

Quarterly Securities Report

For the three months ended December 31, 2023

(TRANSLATION)

Sony Group Corporation

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Note for readers of this English translation

On February 14, 2024, 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 December 31, 2023 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 developments relating to the situations in Ukraine and Russia and in the Middle East could heighten many of the risks and uncertainties noted above. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the SEC.

I Corporate Information

(1) Selected Consolidated Financial Data

	Yen in millions, Yen per share amounts		
	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Fiscal year ended March 31, 2023
	Restated		Restated
Sales and financial services revenue	7,933,528	9,539,802	10,974,373
Operating income	1,155,849	979,389	1,302,389
Income before income taxes	1,111,818	992,184	1,274,496
Net income attributable to Sony Group Corporation's stockholders	864,296	781,568	1,005,277
Comprehensive income attributable to Sony Group Corporation's stockholders	879,522	847,369	1,087,289
Equity attributable to Sony Group Corporation's stockholders	6,388,911	7,308,165	6,598,537
Total assets	30,046,178	33,643,625	31,154,095
Net income attributable to Sony Group Corporation's stockholders per share of common stock, basic (yen)	699.17	633.94	813.53
Net income attributable to Sony Group Corporation's stockholders per share of common stock, diluted (yen)	695.64	631.93	809.85
Ratio of stockholders' equity to total assets at end of the period (%)	21.3	21.7	21.2
Net cash provided by (used in) operating activities	(81,623)	931,958	314,691
Net cash used in investing activities	(857,523)	(619,953)	(1,052,664)
Net cash provided by financing activities	99,348	202,193	84,300
Cash and cash equivalents at end of the period	1,287,980	2,019,112	1,480,900

	Yen in millions, Yen per share amounts	
	Three months ended December 31, 2022	Three months ended December 31, 2023
	Restated	
Sales and financial services revenue	3,078,304	3,747,527
Net income attributable to Sony Group Corporation's stockholders	321,521	363,918
Net income attributable to Sony Group Corporation's stockholders per share of common stock, basic (yen)	260.28	295.67
Net income attributable to Sony Group Corporation's stockholders per share of common stock, diluted (yen)	259.62	294.82

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.
5. Sony has applied IFRS 17 "Insurance Contracts" ("IFRS 17") from the beginning of the three months ended June 30, 2023. As a result of the application, Sony has reflected the cumulative effect of the standard change to selected consolidated financial data as of April 1, 2022, which is the transition date for IFRS 17. According to the effect of the adoption of IFRS 17, the selected consolidated financial data for the nine and three months ended December 31, 2022 and the fiscal year ended March 31, 2023 have been restated in accordance with IFRS 17.

(2) Business Overview

There was no significant change in the business of Sony during the nine months ended December 31, 2023.

As of December 31, 2023, the Company had 1,650 subsidiaries and 152 affiliated companies, of which 1,616 companies are consolidated subsidiaries (including structured entities) of the Company. The Company has applied the equity accounting method for 138 associates and joint ventures.

II State of Business

(1) Risk Factors

Note for readers of this English translation:

Except for the revised risk factor below, 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 20, 2023. The revised risk factor below replaces the corresponding risk factor in the Form 20-F in its entirety. 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 20, 2023

<https://www.sec.gov/Archives/edgar/data/313838/000119312523169510/d433796d20f.htm>

Sony’s strategic initiatives, including acquisitions, joint ventures, investments, capital expenditures and restructurings, may not be successful in achieving their strategic objectives.

Sony actively engages in acquisitions, joint ventures, capital expenditures and other strategic investments to acquire new technologies, efficiently develop new businesses and enhance its business competitiveness. For example, in the fiscal year ended March 31, 2022, Sony made an additional strategic investment in Epic Games, Inc. (“Epic Games”), in which Sony already held a minority interest; acquired 100% of the shares and related assets of certain subsidiaries of Kobalt Music Group Limited (“Kobalt”) including AWAL, Kobalt’s music distribution business mainly for independent recording artists, and Kobalt Neighbouring Rights, Kobalt’s music neighboring rights management business; acquired 100% of the equity interest in Ellation Holdings, Inc., a subsidiary of AT&T Inc. which operated the anime business Crunchyroll; made a minority investment in Japan Advanced Semiconductor Manufacturing Inc., a subsidiary of Taiwan Semiconductor Manufacturing Company Limited (TSMC); and acquired 100% of the shares and related assets of Som Livre, an independent music label in Brazil. In the fiscal year ended March 31, 2023, Sony acquired 100% of the shares of Bungie, Inc. (“Bungie”), an independent videogame developer in the United States; made an additional strategic investment in Epic Games; and established a joint venture with Honda Motor Co., Ltd. in the mobility field.

In some cases, the completion of mergers and acquisitions is subject to certain closing conditions, including regulatory approvals. As a result of anti-trust laws and regulations and anti-trust regulatory authorities becoming stricter, regulatory reviews following the signing of a definitive agreement may take longer than expected, or Sony may fail to obtain regulatory approvals, resulting in the loss of business opportunities and Sony’s inability to realize some or all of the initially expected results of mergers and acquisitions.

While Sony performs a comprehensive analysis and evaluation of merged or acquired organizations prior to their acquisition from various perspectives such as technology, accounting, tax, finance, human resources (“HR”) and legal, Sony’s financial results may be adversely affected by factors including the significant cost of the acquisition and/or integration expenses, IT and information security risks introduced from newly acquired organizations, failure to achieve initially expected synergies, failure to generate expected revenue and cost improvements, loss of key personnel and assumption of liabilities.

When establishing joint ventures and strategic partnerships, Sony’s financial and operating results may be adversely affected by strategic or cultural differences with partners, conflicts of interest, failure to achieve synergies, additional funding or debt guarantees required to maintain the joint venture or partnership, requirements to buy out a joint venture partner, sell its shares or dissolve a partnership, insufficient management control including control over cash flow, loss of proprietary technology and know-how, impairment losses and reputational harm from the actions or activities of a joint venture that uses the Sony brand.

Sony invests heavily in production facilities and equipment, including fabrication facilities used to make image sensors for smartphones and other products. Sony may not be able to execute these capital expenditures as planned or recover these capital expenditures in part or full or in the planned timeframe due to the competitive environment, lower-than-expected consumer demand, changes in the financial condition or business decisions of Sony’s major customers, or delays in the procurement of production facilities and equipment. Sony invested 237.1 billion yen and 355.9 billion yen of capital in the fiscal years ended March 31, 2022 and 2023, respectively, mainly for the purpose of increasing image sensor production capacity.

Further, Sony is implementing initiatives for restructuring and transformation to enhance profitability, business autonomy and shareholder value or to clearly position each business within the overall business portfolio. However, the expected benefits of these initiatives, including the expected level of profitability, may not be realized due to internal and external impediments or market

conditions worsening beyond expectations. If Sony is not successful in achieving its restructuring and transformation initiatives, Sony's operating results, financial condition, reputation, competitiveness or profitability may be adversely affected.

Sony's success depends on the ability to recruit, retain and maintain productive relations with diverse people who embrace a challenging spirit and possess the ambition to grow.

In order to continue to create content, develop services, design, manufacture, market, and sell products, in increasingly competitive markets, Sony must attract, retain and maintain productive relations with key personnel, both internally and externally, who possess high levels of expertise and broad experience, including its executive team, other management professionals, creative talent, and hardware and software engineers. However, such key personnel are in high demand. In addition, business divestitures, restructuring or other transformation initiatives may lead to an unintended loss of experienced employees or know-how. Actual or threatened work slowdowns or stoppages related to unionized workers, particularly in the entertainment field, could lead to delayed releases or cost increases. For example, in the Pictures segment, the Writers Guild of America (WGA) and the Screen Actors Guild - American Federation of Television and Radio Artists (SAG-AFTRA) went on strike from May to September 2023 and from July to November 2023, respectively. These strikes have led to adverse effects such as release date changes for some theatrical releases in Motion Pictures and delays in deliveries of television series in Television Productions. Furthermore, in Japan, with a declining workforce due to the falling birthrate and aging population, intensifying competition among companies for specialized talent, and rising labor costs, it may become difficult to secure the necessary talent if Sony's HR system is inadequate in its design and operations. If these incidents occur or if Sony is unable to attract, retain and maintain productive relations with employees with high levels of expertise and broad experience as well as key management professionals, Sony's operating results and financial condition may be adversely affected.

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

i) Results of Operations

Sony has adopted IFRS 17 “Insurance Contracts” (“IFRS 17”) starting in the three months ended June 30, 2023. Figures for the nine months ended December 31, 2022 and for the fiscal year ended March 31, 2023 are restated in accordance with IFRS 17. Please refer to “IV Financial Statements- Notes to Condensed Consolidated Financial Statements - 3. Summary of material accounting policies” for more details.

Sony has established three-year cumulative Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) as the most important financial performance indicator (Group KPI) in the Fourth Mid-Range Plan for the three fiscal years starting on April 1, 2021 and ending on March 31, 2024. Starting in the three months ended June 30, 2023, Sony has disclosed the actual results for Adjusted EBITDA on a consolidated basis, which is the Group KPI, and Adjusted OIBDA (Operating Income Before Depreciation and Amortization) by segment.

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

	(Yen in billions)	
	Nine months ended December 31	
	2022	2023
	Restated	
Sales	7,933.5	9,539.8
Operating income	1,155.8	979.4
Income before income taxes	1,111.8	992.2
Net income attributable to Sony Group Corporation’s stockholders	864.3	781.6
Adjusted OIBDA*	1,527.5	1,450.3
Adjusted EBITDA*	1,513.5	1,437.6

* Adjusted OIBDA and Adjusted EBITDA are not measures in accordance with IFRS. However, Sony believes that these disclosures may be useful information to investors. Please refer to “Regarding Adjusted OIBDA and Adjusted EBITDA” below for more details, including the formulas and reconciliations for Adjusted OIBDA and Adjusted EBITDA (the same applies below).

Sales for the nine months ended December 31, 2023 (“the current nine months”) increased 1 trillion 606.3 billion yen compared to the same period of the previous fiscal year (“year-on-year”) to 9 trillion 539.8 billion yen. This significant increase was mainly due to significant increases in sales in the Financial Services, Game & Network Services (“G&NS”), Music and Imaging & Sensing Solutions (“I&SS”) segments.

Operating income for the current nine months decreased 176.5 billion yen year-on-year to 979.4 billion yen. This decrease was primarily due to a significant decrease in operating income in the Financial Services segment as well as decreases in operating income in the G&NS and I&SS segments, partially offset by an increase in operating income in the Music segment.

Operating income for the current nine months included the following:

- Remeasurement gain resulting from the consolidation of a company previously accounted for using the equity method: 6.0 billion yen (Music segment)

Operating income for the same period of the previous fiscal year 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 three months ended June 30, 2021: 22.1 billion yen (Financial Services segment)

The share of profit (loss) of investments accounted for using the equity method for the current nine months, recorded within operating income, decreased 7.7 billion yen year-on-year to 10.9 billion yen. This decrease was mainly due to a decrease in the share of profit of investments in All Other.

The net effect of financial income and expenses was income of 12.8 billion yen, compared to an expense of 44.0 billion yen in the same period of the previous fiscal year. This significant improvement was primarily due to the recording of unrealized gains mainly on Sony's shares of Spotify Technology S.A. in the current nine months, compared to the recording of unrealized losses on such shares in the same period of the previous fiscal year. For details, please refer to "IV Financial Statements - Notes to Condensed Consolidated Financial Statements - 5. Financial instruments."

Income before income taxes decreased 119.6 billion yen year-on-year to 992.2 billion yen.

During the current nine months, Sony recorded 205.7 billion yen of income tax expense, resulting in an effective tax rate of 20.7%, which was lower than the effective tax rate of 21.8% in the same period of the previous fiscal year. This lower tax rate was mainly due to a 7.6 billion yen decrease in tax expense from the recognition of additional deferred tax assets from the dissolution of a subsidiary, the recognition of additional tax credits in both Japan and the United States, and the reversal of liabilities for uncertain tax positions, partially offset by the impact of a decrease in deferred tax liabilities related to Japan controlled foreign company taxation in the same period of the previous fiscal year.

Net income attributable to Sony Group Corporation's stockholders decreased 82.7 billion yen year-on-year to 781.6 billion yen.

Adjusted OIBDA for the current nine months decreased 77.2 billion yen year-on-year to 1 trillion 450.3 billion yen. This decrease was mainly due to a significant decrease in Adjusted OIBDA in the Financial Services segment, partially offset by an increase in Adjusted OIBDA in the Music segment. Adjusted EBITDA for the current nine months decreased 75.9 billion yen year-on-year to 1 trillion 437.6 billion yen. This decrease was mainly due to the same factors affecting Adjusted OIBDA.

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

Game & Network Services (G&NS)

Sales increased 599.0 billion yen year-on-year to 3 trillion 170.4 billion yen. This significant increase in sales was mainly due to an increase in sales of non-first-party titles including add-on content and the impact of foreign exchange rates, as well as an increase in sales of hardware. Operating income decreased 26.9 billion yen year-on-year to 184.2 billion yen, primarily due to an increase in losses from hardware mainly due to promotions, as well as the impact of a decrease in sales of first-party titles and an increase in costs resulting mainly from the impact of acquisitions including Bungie.* These decreases in operating income were partially offset by the impact of the above-mentioned increase in sales of non-first-party titles and the positive impact of foreign exchange rates. Adjusted OIBDA was 272.1 billion yen, essentially flat year-on-year, primarily due to the same factors affecting operating income (excluding an increase in depreciation and amortization expense included in the above-mentioned increase in costs).

* The impact of acquisitions includes expenses associated with acquisitions from the fiscal year ended March 31, 2023 onward (the impact on operating income for the current nine months was 54.6 billion yen).

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 157.9 billion yen year-on-year to 1 trillion 189.0 billion yen. This significant increase in sales was primarily due to an increase in revenues from paid subscription streaming services in Recorded Music and Music Publishing, as well as the impact of foreign exchange rates. Operating income increased 27.8 billion yen year-on-year to 230.5 billion yen, primarily due to the impact of the above-mentioned increase in sales for Recorded Music and Music Publishing, as well as the positive impact of foreign exchange rates and the 6.0 billion yen remeasurement gain resulting from the consolidation of a company previously accounted for using the equity method, partially offset by an increase in selling, general and administrative expenses as well as the impact of litigation settlements, net of expenses, of 5.7 billion yen received in the same period of the previous fiscal year in relation to lawsuits for Recorded Music and Music Publishing. Adjusted OIBDA increased 37.6 billion yen year-on-year to 278.5 billion yen, mainly due to the same factors affecting operating income, excluding the above-mentioned impact of litigation settlements and remeasurement gain.

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 75.9 billion yen, an 8% increase year-on-year (a 2% increase on a U.S. dollar basis), to 1 trillion 86.3 billion yen. This increase in sales on a U.S. dollar basis was primarily due to higher theatrical revenues and an increase in series deliveries in Television Productions, as well as higher revenues for Crunchyroll resulting from paid subscriber growth. These increases in sales were partially offset by lower digital streaming service licensing and home entertainment revenues compared to the nine months ended December 31, 2022, which benefitted from the contribution of several franchise films released theatrically in the fiscal year ended March 31, 2022, as well as lower licensing revenues from catalog product in Television Productions. Operating income decreased 16.7 billion yen, a 16% decrease year-on-year (a 23% decrease on a U.S. dollar basis), to 87.0 billion yen. This significant decrease in operating income on a U.S. dollar basis was primarily due to the impact of the above-mentioned negative factors in sales and higher marketing costs in support of a greater number of theatrical releases in the current fiscal year, partially offset by the impact of the above-mentioned positive factors in sales. Adjusted OIBDA decreased by 14.9 billion yen, an 11% decrease year-on-year (a 16% decrease on a U.S. dollar basis), to 125.6 billion yen, primarily due to the same factors affecting operating income.

Entertainment, Technology & Services (ET&S)

Sales decreased 61.1 billion yen year-on-year to 1 trillion 921.1 billion yen. This decrease in sales was primarily due to a decrease in sales of televisions resulting from lower unit sales, partially offset by the impact of foreign exchange rates. Operating income decreased 18.7 billion yen year-on-year to 193.8 billion yen, primarily due to the impact of the above-mentioned lower unit sales of televisions, partially offset by the positive impact of foreign exchange rates and reductions in operating expenses. Adjusted OIBDA decreased 13.0 billion yen year-on-year to 271.8 billion yen, primarily due to the same factors affecting operating income.

Imaging & Sensing Solutions (I&SS)

Sales increased 150.9 billion yen year-on-year to 1 trillion 204.2 billion yen. This significant increase in sales was mainly due to an increase in sales of image sensors for mobile products resulting from an increase in unit sales and an improvement in product mix, as well as the impact of foreign exchange rates. These increases in sales were partially offset by a decrease in sales of image sensors for industrial and social infrastructure as well as a decrease in sales in businesses other than image sensors. Operating income decreased 21.7 billion yen year-on-year to 158.8 billion yen. This decrease was mainly due to an increase in depreciation and amortization expenses, as well as an increase in costs associated with the launch of mass production of a new image sensor for mobile products, an increase in manufacturing costs, and the impact of the above-mentioned decreases in sales of image sensors for industrial and social infrastructure and in sales in businesses other than image sensors. These decreases in operating income were partially offset by the impact of the above-mentioned increase in sales of image sensors for mobile products and the positive impact of foreign exchange rates. Adjusted OIBDA increased 16.7 billion yen year-on-year to 340.9 billion yen, mainly due to the impact of the above-mentioned increase in sales of image sensors for mobile products and the positive impact of foreign exchange rates. These increases were partially offset by the above-mentioned increase in costs associated with the launch of mass production of a new image sensor for mobile products, an increase in manufacturing costs, and the impact of the above-mentioned decrease in sales of image sensors for industrial and social infrastructure as well as the decrease in sales in businesses other than image sensors.

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 increased 678.6 billion yen year-on-year to 1 trillion 97.1 billion yen, mainly due to a significant increase in revenue at Sony Life. Revenue at Sony Life increased 651.1 billion yen year-on-year to 914.1 billion yen, mainly due to an improvement in net gains and losses on investments in the separate accounts. Operating income decreased 118.8 billion yen year-on-year to 147.5 billion yen. This significant decrease in operating income was mainly due to a significant decrease in operating income at Sony Life, as well as the recording of a 22.1 billion yen gain from the recovery of an unauthorized withdrawal of funds at a subsidiary of Sony Life in the same period of the previous fiscal year. Operating income at Sony Life decreased 97.3 billion yen year-on-year to 127.5 billion yen, due to the deterioration in net gains and losses related to market fluctuations for variable life insurance and other products, and the recording of a gain from the sale of real estate in the same period of the previous fiscal year. Adjusted OIBDA decreased 95.4 billion yen year-on-year to 168.4 billion yen, primarily due to the same factors affecting operating income, excluding the impact of the recovery of the unauthorized withdrawal of funds at a subsidiary of Sony Life.

Regarding Adjusted OIBDA and Adjusted EBITDA

Sony believes that Adjusted OIBDA and Adjusted EBITDA are performance metrics suitable for the long-term management that Sony prioritizes. This is because (i) they represent the sustainable earnings power of the business as they do not include the effects of one-time gains and losses, (ii) they enable management to confirm that all the businesses of the Sony Group, including the Financial Services business, are expanding over the mid- to long-term through cycles of investment and return, and (iii) they are often used to calculate corporate value. Adjusted OIBDA and Adjusted EBITDA are not measures in accordance with IFRS. However, Sony believes that these disclosures may be useful information to investors. Adjusted OIBDA and Adjusted EBITDA should be considered in addition to, not as a substitute for, Sony's results in accordance with IFRS.

Adjusted OIBDA (Operating Income Before Depreciation and Amortization) is calculated by the following formula:

Adjusted OIBDA = Operating income + Depreciation and amortization expense excluding amortization for film costs and broadcasting rights, as well as for internally developed game content and master recordings included in Content assets - the profit and loss amount that Sony deems non-recurring

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is calculated by the following formula:

Adjusted EBITDA = Net income attributable to Sony Group Corporation's stockholders + Net income attributable to noncontrolling interests + Income taxes + Interest expenses, net, recorded in Financial income and Financial expense - Gain on revaluation of equity instruments, net, recorded in Financial income and Financial expense + Depreciation and amortization expense excluding amortization for film costs and broadcasting rights, as well as for internally developed game content and master recordings included in Content assets - the profit and loss amount that Sony deems non-recurring

The following table shows a reconciliation of Adjusted OIBDA from operating income in accordance with IFRS for the nine months ended December 31, 2022 and 2023, respectively.

	(Yen in billions)	
	Nine months ended	
	December 31	
	2022	2023
	Restated	
Game & Network Services (G&NS)		
Operating income	211.1	184.2
Depreciation and amortization expense*	63.2	87.9
(Profit) / loss amount that Sony deems non-recurring**	-	-
Adjusted OIBDA	274.3	272.1
Music		
Operating income	202.7	230.5
Depreciation and amortization expense*	43.9	54.1
(Profit) / loss amount that Sony deems non-recurring**	(5.7)	(6.0)
Adjusted OIBDA	240.9	278.5
Pictures		
Operating income	103.7	87.0
Depreciation and amortization expense*	36.7	38.5
(Profit) / loss amount that Sony deems non-recurring**	-	-
Adjusted OIBDA	140.5	125.6
Entertainment, Technology & Services (ET&S)		
Operating income	212.5	193.8
Depreciation and amortization expense*	72.3	78.0
(Profit) / loss amount that Sony deems non-recurring**	-	-
Adjusted OIBDA	284.8	271.8
Imaging & Sensing Solutions (I&SS)		
Operating income	180.5	158.8
Depreciation and amortization expense*	143.6	182.1
(Profit) / loss amount that Sony deems non-recurring**	-	-
Adjusted OIBDA	324.2	340.9
Financial Services		
Operating income	266.3	147.5
Depreciation and amortization expense*	19.6	20.9
(Profit) / loss amount that Sony deems non-recurring**	(22.1)	-
Adjusted OIBDA	263.8	168.4
All Other, Corporate and elimination		
Operating loss	(21.0)	(22.4)
Depreciation and amortization expense*	20.1	15.5
(Profit) / loss amount that Sony deems non-recurring**	-	-
Adjusted OIBDA	(0.9)	(7.0)
Consolidated		
Operating income	1,155.8	979.4
Depreciation and amortization expense*	399.4	476.9
(Profit) / loss amount that Sony deems non-recurring**	(27.8)	(6.0)
Adjusted OIBDA	1,527.5	1,450.3

The following table shows a reconciliation of net income attributable to Sony Group Corporation's stockholders reported in accordance with IFRS to Adjusted EBITDA for the nine months ended December 31, 2022 and 2023, respectively.

	(Yen in billions)	
	Nine months ended	
	December 31	
	2022	2023
	Restated	
Net income attributable to Sony Group Corporation's stockholders	864.3	781.6
Net income attributable to noncontrolling interests	5.5	4.9
Income taxes	242.0	205.7
Interest expenses, net, recorded in Financial income and Financial expense	2.7	4.7
(Gain) / loss on revaluation of equity instruments, net, recorded in Financial income and Financial expense	27.4	(30.2)
Depreciation and amortization expense*	399.4	476.9
(Profit) / loss amount that Sony deems non-recurring**	(27.8)	(6.0)
Adjusted EBITDA	1,513.5	1,437.6

* Depreciation and amortization expense excludes amortization for film costs and broadcasting rights, as well as for internally developed game content and master recordings included in Content assets.

** The following table shows the details of the profit and loss amount that Sony deems non-recurring in calculating Adjusted OIBDA and Adjusted EBITDA for the nine months ended December 31, 2022 and 2023.

	(Yen in billions)	
	Nine months ended	
	December 31	
	2022	2023
(Profit) / loss amount that Sony deems non-recurring		
Impact of litigation settlements, net of expenses, received in relation to lawsuits for Recorded Music and Music Publishing (Music segment)	(5.7)	-
Recovery of an unauthorized withdrawal of funds at a subsidiary of Sony Life which occurred in the three months ended June 30, 2021 (Financial Services segment)	(22.1)	-
Remeasurement gain resulting from the consolidation of a company previously accounted for using the equity method (Music segment)	-	(6.0)
Total	(27.8)	(6.0)

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 "IV 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 20, 2023. Although foreign exchange rates have fluctuated during the nine-month period ended December 31, 2023, 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 20, 2023

<https://www.sec.gov/Archives/edgar/data/313838/000119312523169510/d433796d20f.htm>

During the current nine months, the average rates of the yen were 143.1 yen against the U.S. dollar and 155.1 yen against the euro, which were 6.7 yen and 14.6 yen weaker year-on-year, respectively.

For the current nine months, sales were 9 trillion 539.8 billion yen, an increase of 20% year-on-year, while on a constant currency basis, sales increased approximately 15% 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, Entertainment, Technology & Services ("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.

		(Yen in billions)		
		Nine months ended December 31		Impact of changes in foreign exchange rates
		2022	2023	
G&NS	Sales	2,571.4	3,170.4	+176.0
	Operating income	211.1	184.2	+32.4
ET&S	Sales	1,982.2	1,921.1	+64.4
	Operating income	212.5	193.8	+14.9
I&SS	Sales	1,053.4	1,204.2	+66.8
	Operating income	180.5	158.8	+49.6

In addition, sales for the Music segment increased 15% year-on-year to 1 trillion 189.0 billion yen, an approximate 11% increase on a constant currency basis. In the Pictures segment, sales increased 8% year-on-year to 1 trillion 86.3 billion yen, an approximate 2% increase on a U.S. dollar basis. As most of the operations in the Financial Services segment are based in Japan, 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 condensed consolidated financial statements measured in accordance with IFRS. However, Sony believes that these disclosures provide additional useful analytical information to investors regarding the operating performance of Sony.

Status of Cash Flows*

Operating Activities: Net cash inflow from operating activities during the current nine months was 932.0 billion yen, compared to a net cash outflow of 81.6 billion yen in the same period of the previous fiscal year.

For all segments excluding the Financial Services segment, there was a net cash inflow of 618.5 billion yen, an increase of 428.8 billion yen year-on-year. This increase was primarily due to a smaller increase in inventories and content assets as well as a larger increase in trade payables, partially offset by factors negatively impacting cash flow such as a larger increase in trade receivables and contract assets.

The Financial Services segment had a net cash inflow of 363.5 billion yen, compared to a net cash outflow of 227.2 billion in the same period of the previous fiscal year. This change was mainly due to a year-on-year increase in sales of investments in the Financial Services segment.

Investing Activities: During the current nine months, Sony used 620.0 billion yen of net cash in investing activities, a decrease of 237.6 billion yen year-on-year.

For all segments excluding the Financial Services segment, there was a 603.1 billion yen net cash outflow, a decrease of 238.0 billion yen year-on-year. This decrease was mainly due to the acquisition of shares of Bungie, an additional investment in Epic Games and a payment related to the acquisition of Industrial Media in the same period of the previous fiscal year, partially offset by a year-on-year increase in payments for purchases of property, plant and equipment.

The Financial Services segment used 16.9 billion yen of net cash in investing activities, essentially flat year-on-year.

Financing Activities: Net cash inflow from financing activities during the current nine months was 202.2 billion yen, an increase of 102.8 billion yen year-on-year.

For all segments excluding the Financial Services segment, there was a 212.7 billion yen net cash inflow, an increase of 104.8 billion yen year-on-year. This increase was mainly due to a year-on-year increase in the issuance of commercial paper as well as short-term bank borrowings.

In the Financial Services segment, there was a 60.4 billion yen net cash outflow, an increase of 10.6 billion yen year-on-year. This increase was mainly due to an increase in dividend payments.

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 December 31, 2023 was 2 trillion 19.1 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 976.5 billion yen as of December 31, 2023, an increase of 252.1 billion yen compared with the balance as of March 31, 2023, and an increase of 281.4 billion yen compared with the balance as of December 31, 2022. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 1 trillion 42.6 billion yen as of December 31, 2023, an increase of 286.2 billion yen compared with the balance as of March 31, 2023, and an increase of 449.8 billion yen compared with the balance as of December 31, 2022.

*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					
	Nine months ended December 31					
	Financial Services		Sony without Financial Services		Consolidated	
	2022 Restated	2023	2022	2023	2022 Restated	2023
Cash flows from operating activities:						
Income (loss) before income taxes	266,304	147,469	885,881	894,761	1,111,818	992,184
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	19,583	20,926	716,059	831,104	735,642	852,030
Other operating (income) expense, net	(4,290)	331	(5,681)	(16,144)	(12,278)	(15,813)
(Gain) loss on securities, net (other than Financial Services segment)	-	-	27,154	(31,340)	27,154	(31,340)
Changes in assets and liabilities:						
(Increase) decrease in trade receivables and contract assets	15,421	(38,263)	(298,206)	(550,147)	(276,956)	(592,206)
(Increase) decrease in inventories	-	-	(572,541)	(88,517)	(572,541)	(88,517)
(Increase) decrease in investments and advances in the Financial Services segment	(660,389)	(988,372)	-	-	(660,389)	(988,372)
(Increase) decrease in content assets	-	-	(477,898)	(358,830)	(477,898)	(358,830)
Increase (decrease) in trade payables	(43,868)	7,637	115,280	241,635	65,799	252,967
Increase (decrease) in insurance contract liabilities, net of insurance contract assets	(48,342)	789,883	-	-	(48,342)	789,883
Increase (decrease) in deposits from customers in the banking business	194,976	419,223	-	-	194,976	419,223
Increase (decrease) in borrowings in the life insurance business and the banking business	100,670	72,995	-	-	100,670	72,995
Increase (decrease) in taxes payable other than income taxes, net	830	782	(35,742)	(17,375)	(34,912)	(16,593)
Other	(68,068)	(69,134)	(164,643)	(286,665)	(234,366)	(355,653)
Net cash provided by (used in) operating activities	(227,173)	363,477	189,663	618,482	(81,623)	931,958
Cash flows from investing activities:						
Payments for property, plant and equipment and other intangible assets	(19,642)	(13,281)	(415,597)	(436,772)	(434,748)	(450,017)
Payments for investments and advances (other than Financial Services segment)	-	-	(185,577)	(75,072)	(185,577)	(75,072)
Proceeds from sales or return of investments and collections of advances (other than Financial Services segment)	-	-	11,740	80,476	11,740	80,476
Other	416	(3,603)	(251,640)	(171,737)	(248,938)	(175,340)
Net cash provided by (used in) investing activities	(19,226)	(16,884)	(841,074)	(603,105)	(857,523)	(619,953)
Cash flows from financing activities:						
Increase (decrease) in borrowings, net	(8,514)	(8,609)	278,516	375,110	270,002	366,501
Dividends paid	(41,335)	(50,037)	(86,384)	(98,424)	(86,383)	(98,424)
Other	(3)	(1,793)	(84,268)	(64,019)	(84,271)	(65,884)
Net cash provided by (used in) financing activities	(49,852)	(60,439)	107,864	212,667	99,348	202,193
Effect of exchange rate changes on cash and cash equivalents	-	-	78,142	24,014	78,142	24,014
Net increase (decrease) in cash and cash equivalents	(296,251)	286,154	(465,405)	252,058	(761,656)	538,212
Cash and cash equivalents at beginning of the fiscal year	889,140	756,493	1,160,496	724,407	2,049,636	1,480,900
Cash and cash equivalents at end of the period	592,889	1,042,647	695,091	976,465	1,287,980	2,019,112

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 20, 2023. 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 20, 2023

<https://www.sec.gov/Archives/edgar/data/313838/000119312523169510/d433796d20f.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 20, 2023.

URL: The Annual Report on Form 20-F filed with the SEC on June 20, 2023

<https://www.sec.gov/Archives/edgar/data/313838/000119312523169510/d433796d20f.htm>

Research and development costs for the nine months ended December 31, 2023 totaled 548.4 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 20, 2023. 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 20, 2023

<https://www.sec.gov/Archives/edgar/data/313838/000119312523169510/d433796d20f.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 1,208.2 billion yen in total for Sony Group Corporation, SGTS and SCC as of December 31, 2023. The outstanding amounts under the CP programs, translated into yen, were 213.1 billion yen as of December 31, 2023. 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 739.5 billion yen in unused committed lines of credit, as of December 31, 2023. Details of those committed lines of credit are: a 350.0 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 December 31, 2023.

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 20, 2023. 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 20, 2023

<https://www.sec.gov/Archives/edgar/data/313838/000119312523169510/d433796d20f.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 third quarterly period (December 31, 2023)	As of the filing date of the Quarterly Securities Report (February 14, 2024)		
Common stock	1,261,231,889	1,261,231,889	Tokyo Stock Exchange New York Stock Exchange	The number of shares constituting one full unit is one hundred (100).
Total	1,261,231,889	1,261,231,889	—	—

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")

Note for readers of this English translation:

The Japanese-language Quarterly Securities Report includes a summary of the main terms and conditions of the SARs listed below which were issued during the three months ended December 31, 2023. A summary of such terms and conditions has previously been filed with or submitted to the SEC under Form 6-K or Form S-8. There has been no change to such terms and conditions since the applicable date of such filings or submissions.

URL: The list of documents previously filed or submitted by the Company

<https://www.sec.gov/Archives/edgar/data/313838/000115752323001702/a53783836.htm>

<https://www.sec.gov/Archives/edgar/data/313838/000115752323001771/a53862695.htm>

Stock acquisition rights issued during the three months ended December 31, 2023.

Name (Date of resolution of the Board of Directors)	Number of SARs issued	Number of shares of common stock to be issued or transferred
The forty-ninth series of Common Stock Acquisition Rights (November 9, 2023)	12,972	1,297,200
The fiftieth series of Common Stock Acquisition Rights (November 9, 2023)	11,409	1,140,900

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 October 1 to December 31, 2023	150	1,261,232	992	881,357	992	1,095,050

Note: The increase mentioned above is due to a capital increase by the issuance of new shares upon the vesting of restricted stock units with a payment date of December 1, 2023.

The summary of such capital increase by the issuance of new shares is as follows:

- Issue Price: 13,220 yen per share
- Amount of paid-in capital: 6,610 yen per share
- Allottees: 22 employees of the Company, 11 directors and officers of Related Companies (“Related Company” means, with respect to the Company, a “Subsidiary (kogaisha)” or an “affiliated company (kanren kaisha)” as defined in Article 8, Paragraph 3, or Paragraph 5, respectively, of the Ordinance on the Terminology, Forms and Preparation Methods of Financial Statements, etc.) and 280 employees of Related Companies

v) Status of Major Shareholders

(As of December 31, 2023)

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	226,429	18.40
Citibank as Depository Bank for Depository 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)	112,411	9.14
Custody Bank of Japan, Ltd. (Trust account) *1	1-8-12, Harumi, Chuo-ku, Tokyo	74,977	6.09
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)	25,882	2.10
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)	23,514	1.91
SSBTC Client Omnibus Account *3 (Local Custodian: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	One Congress Street, Suite 1, Boston, Massachusetts (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	20,909	1.70
GIC Private Limited - C (Local Custodian: MUFG Bank, Ltd.)	168 Robinson Road #37-01 Capital Tower Singapore 068912 (2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	20,540	1.67
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)	19,410	1.58
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)	17,232	1.40
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)	15,027	1.22
Total	—	556,331	45.21

Notes:

- *1. The shares held by each shareholder are held in trust for investors, including shares in securities investment trusts.
- *2. Citibank as Depository Bank for Depository Receipt Holders is the nominee of Citibank, N.A.
- *3. Each shareholder provides depository services for shares owned by institutional investors, mainly in Europe and North America. These shareholders are also the nominees for these investors.

4. 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 May 18, 2023 and reported that BlackRock Japan Co., Ltd. and 9 joint holders held share certificates, etc. of the Company as of May 15, 2023 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 December 31, 2023.

Name	Number of share certificates, etc. held (Thousands)	Percentage of share certificates, etc. held (%)
BlackRock Japan Co., Ltd. and 9 Joint Holders	93,769	7.43

5. 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 1 joint holder held share certificates, etc. 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 December 31, 2023.

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

6. 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 3 joint holders held share certificates, etc. 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 December 31, 2023.

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

vi) Status of Voting Rights

1) Shares Issued

(As of December 31, 2023)

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.)	30,756,700	—	—
Shares with full voting rights (Others)	1,228,736,700	12,287,367	—
Shares constituting less than one full unit	1,738,489	—	Shares constituting less than one full unit (100 shares)
Total number of shares issued	1,261,231,889	—	—
Total voting rights held by all shareholders	—	12,287,367	—

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 December 31, 2023)

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	30,756,700	—	30,756,700	2.44
Total	—	30,756,700	—	30,756,700	2.44

Notes:

1. In addition to the 30,756,700 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.
2. Upon the disposal of treasury shares due to the exercise of SARs from January 1, 2024 to January 31, 2024, the number of shares held decreased by 117,800 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, 2023 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		
		April 1, 2022 Restated	March 31, 2023 Restated	December 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents		2,049,636	1,480,900	2,019,112
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, 85,494 million yen and 100,360 million yen as of April 1, 2022, March 31, 2023 and December 31, 2023, respectively)	5	360,681	328,358	455,427
Trade and other receivables, and contract assets		1,621,629	1,770,948	2,410,040
Inventories		874,007	1,468,042	1,629,886
Other financial assets	5	149,301	110,950	132,235
Other current assets		428,522	563,334	722,214
Total current assets		5,483,776	5,722,532	7,368,914
Non-current assets:				
Investments accounted for using the equity method		268,513	325,220	406,024
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, 2,427,446 million yen and 2,529,600 million yen as of April 1, 2022, March 31, 2023 and December 31, 2023, respectively)	5	18,251,612	18,237,761	18,370,584
Property, plant and equipment		1,113,213	1,344,864	1,491,920
Right-of-use assets		413,430	478,063	470,230
Goodwill	11	952,895	1,275,112	1,394,865
Content assets	10, 11	1,342,046	1,561,882	1,807,713
Other intangible assets	11	450,103	563,842	586,812
Deferred tax assets		300,924	393,107	462,062
Other financial assets	5	696,306	832,344	825,313
Other non-current assets		379,137	419,368	459,188
Total non-current assets		24,168,179	25,431,563	26,274,711
Total assets		29,651,955	31,154,095	33,643,625

(Continued on the following page.)

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

	Note	Yen in millions		
		April 1, 2022 Restated	March 31, 2023 Restated	December 31, 2023
LIABILITIES				
Current liabilities:				
Short-term borrowings		1,976,553	1,914,934	2,374,858
Current portion of long-term debt	5	171,409	187,942	190,671
Trade and other payables		1,843,338	1,866,101	2,244,832
Deposits from customers in the banking business		2,886,361	3,163,237	3,561,499
Income taxes payables		105,437	154,543	134,521
Participation and residual liabilities in the Pictures segment		190,162	230,223	233,435
Other financial liabilities	5	127,079	108,049	112,429
Other current liabilities	6	1,465,326	1,693,380	1,834,500
Total current liabilities		8,765,665	9,318,409	10,686,745
Non-current liabilities:				
Long-term debt	5	1,203,646	1,767,696	1,840,067
Defined benefit liabilities		254,548	236,121	243,108
Deferred tax liabilities		120,582	117,621	133,762
Insurance contract liabilities	6	13,042,875	12,364,973	12,571,220
Participation and residual liabilities in the Pictures segment		220,113	192,952	184,953
Other financial liabilities	5	231,463	371,580	371,758
Other non-current liabilities		106,481	127,593	143,299
Total non-current liabilities		15,179,708	15,178,536	15,488,167
Total liabilities		23,945,373	24,496,945	26,174,912
EQUITY				
Sony Group Corporation's stockholders' equity:				
Common stock	7	880,365	880,365	881,357
Additional paid-in capital		1,461,053	1,463,807	1,482,460
Retained earnings		4,170,417	5,092,442	5,775,372
Accumulated other comprehensive income		(677,989)	(614,570)	(548,960)
Treasury stock, at cost		(180,042)	(223,507)	(282,064)
Equity attributable to Sony Group Corporation's stockholders		5,653,804	6,598,537	7,308,165
Noncontrolling interests	10	52,778	58,613	160,548
Total equity		5,706,582	6,657,150	7,468,713
Total liabilities and equity		29,651,955	31,154,095	33,643,625

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	
		Nine months ended December 31	
		2022 Restated	2023
Sales and financial services revenue:	8		
Sales		7,523,263	8,449,647
Financial services revenue	6		
Insurance revenue		411,376	433,228
Other financial services revenue		(1,111)	656,927
Total financial services revenue		410,265	1,090,155
Total sales and financial services revenue		7,933,528	9,539,802
Costs and expenses:			
Cost of sales		5,241,857	6,096,395
Selling, general and administrative		1,418,411	1,548,380
Financial services expenses	6		
Insurance service expenses		284,609	291,961
Insurance finance expenses (income)		(197,508)	528,075
Other financial services expenses		61,150	122,319
Total financial services expenses		148,251	942,355
Other operating (income) expense, net		(12,278)	(15,813)
Total costs and expenses		6,796,241	8,571,317
Share of profit (loss) of investments accounted for using the equity method		18,562	10,904
Operating income		1,155,849	979,389
Financial income		19,862	65,737
Financial expenses		63,893	52,942
Income before income taxes		1,111,818	992,184
Income taxes		242,007	205,715
Net income		869,811	786,469
Net income attributable to			
Sony Group Corporation's stockholders		864,296	781,568
Noncontrolling interests		5,515	4,901

	Note	Yen	
		Nine months ended December 31	
		2022 Restated	2023
Per share data:	9		
Net income attributable to Sony Group Corporation's stockholders			
- Basic		699.17	633.94
- Diluted		695.64	631.93

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 December 31	
		2022 Restated	2023
Sales and financial services revenue:	8		
Sales		3,056,183	3,438,092
Financial services revenue	6		
Insurance revenue		138,463	146,801
Other financial services revenue		(116,342)	162,634
Total financial services revenue		22,121	309,435
Total sales and financial services revenue		3,078,304	3,747,527
Costs and expenses:			
Cost of sales		2,161,904	2,504,410
Selling, general and administrative		529,188	554,712
Financial services expenses	6		
Insurance service expenses		93,721	99,375
Insurance finance expenses (income)		(148,675)	89,750
Other financial services expenses		29,424	42,954
Total financial services expenses		(25,530)	232,079
Other operating (income) expense, net		(1,484)	(3,691)
Total costs and expenses		2,664,078	3,287,510
Share of profit (loss) of investments accounted for using the equity method		7,355	3,321
Operating income		421,581	463,338
Financial income		6,943	33,959
Financial expenses		37,101	38,742
Income before income taxes		391,423	458,555
Income taxes		68,205	91,184
Net income		323,218	367,371
Net income attributable to			
Sony Group Corporation's stockholders		321,521	363,918
Noncontrolling interests		1,697	3,453

	Note	Yen	
		Three months ended December 31	
		2022 Restated	2023
Per share data:	9		
Net income attributable to Sony Group Corporation's stockholders			
- Basic		260.28	295.67
- Diluted		259.62	294.82

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	
		Nine months ended December 31	
		2022 Restated	2023
Net income		869,811	786,469
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		(9,520)	(33,276)
Remeasurement of defined benefit pension plans		39	(1,030)
Share of other comprehensive income of investments accounted for using the equity method		131	190
Items that may be reclassified subsequently to profit or loss			
Changes in debt instruments measured at fair value through other comprehensive income		(1,190,706)	(522,959)
Cash flow hedges		17,719	3,523
Insurance finance income (expenses)		1,056,526	411,886
Exchange differences on translating foreign operations		140,581	207,677
Share of other comprehensive income of investments accounted for using the equity method		2,792	2,270
Other		(397)	(206)
Total other comprehensive income, net of tax		17,165	68,075
Comprehensive income		886,976	854,544
Comprehensive income attributable to			
Sony Group Corporation's stockholders		879,522	847,369
Noncontrolling interests		7,454	7,175

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 December 31	
	Note	2023
	2022 Restated	2023
Net income	323,218	367,371
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	5,988	(15,272)
Remeasurement of defined benefit pension plans	10	(578)
Share of other comprehensive income of investments accounted for using the equity method	(141)	(127)
Items that may be reclassified subsequently to profit or loss		
Changes in debt instruments measured at fair value through other comprehensive income	(264,054)	173,013
Cash flow hedges	10,128	3,825
Insurance finance income (expenses)	265,802	(104,893)
Exchange differences on translating foreign operations	(223,403)	(155,748)
Share of other comprehensive income of investments accounted for using the equity method	(1,649)	(1,868)
Other	(259)	136
Total other comprehensive income, net of tax	(207,578)	(101,512)
Comprehensive income	115,640	265,859
Comprehensive income attributable to		
Sony Group Corporation's stockholders	116,677	262,765
Noncontrolling interests	(1,037)	3,094

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
Balance at April 1, 2022		880,365	1,461,053	3,760,763	1,222,332	(180,042)	7,144,471	52,778	7,197,249
Cumulative effects of the application of new accounting standards	3	-	-	409,654	(1,900,321)	-	(1,490,667)	-	(1,490,667)
Restated balance at April 1, 2022		880,365	1,461,053	4,170,417	(677,989)	(180,042)	5,653,804	52,778	5,706,582
Comprehensive income (restated):									
Net income				864,296			864,296	5,515	869,811
Other comprehensive income, net of tax	7				15,226		15,226	1,939	17,165
Total comprehensive income (restated)				864,296	15,226		879,522	7,454	886,976
Transfer to retained earnings									
				(52)	52		-		-
Transactions with stockholders and other:									
Exercise of stock acquisition rights			(6)	(859)		5,696	4,831		4,831
Conversion of convertible bonds			(2,588)	(13,858)		42,993	26,547		26,547
Stock-based compensation			7,413				7,413		7,413
Dividends declared				(86,635)			(86,635)	(5,470)	(92,105)
Purchase of treasury stock						(91,307)	(91,307)		(91,307)
Reissuance of treasury stock			1,234			2,400	3,634		3,634
Transactions with noncontrolling interests shareholders and other			(8,898)				(8,898)	2,295	(6,603)
Restated balance at December 31, 2022		880,365	1,458,208	4,933,309	(662,711)	(220,260)	6,388,911	57,057	6,445,968

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
Balance at April 1, 2023		880,365	1,463,807	5,092,442	(614,570)	(223,507)	6,598,537	58,613	6,657,150
Comprehensive income:									
Net income				781,568			781,568	4,901	786,469
Other comprehensive income, net of tax	7				65,801		65,801	2,274	68,075
Total comprehensive income				781,568	65,801		847,369	7,175	854,544
Transfer to retained earnings									
				191	(191)		-		-
Transactions with stockholders and other:									
Exercise of stock acquisition rights and other		992	(1,533)	(144)		12,858	12,173		12,173
Stock-based compensation			9,472				9,472		9,472
Dividends declared				(98,685)			(98,685)	(4,866)	(103,551)
Purchase of treasury stock						(74,705)	(74,705)		(74,705)
Reissuance of treasury stock			1,786			3,290	5,076		5,076
Transactions with noncontrolling interests shareholders and other	10		8,928				8,928	99,626	108,554
Balance at December 31, 2023		881,357	1,482,460	5,775,372	(548,960)	(282,064)	7,308,165	160,548	7,468,713

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Yen in millions		
	Nine months ended December 31		
	Note	2022 Restated	2023
Cash flows from operating activities:			
Income before income taxes		1,111,818	992,184
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization, including amortization of contract costs		735,642	852,030
Other operating (income) expense, net		(12,278)	(15,813)
(Gain) loss on securities, net (other than Financial Services segment)		27,154	(31,340)
Share of profit of investments accounted for using the equity method, net of dividends		(12,166)	(3,032)
Changes in assets and liabilities:			
Increase in trade receivables and contract assets		(276,956)	(592,206)
Increase in inventories		(572,541)	(88,517)
Increase in investments and advances in the Financial Services segment		(660,389)	(988,372)
Increase in content assets		(477,898)	(358,830)
Increase in trade payables		65,799	252,967
Increase (decrease) in insurance contract liabilities, net of insurance contract assets	6	(48,342)	789,883
Increase in deposits from customers in the banking business		194,976	419,223
Increase in borrowings in the life insurance business and the banking business		100,670	72,995
Decrease in taxes payable other than income taxes, net		(34,912)	(16,593)
Increase in other financial assets and other current assets		(37,164)	(67,033)
Increase in other financial liabilities and other current liabilities		101,294	12,806
Income taxes paid		(183,097)	(251,431)
Other		(103,233)	(46,963)
Net cash provided by (used in) operating activities		(81,623)	931,958

(Continued on the following page.)

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

	Yen in millions		
	Nine months ended December 31		
	Note	2022 Restated	2023
Cash flows from investing activities:			
Payments for property, plant and equipment and other intangible assets		(434,748)	(450,017)
Proceeds from sales of property, plant and equipment and other intangible assets		9,474	10,838
Payments for investments and advances (other than Financial Services segment)		(185,577)	(75,072)
Proceeds from sales or return of investments and collections of advances (other than Financial Services segment)		11,740	80,476
Payments for purchases of businesses and other	10, 11	(280,447)	(170,925)
Proceeds from sales of businesses		1,221	-
Other		20,814	(15,253)
Net cash used in investing activities		(857,523)	(619,953)
Cash flows from financing activities:			
Increase in short-term borrowings, net		27,765	402,152
Proceeds from issuance of long-term debt		348,565	63,660
Payments of long-term debt		(106,328)	(99,311)
Dividends paid		(86,383)	(98,424)
Payments for purchases of treasury stock		(91,307)	(74,705)
Other		7,036	8,821
Net cash provided by financing activities		99,348	202,193
Effect of exchange rate changes on cash and cash equivalents		78,142	24,014
Net increase (decrease) in cash and cash equivalents		(761,656)	538,212
Cash and cash equivalents at beginning of the fiscal year		2,049,636	1,480,900
Cash and cash equivalents at end of the period		1,287,980	2,019,112

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 networks and direct-to-consumer (“DTC”) streaming services. 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 (“IFRS”)

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

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the fiscal year ended March 31, 2023, since the condensed consolidated financial statements do not contain all the information required in the annual consolidated financial statements.

Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by Kenichiro Yoshida, Chairman and Chief Executive Officer and Representative Corporate Executive Officer and Hiroki Totoki, President, Chief Operating Officer and Chief Financial Officer and Representative Corporate Executive Officer on February 14, 2024.

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, 2023 except for significant judgments and estimates for insurance contracts in the Financial Services segment as described in Note 6.

Change in presentation

Condensed Consolidated Statements of Cash Flows

Certain reclassifications of the condensed consolidated statements of cash flows for the nine months ended December 31, 2022 have been made to conform to the presentation for the nine months ended December 31, 2023.

3. Summary of material 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, 2023, except as described in “Newly adopted accounting standards and interpretations” below. 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.

Newly adopted accounting standards and interpretations

Sony adopted the following accounting standards and interpretations from the fiscal year ending March 31, 2024:

IFRS 17 “Insurance Contracts”

The IASB issued IFRS 17 “Insurance Contracts” (“IFRS 17”) in May 2017 and Amendments to IFRS 17 in June 2020 and December 2021. IFRS 17 replaces IFRS 4 “Insurance Contracts” (“IFRS 4”) and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17. IFRS 17 provides a general model, supplemented by a specific approach for contracts with direct participation features (the variable fee approach), and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 was effective for Sony as of April 1, 2023. In the condensed consolidated statements of financial position, insurance-related accounts, which were primarily presented as future insurance policy benefits and other, policyholders’ account in the life insurance business, and deferred insurance acquisition costs under IFRS 4, are primarily presented as insurance contract liabilities in accordance with IFRS 17. While future insurance policy benefits under IFRS 4 were mainly measured using the assumptions determined at initial recognition, insurance contract liabilities under IFRS 17 are remeasured using the current assumptions as of each reporting date. In addition, while deferred insurance acquisition costs were recognized as an asset separately from future insurance policy benefits under IFRS 4, after applying IFRS 17, such costs are included in the measurement of insurance contract liabilities, to the extent they are within the scope of fulfillment cashflows. As a result, the effect of adopting IFRS 17 on Sony’s total equity as of April 1, 2022, the transition date for IFRS 17, was a decrease of approximately 1.5 trillion yen, which consisted of an increase of approximately 0.4 trillion yen of retained earnings and a decrease of approximately 1.9 trillion yen of accumulated other comprehensive income, mainly due to the effect of the changes in the discount rate used in measuring insurance contract liabilities and other measurement method differences between IFRS 4 and IFRS 17. The financial services revenue, after applying IFRS 17, is separately presented as insurance revenue and other financial services revenue in the condensed consolidated statements of income. The insurance revenue differs from insurance premium revenue under IFRS 4 mainly because the insurance revenue excludes any investment components that are deposits.

Sony has retrospectively applied changes in accounting policies resulting from the adoption of IFRS 17 unless it was impracticable. Sony applied the modified retrospective approach, which uses reasonable and supportable information, or the fair value approach, which uses the fair value as of April 1, 2022, the transition date for IFRS 17, to identify, recognize and measure certain groups of insurance contracts as of the transition date for IFRS 17 (see Note 6), for which it was impracticable to apply the full retrospective approach. Therefore, Sony has restated the condensed consolidated financial statements for comparative periods and the condensed consolidated statement of financial position as of April 1, 2022 on the basis of the retrospective application of IFRS 17.

Sony has applied the transition provisions in IFRS 17 and has not disclosed the impact of the retrospective application of IFRS 17 on each financial statement line item and earnings per share. The effects of the retrospective application of IFRS 17 on Sony’s total equity as of April 1, 2022 are presented in the condensed consolidated statements of changes in stockholders’ equity.

As a result of the adoption of IFRS 17, the accounting policies for insurance contracts applied in the consolidated financial statements for the previous fiscal year (refer to the Form 20-F for the fiscal year ended March 31, 2023) have been changed. The accounting policies for insurance contracts after the adoption of IFRS 17 are as follows.

Insurance contract liabilities -

i) Definition and classification of insurance contracts

Sony defines insurance contracts as the contracts under which Sony accepts significant insurance risk by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from laws and regulations, are considered on a contract-by-contract basis. Sony uses judgment in assessing whether there is a scenario with commercial substance in which there is the possibility of a loss on a present value basis and whether the accepted insurance risk is significant. Contracts that have a legal form of an insurance contract but do not transfer significant insurance risk to Sony are classified as investment contracts and the investment contract liabilities are accounted for as financial liabilities and included in other financial liabilities.

Insurance contracts that Sony underwrites in the life insurance business, which is included in the Financial Services segment, mainly consist of whole life, term life, disease and health insurance, variable life insurance, and individual variable annuity contracts. Sony classifies certain variable life insurance and individual variable annuity contracts as insurance contracts with direct participation features, if they meet all of the following conditions on initial recognition:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- Sony expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- Sony expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

All other insurance contracts are classified as insurance contracts without direct participation features.

ii) Aggregation of insurance contracts

In measuring insurance contracts, Sony aggregates the insurance contracts into groups. Each group of insurance contracts is determined by identifying portfolios of insurance contracts. Each portfolio is comprised of contracts that are subject to similar risks and are managed together, and Sony divides each portfolio by each quarterly accounting period (to which the issue date of the insurance contracts belongs). The portfolios are then classified into one of the following three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts.

iii) Recognition and derecognition of insurance contracts

A group of insurance contracts issued by Sony is recognized from the earliest of:

- the beginning of the coverage period of the group of insurance contracts;
- when the first payment from the policyholder in the group of insurance contracts becomes due; and
- when facts and circumstances indicate that the group of insurance contracts is onerous.

If there is no contractual due date, the due date is considered as the day when the first payment is received from the policyholder.

In addition, only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts individually meet the recognition criteria after the end of the reporting period, they are added to the groups in the reporting period in which they meet the recognition criteria. Composition of the groups is not reassessed in subsequent periods.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. If insurance acquisition cash flows are directly attributable to a group of insurance contracts, they are allocated to that group. If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of insurance contracts, then they are allocated to the groups in that portfolio using a systematic and rational method.

Sony derecognizes an insurance contract when it is extinguished, i.e., when the obligation specified in the insurance contract expires or is discharged or canceled. When an insurance contract is derecognized, Sony:

- adjusts the fulfillment cash flows allocated to the group of insurance contracts to eliminate those relating to the derecognized rights and obligations;
- adjusts the contractual service margin (“CSM”) of the group of insurance contracts for the change in the fulfillment cash flows; and
- adjusts the number of coverage units expected for the remaining insurance contract services to reflect the number of coverage units derecognized from the group of insurance contracts.

iv) Contract boundaries

In measuring groups of insurance contracts, Sony includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the policyholder is obliged to pay premiums or Sony has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when Sony:

- (a) has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- (b) has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

For cash flows arising during the period after the renewal of the insurance contract with automatic renewal clauses Sony assesses the insurance contract boundaries and determines that they are within the existing contract boundaries when Sony does not have the above practical ability to reassess the risks.

v) Initial measurement of insurance contracts not measured under the premium allocation approach (“PAA”)

On initial recognition, Sony measures a group of insurance contracts as the total of the following:

(a) Fulfillment cash flows

The fulfillment cash flows of the groups of insurance contracts consist of estimates of the future cash flows and risk adjustments for non-financial risk. The estimates of the future cash flows are adjusted to reflect the time value of money and the associated financial risks, and do not reflect Sony’s non-performance risk. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts involves significant estimation. The risk adjustment for non-financial risk, determined separately from the other estimates, is designed to reflect the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

(b) CSM

The CSM of a group of insurance contracts represents the unearned profit that Sony will recognize as it provides insurance contract services under those contracts.

vi) Subsequent measurement of insurance contracts not measured under the PAA

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for incurred claims and the liability for remaining coverage. The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. The liability for remaining coverage comprises the items described below.

(a) Fulfillment cash flows

The fulfillment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

(b) CSM

The carrying amount of the CSM of contracts without direct participation features at each reporting date is the carrying amount at the beginning of the fiscal year, adjusted for the following items (items (2), (3)1, (3)2, and (3)4 below are measured using the discount rate determined at initial recognition (locked-in discount rate)):

- (1) the effect of any new contracts that are added to the group during the current period;
- (2) the interest accreted on the carrying amount of the CSM during the current period;
- (3) the changes in fulfillment cash flows relating to future service including the following items:
 - 1. experience adjustments arising from premiums received in the current period that relate to future services (including those for related cash flows such as insurance acquisition cash flows and premium-based taxes);
 - 2. changes in estimates of the present value of future cash flows in the liability for remaining coverage (excluding the effect of the time value of money, financial risk and changes therein);

3. differences between any investment component expected to become payable in the current period and the actual investment component that becomes payable in the current period; and
4. changes in the risk adjustment for non-financial risk that relate to future services;
- (4) the effect of any currency exchange differences; and
- (5) the amount recognized as insurance revenue for insurance contract services provided during the current period, which is determined after all other adjustments above.

The carrying amount of the CSM of contracts with direct participation features at each reporting date is the carrying amount at the beginning of the fiscal year, adjusted for the following items (items (3)2, (3)3, (3)4, and (3)5 below are measured using the current discount rate):

- (1) the effect of any new contracts that are added to the group during the current period;
- (2) the changes in Sony's share of the fair value of the underlying items;
- (3) the changes in the fulfillment cash flows that do not vary based on the returns of underlying items including the following items:
 1. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
 2. experience adjustments arising from premiums received in the current period that relate to future services (including those for related cash flows such as insurance acquisition cash flows and premium-based taxes);
 3. changes in estimates of the present value of future cash flows in the liability for remaining coverage (excluding the effect of the time value of money, financial risk and changes therein);
 4. differences between any investment component expected to become payable in the current period and the actual investment component that becomes payable in the current period; and
 5. changes in the risk adjustment for non-financial risk that relate to future services;
- (4) the effect of any currency exchange differences; and
- (5) the amount recognized as insurance revenue for insurance contract services provided during the current period, which is determined after all other adjustments above.

Sony has selected an accounting policy to update accounting estimates related to insurance contracts made in the previous interim consolidated financial statements in the subsequent annual and interim consolidated financial statements and to measure the annual results using the year-to-date approach.

Changes in the fulfillment cash flows that relate to current or past services are recognized as profit or loss. Changes in the fulfillment cash flows that relate to future services are adjusted as the CSM or loss component as follows:

- when an increase in the fulfillment cash flows exceeds the carrying amount of the CSM, the CSM is reduced to zero and the excess is recognized as insurance service expenses and such excess is recorded as a loss component of the liability for the remaining coverage;
- when the CSM is zero, changes in the fulfillment cash flows adjust the loss component within the liability for remaining coverage with correspondence to insurance service expenses; and
- the excess of any decrease in the fulfillment cash flows over the loss component reduces the loss component to zero and reinstates the CSM.

When a loss component exists, Sony allocates the following items between the loss component and the remaining component of the liability for the remaining coverage for the respective group of insurance contracts, based on the ratio of the loss component to the fulfillment cash flows relating to the expected future cash outflows:

- (1) expected incurred claims and other directly attributable expenses for the period;
- (2) changes in the risk adjustment for non-financial risk for the risk expired; and
- (3) finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (1) and (2) above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

vii) Measurement of insurance contracts measured under the PAA

For certain insurance contracts with a coverage period of one year or less at initial recognition, Sony uses the PAA to simplify the measurement of the group of insurance contracts.

Under the PAA, on initial recognition of each group of insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition, minus any insurance acquisition cash flows allocated to the group at the date of the receipt of the premiums. Sony amortizes insurance acquisition cash flows over the coverage period of the group of insurance contracts.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortization of insurance acquisition cash flows recognized as expenses, and decreased by the amount recognized as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

viii) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities are presented separately in the condensed consolidated statements of financial position. If no insured event has occurred and the surrender option has not been exercised as of the reporting date, the insurance contract liabilities are classified as non-current liabilities. However, if an insured event occurs or the surrender option is exercised, Sony loses its rights to postpone the payment of these liabilities. In this case, the insurance contract liabilities are classified as current liabilities, as they are due to be settled within 12 months after the end of the reporting period.

Sony disaggregates amounts recognized in the condensed consolidated statements of income and the condensed consolidated statements of comprehensive income into insurance revenue and insurance service expenses (collectively referred to as the “insurance service result”), and insurance finance income or expenses. Sony does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses and includes them in the insurance service result.

(a) Insurance revenue

Insurance revenue excludes any investment components and is recognized as follows:

(1) Contracts not measured under the PAA

Sony recognizes insurance revenue as it provides insurance contract services. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the liability for remaining coverage that relate to services for which Sony expects to receive consideration, and primarily comprises the following items:

- a release of the CSM, measured based on coverage units provided during the current period;
- changes in the risk adjustment for non-financial risk relating to current services;
- claims and other insurance service expenses incurred during the current period, measured at the amounts expected at the beginning of the current period; and
- allocation of the amount of insurance acquisition cash flows in a systematic way based on the passage of time.

The release amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each period is determined by identifying the coverage units in the group and recognizing in profit or loss the amount of the CSM allocated to the coverage units provided during the current period. The number of coverage units is the quantity of services provided based on the insurance contracts in the group, determined by considering the quantity of benefits to be provided by each insurance contract in the group and the expected coverage period.

Services provided based on insurance contracts include insurance coverage and, for all direct participating contracts, investment related services for managing underlying items on behalf of policyholders. Insurance contracts other than direct participating contracts include investment return services for generating an investment return for the policyholder.

(2) Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services during the period. Sony allocates the expected premium receipts to each period based mainly on the passage of time.

(b) Insurance service expenses

Insurance service expenses comprise the following items:

- (1) incurred claims and benefits excluding investment components and reduced by the loss component allocation;
- (2) other incurred and directly attributable insurance service expenses (reduced by the loss component allocation);
- (3) amortization of insurance acquisition cash flows;
- (4) changes that relate to past services (e.g., changes in the fulfillment cash flows relating to the liability for incurred claims); and
- (5) changes that relate to future services (e.g., losses on onerous insurance contracts and reversal of those losses arising from changes in the loss components).

For contracts not measured under the PAA, amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above.

(c) Insurance finance income or expenses

Insurance finance income or expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. Sony has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income for contracts without direct participation features, excluding certain variable life insurance and individual variable annuity contracts. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of insurance contracts. The amount of systematic allocation is determined using the discount rates determined on initial recognition of the group of insurance contracts. As a result of this systematic allocation, the total amounts recognized in other comprehensive income is equal to zero over the duration of the group of insurance contracts. In addition, the cumulative amount recognized in other comprehensive income at any point in time is the difference between the carrying amount of the group of insurance contracts and the amount measured by this systematic allocation.

For contracts with direct participation features, the insurance finance income or expenses include changes in the value of underlying items (excluding additional premium payments and withdrawals), all of which are recognized in profit or loss.

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 and Chief Executive Officer.

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 Entertainment, Technology & Services (“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	
	Nine months ended December 31	
	2022 Restated	2023
Sales and financial services revenue:		
Game & Network Services -		
Customers	2,502,796	3,114,026
Intersegment	68,604	56,377
Total	2,571,400	3,170,403
Music -		
Customers	1,022,924	1,172,767
Intersegment	8,212	16,282
Total	1,031,136	1,189,049
Pictures -		
Customers	1,007,752	1,082,658
Intersegment	2,630	3,671
Total	1,010,382	1,086,329
Entertainment, Technology & Services -		
Customers	1,953,118	1,892,069
Intersegment	29,060	28,992
Total	1,982,178	1,921,061
Imaging & Sensing Solutions -		
Customers	975,203	1,122,646
Intersegment	78,156	81,568
Total	1,053,359	1,204,214
Financial Services -		
Customers	410,265	1,090,155
Intersegment	8,242	6,914
Total	418,507	1,097,069
All Other -		
Customers	52,848	57,012
Intersegment	12,278	10,601
Total	65,126	67,613
Corporate and elimination	(198,560)	(195,936)
Consolidated total	7,933,528	9,539,802

	Yen in millions	
	Three months ended December 31	
	2022 Restated	2023
Sales and financial services revenue:		
Game & Network Services -		
Customers	1,211,617	1,428,886
Intersegment	34,932	15,541
Total	1,246,549	1,444,427
Music -		
Customers	360,643	417,651
Intersegment	3,104	4,453
Total	363,747	422,104
Pictures -		
Customers	330,925	365,133
Intersegment	612	1,194
Total	331,537	366,327
Entertainment, Technology & Services -		
Customers	742,480	725,563
Intersegment	10,343	10,175
Total	752,823	735,738
Imaging & Sensing Solutions -		
Customers	386,400	477,513
Intersegment	30,751	27,645
Total	417,151	505,158
Financial Services -		
Customers	22,121	309,435
Intersegment	2,301	2,308
Total	24,422	311,743
All Other -		
Customers	19,648	20,192
Intersegment	5,412	3,703
Total	25,060	23,895
Corporate and elimination	(82,985)	(61,865)
Consolidated total	3,078,304	3,747,527

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	
	Nine months ended December 31	
	2022 Restated	2023
Operating income (loss):		
Game & Network Services	211,142	184,201
Music	202,667	230,463
Pictures	103,720	87,035
Entertainment, Technology & Services	212,502	193,843
Imaging & Sensing Solutions	180,527	158,807
Financial Services	266,304	147,469
All Other	16,775	7,140
Total	1,193,637	1,008,958
Corporate and elimination	(37,788)	(29,569)
Consolidated operating income	1,155,849	979,389
Financial income	19,862	65,737
Financial expenses	(63,893)	(52,942)
Consolidated income before income taxes	1,111,818	992,184

	Yen in millions	
	Three months ended December 31	
	2022 Restated	2023
Operating income (loss):		
Game & Network Services	116,248	86,139
Music	62,961	76,086
Pictures	25,445	41,626
Entertainment, Technology & Services	81,094	77,164
Imaging & Sensing Solutions	84,851	99,715
Financial Services	47,107	77,274
All Other	9,062	2,596
Total	426,768	460,600
Corporate and elimination	(5,187)	2,738
Consolidated operating income	421,581	463,338
Financial income	6,943	33,959
Financial expenses	(37,101)	(38,742)
Consolidated income before income taxes	391,423	458,555

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	
	Nine months ended December 31	
	2022	2023
Share of profit (loss) of investments accounted for using the equity method:		
Game & Network Services	(125)	803
Music	4,800	3,671
Pictures	164	24
Entertainment, Technology & Services	990	662
Imaging & Sensing Solutions	(1,438)	(2,799)
Financial Services	-	-
All Other	14,171	8,543
Consolidated total	18,562	10,904

	Yen in millions	
	Nine months ended December 31	
	2022 Restated	2023
Depreciation and amortization:		
Game & Network Services	63,159	90,878
Music	48,747	62,060
Pictures	370,244	406,790
Entertainment, Technology & Services	72,320	77,989
Imaging & Sensing Solutions	143,642	182,054
Financial Services	19,583	20,926
All Other	3,289	3,352
Total	720,984	844,049
Corporate and elimination	14,658	7,981
Consolidated total	735,642	852,030

	Yen in millions	
	Three months ended December 31	
	2022	2023
Share of profit (loss) of investments accounted for using the equity method:		
Game & Network Services	24	68
Music	2,343	1,315
Pictures	92	168
Entertainment, Technology & Services	392	413
Imaging & Sensing Solutions	(840)	(1,440)
Financial Services	-	-
All Other	5,344	2,797
Consolidated total	7,355	3,321

	Yen in millions	
	Three months ended December 31	
	2022 Restated	2023
Depreciation and amortization:		
Game & Network Services	23,657	28,767
Music	16,628	26,314
Pictures	120,803	126,523
Entertainment, Technology & Services	24,201	26,231
Imaging & Sensing Solutions	49,821	63,992
Financial Services	6,665	7,021
All Other	1,296	1,142
Total	243,071	279,990
Corporate and elimination	4,958	1,574
Consolidated total	248,029	281,564

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.

Sales and financial services revenue:	Yen in millions	
	Nine months ended December 31	
	2022 Restated	2023
Game & Network Services		
Digital Software and Add-on Content	1,126,806	1,420,423
Network Services	345,730	395,568
Hardware and Others	1,030,260	1,298,035
Total	2,502,796	3,114,026
Music		
Recorded Music - Streaming	450,188	525,265
Recorded Music - Others	212,387	252,787
Music Publishing	210,707	243,948
Visual Media and Platform	149,642	150,767
Total	1,022,924	1,172,767
Pictures		
Motion Pictures	360,003	385,154
Television Productions	377,255	408,460
Media Networks	270,494	289,044
Total	1,007,752	1,082,658
Entertainment, Technology & Services		
Televisions	618,736	507,951
Audio and Video	313,552	332,072
Still and Video Cameras	458,711	509,686
Mobile Communications	285,559	236,644
Other	276,560	305,716
Total	1,953,118	1,892,069
Imaging & Sensing Solutions	975,203	1,122,646
Financial Services	410,265	1,090,155
All Other	52,848	57,012
Corporate	8,622	8,469
Consolidated total	7,933,528	9,539,802

	Yen in millions	
	Three months ended December 31	
Sales and financial services revenue:	2022 Restated	2023
Game & Network Services		
Digital Software and Add-on Content	508,102	631,981
Network Services	122,201	137,182
Hardware and Others	581,314	659,723
Total	1,211,617	1,428,886
Music		
Recorded Music - Streaming	159,147	186,520
Recorded Music - Others	79,901	100,021
Music Publishing	74,161	86,084
Visual Media and Platform	47,434	45,026
Total	360,643	417,651
Pictures		
Motion Pictures	113,087	130,441
Television Productions	123,508	130,844
Media Networks	94,330	103,848
Total	330,925	365,133
Entertainment, Technology & Services		
Televisions	250,192	210,967
Audio and Video	122,605	133,823
Still and Video Cameras	171,146	188,609
Mobile Communications	93,302	76,508
Other	105,235	115,656
Total	742,480	725,563
Imaging & Sensing Solutions	386,400	477,513
Financial Services	22,121	309,435
All Other	19,648	20,192
Corporate	4,470	3,154
Consolidated total	3,078,304	3,747,527

In the G&NS segment, Digital Software and Add-on Content includes distribution of software titles and add-on content through the network; 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 networks and DTC streaming services 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 are as follows:

	Yen in millions	
	Nine months ended December 31	
	2022 Restated	2023
Sales and financial services revenue:		
Japan	1,301,990	2,028,548
United States	2,561,916	2,792,696
Europe	1,612,184	2,000,509
China	673,439	758,888
Asia-Pacific	1,196,058	1,258,726
Other Areas	587,941	700,435
Total	7,933,528	9,539,802

	Yen in millions	
	Three months ended December 31	
	2022 Restated	2023
Sales and financial services revenue:		
Japan	351,603	640,717
United States	1,078,893	1,141,728
Europe	692,032	848,045
China	238,254	285,343
Asia-Pacific	479,312	532,716
Other Areas	238,210	298,978
Total	3,078,304	3,747,527

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

- (1) Europe: United Kingdom, France, Germany, 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 nine and three months ended December 31, 2022 and 2023.

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 and the discounted cash flow method. The price book-value ratio and price earnings ratio of comparable companies, as well as cost of capital and EBITDA multiples for the terminal value used in the discounted cash flow method, are primarily used as significant unobservable inputs in the fair value measurement of equity securities classified as Level 3. The fair value increases (decreases) as the price book-value ratio and price earnings ratio of comparable companies rise (decline). In addition, the fair value increases (decreases), as the cost of capital declines (rises) and EBITDA multiples rise (decline), both of which are used in the discounted cash flow method. 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, 2023 and December 31, 2023 is as follows:

Yen in millions								
March 31, 2023 (Restated)								
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	-	422,739	-	422,739	-	-	422,739	-
Japanese local government bonds	-	600	-	600	-	-	600	-
Japanese corporate bonds	-	16,872	38	16,910	-	-	16,872	38
Foreign government bonds	30,100	173,393	-	203,493	-	-	203,493	-
Foreign corporate bonds	-	5,515	3,377	8,892	-	-	5,515	3,377
Investment funds	-	367,193	60,796	427,989	-	-	410,499	17,490
Equity securities	2,236,646	5,217	6,789	2,248,652	-	-	2,123,062	125,590
Derivative assets								
Interest rate contracts	-	43,844	-	43,844	-	438	-	43,406
Foreign exchange contracts	-	21,318	-	21,318	-	19,978	-	1,340
Equity contracts	290	-	4,692	4,982	-	4,982	-	-
Financial assets designated to be measured at FVPL								
Debt securities								
Japanese national government bonds	-	1,285,920	-	1,285,920	1,001	-	1,284,919	-
Japanese local government bonds	-	16,038	-	16,038	2,010	-	14,028	-
Japanese corporate bonds	-	3,315	-	3,315	-	-	3,315	-
Foreign government bonds	-	35,895	-	35,895	-	-	35,895	-
Foreign corporate bonds	-	141,857	3,541	145,398	21,227	-	124,171	-
Financial assets required to be measured at FVOCI								
Debt securities								
Japanese national government bonds	-	7,901,817	-	7,901,817	-	-	7,901,817	-
Japanese local government bonds	-	45,458	-	45,458	1,369	-	44,089	-
Japanese corporate bonds	-	739,541	171,622	911,163	7,016	-	904,147	-
Foreign government bonds	-	1,145,709	-	1,145,709	-	-	1,145,584	125
Foreign corporate bonds	-	307,717	24,672	332,389	46,367	-	286,022	-
Securitized products	-	29,697	40,591	70,288	-	-	70,288	-
Financial assets designated to be measured at FVOCI								
Equity securities	103,270	-	324,028	427,298	-	-	5,453	421,845
Total assets	2,370,306	12,709,655	640,146	15,720,107	78,990	25,398	15,002,508	613,211
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	-	5,656	-	5,656	427	5,229		
Foreign exchange contracts	-	19,876	-	19,876	18,679	1,197		
Equity contracts	3,321	5,270	-	8,591	8,591	-		
Contingent consideration	-	-	51,512	51,512	14,790	36,722		
Financial liabilities designated to be measured at FVPL								
Redeemable noncontrolling interests	-	-	47,326	47,326	-	47,326		
Total liabilities	3,321	30,802	98,838	132,961	42,487	90,474		

Yen in millions

December 31, 2023

					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	-	397,154	-	397,154	-	-	397,154	-
Japanese local government bonds	-	1,850	-	1,850	-	-	1,850	-
Japanese corporate bonds	-	27,382	20	27,402	-	-	27,382	20
Foreign government bonds	36,503	184,595	-	221,098	-	-	221,098	-
Foreign corporate bonds	-	9,718	3,331	13,049	-	-	9,719	3,330
Investment funds	-	478,175	64,730	542,905	-	-	524,513	18,392
Equity securities	2,951,812	7,126	8,521	2,967,459	-	-	2,785,613	181,846
Derivative assets								
Interest rate contracts	1,216	47,267	-	48,483	-	2,359	-	46,124
Foreign exchange contracts	-	31,616	-	31,616	-	28,208	-	3,408
Equity contracts	655	12	4,987	5,654	-	5,654	-	-
Other	208	38	-	246	-	246	-	-
Financial assets designated to be measured at FVPL								
Debt securities								
Japanese national government bonds	-	1,048,199	-	1,048,199	1,802	-	1,046,397	-
Japanese local government bonds	-	13,966	-	13,966	3,209	-	10,757	-
Japanese corporate bonds	-	3,306	-	3,306	3,306	-	-	-
Foreign government bonds	-	37,867	-	37,867	6,849	-	31,018	-
Foreign corporate bonds	-	156,852	5,627	162,479	45,879	-	116,600	-
Financial assets required to be measured at FVOCI								
Debt securities								
Japanese national government bonds	-	7,217,011	-	7,217,011	-	-	7,217,011	-
Japanese local government bonds	-	48,926	-	48,926	481	-	48,445	-
Japanese corporate bonds	-	744,155	143,895	888,050	10,958	-	877,092	-
Foreign government bonds	-	1,200,565	-	1,200,565	-	-	1,200,430	135
Foreign corporate bonds	-	328,502	43,640	372,142	109,767	-	262,375	-
Securitized products	-	41,503	36,618	78,121	-	-	78,121	-
Financial assets designated to be measured at FVOCI								
Equity securities	81,164	-	257,214	338,378	-	-	6,721	331,657
Total assets	3,071,558	12,025,785	568,583	15,665,926	182,251	36,467	14,862,296	584,912

					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	-	7,253	-	7,253	624	6,629
Foreign exchange contracts	18	19,548	-	19,566	19,255	311
Equity contracts	3,280	1,893	-	5,173	5,173	-
Other	-	5	-	5	5	-
Contingent consideration	-	-	47,442	47,442	18,181	29,261
Financial liabilities designated to be measured at FVPL						
Redeemable noncontrolling interests	-	-	49,565	49,565	-	49,565
Total liabilities	3,298	28,699	97,007	129,004	43,238	85,766

Transfers of debt securities from Level 2 to Level 1 were 2,704 million yen and 3,052 million yen for the fiscal year ended March 31, 2023 and for the nine months ended December 31, 2023, respectively, as quoted prices in active markets for certain debt securities became available. Transfers of debt securities from Level 1 to Level 2 were 1,982 million yen and 2,203 million yen for the fiscal year ended March 31, 2023 and for the nine months ended December 31, 2023, respectively, as quoted prices in active markets for certain debt securities became unavailable.

Transfers of equity securities from Level 2 to Level 1 were 24,958 million yen for the fiscal year ended March 31, 2023, as quoted prices in active markets for certain equity securities became available. There were no transfers of equity securities from Level 2 to Level 1 for the nine months ended December 31, 2023.

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, 2023	December 31, 2023
Financial assets required to be measured at FVOCI				
Debt securities				
Japanese corporate bonds			34bp-63bp	35bp-76bp
Foreign corporate bonds	Discounted cash flow	Credit spread *	10bp	-
Securitized products			150bp-190bp	100bp-660bp

* bp = basis point

The decrease (increase) in fair value is the result of a rise (decline) in 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 nine months ended December 31, 2022 and 2023 are as follows:

	Yen in millions							
	Nine months ended December 31, 2022							
	Beginning balance	Total gains (losses) *1		Purchases	Sales and settlements	Transfers to Level 3 *4	Transfers out of Level 3 *5	Other
Net income *2		Other comprehensive income *3						
Assets:								
Financial assets required to be measured at FVPL								
Debt securities								
Japanese corporate bonds	18	-	-	20	-	-	-	38
Foreign corporate bonds	117	(30)	-	3,434	(70)	-	(90)	3,361
Securitized products	3,713	-	-	-	(3,713)	-	-	-
Investment funds	48,520	295	360	15,399	(2,569)	-	-	62,005
Equity securities	3,217	(476)	-	3,538	(36)	-	-	6,243
Derivative assets								
Equity contracts	4,024	(372)	346	-	-	-	-	3,998
Financial assets designated to be measured at FVPL								
Debt securities								
Foreign corporate bonds	3,625	(154)	-	-	-	-	-	3,471
Financial assets required to be measured at FVOCI								
Debt securities								
Japanese corporate bonds	154,245	4	(46,528)	47,573	-	-	-	155,294
Foreign corporate bonds	20,837	698	(11)	8,000	(7,823)	-	-	21,701
Securitized products	39,859	(64)	(105)	10,006	(11,928)	7,373	(4,129)	41,012
Financial assets designated to be measured at FVOCI								
Equity securities	205,509	-	4,627	142,874	(88)	130	(600)	352,542
Liabilities:								
Financial liabilities required to be measured at FVPL								
Contingent consideration	21,552	(1,060)	(2,245)	44,228	(13,227)	-	-	48,984
Financial liabilities designated to be measured at FVPL								
Redeemable noncontrolling interests	34,995	(162)	3,175	14,827	(3,251)	-	-	49,592

Yen in millions

Nine months ended December 31, 2023

	Total gains (losses) *1							Ending balance	
	Beginning balance	Net income *2	Other comprehensive income *3	Purchases	Sales and settlements	Transfers to Level 3	Transfers out of Level 3 *5		Other
Assets:									
Financial assets required to be measured at FVPL									
Debt securities									
Japanese corporate bonds	38	-	-	20	(18)	-	-	(20)	20
Foreign corporate bonds	3,377	149	-	22	-	-	-	(217)	3,331
Investment funds	60,796	1,866	325	6,841	(5,098)	-	-	-	64,730
Equity securities	6,789	293	1	1,438	-	-	-	-	8,521
Derivative assets									
Equity contracts	4,692	-	295	-	-	-	-	-	4,987
Financial assets designated to be measured at FVPL									
Debt securities									
Foreign corporate bonds	3,541	346	-	1,740	-	-	-	-	5,627
Financial assets required to be measured at FVOCI									
Debt securities									
Japanese corporate bonds	171,622	6	(27,733)	-	-	-	-	-	143,895
Foreign corporate bonds	24,672	320	133	25,362	(5,360)	-	(1,487)	-	43,640
Securitized products	40,591	1,305	53	12,793	(14,556)	-	(3,568)	-	36,618
Financial assets designated to be measured at FVOCI									
Equity securities	324,028	-	298	5,772	(73,217)	-	(50)	383	257,214
Liabilities:									
Financial liabilities required to be measured at FVPL									
Contingent consideration	51,512	67	3,230	1,473	(9,011)	-	-	171	47,442
Financial liabilities designated to be measured at FVPL									
Redeemable noncontrolling interests	47,326	(1,185)	2,459	1,502	(537)	-	-	-	49,565

*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, other operating (income) expense, net, 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.

The changes in unrealized gains (losses) recognized in net income for Level 3 assets and liabilities held as of December 31, 2022 and 2023 are as follows:

	Yen in millions	
	Nine months ended December 31	
	2022	2023
Assets:		
Financial assets required to be measured at FVPL		
Debt securities		
Foreign corporate bonds	(30)	149
Investment funds	395	1,871
Equity securities	(477)	293
Derivative assets		
Equity contracts	(372)	-
Financial assets designated to be measured at FVPL		
Debt securities		
Foreign corporate bonds	(155)	346
Financial assets required to be measured at FVOCI		
Debt securities		
Japanese corporate bonds	4	6
Foreign corporate bonds	698	320
Securitized products	(64)	1,305
Liabilities:		
Financial liabilities required to be measured at FVPL		
Contingent consideration	1,060	(338)
Financial liabilities designated to be measured at FVPL		
Redeemable noncontrolling interests	162	1,059

Gains (losses) recognized in net income are included in financial services revenue, other operating (income) expense, net, 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, 2023 and December 31, 2023 are summarized as follows:

Yen in millions					
March 31, 2023 (Restated)					
	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Debt securities					
Foreign corporate bonds	-	4,814	-	4,814	4,796
Securitized products	-	-	324,153	324,153	331,354
Other	-	41	1,173	1,214	1,224
Housing loans in the banking business	-	-	3,184,060	3,184,060	3,129,393
Total assets	-	4,855	3,509,386	3,514,241	3,466,767
Liabilities:					
Long-term debt including the current portion	-	1,343,077	67,844	1,410,921	1,423,392
Investment contract liabilities	-	55,523	-	55,523	55,779
Total liabilities	-	1,398,600	67,844	1,466,444	1,479,171

Yen in millions					
December 31, 2023					
	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Debt securities					
Japanese corporate bonds	-	8,686	-	8,686	8,657
Foreign corporate bonds	-	3,299	-	3,299	3,276
Securitized products	-	-	335,310	335,310	337,381
Other	-	41	1,360	1,401	1,401
Housing loans in the banking business	-	-	3,464,628	3,464,628	3,413,239
Total assets	-	12,026	3,801,298	3,813,324	3,763,954
Liabilities:					
Long-term debt including the current portion	-	1,415,081	67,717	1,482,798	1,497,614
Investment contract liabilities	-	58,898	-	58,898	59,550
Total liabilities	-	1,473,979	67,717	1,541,696	1,557,164

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.

The fair values of investment contract liabilities classified as Level 2 were determined by using the present value of expected cash flows based on risk-free interest rate yield curves adjusted for items such as credit risk.

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 adjusted for items such as credit risk.

6. Insurance contracts in the Financial Services segment

(1) Changes in liabilities for remaining coverage and liabilities for incurred claims

The tables below show the changes in liabilities for remaining coverage and liabilities for incurred claims for the nine months ended December 31, 2022 and 2023.

	Yen in millions			Total
	Liabilities for remaining coverage		Liabilities for	
	Excluding loss component	Loss component	incurred claims *4	
Balance as of April 1, 2022				
Insurance contract assets *1	(84,000)	-	28,670	(55,330)
Insurance contract liabilities *2*3	13,004,073	53,820	126,778	13,184,671
Net carrying amounts	12,920,073	53,820	155,448	13,129,341
Insurance revenue	(411,376)	-	-	(411,376)
Insurance service expenses	81,870	(598)	203,337	284,609
Insurance service result	(329,506)	(598)	203,337	(126,767)
Insurance finance expenses (income)	(1,666,426)	1,899	(378)	(1,664,905)
Total amounts recognized in comprehensive income	(1,995,932)	1,301	202,959	(1,791,672)
Investment component excluded from insurance revenue and insurance service expenses	(600,096)	-	600,096	-
Cash flows	1,071,312	-	(794,631)	276,681
Other	(660)	65	(152)	(747)
Balance as of December 31, 2022				
Insurance contract assets *1	(105,148)	-	30,816	(74,332)
Insurance contract liabilities *2*3	11,499,845	55,186	132,904	11,687,935
Net carrying amounts	11,394,697	55,186	163,720	11,613,603

	Yen in millions			Total
	Liabilities for remaining coverage		Liabilities for	
	Excluding loss component	Loss component	incurred claims *4	
Balance as of April 1, 2023				
Insurance contract assets *1	(93,283)	-	32,532	(60,751)
Insurance contract liabilities *2*3	12,331,738	51,840	126,452	12,510,030
Net carrying amounts	12,238,455	51,840	158,984	12,449,279
Insurance revenue	(433,228)	-	-	(433,228)
Insurance service expenses	88,532	(1,622)	205,051	291,961
Insurance service result	(344,696)	(1,622)	205,051	(141,267)
Insurance finance expenses (income)	(45,184)	1,308	(112)	(43,988)
Total amounts recognized in comprehensive income	(389,880)	(314)	204,939	(185,255)
Investment component excluded from insurance revenue and insurance service expenses	(668,543)	-	668,543	-
Cash flows	1,270,436	-	(867,116)	403,320
Other	(328)	(31)	115	(244)
Balance as of December 31, 2023				
Insurance contract assets *1	(91,602)	-	32,901	(58,701)
Insurance contract liabilities *2*3	12,541,742	51,495	132,564	12,725,801
Net carrying amounts	12,450,140	51,495	165,465	12,667,100

*1 Insurance contract assets are included in other current assets or other non-current assets in the condensed consolidated statements of financial position.

*2 The current portion of insurance contract liabilities is included in other current liabilities in the condensed consolidated statements of financial position.

*3 As of April 1, 2022, December 31, 2022, April 1, 2023 and December 31, 2023, the carrying amount of the current portion of insurance contract liabilities was 141,796 million yen, 151,749 million yen, 145,057 million yen and 154,581 million yen, respectively, and the carrying amount of the non-current portion of insurance contract liabilities was 13,042,875 million yen, 11,536,186 million yen, 12,364,973 million yen and 12,571,220 million yen, respectively.

*4 Risk adjustment for non-financial risk of insurance contracts measured under the PAA is not presented separately from the estimates of the present value of future cash flows but included in liabilities for incurred claims, since the amount is not considered material.

(2) Supplemental insurance contracts information

The principal information related to insurance contracts as of March 31, 2023 is as follows:

Significant judgments and estimates for insurance contracts

i) Measurement methods and inputs for insurance contracts

The methods and main inputs used to measure insurance contracts are as follows:

	As of March 31, 2023
	Weighted average (%)
Mortality rates	1.03%
Lapse and surrender rates	3.15%

Sony estimates the mortality and morbidity rates based on the historical and most recent actual outcomes and analyzes the historical experience and trends in data using statistical methods. When estimating the mortality and morbidity rates for each group of insurance contracts, Sony takes into account the characteristics of policyholders including gender, health conditions and smoking habits and the characteristics of the group of insurance contracts such as the selective effects over time. The estimates are revised in a timely manner to reflect changes in lifestyle, as well as changes in social conditions such as improvement of mortality and morbidity rates in the future.

Sony estimates the lapse and surrender rates based on the historical and most recent actual outcomes and determines the probability-weighted lapse and surrender rates for each group of insurance contracts by analyzing historical experience and trends in data using statistical methods. Lapse and surrender rates are estimated, taking into account both ordinary and dynamic lapses, and reflect the tendency to higher surrender rates when the yield on contracts increases or exceeds the guaranteed minimum for certain insurance contracts. In determining the lapse and surrender rates, historical actual data is considered. If there is no or little historical actual data, the actual results of similar products as well as domestic and overseas practical trends are used as reference.

Sony projects estimates of future expenses based on the current expense levels. The expenses comprise expenses directly attributable to the group of insurance contracts, including the allocation of fixed and variable overhead expenses. In addition, Sony applies inflation adjustments to the estimated expenses in future.

ii) Discretionary participation features of future cash flows

For certain participating insurance contracts other than direct participating contracts, the effect of discretionary changes on the fulfillment cash flows is adjusted in the CSM. Although Sony has discretionary participation features related to the investment policy for these contracts, the investment policy is established based on the market conditions. Therefore, the effect of changes in assumptions that relate to financial risk on the investment policy is included in insurance finance income or expenses. In addition, since the dividend policy can be changed at Sony's discretion, the effect of changes in the dividend policy on the fulfillment cash flows is adjusted in the CSM.

iii) Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that each insurance subsidiary would require for bearing non-financial risk, and are allocated to groups of insurance contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits, in a way that is consistent with the compensation that the insurance company would require and that reflects its degree of risk aversion.

The risk adjustments for non-financial risk are determined mainly using a cost of capital technique. In applying a cost of capital technique, Sony determines the risk adjustment for non-financial risk by applying a cost-of-capital rate to the amount of capital required for each future reporting date and discounting the result using risk-free rates adjusted for illiquidity. The required capital is determined by estimating the probability distribution of the present value of future cash flows from insurance contracts at each future reporting date and calculating the capital that Sony would require to meet its contractual obligations to pay claims and expenses at a 99.5% confidence level for one year. The cost-of-capital rate represents the additional reward that investors require for exposure to the non-financial risk. The weighted average cost of capital of Sony for the fiscal year ended March 31, 2023 was 3.0%.

In addition, the risk adjustments determined by applying a cost of capital technique for the fiscal year ended March 31, 2023 correspond to the confidence level of 86.0% (time horizon: the life of the insurance contracts).

iv) Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. Sony determines the risk-free yield curves using the yields on government bonds. The yield curve is determined by incorporating long-term real interest rate and inflation expectations. Regarding extrapolation for the periods in which market data is not available, a method using an ultimate forward rate is applied. Specifically, Sony uses an ultimate forward rate of 3.5% and starts extrapolation in the 40th year (or the 30th year for U.S. dollar). The forward rates for the 41st year (or the 31st year for U.S. dollar) and onwards are extrapolated so that they will converge to the level of the ultimate forward rate in 30 years, using the Smith-Wilson method. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are determined by setting up a reference portfolio of Sony's assets.

The table below sets out the yield curves used to discount the cash flows of insurance contracts for major currencies (converted at the spot rate).

Term	As of March 31, 2023	
	Yield curve (%)	
	JPY	USD
1 year	(0.10)%	4.73%
5 years	0.11%	3.65%
10 years	0.40%	3.54%
20 years	1.10%	4.00%
30 years	1.36%	3.71%
40 years	1.50%	3.54%

v) Investment components

Sony identifies the investment component of an insurance contract by determining the amount that it is required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs or not. These include circumstances in which an insured event occurs, or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

vi) Determination of coverage units

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each period is determined by identifying the coverage units in the group and recognizing in profit or loss the amount of the CSM allocated to the coverage units provided during the current period. The number of coverage units is determined by considering for each contract the quantity of benefits provided and its expected coverage period. Specifically, Sony determines the quantity of benefits based on:

- the death benefit amount in the case of contracts for which the death benefit amount increases or decreases based on the period (e.g., whole life, term life and variable life insurance contracts);
- the premium amount proportionate to the insurance period in the case of contracts whose host contract and riders have different coverage types (e.g., disease and health insurance contracts); and
- the cash surrender value (or the premium reserve during the annuity payment period) in the case of annuity contracts with investment-related services (e.g., individual variable annuity contracts).

Sony considers the characteristics of insurance contracts and aggregates quantities of benefits related to insurance coverage, investment-return services and investment-related services when determining the relative weighting of the benefits provided to the policyholder by these services.

Timing of when the CSM is expected to be recognized in profit or loss

The table below shows when Sony expects to recognize the CSM in profit or loss for insurance contracts not measured under the PAA as of March 31, 2023.

		Yen in millions						
	Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years, within 10 years	More than 10 years	Total
CSM	120,412	112,562	105,060	97,082	89,903	367,009	1,160,589	2,052,617

Disclosure of transition to IFRS 17

Upon transition to IFRS 17 as of April 1, 2022, Sony determined that it would be impracticable to apply the full retrospective approach to certain groups of insurance contracts, as the necessary information was unavailable due to restrictions of contract data and systems in the past or it was impossible to recreate past estimation without the use of hindsight. Sony has applied alternative transition methods (the modified retrospective approach or the fair value approach) to groups of insurance contracts for which the full retrospective approach is impracticable as of the date of the transition.

Sony has applied the following approaches on transition to IFRS 17:

Year of issue (fiscal year)	Transition approach
2015 and thereafter	For all groups of insurance contracts: Full retrospective approach
1993 – 2014	For groups of insurance contracts with direct participation features and certain groups of insurance contracts without direct participation features: Fair value approach
	For other groups of insurance contracts: Modified retrospective approach
In and before 1992	For all groups of insurance contracts: Fair value approach

Modified retrospective approach

The objective of the modified retrospective approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. Sony has applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply IFRS 17 retrospectively.

Sony has applied the following modifications to certain groups of insurance contracts:

- for groups of contracts issued, initiated or acquired from April 1, 1993 to March 31, 2015, the future cash flows on initial recognition were estimated by adjusting the amount as of April 1, 2015, which can be determined retrospectively, for the cash flows that were known to have occurred before that date;
- for groups of contracts issued, initiated or acquired from April 1, 1993 to March 31, 2013, the illiquidity premiums applied to the observable risk-free yield curves on initial recognition were estimated by determining an average spread between the observable risk-free yield curves and the discount rates, which can be determined retrospectively, for the period from April 1, 2013 to March 31, 2022. The amount of insurance finance income or expenses recognized in accumulated other comprehensive income as of April 1, 2022 was calculated by using this discount rate; and
- the risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount as of April 1, 2022 for the expected release of risk before that date.

After applying such modifications to fulfillment cash flows, the CSM (or the loss component) on initial recognition was determined as follows:

- the amount of the CSM recognized as profit or loss before April 1, 2022 was determined by comparing the remaining coverage units as of April 1, 2022 and the coverage units provided based on groups of insurance contracts before that date; and
- the amount allocated to the loss component before April 1, 2022 was determined using the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk on initial recognition.

Fair value approach

Under the fair value approach, the CSM (or the loss component) as of April 1, 2022 was determined as the difference between the fair value of a group of insurance contracts and the fulfillment cash flows at that date.

For all insurance contracts measured under the fair value approach, Sony used reasonable and supportable information available as of April 1, 2022 to determine the following matters:

- how to identify groups of contracts;
- whether a contract meets the definition of an insurance contract with direct participation features; and
- how to identify discretionary cash flows for contracts without direct participation features.

For groups of contracts measured under the fair value approach, the discount rates on initial recognition were determined as of April 1, 2022 instead of at the date of initial recognition.

For all insurance contracts measured under the fair value approach, the amount of insurance finance income or expenses recognized in accumulated other comprehensive income as of April 1, 2022 was determined to be zero.

The effects of transition to IFRS 17 on Sony's consolidated financial statements are as follows:

(i) CSM by transition approach

Upon transition to IFRS 17, Sony applied either the modified retrospective approach or the fair value approach for groups of insurance contracts where it was impracticable to apply IFRS 17 retrospectively. The balances of CSM by transition approach as of March 31, 2023 are as follows:

	Yen in millions
	March 31, 2023
Contracts under the modified retrospective transition approach	864,530
Contracts under the fair value transition approach	58,008
New contracts and contracts measured under the full retrospective approach at transition	1,130,079
Total	2,052,617

(ii) Redesignation of financial assets at the initial application of IFRS 17

At the initial application of IFRS 17, Sony redesignated the measurement method of certain financial assets in order to mitigate accounting mismatches arising from the assets and liabilities in the insurance business. Mainly in the life insurance business, Sony mitigates accounting mismatches by designating certain debt securities to be measured at FVPL, consistent with insurance finance income or expenses incurred from certain variable life insurance and individual variable annuity contracts.

Sony applied IFRS 9 "Financial Instruments" before its initial application of IFRS 17 and redesignated the financial assets based on the facts and circumstances existing at the date of the initial application of IFRS 17 (April 1, 2023). For financial assets derecognized in the period from the date of transition to IFRS 17 (April 1, 2022) to the date of the initial application of IFRS 17, Sony applied the classification overlay approach and accounted for them based on the measurement method after redesignation. The table below shows the measurement method and carrying amounts of the financial assets affected by such redesignation before and after the application of IFRS 17 as of April 1, 2023.

	Yen in millions	
	April 1, 2023	
	Before initial application	After initial application
	Carrying amount	Carrying amount
Debt securities		
Financial assets redesignated to be measured at FVPL ^{*1}		
Japanese national / local government bonds and corporate bonds	1,277,090	1,277,090
Foreign national / local government bonds and corporate bonds	20,570	20,570
Financial assets redesignated to be measured at FVOCI ^{*2}		
Japanese national / local government bonds and corporate bonds	84,651	88,497

*1 These financial assets were measured at FVOCI before applying IFRS 17.

*2 These financial assets were measured at amortized cost before applying IFRS 17.

7. Stockholders' equity

Supplemental comprehensive income information

Changes in accumulated other comprehensive income, net of tax, by component for the nine months ended December 31, 2022 and 2023 are as follows:

Yen in millions						
	Balance at April 1, 2022	Cumulative effects of the application of new accounting standards	Restated balance at April 1, 2022	Restated other comprehensive income attributable to Sony Group Corporation's stockholders	Transfer to retained earnings	Restated balance at December 31, 2022
Changes in equity instruments measured at fair value through other comprehensive income	27,412	-	27,412	(9,520)	91	17,983
Changes in debt instruments measured at fair value through other comprehensive income	847,833	11,204	859,037	(1,190,706)	-	(331,669)
Cash flow hedges	6,034	-	6,034	17,719	-	23,753
Remeasurement of defined benefit pension plans	-	-	-	39	(39)	-
Exchange differences on translating foreign operations	337,678	-	337,678	138,642	-	476,320
Insurance finance income (expenses)	511	(1,911,861)	(1,911,350)	1,056,526	-	(854,824)
Share of other comprehensive income of investments accounted for using the equity method	2,864	-	2,864	2,923	-	5,787
Other	-	336	336	(397)	-	(61)
Total	1,222,332	(1,900,321)	(677,989)	15,226	52	(662,711)

Yen in millions				
	Balance at April 1, 2023	Other comprehensive income attributable to Sony Group Corporation's stockholders	Transfer to retained earnings	Balance at December 31, 2023
Changes in equity instruments measured at fair value through other comprehensive income	(9,152)	(33,276)	(1,206)	(43,634)
Changes in debt instruments measured at fair value through other comprehensive income	39,845	(522,959)	-	(483,114)
Cash flow hedges	18,413	3,523	-	21,936
Remeasurement of defined benefit pension plans	-	(1,030)	1,030	-
Exchange differences on translating foreign operations	513,203	205,403	-	718,606
Insurance finance income (expenses)	(1,183,634)	411,886	-	(771,748)
Share of other comprehensive income of investments accounted for using the equity method	6,563	2,460	(15)	9,008
Other	192	(206)	-	(14)
Total	(614,570)	65,801	(191)	(548,960)

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 nine and three months ended December 31, 2022 and 2023 is as follows:

	Yen in millions	
	Nine months ended December 31	
	2022 Restated	2023
Net income attributable to Sony Group Corporation's stockholders	864,296	781,568
Adjustment amount to net income attributable to Sony Group Corporation's stockholders for diluted EPS computation		
Zero coupon convertible bonds	51	-
Net income attributable to Sony Group Corporation's stockholders for diluted EPS computation	864,347	781,568

	Thousands of shares	
	Nine months ended December 31	
	2022	2023
Weighted-average shares outstanding for basic EPS computation	1,236,176	1,232,879
Effect of dilutive securities:		
Stock options and other	3,632	3,922
Zero coupon convertible bonds	2,706	-
Weighted-average shares for diluted EPS computation	1,242,514	1,236,801

	Yen	
	Nine months ended December 31	
	2022 Restated	2023
Basic EPS	699.17	633.94
Diluted EPS	695.64	631.93

Potential shares of common stock which were excluded from the computation of diluted EPS for the nine months ended December 31, 2022 and 2023 were 11,393 thousand shares and 6,995 thousand shares, respectively, which primarily consisted of stock options.

11. Acquisitions

Nine months ended December 31, 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 510,459 million yen (3,701 million U.S. dollars), inclusive of the purchase price and committed employee incentives. Of the total consideration, 347,768 million yen (2,522 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 333,859 million yen (2,421 million U.S. dollars) which consisted of upfront cash consideration of 207,511 million yen (1,505 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 nine and three months ended December 31, 2022 include net loss after income taxes of 31,330 million yen (220 million U.S. dollars) and 17,462 million yen (123 million U.S. dollars), respectively, 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 nine and three months ended December 31, 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 final fair values assigned to the assets and liabilities of Bungie that were recorded in the G&NS segment.

	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	193,801
Content assets	45,512
Other intangible assets	66,257
Deferred tax assets	7,297
Other	3,564
Total assets	385,757
Trade and other payables	3,060
Other current liabilities	12,195
Long-term debt	30,944
Other	5,699
Total liabilities	51,898

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.

12. 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, 2023 and December 31, 2023, the total unused portion of the lines of credit extended under these contracts was 35,831 million yen and 46,809 million yen, respectively.

(2) Purchase commitments

Purchase commitments as of March 31, 2023 and December 31, 2023 amounted to 1,084,774 million yen and 948,712 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, 2023 and December 31, 2023, these subsidiaries were committed to make payments of 125,098 million yen and 122,141 million yen, respectively, under such contracts.

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 five years from the end of each period. As of March 31, 2023 and December 31, 2023, these subsidiaries were committed to make payments of 193,576 million yen and 250,255 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 five years from the end of each period. As of March 31, 2023 and December 31, 2023, these subsidiaries were committed to make payments of 31,298 million yen and 34,033 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, 2023 and December 31, 2023, Sony has committed to make payments of 292,608 million yen and 195,765 million yen, respectively, under such contracts.

Sony has entered into purchase contracts for materials. As of March 31, 2023 and December 31, 2023, Sony has committed to make payments of 288,260 million yen and 227,534 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, 2023 and December 31, 2023 amounted to 458 million yen and 252 million yen, respectively.

13. *Subsequent events*

(1) *Transfer of a portion of shares of Sony Payment Services Inc.*

On January 31, 2024, Sony Bank Inc. (“Sony Bank”), a wholly-owned subsidiary of Sony, transferred a portion of its shares of Sony Payment Services Inc. (“Sony Payment Services”), a consolidated subsidiary of Sony Bank, to a special purpose company established by private equity funds which are managed by Blackstone Inc. and its affiliates. Upon the transfer, Sony Payment Services became an affiliate of Sony accounted for using the equity method and Sony expects to record a total of approximately 20 billion yen as operating income for the fiscal year ending March 31, 2024, reflecting both a realized gain for the shares transferred and a remeasurement gain based on the fair value of the shares Sony will continue to hold after the transfer. The amounts of assets and liabilities of Sony Payment Services to be derecognized as a result of the transfer are not material.

(2) *Commencement of Preparations for Partial Spin-off of Financial Services Business*

On February 14, 2024, Sony Group Corporation decided to begin concrete preparations for the execution of a partial spin-off (the “Spin-off”) of Sony Financial Group Inc. (“SFGI”), its wholly-owned subsidiary, which operates the Financial Services business, and the listing of the shares of SFGI.

The impact of the execution of the Spin-off on Sony’s results of operations and financial positions has not been determined at this time. However, prior to the execution of the Spin-off, the Financial Services business will be presented separately as a discontinued operation in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” And upon the execution of the Spin-off, Sony will apply accounting for the loss of control of the Financial Services business in accordance with IFRS 10 “Consolidated Financial Statements.”

(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 9, 2023 as below:

1. Total amount of interim cash dividends:
49,305 million yen
2. Amount of interim cash dividends per share:
40.00 yen
3. Payment date:
December 5, 2023

Note: Interim cash dividends were distributed to the shareholders recorded or registered as the holders or pledgees of shares in Sony Group Corporation's register of shareholders as of the end of September 30, 2023.

ii) Litigation

For the legal proceedings, please refer to "IV Financial Statements - Notes to Condensed Consolidated Financial Statements – 12. Purchase commitments, contingent liabilities and other."