

Quarterly Securities Report

For the three months ended September 30, 2022

(TRANSLATION)

Sony Group Corporation

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Note for readers of this English translation

On November 8, 2022, Sony Group Corporation (the “Company” or “Sony Group Corporation” and together with its consolidated subsidiaries, “Sony” or “Sony Group”) filed its Japanese-language Quarterly Securities Report (Shihanki Houkokusho) for the three months ended September 30, 2022 with the Director-General of the Kanto Local Finance Bureau in Japan pursuant to the Financial Instruments and Exchange Act of Japan. This document is an English translation of the Quarterly Securities Report in its entirety, and is not intended to update the information that had been previously filed with or submitted to the U.S. Securities and Exchange Commission (the “SEC”) in a Form 20-F, Form 6-K or any other form.

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. Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to:

- (i) Sony’s ability to maintain product quality and customer satisfaction with its products and services;
- (ii) Sony’s ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including image sensors, game and network platforms, smartphones and televisions, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing customer preferences;
- (iii) Sony’s ability to implement successful hardware, software, and content integration strategies, and to develop and implement successful sales and distribution strategies in light of new technologies and distribution platforms;
- (iv) the effectiveness of Sony’s strategies and their execution, including but not limited to the success of Sony’s acquisitions, joint ventures, investments, capital expenditures, restructurings and other strategic initiatives;
- (v) changes in laws, regulations and government policies in the markets in which Sony and its third-party suppliers, service providers and business partners operate, including those related to taxation, as well as growing consumer focus on corporate social responsibility;
- (vi) Sony’s continued ability to identify the products, services and market trends with significant growth potential, to devote sufficient resources to research and development, to prioritize investments and capital expenditures correctly and to recoup its investments and capital expenditures, including those required for technology development and product capacity;
- (vii) Sony’s reliance on external business partners, including for the procurement of parts, components, software and network services for its products or services, the manufacturing, marketing and distribution of its products, and its other business operations;
- (viii) the global economic and political environment in which Sony operates and the economic and political conditions in Sony’s markets, particularly levels of consumer spending;
- (ix) Sony’s ability to meet operational and liquidity needs as a result of significant volatility and disruption in the global financial markets or a ratings downgrade;
- (x) Sony’s ability to forecast demands, manage timely procurement and control inventories;
- (xi) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony’s assets, liabilities and operating results are denominated;
- (xii) Sony’s ability to recruit, retain and maintain productive relations with highly skilled personnel;
- (xiii) Sony’s ability to prevent unauthorized use or theft of intellectual property rights, to obtain or renew licenses relating to intellectual property rights and to defend itself against claims that its products or services infringe the intellectual property rights owned by others;

- (xiv) the impact of changes in interest rates and unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;
- (xv) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment;
- (xvi) risks related to catastrophic disasters, geopolitical conflicts, pandemic disease or similar events;
- (xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information and the personally identifiable information of its employees and customers, potential business disruptions or financial losses; and
- (xviii) the outcome of pending and/or future legal and/or regulatory proceedings.

Risks and uncertainties also include the impact of any future events with material adverse impact. The continued impact of the Coronavirus Disease 2019 ("COVID-19") and developments relating to the situation in Ukraine and Russia could heighten many of the risks and uncertainties noted above. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the SEC.

I Corporate Information

(1) Selected Consolidated Financial Data

	Yen in millions, Yen per share amounts		
	Six months ended September 30, 2021	Six months ended September 30, 2022	Fiscal year ended March 31, 2022
Sales and financial services revenue	4,626,208	5,063,373	9,921,513
Operating income	598,527	651,005	1,202,339
Income before income taxes	566,309	637,132	1,117,503
Net income attributable to Sony Group Corporation's stockholders	424,935	482,159	882,178
Comprehensive income attributable to Sony Group Corporation's stockholders	451,000	(188,478)	623,678
Equity attributable to Sony Group Corporation's stockholders	7,074,006	6,890,002	7,144,471
Total assets	28,666,866	31,376,002	30,480,967
Net income attributable to Sony Group Corporation's stockholders per share of common stock, basic (yen)	342.80	389.90	711.84
Net income attributable to Sony Group Corporation's stockholders per share of common stock, diluted (yen)	339.45	387.46	705.16
Ratio of stockholders' equity to total assets at end of the period (%)	24.7	22.0	23.4
Net cash provided by (used in) operating activities	316,958	(383,256)	1,233,643
Net cash used in investing activities	(447,552)	(639,672)	(728,780)
Net cash provided by (used in) financing activities	(187,125)	56,357	(336,578)
Cash and cash equivalents at end of the period	1,473,783	1,209,752	2,049,636

	Yen in millions, Yen per share amounts	
	Three months ended September 30, 2021	Three months ended September 30, 2022
Sales and financial services revenue	2,369,365	2,751,879
Net income attributable to Sony Group Corporation's stockholders	213,106	263,963
Net income attributable to Sony Group Corporation's stockholders per share of common stock, basic (yen)	171.85	213.43
Net income attributable to Sony Group Corporation's stockholders per share of common stock, diluted (yen)	170.26	212.29

Notes:

1. Sony's condensed consolidated financial statements are prepared in conformity with International Financial Reporting Standards ("IFRS").
2. Share of profit (loss) of investments accounted for using the equity method is reported as a component of operating income.
3. Ratio of stockholders' equity to total assets is calculated by using equity attributable to the stockholders of the Company.
4. Sony prepares condensed consolidated financial statements. Therefore parent-only selected financial data is not presented.

(2) Business Overview

There was no significant change in the business of Sony during the six months ended September 30, 2022.

As of September 30, 2022, the Company had 1,591 subsidiaries and 154 affiliated companies, of which 1,562 companies are consolidated subsidiaries (including structured entities) of the Company. The Company has applied the equity accounting method for 140 associates and joint ventures.

II State of Business

(1) Risk Factors

Note for readers of this English translation:

There was no significant change from the information presented in the Risk Factors section of the Annual Report on Form 20-F filed with the Securities and Exchange Commission (the “SEC”) on June 28, 2022. Any forward-looking statements included in the descriptions below are based on management’s current judgment.

URL: The Annual Report on Form 20-F filed with the SEC on June 28, 2022

<https://www.sec.gov/Archives/edgar/data/313838/000119312522183263/d207380d20f.htm>

(2) Management's Discussion and Analysis of Financial Condition, Results of Operations and Status of Cash Flows

i) Results of Operations

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

All financial information is presented based on IFRS. "Sales and financial services revenue" ("sales") in each business segment represents sales recorded before intersegment transactions are eliminated. "Operating income (loss)" in each business segment represents operating income (loss) reported before intersegment transactions are eliminated and excludes unallocated corporate expenses. For details regarding each segment's product categories, please refer to "IV Financial Statements - Notes to Condensed Consolidated Financial Statements - 4. Business segment information."

Consolidated Financial Results

	(Billions of yen)	
	Six months ended September 30	
	2021	2022
Sales	¥4,626.2	¥5,063.4
Operating income	598.5	651.0
Income before income taxes	566.3	637.1
Net income attributable to Sony Group Corporation's stockholders	424.9	482.2

Sales for the six months ended September 30, 2022 ("the current six months") increased 437.2 billion yen compared to the same period of the previous fiscal year ("year-on-year") to 5 trillion 63.4 billion yen. This increase was primarily due to significant increases in sales in the Pictures, Music and Imaging & Sensing Solutions ("I&SS") segments, partially offset by a significant decrease in sales in the Financial Services segment.

Operating income in the current six months increased 52.5 billion yen year-on-year to 651.0 billion yen. This increase was primarily due to significant increases in operating income in the Financial Services, Music and Pictures segments, partially offset by a significant decrease in operating income in the Game & Network Services ("G&NS") segment.

Operating income for the current six months included the following:

- Impact of litigation settlements, net of expenses, received in relation to lawsuits for Recorded Music and Music Publishing: 5.7 billion yen (Music Segment)
- Recovery of an unauthorized withdrawal of funds at a subsidiary of Sony Life Insurance Co., Ltd. ("Sony Life") which occurred in the same period of the previous fiscal year: 22.1 billion yen (Financial Services segment)

Operating income for the same period of the previous fiscal year included the following:

- Loss recorded due to an unauthorized withdrawal of funds at a subsidiary of Sony Life: 16.8 billion yen (Financial Services segment)
- The share of profit of the investment in M3, Inc. ("M3") related to a gain on a change in M3's equity interest in an affiliated company, resulting from the issuance of new shares in connection with the affiliated company's public listing: 5.1 billion yen (All Other)
- Settlement gain in connection with the termination of the defined benefit pension plan at certain U.S. subsidiaries: 5.5 billion yen (mainly in Corporate and elimination)

The share of profit (loss) of investments accounted for using the equity method in the current six months, recorded within operating income, decreased 1.4 billion yen year-on-year to 11.2 billion yen. This decrease was mainly due to a decrease in the share of profit of the investment in M3, partially offset by an increase in the share of profit of investments in the Music segment.

The net effect of financial income and expenses was an expense of 13.9 billion yen, an improvement of 18.3 billion yen year-on-year. This improvement was primarily due to the recording of a net foreign exchange gain in the current six months, compared to the recording of a net foreign exchange loss in the same period of the previous fiscal year.

Income before income taxes increased 70.8 billion yen year-on-year to 637.1 billion yen.

During the current six months, Sony recorded 151.2 billion yen of income tax expenses, resulting in an effective tax rate of 23.7%, which was lower than the effective tax rate of 24.5% in the same period of the previous fiscal year. This lower effective tax rate was mainly due to an increase in the research and development credits to be utilized in the current fiscal year in Japan.

Net income attributable to Sony Group Corporation's stockholders increased 57.2 billion yen year-on-year to 482.2 billion yen.

Operating performance by business segment for the current six months is as follows:

Game & Network Services (G&NS)

Sales increased 63.6 billion yen year-on-year to 1 trillion 324.9 billion yen. This increase was mainly due to the impact of foreign exchange rates, partially offset by a decrease in sales of non-first-party titles including add-on content. Operating income decreased 71.0 billion yen year-on-year to 94.9 billion yen. This significant decrease was primarily due to an increase in costs, mainly for game software development and expenses associated with acquisitions including Bungie, Inc.*, in addition to the impact of the above-mentioned decrease in sales of non-first-party titles and the negative impact of foreign exchange rates reflecting the high ratio of U.S. dollar-denominated costs. These decreases in operating income were partially offset by a decrease in losses from hardware.

* In the current six months, 18.0 billion yen was recorded as expenses associated with acquisitions completed in the same period. For details regarding the acquisition of Bungie, Inc., please refer to "IV Financial Statements - Notes to Condensed Consolidated Financial Statements - 10. Acquisitions"

Music

The Music segment results include the yen-based results of Sony Music Entertainment (Japan) Inc. and the yen-translated results of Sony Music Entertainment ("SME") and Sony Music Publishing LLC ("SMP"), which aggregate the results of their worldwide subsidiaries on a U.S. dollar basis.

Sales increased 140.9 billion yen, a 27% increase year-on-year, to 667.4 billion yen. This significant increase in sales was primarily due to the impact of foreign exchange rates as well as increases in sales for Recorded Music and Music Publishing, partially offset by lower sales for Visual and Media Platform due to a decrease in sales in the anime business. The increases in sales for Recorded Music and Music Publishing were primarily due to higher revenues from paid subscription streaming services, which also benefited from the success of a number of new releases in Recorded Music. Operating income significantly increased 33.7 billion yen year-on-year to 139.7 billion yen, primarily due to the positive impact of foreign exchange rates and the impact of the above-mentioned increase in sales, as well as the impact of litigation settlements, net of expenses, of 5.7 billion yen received in relation to lawsuits for Recorded Music and Music Publishing.

Pictures

The Pictures segment results are the yen-translated results of Sony Pictures Entertainment Inc. ("SPE"), which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis. Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results is specified as being on "a U.S. dollar basis."

Sales increased 213.4 billion yen, a 46% increase year-on-year (a 20% increase on a U.S. dollar basis), to 678.8 billion yen. This significant increase on a U.S. dollar basis was primarily due to higher television licensing and home entertainment revenues for titles released in the prior fiscal year in Motion Pictures, higher revenues from anime streaming services including the impact of the acquisition of Crunchyroll, and an increase in series deliveries in Television Productions including the impact of the acquisition of Industrial Media. These increases in sales were partially offset by the impact of fewer new releases licensed to digital streaming services in Motion Pictures. Operating income increased 21.3 billion yen, a 37% increase year-on-year (a 15% increase on a U.S. dollar basis), to 78.3 billion yen. This increase in operating income on a U.S. dollar basis was primarily due to the impact of the above-mentioned increase in sales, partially offset by higher marketing expenses to support current year theatrical releases.

Entertainment, Technology & Services (ET&S)

Sales increased 71.2 billion yen year-on-year to 1 trillion 229.4 billion yen. This increase in sales was mainly due to the impact of foreign exchange rates as well as an increase in sales of digital cameras resulting from an improvement in the product mix, partially offset by a decrease in sales of televisions resulting from lower unit sales. Operating income decreased 13.1 billion yen year-on-year to 131.4 billion yen mainly due to the impact of the above-mentioned decrease in sales of televisions, partially offset by the positive impact of foreign exchange rates as well as the impact of the above-mentioned increase in sales of digital cameras resulting from an improvement in the product mix.

Imaging & Sensing Solutions (I&SS)

Sales increased 139.9 billion yen year-on-year to 636.2 billion yen. This significant increase in sales was mainly due to the impact of foreign exchange rates and an increase in sales of image sensors for mobile products resulting from an improvement in the product mix, partially offset by a decrease in unit sales. Operating income increased 15.5 billion yen year-on-year to 95.7 billion yen. This increase was mainly due to the positive impact of foreign exchange rates and the impact of the above-mentioned increase in sales, partially offset by an increase in research and development expenses as well as depreciation and amortization expenses and an increase in manufacturing costs.

Financial Services

The Financial Services segment results include Sony Financial Group Inc. (“SFGI”) and SFGI’s consolidated subsidiaries such as Sony Life, Sony Assurance Inc., and Sony Bank Inc. The results discussed in the Financial Services segment differ from the results that SFGI and SFGI’s consolidated subsidiaries disclose separately on a Japanese statutory basis.

Financial services revenue significantly decreased 180.6 billion yen year-on-year to 602.2 billion yen, mainly due to a significant decrease in revenue at Sony Life. Revenue at Sony Life decreased 195.1 billion yen year-on-year to 499.7 billion yen, mainly due to a deterioration in net gains and losses on investments in the separate accounts. Operating income increased 68.9 billion yen year-on-year to 135.9 billion yen. This significant increase in operating income was mainly due to a significant increase in operating income at Sony Life, as well as the recovery of 22.1 billion yen of an unauthorized withdrawal of funds at a subsidiary of Sony Life in the current six months which was recorded as a 16.8 billion yen loss in the same period of the previous fiscal year. Operating income at Sony Life increased 27.7 billion yen year-on-year to 101.5 billion yen, mainly due to a gain recorded on the sale of real estate as well as an improvement in net gains and losses related to market fluctuations, partially offset by primarily an increase in insurance payments related to COVID-19.

Operating Performance by Geographic Area

For operating performance by geographic area, please refer to “sales and operating revenue attributed to countries and areas based on location of external customers” in “TV Financial Statements - Notes to Condensed Consolidated Financial Statements - 4. Business segment information.”

Foreign Exchange Fluctuations and Risk Hedging

Note for readers of this English translation:

Except for the information set forth below, there was no significant change from the information presented in the Foreign Exchange Fluctuations and Risk Hedging section of the Annual Report on Form 20-F filed with the SEC on June 28, 2022. Although foreign exchange rates have fluctuated during the six-month period ended September 30, 2022, there has been no significant change in Sony's risk hedging policy as described in the Annual Report on Form 20-F.

URL: The Annual Report on Form 20-F filed with the SEC on June 28, 2022

<https://www.sec.gov/Archives/edgar/data/313838/000119312522183263/d207380d20f.htm>

During the current six months, the average rates of the yen were 133.8 yen against the U.S. dollar and 138.7 yen against the euro, which were 24.0 yen and 7.8 yen weaker year-on-year, respectively.

For the current six months, sales were 5 trillion 63.4 billion yen, an increase of 9% year-on-year, while on a constant currency basis, sales decreased approximately 3% year-on-year. For further details about the impact of foreign exchange rate fluctuations on sales and operating income, please refer to the Note below.

The table below indicates the impact of changes in foreign exchange rates on sales and operating results of the G&NS, ET&S and I&SS segments. Also, please refer to the "Results of Operations" section, which discusses the impact of foreign exchange rates within segments and categories where foreign exchange rate fluctuations had a significant impact.

		(Billions of yen)		
		Six months ended September 30		Impact of changes in foreign exchange rates
		2021	2022	
G&NS	Sales	¥1,261.2	¥1,324.9	+¥151.8
	Operating income	165.9	94.9	-15.5
ET&S	Sales	1,158.2	1,229.4	+125.3
	Operating income	144.5	131.4	+14.4
I&SS	Sales	496.3	636.2	+87.8
	Operating income	80.2	95.7	+48.8

In addition, sales for the Music segment increased 27% year-on-year to 667.4 billion yen, an approximate 10% increase on a constant currency basis. In the Pictures segment, sales increased 46% year-on-year to 678.8 billion yen, an approximate 20% increase on a U.S. dollar basis. As most of the operations in Sony's Financial Services segment are based in Japan, Sony's management analyzes the performance of the Financial Services segment on a yen basis only.

Note:

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

The descriptions of sales on a constant currency basis reflect sales calculated by applying the yen's monthly average exchange rates from the same period of the previous fiscal year to local currency-denominated monthly sales in the relevant period of the current fiscal year. For SME and SMP in the Music segment, and in the Pictures segment, the constant currency amounts are calculated by applying the monthly average U.S. dollar / yen exchange rates after aggregation on a U.S. dollar basis.

Results for the Pictures segment are described on a U.S. dollar basis as the Pictures segment reflects the operations of SPE, a U.S.-based operation that aggregates the results of its worldwide subsidiaries in U.S. dollars.

The impact of foreign exchange rate fluctuations on sales is calculated by applying the change in the yen's periodic weighted average exchange rate for the same period of the previous fiscal year from the relevant period of the current fiscal year to the major transactional currencies in which the sales are denominated. The impact of foreign exchange rate fluctuations on operating income (loss) is calculated by subtracting from the impact on sales the impact on cost of sales and selling, general and administrative expenses calculated by applying the same major transactional currencies calculation process to cost of sales and selling, general and administrative expenses as for the impact on sales. The I&SS segment enters into its own foreign exchange hedging transactions, and the impact of those transactions is included in the impact of foreign exchange rate fluctuations on sales and operating income (loss) for that segment.

This information is not a substitute for Sony's consolidated financial statements measured in accordance with IFRS. However, Sony believes that these disclosures provide additional useful analytical information to investors regarding the operating performance of Sony.

Status of Cash Flows*

Operating Activities: Net cash outflow from operating activities during the current six months was 383.3 billion yen, compared to a net cash inflow of 317.0 billion yen in the same period of the previous fiscal year.

For all segments excluding the Financial Services segment, there was a net cash outflow of 50.3 billion yen, compared to a net cash inflow of 202.4 billion yen in the same period of the previous fiscal year. This change was primarily due to a larger year-on-year increase in inventories and content assets as well as the significant negative impact of foreign exchange rate fluctuations on cash flows from operating activities included in other, partially offset by a year-on-year increase in income before income taxes after taking into account non-cash adjustments (including depreciation and amortization, including amortization of contract costs, other operating (income) expense, net and (gain) loss on securities, net) and a larger year-on-year increase in trade payable.

The Financial Services segment had a net cash outflow of 289.3 billion yen, compared to a net cash inflow of 153.9 billion yen in the same period of the previous fiscal year. This change was mainly due to a smaller year-on-year increase in borrowings in the life insurance business and the banking business and a larger year-on-year increase in investments and advances in the Financial Services segment.

Investing Activities: During the current six months, Sony used 639.7 billion yen of net cash in investing activities, an increase of 192.1 billion yen year-on-year.

For all segments excluding the Financial Services segment, there was a 630.2 billion yen net cash outflow, an increase of 190.1 billion yen year-on-year. This increase was mainly due to the acquisition of shares of Bungie, Inc., an additional investment in Epic Games, Inc. and a payment related to the acquisition of Industrial Media. Additionally, the same period of the previous fiscal year included the purchase of the equity interest in Ellation Holdings, Inc. (“Elation”), which operates the anime business Crunchyroll, the purchase of shares and related assets of certain subsidiaries of Kobalt Music Group Limited including AWAL, Kobalt’s music distribution business mainly for independent recording artists, and an additional investment in Epic Games, Inc.

The Financial Services segment used 11.9 billion yen of net cash in investing activities, essentially flat year-on-year.

Financing Activities: Net cash inflow from financing activities during the current six months was 56.4 billion yen, compared to a net cash outflow of 187.1 billion yen in the same period of the previous fiscal year.

For all segments excluding the Financial Services segment, there was a 51.8 billion yen net cash inflow, compared to a net cash outflow of 181.8 billion yen in the same period of the previous fiscal year. The cash inflow in the current six months was primarily due to the issuance of commercial paper and the procurement of long-term bank loans.

In the Financial Services segment, there was a 36.8 billion yen net cash outflow, essentially flat year-on-year.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in foreign exchange rates, the total outstanding balance of cash and cash equivalents as of September 30, 2022 was 1 trillion 209.8 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 658.6 billion yen as of September 30, 2022, a decrease of 501.9 billion yen compared with the balance as of March 31, 2022, and a decrease of 216.3 billion yen compared with the balance as of September 30, 2021. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 551.2 billion yen as of September 30, 2022, a decrease of 337.9 billion yen compared with the balance as of March 31, 2022, and a decrease of 47.7 billion yen compared with the balance as of September 30, 2021.

*Sony’s disclosure includes information regarding cash flow for all segments excluding the Financial Services segment. This information is derived from the following condensed statement of cash flows. The condensed statement of cash flows, which includes the above-mentioned cash flow information, is not prepared in accordance with IFRS, which Sony uses to prepare its condensed consolidated financial statements. However, because the Financial Services segment is different in nature from Sony’s other segments, Sony believes that a comparative presentation may be useful in understanding and analyzing Sony’s condensed consolidated financial statements. Transactions between the Financial Services segment and Sony without the Financial Services segment are included in those respective presentations but are eliminated in the consolidated figures shown below.

Condensed Statements of Cash Flows

	Yen in millions					
	Six months ended September 30					
	Financial Services		Sony without Financial Services		Consolidated	
2021	2022	2021	2022	2021	2022	
Cash flows from operating activities:						
Income (loss) before income taxes	67,066	135,934	538,401	541,571	566,309	637,132
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:						
Depreciation and amortization, including amortization of contract costs	12,546	12,918	371,368	474,695	383,914	487,613
Amortization of deferred insurance acquisition costs	34,257	54,972	-	-	34,257	54,972
Other operating (income) expense, net	147	(4,834)	(34)	(3,654)	113	(10,794)
(Gain) loss on securities, net (other than Financial Services segment)	-	-	23,555	27,994	23,555	27,994
Change in future insurance policy benefits and other	217,622	312,044	-	-	217,622	312,044
Change in policyholders' account in the life insurance business, less cash impact	172,201	(129,948)	-	-	172,201	(129,948)
Net cash impact of policyholders' account in the life insurance business	38,146	145,590	-	-	38,146	145,590
Changes in assets and liabilities:						
(Increase) decrease in trade receivables and contract assets	7,152	47,082	(140,049)	(190,051)	(130,057)	(142,011)
(Increase) decrease in inventories	-	-	(207,104)	(470,440)	(207,104)	(470,440)
(Increase) decrease in investments and advances in the Financial Services segment	(703,887)	(888,894)	-	-	(703,887)	(888,894)
(Increase) decrease in content assets	-	-	(252,055)	(314,856)	(252,055)	(314,856)
(Increase) decrease in deferred insurance acquisition costs	(54,222)	(70,096)	-	-	(54,222)	(70,096)
Increase (decrease) in trade payables	(20,356)	(52,966)	114,511	187,852	91,232	133,989
Increase (decrease) in deposits from customers in the banking business	118,707	141,028	-	-	118,707	141,028
Increase (decrease) in borrowings in the life insurance business and the banking business	257,118	32,962	-	-	257,118	32,962
Increase (decrease) in taxes payable other than income taxes, net	269	266	(31,304)	(69,077)	(31,035)	(68,811)
Other	7,135	(25,328)	(214,906)	(234,336)	(207,856)	(260,730)
Net cash provided by (used in) operating activities	153,901	(289,270)	202,383	(50,302)	316,958	(383,256)
Cash flows from investing activities:						
Payments for property, plant and equipment and other intangible assets	(10,440)	(11,869)	(219,877)	(217,302)	(230,317)	(229,105)
Payments for investments and advances (other than Financial Services segment)	-	-	(37,385)	(169,582)	(37,385)	(169,582)
Proceeds from sales or return of investments and collections of advances (other than Financial Services segment)	-	-	20,348	8,301	20,348	8,301
Other	2,913	-	(203,111)	(251,569)	(200,198)	(249,286)
Net cash provided by (used in) investing activities	(7,527)	(11,869)	(440,025)	(630,152)	(447,552)	(639,672)
Cash flows from financing activities:						
Increase (decrease) in borrowings, net	(5,503)	4,527	(118,838)	147,764	(124,341)	152,291
Dividends paid	(39,159)	(41,335)	(37,148)	(43,237)	(37,148)	(43,236)
Other	(4)	(1)	(25,799)	(52,696)	(25,636)	(52,698)
Net cash provided by (used in) financing activities	(44,666)	(36,809)	(181,785)	51,831	(187,125)	56,357
Effect of exchange rate changes on cash and cash equivalents	-	-	4,520	126,687	4,520	126,687
Net increase (decrease) in cash and cash equivalents	101,708	(337,948)	(414,907)	(501,936)	(313,199)	(839,884)
Cash and cash equivalents at beginning of the fiscal year	497,218	889,140	1,289,764	1,160,496	1,786,982	2,049,636
Cash and cash equivalents at end of the period	598,926	551,192	874,857	658,560	1,473,783	1,209,752

ii) Issues Facing Sony and Management's Response to those Issues

Note for readers of this English translation:

There was no significant change from the information presented in the Trend Information section of the Annual Report on Form 20-F filed with the SEC on June 28, 2022. Any forward-looking statements included in the descriptions below are based on management's current judgment.

URL: The Annual Report on Form 20-F filed with the SEC on June 28, 2022

<https://www.sec.gov/Archives/edgar/data/313838/000119312522183263/d207380d20f.htm>

iii) Research and Development

Note for readers of this English translation:

There was no significant change from the information presented as Research and Development in the Annual Report on Form 20-F filed with the SEC on June 28, 2022.

URL: The Annual Report on Form 20-F filed with the SEC on June 28, 2022

<https://www.sec.gov/Archives/edgar/data/313838/000119312522183263/d207380d20f.htm>

Research and development costs for the six months ended September 30, 2022 totaled 338.5 billion yen. There were no significant changes in research and development activities for the period.

iv) Liquidity Management and Market Access

Note for readers of this English translation:

Except for the information related to the committed lines of credit and others set forth below, there was no significant change from the information presented in the Annual Report on Form 20-F filed with the SEC on June 28, 2022. The changes are indicated by underlines below. Any forward-looking statements included in the descriptions below are based on management's current judgment.

URL: The Annual Report on Form 20-F filed with the SEC on June 28, 2022

<https://www.sec.gov/Archives/edgar/data/313838/000119312522183263/d207380d20f.htm>

An important financial objective of Sony is to maintain the strength of its financial condition, while securing adequate liquidity for business activities. Sony defines its liquidity sources as the amount of cash and cash equivalents ("cash balance") (excluding restrictions on capital transfers mainly due to national regulations) and the unused amount of committed lines of credit. Funding requirements that arise from maintaining liquidity are principally covered by cash flow from operating and investing activities (including asset sales) and by the available cash balance; however, Sony also raises funds as needed from financial and capital markets through means such as corporate bonds, commercial paper ("CP") and bank loans. Sony Group Corporation, Sony Global Treasury Services Plc ("SGTS"), a finance subsidiary in the U.K., and Sony Capital Corporation ("SCC"), a finance subsidiary in the U.S., maintain CP programs with access to the Japanese, U.S. and European CP markets. The borrowing limits under these CP programs, translated into yen, were 1,111.6 billion yen in total for Sony Group Corporation, SGTS and SCC as of March 31, 2022. There were no amounts outstanding under the CP programs as of March 31, 2022. In August and October 2022, in order to enhance liquidity, Sony executed an approximate 1.175 billion U.S. dollar bank loan from a group of banks with three, five and ten-year maturity terms for the purpose of covering the consideration for the acquisition of 100% of the equity interest in Ellation, a subsidiary of AT&T Inc., which operates the anime business "Crunchyroll," in August 2021. This bank loan utilizes the co-financing facility of Japan Bank for International Cooperation ("JBIC"), which aims to facilitate overseas mergers and acquisitions by Japanese companies. Approximately 60%, or 0.705 billion U.S. dollars, is from the JBIC and borrowed in U.S. dollars in October 2022, and approximately 40%, or 70 billion yen (approximately 0.47 billion U.S. dollars) is from Japanese private banks and borrowed in yen in August 2022. If disruption and volatility occur in financial and capital markets and Sony becomes unable to raise sufficient funds from these sources, Sony may also draw down funds from contractually committed lines of credit from various financial institutions. Sony has a total, translated into yen, of 672.9 billion yen in unused committed lines of credit, as of September 30, 2022. Details of those committed lines of credit are: a 275.0 billion yen committed line of credit contracted with a syndicate of Japanese banks, a 1.7 billion U.S. dollar multi-currency committed line of credit also contracted with a syndicate of Japanese banks and a 1.05 billion U.S. dollar multi-currency committed line of credit contracted with a syndicate of foreign banks. Sony currently believes that it can sustain sufficient liquidity through access to committed lines of credit with financial institutions, together with its available cash balance, even in the event that financial and capital markets become illiquid. Sony considers one of management's top priorities to be the maintenance of stable and appropriate credit ratings in order to ensure financial flexibility for liquidity and capital management and continued adequate access to sufficient funding resources in the financial and capital markets. However, in the event of a downgrade in Sony's credit ratings, there are no financial covenants in any of Sony's material financial agreements with financial institutions that would cause an acceleration of the obligation. Even though the cost of borrowing for some committed lines of credit could change according to Sony's credit ratings, there are no financial covenants that would cause any impairment on the ability to draw down on unused facilities.

(3) Material Contracts

There were no material contracts executed or determined to be executed during the three months ended September 30, 2022.

Note for readers of this English translation:

There was no significant change from the information presented in the Annual Report on Form 20-F ("Patents and Licenses" in Item 4) filed with the SEC on June 28, 2022. This disclosure does not correspond to or update Item 10.C of the Annual Report on Form 20-F.

URL: The Annual Report on Form 20-F filed with the SEC on June 28, 2022

<https://www.sec.gov/Archives/edgar/data/313838/000119312522183263/d207380d20f.htm>

III Company Information

(1) Information on the Company's Shares

i) Total Number of Shares

1) Total Number of Shares

Class	Total number of shares authorized to be issued
Common stock	3,600,000,000
Total	3,600,000,000

2) Number of Shares Issued

Class	Number of shares issued		Name of Securities Exchanges where the shares are listed or authorized Financial Instruments Firms Association where the shares are registered	Description
	As of the end of the second quarterly period (September 30, 2022)	As of the filing date of the Quarterly Securities Report (November 8, 2022)		
Common stock	1,261,081,781	1,261,081,781	Tokyo Stock Exchange New York Stock Exchange	The number of shares constituting one full unit is one hundred (100).
Total	1,261,081,781	1,261,081,781	—	—

Note: The Company's shares of common stock are listed on the Prime Section of the Tokyo Stock Exchange in Japan.

ii) Stock Acquisition Rights ("SARs")

① Description of Stock Option

Not applicable.

② Other Stock Acquisition Rights

Not applicable.

Note for readers of this English translation:

The above means that there was no issuance of SARs during the three months ended September 30, 2022.

iii) Status of the Exercise of Moving Strike Convertible Bonds

Not applicable.

iv) Changes in the Total Number of Shares Issued and the Amount of Common Stock, etc.

Period	Change in the total number of shares issued (Thousands)	Balance of the total number of shares issued (Thousands)	Change in the amount of common stock (Yen in Millions)	Balance of the amount of common stock (Yen in Millions)	Change in the legal capital surplus (Yen in Millions)	Balance of the legal capital surplus (Yen in Millions)
From July 1 to September 30, 2022	—	1,261,082	—	880,365	—	1,094,058

v) Status of Major Shareholders

(As of September 30, 2022)

Name	Address	Number of shares held (Thousands)	Percentage of shares held to total shares (Excluding treasury shares) issued (%)
The Master Trust Bank of Japan, Ltd. (Trust account) *1	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	234,101	18.91
Citibank as Depositary Bank for Depositary Receipt Holders *2 (Local Custodian: MUFG Bank, Ltd.)	388 Greenwich St., 14th fl., New York, NY 10013, U.S.A. (2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	121,094	9.78
Custody Bank of Japan, Ltd. (Trust account) *1	1-8-12, Harumi, Chuo-ku, Tokyo	86,126	6.96
JP Morgan Chase Bank 385632 *3 (Local Custodian: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	22,396	1.81
State Street Bank West Client - Treaty 505234 *3 (Local Custodian: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	21,206	1.71
GIC Private Limited - C (Local Custodian: MUFG Bank, Ltd.)	168 Robinson Road #37-01 Capital Tower Singapore068912 (2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	18,483	1.49
Government of Norway (Local Custodian: Citibank, N.A., Tokyo Branch)	Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	18,250	1.47
SSBTC Client Omnibus Account *3 (Local Custodian: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	One Lincoln Street, Boston MA USA 02111 (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	17,557	1.42
JP Morgan Chase Bank 385781 *3 (Local Custodian: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	16,609	1.34
The Bank of New York Mellon 140042 *3 (Local Custodian: Mizuho Bank, Ltd.)	240 Greenwich Street, New York, NY 10286, U.S.A. (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	14,824	1.20
Total		570,646	46.08

Notes:

*1. The shares held by each shareholder are held in trust for investors, including shares in securities investment trusts.

*2. Citibank as Depositary Bank for Depositary Receipt Holders is the nominee of Citibank, N.A.

*3. Each shareholder provides depositary services for shares owned by institutional investors, mainly in Europe and North America. These shareholders are also the nominees for these investors.

4. Sumitomo Mitsui Trust Bank, Limited filed its “Amendment to the Bulk Shareholding Report” with the Director-General of the Kanto Local Finance Bureau in Japan as of June 6, 2022 and reported that Sumitomo Mitsui Trust Asset Management Co., Ltd. and one joint holder held shares of the Company as of May 31, 2022 as provided in the below table. However, their holdings are not reflected in the status of major shareholders above since the Company has not been able to confirm beneficial ownership information of such holders as of September 30, 2022.

Name	Number of shares, etc. held (Thousands)	Percentage of shares, etc. held to total shares issued (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd. and 1 Joint Holder	82,189	6.52

5. Nomura Asset Management Co., Ltd. filed its “Bulk Shareholding Report” with the Director-General of the Kanto Local Finance Bureau in Japan as of October 6, 2020 and reported that Nomura Asset Management Co., Ltd. and three joint holders held shares of the Company as of September 30, 2020 as provided in the below table. However, their holdings are not reflected in the status of major shareholders above since the Company has not been able to confirm beneficial ownership information of such holders as of September 30, 2022.

Name	Number of shares, etc. held (Thousands)	Percentage of shares, etc. held to total shares issued (%)
Nomura Asset Management Co., Ltd. and 3 Joint Holders	63,157	5.01

6. BlackRock Japan Co., Ltd. filed its “Amendment to the Bulk Shareholding Report” with the Director-General of the Kanto Local Finance Bureau in Japan as of March 22, 2017 and reported that BlackRock Japan Co., Ltd. and eight Joint Holders held shares of the Company as of March 15, 2017 as provided in the below table. However, their holdings are not reflected in the status of major shareholders above since the Company has not been able to confirm beneficial ownership information of such holders as of September 30, 2022.

Name	Number of shares, etc. held (Thousands)	Percentage of shares, etc. held to total shares issued (%)
BlackRock Japan Co., Ltd. and 8 Joint Holders	79,185	6.27

vi) Status of Voting Rights

1) Shares Issued

(As of September 30, 2022)

Classification	Number of shares of common stock	Number of voting rights (Units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury stock, etc.)	—	—	—
Shares with restricted voting rights (Others)	—	—	—
Shares with full voting rights (Treasury stock, etc.)	22,791,800	—	—
Shares with full voting rights (Others)	1,236,405,500	12,364,055	—
Shares constituting less than one full unit	1,884,481	—	Shares constituting less than one full unit (100 shares)
Total number of shares issued	1,261,081,781	—	—
Total voting rights held by all shareholders	—	12,364,055	—

Note: Included in “Shares with full voting rights (Others)” under “Number of shares of common stock” are 18,800 shares of common stock held under the name of Japan Securities Depository Center, Incorporated. Also included in “Shares with full voting rights (Others)” under “Number of voting rights (Units)” are 188 units of voting rights relating to the shares of common stock with full voting rights held under the name of Japan Securities Depository Center, Incorporated.

2) Treasury Stock, etc.

(As of September 30, 2022)

Name of shareholder	Address of shareholder	Number of shares held under own name	Number of shares held under the names of others	Total number of shares held	Percentage of shares held to total shares issued (%)
Sony Group Corporation (Treasury stock)	1-7-1, Konan, Minato-ku, Tokyo	22,791,800	—	22,791,800	1.81
Total	—	22,791,800	—	22,791,800	1.81

Notes:

- In addition to the 22,791,800 shares listed above, there are 300 shares of common stock held in the name of the Company in the register of shareholders that the Company does not beneficially own. These shares are included in “Shares with full voting rights (Others)” in Table 1) “Shares Issued” above.
- Upon the disposal of treasury shares mainly due to the exercise of SARs from October 1, 2022 to October 31, 2022, the number of shares held decreased by 6 thousand shares.

(2) Directors and Corporate Executive Officers

There was no change in directors or corporate executive officers in the period from the filing date of the Securities Report (Yukashoken Houkokusho) for the fiscal year ended March 31, 2022 to the filing date of this Quarterly Securities Report (Shihanki Houkokusho).

IV Financial Statements

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SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

(1) Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position (Unaudited)

	Note	Yen in millions	
		March 31, 2022	September 30, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		2,049,636	1,209,752
Investments and advances in the Financial Services segment (including assets pledged that secured parties are permitted to sell or repledge of 94,147 million yen and 85,158 million yen as of March 31, 2022 and September 30, 2022, respectively)	5	360,673	333,187
Trade and other receivables, and contract assets		1,628,521	1,940,402
Inventories		874,007	1,416,367
Other financial assets	5	149,301	166,440
Other current assets		473,070	566,885
Total current assets		5,535,208	5,633,033
Non-current assets:			
Investments accounted for using the equity method		268,513	316,518
Investments and advances in the Financial Services segment (including assets pledged that secured parties are permitted to sell or repledge of 2,700,603 million yen and 2,738,934 million yen as of March 31, 2022 and September 30, 2022, respectively)	5	18,445,088	17,922,231
Property, plant and equipment		1,113,213	1,258,705
Right-of-use assets		413,430	450,793
Goodwill	10	952,895	1,335,429
Content assets	10	1,342,046	1,629,636
Other intangible assets	10	450,103	561,708
Deferred insurance acquisition costs		676,526	696,238
Deferred tax assets		298,589	352,481
Other financial assets	5	696,306	909,486
Other non-current assets		289,050	309,744
Total non-current assets		24,945,759	25,742,969
Total assets		30,480,967	31,376,002

(Continued on the following page.)

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Condensed Consolidated Statements of Financial Position (Unaudited) (Continued)

	Note	Yen in millions	
		March 31, 2022	September 30, 2022
LIABILITIES			
Current liabilities:			
Short-term borrowings		1,976,553	2,144,206
Current portion of long-term debt	5	171,409	205,600
Trade and other payables		1,843,242	2,238,168
Deposits from customers in the banking business		2,886,361	3,015,117
Income taxes payables		106,092	190,692
Participation and residual liabilities in the Pictures segment		190,162	234,838
Other financial liabilities	5	97,843	121,018
Other current liabilities		1,488,488	1,556,118
Total current liabilities		8,760,150	9,705,757
Non-current liabilities:			
Long-term debt	5	1,203,646	1,291,603
Defined benefit liabilities		254,548	253,402
Deferred tax liabilities		696,492	328,829
Future insurance policy benefits and other	6	7,039,034	7,322,317
Policyholders' account in the life insurance business	6	4,791,295	4,807,408
Participation and residual liabilities in the Pictures segment		220,113	239,400
Other financial liabilities	5	211,959	351,798
Other non-current liabilities		106,481	125,119
Total non-current liabilities		14,523,568	14,719,876
Total liabilities		23,283,718	24,425,633
EQUITY			
Sony Group Corporation's stockholders' equity:			
Common stock	7	880,365	880,365
Additional paid-in capital		1,461,053	1,456,437
Retained earnings		3,760,763	4,185,731
Accumulated other comprehensive income		1,222,332	551,445
Treasury stock, at cost		(180,042)	(183,976)
Equity attributable to Sony Group Corporation's stockholders		7,144,471	6,890,002
Noncontrolling interests		52,778	60,367
Total equity		7,197,249	6,950,369
Total liabilities and equity		30,480,967	31,376,002

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)

	Note	Yen in millions	
		Six months ended September 30	
		2021	2022
Sales and financial services revenue:	8		
Sales		3,847,916	4,467,080
Financial services revenue		778,292	596,293
Total sales and financial services revenue		4,626,208	5,063,373
Costs and expenses:			
Cost of sales		2,613,868	3,079,953
Selling, general and administrative		715,210	889,223
Financial services expenses		711,079	465,193
Other operating (income) expense, net		113	(10,794)
Total costs and expenses		4,040,270	4,423,575
Share of profit (loss) of investments accounted for using the equity method		12,589	11,207
Operating income		598,527	651,005
Financial income		10,027	31,457
Financial expenses		42,245	45,330
Income before income taxes		566,309	637,132
Income taxes		138,798	151,155
Net income		427,511	485,977
Net income attributable to			
Sony Group Corporation's stockholders		424,935	482,159
Noncontrolling interests		2,576	3,818

	Note	Yen	
		Six months ended September 30	
		2021	2022
Per share data:	9		
Net income attributable to Sony Group Corporation's stockholders			
- Basic		342.80	389.90
- Diluted		339.45	387.46

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)

	Note	Yen in millions	
		Three months ended September 30	
		2021	2022
Sales and financial services revenue:	8		
Sales		2,003,203	2,451,043
Financial services revenue		366,162	300,836
Total sales and financial services revenue		2,369,365	2,751,879
Costs and expenses:			
Cost of sales		1,365,095	1,688,286
Selling, general and administrative		369,908	482,457
Financial services expenses		323,010	251,093
Other operating (income) expense, net		1,214	(8,069)
Total costs and expenses		2,059,227	2,413,767
Share of profit (loss) of investments accounted for using the equity method		8,321	5,930
Operating income		318,459	344,042
Financial income		4,812	18,594
Financial expenses		40,172	16,880
Income before income taxes		283,099	345,756
Income taxes		68,703	78,085
Net income		214,396	267,671
Net income attributable to			
Sony Group Corporation's stockholders		213,106	263,963
Noncontrolling interests		1,290	3,708

	Note	Yen	
		Three months ended September 30	
		2021	2022
Per share data:	9		
Net income attributable to Sony Group Corporation's stockholders			
- Basic		171.85	213.43
- Diluted		170.26	212.29

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Note	Yen in millions	
		Six months ended September 30	
		2021	2022
Net income		427,511	485,977
Other comprehensive income, net of tax -	7		
Items that will not be reclassified to profit or loss			
Changes in equity instruments measured at fair value through other comprehensive income		(30,409)	(15,508)
Remeasurement of defined benefit pension plans		(1,752)	29
Share of other comprehensive income of investments accounted for using the equity method		(54)	272
Items that may be reclassified subsequently to profit or loss			
Changes in debt instruments measured at fair value through other comprehensive income		42,531	(1,027,712)
Cash flow hedges		927	7,591
Insurance contract valuation adjustments		136	939
Exchange differences on translating foreign operations		14,631	363,984
Share of other comprehensive income of investments accounted for using the equity method		17	4,441
Total other comprehensive income, net of tax		26,027	(665,964)
Comprehensive income		453,538	(179,987)
Comprehensive income attributable to			
Sony Group Corporation's stockholders		451,000	(188,478)
Noncontrolling interests		2,538	8,491

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Yen in millions		
	Three months ended September 30		
	Note	2021	2022
Net income		214,396	267,671
Other comprehensive income, net of tax -			
Items that will not be reclassified to profit or loss			
Changes in equity instruments measured at fair value through other comprehensive income		(56,779)	(13,390)
Remeasurement of defined benefit pension plans		(55)	(87)
Share of other comprehensive income of investments accounted for using the equity method		(40)	64
Items that may be reclassified subsequently to profit or loss			
Changes in debt instruments measured at fair value through other comprehensive income		7,537	(393,219)
Cash flow hedges		1,125	8,708
Insurance contract valuation adjustments		(149)	418
Exchange differences on translating foreign operations		7,447	116,651
Share of other comprehensive income of investments accounted for using the equity method		48	1,762
Total other comprehensive income, net of tax		(40,866)	(279,093)
Comprehensive income		173,530	(11,422)
Comprehensive income attributable to			
Sony Group Corporation's stockholders		172,651	(16,364)
Noncontrolling interests		879	4,942

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

		Yen in millions						
Note	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Group Corporation's stockholders' equity	Noncontrolling interests	Total equity
	880,214	1,489,597	2,914,503	1,520,257	(124,228)	6,680,343	43,996	6,724,339
Comprehensive income:								
			424,935			424,935	2,576	427,511
7				26,065		26,065	(38)	26,027
			424,935	26,065		451,000	2,538	453,538
Transfer to retained earnings								
			6,808	(6,808)		-		-
Transactions with stockholders and other:								
			(162)		4,095	3,933		3,933
		(2,037)	(160)		12,292	10,095		10,095
		2,639				2,639		2,639
			(37,177)			(37,177)	(2,632)	(39,809)
					(21,496)	(21,496)		(21,496)
		1,542			1,746	3,288		3,288
		(18,619)				(18,619)	3,580	(15,039)
	880,214	1,473,122	3,308,747	1,539,514	(127,591)	7,074,006	47,482	7,121,488

		Yen in millions						
Note	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Group Corporation's stockholders' equity	Noncontrolling interests	Total equity
	880,365	1,461,053	3,760,763	1,222,332	(180,042)	7,144,471	52,778	7,197,249
Comprehensive income:								
			482,159			482,159	3,818	485,977
7				(670,637)		(670,637)	4,673	(665,964)
			482,159	(670,637)		(188,478)	8,491	(179,987)
Transfer to retained earnings								
			250	(250)		-		-
Transactions with stockholders and other:								
		(2)	(288)		2,763	2,473		2,473
		(2,588)	(13,858)		42,993	26,547		26,547
		4,890				4,890		4,890
			(43,295)			(43,295)	(4,555)	(47,850)
					(52,080)	(52,080)		(52,080)
		1,231			2,390	3,621		3,621
		(8,147)				(8,147)	3,653	(4,494)
	880,365	1,456,437	4,185,731	551,445	(183,976)	6,890,002	60,367	6,950,369

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Note	Yen in millions	
		Six months ended September	
		2021	2022
Cash flows from operating activities:			
Income before income taxes		566,309	637,132
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization, including amortization of contract costs		383,914	487,613
Amortization of deferred insurance acquisition costs		34,257	54,972
Other operating (income) expense, net		113	(10,794)
Loss on securities, net (other than Financial Services segment)		23,555	27,994
Share of profit of investments accounted for using the equity method, net of dividends		(5,283)	(5,205)
Change in future insurance policy benefits and other		217,622	312,044
Change in policyholders' account in the life insurance business, less cash impact		172,201	(129,948)
Net cash impact of policyholders' account in the life insurance business		38,146	145,590
Changes in assets and liabilities:			
Increase in trade receivables and contract assets		(130,057)	(142,011)
Increase in inventories		(207,104)	(470,440)
Increase in investments and advances in the Financial Services segment		(703,887)	(888,894)
Increase in content assets		(252,055)	(314,856)
Increase in deferred insurance acquisition costs		(54,222)	(70,096)
Increase in trade payables		91,232	133,989
Increase in deposits from customers in the banking business		118,707	141,028
Increase in borrowings in the life insurance business and the banking business		257,118	32,962
Decrease in taxes payable other than income taxes, net		(31,035)	(68,811)
(Increase) decrease in other financial assets and other current assets		9,063	(19,041)
Decrease in other financial liabilities and other current liabilities		(115,800)	(13,438)
Income taxes paid		(95,371)	(69,292)
Other		(465)	(153,754)
Net cash provided by (used in) operating activities		316,958	(383,256)

(Continued on the following page.)

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited) (Continued)

	Note	Yen in millions	
		Six months ended September	
		30	
		2021	2022
Cash flows from investing activities:			
Payments for property, plant and equipment and other intangible assets		(230,317)	(229,105)
Proceeds from sales of property, plant and equipment and other intangible assets		3,007	6,401
Payments for investments and advances (other than Financial Services segment)		(37,385)	(169,582)
Proceeds from sales or return of investments and collections of advances (other than Financial Services segment)		20,348	8,301
Payments for purchases of businesses	10	(214,726)	(242,479)
Proceeds from sales of businesses		6,391	-
Other		5,130	(13,208)
Net cash used in investing activities		(447,552)	(639,672)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net		(245)	131,190
Proceeds from issuance of long-term debt		13,306	90,490
Payments of long-term debt		(137,402)	(69,389)
Dividends paid		(37,148)	(43,236)
Payments for purchases of treasury stock		(21,496)	(52,080)
Other		(4,140)	(618)
Net cash provided by (used in) financing activities		(187,125)	56,357
Effect of exchange rate changes on cash and cash equivalents		4,520	126,687
Net decrease in cash and cash equivalents		(313,199)	(839,884)
Cash and cash equivalents at beginning of the fiscal year		1,786,982	2,049,636
Cash and cash equivalents at end of the period		1,473,783	1,209,752

The accompanying notes are an integral part of these statements.

Index to Notes to Condensed Consolidated Financial Statements

Sony Group Corporation and Consolidated Subsidiaries

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Notes to Condensed Consolidated Financial Statements (Unaudited)

Sony Group Corporation and Consolidated Subsidiaries

1. *Reporting entity*

Sony Group Corporation is a public company domiciled in Japan. Sony Group Corporation and its consolidated subsidiaries (hereinafter collectively referred to as “Sony” or “Sony Group”) are engaged in the development, design, production, manufacture, offer and sale of various kinds of electronic equipment, instruments, and devices for consumer, professional and industrial markets such as network services, home gaming consoles and software, televisions, audio and video recorders and players, still and video cameras, smartphones, and image sensors. Sony’s primary manufacturing facilities are located in Asia including Japan. Sony also utilizes third-party contract manufacturers for certain products. Sony’s products and services are marketed throughout the world by sales subsidiaries and unaffiliated distributors as well as direct sales and offers via the internet. Sony is engaged in the development, production, manufacture, and distribution of recorded music and the management and licensing of the words and music of songs as well as production and distribution of animation titles and game applications. Sony is also engaged in the production, acquisition and distribution of motion pictures and television programming and the operation of television and digital networks. Further, Sony is also engaged in various financial services businesses, including life and non-life insurance businesses through its Japanese insurance subsidiaries and banking business through a Japanese internet-based banking subsidiary.

2. Basis of preparation

Compliance with International Financial Reporting Standards

The condensed consolidated financial statements of Sony have been prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting,” as issued by the International Accounting Standards Board.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the fiscal year ended March 31, 2022, since the condensed consolidated financial statements do not contain all the information required in the annual consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by Kenichiro Yoshida, Chairman, President and Chief Executive Officer, and Representative Corporate Executive Officer and Hiroki Totoki, Executive Deputy President and Chief Financial Officer and Representative Corporate Executive Officer on November 8, 2022.

Basis of measurement

The condensed consolidated financial statements have been prepared on a historical cost basis except for items such as financial instruments measured at fair value.

Functional currency and presentation currency

The condensed consolidated financial statements have been presented in Japanese yen, which is the functional currency of Sony Group Corporation. All financial information presented in Japanese yen has been rounded to the nearest million Japanese yen.

Use of estimates and judgments

The preparation of the condensed consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. Actual results could differ from these estimates and assumptions. These estimates and assumptions are reviewed on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The condensed consolidated financial statements are prepared based on the same judgements, estimates and assumptions as those applied and described in the consolidated financial statements for the fiscal year ended March 31, 2022.

The timing and extent to which the spread of COVID-19 may negatively impact Sony’s business will depend on future developments, which are uncertain. This uncertainty could result in greater variability in accounting estimates and assumptions.

Change in presentation

Condensed Consolidated Statements of Cash Flows

Adjustments for foreign exchange fluctuations related to investments in the Financial Services segment and adjustments for foreign exchange fluctuations related to content assets, which were included in “Other” in cash flows from operating activities in the previous fiscal year, have been reclassified to “Increase in investments and advances in the Financial Services segment” and “Increase in content assets,” respectively, of cash flows from operating activities from the current fiscal year considering the materiality and the nature of the adjustments. Also, adjustments for changes in taxes payable other than income taxes, net, which were included in “Other” in cash flows from operating activities in the previous fiscal year, have been presented separately in cash flows from operating activities from the current fiscal year considering the materiality. According to these changes in presentation, reclassifications within cash flows from operating activities of the condensed consolidated statements of cash flows for the six months ended September 30, 2021 have been made.

As a result, in the condensed consolidated statements of cash flows for the six months ended September 30, 2021, (50,469) million yen, which was previously included in “Other” in cash flows from operating activities, has been reclassified to (14,351) million yen of “Increase in investments and advances in the Financial Services segment” and (5,083) million yen of “Increase in content assets,” and also has been presented separately in (31,035) million yen of “Decrease in taxes payable other than income taxes, net” of cash flows from operating activities.

3. Summary of significant accounting policies

The condensed consolidated financial statements are prepared based on the same accounting policies as those applied and described in the consolidated financial statements for the fiscal year ended March 31, 2022. Income taxes are recognized in each interim period based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

4. Business segment information

The reportable segments presented below are the segments of Sony for which separate financial information is available and for which operating income or loss amounts are evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The CODM does not evaluate segments using discrete asset information. Sony's CODM is its Chairman, President and Chief Executive Officer.

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

The Game & Network Services ("G&NS") segment includes the network services businesses, the manufacture and sales of home gaming products and the production and sales of software. The Music segment includes the Recorded Music, Music Publishing and Visual Media and Platform businesses. The Pictures segment includes the Motion Pictures, Television Productions and Media Networks businesses. The ET&S segment includes the Televisions business, the Audio and Video business, the Still and Video Cameras business, the smartphone business and the internet-related service business. The Imaging & Sensing Solutions ("I&SS") segment includes the image sensors business. The Financial Services segment primarily represents individual life insurance and non-life insurance businesses in the Japanese market and the banking business in Japan. All Other consists of various operating activities, including the disc manufacturing and recording media businesses. Sony's products and services are generally unique to a single operating segment.

Segment sales and financial services revenue:

	Yen in millions	
	Six months ended September 30	
	2021	2022
Sales and financial services revenue:		
Game & Network Services -		
Customers	1,230,694	1,291,179
Intersegment	30,555	33,672
Total	<u>1,261,249</u>	<u>1,324,851</u>
Music -		
Customers	520,765	662,281
Intersegment	5,718	5,108
Total	<u>526,483</u>	<u>667,389</u>
Pictures -		
Customers	464,932	676,827
Intersegment	510	2,018
Total	<u>465,442</u>	<u>678,845</u>
Entertainment, Technology & Services -		
Customers	1,134,424	1,210,638
Intersegment	23,763	18,717
Total	<u>1,158,187</u>	<u>1,229,355</u>
Imaging & Sensing Solutions -		
Customers	452,044	588,803
Intersegment	44,276	47,405
Total	<u>496,320</u>	<u>636,208</u>
Financial Services -		
Customers	778,292	596,293
Intersegment	4,508	5,941
Total	<u>782,800</u>	<u>602,234</u>
All Other -		
Customers	39,291	33,200
Intersegment	7,156	6,866
Total	<u>46,447</u>	<u>40,066</u>
Corporate and elimination	<u>(110,720)</u>	<u>(115,575)</u>
Consolidated total	<u>4,626,208</u>	<u>5,063,373</u>

	Yen in millions	
	Three months ended September 30	
	2021	2022
Sales and financial services revenue:		
Game & Network Services -		
Customers	628,536	702,718
Intersegment	16,903	18,017
Total	<u>645,439</u>	<u>720,735</u>
Music -		
Customers	268,543	356,928
Intersegment	3,067	2,391
Total	<u>271,610</u>	<u>359,319</u>
Pictures -		
Customers	260,554	335,580
Intersegment	152	1,888
Total	<u>260,706</u>	<u>337,468</u>
Entertainment, Technology & Services -		
Customers	567,905	666,732
Intersegment	14,014	10,313
Total	<u>581,919</u>	<u>677,045</u>
Imaging & Sensing Solutions -		
Customers	254,159	369,580
Intersegment	24,104	28,786
Total	<u>278,263</u>	<u>398,366</u>
Financial Services -		
Customers	366,162	300,836
Intersegment	2,253	3,642
Total	<u>368,415</u>	<u>304,478</u>
All Other -		
Customers	21,074	17,643
Intersegment	3,387	3,089
Total	<u>24,461</u>	<u>20,732</u>
Corporate and elimination	<u>(61,448)</u>	<u>(66,264)</u>
Consolidated total	<u>2,369,365</u>	<u>2,751,879</u>

G&NS intersegment amounts primarily consist of transactions with the ET&S segment. ET&S intersegment amounts primarily consist of transactions with the G&NS segment. I&SS intersegment amounts primarily consist of transactions with the G&NS segment and the ET&S segment. Corporate and elimination includes certain brand and patent royalty income.

Segment profit (loss):

	Yen in millions	
	Six months ended September 30	
	2021	2022
Operating income (loss):		
Game & Network Services	165,938	94,894
Music	105,966	139,706
Pictures	56,983	78,275
Entertainment, Technology & Services	144,462	131,408
Imaging & Sensing Solutions	80,204	95,676
Financial Services	67,066	135,934
All Other	12,772	7,713
Total	633,391	683,606
Corporate and elimination	(34,864)	(32,601)
Consolidated operating income	598,527	651,005
Financial income	10,027	31,457
Financial expenses	(42,245)	(45,330)
Consolidated income before income taxes	566,309	637,132

	Yen in millions	
	Three months ended September 30	
	2021	2022
Operating income (loss):		
Game & Network Services	82,679	42,132
Music	50,586	78,733
Pictures	31,629	27,620
Entertainment, Technology & Services	72,711	77,840
Imaging & Sensing Solutions	49,725	73,987
Financial Services	43,053	54,628
All Other	8,618	4,848
Total	339,001	359,788
Corporate and elimination	(20,542)	(15,746)
Consolidated operating income	318,459	344,042
Financial income	4,812	18,594
Financial expenses	(40,172)	(16,880)
Consolidated income before income taxes	283,099	345,756

Operating income (loss) is sales and financial services revenue less costs and expenses, and includes the share of profit (loss) of investments accounted for using the equity method.

Other significant items:

	Yen in millions	
	Six months ended September 30	
	2021	2022
Share of profit (loss) of investments accounted for using the equity method:		
Game & Network Services	(37)	(149)
Music	309	2,457
Pictures	213	72
Entertainment, Technology & Services	489	598
Imaging & Sensing Solutions	(87)	(598)
Financial Services	-	-
All Other	11,702	8,827
Consolidated total	<u>12,589</u>	<u>11,207</u>
Depreciation and amortization:		
Game & Network Services	29,241	39,502
Music	27,139	32,119
Pictures	172,532	249,441
Entertainment, Technology & Services	45,128	48,119
Imaging & Sensing Solutions	84,307	93,821
Financial Services, including deferred insurance acquisition costs	46,803	67,890
All Other	2,093	1,993
Total	<u>407,243</u>	<u>532,885</u>
Corporate	<u>10,928</u>	<u>9,700</u>
Consolidated total	<u>418,171</u>	<u>542,585</u>

	Yen in millions	
	Three months ended September 30	
	2021	2022
Share of profit (loss) of investments accounted for using the equity method:		
Game & Network Services	(28)	(127)
Music	956	1,901
Pictures	111	(85)
Entertainment, Technology & Services	296	304
Imaging & Sensing Solutions	(235)	(366)
Financial Services	-	-
All Other	7,221	4,303
Consolidated total	<u>8,321</u>	<u>5,930</u>
Depreciation and amortization:		
Game & Network Services	15,002	22,048
Music	13,171	16,438
Pictures	99,342	118,040
Entertainment, Technology & Services	22,597	24,759
Imaging & Sensing Solutions	43,055	48,189
Financial Services, including deferred insurance acquisition costs	25,518	34,687
All Other	1,021	948
Total	<u>219,706</u>	<u>265,109</u>
Corporate	<u>5,501</u>	<u>5,179</u>
Consolidated total	<u>225,207</u>	<u>270,288</u>

Sales to customers by product category:

The following table is a breakdown of sales and financial services revenue to external customers by product category for each segment. Sony management views each segment as a single operating segment.

	Yen in millions	
	Six months ended September 30	
	2021	2022
Sales and financial services revenue:		
Game & Network Services		
Digital Software and Add-on Content	635,294	618,704
Network Services	202,431	223,529
Hardware and Others	392,969	448,946
Total	1,230,694	1,291,179
Music		
Recorded Music - Streaming	222,405	291,041
Recorded Music - Others	85,784	132,486
Music Publishing	94,442	136,546
Visual Media and Platform	118,134	102,208
Total	520,765	662,281
Pictures		
Motion Pictures	176,592	246,916
Television Productions	148,286	253,747
Media Networks	140,054	176,164
Total	464,932	676,827
Entertainment, Technology & Services		
Televisions	428,200	368,544
Audio and Video	148,356	190,947
Still and Video Cameras	221,382	287,565
Mobile Communications	180,515	192,257
Other	155,971	171,325
Total	1,134,424	1,210,638
Imaging & Sensing Solutions	452,044	588,803
Financial Services	778,292	596,293
All Other	39,291	33,200
Corporate	5,766	4,152
Consolidated total	4,626,208	5,063,373

	Yen in millions	
	Three months ended September 30	
	2021	2022
Sales and financial services revenue:		
Game & Network Services		
Digital Software and Add-on Content	314,858	332,859
Network Services	100,445	117,006
Hardware and Others	213,233	252,853
Total	628,536	702,718
Music		
Recorded Music - Streaming	113,296	151,930
Recorded Music - Others	43,004	72,030
Music Publishing	47,310	73,489
Visual Media and Platform	64,933	59,479
Total	268,543	356,928
Pictures		
Motion Pictures	97,089	123,791
Television Productions	86,998	114,586
Media Networks	76,467	97,203
Total	260,554	335,580
Entertainment, Technology & Services		
Televisions	207,179	226,751
Audio and Video	75,267	99,887
Still and Video Cameras	104,972	147,862
Mobile Communications	99,102	93,227
Other	81,385	99,005
Total	567,905	666,732
Imaging & Sensing Solutions	254,159	369,580
Financial Services	366,162	300,836
All Other	21,074	17,643
Corporate	2,432	1,862
Consolidated total	2,369,365	2,751,879

In the G&NS segment, Digital Software and Add-on Content includes distribution of software titles and add-on content through the network by Sony Interactive Entertainment; Network Services includes network services relating to game, video and music content; Hardware and Others includes home gaming consoles, packaged software, game software sold bundled with home gaming consoles, peripheral devices and first-party software for third-party platforms. In the Music segment, Recorded Music - Streaming includes the distribution of digital recorded music by streaming; Recorded Music - Others includes the distribution of recorded music by physical media and digital download as well as revenue derived from artists' live performances; Music Publishing includes the management and licensing of the words and music of songs; Visual Media and Platform includes the production and distribution of animation titles and game applications, and various service offerings for music and visual products. In the Pictures segment, Motion Pictures includes the worldwide production, acquisition and distribution of live-action and animated motion pictures; Television Productions includes the production, acquisition and distribution of television programming; Media Networks includes the operation of television and digital networks worldwide. In the ET&S segment, Televisions includes LCD and OLED televisions; Audio and Video includes Blu-ray disc players and recorders, home audio, headphones and memory-based portable audio devices; Still and Video Cameras includes interchangeable lens cameras, compact digital cameras, consumer video cameras and video cameras for broadcast; Mobile Communications includes smartphones and an internet-related service business; Other includes display products such as projectors and medical equipment.

Geographic information:

Sales and financial services revenue attributed to countries and areas based on location of external customers for the six and three months ended September 30, 2021 and 2022 are as follows:

	Yen in millions	
	Six months ended September 30	
	2021	2022
Sales and financial services revenue:		
Japan	1,378,340	1,158,536
United States	1,248,560	1,483,023
Europe	847,978	920,152
China	373,872	435,185
Asia-Pacific	515,265	716,746
Other Areas	262,193	349,731
Total	4,626,208	5,063,373

	Yen in millions	
	Three months ended September 30	
	2021	2022
Sales and financial services revenue:		
Japan	676,425	604,342
United States	645,457	775,388
Europe	437,254	506,859
China	190,329	239,865
Asia-Pacific	292,327	437,743
Other Areas	127,573	187,682
Total	2,369,365	2,751,879

Major countries and areas in each geographic segment excluding Japan, United States and China are as follows:

- (1) Europe: United Kingdom, France, Germany, Russia, Spain and Italy
- (2) Asia-Pacific: India, South Korea and Oceania
- (3) Other Areas: The Middle East / Africa, Brazil, Mexico and Canada

There are no individually material countries with respect to sales and financial services revenue included in Europe, Asia-Pacific and Other Areas.

Transfers between reportable business segments or geographic areas are made at individually negotiated prices that are intended to reflect a market-based transfer price.

There were no sales or financial services revenue with any single major external customer for the six and three months ended September 30, 2021 and 2022.

5. *Financial instruments*

(1) Financial instruments measured at fair value on a recurring basis

The following section describes the valuation techniques used by Sony to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

Debt instruments and equity instruments

Where quoted prices of financial instruments are available in an active market, these instruments are classified in Level 1 of the fair value hierarchy. Level 1 financial instruments include exchange-traded equity instruments. If quoted market prices are not available for the specific financial instruments or the market is inactive, then fair values are estimated by using pricing models, quoted prices of financial instruments with similar characteristics or discounted cash flows and mainly classified in Level 2 of the fair value hierarchy. Level 2 financial instruments include debt instruments with quoted prices that are not traded as actively as exchange-traded instruments, such as the majority of government bonds and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, these instruments are classified within Level 3 of the fair value hierarchy. Level 3 financial instruments primarily include certain private equity investments, investment funds, securitized products which are not classified within Level 1 or Level 2 and domestic and foreign corporate bonds for which quoted prices are not available in a market and where there is less transparency around inputs. Sony estimates the fair value for private equity investments primarily by using comparable company analysis. The price book-value ratio and price earnings ratio of comparable companies are used as significant unobservable inputs in the fair value measurement of equity securities classified as Level 3. The fair value increases (decreases) as price book-value ratio and price earnings ratio of comparable companies rise (decline). Sony estimates the fair value for certain investment funds by using the net asset value. Sony estimates the fair value for securitized products and domestic and foreign corporate bonds for which quoted prices are not available in a market and where there is less transparency around inputs by using third-party information such as indicative quotes from dealers without adjustment or discounted cash flows. For validating the fair values of Level 3 financial instruments, Sony primarily uses internal models which include management judgment or estimation of assumptions that market participants would use in pricing the asset.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within Level 1 of the fair value hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of Sony's derivative positions are valued using internally developed models that use as their basis readily observable market parameters, meaning parameters that are actively quoted and can be validated to external sources, including pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes option pricing model, which are consistently applied. For derivative products that have been established for some time, Sony uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit rating of the counterparty. Further, many of these models do not contain a high level of subjectivity as the techniques used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within Level 2 of the fair value hierarchy.

In determining the fair value of Sony's interest rate swap derivatives, Sony uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of each instrument. For foreign currency derivatives, Sony's approach is to use forward contract valuation models employing market observable inputs, such as spot currency rates and time value. These derivatives are classified within Level 2 since Sony primarily uses observable inputs in its valuation of its derivative assets and liabilities.

The fair value of Sony's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2022 and September 30, 2022 is as follows:

Yen in millions								
March 31, 2022								
Presentation in the condensed consolidated statements of financial position								
Level 1	Level 2	Level 3	Total	Investments and advances in the Financial Services segment (Current)	Other financial assets (Current)	Investments and advances in the Financial Services segment (Non-current)	Other financial assets (Non-current)	
Assets:								
Financial assets required to be measured at FVPL								
Debt securities								
Japanese national government bonds	368,273	-	368,273	-	-	368,273	-	
Japanese local government bonds	600	-	600	-	-	600	-	
Japanese corporate bonds	15,350	18	15,368	-	-	15,317	51	
Foreign government bonds	29,237	185,238	214,475	-	-	214,475	-	
Foreign corporate bonds	-	-	117	-	-	-	117	
Securitized products	-	-	3,713	-	-	3,713	-	
Investment funds	-	377,004	48,520	425,524	3	409,676	15,845	
Equity securities	1,906,244	9,349	3,217	1,918,810	-	1,798,536	120,274	
Derivative assets								
Interest rate contracts	-	26,795	-	26,795	-	32	-	26,763
Foreign exchange contracts	-	30,204	-	30,204	-	28,147	-	2,057
Equity contracts	-	-	4,024	4,024	-	3,669	-	355
Financial assets designated to be measured at FVPL								
Debt securities								
Japanese national government bonds	-	48,711	-	48,711	4,002	-	44,709	-
Japanese local government bonds	-	26,612	-	26,612	5,315	-	21,297	-
Japanese corporate bonds	-	7,228	-	7,228	3,907	-	3,321	-
Foreign government bonds	-	17,598	-	17,598	1,466	-	16,132	-
Foreign corporate bonds	-	163,395	3,625	167,020	33,690	-	133,330	-
Financial assets required to be measured at FVOCI								
Debt securities								
Japanese national government bonds	-	9,667,158	-	9,667,158	-	-	9,667,158	-
Japanese local government bonds	-	36,369	-	36,369	12,435	-	23,934	-
Japanese corporate bonds	-	746,223	154,245	900,468	10,257	-	890,211	-
Foreign government bonds	-	1,353,394	-	1,353,394	-	-	1,353,277	117
Foreign corporate bonds	-	318,699	20,837	339,536	65,000	-	274,131	405
Securitized products	-	41,982	39,859	81,841	-	-	81,841	-
Financial assets designated to be measured at FVOCI								
Equity securities	106,499	-	205,509	312,008	-	-	8,016	303,992
Total assets	2,041,980	13,440,182	483,684	15,965,846	136,075	31,848	15,327,947	469,976
Presentation in the condensed consolidated statements of financial position								
Level 1	Level 2	Level 3	Total	Other financial liabilities (Current)	Other financial liabilities (Non-current)			
Liabilities:								
Financial liabilities required to be measured at FVPL								
Derivative liabilities								
Interest rate contracts	-	7,530	-	7,530	471	7,059		
Foreign exchange contracts	-	36,582	-	36,582	36,582	-		
Equity contracts	11,903	16,105	-	28,008	28,008	-		
Contingent consideration	-	-	21,552	21,552	1,475	20,077		
Financial liabilities designated to be measured at FVPL								
Redeemable noncontrolling interests	-	-	34,995	34,995	2,435	32,560		
Total liabilities	11,903	60,217	56,547	128,667	68,971	59,696		

Yen in millions

September 30, 2022

	Presentation in the condensed consolidated statements of financial position				Presentation in the condensed consolidated statements of financial position			
	Level 1	Level 2	Level 3	Total	Investments and advances in the Financial Services segment (Current)	Other financial assets (Current)	Investments and advances in the Financial Services segment (Non-current)	Other financial assets (Non-current)
Assets:								
Financial assets required to be measured at FVPL								
Debt securities								
Japanese national government bonds	-	364,188	-	364,188	-	-	364,188	-
Japanese local government bonds	-	599	-	599	-	-	599	-
Japanese corporate bonds	-	14,262	38	14,300	-	-	14,262	38
Foreign government bonds	37,647	175,071	-	212,718	-	-	212,718	-
Foreign corporate bonds	-	-	3,346	3,346	-	-	-	3,346
Investment funds	-	383,971	60,884	444,855	-	-	425,750	19,105
Equity securities	1,903,396	6,308	5,121	1,914,825	-	-	1,821,039	93,786
Derivative assets								
Interest rate contracts	-	50,691	-	50,691	-	326	-	50,365
Foreign exchange contracts	47	33,568	-	33,615	-	32,272	-	1,343
Equity contracts	8,098	8,834	4,528	21,460	-	21,272	-	188
Financial assets designated to be measured at FVPL								
Debt securities								
Japanese national government bonds	-	9,831	-	9,831	2,003	-	7,828	-
Japanese local government bonds	-	18,068	-	18,068	2,002	-	16,066	-
Japanese corporate bonds	-	3,317	-	3,317	-	-	3,317	-
Foreign government bonds	-	16,422	-	16,422	-	-	16,422	-
Foreign corporate bonds	-	149,290	3,736	153,026	30,706	-	122,320	-
Financial assets required to be measured at FVOCI								
Debt securities								
Japanese national government bonds	-	9,079,107	-	9,079,107	-	-	9,079,107	-
Japanese local government bonds	-	47,023	-	47,023	7,537	-	39,486	-
Japanese corporate bonds	-	698,236	162,134	860,370	6,268	-	854,102	-
Foreign government bonds	-	1,206,322	-	1,206,322	-	-	1,206,199	123
Foreign corporate bonds	-	356,494	21,853	378,347	50,293	-	328,054	-
Securitized products	-	40,802	39,227	80,029	-	-	80,029	-
Financial assets designated to be measured at FVOCI								
Equity securities	80,574	19,286	380,697	480,557	-	-	6,451	474,106
Total assets	2,029,762	12,681,690	681,564	15,393,016	98,809	53,870	14,597,937	642,400
Liabilities:								
Financial liabilities required to be measured at FVPL								
Derivative liabilities								
Interest rate contracts	1,587	4,298	-	5,885	1,936	3,949	-	-
Foreign exchange contracts	-	55,230	-	55,230	53,708	1,522	-	-
Equity contracts	1,645	-	-	1,645	1,645	-	-	-
Other	430	-	-	430	430	-	-	-
Contingent consideration	-	-	61,560	61,560	11,779	49,781	-	-
Financial liabilities designated to be measured at FVPL								
Redeemable noncontrolling interests	-	-	47,726	47,726	34	47,692	-	-
Total liabilities	3,662	59,528	109,286	172,476	69,532	102,944	-	-

Transfers of debt securities from Level 2 into Level 1 were 1,953 million yen and 10,154 million yen for the fiscal year ended March 31, 2022 and for the six months ended September 30, 2022, respectively, as quoted prices in active markets for certain debt securities became available. Transfers of debt securities from Level 1 to Level 2 were 2,523 million yen and 334 million yen for the fiscal year ended March 31, 2022 and for the six months ended September 30, 2022, respectively, as quoted prices in active markets for debt securities were not available.

Transfers of equity securities from Level 2 to Level 1 were 12,276 million yen and 5,604 million yen for the fiscal year ended March 31, 2022 and for the six months ended September 30, 2022, respectively, as quoted prices in active markets for certain equity securities became available.

Shares of Spotify Technology S.A. (“Spotify”) held by Sony are classified as equity securities required to be measured at fair value through profit or loss. The pre-tax revaluation gains (losses) of the Spotify shares owned by Sony recognized in net income are included in financial income (expenses) in the condensed consolidated statements of income, net of costs to be paid to Sony’s artists and distributed labels.

The valuation techniques used to measure the fair value of assets and liabilities classified as Level 3, significant unobservable inputs, and their range are as follows:

	Valuation technique(s)	Significant unobservable inputs	Range	
			March 31, 2022	September 30, 2022
Financial assets required to be measured at FVOCI				
Debt securities				
Japanese corporate bonds	Discounted cash flow	Credit spread *	26bp-67bp	26bp-67bp
Foreign corporate bonds			0bp-170bp	0bp-20bp
Securitized products			100bp-160bp	150bp-180bp

* bp = basis point

The decrease (increase) in fair value is the result of higher (lower) credit spreads.

For the above assets classified as Level 3, the fair value would not change significantly, even if one or more of the significant unobservable inputs are changed to reflect reasonably possible alternative assumptions.

The changes in fair value of Level 3 assets and liabilities for the six months ended September 30, 2021 and 2022 are as follows:

	Yen in millions							
	Six months ended September 30, 2021							
	Beginning balance	Total gains (losses) *1		Purchases	Sales and settlements	Transfers into Level 3 *4	Transfers out of Level 3 *5	Other *6
Net income *2		Other comprehensive income *3						
Assets:								
Financial assets required to be measured at FVPL								
Debt securities								
Japanese corporate bonds	62	-	-	1	-	-	-	63
Foreign corporate bonds	213	-	-	-	-	-	(112)	101
Securitized products	6,142	-	-	-	(1,467)	-	-	4,675
Investment funds	37,254	2,767	44	8,927	(13,457)	-	-	35,535
Equity securities	3,172	(89)	-	84	-	-	-	3,167
Derivative assets								
Equity contracts	10,176	(155)	105	-	-	-	-	10,126
Financial assets required to be measured at FVOCI								
Debt securities								
Japanese corporate bonds	93,288	(1)	(1,778)	45,646	-	-	-	137,155
Foreign corporate bonds	18,066	126	(10)	-	(4,000)	-	-	14,182
Securitized products	9,402	(89)	38	12,503	(4,810)	-	-	17,044
Financial assets designated to be measured at FVOCI								
Equity securities	104,541	-	10,967	28,308	(4,998)	23	(7,708)	179,879
Liabilities:								
Financial liabilities required to be measured at FVPL								
Contingent consideration	6,161	821	139	5,995	(1,305)	-	-	11,803
Financial liabilities designated to be measured at FVPL								
Redeemable noncontrolling interests	8,179	540	298	15,576	(5,169)	-	(11)	19,413

Yen in millions

Six months ended September 30, 2022

	Total gains (losses) *1		Purchases	Sales and settlements	Transfers into Level 3 *4	Transfers out of Level 3 *5	Other	Ending balance
	Beginning balance	Net income *2						
Assets:								
Financial assets required to be measured at FVPL								
Debt securities								
Japanese corporate bonds	18	-	20	-	-	-	-	38
Foreign corporate bonds	117	219	3,160	(70)	-	-	(80)	3,346
Securitized products	3,713	-	-	(3,713)	-	-	-	-
Investment funds	48,520	3,627	9,022	(1,137)	-	-	-	60,884
Equity securities								
Equity securities	3,217	(165)	2,069	-	-	-	-	5,121
Derivative assets								
Equity contracts	4,024	(215)	719	-	-	-	-	4,528
Financial assets designated to be measured at FVPL								
Debt securities								
Foreign corporate bonds	3,625	111	-	-	-	-	-	3,736
Financial assets required to be measured at FVOCI								
Debt securities								
Japanese corporate bonds	154,245	2	38,973	-	-	-	-	162,134
Foreign corporate bonds	20,837	816	8,000	(7,823)	-	-	-	21,853
Securitized products	39,859	287	4,129	(8,230)	7,373	(4,129)	-	39,227
Financial assets designated to be measured at FVOCI								
Equity securities	205,509	-	138,832	(30)	128	(500)	80	380,697
Liabilities:								
Financial liabilities required to be measured at FVPL								
Contingent consideration	21,552	(146)	42,434	(7,211)	-	-	217	61,560
Financial liabilities designated to be measured at FVPL								
Redeemable noncontrolling interests	34,995	(223)	9,596	(3,188)	-	-	31	47,726

*1 For liability items, gains are presented as negative and losses are presented as positive.

*2 Gains (losses) recognized in net income are included in financial services revenue, financial income and financial expenses in the condensed consolidated statements of income.

*3 Gains (losses) recognized in other comprehensive income are included in changes in equity instruments measured at fair value through other comprehensive income, changes in debt instruments measured at fair value through other comprehensive income and exchange differences on translating foreign operations in the condensed consolidated statements of comprehensive income.

*4 Certain financial assets were transferred to Level 3 because the observability of the inputs used decreased.

*5 Certain financial assets were transferred from Level 3 because observable market data became available.

*6 The increase in equity securities designated to be measured at fair value through other comprehensive income is mainly due to a change in the scope of consolidation.

The changes in unrealized gains (losses) recognized in net income for Level 3 assets and liabilities held as of September 30, 2021 and 2022 are as follows:

	Yen in millions	
	Six months ended September 30	
	2021	2022
Assets:		
Financial assets required to be measured at FVPL		
Debt securities		
Foreign corporate bonds	-	219
Investment funds	1,696	3,733
Equity securities	3	(165)
Derivative assets		
Equity contracts	(155)	(215)
Financial assets designated to be measured at FVPL		
Debt securities		
Foreign corporate bonds	-	110
Financial assets required to be measured at FVOCI		
Debt securities		
Japanese corporate bonds	-	2
Foreign corporate bonds	126	816
Securitized products	(129)	287
Liabilities:		
Financial liabilities required to be measured at FVPL		
Contingent consideration	(181)	146
Financial liabilities designated to be measured at FVPL		
Redeemable noncontrolling interests	(540)	223

Gains (losses) recognized in net income are included in financial services revenue, financial income and financial expenses in the condensed consolidated statements of income.

(2) Financial instruments measured at amortized cost

The fair values by fair value hierarchy level of certain financial instruments that are measured at amortized cost as of March 31, 2022 and September 30, 2022 are summarized as follows:

Yen in millions					
March 31, 2022					
	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Debt securities					
Japanese national government bonds	-	86,622	-	86,622	75,634
Japanese local government bonds	-	1,963	-	1,963	1,717
Japanese corporate bonds	-	3,727	-	3,727	3,583
Foreign corporate bonds	-	5,121	-	5,121	5,047
Securitized products	-	-	269,376	269,376	271,308
Other	-	41	909	950	949
Housing loans in the banking business	-	-	2,837,349	2,837,349	2,752,985
Total assets	-	97,474	3,107,634	3,205,108	3,111,223
Liabilities:					
Long-term debt including the current portion	-	841,249	60,873	902,122	909,706
Total liabilities	-	841,249	60,873	902,122	909,706

Yen in millions					
September 30, 2022					
	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Debt securities					
Japanese national government bonds	-	79,913	-	79,913	77,634
Japanese local government bonds	-	1,931	-	1,931	1,717
Japanese corporate bonds	-	3,409	-	3,409	3,583
Foreign corporate bonds	-	4,994	-	4,994	4,959
Securitized products	-	-	348,369	348,369	359,935
Other	-	41	974	1,015	1,015
Housing loans in the banking business	-	-	2,944,431	2,944,431	2,879,784
Total assets	-	90,288	3,293,774	3,384,062	3,328,627
Liabilities:					
Long-term debt including the current portion	-	909,586	68,829	978,415	989,145
Total liabilities	-	909,586	68,829	978,415	989,145

The table above does not include financial instruments measured at amortized cost whose carrying amounts approximate their fair values mainly due to their short-term nature.

The fair values of long-term debt, including the current portion classified as Level 2, were estimated mainly based on discounted future cash flows using Sony's current rates for similar liabilities.

Financial instruments classified as Level 3 mainly include housing loans in the banking business, securitized products and certain bonds issued by Sony. In determining the fair value of such financial instruments, Sony uses the present value of expected cash flows based on risk-free interest rate yield curves with certain credit risk.

6. Insurance-related accounts measured at fair value

In determining the fair value of future insurance policy benefits and policyholders' account in the life insurance business which Sony measures at fair value, Sony uses the present value of future expected cash flows based on mortality rates, lapse rates, discount rates, investment yield and various actuarial assumptions. These are classified within Level 3 of the fair value hierarchy since Sony primarily uses unobservable inputs in its valuation.

The fair value of future insurance policy benefits and policyholders' account in the life insurance business measured at fair value as of March 31, 2022 and September 30, 2022 is as follows:

	Yen in millions		
	Fair value	Presentation in the condensed consolidated statements of financial position	
		Future insurance policy benefits and other	Policyholders' account in the life insurance business
March 31, 2022	507,699	37,382	470,317
September 30, 2022	479,917	42,289	437,628

The valuation techniques, significant unobservable inputs, and the ranges used to measure the fair value of the future insurance policy benefits and policyholders' account in the life insurance business measured at fair value as of March 31, 2022 and September 30, 2022 are as follows:

Valuation techniques	Significant unobservable inputs	Range	
		March 31, 2022	September 30, 2022
Present value of future expected cash flows	Credit spread *	47.5bp	65.8bp
	Mortality rates	0.003%-35.693%	0.003%-35.693%
	Lapse rates	0%-7.500%	0%-7.500%

* bp = basis point

The decrease (increase) in fair value is the result of higher (lower) credit spreads, mortality rates or lapse rates. The fair value of the future insurance policy benefits and policyholders' account in the life insurance business measured at fair value would not change significantly, even if one or more of the significant unobservable inputs are changed to reflect reasonably possible alternative assumptions.

The changes in fair value of future insurance policy benefits and policyholders' account in the life insurance business measured at fair value for the six months ended September 30, 2021 and 2022 are as follows:

	Yen in millions	
	Six months ended September 30	
	2021	2022
Beginning balance	536,189	507,699
Total gains (losses) ^{*1} :		
Included in net income ^{*2}	1,236	(9,444)
Included in other comprehensive income ^{*3}	(154)	(1,304)
Issuances	-	-
Settlements	(14,289)	(17,034)
Ending balance	522,982	479,917
Changes in unrealized gains (losses) relating to future insurance policy benefits and policyholders' account in the life insurance business still held as of reporting date included in net income ^{*2}	(7,716)	3,124

*1 Gains presented as negative and losses presented as positive.

*2 Included in financial services revenue and financial services expenses in the condensed consolidated statements of income.

*3 Included in insurance contract valuation adjustments in the condensed consolidated statements of comprehensive income.

7. Stockholders' equity

(1) Dividends

Dividends whose record date falls in the six months ended September 30, 2021 and 2022, and whose effective date falls in the subsequent period are as follows:

(Resolution)	Type of shares	Total amount of dividends (Yen in millions)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on October 28, 2021	Common stock	37,208	Retained earnings	30.00	September 30, 2021	December 1, 2021
Board of Directors' meeting held on November 1, 2022	Common stock	43,340	Retained earnings	35.00	September 30, 2022	December 1, 2022

(2) Supplemental comprehensive income information

Changes in accumulated other comprehensive income, net of tax, by component for the six months ended September 30, 2021 and 2022 are as follows:

	Yen in millions			
	Balance at April 1, 2021	Other comprehensive income attributable to Sony Group Corporation's stockholders	Transfer to retained earnings	Balance at September 30, 2021
Changes in equity instruments measured at fair value through other comprehensive income	139,622	(30,409)	(8,560)	100,653
Changes in debt instruments measured at fair value through other comprehensive income	1,264,737	42,531	-	1,307,268
Cash flow hedges	1,299	927	-	2,226
Remeasurement of defined benefit pension plans	-	(1,752)	1,752	-
Exchange differences on translating foreign operations	113,901	14,669	-	128,570
Insurance contract valuation adjustments	(88)	136	-	48
Share of other comprehensive income of investments accounted for using the equity method	786	(37)	-	749
Total	1,520,257	26,065	(6,808)	1,539,514

Yen in millions				
	Balance at April 1, 2022	Other comprehensive income attributable to Sony Group Corporation's stockholders	Transfer to retained earnings	Balance at September 30, 2022
Changes in equity instruments measured at fair value through other comprehensive income	27,412	(15,508)	(221)	11,683
Changes in debt instruments measured at fair value through other comprehensive income	847,833	(1,027,712)	-	(179,879)
Cash flow hedges	6,034	7,591	-	13,625
Remeasurement of defined benefit pension plans	-	29	(29)	-
Exchange differences on translating foreign operations	337,678	359,311	-	696,989
Insurance contract valuation adjustments	511	939	-	1,450
Share of other comprehensive income of investments accounted for using the equity method	2,864	4,713	-	7,577
Total	1,222,332	(670,637)	(250)	551,445

8. Revenue

For the breakdown of sales and financial services revenue by segments, product categories and geographies, refer to Note 4.

9. Reconciliation of the differences between basic and diluted EPS

Reconciliation of the differences between basic and diluted EPS for the six and three months ended September 30, 2021 and 2022 is as follows:

	Yen in millions	
	Six months ended September 30	
	2021	2022
Net income attributable to Sony Group Corporation's stockholders	424,935	482,159
Adjustment amount to net income attributable to Sony Group Corporation's stockholders for diluted EPS computation:		
Zero coupon convertible bonds	93	51
Net income attributable to Sony Group Corporation's stockholders for diluted EPS computation	425,028	482,210
	Thousands of shares	
Weighted-average shares outstanding for basic EPS computation	1,239,606	1,236,622
Effect of dilutive securities:		
Stock acquisition rights	5,092	3,847
Zero coupon convertible bonds	7,399	4,059
Weighted-average shares for diluted EPS computation	1,252,097	1,244,528
	Yen	
Basic EPS	342.80	389.90
Diluted EPS	339.45	387.46

Potential shares of common stock which were excluded from the computation of diluted EPS for the six months ended September 30, 2022 were 6,721 thousand shares. The potential shares related to stock acquisition rights were excluded as anti-dilutive for the six months ended September 30, 2022 when the exercise price for those shares was in excess of the average market value of Sony Group Corporation's common stock for the period.

Potential shares of common stock were not excluded from the computation of diluted EPS for the six months ended September 30, 2021.

	Yen in millions	
	Three months ended September 30	
	2021	2022
Net income attributable to Sony Group Corporation's stockholders	213,106	263,963
Adjustment amount to net income attributable to Sony Group Corporation's stockholders for diluted EPS computation:		
Zero coupon convertible bonds	42	20
Net income attributable to Sony Group Corporation's stockholders for diluted EPS computation	213,148	263,983
	Thousands of shares	
Weighted-average shares outstanding for basic EPS computation	1,240,050	1,236,755
Effect of dilutive securities:		
Stock acquisition rights	5,125	3,618
Zero coupon convertible bonds	6,752	3,132
Weighted-average shares for diluted EPS computation	1,251,927	1,243,505
	Yen	
Basic EPS	171.85	213.43
Diluted EPS	170.26	212.29

Potential shares of common stock which were excluded from the computation of diluted EPS for the three months ended September 30, 2022 were 6,721 thousand shares. The potential shares related to stock acquisition rights were excluded as anti-dilutive

for the three months ended September 30, 2022 when the exercise price for those shares was in excess of the average market value of Sony Group Corporation's common stock for the period.

Potential shares of common stock were not excluded from the computation of diluted EPS for the three months ended September 30, 2021.

10. Acquisitions

Six months ended September 30, 2021

Acquisition of Ellation Holdings, Inc.

On August 9, 2021, Sony Pictures Entertainment Inc. (“SPE”), a wholly-owned subsidiary of Sony, through Funimation Global Group, LLC (“Funimation”), acquired 100% of the equity interest in Ellation Holdings, Inc. (“Elation”), a subsidiary of AT&T Inc., which operates the anime business “Crunchyroll.” Funimation is a joint venture between SPE and Aniplex Inc., a subsidiary of Sony Music Entertainment (Japan) Inc. The consideration for the acquisition of 135,938 million yen (1,237 million U.S. dollars) was paid in cash. As a result of the acquisition, Ellation has become a wholly-owned subsidiary of Sony. On February 24, 2022, Funimation changed its company name to Crunchyroll, LLC.

Crunchyroll is a direct-to-consumer service, connecting anime and manga fans across more than 200 countries and territories. Crunchyroll provides services including subscription video-on-demand, advertising-based video-on-demand, mobile games, manga, events, merchandise and distribution. The acquisition has brought together two animation distribution brands, Funimation and Crunchyroll, allowing Sony to expand fan-centric offerings. The global unification and integration of the two brands and services under the Crunchyroll brand started in March 2022.

As a result of the acquisition, Sony consolidated Ellation by using the acquisition method of accounting and recorded the fair value of the identifiable assets acquired, liabilities assumed and residual goodwill of Ellation. The following table summarizes the final fair values assigned to the assets and liabilities of Ellation that were recorded in the Pictures segment.

	Yen in millions
Cash and cash equivalents	8,379
Trade and other receivables, and contract assets	3,714
Inventories	3,295
Right-of-use assets	4,962
Goodwill	81,250
Content assets	36,266
Other intangible assets	35,697
Other	2,512
Total assets	176,075
Trade and other payables	17,365
Other current liabilities	7,723
Long-term debt	4,386
Deferred tax liabilities	9,408
Other	659
Total liabilities	39,541

Content assets and other intangible assets mainly consist of license agreements and customer relationships. Goodwill represents unidentifiable intangible assets, such as future growth from new revenue streams and synergies with existing Sony assets and businesses, and is calculated as the excess of the purchase price over the estimated fair value of the tangible and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with the acquisition is included in the Pictures segment.

Revenue and net income attributable to Ellation since the date of acquisition included in Sony’s condensed consolidated statements of income for the three and six months ended September 30, 2021 and pro forma results of operations have not been presented because the effect of the acquisition was not material.

Six months ended September 30, 2022

Acquisition of Bungie, Inc.

On July 15, 2022, Sony Interactive Entertainment LLC (“SIE”), a wholly-owned subsidiary of Sony, completed the acquisition of 100% of the shares of Bungie, Inc. (“Bungie”), an independent videogame developer in the United States. As a result of this acquisition, Bungie has become a wholly-owned subsidiary of Sony. This acquisition gives SIE access to Bungie’s approach to live game services and technology expertise.

The total consideration of this acquisition, which was determined after customary working capital and other adjustments, was 510,860 million yen (3,704 million U.S. dollars), inclusive of the purchase price and committed employee incentives. Of the total consideration, 348,169 million yen (2,525 million U.S. dollars) was allocated to the purchase consideration of this acquisition, and the remaining 162,691 million yen (1,179 million U.S. dollars) was mainly allocated to deferred payments to employee shareholders that are conditional upon their continuous employment, and other retention incentives. The deferred payments and other retention incentives will be expensed over the required post-acquisition service periods.

The fair value of the purchase consideration of this acquisition as of the acquisition date was 334,261 million yen (2,424 million U.S. dollars) which consisted of upfront cash consideration of 207,912 million yen (1,508 million U.S. dollars), deferred consideration of 84,410 million yen (612 million U.S. dollars), and contingent consideration of 41,938 million yen (304 million U.S. dollars) that is subject to employee shareholders’ continuous employment and represents the vested portion of the total vesting term of replacement awards that existed as of the acquisition date. Deferred consideration and contingent consideration are included in other financial liabilities (current and non-current) in the condensed consolidated statements of financial position.

Sony’s condensed consolidated statements of income for the three and six months ended September 30, 2022 include net loss after income taxes of 13,868 million yen (97 million U.S. dollars) attributable to Bungie since the acquisition date, including the deferred payments and other retention incentives arising out of this acquisition and amortization of intangible assets recognized as of the acquisition date. Revenue after elimination of intercompany transactions attributable to Bungie since the acquisition date for the three and six months ended September 30, 2022 has not been presented because the revenue was not material.

Sony consolidated Bungie by using the acquisition method of accounting and recorded the fair value of the identifiable assets acquired, liabilities assumed and residual goodwill of Bungie. The following table summarizes the fair values assigned to the assets and liabilities of Bungie that were recorded in the G&NS segment. The purchase price allocation as of the acquisition date is preliminary as of September 30, 2022 and is subject to change. The primary areas of the purchase price allocation that are not yet finalized are related to goodwill, content assets, other intangible assets and deferred tax assets.

	Yen in millions
Cash and cash equivalents	37,800
Trade and other receivables, and contract assets	5,093
Other current assets	3,412
Property, plant and equipment	7,481
Right-of-use assets	15,540
Goodwill	196,473
Content assets	45,512
Other intangible assets	66,257
Deferred tax assets	4,788
Other	3,564
Total assets	385,920
Trade and other payables	3,060
Other current liabilities	12,195
Long-term debt	30,944
Other	5,460
Total liabilities	51,659

Content assets and other intangible assets mainly consist of license agreements and software. Goodwill mainly represents future growth from new revenue streams and synergies with existing Sony businesses and is not deductible for tax purposes. Goodwill recorded in connection with the acquisition is included in the G&NS segment.

Pro forma results of operations have not been presented because the effect of the acquisition is not material.

11. Purchase commitments, contingent liabilities and other

(1) Loan commitments

Subsidiaries in the Financial Services segment have lines of credit in accordance with loan agreements with their customers. As of March 31, 2022 and September 30, 2022, the total unused portion of the lines of credit extended under these contracts was 33,587 million yen and 28,725 million yen, respectively.

(2) Purchase commitments

Purchase commitments as of March 31, 2022 and September 30, 2022 amounted to 1,000,833 million yen and 1,226,524 million yen, respectively. The amount of these purchase commitments covers the purchase consideration for property, plant and equipment, intangible assets, other goods and other services. The major components of these purchase commitments are as follows:

Certain subsidiaries in the Pictures segment have entered into agreements with creative talent for the development and production of motion pictures and television programming as well as agreements with third parties to acquire completed motion pictures, or certain rights therein, and to acquire the rights to broadcast certain live action sporting events. These agreements cover various periods mainly within three years from the end of each period. As of March 31, 2022 and September 30, 2022, these subsidiaries were committed to make payments under such contracts of 101,284 million yen and 151,807 million yen, respectively.

Certain subsidiaries in the Music segment have entered into contracts with recording artists, songwriters and companies for the future production, distribution and/or licensing of music products. These contracts cover various periods mainly within four years from the end of each period. As of March 31, 2022 and September 30, 2022, these subsidiaries were committed to make payments of 153,920 million yen and 180,247 million yen, respectively, under such contracts.

Certain subsidiaries in the G&NS segment have entered into long-term contracts for the development, distribution and publishing of game software. These contracts cover various periods mainly within seven years from the end of each period. As of March 31, 2022 and September 30, 2022, these subsidiaries were committed to make payments of 34,842 million yen and 33,961 million yen, respectively, under such contracts.

In addition to the above, Sony has entered into purchase contracts for property, plant and equipment and intangible assets. As of March 31, 2022 and September 30, 2022, Sony has committed to make payments of 246,263 million yen and 311,947 million yen, respectively, under such contracts.

Sony has entered into purchase contracts for materials. As of March 31, 2022 and September 30, 2022, Sony has committed to make payments of 265,518 million yen and 352,113 million yen, respectively, under such contracts.

(3) Litigation

Sony Group Corporation and certain of its subsidiaries are defendants or otherwise involved in pending legal and regulatory proceedings. However, based upon the information currently available, Sony believes that the outcome from such legal and regulatory proceedings would not have a material impact on Sony's results of operations and financial position.

(4) Guarantees

Sony has issued guarantees that contingently require payments to guaranteed parties if certain specified events or conditions occur. The maximum potential amount of future payments under these guarantees as of March 31, 2022 and September 30, 2022 amounted to 501 million yen and 489 million yen, respectively.

(2) Other Information

i) Dividends declared

An interim cash dividend for Sony Group Corporation's common stock was approved at the Board of Directors meeting held on November 1, 2022 as below:

1. Total amount of interim cash dividends:
43,340 million yen
2. Amount of interim cash dividends per share:
35.00 yen
3. Payment date:
December 1, 2022

Note: Interim cash dividends are to be distributed to the shareholders recorded or registered as the holders or pledgees of shares in Sony Group Corporation's register of shareholders at the end of September 30, 2022.

ii) Litigation

For the legal proceedings, please refer to "IV Financial Statements - Notes to Condensed Consolidated Financial Statements - 11. Purchase commitments, contingent liabilities and other".