Corporate Governance

Management Approach

Materiality Rationale

Historically, Sony Group Corporation 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 Group Corporation 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 Group Corporation continuously strives to operate Sony effectively by maintaining objective, transparent and sound management and realizing timely and efficient decision-making.

Basic Approach

Sony Group Corporation continuously strives to strengthen its corporate governance system based on the understanding that corporate governance is an essential basis to promote our management in order to fulfill the company’s corporate social responsibility and increases corporate value over the mid- and long-term. To operate Sony effectively, Sony Group Corporation continues to approach its corporate governance through two basic precepts:

(a) The Board of Directors (the “Board”), a majority of which is comprised of independent outside Directors, focuses on effective oversight of management’s operation of the business and maintains a sound and transparent governance framework by utilizing the Nominating Committee, the Audit Committee and the Compensation Committees; and

(b) The Board determines Sony’s fundamental management policies and other material matters and delegates to each of the Senior Executives that assume important roles for the management of Sony, including the Corporate Executive Officers, decision-making authority to conduct Sony’s business operations broadly in line with their respective responsibilities, as defined with a view to promoting timely and efficient decision-making within Sony.

Structure

In furtherance of these efforts, Sony Group Corporation has adopted a “Company with Three Committees” corporate governance system under the Companies Act of Japan (Kaishaho) and related regulations (collectively the “Companies Act”). Under such system, Sony Group Corporation has introduced its own requirements to help improve and maintain the soundness and transparency of its governance by strengthening the separation of the Directors’ function from that of management; maintaining what the company believes is an appropriate Board size, which enables the members of the Board to actively contribute to discussion; and advancing the proper functioning of the statutory committees.

Milestones

1961: Issued American Depositary Receipts (ADRs); Started US-GAAP accounting
1970: Listed on the New York Stock Exchange and disclosing quarterly earnings release
1971: Started appointing independent directors
1997: Introduced a new corporate executive officer system
2003: Adopted a company with three committees system
2005: Majority of the board became independent
2015: Split out business units as subsidiaries
2021: Launch of Sony Group Corporation
Corporate Strategy, Business Strategy and Other Policies

The Board sets and determines the fundamental management policy, including the mid-term plan and annual business plan pursuant to the Charter of the Board by fully examining various the thinking of management led by the CEO, from multiple perspectives. Please refer to the pages below for Sony's Purpose & Values, the Mid-Term Corporate Strategy for Sony, the business strategy for each business segment, and the vision of Sony’s founder:

- About Sony
- Corporate Strategy
- Business Briefing
- Vision of Founder and Approach to Sustainability
- The Founding Prospectus

For details such as policies, approaches, plans and initiatives on sustainability, please refer to the pages below.
- Approach to Sustainability
- Environment
- Respect for Human Rights
- Diversity, Equity and Inclusion

Governance Framework

Sony Group Corporation is governed by the Board, the members of which are elected at the Ordinary General Meeting of Shareholders. Under the Companies Act, a “Company with Three Committees” is required to have three committees: a Nominating Committee, an Audit Committee and a Compensation Committee, each consisting of Directors appointed by the Board. The Companies Act also requires the Board to appoint Corporate Executive Officers (Shikko-yaku), who make decisions regarding the execution of Sony’s business activities within the scope of the authority delegated to them by the Board. Sony Group Corporation has appointed its Chief Executive Officer (“CEO”), who is responsible for Sony’s overall management, and other officers who are responsible for important and extensive headquarters functions as Corporate Executive Officers. Sony Group Corporation has also appointed Corporate Executive Officers, including the CEO and other executives, that assume important roles for the management of Sony as Senior Executives. In addition, Sony grants titles, such as Senior Executive Vice President, Executive Vice President and Senior Vice President, to management team members in accordance with their respective roles and responsibilities.

Executives

Corporate Governance Structure

* Senior Executives: Corporate Executive Officers and certain other senior officers that assume important roles for management of Sony
# The Board of Directors

Members: 10 Directors including 7 outside Directors (as of June 28, 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>
</tr>
</thead>
<tbody>
<tr>
<td>Kenichiro Yoshida</td>
<td>Representative Corporate Executive Officer, Chairman, President and Chief Executive Officer</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hiroki Totoki</td>
<td>Representative Corporate Executive Officer, Executive Deputy President and Chief Financial Officer</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shuozo Suntar*</td>
<td>Senior Executive Advisor, Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</td>
<td>5</td>
<td>Chair</td>
<td></td>
</tr>
<tr>
<td>Yoshihiko Hatanaka*</td>
<td>Former Representative Director, Chairman of the Board, Astellas Pharma Inc.</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tim Schaaff*</td>
<td>Former Chief Product Officer, Intertrust Technologies Corporation</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toshiko Oka*</td>
<td>Professor, Professional Graduate School, Graduate School of Global Business, Meiji University</td>
<td>4</td>
<td>Chair</td>
<td></td>
</tr>
<tr>
<td>Sakie Akiyama*</td>
<td>Founder, Saki Corporation</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wendy Becker*</td>
<td>Chairperson of the Board, Logitech International S.A. Non-Executive Director, Oxford Nanopore Technologies plc</td>
<td>3</td>
<td>Chair</td>
<td></td>
</tr>
<tr>
<td>Kiko Kishigami*</td>
<td>Certified Public Accountant in Japan Board Member, WWF Japan</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joseph A. Kraft Jr.*</td>
<td>CEO, Fonschach Advisory Inc.</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1 An outside Director who satisfies the requirements under Item 15, Article 2 of the Companies Act of Japan

*2 Executive Directors Kenichiro Yoshida and Hiroki Totoki have comprehensive knowledge of each business of Sony and play important roles in developing and executing strategies of overall management of Sony.

Under the Companies Act, the term of office of Directors expires at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one year after their election.
In addition, since 2005 the majority of the members of the Board (the "Board Charter"), Sony Group Corporation also requires that the Board broadly considers the independence requirements established by Sony and by law. The Board, the Nominating Committee reviews and selects candidates for the Board with the aim of assuring that a substantial part of the Board consist of qualified outside Directors that satisfy the independence requirements established by Sony and by law. The Nominating Committee broadly considers various relevant factors, including a candidate’s capabilities (such as the candidate's 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, experiences and talent needed for the role. Under the Charter of the Board (the "Board Charter"), Sony Group Corporation also requires that the Board consist of not fewer than 8 Directors and not more than 14 Directors. In addition, since 2005 the majority of the members of the Board have been outside Directors.

**Policy Regarding Composition of the Board**

With a view toward securing effective input and oversight by the Board, the Nominating Committee reviews and selects candidates for the Board with the aim of assuring 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 broadly considers various relevant factors, including a candidate’s capabilities (such as the candidate’s 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, experiences and talent needed for the role. Under the Charter of the Board (the "Board Charter"), Sony Group Corporation also requires that the Board consist of not fewer than 8 Directors and not more than 14 Directors. In addition, since 2005 the majority of the members of the Board have been outside Directors.

**Qualifications for Directors and Limitation of Re-election**

The qualifications for Directors of Sony Group Corporation under the Board Charter are generally as summarized below. As of June 28, 2022, all Directors satisfy the qualifications for Directors, as set forth below, and all outside Directors satisfy the additional qualifications for outside Directors and are also qualified and designated as Independent Directors under the Securities Listing Regulations of the Tokyo Stock Exchange.

**Director qualifications**

- He/she shall not be a director, a statutory auditor, a corporate executive officer, a general manager or other employee of any company in competition with Sony in any of Sony’s principal businesses (a "Competing Company") or own 3% or more of the shares of any Competing Company.
- He/she shall not be or have been a representative partner or partner of Sony’s independent auditor the past three years before being nominated as a Director.
- He/she shall not have any connection with any matter that may cause a material conflict of interest in performing the duties of a Director.

**Additional qualifications for outside Directors**

- He/she shall not have received directly from Sony, during any consecutive twelve-month period within the last three years, more than an amount equivalent to 120,000 USD, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
- He/she shall not be an executive director, corporate executive officer, general manager or other employee of any company whose aggregate amount of transactions with Sony, in any of the last three fiscal years, exceeds the greater of an amount equivalent to 1,000,000 USD, or two percent of the annual consolidated sales of such company.

Also, each outside Director may, by resolution of the Nominating Committee, be nominated as a Director candidate for re-election up to five times, and thereafter by resolution of the Nominating Committee and by consent of all of the Directors. Even with the consent of all of the Directors, in no event may any outside Director be re-elected more than eight times.

**Policy and Procedure for Selection and Dismissal of Senior Executives**

Sony Group Corporation appoints Corporate Executive Officers including the CEO and other officers that assume important roles for the management of Sony as "Senior Executives." The Board, has the authority to appoint and dismiss and assign the roles of or to request a report regarding such matters for Senior Executives, including the CEO, and exercises such authority as necessary.

In making decisions on the appointment of Corporate Executive Officers, including the CEO, the Board considers whether candidates for CEO meet certain qualifications for the CEO position which are set by the Nominating Committee and whether candidates for other Corporate Executive Officer positions have the necessary skills, capabilities, experiences and achievements that correspond to such Corporate Executive Officers’ expected roles and responsibilities. The Board also receives a report on the status of appointment and dismissal of Senior Executives other than Corporate Executive Officers. The term of office of Senior Executives, including the CEO, is one year. The Board discusses, determines and/or oversees their re-appointment upon the expiration of each term considering the factors described above as well as their latest performance. The Board dismisses a Corporate Executive Officer, as necessary, in the event that the Board recognizes such Corporate Executive Officer is disqualified after discussions amongst the members of the Board or the Nominating Committee, even in the middle of the term for such Corporate Executive Officer.
Management Succession Plans

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 department 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 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.

Policy of Composition of the Audit Committee
Under the Companies Act, the Audit Committee shall consist of at least three Directors, the majority of whom shall be outside Directors. In addition, under the Board Charter, each member of the Audit Committee (“Audit Committee Member”) shall satisfy all of the following qualifications:
- he/she shall not be a Director engaged in the business operations of Sony Group Corporation or any of its subsidiaries, a Corporate Executive Officer, an accounting counselor, a general manager or other employee of Sony and
- he/she shall meet the independence requirements or such other equivalent requirements of the U.S. securities laws and regulations as may from time to time be applicable to Sony Group Corporation.

The chair is to be selected from among the outside Directors. The Audit Committee Members shall be selected from among the persons who possess appropriate experience and talent as well as the necessary finance, accounting and legal knowledge to serve on the Audit Committee. In determining whether to appoint or remove the Audit Committee Member, continuity of the Audit Committee shall be duly taken into account.

Moreover, at least one Audit Committee Member shall meet the audit committee financial expert requirements or such other equivalent requirements of the U.S. securities laws and regulations as may from time to time be applicable to Sony Group Corporation. The Board makes a determination on whether or not such Audit Committee Members meet these requirements. As of June 28, 2022, the Audit Committee is comprised of three outside Directors, two of whom (Toshiko Oka and Keiko Kishigami) are “audit committee financial experts” within the meaning of Item 16A of Form 20-F under the Securities Exchange Act of 1934, as amended.

Policy on Selection of Independent Auditor Candidates and Independence of Independent Auditor
With respect to the candidates for independent auditor nominated by the CEO and other Corporate Executive Officers, the Audit Committee evaluates the nomination, prior to making a decision on the candidates. The Audit Committee continues to evaluate the independence, the qualification and the reasonableness as well as the performance, of the independent auditor so appointed. For more details on activities of the Audit Committee, please refer to the page below.

Structure of Audit by the Audit Committee, Internal Audit and Accounting Audit, and Status Thereof

Sustainability Report 2022
Purpose/Authority

- To set policy on the content of individual compensation for Directors, Senior Executives and other officers
- To determine the amount and content of individual compensation of Directors and Corporate Executive Officers in accordance with the policy, and oversee the determination regarding the amount and content of individual compensation of Senior Executives other than Corporate Executive Officers

Policy Regarding Composition of the Compensation Committee

Under the Companies Act, the Compensation Committee must consist of at least three Directors, the majority of whom must be outside Directors. In addition, the chair is to be selected from among the outside Directors. A Director who is a CEO, a Chief Operating Officer (“COO”) or a Chief Financial Officer (“CFO”) of Sony Group Corporation or who holds any equivalent position shall not be a member of the Compensation Committee. In determining whether to appoint or remove a member of the Compensation Committee, continuity of the Compensation Committee shall be duly taken into account. As of June 28, 2022, the Compensation Committee is comprised of three outside Directors.

Basic policy regarding Director remuneration

The primary duty of Directors is to oversee management’s operation of Sony, which is a global company, the following two elements have been established as the basic policy for the determination of remuneration of Directors in order to improve that oversight function. No Director remuneration is paid to those Directors who concurrently serve as Corporate Executive Officers.

- Securing a talent pool of Directors possessing requisite abilities from a global perspective; and
- Ensuring the effectiveness of the supervisory function of the Directors.

Based on the above, Director remuneration shall consist of the following components. The amount of each component and its percentage of total remuneration shall be set at an appropriate level determined in accordance with the basic policy above and research conducted by a third party regarding remuneration of directors of both Japanese and non-Japanese companies.

<table>
<thead>
<tr>
<th>Type of remuneration</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>Set at an appropriate level determined based on research conducted by a third party regarding remuneration of directors of both Japanese and non-Japanese companies with a view to the level of responsibility of the Director and maintaining competitiveness for securing talent.</td>
</tr>
<tr>
<td>Remuneration linked to stock price (restricted stock)</td>
<td>Granted restricted stocks to further promote shared values between Directors and shareholders and incentivize Directors to develop and maintain a sound and transparent management system. Any Director to whom restricted stock is granted, in principle, may not sell or transfer the granted shares during his or her tenure. This restriction is removed on the date such Director resigns.</td>
</tr>
<tr>
<td>Phantom restricted stock plan</td>
<td>Points determined by the Compensation Committee shall be granted to Directors every year during their term in office. Then, when they resign, the remuneration amount shall be calculated by multiplying the closing price of common stock by the individual’s accumulated points. * 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.</td>
</tr>
</tbody>
</table>

* Sony’s Purpose & Values
* The Sony Group Code of Conduct
* Approach to Sustainability
* Editorial Policy
* Business Overview
* Sony’s Sustainability
* Addressing Social and Environmental Issues
* Environment
* Employees
* Respect for Human Rights
* Quality and Customer Service
* Community Engagement
* Ethics and Compliance
* Corporate Governance
* Management Approach
* Corporate Strategy, Business Strategy and Other Policies
* Governance Framework
* Internal Control and Governance Framework
* Relationship with Shareholders and Other Stakeholders
* Data Section
* GRI Standards Content Index
Basic policy regarding Senior Executive remuneration

Senior Executives are key members of management responsible for executing the operations of Sony as a whole, or of their respective businesses. In order to further improve the business results of Sony, the following two elements have been established as the basic policy for the determination of remuneration of Senior Executives.

- Securing a talent pool possessing requisite abilities from a global perspective; and
- Providing effective incentives to improve business results on a short-, medium- and long-term basis.

Based on the above, Senior Executive remuneration shall primarily consist of the following components. The amount of each component and its percentage of total remuneration shall be at an appropriate level determined in accordance with the above basic policy and the individual’s level of responsibility. The amount and percentage will also be based on research conducted by a third party regarding remuneration of management of both Japanese and non-Japanese companies, with an emphasis on linking Senior Executive remuneration to business results and shareholder value.

<table>
<thead>
<tr>
<th>Type of remuneration</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>● Set at an appropriate level determined based on research conducted by a third party regarding remuneration of management of both Japanese and non-Japanese companies with a view to the level of responsibility of the Senior Executive and maintaining competitiveness for securing talent.</td>
</tr>
<tr>
<td>Remuneration linked to business results</td>
<td>● Structured appropriately and based on appropriate metrics to ensure that such remuneration effectively incentivizes Senior Executives to achieve financial targets for the mid- and long-term and financial targets for the fiscal year for which compensation will be paid. Specifi- cally, the amount to be paid to Senior Executives 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. Such key performance indicators include Adjusted EBITDA and Adjusted EPS (net income attributable to Sony Group Corporation’s stockholders per share), which are selected based on the criteria for which each Senior Executive is responsible. These indicators are based on the fair value of stock acquisition rights and the issue price of restricted stock as of the date granted in the fiscal year ended March 31, 2022.</td>
</tr>
<tr>
<td>Remuneration linked to stock price (Stock acquisition rights and restricted stock)</td>
<td>● Stock acquisition rights and restricted stock are granted to incentivize Senior Executives to increase mid-to long-term shareholder value. In principle, one-third of the total number of exercisable stock acquisition rights will become exercisable each year after the allotment date. All of the allocated stock acquisition rights will be exercisable after three years from the allotment date. The Senior Executives to whom restricted stock is granted, in principle, may not sell or transfer the granted stock before the third anniversary date of the Ordinary General Meeting of Shareholders of the fiscal year when the restricted stock was granted. In principle, Senior Executives who have greater management responsibility and influence over Sony as a whole shall have a higher proportion of their remuneration linked to stock price. (See below “Reference: Executive Compensation package Design to Focus on Long-Term Management (FY2021)”). The amount of remuneration linked to the stock price shall be determined so that it is a percentage of the Senior Executive’s total cash compensation (fixed remuneration plus remuneration linked to business results) that is appropriate to each individual’s level of responsibility.</td>
</tr>
</tbody>
</table>

With respect to the remuneration linked to stock price, 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. For details of the restricted stock units, please refer to the press release below.

(Reference: Executive Compensation Package Design to Focus on Long-Term Management (FY2021))

The bar chart below shows the components of remuneration for Corporate Executive Officers for the fiscal year ended March 31, 2022. 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 the fiscal year ended March 31, 2022. Accordingly, the proportion of each component based on the amount actually paid will differ from the chart below.

<table>
<thead>
<tr>
<th>Type of Remuneration</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>CEO (27%) CFO (16%) CTO (18%) Other Corporate executive officers (1%)</td>
</tr>
<tr>
<td>Remuneration linked to business results</td>
<td>Base: 13% Performance-linked compensation: 13% Stock price linked compensation: 74%</td>
</tr>
<tr>
<td>Remuneration linked to stock price (Stock acquisition rights and restricted stock)</td>
<td>Base: 54% Performance-linked compensation: 16% Stock price linked compensation: 72%</td>
</tr>
<tr>
<td>Phantom restricted stock plan</td>
<td>Base: 18% Performance-linked compensation: 16% Stock price linked compensation: 71%</td>
</tr>
</tbody>
</table>
The Sony Group Code of Conduct
Approach to Sustainability
Editorial Policy
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Sony’s Sustainability
Addressing Social and Environmental Issues
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Responsible Supply Chain
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Corporate Strategy, Business Strategy and Other Policies
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Internal Control and Governance Framework
Relationship with Shareholders and Other Stakeholders
Data Section
GRI Standards Content Index

Procedures to determine remuneration of Directors and Senior Executives

The Compensation Committee or bodies or individuals under the supervision of the Compensation Committee determine the amount and content of the compensation for each Director and Senior Executive based on the policy outlined above. In principle, each year at the meeting of the Compensation Committee held after the Ordinary General Meeting of Shareholders, the Compensation Committee determines the amount of basic remuneration and the content of each Director’s and Corporate Executive Officer’s compensation for the corresponding fiscal year. At the meeting of the Compensation Committee held after the corresponding fiscal year end, the Compensation Committee determines the final amount of compensation of each Director and Corporate Executive Officer. As for Senior Executives who are not Corporate Executive Officers, bodies or individuals under the supervision of the Compensation Committee make those determinations.

For remuneration linked to business results, the Compensation Committee determines the standard payment amount, the financial performance KPIs (including the proportion of each indicator) and the targets for individual performance for each Senior Executive. Thereafter, the Compensation Committee determines the amount of such remuneration based on the level of achievement of the financial performance KPIs and each executive’s individual performance at the corresponding fiscal year end for Corporate Executive Officers. Bodies or individuals under the supervision of the Compensation Committee make those determinations for Senior Executives other than Corporate Executive Officers.

The Compensation Committee or bodies or individuals under the supervision of the Compensation Committee determined the amount of compensation of each Director and Senior Executive for the fiscal year ended March 31, 2022 according to the procedure described above.

Corporate Executive Officer remuneration linked to business results for the fiscal year ended March 31, 2022

For the fiscal year ended March 31, 2022, the standard payment amount for remuneration linked to business results for Corporate Executive Officers was determined to be between 60% and 100% of the amount of their fixed remuneration depending on their level of responsibility. The financial performance KPIs and the weighting of such financial performance KPIs primarily used for Corporate Executive Officers in the fiscal year ended March 31, 2022 were as follows:

<table>
<thead>
<tr>
<th>KPI</th>
<th>Target to be achieved for the fiscal year ended March 31, 2022 (Consolidated)</th>
<th>Result for the fiscal year ended March 31, 2022 (Consolidated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA*1</td>
<td>50%</td>
<td>Amount determined in order to achieve the Adjusted EBITDA defined below (target of 4.3 trillion yen for the three-year period from the fiscal year ended March 31, 2022)</td>
</tr>
<tr>
<td>Adjusted EPS*2</td>
<td>50%</td>
<td>$23.2 yen</td>
</tr>
</tbody>
</table>

Adjusted EBITDA, which is the most important financial performance KPI under the fourth mid-range plan, was selected as a Financial Performance KPI to enhance the growth potential of the entire Sony Group under the fourth mid-range plan. Adjusted EPS was selected to incentivize awareness of shareholder value and capital efficiency. The Compensation Committee determined a target for Adjusted EBITDA for the fiscal year ended March 31, 2022 that was meant to incentivize management to achieve the 4.3 trillion yen for the three-year period from the fiscal year ended March 31, 2022. The target for Adjusted EPS for the fiscal year ended March 31, 2022 was $23.2 yen, which was obtained by dividing the forecast of net income attributable to Sony Group Corporation’s stockholders for the fiscal year ended March 31, 2022, which was disclosed in April 2021 ($660 billion yen) by the number of diluted shares outstanding at the beginning of such fiscal year. The results for the Financial Performance KPIs for the fiscal year ended March 31, 2022 were as follows: Adjusted EBITDA: 1,597.9 billion yen (while net income attributable to Sony Group Corporation’s stockholders for the fiscal year ended March 31, 2022 was 882.2 billion yen)*4, and Adjusted EPS: 64.2 yen*4, each exceeding the targeted amount.

As outlined above, including the formula, the remuneration linked to business results for Corporate Executive Officers for the fiscal year ended March 31, 2022 was determined based on the level of achievement of the financial performance KPIs and the individual performance for which those Corporate Executive Officers were responsible. Consequently, the range of potential payment was determined to be, in principle, between 0% and 200% of the standard payment amount. As a result, the ratio of remuneration linked to business results of Corporate Executive Officers for the fiscal year ended March 31, 2022 varied from 167.8% to 178.5% of the Business Results Linked Standard Payment Amount.

*1 Standard payment amount was determined to be between 60 to 100% of the amount of fixed remuneration of each Corporate Executive Officer.
*2 Payment rate of remuneration linked to business results was determined, in principle, to be between 0% to 100% of the achievement of (i) financial performance KPIs for the area(s) for which each Corporate Executive Officer is responsible and (ii) individual performance in the area(s) for which each Corporate Executive Officer is responsible.

The amount of fixed remuneration of each Corporate Executive Officer is responsible.

For Corporate Executive Officers in the fiscal year ended March 31, 2022, the standard payment amount for remuneration linked to business results for Corporate Executive Officers was determined to be between 60% and 100% of the amount of their fixed remuneration depending on their level of responsibility. The financial performance KPIs and the weighting of such financial performance KPIs primarily used for Corporate Executive Officers in the fiscal year ended March 31, 2022 were as follows:

The amount of remuneration linked to business results to be paid to Corporate Executive Officers

\[
\text{Payment rate of remuneration linked to business results (0 to 200%)} = \frac{\text{Standard payment amount} \times \text{Adjusted EBITDA}}{\text{Adjusted EPS}}
\]
Form 20-F (Annual Report) for Fiscal Year ended on March 31, 2022:

Support for Activities of Directors, the Board and the Committees

Sony Group Corporation engages in various activities to enhance the oversight function of the Board over management’s operation of Sony’s business as follows:

Outside Director Initiatives

The Chairman of the Board is elected from among those Directors other than the Representative Corporate Executive Officer, and the Chairman leads the Board activities and secures the appropriate cooperation, communication and arrangement among outside Directors and Senior Executives. For example, the Board conducted outside Directors’ meetings generally the same day as each Board Meeting was held. The Board also conducted Directors’ corporate strategic workshops with management and meetings of the Chairman and the CEO. All these activities were aimed at securing better understanding by outside Directors of Sony’s business and management’s initiatives and encouraging corporate strategic discussions among Directors.

Secretariat Offices for the Board and each Committee

The company has established the secretariat offices of the Board and each Committee to support the activities of the members and encourage constructive and proactive discussion at the meetings of the Board and each Committee. Each secretariat office endeavors to distribute necessary materials for the meetings in advance and provide other information such as accounting information, organizational charts, press releases, external analyst reports and credit rating reports, as appropriate. Each secretariat office explains the meeting agenda to the members and provides them with presentation materials in advance of each meeting date and facilitates deliberation in separate meetings or briefing sessions depending on the nature of matters to be discussed. Each secretariat office also provides the absent members with a follow-up briefing, as appropriate. In addition, each secretariat office shares the annual schedule of the meetings and anticipated agenda items in advance with the members, in order to appropriately set the frequency of meetings and the number of agenda items to be deliberated at each meeting.

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* Adjusted EPS result for the fiscal year ended March 31, 2022 is calculated by dividing adjusted net income attributable to Sony Group Corporation’s stockholders by diluted EPS computation.

** Adjusted EBITDA result for the fiscal year ended March 31, 2022.
Provision of Necessary Information
When the company is requested to provide additional information by Directors, each secretariat office endeavors to provide the members such information promptly. Also, each secretariat office verifies appropriately whether requested information is provided smoothly. In the event that the members consult with external specialists, participate in various seminars and so on to perform their duties, the costs and expenses in connection with such activities are borne by the company in accordance with applicable internal rules.

The Audit Committee Aide
With the approval of the Board and with the consent by the Audit Committee, the company has established the Audit Committee Aide to support the activities of the Audit Committee. The Audit Committee Aide does not concurrently hold positions related to the business operations of Sony and, upon instruction by each Audit Committee member, conducts investigations into and analyses of auditing matters and engages in physical inspections or visiting audits either by him/herself or by cooperating with relevant departments in order to support the Audit Committee.

Policy for training Directors
Newly appointed Directors receive briefings by Senior Executives and outside experts regarding their expected roles and responsibilities, including their legal duties, as a Director or a member of the Committees. In addition, newly appointed outside Directors receive briefings about the business, financial status, organization and governance structure of Sony. Also, throughout their tenure, each Director receives compliance-related training in accordance with internal protocols and briefings on matters relevant to each Director’s fulfillment of his/her roles and responsibilities including the current status of Sony’s business.

Evaluation of the Board and the Committees’ Effectiveness
Policy for Evaluation
Sony Group Corporation believes that it is important to endeavor to improve the effectiveness of the Board and each Committee in order to support Sony’s business operations and enhance the corporate value of Sony. To achieve this goal, Sony Group Corporation conducts evaluations of the effectiveness of the Board and of each Committee (the “Evaluation”) at least annually.

Recent Evaluation
From February through May 2022, under the leadership of the Chairman of the Board, the Board conducted the Evaluation mainly in respect of Board and Committee activities in the fiscal year ended March 31, 2022 after confirming that actions proposed in response to the results of the previous Evaluation were appropriately taken. The recent Evaluation was conducted, as the company did with the previous Evaluation, with the support of a third-party outside counsel with expertise in Japanese and global corporate governance practices (the “Outside Counsel”) in order to ensure transparency and objectivity and to obtain professional advice.

Procedures for Recent Evaluation
First, the Board discussed and confirmed that the actions proposed to be taken in response to the results of the previous Evaluation were taken, and discussed and confirmed the proposed procedures for the Evaluation for the fiscal year ended March 31, 2022. Thereafter, the third-party evaluation was conducted by the Outside Counsel in accordance with the following steps:

• Reviewed relevant material, such as the minutes of Board meetings, and attended a Board meeting;
• Confirmed with the Board secretariat office and each Committee’s secretariat office how meetings of the Board and Committees were conducted;
• Gathered responses to a questionnaire from each Director about the current status and practices of the Board and each Committee, such as the composition of the Board, operation of the Board, commitments of each Director, activities of each Committee and procedures of the previous Evaluation;
• Interviewed the Chairman of the Board, and the Chair of each Committee, Directors, who are concurrently in the positions of Corporate Executive Officers, and certain additional Corporate Executive Officers about the Board and Committee status and practices; and
• Researched other global companies’ practices in Japan, the United States and Europe, and compared them with the company’s practices.

The Board then received, reviewed and discussed the Outside Counsel’s report on the results of its evaluation. The Board confirmed the effectiveness of the Board and the Committees.

Summary of the Results of the Recent Evaluation
The Outside Counsel reported that the Board is established and operated in a manner sufficient to be highly regarded, based on various points, including the self-evaluation results of the Directors and the comparison with benchmarked companies in Japan, the United States and Europe. Following discussion and analysis based on the Outside Counsel’s report, the Board re-affirmed that the Board and each Committee were functioning effectively as of May 2022. The Outside Counsel also provided examples of potential options, based on other companies’ practices, to help further improve effectiveness of the Board and the Committees. The examples include conducting mutual evaluation among Directors (peer review), enhancing the involvement by the Board in sustainability and risk management, and conducting deeper discussion regarding Board succession at Board meetings.

Actions in response to the Results of the Evaluation
In order to further increase corporate value of Sony, Sony Group Corporation will 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. For reference, after the previous Evaluation conducted from February through April 2021, Sony Group Corporation took the following actions, among others, to help improve the effectiveness of the Board:

• Continuous made periodic reports to the Board on ESG/ sustainability related matters;
• Enhanced Board’s supervision over risks regarding economic security and geopolitics;
• Focused on information security continuously through maintaining the number of Directors in charge of Information Security;
• Held additional executive sessions;
• Expanded disclosure regarding in the table showing experiences and expertise of Directors; and
• Continuously conducted visiting audits by Audit Committee members at Sony’s business sites.

Senior Executives and Other Officers

Senior Executives (In Sony Group Corporation, Corporate Executive Officer, Senior Executive Vice President and Executive Vice President)

Total number of Senior Executives: 18 (including 6 Corporate Executive Officers) (as of June 28, 2022)

Purpose/Authority
Determines and executes Sony’s business activities in accordance with their roles and responsibilities

Delegation of Authority from the Board
The Board determines the fundamental management policies and other material matters related to the operation of Sony’s business. The Board assigns the duties of Corporate Executive Officers including the CEO, by determining the areas over which each Corporate Executive Officer is in charge and by determining the scope of Senior Executives. Then, it delegates its decision-making authority to the CEO with a view to promoting timely and efficient decision-making within Sony. The CEO further subdelegates a part of such authority to other Senior Executives.

Other Officers
(In Sony Group Corporation, Senior Vice President)

Total number of other officers: 8 (as of June 28, 2022)

Purpose/Authority
Carries out business operations their assignments within designated areas, such as business units, headquarters functions and/or research and development, in accordance with the fundamental policies determined by the Board and Senior Executives.
Meeting Record and Attendance Record of Outside Directors

During the fiscal year ended March 31, 2022, the Board convened ten times. The Nominating Committee met five times, the Audit Committee met six times and the Compensation Committee met six times. All nine outside Directors, including Kazuo Matsunaga who retired in June 2021 and Adam Crozier who retired in December 2021, participated in all meetings of the Board held during their tenure period in the fiscal year ended March 31, 2022. Also, all outside Directors who are members of the Committees participated in all of the meetings of each Committee held during the fiscal year ended March 31, 2022.

Sustainability reporting

Evaluation of effectiveness

Evaluation and payment of remuneration linked to business results

Determination of restricted stock compensation

Discussion/determination of remuneration policy

Determination of important factors based on remuneration policy (including KPIs)

Determination of stock options

Determination of audit plan

Audit of business sites

Review of financial results

Review of annual business plan

Review of mid-range plan

Review of the business plan

Review of annual business plan

Review of financial results

Review of annual business plan

Review of financial results

Review of annual business plan

Review of financial results

Review of annual business plan

Performance Review (mainly business results)
Internal Control and Governance Framework

At a Board meeting held on April 26, 2006, the Board reaffirmed the internal control and governance framework in effect as of the date thereof and resolved to continue to evaluate and improve such framework going forward, as appropriate. At Board meetings held on May 13, 2009 and April 30, 2015, the Board amended and updated the internal control and governance framework, and with the resolution of the Board dated as of May 10, 2022, the Board reaffirmed the framework in effect and determined to continue to evaluate and improve such framework going forward, as appropriate. These determinations were required by and met the requirements of the Companies Act of Japan. For the content of the reaffirmation and the status of its implementation determined by the resolution of the Board dated as of May 10, 2022, please refer to the page below.

Disclosure Framework

The securities of Sony Group Corporation, the ultimate parent of all Sony companies, are listed for trading on exchanges in Japan and the U.S. As a result, Sony is obligated to make various disclosures to the public in accordance with applicable securities laws, regulations and rules in those countries and listing standards of the stock exchanges on which Sony Group Corporation’s shares are listed. Sony is committed to full compliance with all requirements applicable to its public disclosures. Sony Group Corporation’s policy on investor relations activities is to aim to disclose accurate information in a timely and fair manner, as well as to endeavor to promote constructive dialogue with shareholders and investors, with a view to maximizing Sony’s corporate value by building a relationship of trust with shareholders and investors. Sony Group Corporation has established disclosure controls and procedures as an approach to implement this policy. All personnel responsible for the preparation of submissions to and filings with the Tokyo Stock Exchange, the U.S. Securities and Exchange Commission and other regulatory entities, or for other communications made on behalf of Sony, or who provide information as part of that process, have a responsibility to ensure that such disclosures and information are full, fair, accurate, timely and understandable, and in compliance with the established disclosure controls and procedures. Sony Group Corporation has established “Disclosure Controls and Procedures,” outlining the process through which potentially material information is reported from important business units, subsidiaries, affiliated companies and corporate divisions and is reviewed and considered for disclosure in light of its materiality to Sony. As a body to assist the CEO and the CFO of Sony Group Corporation, in designing, implementing and evaluating the Disclosure Controls and Procedures, Sony Group Corporation has established the “Disclosure Committee,” which is comprised of members of senior management of Sony who are in charge of a part of Sony’s headquarters functions. In order to assure appropriate and timely disclosure, the Disclosure Committee shall evaluate events that are reported from the important business units, subsidiaries, affiliated companies and corporate divisions in accordance with Sony’s internal rules in light of their materiality to Sony. Based on such evaluation, the Disclosure Committee shall review the necessity of disclosure in accordance with applicable securities laws, regulations and rules, as well as the listing standards of the relevant stock exchanges, and report to the CEO and the CFO for their determination.

Risk Management System Framework

Each business unit, subsidiary / affiliated company and corporate division of Sony periodically reviews and assesses risks for the area of which it is in charge and works on finding, reporting, assessing and responding to the risks. In addition, Senior Executives including Corporate Executive Officers, of Sony Group Corporation have established and maintain a system to identify and control risks that may cause losses to Sony Group regarding the areas of which they are in charge. The Corporate Executive Officer in charge of group risk control comprehensively promotes and manages the establishment and maintenance of the system stated above through the activities with related departments.

Examples of risks that may significantly impact investor judgements 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.

Financial Reporting Framework

Sony’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Internal Financial Reporting Standards (IFRS).

Sony formed a cross-functional steering committee comprised of management in charge of the principal Sony headquarters functions to monitor the actions necessary to maintain effective internal control over financial reporting, including documenting, testing and evaluating internal controls and overseeing and assessing the global evaluation. Based on the evaluation by Sony Group Corporation, CEO and CFO have concluded that Sony maintained effective internal control over financial reporting as of March 31, 2022.
Crisis Management System Framework

One aspect of risk management is the proper handling of crises if and when they arise, and the proper preparation for such crises. Sony Group's crisis management and business continuity activities predominately occur at the business and operational level closest to the events Sony Group may encounter. Since some events can have a significant impact on the entire Sony as a whole, Sony Group Corporation has established a group crisis management procedure to enable a swift and organized group-wide response to crises as needed.

Framework on Business Continuity Planning

Sony has strengthened its business continuity planning (BCP) to enhance risk management throughout the supply chain. The group identifies, analyzes, and evaluates business risks in order to mitigate the risk of business disruptions due to emergencies such as earthquakes, natural disasters, and accidents.

Sony's electronics business struggled to cope with the impact of the Great East Japan Earthquake and severe flooding in Thailand in 2011, and with the impact of the earthquakes in the Kumamoto region of Japan in 2016. Nevertheless, Sony's employees and top management rallied together, capitalizing on their experiences in implementing measures to ensure business continuity, and succeeded in minimizing the impact of production disruptions. Knowledge gained from recovery efforts after the Kumamoto earthquakes was shared with relevant companies and local firms through industry bodies, to enhance the competitiveness of Japanese industry and strengthen supply chains. Utilizing lessons learned to date, Sony pursues ongoing initiatives to reduce business disruption risks at its business sites, from the perspectives of disaster prevention, disaster mitigation, and business continuity.

Sony Group Corporation has established a group-wide crisis management and business continuity framework for reviewing crisis management and BCP at each of its businesses and preparing for incidents and business disruptions that would significantly impact the entire Sony Group. In order to boost the effectiveness of Sony's business continuity planning, top management and Headquarters organizations carry out exercises based on scenarios such as natural disasters posted by the Japanese government.

In response to the COVID-19 pandemic, Sony has established a group crisis management system, placing the highest priority on ensuring the safety of employees and others and preventing the spread of the virus, as well as taking swift action to minimize the impact on Sony businesses. For example, Sony has shipped and supplied more than 1.2 million face masks to Sony group companies in Japan, Southeast Asia, Europe, and the United States, and supplied Sony group companies in India with medical equipment. Sony is securing business continuity through global coordination while implementing measures in accordance with internal guidelines, and preparing emergency supplies. Additionally, Sony establishes and manages crisis management and business continuity plans to minimize the impacts of business interruptions. To increase the effectiveness of these efforts, Sony is strengthening its business continuity and enhancing rapid recovery through coordination between the relevant companies and organizations and by conducting realistic exercises.

Sony recognizes the importance of BCP to its business strategy. Taking into account its experience with large-scale emergencies, Sony will continue to implement effective, practical measures, such as enhancing risk management across its group-wide supply chains.

Main Initiatives for Reducing Business Disruption Risks for Building and Equipment

Countermeasures against Earthquake

Utilizing lessons learned from the Kumamoto earthquakes, Sony has established guidelines for seismic measures for Sony group companies in Japan. These measures, which are essential to the safety of employees, are established by determining the seismic wave activity at each business site and conducting simulations to assess risk. The seismic measures apply to building structures and utility facilities as well as non-structural materials such as ceiling materials, to enhance safety in an earthquake. Sony has completed the implementation of particularly high-priority safety measures.

Countermeasures against Fire

The Sony Group has global guidelines to facilitate early fire detection and protection against the spread of fire in buildings and equipment. These guidelines are stricter than the regulatory requirements in Japan. Under the guidelines, Sony's manufacturing sites around the world implement annual self-checks and are regularly audited on-site by the HQ Facility Management Office to verify compliance with them. Manufacturing sites implement Plan-Do-Check-Act (PDCA) cycles to address any uncovered issues and establish improvement plans to effectively reduce risks.

Countermeasures against Flood-related Damage

Flood-related damage is on the rise due to the impacts of climate change. Sony surveys the flood risk at its business sites, which in turn implement preventative measures to mitigate damages in the event of a flood and ensure operations can be rapidly restored.

Case Example for Reducing Business Disruption Risks

Semiconductor Manufacturing Site: Seismic Isolation Structure and Initiatives to Reduce Fire Risks

The Nagasaki Technology Center of Sony Semiconductor Manufacturing Corporation became the first manufacturing site of the Sony Group to adopt a seismic isolation structure. This is being incorporated in its expansion building, which will be completed in stages from 2021 onwards. The seismic isolation system employs a hybrid seismic isolation structure with multiple base isolation devices to mitigate earthquake motion, and micro-vibration control that is essential for a semiconductor plant. The expansion building is compliant with the Sony Group’s global guidelines on building and equipment specifications, to reduce fire risk. For example, the building features an NFPA® compliant high-sensitivity smoke detection system and sprinklers, non-flammable exterior walls and exhaust ducts, and fire barrier walls between distribution transformers, for early fire detection and protection against the spread of fire.

* The National Fire Protection Association (NFPA) is a U.S-based organization that develops standards for fire prevention.
Semiconductor Manufacturing Site: Deployment of Earthquake Motion Prediction System

In 2018, Sony Semiconductor Manufacturing Corporation completed the deployment of an earthquake motion detection system for its main business sites. The system detects initial P waves (primary waves) from earthquakes and uses the data to predict the magnitude of subsequent S waves (secondary waves). If necessary, critical semiconductor manufacturing equipment is shut down before S waves reach the site, protecting equipment and products. Since the system can also predict epicentral earthquakes, a network of Sony’s business sites and its peripheral observation points is operated to improve response times and enhance prediction accuracy.

Semiconductor Manufacturing Site: Initiatives against Flood Damage

Sony Semiconductor Manufacturing Corporation carries out disaster impact assessments for each of its manufacturing sites, based on simulations etc. of assumed risks of flood damage. It is gradually deploying measures such as the installation of water stops to mitigate damage at critical facilities.

Information Security

Like many companies, Sony faces increasingly sophisticated cybersecurity threats, so the importance of information security continues to grow. In recent years, malicious actors seeking to compromise the information of global companies continue to grow in number, and their attack methods are becoming more advanced. To address this situation and ensure that Sony continues to earn customers’ trust, Sony maintains and enhances a robust information security program. Led by the Chief Information Security Officer (CISO), Sony’s information security program is grounded in a company-wide governance structure. Sony manages potential risks effectively, incorporates security controls into systems and products to safeguard information, trains officers, employees and business partners to understand how their actions can introduce information security risk, and deploys 24/7 monitoring and response capabilities to swiftly address attacks.

Information Security Governance

Sony’s information security program is governed by a set of global policies and standards based on internationally accepted industry best practices. These policies set forth Sony’s commitment to information security and define practices and procedures to be followed by Sony executives and employees to help protect information resources and information systems from unauthorized access, leakage, falsification, loss, destruction, and other security risks. Sony routinely reviews and revises these policies and standards to address changes in the risk landscape, threats, and the regulatory environment. The CISO monitors the global implementation of and compliance with those policies.

The CISO’s office coordinates with the executive information security officers (EISOs) responsible for information security at Sony group companies to create a group-wide information security management system. These officers ensure effective implementation of policies and standards.

Strong Board of Directors and executive support for, and governance of, information security is essential. The Board of Directors and Senior Executives of Sony Group Corporation are regularly informed of cybersecurity risk and information security program activities. The Directors of Sony Group Corporation in charge of information security review information security activities frequently, and the CISO briefs the full Board of Directors regularly on the activities. Senior Executives of Sony Group Corporation and senior managements of respective group companies also review security activities regularly and play an active role in managing risks within their respective organizations and work to instill a culture of security awareness in all employees. Sony group companies have set up information security management committees to fulfill this responsibility.

Employee Training as a Key Component of Information Security

Every employee has a critical role to play in protecting Sony’s most sensitive information. To increase Sony employees’ awareness of information security threats, Sony requires all personnel to receive annual information security training, where they learn how to report incidents and study the types of behaviors they must avoid in order to reduce risk. Sony employees also regularly receive phishing awareness training, which tests employees’ knowledge of how to spot and avoid cyber-attacks delivered through fraudulent emails.

Monitoring and Response Measures

Sony has a 24/7 global security operations center equipped with advanced technical capabilities to prevent and manage information security incidents. Sony’s incident response team defends the company’s information infrastructure by using threat intelligence and analysis, monitoring and detection of malicious activity, rapid response and containment, and sophisticated forensics capabilities.

Strengthening Measures Against New Threats

Sony is committed to safeguarding the trust of customers, employees against threat regarding information security and business partners. Sony continuously looks for ways to improve practices, implement stronger controls, and provide more robust security against new threats, all in order to protect the personal data information entrusted to its care. To do this, Sony employs and invests in a workforce of information security professionals and subject matter experts.
Audit structure and status of the Audit Committee

The Audit Committee conducts the audit of the performance of duties by Directors and Corporate Executive Officers pursuant to applicable laws and regulations, and the Charter of the Audit Committee established by the Board, through deliberation at Audit Committee meetings (held six times during the fiscal year ended March 31, 2022), activities of Audit Committee Members (for example, reviewing reports relating to the execution of duties by the Corporate Executive Officers and employees of Sony Group Corporation, or directors, statutory auditors and employees of major subsidiaries of Sony and visiting audits at Sony’s business sites), and activities of the Audit Committee supporting personnel (the Audit Committee Aide).

In addition, the Audit Committee conducts the “organizational audit” in cooperation with divisions in charge of internal audit and divisions in charge of internal control of Sony. Through the process, the Audit Committee receives periodic reports from these divisions at the Audit Committee meetings or other meetings to be held from time to time, requests them to conduct necessary investigation, and receives reports on its process and result. Furthermore, the meetings with divisions in charge of internal control of Sony were held eleven times, and the meetings with the independent auditor were held twice during the fiscal year ended March 31, 2022. The Audit Committee also assesses the eligibility and the independence of the independent auditor and the adequacy of the audit by receiving a report from the independent auditor that the organization of quality control of the auditor, the independence, professional ethics, expertise and the effectiveness and the efficiency of the audit, pre-confirming the audit plan at the beginning of each fiscal year, preapproving auditor compensation, and reviewing the report of the procedures, and the result of the audit, for the last fiscal year and interim periods including review of quarterly financial reports and evaluating their content.

Internal audit structure and status

Sony Group Corporation established a department in charge of internal audit, the Risk & Control Department (which is composed of approximately thirty member), which coordinates closely with the internal audit departments of major subsidiaries around the world, and Sony Group Internal Audit Charter, and endeavors to maintain and enhance the internal audit structure of Sony in order to promote Sony’s internal audit activities on a global basis. The Risk & Control Department and each internal audit department of major subsidiaries of Sony (“Internal Audit Department”) play an important function in maintaining Sony’s governance in order to strengthen Sony’s management structure, promote efficiency of management, and maintain and avoid any loss of material assets, including Sony’s brand image, by evaluating the effectiveness of the internal control system and risk management structure of Sony through independent and objective audit.

The Risk & Control Department and each Internal Audit Department conduct the internal audit of each department or subsidiary that they supervise, in accordance with the annual audit plan that is established based on the risk assessments conducted in the beginning of each fiscal year and any matters proposed by Sony’s management or the Audit Committee. Each internal audit is conducted under the planned audit procedure. Afterward, each Internal Audit Department follows up until the completion of any improvement plan developed based on the audit result.

In order to ensure its independence, fairness and objectiveness, the appointment and dismissal of the head of the Risk & Control Department is subject to the prior approval of the Audit Committee. The appointment and dismissal of the person in charge of each Internal Audit Department also require the prior approval of the head of the Risk & Control Department.

The Risk & Control Department makes periodic presentations on the result of internal audit to the Audit Committee, and the Corporate Executive Officer in charge of internal audit. The Risk & Control Department also make periodic reports to the independent auditor on the status of the internal audit activities and the result of the audit. The audit report issued by the independent auditor is used for the planning of the internal audit and conducting the internal audit.

Accounting audit status

Sony’s accounting audit has been conducted by PricewaterhouseCoopers Aarata LLC under an agreement since 2007. The certified public accountants who conducted the accounting audit of Sony for the fiscal year ended March 31, 2021, are as follows: Hitoshi Kuchi*, Takeaki Ishibashi*, Yuko Harada and Kenichi Shishido*

The team at PricewaterhouseCoopers Aarata LLC that conducted Sony’s accounting audit is composed of 98 certified public accountants, 87 assistant certified public accountants and 312 other staff members.

* The number of years of continuous audit-related work is not stated because it is within 7 years.
**Policy and Governance Framework on Tax Strategy**

**Tax Policy**

Sony conducts its business, including managing its tax obligations, honestly, ethically and with integrity. Sony Group Code of Conduct defines it as Sony’s policy to 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. Sony understands and complies with both the spirit and letter of the laws and regulations that apply to their businesses.

**Governance Structure**

Based on the above global tax policy, each Sony group company has the responsibility to understand and comply with tax laws and regulations applicable to its businesses, with support from Sony’s Global Tax Office (the GTO), which is in charge of Sony’s overall tax position. The global head of the GTO as Sony Group Corporation’s Senior Vice President in charge of Global Tax reports directly to Sony Group Corporation’s Chief Financial Officer based in Japan, who is a board member. Significant tax events are reported to the Audit Committee.

**GTO Report Line**

- **Chief Financial Officer, Sony Group Corporation**
- **Global Head of Global Tax Office, Senior Vice President in charge of Global Tax, Sony Group Corporation**

- **New York / Los Angeles**
- **London**
- **Singapore**
- **Tokyo**

The GTO has implemented a series of processes and controls to identify, manage and report tax risk appropriately. These include regular updates with Finance teams; documented review processes; regular training for staff involved in tax return preparation and review; and regular updates with the global head of the GTO.

**Transactions**

Transactional taxes such as VAT and sales taxes, Customs Duty, Employment Taxes and others are the ultimate responsibility of the relevant divisional Finance Director for each business. The GTO has strong links with these divisional Finance Directors to ensure that in the event of material risks being identified or errors made, the GTO provides support including where necessary liaising with the relevant tax authority.

**Approach to Tax Planning**

Sony operates diverse businesses within a complex global environment, in which tax is an important factor. Sony believes in taking a principled and responsible approach to managing its tax affairs, in line with business objectives and operations. Sony does not engage in transactions where the sole aim is to achieve tax avoidance or profit shifting which are against the spirit of tax laws. The tax function provides appropriate input as part of the approval process for business proposals to ensure the tax consequences are clearly understood. Sony is committed to fulfilling its obligation both to comply with applicable tax laws and to safeguard Sony’s reputation.

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**Tax Risks**

Sony employs diligent professional care and judgement in assessing tax risk, and may take advice from third-party specialists and where appropriate consult with or obtain rulings from relevant tax authorities to support the decision-making process. However, tax law is not always clear and unambiguous, and differences in interpretation can arise. Sony monitors its tax positions closely and will not record an accounting benefit unless it determines based on consideration of the facts and the law that it is more likely than not that the position will be sustained.

**Deals with Tax Authorities**

Sony seeks to maintain good professional relationships with tax authorities. When providing responses to Tax Authority questions, all responses are based on an honest and accurate representation of the facts as Sony understands them.

**Transparency**

Sony Group Corporation prepares and files annually a country by country report in accordance with Japanese law and prepares and files a transfer pricing master file in accordance with the laws of the countries where Sony does businesses.
Relationship with Shareholders and Other Stakeholders

Sony’s core corporate responsibility to society is to strive to enhance its corporate value through innovation and sound business practice. Sony recognizes that its business activities have direct and indirect impact on the societies in which Sony operates, and therefore sound business practice requires that Sony’s business decisions give due consideration to the interests of Sony’s stakeholders including shareholders, customers, employees, suppliers, business partners, local communities and other organizations. Sony’s Group officers and employees must endeavor to conduct the business of Sony accordingly.

Policy for Constructive Dialogue with Shareholders

Sony Group Corporation’s policy on investor relations is to make public disclosures which are timely and fair, accurate and easily understandable, and provide a comprehensive picture, with the goal of maximizing enterprise value of Sony Group Corporation by building a relationship of trust with shareholders and investors. Pursuant to this policy, the Board of Directors (“Board”) appoints the CFO as the Corporate Executive Officer in charge of IR activities. Under the CFO’s supervision, the department in charge of IR (“IR Department”) works to promote constructive dialogue with Sony Group Corporation’s shareholders and investors. As a part of these efforts, the IR Department engages in various activities to enhance the manner and frequency of dialogue with shareholders and investors. These go beyond one-on-one meetings to include investor briefings, corporate strategy meetings and business unit briefings. The IR Department also coordinates internally to gather information necessary to guide the dialogue with shareholders and investors. Further, the IR Department evaluates the opinions and concerns expressed from shareholders and investors and conveys appropriate feedback regarding those opinions and concerns to the Corporate Executive Officers in charge and the Board.

When holding dialogue with shareholders and investors, any insider information shall not to be disclosed. The IR Department reviews information to be disclosed in advance with other relevant departments, such as legal department, and outside experts, as appropriate. As for details of Sony Group Corporation’s Disclosure Control and Procedure and IR activities, please refer to the website below.

Disclosure Framework

Investor Relations

Administration of the General Shareholders Meeting

Sony Group Corporation’s policy on administration of the general shareholders meeting is as follows.

Basic policy for the general shareholders meeting

Sony Group Corporation endeavors to develop open environment where each shareholder could easily make a statement by the following two points, as the basic policy for the general shareholders meeting.

- To take necessary measures to encourage the shareholders who find it difficult to attend the shareholders’ meeting to vote
- To encourage direct communications between the shareholders who attend the general shareholders meeting and Sony Group Corporation’s management

Sony Group Corporation sets the date of the general shareholders meeting appropriately, depending on venue availability. Further, Sony Group Corporation displays the voting results gathered before the general shareholders meeting date on the screen of the meeting hall during the voting in order to operate the general shareholders meeting in a transparent manner. In addition, Sony Group Corporation has provided streaming live video of the general Shareholders meeting (hybrid virtual shareholder meetings) since 2021. Also in 2022, Sony Group Corporation accepted the questions from the shareholders who are watching the streaming live video.

Activities to secure the rights of shareholders

Sony Group Corporation endeavors to develop an environment in which shareholders could exercise their rights appropriately and effectively, to secure equal treatment of shareholders, including institutional investors who hold shares in a street name, and to consider concerns of minority shareholders and foreign shareholders adequately, through confirming shareholder composition quarterly. As a part of these activities, Sony Group Corporation prepares the convocation notice, giving consideration to the accuracy of the information provided therein and the readability of such notice to facilitate informed voting by shareholders, both in Japanese and English. Sony Group Corporation strives to send the convocation notice for the general shareholders meeting early enough to give shareholders sufficient time (about three weeks before the date of the general shareholders meeting) to consider the agenda and post it at its website in advance. Sony Group Corporation also uses an electronic voting platform to allow electronic voting through the internet (via PC or smartphone).

For more information on the general shareholders meeting, please refer to the page below.

Shareholders’ Meeting

Review of voting results

The voting results for each agenda item of the general shareholders meeting and its analysis are reported to and reviewed by the Board as appropriate. The IR Department then takes any appropriate follow-up measures, such as engaging in dialogue with shareholders.
Relationship with Other Stakeholders

As a part of the Sony Group Code of Conduct, CEO communicates and implements our thoughts and initiatives about Sony Group Corporation’s social responsibility and relationship with stakeholders of Sony. The Board periodically receives report on the status of the communications and the implementation of the Code of Conduct and reviews such report.

- The Sony Group Code of Conduct
- Stakeholder Engagement

Sony Group Corporation understands that there are various challenges in society, such as Sustainable Development Goals ("SDGs") and identifies material challenges highly relevant with Sony’s business operations, such as environmental challenges, diversity inclusions through CSR Materiality Assessment. Sony Group Corporation will aim to engage in CSR activities with understanding of such material challenges.

- Approach to Sustainability
- Environmental Policies and Targets
- Diversity, Equity and Inclusion
- Gender, Sexual Orientation, Disabilities

The Board periodically receives report on the status of addressing such material challenges or the implementation of the Code of Conduct and reviews such report. The Board also confirms whether the risk management structure would be established properly, and necessary actions would be planned and conducted with a recognition of sustainability as one of Sony’s challenges within the risk management structure.

Shareholdings in Other Listed Companies

Sony Group Corporation and its subsidiaries may acquire and/or hold shares of other listed companies for the purpose of expanding Sony’s business portfolio, promoting certain businesses within Sony and enhancing Sony’s relationships with the companies whose shares it holds. Sony’s policy regarding shareholdings of listed companies (excluding Sony’s subsidiaries), and its policy for exercising voting rights are as follows:

Policy regarding shareholdings of listed companies

Shareholding policy

Sony Group Corporation and its subsidiaries decide whether to acquire or continue to hold shares of listed companies (excluding the acquisition and holding of shares by Sony Group Corporation’s listed subsidiaries, and Sony Group Corporation’s shareholding in its own listed subsidiaries) based on an appropriate examination of each investment, and choose to engage in such shareholding only if it is judged to meet Sony’s business purposes and to have sufficient economic rationale. If it is determined that investments do not meet these criteria, Sony Group Corporation and its subsidiaries will avoid or reduce exposure to such holdings.

Assessment of rationale for shareholding

In all cases where Sony Group Corporation and its subsidiaries hold shares in listed companies (excluding shares held by Sony Group Corporation’s listed subsidiaries, and Sony Group Corporation’s shareholdings in its own listed subsidiaries) for reasons other than for the sole purpose of investment, Sony Group Corporation carries out a timely review to assess the rationale for shareholding, the importance of Sony’s business relationship with each company whose shares it holds (taking into account the progress of, and outlook for, any anticipated business collaboration between Sony and said company), and any anticipated positive impact of such shareholdings on Sony’s business relationship with the company. In addition, Sony Group Corporation also assesses the appropriateness of these shareholdings by considering the potential of each investment to contribute to mid- and long-term value creation in Sony, via an assessment of expected return on investment and cost of capital. These evaluations are first carried out on the management side, after which the Board, which is responsible for overseeing business operation, carries out its own assessment based on the result of the evaluations by the management side.

Details of the assessment carried out by the Board of Directors

Based on the above policy, at the Board meeting held on June 28, 2022, Sony Group Corporation carried out an assessment of the rationale for its and its subsidiaries’ shareholdings in listed companies (excluding shares held by Sony Group Corporation’s listed subsidiaries, and Sony’s shareholdings in its own listed subsidiaries) as of March 31, 2022. As a result of the assessment, it was determined that Sony should consider reducing its exposure to certain holdings, which were concluded to be reduced in such review.

Policy for exercising voting rights

Sony Group Corporation believes in the importance of enhancing the corporate value of the listed companies whose shares it holds, and Sony Group Corporation’s own corporate value in turn, through the exercise of its voting rights. Accordingly, Sony aims to exercise its voting rights with the intention of increasing each company’s mid- to long-term corporate value, after a comprehensive consideration of both the significance and economic rationale of its shareholdings, and the details of proposals. For example, Sony Group Corporation has established internal rules determining what factors should be taken into account when considering proposals about matters such as the appropriation of retained earnings, the appointment of directors, statutory auditors and accounting auditors, as well as shareholder proposals. Through these rules, Sony Group Corporation makes appropriate decisions regarding the exercise of its voting rights.

Business relations with companies who invest in Sony Group Corporation

Should a company who holds shares of Sony Group Corporation’s stock express the intention to sell such shares, Sony Group Corporation will not attempt to obstruct such sale by threatening to limit business transactions with said company, and will not engage in any transactions that would harm the common interests of the company or its shareholders.

Anti-Hostile-Takeover Measures

Sony Group Corporation has not adopted any anti-hostile takeover measures. Sony Group Corporation will fully examine the necessity and rationale with respect to the adoption or implementation of anti-hostile takeover measures with the Board and/or the Audit Committee and once complete, will provide sufficient explanation to shareholders.
Related-Party Transactions

As part of the Sony Group Code of Conduct established by the Board, Sony Group Corporation’s officers and employees are prohibited to commit any conduct where their loyalties may be divided between Sony Group Corporation’s interests and their own interests. To help ensure compliance with these requirements, Sony Group Corporation regularly reviews the status of related-party transactions, whether financial or otherwise, between Sony companies and officers in the Sony or their close relatives. Furthermore, Sony Group Corporation requires its Directors and officers to obtain approval of the Board in connection with transactions between Sony Group Corporation and the Director or officer in accordance with applicable laws and regulations, the Board Charter and any other applicable internal rules. The Board is expected to approve any such related-party transactions only after appropriate examination of the size and nature of the transaction, the requirements of applicable laws and regulations, the Board Charter and any other applicable internal rules, and concluding that the interests of Sony Group Corporation and its shareholders are not adversely affected.

Policy for Shareholder Returns

Sony Group Corporation believes that continuously increasing corporate value and providing dividends are essential to rewarding shareholders. It is the policy of Sony Group Corporation to utilize retained earnings, after ensuring the perpetuation of stable dividends, to carry out various investments that contribute to an increase in corporate value, such as those that ensure future growth and strengthen competitiveness. Going forward, Sony Group Corporation will determine the amount of dividends based on an overall consideration of its consolidated operating results, financial condition and future business expectations.

Roles of Corporate Pension Funds as Asset Owners

Sony Group Corporation owns, as a domestic corporate pension plan, a closed-end defined-benefit corporate pension (the “Pension Plan”). The Pension Plan manages its assets in line with its Basic Pension Plan Management Policy (the “Basic Management Policy”) which was set to secure beneficiaries’ right of benefit and to increase the benefit. In order to realize prudent and appropriate asset management structure in the Pension Plan, Sony Group Corporation appoints asset management director of the Pension Plan who should have proper knowledge and skills, based on the nomination by Senior General Manager of Sony Group Corporation’s Finance Department, and external advisor to supplement their specialties in asset management. Any decisions on fund management are made by the person who has the ultimate authority in accordance with the Basic Management Policy, after deliberation at the pension committee, which is composed of heads and/or personnel of HR Department, Accounting Department and Finance Department which are related to management of the Pension Plan, and then, potential conflict of interests between Sony Group Corporation and the Pension Plan is properly controlled.

In addition, when the asset management begins, the asset management guidelines which show matters to be complied with in asset composition, management method, etc. are issued to the managing trustee, and the compliance status pursuant to the said guidelines are periodically reviewed and evaluated.