 Sony recorded a significant consolidated loss, primarily due to the impact of natural disasters and a decline in the profitability of the TV business. We built a foundation for growing profitability mainly by withdrawing from the PC business, splitting off the TV business as a separate subsidiary, and reducing headquarter overhead costs by 30%. In addition, we invested in the image sensor and game businesses as well as other priority areas. Nevertheless, we fell far short of some quantitative goals, such as operating income margin and ROE, as our response to changes in the business environment was inadequate.</td>
<td>Under the theme, “Profit Generation and Investment for Growth,” we reorganized and split off some business units as separate subsidiaries, refocused management on awareness of profitability, realigned the profit structure through restructuring, and expanded recurring-revenue businesses. We made steady progress in new areas, including medical equipment, automotive, AI and robotics. We designated ROE as the most important quantitative index, achieved operating income and ROE targets, and reached new record highs. However, the Pictures and Mobile Communications segments fell short of planned targets, and profit structure improvement remained an issue.</td>
<td>Setting the Corporate Direction as “getting closer to people,” we made steady progress under three policy initiatives: enhancing DTC services and content IP, making the branded hardware business a stable cash-flow generator, and investing in CMOS image sensors to secure profits. We far surpassed our target for cumulative three-year operating cash flow (excluding the Financial Services segment), and set a new record in FY2020, the plan’s final year. We reorganized the Group’s architecture by establishing Sony Group Corporation for Group headquarters functions, and by making the Financial Services business a wholly owned subsidiary.</td>
</tr>
</tbody>
</table>

1. Refer to Annual Securities Reports for adjusted EBITDA for FY2021.
2. Sony calculates adjusted EBITDA by adjusting constituent line item amounts disclosed in Financial Statements, presentation materials for Earnings Announcement, Quarterly Reports, and Securities Reports, to the extent that Sony deems amounts nonrecurring. Despite accounting differences between US GAAP and IFRS, Sony believes that disclosure of actual results of adjusted EBITDA in third mid-range plan as reference may be useful information for investors.
3. Latest projection disclosed in FY2021 Earnings Announcement of May 10, 2022
Performance Highlights

Review of FY2021

In FY2021, consolidated sales and financial services revenue grew by 10% year on year to ¥9,921.5 billion, while operating income grew by 26% to ¥1,202.3 billion. This increase is attributed mainly to growth in both theatrical and licensing revenues from digital streaming services for new film titles and a gain from business transfers in the Pictures segment, an improved product mix in the ET&S segment, and growth in revenues from streaming services in the Music segment. Excluding the Financial Services segment, consolidated operating cash flow totaled ¥813.3 billion.

Meanwhile, net income attributable to Sony Group Corporation shareholders for the period was ¥882.2 billion, a decrease of ¥147.4 billion compared with the previous fiscal year, in which there was a reversal of a previous write-down of deferred tax assets amounting to ¥256.8 billion.

Note: Since April 2022, the former Electronics Products & Solutions (EP&S) segment has been renamed the Entertainment, Technology & Services (ET&S) segment. This change has not resulted in any reclassification of businesses across segments.

FY2021 Sales / Financial Services Revenue and Operating Income by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales / Financial Services Revenue FY2021 (Billion yen)</th>
<th>Operating Income FY2021 (Billion yen)</th>
<th>Main Factors in Operating Income Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Game &amp; Network Services</td>
<td>2,656.3</td>
<td>341.7</td>
<td>(+) Decrease in loss resulting from strategic price points for PS5™ hardware set lower than manufacturing cost</td>
</tr>
<tr>
<td></td>
<td>2,739.8</td>
<td>346.1</td>
<td>(-) Decrease in game software sales, mainly in non-first-party titles, including add-on content</td>
</tr>
<tr>
<td>Music</td>
<td>939.9</td>
<td>184.8</td>
<td>(+) Increase in Recorded Music and Music Publishing businesses’ streaming service revenues</td>
</tr>
<tr>
<td></td>
<td>1,116.9</td>
<td>210.9</td>
<td>(+) Positive impact of exchange rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(-) Absence of gain recorded on partial share sales and overseas business transfer in previous fiscal year</td>
</tr>
<tr>
<td>Pictures</td>
<td>753.0</td>
<td>79.9</td>
<td>(+) Gain from transfer of GSN Games business</td>
</tr>
<tr>
<td></td>
<td>1,238.9</td>
<td>217.4</td>
<td>(+) Higher sales for Motion Pictures due to increased theatrical revenue for new film titles</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(+) Gain from Seinfeld licensing</td>
</tr>
<tr>
<td>Entertainment, Technology &amp; Services</td>
<td>2,068.1</td>
<td>127.9</td>
<td>(+) Improved product mix for digital cameras and televisions</td>
</tr>
<tr>
<td></td>
<td>2,339.2</td>
<td>212.9</td>
<td>(+) Positive impact of exchange rates</td>
</tr>
<tr>
<td>Imaging &amp; Sensing Solutions</td>
<td>1,012.5</td>
<td>145.9</td>
<td>(+) Increase in unit sales of image sensors for digital cameras and industrial equipment</td>
</tr>
<tr>
<td></td>
<td>1,076.4</td>
<td>155.6</td>
<td>(+) Positive impact of exchange rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(-) Increased R&amp;D and depreciation/amortization expenses</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(-) Decrease in sales of image sensors for mobile products</td>
</tr>
<tr>
<td>Financial Services</td>
<td>1,674.0</td>
<td>154.8</td>
<td>(-) One-time loss recorded at a subsidiary of Sony Life</td>
</tr>
<tr>
<td></td>
<td>1,533.8</td>
<td>150.1</td>
<td>(+) Higher insurance premium revenue at Sony Life, reflecting increase in policy amount in force</td>
</tr>
</tbody>
</table>

Note: Due to organizational changes as of April 1, 2021, from Q1 FY2021 Sony transferred some businesses and functions previously included within All Other and Corporate and elimination to the ET&S segment. On this page, sales and operating income (loss) for each segment for FY2020 are presented to conform to organizational structure for FY2021.

FY2021 Consolidated Financial Results

<table>
<thead>
<tr>
<th>FY2021 Consolidated Financial Results</th>
<th>FY2020¹</th>
<th>FY2021¹</th>
<th>Year-on-year Change ( % )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Financial Services Revenue</td>
<td>8,998.7</td>
<td>9,921.5</td>
<td>+922.9 (+10%)</td>
</tr>
<tr>
<td>Operating income</td>
<td>955.3</td>
<td>1,202.3</td>
<td>+247.1 (+26%)</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>998.0</td>
<td>1,117.5</td>
<td>+119.5 (+12%)</td>
</tr>
<tr>
<td>Net income attributable to Sony Group Corporation’s stockholders</td>
<td>1,029.6</td>
<td>882.2</td>
<td>-147.4 (-14%)</td>
</tr>
<tr>
<td>Operating Cash Flow (excluding Financial Services)²</td>
<td>1,150.3</td>
<td>813.3</td>
<td>-337.0</td>
</tr>
<tr>
<td>Investing Cash Flow (excluding Financial Services)²</td>
<td>(542.2)</td>
<td>(711.1)</td>
<td>-169.0</td>
</tr>
<tr>
<td>Operating CF + Investing CF (both excluding Financial Services)²</td>
<td>608.1</td>
<td>102.1</td>
<td>-506.0</td>
</tr>
</tbody>
</table>

¹: Average exchange rate for FY2020 was 1 USD = 106.1 JPY and 1 EUR = 123.7 JPY; that for FY2021 was 1 USD = 112.3 JPY and 1 EUR = 130.5 JPY.
²: Operating cash flow (excluding Financial Services) and investing cash flow (excluding Financial Services) are not measures in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors.

Note: Sony adopted IFRS starting in quarter ended June 30, 2021, in lieu of the previously-applied generally accepted accounting principles in U.S. (U.S. GAAP). Results for FY2020 are also presented in accordance with IFRS (applies to all following pages).
Performance Highlights

Changes in Key Financial Metrics

Note: Figures for FY2012-19 based on U.S. GAAP, and those for FY2020-21 on IFRS.

Sales

(Billion yen)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6,795.5</td>
<td>7,767.3</td>
<td>8,215.9</td>
<td>8,105.7</td>
<td>7,603.3</td>
<td>8,544.0</td>
<td>8,665.7</td>
<td>8,259.9</td>
<td>8,998.7</td>
<td>9,921.5</td>
</tr>
</tbody>
</table>

Operating Income, Operating Income Margin

(Billion yen)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>2,326.5</td>
<td>2,565.0</td>
<td>2,656.3</td>
<td>2,694.7</td>
<td>2,942.6</td>
<td>3,685.3</td>
<td>3,894.0</td>
<td>3,887.7</td>
<td>4,822.8</td>
<td>6,245.5</td>
</tr>
<tr>
<td>Operating Income Margin (%)</td>
<td>36.5</td>
<td>36.0</td>
<td>36.8</td>
<td>36.9</td>
<td>38.6</td>
<td>36.0</td>
<td>36.8</td>
<td>36.8</td>
<td>19.0</td>
<td>21.3</td>
</tr>
</tbody>
</table>

Cash Flow from Operating Activities, Cash Flow from Investing Activities

(excluding Financial Services)

(Billion yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>38.5</td>
<td>257.2</td>
<td>305.4</td>
<td>260.1</td>
<td>444.0</td>
<td>770.6</td>
<td>753.4</td>
<td>762.9</td>
<td>813.3</td>
<td>1,150.3</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>(49.8)</td>
<td>(103.7)</td>
<td>(332.4)</td>
<td>(300.5)</td>
<td>(164.0)</td>
<td>(520.4)</td>
<td>(363.1)</td>
<td>(542.2)</td>
<td>(711.1)</td>
<td></td>
</tr>
</tbody>
</table>

Adjusted EPS (Net Income Attributable to Company’s Stockholders per Share (diluted))

(Yen)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EPS (Net Income Attributable to Company’s Stockholders per Share)</td>
<td>(102)</td>
<td>2</td>
<td>72</td>
<td>115</td>
<td>188</td>
<td>354</td>
<td>447</td>
<td>436</td>
<td>622</td>
<td>640</td>
</tr>
</tbody>
</table>

Note: Adjusted EPS is the result of dividing adjusted net income attributable to Company’s stockholders for each fiscal year (“Adjusted net income”) by the number of shares outstanding. The weighted-average number of shares on a diluted basis in the Form 20-F for the fiscal year is used as the number of shares outstanding. For information on adjusted net income for FY2021, please refer to the Form 20-F. Adjusted net income for FY2017 to FY2020 is the “Adjusted Net Income Attributable to Sony Group Corporation’s Stockholders” given in the materials used in the Earnings Announcement for the corresponding year. Adjusted net income for FY2016 and the years prior is based on income before taxes for the corresponding year. Adjusted with profit/loss that Sony has determined is non-recurring in nature and which is disclosed in specific figures in Form 20-F for the year, including profit/loss from write-downs of tangible and intangible assets, sales of assets and businesses, revaluation of shares owned, expenses related to natural disasters, and the like, applying the statutory tax rate disclosed in Form 20-F for the year and reducing net income attributable to noncontrolling interests. Because the effective tax rate exhibited significant volatility between FY2012 and FY2016, the statutory tax rate is used instead to better display the trend during the period. Please refer to Form 20-F for each year to see differences between effective and statutory tax rates.
Performance Highlights

Performance Trends by Segment  Note: Figures for FY2019 based on U.S. GAAP, and those for FY2020-21 on IFRS.

Sales by Segment  (Billion yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Game &amp; Network Services</td>
<td>1,977.6</td>
<td>2,656.3</td>
<td>2,739.8</td>
</tr>
<tr>
<td>Music</td>
<td>849.9</td>
<td>939.9</td>
<td></td>
</tr>
<tr>
<td>Pictures</td>
<td>1,116.9</td>
<td>1,011.9</td>
<td>753.0</td>
</tr>
<tr>
<td>Entertainment, Technology &amp; Services</td>
<td>1,991.3</td>
<td>2,068.1</td>
<td>2,339.2</td>
</tr>
<tr>
<td>Imaging &amp; Sensing Solutions</td>
<td>1,070.6</td>
<td>1,012.5</td>
<td>1,076.4</td>
</tr>
<tr>
<td>Financial Services</td>
<td>1,307.7</td>
<td>1,674.0</td>
<td>1,533.8</td>
</tr>
<tr>
<td>All Other</td>
<td>251.4</td>
<td>100.7</td>
<td>98.8</td>
</tr>
</tbody>
</table>

Left: FY2019; Middle FY2020; Right: FY2021

Operating Income by Segment  (Billion yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Game &amp; Network Services</td>
<td>238.4</td>
<td>341.7</td>
<td>346.1</td>
</tr>
<tr>
<td>Music</td>
<td>142.3</td>
<td>184.8</td>
<td>210.9</td>
</tr>
<tr>
<td>Pictures</td>
<td>68.2</td>
<td>79.9</td>
<td>217.4</td>
</tr>
<tr>
<td>Entertainment, Technology &amp; Services</td>
<td>87.3</td>
<td>127.9</td>
<td>212.9</td>
</tr>
<tr>
<td>Imaging &amp; Sensing Solutions</td>
<td>145.9</td>
<td>155.6</td>
<td>150.1</td>
</tr>
<tr>
<td>Financial Services</td>
<td>129.6</td>
<td>154.8</td>
<td>150.1</td>
</tr>
<tr>
<td>All Other</td>
<td>16.3</td>
<td>7.2</td>
<td>18.0</td>
</tr>
</tbody>
</table>

Left: FY2019; Middle FY2020; Right: FY2021

Note: Since April 2022 the former Electronics Products & Solutions (EP&S) segment has been renamed the Entertainment, Technology & Services (ET&S) segment. This change has not resulted in any reclassification of businesses across segments.

Note: Due to organizational changes as of April 1, 2021, from Q1 FY2021 Sony transferred some businesses and functions previously included within All Other and Corporate and elimination to the ET&S segment. On this page, sales and operating income (loss) for each segment for FY2020 are presented to conform to organizational structure for FY2021.
## Key Non-Financial Metrics

### Employees (Group-wide)

#### Number of Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>117,300</td>
<td>114,400</td>
<td>111,700</td>
<td>109,700</td>
<td>108,900</td>
</tr>
</tbody>
</table>

Note: Totals based on data as of March 31 for each fiscal year.

### Environment (Group-wide)

#### Greenhouse Gas Emissions

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emission (thousand tons CO₂)</td>
<td>18,313</td>
<td>17,742</td>
<td>16,246</td>
<td>17,966</td>
<td>17,355</td>
</tr>
</tbody>
</table>

#### Composition of Board of Directors

- Non-executive directors: 8
- Executive directors: 2
- Non-Japanese nationals: 3
- Women: 4

Note: As of end of August, 2022.

### Percentage of Women in Workforce and Percentage of Management Positions Held by Women

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Women in Workforce</td>
<td>33.6</td>
<td>34.3</td>
<td>35.6</td>
<td>35.4</td>
<td>35.0</td>
</tr>
<tr>
<td>Percentage of Management Positions Held by Women</td>
<td>25.3</td>
<td>27.3</td>
<td>28.3</td>
<td>28.4</td>
<td>30.1</td>
</tr>
</tbody>
</table>

Note: Totals based on data as of March 31 for each fiscal year. Note that definition of “management” may vary by country, region and company.

### Percentage of Renewable Electricity Used at Own Business Sites

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage (%)</td>
<td>4.6</td>
<td>4.6</td>
<td>6.6</td>
<td>14.6</td>
</tr>
</tbody>
</table>

### Composition of Executives*

- Composition of executives: 41
- Women: 12
- Non-Japanese nationals: 5

Note: As of end of August each year; 2018-2020 figures for former Sony Corporation.

*Composition of executives: Chairman, Vice Chairman, President, Executive Deputy Presidents, Senior Executive Vice Presidents, Executive Vice Presidents, and Senior Vice Presidents.
Sustainability

General Approach

Sony manages diverse businesses with people at the core, and aims for sustainable value creation based on such diversity and mid-to long-term growth in the Sony Group’s corporate value under its Purpose to “fill the world with emotion, through the power of creativity and technology,” and its Corporate Direction of “getting closer to people.”

In order to have people connected to each other through emotion, it is necessary to create a society in which everyone can live with peace of mind in a healthy global environment. Sony acts with due consideration of the impact of its business activities on stakeholders, including shareholders, customers, employees, suppliers, business partners, local communities and other organizations as well as the global environment, and focuses on building trust with stakeholders through dialogue.

Through innovation and sound business practice, Sony endeavors to enhance its corporate value and contribute to the development of a sustainable society.

Material Topics in Sustainability

In FY2022, Sony reviewed material topics in sustainability from the standpoints of all its businesses. In that process, Sony designated creativity and technology, two components of its Purpose, as drivers for value creation along with diversity of employees and businesses, and defined materiality as “material topics that are related to sustainability, impact Sony’s value creation, and are determined with longer-term social change and diverse stakeholder needs in mind.”

Based on this thinking, Sony assessed the importance of various material topics related to sustainability from the perspectives of both the company and stakeholders, and specified climate change; diversity, equity and inclusion; respect for human rights; and technology for sustainability as the most important. For information on Sony’s priorities and main initiatives related to sustainability, including the most important topics in the areas of focus, see the Sony Sustainability Report 2022 in addition to the table on page 31.

Sustainability Report 2022
### Area of Focus and Specific Actions for Sustainability

<table>
<thead>
<tr>
<th>Area of Focus</th>
<th>Key Focus</th>
<th>Material Topics Specific to Each Business</th>
<th>Related Materials</th>
</tr>
</thead>
</table>
| **Environment**        | • Strive to achieve a zero environmental footprint throughout the lifecycle of Sony’s products and business activities in order to realize a sustainable society |  | • Sustainability Report 2022 > Environment  
• Sustainability Report 2022 > Addressing Social and Environmental Issues  
• Sony Group Portal Website > Environment |
| **Employees**          | • Respect and support each employee’s ambitions to grow and take on new challenges, and provide a range of experiences and opportunities for each diverse employee to make the most of their individual strengths, skills, abilities and creativity |  | • Sustainability Report 2022 > Employees  
• Sony Group Portal Website > Diversity, Equity & Inclusion  
• Sony Group Portal Website > Employees |
| **Respect for Human Rights** | • Continue reasonable efforts to avoid causing or contributing to adverse human rights impacts that may arise from our operations, products, services and/or business relationships |  | • Sustainability Report 2022 > Respect for Human Rights |
| **Responsible Supply Chain** | • Address risks to human rights, labor conditions, health and safety, and the environment throughout the electronics product supply chain |  | • Sustainability Report 2022 > Responsible Supply Chain |
| **Quality and Customer Service** | • Exceed customer expectations of product quality and customer service, pursue product safety, and improve usability and accessibility, thereby remaining a highly trusted partner to all customers |  | • Sustainability Report 2022 > Quality and Customer Service  
• Sony Group Portal Website > Human-Centered Design  
• Sony Group Portal Website > Accessibility |
| **Community Engagement** | • Under the slogan “For the Next Generation,” contribute to the resolution of a wide range of global social issues in places where Sony does business around the world by fully utilizing Sony products, content, and technologies |  | • Sustainability Report 2022 > Community Engagement  
• Sony Group Portal Website > Social Contribution |
| **Ethics and Compliance** | • Foster an ethical culture based on Sony’s Values and the Sony Group Code of Conduct  
• Continuously assess compliance risks in relation to Sony’s business activities and review the compliance program based on the results of said assessment  
• Strengthen and continue to run programs that address changes in the privacy environment and technological development  
• Strengthen systems and initiatives that tackle AI ethics |  | • Sustainability Report 2022 > Ethics and Compliance |
| **Corporate Governance** | • Establish and enhance corporate governance system that best suits the Sony Group  
• Manage risks that may cause losses to the Sony Group  
• Enhance information security management system and activities  
• Comply with all applicable tax laws and regulations of each country and region where Sony conducts business as well as the common rules and guidance regarding international taxation |  | • Sustainability Report 2022 > Corporate Governance  
• Sony Group Portal Website > SEC Filings |
Focus Area: Accelerating Measures Against Climate Change

Progress to Date and Acceleration of Achievement Targets

The transition to a decarbonized society is a pressing issue for the global community. Sony is putting effort into measures against climate change from two perspectives: responsibility to aim to reduce greenhouse-gas emissions to zero, and contribution to innovation for industry and society.

Since the early 1990s, Sony has been operating under environmentally-conscious policies and action plans. Road to Zero, an environmental plan established in 2010, is designed to reduce the Group’s environmental footprint to zero by 2050 by following a specific road map including goals set from four perspective on environment, namely: climate change, resources, chemical substances and biodiversity. To address climate change, Sony has committed to reducing greenhouse-gas emissions to zero in both business operations and in its products throughout their life cycles. Sony sets medium-term environmental targets every five years, backcasting from the final goals of the plan for 2050, with each business pursuing its respective action plan to achieve them.

The current mindset in society in response to the increasingly serious effects of climate change is to support requiring corporations worldwide to accelerate measures to address climate change. For example, the international Science Based Targets initiative (SBTi) now stipulates a global temperature rise of 1.5°C above pre-industrial levels as the new target level, rather than the 2°C target set by the 2015 Paris Agreement, as well as through making proposals to national governments and industry associations worldwide. Carbon removal/fixation is a particularly vital challenge to meet in order to realize net zero carbon emissions by 2040. Going forward, Sony is looking into various technologies leading to solutions, such as exploring credit generation from carbon absorption associated with augmented ecosystem businesses such as Synecoculture™ being rolled out by a Group company, SynecO, Inc. Sony will contribute to carbon fixation via both technological removal and natural absorption by ecosystems.

Priority Initiatives to Achieve New Targets

To achieve these new targets, the Sony Group will continue to make an across-the-board effort to promote the use of renewable energy at all its business sites while reducing energy consumption. One example is the new Fab5 building at the Nagasaki Technology Center for image sensor production, which commenced operations in April 2021. Here, AI-assisted advanced control technology has been employed in semiconductor production to operate clean-room chillers and boilers, along with a system to recycle waste heat from production equipment to drive boilers, resulting in clean-room energy consumption efficiency being improved by 30% compared to the FY2015 level.

Across the entire life cycle of Sony products, greenhouse-gas emissions are highest when they consume electricity during customer use. With that in mind, Sony will pursue innovation in areas such as product design while accelerating initiatives promoting a net zero society. Specifically, Sony is exploring investment opportunities in startups working on technology for the environment, mainly through the Sony Innovation Fund: Environment, a corporate venture capital fund established in 2020, as well as through making proposals to national governments and industry associations worldwide. Carbon removal/fixation is a particularly vital challenge to meet in order to realize net zero carbon emissions by 2040. Going forward, Sony is looking into various technologies leading to solutions, such as exploring credit generation from carbon absorption associated with augmented ecosystem businesses such as Synecoculture™ being rolled out by a Group company, SynecO, Inc. Sony will contribute to carbon fixation via both technological removal and natural absorption by ecosystems.

Road to Zero Road Map Overview

<table>
<thead>
<tr>
<th></th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
<th>2045</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope 1-2</strong></td>
<td><strong>Carbon neutral</strong></td>
<td>Carbon emissions from electricity used in Sony’s operations: Zero</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Carbon emissions from business site:</td>
<td></td>
<td>72% reduction (vs. FY2018)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Scope 3</strong></td>
<td>Supplier engagement targets*</td>
<td>Carbon emissions from product use:</td>
<td></td>
<td>45% reduction (vs. FY2018)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Overall</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Carbon emissions from entire product life cycle: Zero</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Carbon removal: Incremental implementation</td>
<td></td>
</tr>
</tbody>
</table>

Note: Previous targets in grey
* Suppliers equivalent to 10% of supply chain greenhouse-gas emissions will set their own targets in line with SBT.
Focus Area: Initiatives for People and Society

Diversity, Equity and Inclusion (DE&I)

Based on its Purpose, Sony works to create value for society. When employees from many different backgrounds come together, as they do at Sony, it is important to respect their diverse values, always remember the importance of equity and foster an inclusive organizational culture of mutual acceptance. Sony undertakes DE&I initiatives based on its People Philosophy, “Special You, Diverse Sony,” as well as the Sony Group Diversity Statement. While specific DE&I challenges vary by nation, region and industry, Sony takes a global approach to addressing gender diversity issues. At the end of FY2021, women comprised 35.0% of Sony’s workforce and 30.1% of the Group’s management positions. Sony has each Group company set goals for its respective initiatives going forward to facilitate creating working environments and systems that help every employee work comfortably, hiring diverse individuals and training more women for management posts, especially in Japan, where creating more career opportunities for women is an important social priority.

Sony also hires and provides workplace support for individuals with disabilities. Beyond complying with the laws, rules and regulations of each nation and region in which it operates, Sony is devoted to creating inclusive workplaces where all employees, regardless of disability, can build careers. In December 2019, Sony joined the Valuable 500, an international initiative to help promote the active participation of people with disabilities in society, and has been named among the Iconic Companies, a list of companies that are leading the way in actively including people with disabilities.

Respect for Diversity and Contributing to an Inclusive Society

The Sony Group as a whole makes promotion of DE&I a priority, and undertakes initiatives related to diversity and social justice.

This is seen in Sony’s endeavors to make its products and services more accessible using technology. Sony is accelerating collaboration with other companies in improving accessibility and inclusion for everyone. For instance, with the truly wireless headphones “LinkBuds,” whose open ring design allows the user to hear ambient sound, Sony has collaborated with Microsoft to implement voice navigation using 3D spatial audio allowing for a natural heads-up and hands-free experience when walking outside.

In 2020 Sony established the Global Social Justice Fund, a 100 million USD fund to support organizations that promote social justice and the protection of human rights in order to foster diversity, equity and inclusion around the world. As part of its assistance through the fund, in June 2022 Sony Music Group established the Sony Music Group Global Scholars Program to provide career support to talented individuals in the music industry. Sony Corporation of America partnered with PolicyLink to fund its work in advancing racial and economic equity; and provided funding to The Steve Fund so that it may build a national platform connecting families and young people of color nationwide with mental health programs and services.

Sony believes that respecting diversity, along with commitment from top management, is an important value for each and every employee to understand and work toward. By cultivating this kind of corporate culture, Sony will in turn continue its efforts to make society more inclusive.
Value Creation in Each Business
Messages from the Heads of the Businesses

**G&NS**

Jim Ryan
Officer in charge of Game & Network Service Business
President and CEO, Sony Interactive Entertainment LLC

We will aim to continue to provide PlayStation® content to gamers around the world and across more devices with innovative technology, cross-platform development, live services, and cloud streaming capabilities.

**Music**

Rob Stringer
Officer in charge of Music Business (Global)
Chairman, Sony Music Group
CEO, Sony Music Entertainment

We represent more world class artists and songwriters whilst building innovative support services for their creativity. Our company keeps expanding through organic growth and acquisitions. We aim to base all our global activity on transparency, integrity and fairness.

Shunsuke Muramatsu
Officer in charge of Music Business (Japan)
President and Representative Director of the Board, CEO, Sony Music Entertainment (Japan) Inc.

In music and anime especially, we are strengthening talent and IP development capabilities to craft hit titles that we believe will fuel excitement among fans, while leveraging various solutions for providing new ways to enjoy entertainment.

**Pictures**

Anthony Vinciquerra
Officer in charge of Pictures Business
Chairman and CEO, Sony Pictures Entertainment Inc.

SPE’s Four Pillar strategy is working. This year, we achieved record results while pursuing transformative M&As for future growth. We will aim to continue building on this momentum and provide audiences with deeper connections to our content.

**ET&S**

Kimio Maki
Officer in charge of Entertainment, Technology & Services Business
Representative Director, President and CEO, Sony Corporation

We continue to deliver Kando and Anshin to people and societies across the world through the pursuit of technology and new challenges – creating the future together with content creators.

**I&SS**

Terushi Shimizu
Officer in charge of Imaging & Sensing Solutions Business
Representative Director, President and CEO, Sony Semiconductor Solutions Corporation

We are working to have our various stakeholders understand and relate to our corporate slogan, “Sense the Wonder,” as well as to co-create new value, spark imaginations in people, and enrich society.

**Financial Services**

Masashi Oka
President and CEO, Representative Director, Sony Financial Group Inc.

With businesses from life and non-life insurance to banking and nursing care, and with our Lifeplanner sales specialists, SFG “stays close to people” and uses the “power of technology” to help customers enjoy peace of mind and realize their dreams.
Business Profiles

Game & Network Services (G&NS)
Accounts for roughly 25% of Sony’s total sales
Established as one of the world’s leading game ecosystems
(FY2021 operating CF: ¥247.5 billion; investing CF: -¥91.6 billion)

Revenue Sources
In FY2021, the second year since the release of PS5™, G&NS enjoyed growth in hardware sales and continued carrying forward the earnings structure of the past few years, characterized by an upward recurring revenue trend via PSN due to the growth of network services and add-on content, in addition to strong software sales. The number of monthly active users of the entire line of PlayStation® consoles and total game playing time, which together are the basis for the upward trend, are both increasing over time.

Investment Areas1
G&NS limits fluctuations in its assets within a certain range by outsourcing most hardware production and expensing most development costs for new consoles and software. It invests in M&A and strategic partnerships, mainly with game developers, as well as in R&D to strengthen content IP. In FY2021 G&NS announced the acquisition of Bungie, which has strength in live service games, as well as Firesprite and Haven Entertainment Studios.

Music
Forerunner of Sony’s entertainment business
Ranks first2 globally in music publishing and second3 in music production
(FY2021 operating CF: ¥166.1 billion; investing CF: -¥114.9 billion)

Revenue Sources
Music production is a relatively capital-efficient business, as revenues from digital distribution and package sales are shared with artists and other related parties. Music publishing, with its immense music catalog, has a business structure that allows it to generate stable revenues from royalties and other sources over the long term, although ROIC4 is low. Visual media and platform are characterized by solid medium-term profitability due to multifaceted application of content IP.

Investment Areas1
The Music segment is actively engaged in discovering and cultivating new talent. It is also enhancing its support for independent and local artists, particularly as such artists account for a growing part of the market. In FY2021, the Music group acquired AWAL and Som Livre, an independent Brazilian music label. The segment is also working to continuously enrich its music catalog, which is a collection of content with a high level of liquidity as an asset. It is also enhancing investment in anime content IP, which can be deployed and utilized across a wide variety of media.

Pictures
Established unique status as an independent studio
Owner of excellent content IP, including blockbuster film franchises
(FY2021 operating CF: ¥185.7 billion; investing CF: -¥83.7 billion)

Revenue Sources
Motion pictures generate mid- to long-term revenue from digital distribution and television licensing in addition to box-office revenue. While theatrical film releases have been affected by the pandemic, income from streaming and licensing has been steadily increasing, and the overall value of content, including TV programs, is trending upward. Media networks offer two stable revenue sources, subscription fees and advertising fees, while niche-market DTC services offer stable growth potential for the communities of interest they can foster.

Investment Areas1
While content production and acquisition costs are capitalized as deferred film production costs, the recovery of funds tends to be over a longer period of time, resulting in a larger capital investment. Investment targets include firms that produce motion pictures and TV programs. In FY2021 Sony completed its takeover of Crunchyroll, one of the world’s largest anime distributors, and announced a merger with Zee Entertainment Enterprises Ltd., a media content firm in India.

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1. Investments also include non-capital assets.  2. As of 2021 (source: Music & Copyright)  3. As of 2021 (source: IFPI)  4. Return on invested capital  5. Sales to external customers

For more financial details, please refer to earnings releases and other supplemental information on Sony’s website.
Revenue Sources

Through an approach that values profitability over sales figures or volume, products with high added value – such as mirrorless interchangeable-lens cameras, TV sets, headphones and smartphones – are driving earnings. Despite changes in the business environment caused by the pandemic, and shortages of semiconductors and other parts, the segment has appropriately handled fluctuations in supply and demand and maintains high profitability on the strength of its comprehensive cross-Group operations, from development to production, distribution and sales.

Investment Areas1

The segment’s R&D investment is focused on the development of technologies that emphasize growth in real-time value and the fusion of the physical and virtual worlds, as well as on high-value-added products. Especially in the past three years, ET&S has invested capital in growth areas such as sports and life sciences, where the segment can leverage its technologies that have been long cultivated in the area of electronics. Capital expenditures mainly consist of recurring investments within the scope of depreciation, and no major expenditures are planned at present.

Revenue Sources

The core product of I&SS is image sensors. Image sensors have shown continuous growth since the 2010s, mostly for mobile devices. Following a trade conflict between the U.S. and China, the business expanded and diversified its customer base along with structural change in the smartphone market. I&SS focuses on fine-pixel sensors for mid-range models, in addition to high image quality, multifunctional sensors for high-end models. The business is also exploring broader applications for sensors in automotive products and retail and industrial equipment through devices with AI-processing capability.

Investment Areas1

I&SS is investing in increasing the production of image sensors, which, unlike semiconductor memory products that require frequent upgrades to their production lines, do not require regular large-scale capital expenditures. With an eye to future growth, R&D efforts are being progressed in the areas of automotive business as well as the development of both software and new products that apply edge AI processing technologies. In FY2021, I&SS invested in a foundry-service subsidiary of TSMC to assure reliable procurement of logic wafers.

Revenue Sources

Sony Life, in both its consumer and corporate sectors, earns stable revenue from a unique business model providing life insurance tailored to individual customer life plans through in-depth consultations. Sony Assurance earns revenue primarily from direct sales of a variety of insurance products, mainly automobile insurance, to individual consumers. Sony Bank earns revenue primarily through offering mortgage loans and foreign-currency deposits to consumers via online services.

Investment Areas1

While focusing on remaining operationally sound as a financial institution, the Sony Financial Group invests in initiatives designed to add more value to the Lifeplanner channel, the main strength of Sony Life, SFG’s core company. It also develops products and services that incorporate technology and respond to social and environmental changes across all its businesses.
Business Vision

To Be “The Best Place to Play”

Value Created

1 Enriching people’s hearts through the delivery of emotional experiences

Providing “The Best Place to Play,” where new, fulfilling experiences along with diverse forms of communication and entertainment become possible. Creating communities where users can connect and interact.

2 Helping creators realize their dreams

Products, services and tools that provide creators with an environment that enables them to fully share their creative vision and innovation with the world.
Strategic Key Points

- Provide new features and offerings with the next generation of PS Plus and PlayStation®VR
- Enhance lineup of PlayStation® exclusive titles with broader portfolio offerings of first-party and live service games
- Expand user community with future multiplatform efforts in PC, mobile, and beyond console

Strategically Emphasized Indicators
- PSS™ hardware units sold globally
- PS4™ hardware units sold globally
- PSN monthly active users
- PS Plus subscribers
- Total gameplay hours
- Monthly gameplay hours / user

Market Position and Business Strengths

- World-leading creator of innovative videogames and network products and services
- Position as the category leader in gaming brands\(^1\)
- Extensive investment and company acquisitions have built a portfolio of leading global game development studios, best in class technology, and flagship franchises
- PSS™ unit sales reached 11.5 million in FY2021 with sustained, high levels of interest\(^2\)
- Brand power of PlayStation® cultivated through the accumulation of user trust and the sharing of technology and know-how with creators
- Technologies such as state-of-the-art consoles and next-generation VR systems offer consumers the immersive game experience of the future
- Established, loyal game communities that connect users and creators
- End-to-end planning and development that bring together devices, technologies and business models, and global sales capabilities
- Newly enhanced, multi-tiered PS Plus subscription service offering engaging, high quality, and increasingly diverse content

PlayStation®4 (PS4™) hardware cumulative units sold-in globally:

- more than 117.2 million\(^1\)

PSS™ hardware cumulative units sold-in globally:

- 21.7 million\(^2\)

PSN monthly active users:

- 102 million\(^3\)

PS Plus paid subscribers:

- 47.3 million\(^3\)

Understanding the Business Environment (Opportunities and Risks)

- Increasing demand for content and innovation in how people connect via networks
- Diversification in how games are enjoyed and how content is accessed
- Enhancement of software accessibility functions
- Evolution of hardware and immersion technology
- Competition with companies from other industries in building products and services for videogaming
- Growing amount of data and evolution of data analytics
- Importance of new engagement styles that fits users in new normal world

Material Topics in Sustainability

- Employees: Continue to enhance productivity through more flexible working approaches
- Information security: Reliable management and operation of one of the world’s leading portfolio of videogame products and network services
- Responsible supply chain: Addressing environmental and human rights risks in the context of global supply chains
- Quality and customer service: Enhancing customer experience and accessibility by consistently updating software and expanding features to promote inclusivity
- Environment: Improving energy efficiency across hardware and all network services; continuing to reduce plastic use in packaging
- Respect for human rights: Continuously building a diverse business culture that fosters respect and inclusion

1. Prophet Brand Relevance Report, 2022
2. As of March 31, 2022, sell-through base
3. As of June 30, 2022
Background to Strategies

The ever-expanding gaming market continues to undergo various changes, including growth of Free to Play (F2P) games, intensifying competition from new entrants and non-console player interfaces, diversifying revenue streams, and evolving technology. Sony Interactive Entertainment (SIE) will further increase the value of PlayStation® as one of the world’s leading brands for videogame products and services. SIE intends to continue to make proactive investments, update current service offerings, and expand beyond its product portfolio to raise brand value. SIE will continue to foster community engagement through DTC services to get closer to users and will reinforce technology and support for content IP creation to get closer to creators.

Strategic Direction

The segment’s growth strategy consists of building PSS™ into the largest portfolio of videogame products and services in history while prolonging engagement with PS4™, and pursuing transformative growth initiatives. By leveraging new technologies in speed, haptics, and sound, SIE has enhanced the ability for creators to deliver engaging and innovative next-gen content further establishing PSS™ as a truly next-generation console experience. SIE will continue to launch PSS™ game titles by first-, second-, and third-party developers including live service games that will increase user engagement.

SIE will continue, moreover, to place great emphasis on user engagement by delivering gaming experiences unique to PlayStation®. SIE continues to deliver engaging content to users, including acclaimed titles such as Horizon Forbidden West from Guerrilla and Gran Turismo 7 from Polyphony Digital and the highly anticipated God of War Ragnarök from Santa Monica Studio to be released in November. With an updated PS Plus and the highly anticipated PS VR2, SIE plans to leverage its extensive content IP, diversity of service offerings, and state-of-the-art immersion technology to further enhance the appeal of PSN. By capitalizing on existing partnerships and pursuing new collaborations, it can drive growth of its business and maintain its ability to scale as the demand for its products and services expands.

To support future growth initiatives, SIE is investing in beyond console efforts, new technologies, and live service games. Live service games will allow it to deliver Kando more personally to users by continuously incorporating user feedback into the ever-evolving story that engages users for longer periods of time. In addition, SIE’s acquisition of Bungie will strengthen the segment’s ability to develop, launch, and maintain live services.

SIE continues to expand beyond the console with the God of War PC release which was met with overwhelmingly positive reviews. Continuing the journey, PlayStation® Now has merged with PS Plus to create an all-new PS Plus. This simplified service offers value, flexibility, and diversity of choice to deliver compelling and curated content to users. The next-generation PS VR2 is technology that brings us closer to users through a virtual space. The released details include eye tracking, adaptive triggers, and 3D audio technology that will realize unrivalled immersion. With this year’s 1 billion USD co-investment in Epic Games, SIE intends to deepen its experience in the metaverse and accelerate future virtual and digital productions with Epic’s expertise.

For expansion in China, we saw unprecedented demand for PSS™, selling 670k units by April 2022. SIE also plans to increase sales through PlayStation®’s direct to consumer site as a primary distribution channel for connecting directly with users. In collaboration with SPE, the Uncharted movie released in February 2022 saw extraordinary success, garnering 404 million USD in box office sales as of June 2022.

The Uncharted movie was based on award-winning IP from Naughty Dog and PlayStation Productions. Several other projects are underway from PlayStation Productions, including television shows based on The Last of Us and Twisted Metal and a feature length film based on Ghost of Tsushima.

SIE aims to achieve robust revenue growth by advancing the virtuous cycle for PlayStation®. This entails continually driving active users and play time, enhancing network services, and reinforcing content IP so that consumers will readily choose PlayStation® instead of one of its competitors. Targeted outcomes include maintaining a strong active user base, creating more monetization opportunities, and a shorter cash conversion cycle, from which expanded cash flow can be expected.

To implement its strategy, SIE aims to strengthen engagement with employees through initiatives such as diversity, equity & inclusion (DE&I) efforts and flexible post-pandemic working styles. DE&I activities are implemented by eNets (Employee Network groups) and driven by SIE employees around the world taking the initiative to provide safe spaces for people of all backgrounds to learn and grow. SIE also shares demographic data with all employees now and continually aims to improve hiring and employee retention in underrepresented groups. SIE has also implemented post-pandemic hybrid workstyles called Flex Modes. In efforts to be mindful of employee mental health, Flex Modes intend to leverage the magic of in-office collaboration while ensuring flexibility to tend to personal matters.
Business Vision

- Be the most artist/songwriter-friendly, employee-friendly company, committed to three core values: artistic integrity, transparency, and entrepreneurship
- Drive creative career development and optimize artist and songwriter revenue through the integration of music, entertainment, and technology
- Provide competitive advantages for artists and songwriters through multiplatform One Sony collaborations that create high-quality, technology-driven entertainment opportunities unique to Sony

Value Created

1. **Enriching people’s hearts through the delivery of emotional experiences**
   Music is a fundamental part of the human experience and Sony Music Group is focused on moving people emotionally through its creative endeavors and technological innovation. SMG works with its artists, songwriters and video/anime creators to produce highly compelling music entertainment that fans form powerful emotional and cultural connections with throughout their lives.

2. **Helping creators realize their dreams**
   Building and maintaining strong, collaborative relationships with music’s creators is at the core of Sony Music Group’s mission—and SMG is most proud of the contributions it makes in developing and advancing artist and songwriter careers. Through synergies within the Sony Group, the company provides creators with transformative opportunities across diverse fields, media and platforms.
Value Creation in Each Business: Music

Market Position and Business Strengths

- Top presence in both recorded music and music publishing
- Sony Music had the world’s top-selling album of 2021 1
- Sony Music Publishing had the world’s most-streamed song of 2021 2
- High recognition in the animation industry and general entertainment industry in Japan
- Global leadership in music entertainment with unparalleled expertise in A&R, marketing, commercial licensing, scalable copyright administration and royalties infrastructure
- Extensive content IP covering every genre and decade of music from a great number of creators
- Futuristic capabilities in finding, developing, marketing, and promoting artists and songwriters combined with best-in-class relationships and partnerships to drive growth of music consumption
- Technologies contributing to services and transparency for artists and songwriters
- Ongoing investment in the community to expand creative content, including investment in proprietary data, and in analytics platforms and solutions, to provide support for creators’ activities

Understanding the Business Environment (Opportunities and Risks)

- A marketplace full of diverse content that crosses linguistic, genre, and national boundaries
- Growing interest in discovering and enjoying content that matches ever-changing preferences
- Changes in business models due to digital transformation and increasing necessity of copyright management reform
- Lower barriers to entry, changing industry players and intensifying competition
- Adaptions in marketing, promotion, merchandizing, licensing and performance methods due to impact of COVID-19

Material Topics in Sustainability

- Employees: SMG’s work environments offer internships, skill development, learning opportunities, and benefit enhancements, while valuing empowerment, and DE&I (diversity, equity, and inclusion)
- Ethics and compliance: Risk management, creating a fair playing field for artists, protecting the value of streams, and sincere and ethical activities
- Respect for human rights: Strengthening diversity of business and personnel to foster a culture respecting human rights

Strategic Key Points

- Investment in talent
- Expansion of label, artist & songwriter services
- Emerging markets
- Sony Group collaboration
- Creation of new revenue sources

Strategically Emphasized Indicators

- Growth in overall revenue and streaming
- Increasing market share and chart share
- Profit margin growth
- Emerging market revenue growth
- Roster size and song catalog

Music Publishing market position
No. 1 in the world 3

Recorded Music market position
No. 2 in the world 4

Total streaming sales growth of recorded music/music publishing:
+38% (Compared with previous fiscal year) 5
- FY2020 +23%
- FY2019 +21%

1. IFPI 2. Spotify 3. As of 2021 (source: Music & Copyright) 4. As of 2021 (source: IFPI) 5. Including EMI, year-round basis
Value Creation in Each Business: Music

Background to Strategies

Sony Music Group works in more than 60 countries, supporting a diverse roster of international superstars, developing independent artists, songwriters and visionary creators. From its position at the intersection of music, entertainment, and technology, the segment brings imagination and expertise to the newest products and platforms, embraces new business models, employs breakthrough tools, and provides powerful insights that help its artists and songwriters push creative boundaries and reach new audiences. At the core of its business, as always, is the excellence of its creative content.

Strategic Direction

The music market continues to grow at an impressive rate. The recorded music sector experienced its seventh consecutive year of revenue increases in 2021. Sony Music Group has transformed its position and strength in the music ecosystem through smart acquisitions and partnerships globally. SMG also plans to keep accelerating its creative momentum with a continued aggressive partnerships globally. SMG also plans to keep accelerating its creative momentum with a continued aggressive partnerships globally. SMG also plans to keep accelerating its creative momentum with a continued aggressive partnerships globally. SMG also plans to keep accelerating its creative momentum with a continued aggressive partnerships globally.

SMG will continue to play a role as ambassadors for artistic expression to influence social and racial justice. Sony Music Group’s philanthropic and community impact initiatives have become deeply ingrained in its value system and how SMG interacts with local regions around the world. In FY2021, through the Sony Global Relief Fund for COVID-19 and Global Social Justice Fund, internal global task forces have been responsible for identifying grassroots organizations that are breaking down barriers in communities around the world. The focus is to strategically execute a grassroots approach through on-the-ground knowledge from our grantees and help advance nonpartisan solutions in the areas of civic engagement, criminal justice reform and educational programs.

In pursuing these activities, and as part of its core business values, SMG places importance on diversity, equity and inclusion (DE&I). Sony Music Group believes in building a music industry that is as diverse and global as the stories we help our artists and songwriters tell. It is continuously developing new initiatives, aimed at partnering with equity-driven organizations, and its own communities to create opportunities for members of historically excluded groups as well as historically underserved or under-resourced communities to join and lead the music industry.
Business Vision
Produce and distribute world-class movie, television, and video content to consumers globally around Sony IP and/or serve specific communities of interest

Value Created

1. **Enriching people’s hearts through the delivery of emotional experiences**

By getting closer to creators and people, Sony Pictures Entertainment (SPE) values global audiences, delivering relevant and high-quality content to elevate entertainment and help spark shared emotional experiences through movies, television production, network businesses and Over-the-Top (OTT) services reaching anime fans, faith and family audiences, and many more.

2. **Helping creators realize their dreams**

SPE is well positioned to be one of the best places for creators to create. The studio’s independence as a producer enables it to make quality content with top talent for any audience around the world, and showcase that content on any platform to create the greatest impact.
**Market Position and Business Strengths**

- Position as the only independent major Hollywood studio is a considerable competitive advantage, evidenced by landmark output deals with Netflix and Disney
- Ecosystem for creators to develop visual content and reach viewers: access to talent, music, data analytics, studio facilities, marketing, distribution and existing IP to build upon
- Strong IP and firm commitment to the theatrical window: SPE holds rights to a vast universe of Spider-Man related Marvel characters; extensive library of proprietary IP; increased focus on materials and franchises based on familiar IP
- Disciplined investments in areas of strategic strength and key communities of interest to better position SPE for future growth.
- Technologies such as 3D imaging technology and 5G communications technology realizing photoreal cinematic quality
- Position within the Sony Group structure that enables synergies among Group segments, such as SIE and Sony Music Entertainment, as well as access to Sony’s advanced technology and expertise

Sony Pictures Entertainment Library Titles*
- Movies: **Over 3,500 titles**
- TV series: **Over 275 titles**

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**Understanding the Business Environment (Opportunities and Risks)**

- Large-scale consolidation in the industry
- Combination of high-speed connectivity, machine learning and hardware advances popularizing immersive reality experiences
- AI, connectivity and ubiquity of screens creating easier access and better personalization of content to meet increasingly diverse tastes
- Methods to view, access and experience content will continue to multiply, thereby increasing importance of story, IP ownership (characters) and relationships with creators. Media players are dedicating substantial resources to their direct-to-consumer platforms; competition and spending among streamers to fuel their platforms is intensifying
- The theatrical window continues to evolve, and box office is not quite back to pre-pandemic levels

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**Material Topics in Sustainability**

- **Employees**: Working creatively and collaboratively across teams to support the creation of high-quality content with top talent for audiences around the world
- **Ethics and compliance**: Protecting both SPE’s own IP and partner IP throughout the entirety of the creative process from content creation to distribution
- **Respect for human rights**: Strengthening diversity of content and personnel to foster a culture of inclusion
- **Environment**: Being committed to achieving a zero environmental footprint across the business with several programs in place that combat climate change, preserve natural resources, and protect the health and safety of the community

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**Strategic Key Points**

- **Expand new and existing content IP and build franchises**
- **Continue to grow communities of interest, such as anime, family and faith, and local markets**
- **Accelerate filmmaking with an eye to reopening of theaters and expansion of the streaming market**
- **Offer location-based entertainment (LBE)**

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**Strategically Emphasized Indicators**

- Feature film productions
- Television productions
**Background to Strategies**

The entertainment industry has undergone a rapid and fundamental transformation in recent years. Unprecedented consolidation has occurred, with companies acquiring content creation entities to further strengthen their proprietary ecosystems. The battle for the consumer, empowered by technology and choice, is the new focus of these newly-created organizations. Providing entertainment to the consumer, for these companies, is in service of their respective strategic product or service priorities – from devices, to commerce to connectivity. These companies continue to invest in their content offerings by leveraging their vast capital and technical resources on a global scale.

As an independent, talent-friendly studio supplying content to all large players, SPE can maximize the creative freedom that leading industry creators seek, as well as capture the value derived from unique content and IP. SPE provides general entertainment content to companies competing for consumers. In addition, SPE is focused on serving communities of interest — such as anime fans — by creating and aggregating content to address their passions.

Furthermore, the theatrical window continues to evolve, and box office is still not quite back to pre-pandemic levels. Many traditional studios are now prioritizing their streaming platforms over theatrical releasing. Faced with these challenges, the studio has remained flexible with release dates and distribution strategies for film content, leading to several schedule changes and/or profitable streaming deals.

To position SPE to take advantage of new opportunities in an evolving marketplace, adjustments continue to be made to bring about a stronger and more agile organization. Strong financial discipline is maintained by controlling costs and managing creative and financial risks.

**Strategic Direction**

SPE’s growth strategy is based on four pillars:

1. Strong IP
2. Strength as an independent studio
3. A rich library of content
4. One Sony collaboration

The first strategic pillar is SPE’s strong and valuable IP that lends itself to 360-degree monetization across all platforms. In addition to Spider-Man and the 900+ Marvel characters to which SPE holds the rights, the studio owns other key film franchises such as Ghostbusters, Jumanji, and Uncharted. The studio’s television IP is also strong with series like Better Call Saul, Cobra Kai, The Boys, and the two highest rated games shows on television, Jeopardy! and Wheel of Fortune. Furthermore, SPE continues to pursue opportunities to both invest in creative talent and innovative projects in order to build new IP, and to grow its Location Based Entertainment (LBE) business by licensing major IP to deliver immersive experiences worldwide.

Second, independence as a producer of scale enables SPE to produce quality content with top talent for audiences around the world, and showcase that content on any platform to create the greatest impact, because it is not locked into an owned subscription video-on-demand service or network platform. In addition, this position allows SPE to continue growing and investing in communities of interest, such as anime, faith and family offerings, and local markets. The acquisition of Crunchyroll in August 2021 for example, greatly enhances Sony’s already strong position in Anime — one of the fastest growing segments in entertainment.

Third, companies seeking to establish and take a leadership position with their own streaming services in the ongoing competition for consumers are generating increased demand for premium content. This will continue to present an attractive opportunity to monetize SPE’s extensive content library of movies and television shows. This is evidenced by landmark output deals with Netflix and Disney, allowing SPE to license its premium content to the streamers following the theatrical and home entertainment windows.

Fourth, SPE has a unique advantage by virtue of its place within the broader Sony Group alongside music, games, electronics and technology. There is renewed emphasis and momentum devoted to cross-segment collaboration. This potential was truly realized this past year with the success of Uncharted, the first feature-film collaboration with PlayStation Productions based on the popular game IP. This successful partnership opened the door for future projects and franchises, and there are currently several additional film and television projects with SIE in various stages of production and development.

Furthermore, based on the view that diversity of content is essential for producing such high-quality content and delivering it to broader audiences worldwide, SPE continues to expand and diversify its talent pipeline. SPE is actively finding ways to expand the pipeline for diverse stories and talent of all backgrounds, with innovative and impactful programs such as the Diverse Directors and Diverse Writers Programs, which encourage the development of highly qualified candidates from diverse backgrounds to access episodic writing and directing opportunities.
Business Vision

Continue to deliver *Kando* and *Anshin* to people and society across the world through the pursuit of technology and new challenges.

*Anshin is a Japanese word with various meanings such as peace of mind, reassurance, reliability and trust.*

Value Created

1. **Enriching people’s hearts through the delivery of emotional experiences**

Fully leverage our technology to enable new images and sounds as mode of expression in order to deliver unprecedented entertainment experiences to our customers. Create environments where all can enjoy high-quality content through Sony and share *Kando*.

2. **Helping creators realize their dreams**

Through technology, support the exercise of creativity by providing creators with the products and services they need to realize the vision they seek. Produce *Kando* content with creators for people around the world, collaboratively creating the entertainment of the future.

3. **Contributing to society through the delivery of safety, health and reliability**

By utilizing technologies developed over many years, ET&S contributes to progress in infrastructure and industry in the fields of medical care and communication in support of a society in which all can enjoy healthy lives filled with *Kando* and *Anshin*.
Strategic Key Points

- **Profit axis businesses (TV, audio, imaging, mobile, etc.)**
  - Relentless enhancement of product strength from production through sales, and continuing evolution of seamless operation and digital transformation

- **Growth axis businesses**
  - Investment of management resources in following businesses to shift business portfolio:
    - Content Creation Solutions (Virtual Production, Media Cloud) Business
    - Camera SDK (Software Development Kit) Business
    - Sports Business
    - Life Science Business
    - Network Service Business
  - Challenge of creating new businesses through business exploration

Strategically Emphasized Indicators

- Medium-term target: 10% operating profit margin
- Generate 25% of total operating profit from Growth Axis in FY2024

**Market Position and Business Strengths**

- Recognized and esteemed as a high-value-added premium brand
- Strong product groups expand the creator pool, with offerings including the VENICE digital cinema cameras, the Alpha™ series mirrorless cameras, and the Vlog camera
- Technological assets and platforms distinguish Sony in terms of images, sound and communication (core technologies include: CMOS image sensors and image-processing engines linked with the I&SS segment; 360 Reality Audio, an immersive music experience that uses Sony’s object-based 360 Spatial Sound technology; the cognitive processor XR™, which recognizes images like a human brain, and 5G communications technology developed for Xperia™ smartphones)
- Design and development infrastructure operated in cooperation with the Group’s entertainment businesses and other companies to facilitate provision of creator-oriented products, services and solutions
- Organizational robustness and flexibility to seamlessly manage development, production, procurement, distribution and sales among Group companies

**Achieved No.1 market share** in full-frame interchangeable lens cameras

**Solid position in premium TV-set market**

**Understanding the Business Environment (Opportunities and Risks)**

- Major change and continued uncertainty related to geopolitical risks, policies on climate change, and the like
- Economic slowdown due to macroeconomic downturn
- Economic impact of and risk from delayed distribution and tight semiconductor supplies worldwide
- Increased anxiety and constrained consumer behavior due to the COVID-19 pandemic and international conflict
- Changes in consumer behavior due to increasing socialization in virtual spaces, greater influence of Generation Z, and general aging of society
- Evolution of technologies for communication, portrayal of real spaces as virtual spaces, and real-time processing of high-volume information
- Diversification of services and value on offer, trending toward remote, virtual, cloud-based and real-time options

**Material Topics in Sustainability**

- **Employees**: Creating a corporate culture in which people with diverse backgrounds can express their abilities to the fullest
- **Responsible supply chain**: Addressing environmental and human rights risks in the context of global supply chains
- **Quality and customer service**: Enhancing customer experience and accessibility for a wide range of users
- **Environment**: Take on the challenge of reducing environmental footprint through technology; environmental mitigation throughout product lifecycles from raw material sourcing through collection and recycling of used products
Along the Growth Axis, ET&S aims to grow businesses that are closer to customers, is planned to use data to its fullest, in addition to DTC and recurring operational efficiency. In the sales area, digital marketing to use the technology created for TV-set production in production of TV sets, ET&S is working to automate half data coordination, from production through sales. In the efficiency through digital transformation and consistent with other companies and product-group integration.

Meanwhile, to advance product strength, the segment plans to further evolve high-value-added channels with original technology. ET&S is also increasing collaboration with other companies and product-group integration.

In its operations ET&S is focused on continuing to build efficiency through digital transformation and consistent data coordination, from production through sales. In the production of TV sets, ET&S is working to automate half of its manufacturing facilities within FY2022. ET&S expects to use the technology created for TV-set production in other product categories as well, accelerating growth in operational efficiency. In the sales area, digital marketing that uses data to its fullest, in addition to DTC and recurring businesses that are closer to customers, are planned to be strengthened.

Along the Growth Axis, ET&S aims to grow businesses that create and sustain new entertainment and support people, putting value on collaboration with external partners as well as technological linkage among Group businesses. Active exploration of new business domains is a long-term priority.

As a new generation of content creation solutions, ET&S is focusing on Virtual Production, which enables shooting without time and space constraints, thereby liberating creators and increasing the freedom of new video expression. Shooting equipment like the VENICE digital cinema camera, combined with Crystal LED display technology, reduces the workload of editing while ensuring high-quality content. The same technology and capabilities are planned to be applied to motion pictures, TV commercials, and music videos. In the media cloud business, ET&S is combining Sony’s imaging and communications technologies cultivated over many years with cloud services to help video creators edit film footage in the cloud and deliver it immediately in real time. Remote content editing and top-speed transmission through 5G communications are also in the pipeline.

The software development kit business, which fully leverages the performance of Alpha™ series cameras, began as a result of collaboration with creators pursuing new kinds of visual expression. Going forward, ET&S plans to offer this to not just creators but also customers in the B2B space, further expanding the possibilities of the Alpha™ series mirrorless cameras in visual expression. ET&S also plans to evolve the business by applying this approach to other categories and consumer products as well.

Hawk-Eye Innovations’ officiating, broadcast and data services lead the sports industry, being currently used in 25 different sports at over 500 venues in over 90 countries. ET&S is embracing the challenge of data applications, creating new user experiences, and building new fan communities. This is being realized through new Hawk-Eye technologies such as “SkeleTRACK” which can acquire detailed play data of athletes, as well as through sister company Pulseline, which is responsible for creating, developing and managing digital platforms for sports organizations.

In the life science business, ET&S has introduced flow cytometers, which are used in life science research and already installed in premier medical institutions and research facilities worldwide. In winter 2023, the segment plans to launch a new flow cytometer for cell therapy manufacturing. By looking ahead to the progress in research on personalized medicine including cell therapy, Sony is polishing its diverse technologies to contribute to the revolution of cell-based immunotherapy, also known as the fourth pillar of cancer therapies.

In the network services business, the NURO optical fiber broadband service provided by Sony Network Communications achieved one million optical subscribers in FY2021, and is rated highly in customer satisfaction surveys. As society shifts to more remote operations and practices, ET&S is considering multifaceted operations with a partner strategy in mind, and plans to accelerate business growth by improving the quality of reliable, high-speed communication services, expanding its business territory, offering new services, and building its subscriber base.

On the environment, ET&S is accelerating efforts based on the recognition that it plays a key role in fulfilling the Sony Group’s “Road to Zero” long-term environment plan. Specifically, Sony is making wider use of recycled plastic developed by the Sony Group, continuing efforts to completely eliminate plastic packaging for small products, and promoting a shift towards renewable energy through measures such as installing solar panels at sites in Japan and abroad. As for accessibility, ET&S is working to expand products and services with inclusive design as part of collaborative efforts to create a future where all can share Kando through technology. Further, in developing its various businesses and fostering innovation, ET&S will place particular emphasis on the diversity of employees, bringing different perspectives to bear. In Japan, where engineers are plentiful but the percentage of female employees remains low, the segment is focusing in particular on promoting gender equality.
Business Vision

Spark imaginations in people and enrich society, by bringing inspiring, intelligent, and reassuring solutions that push the boundaries of image quality and cognition with transcendent imaging and sensing technologies.

Value Created

1. **Enriching people’s hearts through the delivery of emotional experiences**

   Cutting-edge imaging and sensing technologies enable communication enhanced with Reality and Real-time and generates comfort and excitement, creating opportunities for people to enhance their sensitivity to the world and share their excitement and joy.

2. **Helping creators realize their dreams**

   The provision of data obtained through imaging and sensing enables the exploration of new knowledge that overturns conventional wisdom and the discovery of new richness hidden in everyday life, thereby stimulating creativity in various industries and contributing to the creation of new use cases and ecosystems.

3. **Contributing to society through the delivery of safety, health and reliability**

   Functionality that surpasses the capacity of human eyes and cognition aims to expand the scope of human ability through enhancing danger prediction, risk measurement and efficiency, and thereby contribute to a safer, more secure society that can serve as the basis for people’s fulfillment.
Market Position and Business Strengths

- Number one position* in imaging applications for CMOS image sensors (market share by revenue)
- High technological capabilities for pixels, signal processing and algorithms of CMOS image sensors that achieve characteristics such as high sensitivity, wide dynamic range, high-resolution and high-speed image capture
- Lineup of sensing devices with varied applications
- Excellent customer base in each application
- Production technologies that achieve high quality and high yield
- Production capacity enabling reliable supply
- Opportunities for collaboration and synergy with Sony Group businesses

Image sensors global market share by revenue for FY2021: 43%*
FY2020: 48%
FY2019: 53%

Understanding the Business Environment (Opportunities and Risks)

- Social needs for amenity, comfort and efficiency
- Rising importance of advanced recognition technologies and edge computing accompanying evolution of AI and IoT
- Industry advancements in smart and real-time operations due to shifts toward automated and autonomous devices
- Intensifying competition, reorganization of major players, and diversification and expansion of use cases in semiconductor industry
- Changes in business environment due to escalating geopolitical risks and the COVID-19 pandemic
- Global shortage of semiconductors

Material Topics in Sustainability

- Employees: Creating new value through the creativity of people with diverse backgrounds and opinions, giving full play to their abilities in an environment that encourages a spirit of challenge
- Responsible supply chain: Addressing environmental and human rights risks in the context of global supply chains
- Quality and customer service: Meeting or exceeding application-specific industry standards for automotive image sensors and in other fields, in addition to maintaining high quality and reliability
- Environment:
  - Contribution: Developing environmentally conscious products
  - Responsibility: Reducing environmental footprint through such means as reducing greenhouse gas emissions and recycling natural resources in semiconductor manufacturing processes

*As of March 31, 2022. Source: Sony
Background to Strategies

Imaging and sensing technologies embody “getting closer to people” as an essential tool for capturing emotions in images and video, and for understanding and analyzing user motivations.

In FY2021, I&SS made significant adjustments to the market assumptions for image sensors in the mobile imaging area for FY2022 and onward. While the view that global shipments of new smartphones will slow over the mid- to long-term remains essentially unchanged, smartphone makers driving the current market have designated cameras as differentiation factors, particularly for high-end models. Demand is rising for big pixel, large-diameter image sensors for new photographic experiences.

In response, I&SS has changed its forecast to project a longer-term trend toward large sensors as a market growth driver. At the same time, in the sensing market, advancements in AI and Internet of Things will continue driving growth, particularly in the domains of automotive, industrial and security applications. As the use of image recognition expands, edge computing, for securely extracting necessary data from images, is expected to become more widespread to address issues such as the increasing volume of data circulating in the world. Consequently, image sensors, the key devices for image recognition, are expected to become ever more important.

Strategic Direction

Under these circumstances, the I&SS segment will remain focused on image sensors. This segment does not plan to change its mid- to long-term business strategies, nor its continuing effort to drive growth through both hardware and software businesses.

In hardware, I&SS aims to maintain the number one position in imaging, and is working to become number one in sensing, both in the CMOS image sensor area.

In the area of imaging, I&SS is keeping a close eye on market trends while placing top priority on developing high-image-quality, multifunctional mobile image sensors. On the technology front, I&SS announced in December 2021 that it had developed the world’s first1 stacked CMOS image sensor technology with 2-layer transistor pixel. The new architecture approximately doubles2 saturation signal level, prevents underexposure and overexposure in settings combining bright and low illumination (e.g., backlit settings) and supports high-quality, low-noise images even in low-light (e.g., indoor or nightscape) settings. As for technology evolution toward the target year of 2030, the segment is working to advance multicamera systems, fast-reading technology, edge AI, and linkage with distance information to offer new photographic experiences.

In the area of sensing, in the automotive business, a particular focus area, I&SS is accelerating the development of four key technologies designed to help create a future of mobility that contributes to keeping people safe, secure and comfortable: automotive CMOS image sensors, SPAD depth sensors for automotive LiDAR, sensor fusion technology, and iToF in-cabin sensing technology.

For industrial purposes, I&SS aims to broaden and diversify its sensor lineup, including ToF image sensors and sensors for non-visible regions, seeking to contribute to use case expansion, labor savings, automation, and solutions to workplace challenges.

The segment is in search of new businesses in the VR and AR fields as well, as in the metaverse concept, where growth is anticipated and greater applications for sensing technology are in sight.

For software, I&SS will work towards edge AI implementations that can be combined with sensor hardware to build a recurring revenue business model. IMX500 intelligent vision sensors, which were announced in May 2020 and feature the world’s first AI-processing functionality, are attracting attention as a solution to the problem of data explosion caused by the spread of Internet of Things applications and the attendant surge in energy consumption. They are also expected to be of great assistance in addressing social issues. Meanwhile, the I&SS segment will also be focusing on addressing social issues by collaborating with a broad range of partners. A case in point is Co-Innovation Lab, a joint innovation program with Microsoft Corporation to verify the application of our IMX500 with Microsoft’s Azure AI features. Nomad Go of the U.S. has efficiently developed its own solution in these labs to address climate change with “intelligent” buildings.

In October 2021, I&SS launched AITRIOSTM, an edge AI sensing platform service, as a one-stop provider of all the functions needed for development-leading, diverse corporate partners to streamline the development and implementation of solutions.

On the topic of investment, I&SS believes it is necessary to maintain capital investment over the longer term in line with business growth. The total amount of investment in the fourth mid-range plan, which started in FY2021, is now expected to be even higher than it was in the previous mid-range plan. The expansion work at Nagasaki Technology Center’s Fab5 has been progressing smoothly since FY2021, and the expanded area commenced operation in July 2022. Additional construction to expand production capacity was started in May that same year.

To procure logic semiconductors reliably over the longer term, I&SS has invested in Japan Advanced Semiconductor Manufacturing, TSMC’s fab in Japan.

Finally, to maintain and strengthen technological dominance of the image sensor business, I&SS is maintaining capital investment and R&D, along with employee recruitment.

1. As of announcement on December 16, 2021
2. Based on comparison, on a one square μm-equivalent basis, of existing image sensors and the new technology applied to Sony Semiconductor Solutions’ back-illuminated CMOS image sensor; as of announcement on December 16, 2021
3. A single pixel’s maximum electron storage capacity
Business Vision
To be a financial group that helps each and every person achieve their dreams and peace of mind, by staying close to people and using the power of technology to build a society in which people feel uniquely enriched.

Value Created
3. Contributing to society through the delivery of safety, health and reliability
Utilizing a wide variety of information, Sony Financial Group (SFG) provides advice tailored to each customer’s life plan. SFG offers safety and peace of mind through contributing to economic security, facilitating wealth-building, and providing products and services suited to a longevity society. SFG employs technology to create new insurance products and services to increase safety and peace of mind in society. Additionally, it aims to make life more convenient by improving access to financial services and promoting innovation.
Market Position and Business Strengths

- Unique position in the domestic financial market with a business model that utilizes high added value and differentiated strengths
- Direct communication with customers to offer advice, products and services tailored to each individual customer
- Business infrastructure that can provide high-quality products and services at reasonable prices
- Utilization of technology through coordination with other Sony Group companies
- Corporate culture of relentlessly pursuing customer focus and originality

Sony Life policy amount in force:

¥57.6 trillion
FY2020: ¥53.6 trillion
FY2019: ¥51.4 trillion

Sony Assurance direct premiums written:

¥141.7 billion
FY2020: ¥130.4 billion
FY2019: ¥119.1 billion

Sony Bank mortgage loan balance:

¥2.6 trillion
FY2020: ¥2.4 trillion
FY2019: ¥1.9 trillion

Understanding the Business Environment (Opportunities and Risks)

- Demographic changes, including low birth rate, shrinking and aging population, and changes in household composition
- The situation in Ukraine, sharp changes in interest rates in Japan and U.S., and greater market volatility
- Changes in financial regulations, operations based strictly on fiduciary duty
- Rapid technological innovation, including advent of data economy, widespread adoption of AI and advancement of autonomous driving technologies
- Changes in business models brought about by players entering financial industry from other industries
- Lifestyle changes in response to manifestation of infectious disease risk

Material Topics in Sustainability

- Employees: Attract talented employees by using advanced business models that employ technology and customer-first principles; cultivate personnel with highly specialized knowledge through training and educational programs
- Corporate governance: Commitment to healthy management and ethics, with public nature of financial services in mind, and broad enhancement of group governance (tighter auditing system, cultivation of healthy organizational climate, etc.)
- Ethics and compliance: Act ethically and with integrity; comply with laws and regulations as a financial institution. Thorough management education and other initiatives to cultivate and instill culture of compliance and risk awareness
- Information security: Adequately safeguard customers' private information
- Quality and customer service: Institutionalize appropriate information provision and post-sale follow-up

Strategic Key Points

- Strengthen core/unique competitive advantages
- Alter profit structure to withstand low interest rates
- Further evolve customer-centric management
- Strengthen competitive edge through technology
- Maximize Group synergies

Strategically Emphasized Indicators

- Operating income
- ROE

1. Total of in-force individual insurance and individual annuities as of March 31, 2022
Background to Strategies

Over the medium and longer terms, market contraction, tighter profit margins and intensifying competition are forecast for Japan’s financial services market, due to factors including a low birth rate, a shrinking and aging population, increasing longevity and persistently low interest rates. With technological innovations such as rapid advances in Fintech and the spread of AI technology, players from other industries are entering the financial industry as well. Further, society is increasingly emphasizing proper fiduciary duty to customers in the management of financial institutions.

Since its inception, Sony Group’s financial services business has pursued a business model unlike those of traditional financial institutions, working to provide high-value-added products and services from differentiated businesses that meet the needs of individual customers. Its business environment, however, continues to grow increasingly challenging. SFG believes it is necessary to objectively recognize emerging challenges to the business model, and to formulate and promote, from a Group standpoint, strategies for thriving in a harsh business environment. To pursue management integration of the financial group in this way, the holding company was renamed Sony Financial Group Inc. (SFGI) in October 2021.

Strategic Direction

The key principle of the latest mid-range plan (FY2021-FY2023) is to maximize corporate value through self-transformation. With this mindset SFG will aim to strengthen its group management capabilities and work to achieve sustainable, profitable growth on a Group-wide basis.

The first strategic pillar for realizing this is to strengthen core/unique competitive advantages. Sony Life’s advantage is its Lifeplanner sales specialists, with their peerless customer contacts and relationships. It is working to further increase their productivity through training them to become better consultants, while evolving consulting tools, analyzing and applying the collected data, and further strengthening corporate sales. As a result, per-capita Lifeplanner productivity increased by over 20% year-on-year, and Sony Life experienced major growth in new corporate policy amounts while steadily increasing its force of Lifeplanner sales specialists. In FY2021 Sony Assurance continued to see steady growth in direct premiums written, due to increases in new contracts and policyholder retention rates, while Sony Bank steadily increased its core mortgage loans to reach the level of leading regional banks in terms of mortgage loan balance.

The second strategic pillar is to alter SFG’s profit structure to withstand low interest rates. SFG is improving its product mix, specifically through increasing the ratio of risk-resistant products to strengthen the earnings structure while lowering the ratio of whole-life insurance in new policies to steadily reduce interest rate risk. SFG is also raising operational efficiency through digitalization and business process change, accelerating an initiative to reduce operational costs under a new dedicated executive officer and specialized team, and discussing ways to ensure more sophisticated asset management to counter low interest rates.

The third strategic pillar is to further evolve customer-centric management. The Sony Group’s financial services firms have long been highly rated in terms of customer satisfaction. To follow through on a customer-centric management approach going forward, SFG is continuing reforms, including full application of the Net Promoter Score (NPS®), a helpful index for measuring customer loyalty.

The fourth strategic pillar is to strengthen our competitive edge through technology, one of the core strengths of the Sony Group’s financial services business. Now that SFGI is a wholly-owned subsidiary of the Sony Group, the segment sees this as an opportunity to accelerate its application of technology. Examples of this initiative at Sony Life include development of a new consulting system, AI-assisted automated proposal writing, and other Lifeplanner sales specialist support systems. Sony Assurance offers the free GOOD DRIVE smartphone app, which utilizes AI to identify driving behavior, and provides automobile insurance that refunds portions of premiums based on the app’s assessments, while applying the Sony Group’s deep learning technology for marketing. Sony Bank operates a high-quality remote-consulting system. To explore cutting-edge technologies over the longer term, SFGI set up the Advanced Technology Lab.

The final strategic pillar is to maximize Group synergies. An initiative to build a base for intra-SFG sharing of data, whether acquired in person by Lifeplanner sales specialists or electronically through online customer portals of Group companies, is proceeding as planned. SFG will also further accelerate efforts to enhance the value provided to customers. As part of efforts to increase cross-selling via customer referrals among Group firms, SFG plans to enhance referrals from Sony Assurance and Sony Bank to Lifeplanner sales specialists, expanding opportunities for Group-wide cross-selling and customer retention.

On top of these five strategic pillars, two new ones were recently added, namely “advance sustainability” and “thoroughly enhance Group governance.” The Sustainability Committee was set up in April 2022 to accelerate efforts underway to advance sustainability, and SFG now discloses information related to climate change and works to reduce greenhouse-gas emissions. For ESG-focused investing, SFG ensures that each Group firm operates according to the unified Group investment policy, while actively promoting more women to management posts, supporting them in returning to their jobs after childbirth, and improving accessibility. As for thoroughly enhancing Group governance, SFGI is strengthening its leadership role and functions as a holding company, while working to cultivate and promote a culture of compliance and risk awareness.

In 2021, an incident of financial misconduct occurred at a foreign subsidiary of Sony Life. The holding company takes this event seriously and, to follow through on Group action to prevent a recurrence, is enhancing its functions and becoming more deeply involved in internal control of SFG companies.

2. NPS® is a registered trademark of Bain & Company, Satmetrix Systems, Inc, and Fred Reichheld.
Board Chairman Shuzo Sumi, the committee chairs, and a director in charge of information security cover the roles the Board of Directors and each committee, as well as the challenges they should be aware of in considering changes in the environment around, and within, Sony.

**Sumi:** I think FY2021 was a good year for Sony, bringing good results and active investment for growth. The Board reviewed business progress and large investment projects, and thoroughly discussed ESG, information security and other important themes.

Because the environment around Sony is constantly changing and we are exposed to greater geopolitical risk, for example, the Board has more items than ever on its discussion agenda. We are keeping a close eye on the situation and undertaking appropriate preparatory action with executives. Since the second half of FY2021 we have been gradually increasing opportunities for dialogue, not just online but in person as well. In FY2022, I hope that we will be resuming our visits to offices and production floors.

How do you feel, looking back on FY2021?

**Oka:** Since FY2021 our communication among the directors has been closer. Those of us who live in Japan in particular have been able to meet and talk in person. To prepare for risks related to geopolitical factors and information security, though, we have to be more cautious than before. At the same time, I am very hopeful about Sony’s prospects for enhancing sustainable value as things move forward in new fields like the metaverse, mobility and AI. All Sony businesses have reached the stage that demands in-depth discussion about what they hope to be in the future, and the kinds of growth strategies they will employ in their respective competitive environments. So, I think the Board’s discussions on Sony’s business portfolio will continue to deepen.

**Becker:** In FY2021, the Board continued its focus on increasing long-term corporate value. We leveraged our collective global business experience to oversee and guide the strategies of Sony’s businesses. As Ms. Oka said, significant developments were made in the evolution of the Sony Group. These include investments to expand our role in the metaverse as well as developing new business categories. As a board, we also focused on efforts in sustainability and social issues. Our board cohesiveness was strengthened through effective use of technology over the course of the pandemic.

**Schaaff:** Strategic directions, capital allocation, business portfolio, risk management, execution of business plans - all are in the scope of the Board’s oversight responsibilities. Each Board member brings diverse experience to the company to support Management in this work.

A key challenge for every company is sustaining growth of the business during times of great change. Accelerating digitalization across industry is one obvious example of a tectonic shift that changes the rules for all companies. The Board helps Sony balance the benefits of further investment into the established, mature businesses against longer-term value creation that comes from challenging new areas. Sony’s recent investments into the entertainment businesses and its new initiative in the field of EV mobility are two examples that will help Sony grow corporate value even as the world around us changes in dramatic and often unpredictable ways.

**Sumi:** Thank you, everyone. Now, I’d like us to move to what each committee is doing. I feel the topics up for discussion in the Audit Committee are broadening. Ms. Oka, which topic is the committee focusing special attention on?

**Oka:** Last year, the Audit Committee conducted thorough discussion on one important issue in the financial services
business, specifically an illegal money transfer by an employee of a subsidiary, based on periodic updates from the related managements and the independent auditor. With the shift to an IFRS-compliant accounting system completed without issue, the committee plans to deepen talks with managements and the independent auditor on important themes such as risk in the business environment and disclosure of non-financial information related to ESG and sustainability. We will work to further improve the quality of auditing by keeping track of the latest world trends and monitoring efforts to improve and maintain internal control system.

Sumi: Thank you very much. In terms of risk, many global corporations are striving to tighten cybersecurity. Sony was among the first Japanese corporations to appoint an outside director in charge of information security. Mr. Schaaff, what is your take on cybersecurity risk?

Schaaff: We believe Sony has developed an effective information security practice to protect the company and its customers. However, from a risk management perspective, every day brings new challenges. New threats and expanding regulation require continuous enhancement of Sony’s cybersecurity operations.

Sony aims to fulfill the vision of delivering Kando by directly connecting to 1 billion people through continuous expansion of its content & service offerings. Sony should also improve operational efficiencies across every business through enhanced digital capabilities. A key mission of the Information Security team is to support a world-class cybersecurity practice that will give the company the confidence to challenge these new digital domains.

Sumi: Thank you very much. Next, Ms. Becker, let’s hear about the discussions going on in the Compensation Committee about policies and systems for compensation, particularly from the standpoint of promotion of sustainability-focused management and opportunities for optimal performance by outstanding managers and employees.

Becker: Sony’s executive remuneration is designed to attract and retain talented individuals and to incentivize improved business performance. Last year, the Compensation Committee discussed KPIs based on the fourth mid-range plan and the introduction of a new equity compensation plan to further link compensation to shareholder value. In FY2022, we will continue to focus on aligning our efforts with the expectations of our shareholders and various stakeholders, including our communities and employees, and link this to the mid- and long-term growth of the entire group.

Sumi: Thank you very much. Last, let me mention the Nominating Committee, which I chair. Since FY2021, when the CEO left the committee, all its members have been outside directors. Putting priority on right-sizing the Board and the diversity of its members, we have been discussing policies on selecting director candidates and exploring prospects. The succession plan is on that agenda as well. On the matter of CEO succession, we have set both short and longer time frames, and plan to select and evaluate each candidate based on both insider and outsider viewpoints. We have also confirmed a succession plan for directors with higher responsibility, including those in charge of business segments and head-office functions.

Sumi: Thank you all very much for this meaningful dialogue. As a Sony director, I feel it’s important to make the effort to better understand international trends in governance and stakeholder tendencies, and to deepen our knowledge of all Sony businesses. Going forward, the Board will continue its discussions with both risks and opportunities in mind in order to further increase its effectiveness and help build the corporate value of the Sony Group.
Policy Regarding Composition of the Board

With a view toward securing effective oversight by the Board, the Nominating Committee reviews and selects candidates for the Board with the aim of ensuring that a substantial part of the Board is comprised of qualified outside Directors that satisfy the independence requirements established by Sony and by law. The Nominating Committee selects candidates that it views as well-suited to be Directors in light of the Board’s purpose of enhancing Sony’s corporate value. The Nominating Committee broadly considers various relevant factors, including a candidate’s capabilities (such as work and other experience, achievements and expertise), availability, and independence, as well as diversity (including gender and internationality) in the boardroom, the appropriate size of the Board, and the knowledge, experience and talent the role requires.

Under the Board Charter, Sony Group Corporation also requires that the Board consist of at least 8, but no more than 14, Directors. In addition, since 2005 the majority of the members of the Board have been outside Directors. As of July 31, 2022, Chairman of the Board, Vice Chairman of the Board, and all members of the Audit Committee, the Nominating Committee and the Compensation Committee are outside Directors.
As of July 31, 2022

<table>
<thead>
<tr>
<th>Name</th>
<th>Position / Principal Activities Outside Sony</th>
<th>Years as Director</th>
<th>Committee Membership/Assignment</th>
<th>Experience and Expertise</th>
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</thead>
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| 1. Kenichiro Yoshida              | Representative Corporate Executive Officer, Chairman, President and Chief Executive Officer                   | 8                 | —                               | ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ·
Evolution of Governance along with Diversification of Businesses

**Governance at Sony**

Historically, Sony has consistently focused on effective group management by evolving its governance while diversifying its businesses, the regions it serves and its capital procurement methods. Sony therefore sees corporate governance as the basis for management that improves corporate value over the mid- and long-term as highly important, not simply as a response to legal requirements or social trends.

To realize Sony’s Purpose and achieve sustainable corporate growth, Sony continuously strives to operate the Sony Group effectively by maintaining objective, transparent and sound management and realizing timely and efficient decision-making.

Sony clearly separates its management and oversight functions, and enhances the independence of the Board of Directors (“the Board”) and its functions as an oversight organization to ensure objective, transparent and sound management. In addition, Sony enables timely and efficient decision-making by largely delegating authority for conducting Sony’s business operations from the Board to the management team.

An outstanding governance system is becoming more important than ever for earning greater trust from stakeholders. Sony will therefore work to further enhance its governance system.

**Healthy Tension is Key to Governance**

Sony emphasizes healthy tension between the Board and the management team to ensure highly effective governance, and accordingly, it clearly separates the oversight function of the Board and the management function of the management team.

The Board is responsible for oversight. While utilizing each Committee, the Board primarily reviews and approves Sony’s basic management policies, confirms their progress, and encourages the management team to take corrective action as necessary, including through the exercise of its authority over personnel matters. At the same time, the management team is responsible for outcomes of business operations and assumes accountability to the Board. To ensure that these systems operate effectively, Sony believes that a majority of the Board should be comprised of independent outside Directors, including the chairman of the Board and the Vice Chairman of the Board.

To ensure that these systems operate effectively, Sony emphasizes healthy tension between the Board and the management team to ensure highly effective governance, and accordingly, it clearly separates the oversight function of the Board and the management function of the management team.

**Sony’s Governance System (Monitoring Model): Separation of Management and Oversight**

### Enhancing the Independence and Oversight Functions of the Board

- Adopted the “Company with Three Committees” system in 2003
- 7 out of 10 members of the Board are outside Directors
- Appointed an outside Director as the chairman of the Board and the Vice Chairman of the Board
- All members of the Audit Committee, the Nominating Committee and the Compensation Committee are outside Directors
- Require additional independence requirements and limit re-election for outside Directors*  
  *In principle, re-election is limited to five times. Thereafter, re-election requires a resolution of the Nominating Committee and the consent of all of the Directors. Even with the consent of all of the Directors, in no event may any outside Director be reelected more than eight times.

### Delegation of Authority

The Board has the authority to determine basic management policy, and ensures timely decision-making by largely delegating its authority for business operations to the management team.

### Percentage of Outside Directors

- Board of Directors: 70%
- Audit Committee: 100%
- Nominating Committee: 100%
- Compensation Committee: 100%

### Evolution of Governance along with Diversification of Businesses

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>1946 Founded</td>
</tr>
<tr>
<td>1950</td>
<td>1971 Independent directors began being appointed</td>
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<tr>
<td>1955</td>
<td>1970 Listed on New York Stock Exchange; quarterly earnings releases began being disclosed</td>
</tr>
<tr>
<td>1960</td>
<td>1961 American Depositary Receipts (ADRs) issued; U.S. GAAP accounting began</td>
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<tr>
<td>1965</td>
<td>1967 Sony Corporation of America established in the U.S.</td>
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<tr>
<td>1970</td>
<td>1958 Listed on the Tokyo Stock Exchange</td>
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<tr>
<td>1975</td>
<td>1998 Compensation Committee and Nominating Committee voluntarily established</td>
</tr>
<tr>
<td>1980</td>
<td>2005 Outside Directors became majority on Board of Directors</td>
</tr>
<tr>
<td>1985</td>
<td>2003 Transition to Company with Committees System; 12</td>
</tr>
<tr>
<td>1990</td>
<td>1997 Executive officer system introduced</td>
</tr>
<tr>
<td>1995</td>
<td>2003 Transition to Company with Committees System; 12</td>
</tr>
<tr>
<td>2000</td>
<td>2005 Outside Directors became majority on Board of Directors</td>
</tr>
<tr>
<td>2005</td>
<td>2003 Transition to Company with Committees System; 12</td>
</tr>
<tr>
<td>2010</td>
<td>2005 Outside Directors became majority on Board of Directors</td>
</tr>
<tr>
<td>2015</td>
<td>2003 Transition to Company with Committees System; 12</td>
</tr>
<tr>
<td>2020</td>
<td>2021 Launch of Sony Group Corporation into separate companies</td>
</tr>
</tbody>
</table>

[1] First among all Japanese companies

Roles and Annual Schedule of the Board and Committees

The Board determines Sony’s fundamental management policies, and oversees the management of Sony’s business operations. As part of this role, the Board has the authority to (i) appoint and dismiss statutory committee members, and (ii) appoint/dismiss and/or conduct oversight of appointment/dismissal of Senior Executives. In addition, in order to improve Directors’ understanding of Sony businesses so that the Board, a majority of which is comprised of independent outside Directors, can effectively perform its oversight role, the Board has conducted events such as three-day workshops. The Board also periodically receives reports on and discusses sustainability/ESG and Information Security matters, which are more focused on recently, and oversees such matters. The Nominating Committee determines the content of proposals regarding the appointment/dismissal of Directors to be submitted for approval at the General Meeting of Shareholders, and evaluates management succession plans for the CEO and other executives. The Compensation Committee sets policy on the content of compensation for Directors, Corporate Executive Officers and other officers, and also determines or oversees the determination of their individual compensation in accordance with such policy. The Audit Committee monitors the performance of duties by Directors and Corporate Executive Officers, and oversees the independent auditor.

### Annual Activity Cycle of the Board and Committees (FY2021)

<table>
<thead>
<tr>
<th>June</th>
<th>October</th>
<th>January</th>
<th>April</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td></td>
<td></td>
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<tr>
<td>Sustainability reporting</td>
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<tr>
<td>Reporting on digital transformation</td>
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<td></td>
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<tr>
<td>Performance review (mainly business results)</td>
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<tr>
<td>Strategy Workshop/Review of mid-range plan</td>
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<tr>
<td>Nominating Committee</td>
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<tr>
<td>Review of selection policy for Director candidates</td>
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<td>Consideration and selection of Director candidates</td>
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<td></td>
<td>CEO succession plan review</td>
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<tr>
<td>Compensation Committee</td>
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<tr>
<td>Determination of important factors based on remuneration policy (including KPIs)</td>
<td>Determination of stock options</td>
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<tr>
<td>Determination of restricted stock compensation</td>
<td></td>
<td></td>
<td>Discussion/determination of remuneration policy</td>
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<tr>
<td></td>
<td></td>
<td>Evaluation and payment of remuneration linked to business results</td>
<td></td>
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<tr>
<td>Audit Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determination of audit plan</td>
<td>Review of financial results</td>
<td>Review of financial results</td>
<td>Review of financial results</td>
</tr>
<tr>
<td>Review of financial results</td>
<td></td>
<td>Audit of business sites</td>
<td>Preparation of auditors’ opinion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review of financial results</td>
<td>Confirmation of auditor remuneration</td>
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<tr>
<td></td>
<td></td>
<td>Audit of business execution (management interviews)</td>
<td></td>
</tr>
</tbody>
</table>
Continuously Improving Governance

Sony’s governance is a continuously evolving management system. Sony has conducted evaluations of the effectiveness of the Board and each Committee (“Evaluation”) annually since 2015. An outside counsel conducted the Evaluation in respect of the Board and Committee activities in the fiscal year ended March 31, 2022, and reported that the Board is established and operated in a manner sufficient to be highly appreciated, based on various points, including the self-evaluation results of the Directors and comparison with benchmarked companies in Japan, the United States and Europe. Following discussion and analysis based on the Evaluation, the Board affirmed that the Board and each Committee were functioning effectively.

Major efforts to improve effectiveness of Sony’s Board of Directors and Committees for the fiscal year ended March 31, 2022 and operation policy and priority matters of Sony’s Board of Directors and Committees for the fiscal year ending March 31, 2023 based on the result of the Evaluation are as follows. Sony will continuously take appropriate actions to further enhance functions of the Board and the Committees in response to the results of the Evaluation, as well as various comments and opinions given by Directors and the outside counsel during the Evaluation process.

Risk Management

Each business unit, subsidiary, affiliated company and corporate division of the Sony Group periodically reviews and evaluates risks in its respective area of responsibility and works to find, report, evaluate and respond to risks that may cause losses.

Senior Executives, including the Corporate Executive Officers, have the authority and responsibility to establish and maintain a system to identify and control risks that may cause losses to the Sony Group in their respective areas of responsibility, and set up and operate such risk management systems. The Corporate Executive Officer in charge of group risk control domains comprehensively promotes and manages the establishment and enhancement of the system through the activities with related departments.

Examples of risks that may significantly impact investor judgments include reduced market relevance and profitability due to intensifying competition from competitors; newly incurred costs to comply with laws and regulations in countries and regions where Sony operates; impact on global operations due to trade restrictions and economic sanctions imposed by certain countries and retaliatory measures to them; impairment of long-lived assets; and changes in consumption behavior caused by the increasing prevalence of new technologies and distribution platforms.

Ensuring Transparent Compensation that Incentivizes Sound Management

Sony’s Compensation Committee sets the policy on the content of individual compensation for Directors, Senior Executives and other officers, and determines, or oversees the determination of, the amount and content of individual compensation of Directors and Senior Executives in accordance with the policy. The Compensation Committee currently consists of three outside Directors.

Basic Policy regarding Director Remuneration

The basic policy for Director remuneration is to improve the supervisory function for business operations based on research regarding remuneration of directors of other companies. Based on this policy, Director remuneration consists of (1) Fixed remuneration, (2) Remuneration linked to stock price (restricted stock) and (3) Phantom restricted stock plan. Director remuneration does not include remuneration linked to business results on a short-term basis.

Basic Policy regarding Senior Executive Remuneration

Senior Executives are key members of management responsible for executing operations of Sony or its business, and Senior Executive remuneration provides effective incentives to improve business results on a short/mid/long-term basis in order to further improve corporate performance as a whole. The amount of each component
and its percentage of total compensation are determined in accordance with the individual’s level of responsibility and based upon benchmark research, emphasizing linking the remuneration to business results and shareholder value. Based on this policy, Senior Executive remuneration consists of (1) Fixed remuneration, (2) Remuneration linked to business results, (3) Remuneration linked to stock price (Stock acquisition rights, and restricted stock) and (4) Phantom restricted stock plan. In order to ensure that remuneration linked to business results effectively incentivizes Senior Executives to achieve financial targets for the mid- to long-term and financial targets for the fiscal year for which compensation will be paid, the amount of such remuneration shall be determined based on the level of achievement of the two metrics below and can fluctuate, in principle, from 0% to 200% of the standard payment amount depending on the level of achievement.

(i) Certain key performance indicators linked to the consolidated or individual business results of Sony during the fiscal year, such as Adjusted EBITDA and Adjusted EPS (net income attributable to Sony Group Corporation’s stockholders per share), which are selected based on the areas for which each Senior Executive is responsible.

(ii) Individual performance in the area(s) for which each Senior Executive is responsible.

Efforts to accelerate value creation through collaborations among the businesses of Sony, sustainability initiatives related to social value creation and ESG (environment, social and governance) and engagement indicators based on employee surveys shall be included in the evaluation factors for individual performance of (ii) above.

The Compensation Committee approved the introduction of the restricted stock units on June 30, 2022. By further utilizing the remuneration linked to stock price, including the restricted stock units, Sony aims to increase the willingness of executives/employees to contribute to the enhancement of Sony’s corporate value, and thereby to increase business results of Sony.

1. Because Sony replaced the phantom restricted stock plan for Directors with restricted stock from the fiscal year ended March 31, 2018, Sony did not grant new points to Directors from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2022.

2. Reference: Executive Compensation Package Designed to Focus on Long-Term Management (FY2021)

The chart below shows the components of remuneration for Corporate Executive Officers for FY2021. The standard payment amount is used to depict remuneration linked to business results and remuneration linked to stock price is calculated based on the fair value of stock acquisition rights and the issue price of restricted stock as of the date granted in FY2021. Accordingly, the proportion of each component based on the amount actually paid will differ from the chart below.

<table>
<thead>
<tr>
<th>Component</th>
<th>CEO</th>
<th>CTO</th>
<th>Other Corporate Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>13%</td>
<td>18%</td>
<td>27%</td>
</tr>
<tr>
<td>Remuneration linked to business results</td>
<td>14%</td>
<td>11%</td>
<td>16%</td>
</tr>
<tr>
<td>Remuneration linked to stock price</td>
<td>74%</td>
<td>72%</td>
<td>57%</td>
</tr>
</tbody>
</table>

### Management Succession

Sony places priority on CEO succession to realize sustainable value creation throughout the Sony Group. In the CEO succession planning process, the Nominating Committee, composed entirely of independent outside directors, vets potential successors based on the Sony CEO’s qualification. It does so in frequent consultation with executives, including the CEO, and reports its recommendations to the Board of Directors. In addition to CEO succession planning, the Nominating Committee assesses succession plans for Senior Executives with key management responsibilities for individual business units and headquarters functions, based on reports from management side, including the CEO.

### CEO Succession Planning Process

CEO succession planning involves defining the qualifications that Sony seeks in CEOs able to manage its diverse businesses as a unified Group, screening both internal and external candidates, and comparing the two groups, so as to ensure the thoroughly objective evaluation of successor candidates. Sony looks for candidates both internally and externally on a year-round basis. The Nominating Committee narrows down the pool of candidates by vetting them in light of their potential to fulfill the CEO role, and then reviews both near-term and longer-term CEO successor candidates based on their anticipated timelines toward becoming CEO.

### Initiatives to Develop Next-Generation, Cross-Group Executives

To foster future leaders and management talents on an ongoing basis, Sony conducts initiatives with a medium-/long-term orientation to identify and develop individuals with the potential to play key management roles across the Sony Group. One such initiative is Sony University, established in 2000 with the mission to “cultivate talent that can create and lead management visions and strategies,” to “pass on the Sony Spirit,” and to “create a human network for group management.” Under this mission, Sony University programs are designed to foster top management candidates and global leaders who will play key roles in driving the business forward.

The course offered a program for leading managers from different Sony organizations around the world to foster innovative thinking and polish their leadership skills. And managers and emerging leaders from Sony Group who show promise as potential business leaders are selected to participate in a program focusing on management literacy and interpersonal skills. Lively interactions with people from different business units and organizations, and opportunities to learn from each other, give Sony University an atmosphere of friendly rivalry.
Group Information

Corporate Data (As of March 31, 2022)

Company name: Sony Group Corporation
(Trade name changed from Sony Corporation as of April 1, 2021)

Founded: May 7, 1946
Headquarters: 1-7-1 Konan, Minato-ku, Tokyo 108-0075, Japan
Common stock: ¥880.4 billion
Subsidiaries: 1,521
Affiliated companies: 155

Out of which 1,488 are consolidated subsidiaries (including structured entities), and 139 are equity-method affiliates (including jointly-controlled entities)

Headcount (consolidated): 108,900

Listed stock exchanges: Tokyo Stock Exchange (Japan)
New York Stock Exchange (outside Japan)

Shares per unit: 100

Fiscal year-end: March

Ordinary general meeting of shareholders: June

Number of shares issued: 1,261,081,781
Number of shareholders: 399,144

Distribution by Shareholder Type (%)
- Foreign institutions and individuals: 58.6
- Japanese financial institutions: 26.3
- Japanese individuals and others: 10.6
- Other Japanese corporations: 1.1
- Japanese securities firms: 1.5
- Treasury stock: 1.9

Selection for ESG Indices

Disclosure of Financial and Non-Financial Information

Corporate Report 2022
Integrated report covering financial and non-financial information, such as business strategy and management policies for mid- to long-term value creation
- Message from the CEO
- Value Creation at Sony
- Value Creation in Each Business
- Corporate Governance

Investor Relations Website
A business overview, with financial and non-financial information, particularly relevant to investors and shareholders
- Briefings for investors
  - Corporate Strategy Meeting
  - Earnings Announcement
  - Business Segment Briefings
  - ESG/Sustainability
- Financial Reports
  - Securities Report (Japanese only)
  - SEC Filings
- Corporate Governance and Internal Controls
  - Corporate Governance Report

Sustainability Report 2022
Covers non-financial information, such as activities related to sustainability and CSR, relevant to a wide range of stakeholders
- Approach to Sustainability
- Addressing Social and Environmental Issues
- Environment
- Employees
- Respect for Human Rights
- Responsible Supply Chain
- Quality and Customer Service
- Community Engagement
- Ethics and Compliance
- Corporate Governance

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Sony Group Corporation has been independently assessed according to the criteria of the FTSE4Good and FTSE Blossom Index Series and has satisfied the requirements to become a constituent of those index series. Created by the global index provider FTSE Russell, these index series are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices and used by a wide variety of market participants to create and assess responsible investment funds and other products.

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Cautionary Statement

Statements made in this report 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. Sony adopted International Financial Reporting Standards (IFRS) starting in the three-month period ended June 30, 2021, in lieu of the previously applied generally accepted accounting principles in the United States (U.S. GAAP). The results for the fiscal year ended March 31, 2021 are also presented in accordance with IFRS. 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, and changing customer preferences;
(iii) Sony’s ability to continue to design and develop and win acceptance of, and changing customer preferences;
(iv) the effectiveness of Sony’s strategies and their execution, including 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;
(v) 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;
(vi) 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;
(vii) 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;
(viii) 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;
(ix) 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;
(x) 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;
(xi) Sony’s ability to forecast demands, manage timely procurement and control inventories;
(xii) 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;
(xiii) Sony’s ability to recruit, retain and maintain productive relations with highly skilled personnel;
(xiv) 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;
(xv) 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;
(xvi) 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;
(xvii) risks related to catastrophic disasters, conflicts, pandemics or similar events;
(xviii) 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
(xix) 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. Changes in the situation pertaining to the COVID-19 pandemic and the Ukraine-Russia conflict 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. Inquiries

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Editorial Policy

Sony’s Corporate Report 2022 is an integrated report that covers the worldwide business activities of Sony Group on a consolidated basis. The report’s purpose is to comprehensively communicate financial information, including business results, policies for mid- to long-term value creation and business strategies, and non-financial information to Sony’s stakeholders.

Reporting Scope

Scope: Sony Group Corporation, consolidated subsidiaries and other companies within the scope of consolidation

Period: FY2021 (April 1, 2021—March 31, 2022)

Certain subsequent information announced by August 26, 2022 is also included.

Note: In this report, “Sony” and “the Group” refer to the “Sony Group,” as distinct from Sony Group Corporation and Sony Corporation. The “Sony Group” refers to Sony Group Corporation (the parent company operating in Japan) and all consolidated subsidiaries in which Sony Group Corporation holds a capital stake of more than 50%. For a list of consolidated subsidiaries please see “Affiliated Companies” on Sony’s website.

Affiliated Companies

https://www.sony.com/en/SonyInfo/CorporateInfo/Subsidiaries/

Guidelines Referenced


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Note to the Financial Information without Financial Services

Financial information without Financial Services presented in this report is not in accordance with accounting principles generally accepted in the United States of America, which is used by Sony to prepare its consolidated financial statements. However, because the Financial Services segment is different in nature from Sony’s other segments, Sony utilizes this information to analyze its results without the Financial Services segment and believes that a comparative presentation may be useful in understanding and analyzing Sony’s consolidated financial statements.