# Quarterly Financial Statements
# for the Second Quarter Ended September 30, 2022
# And
# Outlook for the Fiscal Year Ending March 31, 2023

November 1, 2022
Sony Group Corporation


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**Outlook for the Fiscal Year Ending March 31, 2023** 1

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All financial information is presented on the basis of International Financial Reporting Standards ("IFRS").
Sony Group Corporation and its consolidated subsidiaries are together referred to as "Sony" or "Sony Group".

**(Unaudited)**

**Condensed Consolidated Financial Statements**

**Condensed Consolidated Statements of Financial Position**

| | Yen in millions | | |
|---|---|---|---|
| | **March 31, 2022** | **September 30, 2022** | **Change from March 31, 2022** |
| ***ASSETS*** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 2,049,636 | 1,209,752 | (839,884) |
| Investments and advances in the Financial Services segment | 360,673 | 333,187 | (27,486) |
| Trade and other receivables, and contract assets | 1,628,521 | 1,940,402 | 311,881 |
| Inventories | 874,007 | 1,416,367 | 542,360 |
| Other financial assets | 149,301 | 166,440 | 17,139 |
| Other current assets | 473,070 | 566,885 | 93,815 |
| Total current assets | 5,535,208 | 5,633,033 | 97,825 |
| **Non-current assets:** | | | |
| Investments accounted for using the equity method | 268,513 | 316,518 | 48,005 |
| Investments and advances in the Financial Services segment | 18,445,088 | 17,922,231 | (522,857) |
| Property, plant and equipment | 1,113,213 | 1,258,705 | 145,492 |
| Right-of-use assets | 413,430 | 450,793 | 37,363 |
| Goodwill | 952,895 | 1,335,429 | 382,534 |
| Content assets | 1,342,046 | 1,629,636 | 287,590 |
| Other intangible assets | 450,103 | 561,708 | 111,605 |
| Deferred insurance acquisition costs | 676,526 | 696,238 | 19,712 |
| Deferred tax assets | 298,589 | 352,481 | 53,892 |
| Other financial assets | 696,306 | 909,486 | 213,180 |
| Other non-current assets | 289,050 | 309,744 | 20,694 |
| Total non-current assets | 24,945,759 | 25,742,969 | 797,210 |
| **Total assets** | 30,480,967 | 31,376,002 | 895,035 |

*(Continued on the following page.)*

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

| | Yen in millions | | |
|---|---|---|---|
| | March 31, 2022 | September 30, 2022 | Change from March 31, 2022 |
| ***LIABILITIES*** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings | 1,976,553 | 2,144,206 | 167,653 |
| Current portion of long-term debt | 171,409 | 205,600 | 34,191 |
| Trade and other payables | 1,843,242 | 2,238,168 | 394,926 |
| Deposits from customers in the banking business | 2,886,361 | 3,015,117 | 128,756 |
| Income taxes payables | 106,092 | 190,692 | 84,600 |
| Participation and residual liabilities in the Pictures segment | 190,162 | 234,838 | 44,676 |
| Other financial liabilities | 97,843 | 121,018 | 23,175 |
| Other current liabilities | 1,488,488 | 1,556,118 | 67,630 |
| Total current liabilities | 8,760,150 | 9,705,757 | 945,607 |
| **Non-current liabilities:** | | | |
| Long-term debt | 1,203,646 | 1,291,603 | 87,957 |
| Defined benefit liabilities | 254,548 | 253,402 | (1,146) |
| Deferred tax liabilities | 696,492 | 328,829 | (367,663) |
| Future insurance policy benefits and other | 7,039,034 | 7,322,317 | 283,283 |
| Policyholders' account in the life insurance business | 4,791,295 | 4,807,408 | 16,113 |
| Participation and residual liabilities in the Pictures segment | 220,113 | 239,400 | 19,287 |
| Other financial liabilities | 211,959 | 351,798 | 139,839 |
| Other non-current liabilities | 106,481 | 125,119 | 18,638 |
| Total non-current liabilities | 14,523,568 | 14,719,876 | 196,308 |
| **Total liabilities** | 23,283,718 | 24,425,633 | 1,141,915 |
| ***EQUITY*** | | | |
| **Sony Group Corporation's stockholders' equity:** | | | |
| Common stock | 880,365 | 880,365 | - |
| Additional paid-in capital | 1,461,053 | 1,456,437 | (4,616) |
| Retained earnings | 3,760,763 | 4,185,731 | 424,968 |
| Accumulated other comprehensive income | 1,222,332 | 551,445 | (670,887) |
| Treasury stock, at cost | (180,042) | (183,976) | (3,934) |
| Equity attributable to Sony Group Corporation's stockholders | 7,144,471 | 6,890,002 | (254,469) |
| Noncontrolling interests | 52,778 | 60,367 | 7,589 |
| **Total equity** | 7,197,249 | 6,950,369 | (246,880) |
| **Total liabilities and equity** | 30,480,967 | 31,376,002 | 895,035 |

**Condensed Consolidated Statements of Income**

| | Yen in millions | | |
|---|---|---|---|
| | Three months ended September 30 | | |
| | 2021 | 2022 | Change |
| **Sales and financial services revenue:** | | | |
| Sales | 2,003,203 | 2,451,043 | 447,840 |
| Financial services revenue | 366,162 | 300,836 | (65,326) |
| Total sales and financial services revenue | 2,369,365 | 2,751,879 | 382,514 |
| **Costs and expenses:** | | | |
| Cost of sales | 1,365,095 | 1,688,286 | 323,191 |
| Selling, general and administrative | 369,908 | 482,457 | 112,549 |
| Financial services expenses | 323,010 | 251,093 | (71,917) |
| Other operating (income) expense, net | 1,214 | (8,069) | (9,283) |
| Total costs and expenses | 2,059,227 | 2,413,767 | 354,540 |
| **Share of profit (loss) of investments accounted for using the equity method** | 8,321 | 5,930 | (2,391) |
| **Operating income** | 318,459 | 344,042 | 25,583 |
| **Financial income** | 4,812 | 18,594 | 13,782 |
| **Financial expenses** | 40,172 | 16,880 | (23,292) |
| **Income before income taxes** | 283,099 | 345,756 | 62,657 |
| **Income taxes** | 68,703 | 78,085 | 9,382 |
| **Net income** | 214,396 | 267,671 | 53,275 |
| | | | |
| **Net income attributable to** | | | |
| Sony Group Corporation’s stockholders | 213,106 | 263,963 | 50,857 |
| Noncontrolling interests | 1,290 | 3,708 | 2,418 |

| | Yen | | |
|---|---|---|---|
| | Three months ended September 30 | | |
| | 2021 | 2022 | Change |
| **Per share data:** | | | |
| Net income attributable to Sony Group Corporation’s stockholders | | | |
| - Basic | 171.85 | 213.43 | 41.58 |
| - Diluted | 170.26 | 212.29 | 42.03 |

**Condensed Consolidated Statements of Comprehensive Income**

| | Yen in millions | | |
|---|---|---|---|
| | Three months ended September 30 | | |
| | 2021 | 2022 | Change |
| **Net income** | 214,396 | 267,671 | 53,275 |
| **Other comprehensive income, net of tax -** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Changes in equity instruments measured at fair value through other comprehensive income | (56,779) | (13,390) | 43,389 |
| Remeasurement of defined benefit pension plans | (55) | (87) | (32) |
| Share of other comprehensive income of investments accounted for using the equity method | (40) | 64 | 104 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Changes in debt instruments measured at fair value through other comprehensive income | 7,537 | (393,219) | (400,756) |
| Cash flow hedges | 1,125 | 8,708 | 7,583 |
| Insurance contract valuation adjustments | (149) | 418 | 567 |
| Exchange differences on translating foreign operations | 7,447 | 116,651 | 109,204 |
| Share of other comprehensive income of investments accounted for using the equity method | 48 | 1,762 | 1,714 |
| **Total other comprehensive income, net of tax** | (40,866) | (279,093) | (238,227) |
| **Comprehensive income** | 173,530 | (11,422) | (184,952) |
| | | | |
| **Comprehensive income attributable to** | | | |
| Sony Group Corporation’s stockholders | 172,651 | (16,364) | (189,015) |
| Noncontrolling interests | 879 | 4,942 | 4,063 |

**Condensed Consolidated Statements of Income**

| | Yen in millions | | |
|---|---|---|---|
| | Six months ended September 30 | | |
| | 2021 | 2022 | Change |
| **Sales and financial services revenue:** | | | |
| Sales | 3,847,916 | 4,467,080 | 619,164 |
| Financial services revenue | 778,292 | 596,293 | (181,999) |
| Total sales and financial services revenue | 4,626,208 | 5,063,373 | 437,165 |
| **Costs and expenses:** | | | |
| Cost of sales | 2,613,868 | 3,079,953 | 466,085 |
| Selling, general and administrative | 715,210 | 889,223 | 174,013 |
| Financial services expenses | 711,079 | 465,193 | (245,886) |
| Other operating (income) expense, net | 113 | (10,794) | (10,907) |
| Total costs and expenses | 4,040,270 | 4,423,575 | 383,305 |
| **Share of profit (loss) of investments accounted for using the equity method** | 12,589 | 11,207 | (1,382) |
| **Operating income** | 598,527 | 651,005 | 52,478 |
| **Financial income** | 10,027 | 31,457 | 21,430 |
| **Financial expenses** | 42,245 | 45,330 | 3,085 |
| **Income before income taxes** | 566,309 | 637,132 | 70,823 |
| **Income taxes** | 138,798 | 151,155 | 12,357 |
| **Net income** | 427,511 | 485,977 | 58,466 |
| | | | |
| **Net income attributable to** | | | |
| Sony Group Corporation’s stockholders | 424,935 | 482,159 | 57,224 |
| Noncontrolling interests | 2,576 | 3,818 | 1,242 |

| | Yen | | |
|---|---|---|---|
| | Six months ended September 30 | | |
| | 2021 | 2022 | Change |
| **Per share data:** | | | |
| Net income attributable to Sony Group Corporation’s stockholders | | | |
| - Basic | 342.80 | 389.90 | 47.10 |
| - Diluted | 339.45 | 387.46 | 48.01 |

**Condensed Consolidated Statements of Comprehensive Income**

| | Yen in millions | | |
|---|---|---|---|
| | Six months ended September 30 | | |
| | 2021 | 2022 | Change |
| **Net income** | 427,511 | 485,977 | 58,466 |
| **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 | (30,409) | (15,508) | 14,901 |
| Remeasurement of defined benefit pension plans | (1,752) | 29 | 1,781 |
| Share of other comprehensive income of investments accounted for using the equity method | (54) | 272 | 326 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Changes in debt instruments measured at fair value through other comprehensive income | 42,531 | (1,027,712) | (1,070,243) |
| Cash flow hedges | 927 | 7,591 | 6,664 |
| Insurance contract valuation adjustments | 136 | 939 | 803 |
| Exchange differences on translating foreign operations | 14,631 | 363,984 | 349,353 |
| Share of other comprehensive income of investments accounted for using the equity method | 17 | 4,441 | 4,424 |
| **Total other comprehensive income, net of tax** | 26,027 | (665,964) | (691,991) |
| **Comprehensive income** | 453,538 | (179,987) | (633,525) |
| | | | |
| **Comprehensive income attributable to** | | | |
| Sony Group Corporation’s stockholders | 451,000 | (188,478) | (639,478) |
| Noncontrolling interests | 2,538 | 8,491 | 5,953 |

## Condensed Consolidated Statements of Changes in Stockholders' Equity

| | Yen in millions | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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, 2021 | 880,214 | 1,489,597 | 2,914,503 | 1,520,257 | (124,228) | 6,680,343 | 43,996 | 6,724,339 |
| Comprehensive income: | | | | | | | | |
| Net income | | | 424,935 | | | 424,935 | 2,576 | 427,511 |
| Other comprehensive income, net of tax | | | | 26,065 | | 26,065 | (38) | 26,027 |
| Total comprehensive income | | | 424,935 | 26,065 | | 451,000 | 2,538 | 453,538 |
| Transfer to retained earnings | | | 6,808 | (6,808) | | - | | - |
| Transactions with stockholders and other: | | | | | | | | |
| Exercise of stock acquisition rights | | | (162) | | 4,095 | 3,933 | | 3,933 |
| Conversion of convertible bonds | | (2,037) | (160) | | 12,292 | 10,095 | | 10,095 |
| Stock-based compensation | | 2,639 | | | | 2,639 | | 2,639 |
| Dividends declared | | | (37,177) | | | (37,177) | (2,632) | (39,809) |
| Purchase of treasury stock | | | | | (21,496) | (21,496) | | (21,496) |
| Reissuance of treasury stock | | 1,542 | | | 1,746 | 3,288 | | 3,288 |
| Transactions with noncontrolling interests shareholders and other | | (18,619) | | | | (18,619) | 3,580 | (15,039) |
| Balance at September 30, 2021 | 880,214 | 1,473,122 | 3,308,747 | 1,539,514 | (127,591) | 7,074,006 | 47,482 | 7,121,488 |

| | Yen in millions | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 |
| Comprehensive income: | | | | | | | | |
| Net income | | | 482,159 | | | 482,159 | 3,818 | 485,977 |
| Other comprehensive income, net of tax | | | | (670,637) | | (670,637) | 4,673 | (665,964) |
| Total comprehensive income | | | 482,159 | (670,637) | | (188,478) | 8,491 | (179,987) |
| Transfer to retained earnings | | | 250 | (250) | | - | | - |
| Transactions with stockholders and other: | | | | | | | | |
| Exercise of stock acquisition rights | | (2) | (288) | | 2,763 | 2,473 | | 2,473 |
| Conversion of convertible bonds | | (2,588) | (13,858) | | 42,993 | 26,547 | | 26,547 |
| Stock-based compensation | | 4,890 | | | | 4,890 | | 4,890 |
| Dividends declared | | | (43,295) | | | (43,295) | (4,555) | (47,850) |
| Purchase of treasury stock | | | | | (52,080) | (52,080) | | (52,080) |
| Reissuance of treasury stock | | 1,231 | | | 2,390 | 3,621 | | 3,621 |
| Transactions with noncontrolling interests shareholders and other | | (8,147) | | | | (8,147) | 3,653 | (4,494) |
| Balance at September 30, 2022 | 880,365 | 1,456,437 | 4,185,731 | 551,445 | (183,976) | 6,890,002 | 60,367 | 6,950,369 |

**Condensed Consolidated Statements of Cash Flows**

| | Yen in millions | |
|---|---|---|
| | Six months ended September 30 | |
| | 2021 | 2022 |
| **Cash flows from operating activities:** | | |
| Income before income taxes | 566,309 | 637,132 |
| Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization, including amortization of contract costs | 383,914 | 487,613 |
| Amortization of deferred insurance acquisition costs | 34,257 | 54,972 |
| Other operating (income) expense, net | 113 | (10,794) |
| Loss on securities, net (other than Financial Services segment) | 23,555 | 27,994 |
| Share of profit of investments accounted for using the equity method, net of dividends | (5,283) | (5,205) |
| Change in future insurance policy benefits and other | 217,622 | 312,044 |
| Change in policyholders' account in the life insurance business, less cash impact | 172,201 | (129,948) |
| Net cash impact of policyholders' account in the life insurance business | 38,146 | 145,590 |
| Changes in assets and liabilities: | | |
| Increase in trade receivables and contract assets | (130,057) | (142,011) |
| Increase in inventories | (207,104) | (470,440) |
| Increase in investments and advances in the Financial Services segment | (703,887) | (888,894) |
| Increase in content assets | (252,055) | (314,856) |
| Increase in deferred insurance acquisition costs | (54,222) | (70,096) |
| Increase in trade payables | 91,232 | 133,989 |
| Increase in deposits from customers in the banking business | 118,707 | 141,028 |
| Increase in borrowings in the life insurance business and the banking business | 257,118 | 32,962 |
| Decrease in taxes payable other than income taxes, net | (31,035) | (68,811) |
| (Increase) decrease in other financial assets and other current assets | 9,063 | (19,041) |
| Decrease in other financial liabilities and other current liabilities | (115,800) | (13,438) |
| Income taxes paid | (95,371) | (69,292) |
| Other | (465) | (153,754) |
| Net cash provided by (used in) operating activities | 316,958 | (383,256) |

*(Continued on the following page.)*

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

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

**Notes to Condensed Consolidated Financial Statements**

**Business Segment Information**

(Business Segments)

Segment sales and financial services revenue

| | Yen in millions | | |
|---|---|---|---|
| | Three months ended September 30 | | |
| | 2021 | 2022 | Change |
| Sales and financial services revenue: | | | |
| Game & Network Services - | | | |
| Customers | 628,536 | 702,718 | 74,182 |
| Intersegment | 16,903 | 18,017 | 1,114 |
| Total | 645,439 | 720,735 | 75,296 |
| Music - | | | |
| Customers | 268,543 | 356,928 | 88,385 |
| Intersegment | 3,067 | 2,391 | (676) |
| Total | 271,610 | 359,319 | 87,709 |
| Pictures - | | | |
| Customers | 260,554 | 335,580 | 75,026 |
| Intersegment | 152 | 1,888 | 1,736 |
| Total | 260,706 | 337,468 | 76,762 |
| Entertainment, Technology & Services - | | | |
| Customers | 567,905 | 666,732 | 98,827 |
| Intersegment | 14,014 | 10,313 | (3,701) |
| Total | 581,919 | 677,045 | 95,126 |
| Imaging & Sensing Solutions - | | | |
| Customers | 254,159 | 369,580 | 115,421 |
| Intersegment | 24,104 | 28,786 | 4,682 |
| Total | 278,263 | 398,366 | 120,103 |
| Financial Services - | | | |
| Customers | 366,162 | 300,836 | (65,326) |
| Intersegment | 2,253 | 3,642 | 1,389 |
| Total | 368,415 | 304,478 | (63,937) |
| All Other - | | | |
| Customers | 21,074 | 17,643 | (3,431) |
| Intersegment | 3,387 | 3,089 | (298) |
| Total | 24,461 | 20,732 | (3,729) |
| Corporate and elimination | (61,448) | (66,264) | (4,816) |
| Consolidated total | 2,369,365 | 2,751,879 | 382,514 |

Game & Network Services (“G&NS”) intersegment amounts primarily consist of transactions with the Entertainment, Technology & Services (“ET&S”) segment. ET&S intersegment amounts primarily consist of transactions with the G&NS segment. Imaging & Sensing Solutions (“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 | | |
|---|---|---|---|
| | Three months ended September 30 | | |
| | 2021 | 2022 | Change |
| Operating income (loss): | | | |
| Game & Network Services | 82,679 | 42,132 | (40,547) |
| Music | 50,586 | 78,733 | 28,147 |
| Pictures | 31,629 | 27,620 | (4,009) |
| Entertainment, Technology & Services | 72,711 | 77,840 | 5,129 |
| Imaging & Sensing Solutions | 49,725 | 73,987 | 24,262 |
| Financial Services | 43,053 | 54,628 | 11,575 |
| All Other | 8,618 | 4,848 | (3,770) |
| Total | 339,001 | 359,788 | 20,787 |
| Corporate and elimination | (20,542) | (15,746) | 4,796 |
| Consolidated operating income | 318,459 | 344,042 | 25,583 |

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.

The former Electronics Products & Solutions (“EP&S”) segment has been renamed the ET&S segment effective from April 2022. This change has not resulted in any reclassification of businesses across segments.

(Business Segments)

Segment sales and financial services revenue

| | Yen in millions | | |
|---|---|---|---|
| | Six months ended September 30 | | |
| | 2021 | 2022 | Change |
| Sales and financial services revenue: | | | |
| Game & Network Services - | | | |
| Customers | 1,230,694 | 1,291,179 | 60,485 |
| Intersegment | 30,555 | 33,672 | 3,117 |
| Total | 1,261,249 | 1,324,851 | 63,602 |
| Music - | | | |
| Customers | 520,765 | 662,281 | 141,516 |
| Intersegment | 5,718 | 5,108 | (610) |
| Total | 526,483 | 667,389 | 140,906 |
| Pictures - | | | |
| Customers | 464,932 | 676,827 | 211,895 |
| Intersegment | 510 | 2,018 | 1,508 |
| Total | 465,442 | 678,845 | 213,403 |
| Entertainment, Technology & Services - | | | |
| Customers | 1,134,424 | 1,210,638 | 76,214 |
| Intersegment | 23,763 | 18,717 | (5,046) |
| Total | 1,158,187 | 1,229,355 | 71,168 |
| Imaging & Sensing Solutions - | | | |
| Customers | 452,044 | 588,803 | 136,759 |
| Intersegment | 44,276 | 47,405 | 3,129 |
| Total | 496,320 | 636,208 | 139,888 |
| Financial Services - | | | |
| Customers | 778,292 | 596,293 | (181,999) |
| Intersegment | 4,508 | 5,941 | 1,433 |
| Total | 782,800 | 602,234 | (180,566) |
| All Other - | | | |
| Customers | 39,291 | 33,200 | (6,091) |
| Intersegment | 7,156 | 6,866 | (290) |
| Total | 46,447 | 40,066 | (6,381) |
| Corporate and elimination | (110,720) | (115,575) | (4,855) |
| Consolidated total | 4,626,208 | 5,063,373 | 437,165 |

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

Segment profit (loss)

| | Yen in millions | | |
|---|---|---|---|
| | Six months ended September 30 | | |
| | 2021 | 2022 | Change |
| Operating income (loss): | | | |
| Game & Network Services | 165,938 | 94,894 | (71,044) |
| Music | 105,966 | 139,706 | 33,740 |
| Pictures | 56,983 | 78,275 | 21,292 |
| Entertainment, Technology & Services | 144,462 | 131,408 | (13,054) |
| Imaging & Sensing Solutions | 80,204 | 95,676 | 15,472 |
| Financial Services | 67,066 | 135,934 | 68,868 |
| All Other | 12,772 | 7,713 | (5,059) |
| Total | 633,391 | 683,606 | 50,215 |
| Corporate and elimination | (34,864) | (32,601) | 2,263 |
| Consolidated operating income | 598,527 | 651,005 | 52,478 |

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.

The former EP&S segment has been renamed the ET&S segment effective from April 2022. This change has not resulted in any reclassification of businesses across segments.

(Sales to Customers by Product Category)

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

| | Yen in millions | | |
|---|---|---|---|
| | Three months ended September 30 | | |
| Sales and financial services revenue: | 2021 | 2022 | Change |
| Game & Network Services | | | |
| Digital Software and Add-on Content | 314,858 | 332,859 | 18,001 |
| Network Services | 100,445 | 117,006 | 16,561 |
| Hardware and Others | 213,233 | 252,853 | 39,620 |
| Total | 628,536 | 702,718 | 74,182 |
| Music | | | |
| Recorded Music - Streaming | 113,296 | 151,930 | 38,634 |
| Recorded Music - Others | 43,004 | 72,030 | 29,026 |
| Music Publishing | 47,310 | 73,489 | 26,179 |
| Visual Media and Platform | 64,933 | 59,479 | (5,454) |
| Total | 268,543 | 356,928 | 88,385 |
| Pictures | | | |
| Motion Pictures | 97,089 | 123,791 | 26,702 |
| Television Productions | 86,998 | 114,586 | 27,588 |
| Media Networks | 76,467 | 97,203 | 20,736 |
| Total | 260,554 | 335,580 | 75,026 |
| Entertainment, Technology & Services | | | |
| Televisions | 207,179 | 226,751 | 19,572 |
| Audio and Video | 75,267 | 99,887 | 24,620 |
| Still and Video Cameras | 104,972 | 147,862 | 42,890 |
| Mobile Communications | 99,102 | 93,227 | (5,875) |
| Other | 81,385 | 99,005 | 17,620 |
| Total | 567,905 | 666,732 | 98,827 |
| Imaging & Sensing Solutions | 254,159 | 369,580 | 115,421 |
| Financial Services | 366,162 | 300,836 | (65,326) |
| All Other | 21,074 | 17,643 | (3,431) |
| Corporate | 2,432 | 1,862 | (570) |
| Consolidated total | 2,369,365 | 2,751,879 | 382,514 |

| | Yen in millions | | |
|---|---|---|---|
| | Six months ended September 30 | | |
| Sales and financial services revenue: | 2021 | 2022 | Change |
| Game & Network Services | | | |
| Digital Software and Add-on Content | 635,294 | 618,704 | (16,590) |
| Network Services | 202,431 | 223,529 | 21,098 |
| Hardware and Others | 392,969 | 448,946 | 55,977 |
| Total | 1,230,694 | 1,291,179 | 60,485 |
| Music | | | |
| Recorded Music - Streaming | 222,405 | 291,041 | 68,636 |
| Recorded Music - Others | 85,784 | 132,486 | 46,702 |
| Music Publishing | 94,442 | 136,546 | 42,104 |
| Visual Media and Platform | 118,134 | 102,208 | (15,926) |
| Total | 520,765 | 662,281 | 141,516 |
| Pictures | | | |
| Motion Pictures | 176,592 | 246,916 | 70,324 |
| Television Productions | 148,286 | 253,747 | 105,461 |
| Media Networks | 140,054 | 176,164 | 36,110 |
| Total | 464,932 | 676,827 | 211,895 |
| Entertainment, Technology & Services | | | |
| Televisions | 428,200 | 368,544 | (59,656) |
| Audio and Video | 148,356 | 190,947 | 42,591 |
| Still and Video Cameras | 221,382 | 287,565 | 66,183 |
| Mobile Communications | 180,515 | 192,257 | 11,742 |
| Other | 155,971 | 171,325 | 15,354 |
| Total | 1,134,424 | 1,210,638 | 76,214 |
| Imaging & Sensing Solutions | 452,044 | 588,803 | 136,759 |
| Financial Services | 778,292 | 596,293 | (181,999) |
| All Other | 39,291 | 33,200 | (6,091) |
| Corporate | 5,766 | 4,152 | (1,614) |
| Consolidated total | 4,626,208 | 5,063,373 | 437,165 |

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

(Condensed Financial Services Financial Statements)

The following schedules show unaudited condensed financial statements for the Financial Services segment and all other segments excluding Financial Services. These presentations are not in accordance with IFRS, which is used by Sony 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. Both financial statements include transactions between the Financial Services segment and Sony without the Financial Services segment. The figures shown in the respective presentations for the Financial Services segment and Sony without the Financial Services segment are prior to the elimination and/or offset of such transactions and deferred tax assets and deferred tax liabilities of each. The condensed consolidated financial statements column is presented net of the elimination and/or offset of such intercompany balances and deferred tax assets and liabilities.

Condensed Statements of Financial Position

| | Yen in millions | | | | | |
|---|---|---|---|---|---|---|
| | Financial Services | | Sony without Financial Services | | Consolidated | |
| | March 31, 2022 | **September 30, 2022** | March 31, 2022 | **September 30, 2022** | March 31, 2022 | **September 30, 2022** |
| **ASSETS** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | ¥ 889,140 | **¥ 551,192** | ¥ 1,160,496 | **¥ 658,560** | ¥ 2,049,636 | **¥ 1,209,752** |
| Investments and advances in the Financial Services segment | 360,673 | **333,187** | - | **-** | 360,673 | **333,187** |
| Trade and other receivables, and contract assets | 169,929 | **122,846** | 1,478,620 | **1,838,541** | 1,628,521 | **1,940,402** |
| Inventories | - | **-** | 874,007 | **1,416,367** | 874,007 | **1,416,367** |
| Other financial assets | 81,174 | **72,424** | 68,124 | **94,015** | 149,301 | **166,440** |
| Other current assets | 72,441 | **57,507** | 450,953 | **537,341** | 473,070 | **566,885** |
| Total current assets | 1,573,357 | **1,137,156** | 4,032,200 | **4,544,824** | 5,535,208 | **5,633,033** |
| Non-current assets: | | | | | | |
| Investments accounted for using the equity method | - | **-** | 268,513 | **316,518** | 268,513 | **316,518** |
| Investments and advances in the Financial Services segment | 18,445,088 | **17,922,231** | - | **-** | 18,445,088 | **17,922,231** |
| Investments in Financial Services, at cost | - | **-** | 550,483 | **550,483** | - | **-** |
| Property, plant and equipment | 18,010 | **15,803** | 1,095,241 | **1,242,573** | 1,113,213 | **1,258,705** |
| Right-of-use assets | 73,774 | **81,021** | 339,658 | **370,155** | 413,430 | **450,793** |
| Goodwill and intangible assets, including content assets | 72,578 | **72,892** | 2,672,466 | **3,453,881** | 2,745,044 | **3,526,773** |
| Deferred insurance acquisition costs | 676,526 | **696,238** | - | **-** | 676,526 | **696,238** |
| Deferred tax assets | - | **-** | 332,330 | **379,172** | 298,589 | **352,481** |
| Other financial assets | 37,037 | **51,020** | 663,233 | **862,632** | 696,306 | **909,486** |
| Other non-current assets | 77,657 | **76,411** | 284,834 | **305,525** | 289,050 | **309,744** |
| Total non-current assets | 19,400,670 | **18,915,616** | 6,206,758 | **7,480,939** | 24,945,759 | **25,742,969** |
| Total assets | ¥ 20,974,027 | **¥ 20,052,772** | ¥ 10,238,958 | **¥ 12,025,763** | ¥ 30,480,967 | **¥ 31,376,002** |
| **LIABILITIES AND EQUITY** | | | | | | |
| Current liabilities: | | | | | | |
| Short-term borrowings | ¥ 1,964,776 | **¥ 2,040,389** | ¥ 183,187 | **¥ 309,417** | ¥ 2,147,962 | **¥ 2,349,806** |
| Trade and other payables | 118,921 | **62,155** | 1,744,011 | **2,196,704** | 1,843,242 | **2,238,168** |
| Deposits from customers in the banking business | 2,886,361 | **3,015,117** | - | **-** | 2,886,361 | **3,015,117** |
| Income taxes payables | 4,444 | **6,324** | 101,648 | **184,368** | 106,092 | **190,692** |
| Participation and residual liabilities in the Pictures segment | - | **-** | 190,162 | **234,838** | 190,162 | **234,838** |
| Other financial liabilities | 68,793 | **62,733** | 29,050 | **58,285** | 97,843 | **121,018** |
| Other current liabilities | 242,937 | **253,233** | 1,296,205 | **1,331,239** | 1,488,488 | **1,556,118** |
| Total current liabilities | 5,286,232 | **5,439,951** | 3,544,263 | **4,314,851** | 8,760,150 | **9,705,757** |
| Non-current liabilities: | | | | | | |
| Long-term debt | 470,498 | **443,649** | 733,148 | **847,954** | 1,203,646 | **1,291,603** |
| Defined benefit liabilities | 37,167 | **37,971** | 217,381 | **215,431** | 254,548 | **253,402** |
| Deferred tax liabilities | 634,576 | **242,870** | 110,715 | **127,470** | 696,492 | **328,829** |
| Future insurance policy benefits and other | 7,039,034 | **7,322,317** | - | **-** | 7,039,034 | **7,322,317** |
| Policyholders' account in the life insurance business | 4,791,295 | **4,807,408** | - | **-** | 4,791,295 | **4,807,408** |
| Participation and residual liabilities in the Pictures segment | - | **-** | 220,113 | **239,400** | 220,113 | **239,400** |
| Other financial liabilities | 128,208 | **141,304** | 86,391 | **213,232** | 211,959 | **351,798** |
| Other non-current liabilities | 5,864 | **6,507** | 121,558 | **139,220** | 106,481 | **125,119** |
| Total non-current liabilities | 13,106,642 | **13,002,026** | 1,489,306 | **1,782,707** | 14,523,568 | **14,719,876** |
| Total liabilities | 18,392,874 | **18,441,977** | 5,033,569 | **6,097,558** | 23,283,718 | **24,425,633** |
| Equity: | | | | | | |
| Stockholders' equity of Financial Services | 2,577,705 | **1,607,126** | - | **-** | - | **-** |
| Stockholders' equity of Sony without Financial Services | - | **-** | 5,156,059 | **5,871,507** | - | **-** |
| Sony Group Corporation's stockholders' equity | - | **-** | - | **-** | 7,144,471 | **6,890,002** |
| Noncontrolling interests | 3,448 | **3,669** | 49,330 | **56,698** | 52,778 | **60,367** |
| Total equity | 2,581,153 | **1,610,795** | 5,205,389 | **5,928,205** | 7,197,249 | **6,950,369** |
| Total liabilities and equity | ¥ 20,974,027 | **¥ 20,052,772** | ¥ 10,238,958 | **¥ 12,025,763** | ¥ 30,480,967 | **¥ 31,376,002** |

Condensed Statements of Income

Yen in millions

| | Three months ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | Financial Services | | Sony without Financial Services | | Consolidated | |
| | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** |
| Sales | ¥ - | **¥ -** | ¥ 2,004,651 | **¥ 2,452,607** | ¥ 2,003,203 | **¥ 2,451,043** |
| Financial services revenue | 368,415 | **304,478** | - | **-** | 366,162 | **300,836** |
| Total sales and financial services revenue | 368,415 | **304,478** | 2,004,651 | **2,452,607** | 2,369,365 | **2,751,879** |
| Cost of sales | - | **-** | 1,367,802 | **1,691,296** | 1,365,095 | **1,688,286** |
| Selling, general and administrative | - | **-** | 368,649 | **479,669** | 369,908 | **482,457** |
| Financial services expenses | 325,263 | **254,735** | - | **-** | 323,010 | **251,093** |
| Other operating (income) expense, net | 99 | **(4,885)** | 1,115 | **(878)** | 1,214 | **(8,069)** |
| Total costs and expenses | 325,362 | **249,850** | 1,737,566 | **2,170,087** | 2,059,227 | **2,413,767** |
| Share of profit (loss) of investments accounted for using the equity method | - | **-** | 8,321 | **5,930** | 8,321 | **5,930** |
| **Operating income** | 43,053 | **54,628** | 275,406 | **288,450** | 318,459 | **344,042** |
| **Financial income (expenses), net** | - | **-** | (35,360) | **1,713** | (35,360) | **1,714** |
| **Income before income taxes** | 43,053 | **54,628** | 240,046 | **290,163** | 283,099 | **345,756** |
| Income taxes | 12,167 | **14,069** | 56,536 | **63,745** | 68,703 | **78,085** |
| **Net income** | 30,886 | **40,559** | 183,510 | **226,418** | 214,396 | **267,671** |
| **Net income of Financial Services** | ¥ 30,749 | **¥ 40,445** | ¥ - | **¥ -** | ¥ - | **¥ -** |
| **Net income of Sony without Financial Services** | ¥ - | **¥ -** | ¥ 182,357 | **¥ 222,824** | ¥ - | **¥ -** |
| **Net income attributable to Sony Group Corporation's stockholders** | ¥ - | **¥ -** | ¥ - | **¥ -** | ¥ 213,106 | **¥ 263,963** |
| Net income attributable to noncontrolling interests | ¥ 137 | **¥ 114** | ¥ 1,153 | **¥ 3,594** | ¥ 1,290 | **¥ 3,708** |

Condensed Statements of Income

Yen in millions

| | Six months ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | Financial Services | | Sony without Financial Services | | Consolidated | |
| | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** |
| Sales | ¥ - | **¥ -** | ¥ 3,850,436 | **¥ 4,470,190** | ¥ 3,847,916 | **¥ 4,467,080** |
| Financial services revenue | 782,800 | **602,234** | - | **-** | 778,292 | **596,293** |
| Total sales and financial services revenue | 782,800 | **602,234** | 3,850,436 | **4,470,190** | 4,626,208 | **5,063,373** |
| Cost of sales | - | **-** | 2,619,001 | **3,085,861** | 2,613,868 | **3,079,953** |
| Selling, general and administrative | - | **-** | 712,597 | **885,079** | 715,210 | **889,223** |
| Financial services expenses | 715,587 | **471,134** | - | **-** | 711,079 | **465,193** |
| Other operating (income) expense, net | 147 | **(4,834)** | (34) | **(3,654)** | 113 | **(10,794)** |
| Total costs and expenses | 715,734 | **466,300** | 3,331,564 | **3,967,286** | 4,040,270 | **4,423,575** |
| Share of profit (loss) of investments accounted for using the equity method | - | **-** | 12,589 | **11,207** | 12,589 | **11,207** |
| **Operating income** | 67,066 | **135,934** | 531,461 | **514,111** | 598,527 | **651,005** |
| **Financial income (expenses), net** | - | **-** | 6,940 | **27,460** | (32,218) | **(13,873)** |
| **Income before income taxes** | 67,066 | **135,934** | 538,401 | **541,571** | 566,309 | **637,132** |
| Income taxes | 15,907 | **37,054** | 122,890 | **113,802** | 138,798 | **151,155** |
| **Net income** | 51,159 | **98,880** | 415,511 | **427,769** | 427,511 | **485,977** |
| **Net income of Financial Services** | ¥ 50,901 | **¥ 98,659** | ¥ - | **¥ -** | ¥ - | **¥ -** |
| **Net income of Sony without Financial Services** | ¥ - | **¥ -** | ¥ 413,193 | **¥ 424,172** | ¥ - | **¥ -** |
| **Net income attributable to Sony Group Corporation's stockholders** | ¥ - | **¥ -** | ¥ - | **¥ -** | ¥ 424,935 | **¥ 482,159** |
| Net income attributable to noncontrolling interests | ¥ 258 | **¥ 221** | ¥ 2,318 | **¥ 3,597** | ¥ 2,576 | **¥ 3,818** |

Condensed Statements of Cash Flows

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

***Going Concern Assumption***

Not Applicable

***Accounting Policy and Other Information***

**(Net Income Attributable to Sony Group Corporation's Stockholders and Weighted-average Number of Outstanding Shares Used for the Computation of EPS of Common Stock)**

| | Yen in millions | |
|---|---|---|
| | Three months ended September 30 | |
| | 2021 | 2022 |
| Net income attributable to Sony Group Corporation's stockholders | 213,106 | 263,963 |
| Adjustment amount to net income attributable to Sony Group Corporation's stockholders for diluted EPS computation: | | |
| Zero coupon convertible bonds | 42 | 20 |
| Net income attributable to Sony Group Corporation's stockholders for diluted EPS computation | 213,148 | 263,983 |

| | Thousands of shares | |
|---|---|---|
| Weighted-average shares outstanding for basic EPS computation | 1,240,050 | 1,236,755 |
| Effect of dilutive securities: | | |
| Stock acquisition rights | 5,125 | 3,618 |
| Zero coupon convertible bonds | 6,752 | 3,132 |
| Weighted-average shares for diluted EPS computation | 1,251,927 | 1,243,505 |

| | Yen in millions | |
|---|---|---|
| | Six months ended September 30 | |
| | 2021 | 2022 |
| Net income attributable to Sony Group Corporation's stockholders | 424,935 | 482,159 |
| Adjustment amount to net income attributable to Sony Group Corporation's stockholders for diluted EPS computation: | | |
| Zero coupon convertible bonds | 93 | 51 |
| Net income attributable to Sony Group Corporation's stockholders for diluted EPS computation | 425,028 | 482,210 |

| | Thousands of shares | |
|---|---|---|
| Weighted-average shares outstanding for basic EPS computation | 1,239,606 | 1,236,622 |
| Effect of dilutive securities: | | |
| Stock acquisition rights | 5,092 | 3,847 |
| Zero coupon convertible bonds | 7,399 | 4,059 |
| Weighted-average shares for diluted EPS computation | 1,252,097 | 1,244,528 |

**(Segmentation)**

The former EP&S segment has been renamed the ET&S segment effective from April 2022. This change has not resulted in any reclassification of businesses across segments.

The G&NS segment includes the network services businesses, the manufacture and sales of home gaming products and the production and sales of software. The Music segment includes the Recorded Music, Music Publishing and Visual Media and Platform businesses. The Pictures segment includes the Motion Pictures, Television Productions and Media Networks businesses. The ET&S segment includes the Televisions business, the Audio and Video business, the Still and Video Cameras business, the smartphone business and the internet-related service business. The 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.

**(Acquisition of Bungie, Inc.)**

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

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

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

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

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

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

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

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

**(Change in presentation)**

Condensed Consolidated Statements of Cash Flows

Certain reclassifications of the condensed consolidated statements of cash flows for the six months ended September 30, 2021 have been made to conform to the presentation for the six months ended September 30, 2022.

# Outlook for the Fiscal Year Ending March 31, 2023

The forecast for consolidated results for the fiscal year ending March 31, 2023, as announced on July 29, 2022, has been revised as follows:

(Billions of yen)

| | March 31, 2022 Results | July Forecast | **November Forecast** | Change from July Forecast | |
|---|---|---|---|---|---|
| Sales *[1] | ¥9,921.5 | ¥11,500 | **¥11,600** | + ¥100 bil | +0.9% |
| Operating income | 1,202.3 | 1,110 | **1,160** | +50 bil | +4.5% |
| Income before income taxes | 1,117.5 | 1,070 | **1,120** | +50 bil | +4.7% |
| Net income attributable to Sony Group Corporation's stockholders | 882.2 | 800 | **840** | +40 bil | +5.0% |

| For all segments excluding the Financial Services segment *[2] | March 31, 2022 Results | July Forecast | **November Forecast** | Change from July Forecast | |
|---|---|---|---|---|---|
| Net cash provided by operating activities | ¥813.3 | ¥820 | **¥820** | - | - |

*[1] *"Sales and financial services revenue" are shown as "Sales" (the same applies below).*
*[2] Cash flow for all segments excluding the Financial Services segment is not a measure in accordance with IFRS. However, Sony believes that this disclosure may be useful information to investors. Please refer to page F-16 for details about the preparation of the Condensed Statements of Cash Flows.*

Assumed foreign exchange rates are the following:

| | **Assumed foreign currency exchange rates for the second half of the fiscal year ending March 31, 2023** | (For your reference) Assumed foreign currency exchange rates for the fiscal year ending March 31, 2023 at the time of the July forecast |
|---|---|---|
| 1 U.S. dollar | **approximately 140 yen** | approximately 130 yen |
| 1 Euro | **approximately 138 yen** | approximately 138 yen |

Sales are expected to be higher than the July forecast due to higher-than-expected sales in the Music, Pictures, Entertainment, Technology & Services* and Game & Network Services ("G&NS") segments, partially offset by lower-than-expected sales in the Financial Services segment.

Operating income is expected to be higher than the July forecast due to expected increases in operating income in the Music, Imaging & Sensing Solutions and Pictures segments, as well as an expected decrease in operating loss in All Other, Corporate and elimination, partially offset by an expected decrease in operating income in the G&NS segment.

Both income before income taxes and net income attributable to Sony Group Corporation's stockholders are expected to be higher than the July forecast mainly due to the above-mentioned expected increase in operating income.

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

The forecast for each business segment for the fiscal year ending March 31, 2023 has been revised as follows:

(Billions of yen)

| | March 31, 2022 Results | July Forecast | **November Forecast** |
|---|---|---|---|
| Game & Network Services (G&NS) | | | |
| Sales | ¥2,739.8 | ¥3,620 | **¥3,630** |
| Operating income | 346.1 | 255 | **225** |
| Music | | | |
| Sales | 1,116.9 | 1,280 | **1,370** |
| Operating income | 210.9 | 230 | **265** |
| Pictures | | | |
| Sales | 1,238.9 | 1,380 | **1,450** |
| Operating income | 217.4 | 100 | **115** |
| Entertainment, Technology & Services (ET&S) | | | |
| Sales | 2,339.2 | 2,450 | **2,510** |
| Operating income | 212.9 | 180 | **180** |
| Imaging & Sensing Solutions (I&SS) | | | |
| Sales | 1,076.4 | 1,440 | **1,440** |
| Operating income | 155.6 | 200 | **220** |
| Financial Services | | | |
| Financial services revenue | 1,533.8 | 1,440 | **1,310** |
| Operating income | 150.1 | 220 | **220** |
| All Other, Corporate and elimination | | | |
| Operating loss | (90.7) | (75) | **(65)** |
| Consolidated | | | |
| Sales | 9,921.5 | 11,500 | **11,600** |
| Operating income | 1,202.3 | 1,110 | **1,160** |

Game & Network Services (G&NS)

Sales are expected to be higher than the July forecast due to the impact of foreign exchange rates as well as an expected increase in hardware sales due to price revisions for PlayStation®5 hardware, partially offset by an expected decrease in sales of non-first-party titles including add-on content. Operating income is expected to be lower than the July forecast due to the impact of the above-mentioned expected decrease in sales of non-first-party titles and the negative impact of foreign exchange rates reflecting the high ratio of U.S. dollar-denominated costs, partially offset by an expected decrease in losses from hardware.

In the November forecast, Sony has incorporated approximately 61 billion yen in expenses associated with acquisitions completed within the current fiscal year, including Bungie, Inc. The actual amount of expenses is subject to change depending on factors such as completion timing and the accounting treatment to be finalized after the closing dates.

Music

Sales are expected to be higher than the July forecast due to the impact of foreign exchange rates and the stronger-than-expected sales from streaming services in Recorded Music and game applications in Visual and Media Platform as well as litigation settlements received in relation to lawsuits recorded during the three months ended September 30, 2022. Operating income is expected to be higher than the July forecast due to the positive impact of foreign exchange rates and the impact of the above-mentioned expected increase in sales.

Pictures
Sales are expected to be higher than the July forecast primarily due to the impact of foreign exchange rates. Operating income is expected to be higher than the July forecast primarily due to the impact of a higher contribution from catalog product in Television Productions and Motion Pictures, as well as the positive impact of foreign exchange rates.

Entertainment, Technology & Services (ET&S)
Sales are expected to be higher than the July forecast due to the impact of foreign exchange rates as well as an expected increase in sales of digital cameras resulting from an increase in unit sales, partially offset by an expected decrease in sales of televisions and smartphones resulting from a decrease in unit sales. The forecast for operating income remains unchanged from the July forecast due to a decrease in operating expenses as well as the impact of higher unit sales of digital cameras, substantially offset by the impact of lower unit sales of televisions and smartphones.

Imaging & Sensing Solutions (I&SS)
Sales are expected to remain unchanged from the July forecast due to the impact of foreign exchange rates, substantially offset by an expected decrease in unit sales of image sensors for mobile products as well as image sensors for industrial equipment and security cameras. Operating income is expected to be higher than the July forecast due to the positive impact of foreign exchange rates, partially offset by the impact of the above-mentioned expected decrease in sales of image sensors.

Financial Services
Financial services revenue is expected to be lower than the July forecast primarily due to a deterioration in net gains and losses on investments in the separate accounts at Sony Life Insurance Co., Ltd. (“Sony Life”). Operating income is expected to remain unchanged from the July forecast.

The effects of future gains and losses on investments held by the Financial Services segment due to market fluctuations have not been incorporated within the above forecast as it is difficult for Sony to predict market trends in the future. Accordingly, future market fluctuations could further impact the above forecast.

The above forecast is based on management’s current expectations and is subject to uncertainties and changes in circumstances. Actual results may differ materially from those included in this forecast due to a variety of factors. See “Cautionary Statement” below.

Notes about Financial Performance of the Music, Pictures and Financial Services segments
The Music segment results include the yen-based results of Sony Music Entertainment (Japan) Inc. and the yen-translated results of Sony Music Entertainment and Sony Music Publishing LLC, which aggregate the results of their worldwide subsidiaries on a U.S. dollar basis.

The Pictures segment results are the yen-translated results of Sony Pictures Entertainment Inc., which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis.

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

## Cautionary Statement

Statements made in this release 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 COVID-19 and developments relating to the situation in Ukraine and Russia could heighten many of the risks and uncertainties noted above. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.