SONY

Consolidated Financial Statements

For the fiscal year ended March 31, 2022

Sony Group Corporation
TOKYO, JAPAN

Contents

Management's Annual Report on Internal Control over Financial Reporting

Sony's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Sony's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Sony's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Sony;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Sony are being made only in accordance with authorizations of management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Sony's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Sony's management evaluated the effectiveness of Sony's internal control over financial reporting as of March 31, 2022 based on the criteria established in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Sony maintained effective internal control over financial reporting as of March 31, 2022.

Sony's independent registered public accounting firm, PricewaterhouseCoopers Aarata LLC, has issued an audit report on the effectiveness of Sony's internal control over financial reporting as of March 31, 2022, presented on page 3 to 5.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Sony Group Corporation (Sony Group Kabushiki Kaisha)

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Sony Group Corporation and its subsidiaries (the "Company") as of March 31, 2022 and 2021 and April 1, 2020, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the two years in the period ended March 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021 and April 1, 2020, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2022 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of liabilities for future insurance policy benefits and deferred acquisition costs

As described in Notes 3 and 13 to the consolidated financial statements, liabilities for future insurance policy benefits include liabilities for minimum guarantee benefits related to certain variable life insurance contracts. For these contract features, the liabilities for minimum guarantee benefits are calculated using current best-estimate assumptions and are based on the ratio of the present value of expected total excess payments divided by the present value of expected total assessments over the life of the contract. The significant assumptions in the valuation include mortality rates, lapse rates, discount rates and investment yields. As of March 31, 2022, the liabilities for minimum guarantee benefits for the variable life contracts were 63,392 million yen.

Also, the Company defers acquisition costs that are related directly to the acquisition or renewal of insurance policies to the extent such costs are determined to be recoverable from future profits. Among them, the deferred insurance acquisition costs for non-traditional life insurance contracts such as interest sensitive whole life contracts, individual annuity contracts and other contracts without life contingencies are amortized over the expected life at a constant rate based on the present value of the estimated gross profit. The present value of the estimated gross profit is affected by a number of significant assumptions, including investment yields, mortality rates, lapse rates and discount rates. At March 31, 2022, deferred insurance acquisition costs for non-traditional life insurance contracts were 261,475 million yen.

In addition, as described in Notes 3, 13 and 34, the Company applies shadow accounting which requires a shadow liability adequacy test, in which future insurance policy benefits minus deferred insurance acquisition costs in the consolidated statements of financial position are compared to the valuation of future cash flows on a best-estimate basis as of the end of the reporting period to determine if the future insurance policy benefits are recorded at a sufficient level. The valuation of future cash flows is affected by a number of significant assumptions, including mortality rates, morbidity rates, lapse rates and discount rates. If there is a shortage compared to the valuation of future cash flows on a best-estimate basis at the time, the deferred insurance acquisition costs will be decreased to the extent of the shortage through other comprehensive income. If the deferred insurance acquisition costs are decreased to zero and the shortage remains, the future insurance policy benefits are increased by the remaining shortage through other comprehensive income. As of March 31, 2022, future insurance policy benefits and deferred insurance acquisition costs, the majority of which were subject to the shadow liability adequacy test, were 7,039,034 million yen and 676,526 million yen, respectively. As a result of the shadow liability adequacy test, the Company concluded that there was no shortage and has not reduced the deferred insurance acquisition costs or increased the future insurance policy benefits as of March 31, 2022.

The principal considerations for our determination that performing procedures relating to the valuation of liabilities for future insurance policy benefits and deferred acquisition costs is a critical audit matter are (i) the significant judgment involved by management in developing the aforementioned assumptions, (ii) this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management’s significant assumptions, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of: (i) liabilities for minimum guarantee benefits for certain variable life insurance contracts, (ii) deferred insurance acquisition costs for non-traditional life insurance contracts, and (iii) deferred insurance acquisition costs and future insurance policy benefits related to traditional life insurance contracts under the shadow liability adequacy test ; including controls over the determination of significant assumptions related to mortality rates, morbidity rates, lapse rates, discount rates, and investment yields, and controls over the completeness and accuracy of data used by management to develop the assumptions, such as past claim, lapse, discount rates, and investment yield data. These procedures also included, among others, testing the completeness and accuracy of data used by management to develop the significant assumptions; and considering the reasonableness of the significant assumptions across products, in relation to prior periods, and in relation to management's historical experience or industry knowledge. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the methodology used by management to determine their assumptions and the reasonableness of the aforementioned assumptions used in the valuation of liabilities for minimum guarantee benefits for certain variable life contracts, deferred insurance acquisition costs for non-traditional life insurance contracts, and deferred insurance acquisition costs and future insurance policy benefits related to traditional life insurance contracts under the shadow liability adequacy test, based on industry knowledge and the Company's historical data and experience.

/s/ PricewaterhouseCoopers Aarata LLC
Tokyo, Japan
June 28, 2022

We have served as the Company's auditor since 2006.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Financial Position

	Note	Yen in millions		
		April 1, 2020	**March 31, 2021**	**March 31, 2022**
ASSETS				
Current assets:				
Cash and cash equivalents	27	1,512,523	1,786,982	2,049,636
Investments and advances in the Financial Services segment (including assets pledged that secured parties are permitted to sell or repledge of 54,745 million yen, 98,119 million yen and 94,147 million yen as of April 1, 2020, March 31, 2021 and 2022, respectively)	5, 14	327,092	411,982	360,673
Trade and other receivables, and contract assets	5, 22	1,194,334	1,365,493	1,628,521
Inventories	7	559,779	636,668	874,007
Other financial assets	5	135,482	117,682	149,301
Other current assets	19	441,974	396,210	473,070
Total current assets		4,171,184	4,715,017	5,535,208
Non-current assets:				
Investments accounted for using the equity method	8	204,291	225,086	268,513
Investments and advances in the Financial Services segment (including assets pledged that secured parties are permitted to sell or repledge of 1,059,901 million yen, 1,853,736 million yen and 2,700,603 million yen as of April 1, 2020, March 31, 2021 and 2022, respectively)	5, 14	16,352,285	17,296,546	18,445,088
Property, plant and equipment	9	917,198	990,541	1,113,213
Right-of-use assets	10	373,282	358,034	413,430
Goodwill	11	690,929	726,109	952,895
Content assets	11	992,644	1,062,547	1,342,046
Other intangible assets	11	377,500	391,055	450,103
Deferred insurance acquisition costs	13	187,904	623,986	676,526
Deferred tax assets	25	210,333	215,669	298,589
Other financial assets	5	321,721	695,764	696,306
Other non-current assets	19	167,795	207,489	289,050
Total non-current assets		20,795,882	22,792,826	24,945,759
Total assets		24,967,066	27,507,843	30,480,967

(Continued on the following page.)

Consolidated Statements of Financial Position (Continued)

		Yen in millions		
	Note	April 1, 2020	March 31, 2021	March 31, 2022
LIABILITIES				
Current liabilities:				
Short-term borrowings	5, 14	824,045	1,201,747	1,976,553
Current portion of long-term debt	5, 14	98,923	205,406	171,409
Trade and other payables	5	1,310,536	1,596,563	1,843,242
Deposits from customers in the banking business	5	2,347,387	2,682,156	2,886,361
Income taxes payables		85,346	84,431	106,092
Participation and residual liabilities in the Pictures segment	18	163,007	161,433	190,162
Other financial liabilities	5	56,152	54,341	97,843
Other current liabilities	19	1,263,944	1,367,527	1,488,488
Total current liabilities		6,149,340	7,353,604	8,760,150
Non-current liabilities:				
Long-term debt	5, 14	939,030	1,053,636	1,203,646
Defined benefit liabilities	17	329,621	267,222	254,548
Deferred tax liabilities	25	1,041,156	816,587	696,492
Future insurance policy benefits and other	13	6,519,577	6,614,585	7,039,034
Policyholders' account in the life insurance business	13	3,640,010	4,328,894	4,791,295
Participation and residual liabilities in the Pictures segment	18	119,702	116,537	220,113
Other financial liabilities	5	146,834	139,417	211,959
Other non-current liabilities	19	87,320	93,022	106,481
Total non-current liabilities		12,823,250	13,429,900	14,523,568
Total liabilities		18,972,590	20,783,504	23,283,718
EQUITY				
Sony Group Corporation's stockholders' equity:	20			
Common stock		880,214	880,214	880,365
Additional paid-in capital		1,297,554	1,489,597	1,461,053
Retained earnings		1,949,697	2,914,503	3,760,763
Accumulated other comprehensive income		979,476	1,520,257	1,222,332
Treasury stock, at cost		(232,503)	(124,228)	(180,042)
Equity attributable to Sony Group Corporation's stockholders		4,874,438	6,680,343	7,144,471
Noncontrolling interests		1,120,038	43,996	52,778
Total equity		5,994,476	6,724,339	7,197,249
Total liabilities and equity		24,967,066	27,507,843	30,480,967

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

	Note	Yen in millions Fiscal year ended March 31 2021	 2022
Sales and financial services revenue:			
Sales	22	7,333,670	8,396,702
Financial services revenue	5, 13	1,664,991	1,524,811
Total sales and financial services revenue		8,998,661	9,921,513
Costs and expenses:			
Cost of sales	7, 17, 23	5,065,879	5,845,804
Selling, general and administrative	17, 23	1,473,154	1,588,473
Financial services expenses	5, 13, 17	1,501,674	1,374,037
Other operating (income) expense, net	23, 31	14,250	(65,494)
Total costs and expenses		8,054,957	8,742,820
Share of profit (loss) of investments accounted for using the equity method	8	11,551	23,646
Operating income		955,255	1,202,339
Financial income	24	83,792	19,304
Financial expenses	24	41,082	104,140
Income before income taxes		997,965	1,117,503
Income taxes	25	(45,931)	229,097
Net income		1,043,896	888,406
Net income attributable to			
Sony Group Corporation's stockholders		1,029,610	882,178
Noncontrolling interests		14,286	6,228

	Note	Yen Fiscal year ended March 31 2021	 2022
Per share data:	26		
Net income attributable to Sony Group Corporation's stockholders			
— Basic		836.75	711.84
— Diluted		823.77	705.16

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	Note	Yen in millions	
		Fiscal year ended March 31	
		2021	2022
Net income		1,043,896	888,406
Other comprehensive income, net of tax —	20		
Items that will not be reclassified to profit or loss			
Changes in equity instruments measured at fair value through other comprehensive income		144,740	(106,426)
Remeasurement of defined benefit pension plans		11,555	33,641
Share of other comprehensive income of investments accounted for using the equity method		87	577
Items that may be reclassified subsequently to profit or loss			
Changes in debt instruments measured at fair value through other comprehensive income		(205,549)	(416,904)
Cash flow hedges		51	4,735
Insurance contract valuation adjustments		(3,120)	599
Exchange differences on translating foreign operations		115,321	226,275
Share of other comprehensive income of investments accounted for using the equity method		798	1,501
Total other comprehensive income, net of tax		63,883	(256,002)
Comprehensive income		1,107,779	632,404
Comprehensive income attributable to			
Sony Group Corporation’s stockholders		1,118,628	623,678
Noncontrolling interests		(10,849)	8,726

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Stockholders' Equity

	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
		Yen in millions							
Balance at April 1, 2020		880,214	1,297,554	1,949,697	979,476	(232,503)	4,874,438	1,120,038	5,994,476
Comprehensive income:									
Net income				1,029,610			1,029,610	14,286	1,043,896
Other comprehensive income, net of tax	20				89,018		89,018	(25,135)	63,883
Total comprehensive income				1,029,610	89,018		1,118,628	(10,849)	1,107,779
Transfer to retained earnings				5,472	(5,472)		—		—
Transactions with stockholders and other:									
Exercise of stock acquisition rights			(354)	(735)		18,074	16,985		16,985
Conversion of convertible bonds			(3,671)	(8,198)		89,402	77,533		77,533
Stock-based compensation			1,577				1,577		1,577
Dividends declared (50.00 yen per share)				(61,343)			(61,343)	(12,996)	(74,339)
Purchase of treasury stock						(366)	(366)		(366)
Reissuance of treasury stock			354			1,165	1,519		1,519
Transactions with noncontrolling interests shareholders and other	20		194,137		457,235		651,372	(1,052,197)	(400,825)
Balance at March 31, 2021		880,214	1,489,597	2,914,503	1,520,257	(124,228)	6,680,343	43,996	6,724,339

	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
		Yen in millions							
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				882,178			882,178	6,228	888,406
Other comprehensive income, net of tax	20				(258,500)		(258,500)	2,498	(256,002)
Total comprehensive income				882,178	(258,500)		623,678	8,726	632,404
Transfer to retained earnings				39,425	(39,425)		—		—
Transactions with stockholders and other:									
Issuance of new shares		151	151				302		302
Exercise of stock acquisition rights			547			12,785	13,332		13,332
Conversion of convertible bonds			(2,805)	(958)		18,278	14,515		14,515
Stock-based compensation			6,643				6,643		6,643
Dividends declared (60.00 yen per share)				(74,385)			(74,385)	(4,955)	(79,340)
Purchase of treasury stock	20					(88,624)	(88,624)		(88,624)
Reissuance of treasury stock			1,544			1,747	3,291		3,291
Transactions with noncontrolling interests shareholders and other			(34,624)				(34,624)	5,011	(29,613)
Balance at March 31, 2022		880,365	1,461,053	3,760,763	1,222,332	(180,042)	7,144,471	52,778	7,197,249

The accompanying notes are an integral part of these statements.

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

	Note	Yen in millions Fiscal year ended March 31 2021	 2022
Cash flows from operating activities:			
Income before income taxes		997,965	1,117,503
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization, including amortization of contract costs		687,373	835,233
Amortization of deferred insurance acquisition costs		44,738	69,237
Other operating (income) expense, net	23	14,250	(65,494)
(Gain) loss on securities, net (other than Financial Services segment)	24	(62,704)	60,402
Share of profit of investments accounted for using the equity method, net of dividends		(5,012)	(13,934)
Change in future insurance policy benefits and other		358,666	458,880
Change in policyholders' account in the life insurance business, less cash impact		558,539	238,309
Net cash impact of policyholders' account in the life insurance business		134,299	227,262
Changes in assets and liabilities:			
Increase in trade receivables and contract assets		(137,939)	(171,094)
Increase in inventories		(56,509)	(194,624)
Increase in investments and advances in the Financial Services segment		(1,901,928)	(1,529,665)
Increase in content assets		(325,664)	(489,617)
Increase in deferred insurance acquisition costs		(98,122)	(117,337)
Increase in trade payables		288,854	126,989
Increase in deposits from customers in the banking business		333,075	230,236
Increase in borrowings in the life insurance business and the banking business		462,751	905,139
Increase in other financial assets and other current assets		(9,703)	(17,681)
Increase in other financial liabilities and other current liabilities		23,906	66,407
Income taxes paid	25	(102,732)	(269,885)
Other		(63,886)	(232,623)
Net cash provided by operating activities		1,140,217	1,233,643

(Continued on the following page.)

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

		Yen in millions	
		Fiscal year ended March 31	
	Note	2021	2022
Cash flows from investing activities:			
Payments for property, plant and equipment and other intangible assets		(477,931)	(441,096)
Proceeds from sales of property, plant and equipment and other intangible assets		15,893	11,409
Payments for investments and advances (other than Financial Services segment)		(103,351)	(91,082)
Proceeds from sales or return of investments and collections of advances (other than Financial Services segment)		20,352	16,081
Payments for purchases of businesses		(15,260)	(277,618)
Proceeds from sales of businesses		3,151	64,609
Other		(6,764)	(11,083)
Net cash used in investing activities		(563,910)	(728,780)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	14, 27	(18,334)	408
Proceeds from issuance of long-term debt	14, 27	236,935	31,458
Payments of long-term debt	14, 27	(89,918)	(194,562)
Proceeds from issuance of short-term borrowings in connection with payment for purchase of noncontrolling interest in Sony Financial Group Inc.		396,500	—
Payments of short-term borrowings in connection with payment for purchase of noncontrolling interest in Sony Financial Group Inc.		(396,500)	—
Dividends paid		(61,288)	(74,342)
Payments for purchases of treasury stock	20	(366)	(88,624)
Payment for purchase of noncontrolling interest in Sony Financial Group Inc.	20	(396,698)	—
Other		(8,864)	(10,916)
Net cash used in financing activities		(338,533)	(336,578)
Effect of exchange rate changes on cash and cash equivalents		36,685	94,369
Net increase in cash and cash equivalents		274,459	262,654
Cash and cash equivalents at beginning of the fiscal year	27	1,512,523	1,786,982
Cash and cash equivalents at end of the fiscal year	27	1,786,982	2,049,636

The accompanying notes are an integral part of these statements.

Index to Notes to Consolidated Financial Statements

Sony Group Corporation and Consolidated Subsidiaries

Page

Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Sony Group Corporation and Consolidated Subsidiaries

1. Reporting entity

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

2. Basis of preparation

Compliance with International Financial Reporting Standards

The consolidated financial statements of Sony have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The term "IFRS" also includes International Accounting Standards (IASs) and the related interpretations of the interpretations committees (Standard Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC)).

Sony adopted IFRS for the first time this fiscal year (commencing on April 1, 2021 and ending on March 31, 2022), and so the annual consolidated financial statements for this fiscal year are the first ones prepared in conformity with IFRS. The date of Sony's transition to IFRS is April 1, 2020. Sony has adopted IFRS 1 "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1") for the transition to IFRS.

The effect of the transition to IFRS on Sony's financial position, results of operations and cash flows is presented in Note 34.

Approval of consolidated financial statements

The consolidated financial statements were approved by Kenichiro Yoshida, Chairman, President and Chief Executive Officer and Representative Corporate Executive Officer, and Hiroki Totoki, Executive Deputy President and Chief Financial Officer and Representative Corporate Executive Officer, on June 28, 2022.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for items such as financial instruments measured at fair value as separately described in Note 3.

Functional currency and presentation currency

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

Information about judgments that have been made in the process of applying accounting policies that have significant effects on the amounts reported in the consolidated financial statements is as follows:

- Classification of financial instruments (Note 3 I (5))

Information about accounting estimates and assumptions that have significant effects on the amounts reported in the consolidated financial statements is as follows:

- Fair value of financial instruments (Note 3 I (5) and (15) and Note 5)
- Impairment of non-financial assets (Note 3 I (10) and Note 12)
- Measurement of deferred insurance acquisition costs, future insurance policy benefits, and policyholders' account in the life insurance business (Note 3 I (11) and Note 13)
- Measurement of film costs and participation and residual liabilities in the Pictures segment (Note 3 I (9) and (12), Note 11, and Note 18)
- Recoverability of deferred tax assets (Note 3 I (23) and Note 25)
- Measurement of fair value of assets acquired and liabilities assumed in business combinations (Note 3 I (2) and Note 30)

3. *Summary of significant accounting policies*

I. *Significant accounting policies*

(1) Basis of consolidation -

i) Subsidiaries

A subsidiary is an entity controlled by Sony Group Corporation. Control is obtained when Sony Group Corporation is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of Sony from the date on which control is obtained until the date on which control is lost.

All intercompany transactions and receivables and payables are eliminated in the preparation of the consolidated financial statements.

If any accounting policies applied by a subsidiary differ from those applied by Sony, adjustments are made to the financial statements of the subsidiary as necessary.

Any changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration is directly recognized in equity and attributed to the owners of Sony. When control over a subsidiary is lost, the investment retained in the former subsidiary is remeasured at fair value as of the date when control is lost, and any gain or loss resulting from the loss of control is recognized in profit or loss.

ii) Associates and joint ventures

An associate is an entity over which Sony has significant influence, but does not have control or joint control, in terms of financial and operating policies.

A joint venture is an investee whereby two or more parties including Sony have the rights to the net assets of the investee in accordance with the terms of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method from the date on which significant influence or joint control is obtained until the date on which significant influence or joint control is lost. Under the equity method, investments in associates and joint ventures are recognized at cost, adjusted for Sony's share of the profit or loss and other comprehensive income of the associates and joint ventures from the date on which Sony obtains significant influence or joint control to the date on which Sony loses such significant influence or joint control. Sony recognizes its share of profit or loss of the investees, net of income taxes after the elimination of unrealized intercompany profits, in the consolidated operating income (loss) to the extent of Sony's interest in these entities.

For investments accounted for using the equity method, the carrying amount of each investment is tested for impairment as a single asset, when there is objective evidence that the investments may be impaired.

If any accounting policies applied by an associate or a joint venture differ from those applied by Sony, adjustments are made to the financial statements of the associate or the joint venture as necessary.

When an investment ceases to be an associate or a joint venture and the use of the equity method is discontinued, any gain or loss arising from discontinuation of the equity method is recognized in profit or loss.

iii) Joint operations

A joint operation is a joint arrangement whereby two or more parties including Sony have the rights to the assets, and obligations for the liabilities, relating to the investee in accordance with the terms of the joint arrangement.

Sony recognizes its share of the assets, liabilities, revenue and expenses related to joint operations.

iv) Structured entities

A structured entity is an entity designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

Sony has control and, therefore, consolidates a structured entity when Sony has exposure or rights to variable returns and has the ability to use its power over the structured entity to affect returns.

(2) Business combinations -

Sony recognizes identifiable assets acquired and the liabilities assumed of an acquiree at their fair values at the acquisition date with limited exceptions.

Sony recognizes goodwill when the aggregate of the consideration transferred in a business combination, the amount of any non-controlling interests in the acquiree and the fair value of Sony's previously held equity interest in the acquiree exceeds the net amount of the identifiable assets and liabilities of the acquiree at the acquisition date. If the aggregate above is less than the net amount of identifiable assets and liabilities, the difference is recognized as a gain. The consideration transferred is calculated as the sum of the fair values of the assets transferred, liabilities assumed and equity interest issued. Non-controlling interests are measured either at fair value or based on the non-controlling interests' proportionate share of the acquiree's net identifiable assets for each business combination transaction.

Acquisition-related costs are recognized as expenses in the period they are incurred.

(3) Foreign currency translation -

i) Foreign currency transactions

Foreign currency transactions are translated at the exchange rates prevailing at the transaction date or rates that approximate such rates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the end of the period. Foreign exchange gains and losses resulting from translation and settlement are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges.

ii) Foreign operations

Assets and liabilities of foreign operations such as overseas subsidiaries and associates are translated using the exchange rates at the end of the period, and revenue and expense items are translated using the average exchange rates for the period unless the exchange rates fluctuate significantly. Exchange differences arising from the translation are recognized in other comprehensive income.

On the disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation is reclassified to profit or loss.

(4) Cash and cash equivalents -

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) Financial instruments -

Sony recognizes a financial instrument as a financial asset or a financial liability when Sony becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Except for financial assets and financial liabilities measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability are added to the fair value of financial assets or subtracted from the fair value of financial liabilities at initial recognition.

i) Non-derivative financial assets

a. Classification and measurement

Non-derivative financial assets held by Sony are classified as financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

Financial assets measured at amortized cost

Sony classifies a financial asset as measured at amortized cost if the financial asset is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial asset is measured at amortized cost by using the effective interest method after initial recognition. On derecognition of a financial asset measured at amortized cost, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss.

Debt instruments measured at fair value through other comprehensive income

A debt instrument is classified as a financial asset measured at fair value through other comprehensive income if the debt instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Changes in the fair value of the financial asset after initial recognition, except for impairment gains or losses and foreign exchange gains or losses, are recognized in other comprehensive income. Interest income from these financial assets is recognized in profit or loss using the effective interest method. On derecognition of a debt instrument measured at fair value through other comprehensive income, the cumulative amount previously recognized in other comprehensive income is reclassified to profit or loss.

In the life insurance business, the financial assets are held mainly from the perspective of asset-liability management ("ALM"). The objective of holding financial assets in the life insurance business is to match the interest rate sensitivity (duration) of financial assets and insurance contract liabilities (which mainly consist of future insurance policy benefits and the policyholders' account in the life insurance business) as much as possible, in order to ensure sufficient cash flows are available to settle insurance claims when they come due. Sony manages these assets as one portfolio, based on the overall objective of managing duration and liquidity needs in a capital efficient manner. While some assets within the portfolio may be held for a longer period of time, Sony considers, because of its overall objective for these assets, that all the financial assets are held within one business model whose objective is achieved by both collecting cash flows and selling financial assets.

Equity instruments measured at fair value through other comprehensive income

For investments in equity instruments which are not held for trading, Sony may make an irrevocable election at initial recognition to present subsequent changes in fair value of the investments in other comprehensive income.

These financial assets are measured at fair value and subsequent changes in the fair value are recognized in other comprehensive income. Dividends from financial assets are recognized in profit or loss, and the cumulative amount recognized in other comprehensive income is transferred to retained earnings upon derecognition.

Financial assets measured at fair value through profit or loss

Financial assets other than those measured at amortized cost or fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss include financial assets held for trading.

In the life insurance business, investments held for variable annuities and variable life insurance contracts mainly consist of equity securities, debt securities and investment funds, which are measured at fair value through profit or loss.

For certain financial assets that would not normally be measured at fair value through profit or loss, Sony may, at initial recognition, choose the irrevocable option to measure such financial assets at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch.

Sony has made the irrevocable election for some of the fixed-rate debt securities held by a subsidiary in the banking business as mentioned above. In relation to such debt securities, Sony utilizes derivatives to hedge the risk arising from the changes in the fair value of the debt securities due to unfavorable fluctuations of interest rates. Thus, this election is made to mitigate accounting mismatches derived from the changes in the fair value of the debt securities and derivatives used as hedging instruments by recognizing gains and losses from the changes in the fair value of the debt securities in profit or loss.

b. Derecognition

Sony derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when Sony transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all of the risks and rewards of the financial asset.

c. Impairment

Sony estimates expected credit losses and recognizes loss allowances for financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income. At each reporting date, Sony measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, Sony measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. In assessing whether the credit risk has increased significantly or not, Sony uses the change in the risk of a default occurring over the expected life of the financial instrument and estimates expected credit losses by using the method which reflects the past loss rate and other reasonable and supportable forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Sony measures the expected credit losses of a financial asset in a way that reflects an unbiased and probability-weighted amount incorporating the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

However, for trade and other receivables, and contract assets including non-current other receivables in the Pictures segment, the loss allowance is measured at an amount equal to lifetime expected credit losses irrespective of the change of credit risk on a collective basis or an individual basis incorporating factors such as the past-due status and the attributes of the counterparties.

Sony determines a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The criteria that Sony uses to determine that a financial asset is credit-impaired include a default or delinquency of more than 90 days past due in interest or principal payments.

Sony writes off the gross carrying amount of a financial asset when it cannot reasonably expect to recover all or part of the asset.

Debt securities and housing loans in the Financial Services segment

The expected credit losses for debt securities and housing loans in the Financial Services segment are the product of the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), by leveraging the Basel III regulatory framework or based on the external information published by major credit rating agencies. Forward-looking economic information is also included in determining the PD.

Assessments on significant increases in credit risk are performed at the reporting date by comparing the risk of default occurring with that at initial recognition. Sony recognizes and measures the expected credit losses on a collective basis or an individual basis using reasonable and supportable information that is available without undue cost or effort, such as asset type, credit ratings, collateral collectability, past-due status and other relevant characteristics of financial instruments.

In addition, Sony has applied the low credit risk exemption for certain debt securities rated "investment grade" by major credit rating agencies at the reporting date. For such instruments, Sony assumes that the credit risk has not increased significantly since initial recognition.

If contractual terms of a loan have been modified, it is necessary to recalculate the gross carrying amount of that loan by using the original effective interest rate and recognize a modification gain or loss in profit or loss.

ii) Non-derivative financial liabilities

Sony classifies non-derivative financial liabilities as either financial liabilities subsequently measured at amortized cost by using the effective interest method or financial liabilities measured at fair value through profit or loss.

Sony derecognizes a financial liability when it is extinguished, meaning when the obligation specified in the contract is discharged, cancelled or expired.

iii) Derivative financial instruments and hedge accounting

All derivatives are recognized as either assets or liabilities in the consolidated statements of financial position at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically through profit or loss or other comprehensive income, depending on whether the derivative financial instrument qualifies as a hedge and the derivative is being used to hedge changes in cash flows.

Derivative financial instruments held by Sony are accounted for as described below.

Cash flow hedges

Changes in the fair value of derivatives that are designated and determined to be effective as cash flow hedges for forecasted transactions or exposures associated with recognized assets or liabilities are initially recorded in other comprehensive income and reclassified to profit or loss when the hedged transaction affects profit or loss. Changes in the fair value of the ineffective portion are immediately recognized in profit or loss.

Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are immediately recognized in profit or loss.

Assessment of hedge effectiveness

When applying hedge accounting, Sony formally documents all hedging relationships between the derivatives designated as hedges and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging activities. Sony links all hedges that are designated as cash flow hedges to specific assets or liabilities in the consolidated statements of financial position or to the specific forecasted transactions. Sony also assesses, both at the inception of the hedge and on an on-going basis, whether the derivatives that are designated as hedges have an economic relationship with the hedged item in offsetting changes in fair value or cash flows of hedged items. The effect of credit risk does not dominate the value changes that result from the underlying economic relationship. In addition, the hedge ratio of the hedging relationship is designed to be the same as that resulting from the quantity of the hedged item that Sony actually hedges and the quantity of the hedging instrument that Sony actually uses to hedge that quantity of the hedged item. When it is determined that a derivative no longer has an economic relationship with the hedged item, Sony discontinues hedge accounting.

iv) Offsetting a financial asset and a financial liability

Sony offsets a financial asset and a financial liability and presents the net amount in the consolidated statements of financial position when Sony currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(6) Inventories -

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined on the "weighted average cost" basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, plant and equipment and depreciation -

Sony has adopted the cost model for the measurement of property, plant and equipment and presents an item of property, plant and equipment at its cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes any costs directly attributable to the acquisition of the asset as well as costs of its dismantlement, removal or restoration. Property, plant and equipment are depreciated on a straight-line basis over their useful lives (depreciation period ranging from 2 to 50 years for buildings and from 2 to 10 years for machinery and equipment). Sony reviews the residual values and the useful lives at each fiscal year-end, or sooner if circumstances require.

(8) Leases -

When entering into a contract, Sony determines whether an arrangement contains a lease at its inception. An arrangement contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Assets and liabilities recognized from leases are included in right-of-use (“ROU”) assets, the current portion of long-term debt, and long-term debt in Sony’s consolidated statements of financial position.

ROU assets represent Sony’s right to use an underlying asset for the lease term and lease liabilities represent Sony’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. ROU assets also include any lease payments and initial direct costs incurred on or before the commencement date and exclude lease incentives. In determining the present value of lease payments, Sony generally uses its incremental borrowing rate, as the implicit rate is not available for most of its leases. Sony determines its incremental borrowing rate based on the estimated rate of interest for collateralized borrowings, taking into account the lease term and the economic conditions of each country or region at commencement date. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Sony will exercise that option. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or the purchase option is reasonably certain to be exercised, Sony depreciates the ROU assets from the commencement date to the end of the useful life of the underlying assets. Otherwise, Sony depreciates the ROU assets from the commencement date to the earlier of the end of the useful life of the ROU assets or the end of the lease term. Sony accounts for the lease and non-lease components as a single lease component. Sony has applied the short-term lease exception for leases with a term of one year or less, where ROU assets and lease liabilities are not recognized and the expense is recognized on a straight-line basis.

(9) Intangible assets and amortization, including content assets -

Intangible assets are measured using the cost model and stated at cost less accumulated amortization and impairment losses. Intangible assets acquired separately are initially recognized at cost.

Intangible assets with finite useful lives mainly consist of patent rights, know-how, license agreements, customer relationships, trademarks, software, television carriage contracts (broadcasting agreements), film costs, broadcasting rights, music catalogs, artist contracts and music distribution rights. Patent rights, know-how, license agreements, trademarks and software are generally amortized on a straight-line basis over 3 to 10 years. Customer relationships, television carriage contracts (broadcasting agreements), music catalogs, artist contracts and music distribution rights are generally amortized on a straight-line basis, over 10 to 44 years. Film costs are amortized using an ultimate revenue method based on the ratio of current period actual revenues to the estimated remaining total revenues. Sony considers that amortization pursuant to the ultimate revenue method reflects the rate at which it plans to consume the future economic benefits related to the asset, and there is a high correlation between revenue and the consumption of the economic benefits embodied in the intangible assets. Broadcasting rights are generally amortized based on estimated usage or on a straight-line basis over the useful life.

Amortization of intangible assets is included in cost of sales and selling, general and administrative expenses in the consolidated statements of income. Certain intangible assets are assessed to have indefinite lives because there is no foreseeable limit to the period over which such assets are expected to generate net cash flows for Sony.

Film costs, broadcasting rights, music catalogs, artist contracts, music distribution rights and other content assets are collectively classified and presented as content assets in the consolidated statements of financial position. Film costs include direct production costs, production overhead and acquisition costs for both motion picture and television productions. Broadcasting rights, consisting of acquired programming to be aired on Sony’s television and digital networks, are recognized when the license period begins and the program is available for use. Music catalogs are exclusive rights to the recorded music master or music copyrights, which consist of melodies and lyrics of songs, that can be exploited and marketed in various markets. Artist contracts are contracts with recorded music artists or songwriters that provide Sony with exclusive rights to musical works. Music distribution rights are agreements to distribute music content owned by third parties.

(10) Impairment of non-financial assets -

Sony reviews the recoverability of its non-financial assets, except for inventories, contract costs and deferred tax assets, whenever there is any indication that an asset or a cash-generating unit (“CGU”) may be impaired. In addition, an annual impairment test for goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use is performed during the fourth quarter of the fiscal year for each CGU or group of CGUs to which the carrying amount of these assets is allocated.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is allocated to each CGU or group of CGUs that is expected to benefit from the synergies of a business combination. A CGU or group of CGUs to which goodwill is allocated is not larger than an operating segment.

The recoverable amount of an asset, a CGU or group of CGUs is the higher of its value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. This approach uses significant estimates and assumptions, including estimated future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, earnings or revenue multiples, the determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. The assumptions used for estimated future cash flows and the timing of such cash flows for each CGU are generally based on the three-year mid-range plan (“MRP”) and take into account such factors as historical experience, market and industry information, and current and forecasted economic conditions. Perpetual growth rates are generally utilized to determine a terminal value and are generally set after the three-year forecasted period for the MRP.

If the recoverable amount is determined to be less than the carrying amount of a CGU or group of CGUs, an impairment loss would be recognized equal to the amount by which the carrying amount exceeds the recoverable amount. Such impairment losses are recognized by first reducing the carrying amount of any allocated goodwill and then are allocated to the other assets of the CGU on a pro rata basis of the carrying amount of each asset in the CGU. Impairment losses except for content assets are included in other operating (income) expense, net, and impairment losses for content assets are included in cost of sales in the consolidated statements of income.

Assets other than goodwill are reviewed to assess whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is determined and a reversal of an impairment loss is recognized when the recoverable amount of the asset exceeds the carrying amount. Any increase in the carrying amount of an asset attributable to the reversal of an impairment loss does not exceed the carrying amount of the asset, net of depreciation and amortization, which would have been determined if an impairment loss had never been recognized for the asset in prior periods.

(11) Insurance-related accounts -

In accordance with Sony’s first time adoption of IFRS 4 “Insurance Contracts” (“IFRS 4”) on April 1, 2020, insurance contracts are recognized and measured according to the same accounting principles previously applied under generally accepted accounting principles in the United States (“U.S. GAAP”).

i) Deferred insurance acquisition costs

Costs that vary with and are directly related to the acquisition or renewal of insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs include such items as commissions, medical examination costs and inspection report fees, and are subject to recoverability testing at least annually to ensure that the capitalized amounts do not exceed the present value of anticipated gross profits or premiums less benefits and maintenance expenses, as applicable. The deferred insurance acquisition costs for traditional life insurance contracts are amortized over the premium-paying period of the related insurance policies using assumptions consistent with those used in computing future insurance policy benefits. The deferred insurance acquisition costs for non-traditional life insurance contracts are amortized over the expected life at a constant rate based on the present value of the estimated gross profit. Investment yields, mortality rates, lapse rates and discount rates are used as important assumptions for the present value of the estimated gross profit.

ii) Future insurance policy benefits

Liabilities for future insurance policy benefits are primarily comprised of the present value of estimated future payments to policyholders. These liabilities are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity rates, mortality rates, lapse rates and other factors. These assumptions are reviewed on a periodic basis. Liabilities for future policy benefits include the liabilities for the minimum guarantee benefits of variable annuities and variable life insurance contracts.

iii) Policyholders' account in the life insurance business

Liabilities for policyholders' account in the life insurance business represent the contract value that has accrued to the benefit of the policyholders as of the end of the reporting period. This liability is generally equal to the accumulated account deposits, plus interest credited, less policyholder withdrawals and other charges assessed against the account balances. Liabilities for policyholders' account in the life insurance business include the liabilities related to the variable annuities and variable life insurance contracts with minimum guarantee benefits.

iv) Insurance-related accounts measured at fair value

Sony measures at fair value certain future insurance policy benefits and policyholders' account in the life insurance business. The fair value measurement mitigates accounting mismatches related to the changes in the fair value between liabilities for those future insurance policy benefits and policyholders' account due to changes in the minimum guarantee risk of contracts of variable annuities with minimum guarantee benefits, and the underlying investment managed for policyholders and derivatives entered into related to such investments. Changes in fair value resulting from changes in instrument-specific credit risk were estimated by incorporating the certain subsidiary's current credit spreads, and are recognized in other comprehensive income, net of tax. The amount recognized in other comprehensive income is reclassified to profit or loss when the insurance contract liabilities are derecognized.

v) Shadow accounting in the life insurance business

When holding financial assets that are measured at fair value through other comprehensive income and which correspond to insurance contract liabilities, shadow accounting is applied to evaluate insurance-related accounts as if the financial assets were sold as of the end of reporting period and realized valuation gains or losses for the purpose of reducing the accounting mismatches between the insurance contract liabilities and the financial assets.

Sony performs a shadow liability adequacy test on life insurance contracts quarterly. In a shadow liability adequacy test, mainly, future insurance policy benefits minus deferred insurance acquisition costs in the consolidated statements of financial position are compared to the valuation of future cash flow on a best-estimate basis as of the end of reporting period to determine that the future insurance policy benefits are recorded at a sufficient level. If there is a shortage compared to the valuation of future cash flows on a best-estimate basis at the time, the deferred insurance acquisition costs will be decreased to the extent of the shortage through other comprehensive income. If the deferred insurance acquisition costs are decreased to zero and the shortage remains, the future insurance policy benefits are increased by the remaining shortage through other comprehensive income.

Shadow accounting is an accounting treatment that affects the measurement of the insurance-related accounts in response to unrealized gains or losses recognized for the assets in a manner consistent with realized gains or losses. When the gains or losses from the assets are recognized in other comprehensive income, the fluctuations in the carrying amount of insurance-related accounts are also recognized in other comprehensive income.

(12) Provisions -

Provisions are recognized when Sony has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations.

Provisions mainly consist of participation and residual liabilities in the Pictures segment and product warranties.

i) Participation and residual liabilities in the Pictures segment

Parties involved in the production or exploitation of film and television content may be compensated in part by contingent payments based on the financial results of a film or television show pursuant to contractual formulas (participations) and by contingent amounts due under provisions of collective bargaining agreements (residuals). Such parties are collectively referred to as participants, and such costs are referred to collectively as participation and residual costs. Participation and residual costs may be given to creative talent, such as actors or writers, investors or to entities from whom distribution rights are licensed.

Participation and residual liabilities are accrued based on the ratio of current period actual revenues to the estimated remaining total revenues. The participation and residual liabilities are expected to be relieved when the contingent payments are fixed and paid. The majority of the non-current portion of participation and residual liabilities is expected to be paid within the next 10 years.

Sony also enters into arrangements with other studios to jointly produce and distribute films, under which each partner is responsible for the distribution of the film in specific territories or distribution windows. The partners' shares in the profits and losses of the films under these arrangements are included within participation and residual costs.

ii) Product warranties

Sony issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. Product warranties are calculated based upon product sales, estimated probability of failure and estimated cost per claim. The estimates and forecasts used in the calculation of product warranties are reviewed on a periodic basis.

(13) Employee benefits -

i) Post-employment benefits

Sony adopts defined benefit plans and defined contribution plans.

Defined benefit plans

Sony recognizes the net defined benefit liability or asset of defined benefit plans in the consolidated statements of financial position as the amount of the present value of defined benefit obligations less the fair value of plan assets.

The present value of defined benefit obligations is calculated by discounting the expected future benefit, and service costs are determined by using the projected unit credit method. If the fair value of plan assets is in excess of the present value of defined benefit obligations, the amount of any asset to be recognized is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. The discount rate is determined by reference to market yields at each fiscal year-end on high-quality corporate bonds which have approximately the same term as the defined benefit obligations and are payable in the same currency as the benefit payments. Net interest on the net defined benefit liability or asset is calculated by multiplying the net defined benefit liability or asset by the discount rate.

Past service cost, which is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment, is recognized in profit or loss.

Remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income when they occur and transferred to retained earnings immediately.

Defined contribution plans

Sony recognizes contributions to defined contribution plans as expenses when employees have rendered related services.

ii) Short-term employee benefits

Sony recognizes short-term employee benefits, such as salaries, bonuses and annual paid absences, as expenses at the amount expected to be paid in exchange for services when employees have rendered such services.

(14) Stock-based compensation -

i) Stock option plan

Sony estimates the cost of stock options at their fair value on the grant date and recognizes the expense over the vesting period with a corresponding increase in equity. The fair value of options granted is calculated using the Black-Scholes option-pricing model with consideration for terms and conditions of the stock options.

ii) Restricted stock plan

Sony estimates the cost of restricted stock compensation by the fair value of the stock granted on the grant date and recognizes the expense over the vesting period with a corresponding increase in equity.

(15) Fair value measurement -

Sony measures fair value as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

Sony determines a hierarchy of inputs to valuation techniques based on the extent to which inputs used in measuring fair value are observable in the market. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect assumptions which Sony developed using the information that market participants would use in pricing the asset or liability. Observable market data is used if such data is available without undue cost and effort. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

Level 1 — Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 — Inputs are based on observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3 — One or more significant inputs are unobservable.

When available, Sony uses unadjusted quoted market prices in active markets to measure fair value and classifies such items within Level 1. If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Items valued using internally generated models are classified according to the lowest level input that is significant to the valuation. For certain financial assets and liabilities, Sony determines fair value using third-party information such as indicative quotes from dealers and quantitative input from investment advisors following Sony's established valuation procedures including validation against internally developed prices. Additionally, Sony considers both counterparty credit risk and Sony's own creditworthiness in determining fair value. Sony attempts to mitigate credit risk to third parties by entering into netting agreements and actively monitoring the creditworthiness of counterparties and its exposure to credit risk through the use of credit limits and by selecting major international banks and financial institutions as counterparties.

Transfers between levels are deemed to have occurred at the beginning of the interim period in which the transfers occur.

(16) Revenue recognition -

Sony recognizes revenue in an amount that reflects the consideration Sony expects in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers. This is in accordance with the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) Sony satisfies a performance obligation.

Sony owns a variety of intellectual property throughout its segments and recognizes revenue through the licensing of such intellectual property. Sony licenses rights to use its intellectual property and rights to access its intellectual property. When Sony grants a customer the right to use Sony’s intellectual property, Sony satisfies its performance obligation at the point in time when the customer obtains control and is entitled to benefit from the license. When Sony grants a customer the right to access Sony’s intellectual property, Sony satisfies its performance obligation over the license period.

Incremental costs of obtaining a contract and costs to fulfill a contract are recognized as assets when Sony expects to recover these costs. The incremental costs of obtaining a contract are those costs that would not have been incurred if the contract had not been obtained. Costs to fulfill a contract are those costs that are directly related to a contract or to an anticipated contract and that generate or enhance resources for Sony to satisfy its performance obligations. Sony applies a practical expedient and recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

Performance obligations in contracts for the Electronics Products & Solutions (“EP&S”) and Imaging & Sensing Solutions (“I&SS”) segments are primarily to deliver various kinds of electronic equipment, instruments and devices to customers. Revenues from these performance obligations are generally recognized when a promised good is delivered to a customer. However, if the sales contract contains a customer acceptance provision, then revenues are recognized when the customer accepts the promised good or when a deemed acceptance occurs by the lapse of time. Revenues are also recognized over time, primarily from the provision of internet broadband network services to subscribers over the subscription period. Revenues are recognized net of anticipated returns and sales incentives.

Within the Game & Network Services (“G&NS”) segment, revenues from hardware, peripherals and software discs are recognized when performance obligations are satisfied by transferring control to the retailer/distributor, net of anticipated returns, sales incentives and cooperative advertising obligations. Revenues from platform licensing to publishers are recognized when physical software discs are delivered. Revenues from digital game content, which is a right to use Sony’s intellectual property, are recognized when the digital content is made available for use by the licensee via an online platform, net of anticipated sales incentives and credit card chargebacks. Revenues from digital game content involving multiple performance obligations, such as obligations to make content available on future dates, are allocated to each performance obligation based on the relative standalone selling prices that are observable in the market or Sony’s best estimate. Revenues from subscription fees for digital subscription services are recognized over the subscription period.

Within the Music segment, Sony licenses intellectual property that transfer to a customer either a right to use Sony’s intellectual property, or a right to access Sony’s intellectual property. Revenues are recognized when the customer has the right to use or access the intellectual property and obtains control of the use or access of that license. Digital revenues include revenues from contracts with digital streaming services typically recognized as a single performance obligation, which is ongoing access to intellectual property in an evolving library of content over the contract term, predicated on: (1) the business practice and contractual ability to remove specific content without a requirement to replace the content and without impact to minimum royalty guarantees and (2) the contracts not containing a specific listing of content subject to the license. For these contracts, revenues are recognized based on sales and usage royalties, except where there is a minimum royalty guarantee that is not expected to be recouped, or a fixed fee, which is recognized on a straight-line basis over the term of the contract. Revenues from the sale of physical products such as CDs, net of anticipated returns and sales incentives, are recognized when delivery has occurred and the product is available for sale to the public.

Within the Pictures segment, revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of motion picture and television programming for pay and free television exhibition and other markets are recognized when the product is available for use by the licensee. Revenues for motion picture and television program licensing arrangements involving multiple performance obligations, for example a fee for multiple titles, territories or availability dates, are allocated based on the relative standalone selling price of each performance obligation using Sony's best estimate based on available information such as market conditions and internal pricing guidelines. Each individual motion picture or television programming product delivered generally represents a separate performance obligation. Licensing revenue associated with certain renewals or extensions of existing agreements for motion pictures and television programming is recognized when the licensee can use and benefit from the content under the renewal or extension. Licensing revenue associated with minimum guarantees for a right to access Sony's intellectual property is recognized ratably over the license term. For home entertainment distribution, revenues from the sale of physical products such as DVDs and Blu-ray Disc™, net of anticipated returns and sales incentives, are recognized when delivery has occurred and the product is available for sale to the public. Revenues from electronic sell-through and video-on-demand are recognized when the product is made available for viewing via digital distribution platforms. Revenues from the sale of broadcast advertising are recognized when the advertisement is aired, and the performance obligation in these arrangements is the delivery of advertising spots and may include a guaranteed amount of impressions. When a guarantee for a number of impressions is not achieved, revenues are not recognized until additional advertising spots are delivered to provide the guaranteed impressions. Revenues from subscription fees received by television and digital networks are recognized when the service is provided. The performance obligation under network subscription arrangements is a right to use Sony's intellectual property that is satisfied as programming is provided over the term of the arrangement.

Within the Financial Services segment, traditional life insurance policies that the life insurance subsidiary underwrites, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. Premiums from these policies are reported as revenue when due from policyholders. Amounts received as payment for non-traditional contracts such as interest sensitive whole life contracts, individual annuity contracts and other contracts without life contingencies are recognized in policyholders' account in the life insurance business. Revenues from these contracts are comprised of fees earned for administrative and contract-holder services, which are recognized over the period of the contracts, and included in financial services revenue. Property and casualty insurance policies that the non-life insurance subsidiary underwrites are primarily automotive insurance contracts which are categorized as short-duration contracts. Premiums from these policies are reported as revenue over the period of the contract in proportion to the amount of insurance protection provided.

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

(17) Cost of sales -

Costs classified as cost of sales relate to the producing and manufacturing of products and include items such as material cost, subcontractor cost, depreciation of property, plant and equipment, amortization of intangible assets including content assets, employee benefits expenses and research and development costs.

(18) Research and development expenditures -

Research and development expenditures include items such as employee benefits expenses and other direct and indirect expenses associated with research and product development. Development expenditures are capitalized only when technical feasibility is achieved, Sony has the intention, ability and sufficient resources to use or sell the outcome of the development, it is probable that the outcome will generate a future economic benefit, and the cost can be reliably measured. Capitalized development costs are measured as the sum of total expenditures for development upon achieving the foregoing conditions for capitalization until development is completed. Research expenditures and other development expenditures that do not meet the foregoing conditions are expensed as incurred and included in the cost of sales in the consolidated statements of income.

(19) Selling, general and administrative -

Costs classified as selling expenses relate to promoting and selling products and include items such as advertising, promotion, shipping and warranty expenses. General and administrative expenses include operating items such as employee benefits expenses, depreciation of property, plant and equipment, office rental for sales, marketing and administrative divisions, loss allowance for trade receivables and amortization of intangible assets.

(20) Financial services expenses -

Financial services expenses include a provision for policy reserves and amortization of deferred insurance acquisition costs, interest expenses in the banking business, and all other operating costs, such as employee benefits expenses, depreciation of property, plant and equipment, and office rental of subsidiaries, in the Financial Services segment.

(21) Advertising costs -

Advertising costs are expensed as incurred.

(22) Shipping and handling costs -

The majority of shipping and handling, warehousing and internal transfer costs for finished goods are included in selling, general and administrative expenses. An exception to this is in the Pictures segment where such costs are charged to cost of sales as they are an integral part of producing and distributing motion pictures and television programming. All other costs related to Sony's distribution network are included in cost of sales, including inbound freight charges, purchasing and receiving costs, inspection costs and warehousing costs for raw materials and in-process inventory. Shipping and handling activities that occur after control of the related good transfers are treated as separate performance obligations. Amounts paid by customers for shipping and handling costs are included in sales.

(23) Income taxes -

Income taxes consist of current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except to the extent that the tax arises from a business combination, or a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity.

Current taxes are computed based on taxable profit or loss for the year, using the tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of the reporting period. Deferred tax liabilities include the liabilities being recognized for undistributed profits of subsidiaries and associates accounted for under the equity method that are expected to be remitted in the foreseeable future. Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the assets can be utilized. Accordingly, the valuation of the deferred tax assets is assessed periodically with available evidence related to the recoverability of the deferred tax assets. Management's judgment related to this assessment considers the nature, frequency and severity of current and cumulative losses on an individual tax jurisdiction basis, forecasts of future profitability after consideration of uncertain tax positions, excess of appreciated asset value over the tax basis of net assets, the duration of statutory carryforward periods, the past utilization of net operating loss carryforwards prior to expiration, as well as prudent and feasible tax planning strategies which would be employed by Sony to prevent net operating loss and tax credit carryforwards from expiring unutilized.

Sony records assets and liabilities resulting from uncertain tax positions taken or expected to be taken in a tax return. The amount of income taxes Sony pays is subject to ongoing audits by various taxing authorities, which may result in proposed assessments. In addition, several significant items related to intercompany transfer pricing are currently the subject of negotiations between taxing authorities in different jurisdictions as a result of pending advance pricing agreement applications and competent authority requests. Sony's estimate for the potential outcome for any uncertain tax issues is judgmental and requires significant estimates. Sony assesses its income tax positions and records tax benefits and expenses for all years subject to examinations based upon the evaluation of the facts, circumstances and information available at that reporting date.

(24) Net income (loss) attributable to Sony Group Corporation's stockholders per share ("EPS") -

Basic EPS is computed based on the weighted-average number of shares of common stock outstanding during each period. The computation of diluted EPS reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to Sony Group Corporation's stockholders.

II. New accounting standards and interpretations not yet adopted

Major new or amended standards and interpretations that have been issued as of the date of approval of the consolidated financial statements which are not effective and have not yet been adopted by Sony as of March 31, 2022 are as follows:

IFRS 17 "Insurance Contracts"

The IASB issued IFRS 17 "Insurance Contracts" ("IFRS 17") in May 2017 and Amendments to IFRS 17 in June 2020. IFRS 17 replaces 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. The main features of IFRS 17 are:

a. the measurement of the present value of future cash flows incorporating an explicit risk adjustment, remeasured at each reporting period;

b. a contractual service margin in the fulfilment cash flows representing the unearned profit of the insurance contracts to be recognized in profit or loss over the coverage period;

c. the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and

d. extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 will be effective for Sony as of April 1, 2023. On transition Sony is required to apply IFRS 17 retrospectively unless such application is impracticable. If it is impracticable to apply IFRS 17 retrospectively for a group of insurance contracts, either the modified retrospective approach, which uses reasonable and supportable information, or the fair value approach, which uses the fair value as of the transition date for IFRS 17, may be applied. If Sony cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, Sony will apply the fair value approach. Applying IFRS 17 is expected to affect measurements of insurance-related accounts, which are currently included in future insurance policy benefits and other, policyholders' account in the life insurance business and deferred insurance acquisition costs in the consolidated statements of financial position. The impact of IFRS 17 on Sony's results of operations and financial position is being evaluated.

Amendments to IAS 1 "Presentation of Financial Statements"

In January 2020, the IASB issued "Classification of Liabilities as Current or Non-current" ("Amendments to IAS 1"). The amendments clarify the right to defer settlement, which is one of the existing requirements when classifying a liability to current or non-current. The amendments will be effective for Sony as of April 1, 2023. However, in November 2021, the IASB published an Exposure Draft with proposed revisions to the Amendments to IAS 1 and a proposed deferral of the effective date. The impact of the amendments on Sony's results of operations and financial position is being evaluated.

4. Business segment information

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

Due to organizational changes as of April 1, 2021, from the first quarter of the fiscal year ended March 31, 2022, Sony transferred some of the businesses and functions previously included within All Other and Corporate and elimination to the EP&S segment. In connection with these organizational changes, sales and financial services revenue and operating income (loss) of each segment for the fiscal year ended March 31, 2021 are presented to conform to the organizational structure for the fiscal year ended March 31, 2022.

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 EP&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.

Segment sales and financial services revenue:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Sales and financial services revenue:		
Game & Network Services —		
Customers	2,604,713	2,674,356
Intersegment	51,565	65,407
Total	2,656,278	2,739,763
Music —		
Customers	927,250	1,100,532
Intersegment	12,617	16,417
Total	939,867	1,116,949
Pictures —		
Customers	751,800	1,236,399
Intersegment	1,187	2,512
Total	752,987	1,238,911
Electronics Products & Solutions —		
Customers	2,016,887	2,297,886
Intersegment	51,200	41,300
Total	2,068,087	2,339,186
Imaging & Sensing Solutions —		
Customers	937,859	992,200
Intersegment	74,638	84,224
Total	1,012,497	1,076,424
Financial Services —		
Customers	1,664,991	1,524,811
Intersegment	9,011	9,018
Total	1,674,002	1,533,829
All Other —		
Customers	84,202	82,264
Intersegment	16,534	16,519
Total	100,736	98,783
Corporate and elimination	(205,793)	(222,332)
Consolidated total	8,998,661	9,921,513

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

Segment profit (loss):

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Operating income (loss):		
Game & Network Services	341,718	346,089
Music	184,786	210,933
Pictures	79,851	217,393
Electronics Products & Solutions	127,859	212,942
Imaging & Sensing Solutions	145,884	155,597
Financial Services	154,765	150,111
All Other	7,178	17,981
Total	1,042,041	1,311,046
Corporate and elimination	(86,786)	(108,707)
Consolidated operating income	955,255	1,202,339
Financial income	83,792	19,304
Financial expenses	(41,082)	(104,140)
Consolidated income before income taxes	997,965	1,117,503

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	
	Fiscal year ended March 31	
	2021	2022
Share of profit (loss) of investments accounted for using the equity method:		
Game & Network Services	—	14
Music	570	4,073
Pictures	123	(664)
Electronics Products & Solutions	57	1,103
Imaging & Sensing Solutions	(123)	(603)
Financial Services	—	—
All Other	10,924	19,723
Consolidated total	11,551	23,646
Depreciation and amortization:		
Game & Network Services	52,987	61,219
Music	46,217	61,465
Pictures	290,895	396,251
Electronics Products & Solutions	82,174	91,759
Imaging & Sensing Solutions	159,469	172,842
Financial Services, including deferred insurance acquisition costs	68,598	94,169
All Other	7,686	4,300
Total	708,026	882,005
Corporate	24,085	22,465
Consolidated total	732,111	904,470

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

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	
	Fiscal year ended March 31	
	2021	2022
Sales and financial services revenue:		
Game & Network Services		
Digital Software and Add-on Content	1,454,654	1,424,459
Network Services	382,950	409,355
Hardware and Others	767,109	840,542
Total	2,604,713	2,674,356
Music		
Recorded Music — Streaming	337,100	462,368
Recorded Music — Others	179,167	206,412
Music Publishing	156,862	200,334
Visual Media and Platform	254,121	231,418
Total	927,250	1,100,532
Pictures		
Motion Pictures	265,301	518,840
Television Productions	267,123	419,494
Media Networks	219,376	298,065
Total	751,800	1,236,399
Electronics Products & Solutions		
Televisions	709,007	858,837
Audio and Video	313,975	326,704
Still and Video Cameras	338,694	414,898
Mobile Communications	358,580	365,864
Other	296,631	331,583
Total	2,016,887	2,297,886
Imaging & Sensing Solutions	937,859	992,200
Financial Services	1,664,991	1,524,811
All Other	84,202	82,264
Corporate	10,959	13,065
Consolidated total	8,998,661	9,921,513

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, 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 EP&S segment, Televisions includes LCD and OLED televisions; Audio and Video includes Blu-ray disc players and recorders, home audio, headphones and memory-based portable audio devices; Still and Video Cameras includes interchangeable lens cameras, compact digital cameras, consumer video cameras and video cameras for broadcast; Mobile Communications includes smartphones and an internet-related service business; Other includes display products such as projectors and medical equipment.

Geographic Information:

Sales and financial services revenue attributed to countries and areas based on location of external customers for the fiscal years ended March 31, 2021 and 2022 and non-current assets (property, plant and equipment, ROU assets, goodwill, content assets and other intangible assets) as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Sales and financial services revenue:		
Japan	2,965,936	2,764,321
United States	2,147,686	2,766,021
Europe	1,817,854	1,870,091
China	762,766	771,006
Asia-Pacific	861,623	1,149,261
Other Areas	442,796	600,813
Total	8,998,661	9,921,513

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Non-current assets (property, plant and equipment, right-of-use assets, goodwill, content assets and other intangible assets):			
Japan	1,389,781	1,460,029	1,592,981
United States	1,328,295	1,378,343	1,830,602
Europe	410,989	459,201	565,044
China	27,108	27,091	34,029
Asia-Pacific	151,108	148,467	158,030
Other Areas	44,272	55,155	91,001
Total	3,351,553	3,528,286	4,271,687

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

(1) Europe: United Kingdom, France, Germany, Russia, Spain and Italy
(2) Asia-Pacific: India, South Korea, Oceania, Thailand and Malaysia
(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 or non-current assets (property, plant and equipment, ROU assets, goodwill, content assets and other intangible assets) 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 fiscal years ended March 31, 2021 and 2022.

5. Financial instruments

(1) Financial instruments by measurement method

The carrying amount of Sony's assets and liabilities by measurement method as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Assets:			
Financial assets required to be measured at amortized cost ("AC")			
Investments and advances in the Financial Services segment			
Debt securities	255,447	298,794	358,238
Housing loans in the banking business	1,919,219	2,342,728	2,752,985
Other loans	252,875	236,828	230,516
Trade and other receivables *			
Trade receivables	1,180,798	1,356,612	1,617,323
Other receivables	2,393	2,296	2,736
Other financial assets			
Time deposit	20,705	21,165	39,223
Security deposit	110,399	114,490	121,856
Non-current other receivables in the Pictures segment	109,012	88,111	166,279
Other	19,968	17,218	16,425
Financial assets required to be measured at fair value through profit or loss ("FVPL")			
Investments and advances in the Financial Services segment			
Debt securities	894,493	1,017,169	1,012,057
Equity securities	884,480	1,398,097	1,798,536
Other financial assets			
Debt securities	8,509	9,671	16,013
Equity securities	86,628	182,985	120,274
Derivative assets	46,464	38,913	61,023
Financial assets designated to be measured at FVPL			
Investments and advances in the Financial Services segment			
Debt securities	247,289	295,314	267,169
Financial assets required to be measured at fair value through other comprehensive income ("FVOCI")			
Investments and advances in the Financial Services segment			
Debt securities	12,222,667	12,113,844	12,378,244
Other financial assets			
Debt securities	760	529	522
Financial assets designated to be measured at FVOCI			
Investments and advances in the Financial Services segment			
Equity securities	2,907	5,754	8,016
Other financial assets			
Equity securities	54,758	340,364	303,992
Total assets	18,319,771	19,880,882	21,271,427
Current assets	1,645,765	1,888,572	2,130,033
Non-current assets	16,674,006	17,992,310	19,141,394

* The amounts of trade and other receivables exclude contract assets within trade and other receivables, and contract assets in the consolidated statements of financial position.

Cash and cash equivalents are excluded from the table above. Refer to Note 27.

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Liabilities:			
Financial liabilities required to be measured at AC			
Short-term borrowings	824,045	1,201,747	1,976,553
Current portion of long-term debt	98,923	205,406	171,409
Trade and other payables			
Trade payables	1,139,093	1,455,751	1,716,316
Other payables	171,443	140,812	126,926
Deposits from customers in the banking business *	2,440,783	2,773,884	3,004,215
Long-term debt	939,030	1,053,636	1,203,646
Other financial liabilities	60,291	47,336	63,281
Financial liabilities required to be measured at FVPL			
Other financial liabilities			
Derivative liabilities	35,866	40,354	72,120
Contingent consideration	5,666	6,161	21,552
Financial liabilities designated to be measured at FVPL			
Other financial liabilities			
Redeemable noncontrolling interests	7,767	8,179	34,995
Total liabilities	5,722,907	6,933,266	8,391,013
Current liabilities	4,637,043	5,740,213	6,975,408
Non-current liabilities	1,085,864	1,193,053	1,415,605

* Deposits from customers in the banking business include the non-current portion that is recorded within other financial liabilities in the consolidated statements of financial position.

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

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

Debt instruments and equity instruments

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

Derivatives

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

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

The fair value of Sony's assets and liabilities that are measured at fair value on a recurring basis as of April 1, 2020, March 31, 2021 and 2022 is as follows:

	Yen in millions							
	April 1, 2020							
					Presentation in the 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	—	162,708	—	162,708	4,505	—	158,203	—
Japanese local government bonds	—	600	—	600	—	—	600	—
Japanese corporate bonds	—	9,395	30	9,425	—	—	9,395	30
Foreign government bonds	24,330	155,908	—	180,238	66	—	180,172	—
Foreign corporate bonds	—	32,157	683	32,840	7,903	—	24,254	683
Securitized products	—	—	5,787	5,787	—	—	5,787	—
Investment funds	—	483,613	27,791	511,404	—	—	503,608	7,796
Equity securities	958,414	9,757	2,937	971,108	—	—	884,480	86,628
Derivative assets								
Interest rate contracts	—	1,604	—	1,604	—	53	—	1,551
Foreign exchange contracts	315	21,188	—	21,503	—	21,454	—	49
Equity contracts	604	18,281	4,081	22,966	—	22,966	—	—
Other	391	—	—	391	—	391	—	—
Financial assets designated to be measured at FVPL								
Debt securities								
Japanese national government bonds	—	51,664	—	51,664	10,011	—	41,653	—
Japanese local government bonds	—	28,604	—	28,604	6,822	—	21,782	—
Japanese corporate bonds	—	22,227	—	22,227	2,607	—	19,620	—
Foreign government bonds	—	41,089	—	41,089	9,618	—	31,471	—
Foreign corporate bonds	—	103,159	546	103,705	19,798	—	83,907	—
Financial assets required to be measured at FVOCI								
Debt securities								
Japanese national government bonds	—	9,918,197	—	9,918,197	—	—	9,918,197	—
Japanese local government bonds	—	40,569	—	40,569	8,513	—	32,056	—
Japanese corporate bonds	—	698,188	34,569	732,757	12,167	—	720,590	—
Foreign government bonds	—	1,298,020	—	1,298,020	1,517	—	1,296,400	103
Foreign corporate bonds	—	175,670	14,541	190,211	58,010	—	131,544	657
Securitized products	—	33,383	10,290	43,673	—	—	43,673	—
Financial assets designated to be measured at FVOCI								
Equity securities	10,432	—	47,233	57,665	—	—	2,907	54,758
Total assets	994,486	13,305,981	148,488	14,448,955	141,537	44,864	14,110,299	152,255

					Presentation in the 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	—	17,679	—	17,679	483	17,196
Foreign exchange contracts	226	16,110	—	16,336	14,581	1,755
Equity contracts	1,476	—	—	1,476	1,476	—
Other	375	—	—	375	375	—
Contingent consideration	—	—	5,666	5,666	2,640	3,026
Financial liabilities designated to be measured at FVPL						
Redeemable noncontrolling interests	—	—	7,767	7,767	—	7,767
Total liabilities	2,077	33,789	13,433	49,299	19,555	29,744

	Yen in millions							
	March 31, 2021							
					Presentation in the 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	—	168,281	—	168,281	—	—	168,281	—
Japanese local government bonds	—	600	—	600	—	—	600	—
Japanese corporate bonds	—	14,386	62	14,448	—	—	14,386	62
Foreign government bonds	30,164	183,994	—	214,158	—	—	214,158	—
Foreign corporate bonds	—	21,297	213	21,510	5,434	—	15,863	213
Securitized products	—	—	6,142	6,142	—	—	6,142	—
Investment funds	—	564,447	37,254	601,701	—	—	592,305	9,396
Equity securities	1,555,620	22,290	3,172	1,581,082	13,425	—	1,384,672	182,985
Derivative assets								
Interest rate contracts	—	12,788	—	12,788	—	50	—	12,738
Foreign exchange contracts	3	15,688	—	15,691	—	14,104	—	1,587
Equity contracts	241	—	10,176	10,417	—	5,278	—	5,139
Other	17	—	—	17	—	17	—	—
Financial assets designated to be measured at FVPL								
Debt securities								
Japanese national government bonds	—	65,988	—	65,988	21,021	—	44,967	—
Japanese local government bonds	—	26,724	—	26,724	12,088	—	14,636	—
Japanese corporate bonds	—	16,422	—	16,422	12,483	—	3,939	—
Foreign government bonds	—	17,174	—	17,174	—	—	17,174	—
Foreign corporate bonds	—	169,006	—	169,006	24,700	—	144,306	—
Financial assets required to be measured at FVOCI								
Debt securities								
Japanese national government bonds	—	9,797,091	—	9,797,091	—	—	9,797,091	—
Japanese local government bonds	—	47,339	—	47,339	17,536	—	29,803	—
Japanese corporate bonds	—	723,335	93,288	816,623	12,497	—	804,126	—
Foreign government bonds	—	1,185,639	—	1,185,639	—	—	1,185,528	111
Foreign corporate bonds	—	195,992	18,066	214,058	88,412	—	125,243	403
Securitized products	—	44,105	9,402	53,507	—	—	53,507	—
Other	—	116	—	116	—	—	101	15
Financial assets designated to be measured at FVOCI								
Equity securities	241,577	—	104,541	346,118	—	—	5,754	340,364
Total assets	1,827,622	13,292,702	282,316	15,402,640	207,596	19,449	14,622,582	553,013

					Presentation in the 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	—	14,962	—	14,962	694	14,268
Foreign exchange contracts	128	20,105	—	20,233	20,233	—
Equity contracts	986	4,171	—	5,157	5,157	—
Other	2	—	—	2	2	—
Contingent consideration	—	—	6,161	6,161	1,669	4,492
Financial liabilities designated to be measured at FVPL						
Redeemable noncontrolling interests	—	—	8,179	8,179	5,307	2,872
Total liabilities	1,116	39,238	14,340	54,694	33,062	21,632

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

					Presentation in the consolidated statements of financial position	
	Level 1	Level 2	Level 3	Total	Other financial liabilities (Current)	Other financial liabilities (Non-current)
Liabilities:						
Financial liabilities required to be measured at FVPL						
Derivative liabilities						
Interest rate contracts	—	7,530	—	7,530	471	7,059
Foreign exchange contracts	—	36,582	—	36,582	36,582	—
Equity contracts	11,903	16,105	—	28,008	28,008	—
Contingent consideration	—	—	21,552	21,552	1,475	20,077
Financial liabilities designated to be measured at FVPL						
Redeemable noncontrolling interests	—	—	34,995	34,995	2,435	32,560
Total liabilities	11,903	60,217	56,547	128,667	68,971	59,696

Cash and cash equivalents are excluded from the tables above. Refer to Note 27.

Transfers of debt securities from Level 2 to Level 1 were 900 million yen and 1,953 million yen for the fiscal years ended March 31, 2021 and 2022, respectively, as quoted prices in active markets for certain debt securities became available. Transfers of debt securities from Level 1 to Level 2 were 904 million yen and

2,523 million yen for the fiscal years ended March 31, 2021 and 2022, respectively, as quoted prices in active markets for certain debt securities were not available.

Transfers of equity securities from Level 2 to Level 1 were 12,276 million yen for the fiscal year ended March 31, 2022 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 fiscal year ended March 31, 2021.

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		
			April 1, 2020	March 31, 2021	March 31, 2022
Financial assets required to be measured at FVOCI					
Debt securities					
Japanese corporate bonds	Discounted cash flow	Credit spread *	37bp-67bp	27bp-65bp	26bp-67bp
Foreign corporate bonds			40bp-280bp	20bp-130bp	0bp-170bp
Securitized products			110bp-150bp	100bp-150bp	100bp-160bp

* bp = basis point

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

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

The changes in fair value of Level 3 assets and liabilities for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions								
	Fiscal year ended March 31, 2021								
		Total gains (losses)[*1]							
	Beginning balance	Net income[*2]	Other comprehensive income[*3]	Purchases	Sales and settlements	Transfers to Level 3[*4]	Transfers out of Level 3[*5]	Other	Ending balance
Assets:									
Financial assets required to be measured at FVPL									
Debt securities									
Japanese corporate bonds	30	—	—	32	—	—	—	—	62
Foreign corporate bonds	683	—	—	101	—	—	—	(571)	213
Securitized products	5,787	—	—	2,761	(2,406)	—	—	—	6,142
Investment funds	27,791	66	62	18,232	(8,566)	—	—	(331)	37,254
Equity securities	2,937	2,081	26	1,446	(2,818)	—	(500)	—	3,172
Derivative assets									
Equity contracts	4,081	5,554	541	—	—	—	—	—	10,176
Financial assets designated to be measured at FVPL									
Debt securities									
Foreign corporate bonds	546	(19)	—	—	(527)	—	—	—	—
Financial assets required to be measured at FVOCI									
Debt securities									
Japanese corporate bonds	34,569	—	(5,580)	64,299	—	—	—	—	93,288
Foreign corporate bonds	14,541	168	365	6,136	(7,304)	4,544	—	(384)	18,066
Securitized products	10,290	761	75	—	(3,900)	2,176	—	—	9,402
Financial assets designated to be measured at FVOCI									
Equity securities	47,233	—	25,829	35,999	(1,053)	—	(4,559)	1,092	104,541
Liabilities:									
Financial liabilities required to be measured at FVPL									
Contingent consideration	5,666	16	101	2,041	(1,532)	—	—	(131)	6,161
Financial liabilities designated to be measured at FVPL									
Redeemable noncontrolling interests	7,767	783	655	1,262	(2,288)	—	—	—	8,179

	Yen in millions								
	Fiscal year ended March 31, 2022								
		Total gains (losses)*1							
	Beginning balance	Net income*2	Other comprehensive income*3	Purchases	Sales and settlements	Transfers to Level 3*4	Transfers out of Level 3*5	Other	Ending balance
Assets:									
Financial assets required to be measured at FVPL									
Debt securities									
Japanese corporate bonds	62	—	—	20	—	—	(34)	(30)	18
Foreign corporate bonds	213	5	—	10	—	—	—	(111)	117
Securitized products	6,142	—	—	—	(2,429)	—	—	—	3,713
Investment funds	37,254	5,678	394	22,079	(16,885)	—	—	—	48,520
Equity securities	3,172	(395)	(15)	477	(22)	—	—	—	3,217
Derivative assets									
Equity contracts	10,176	(6,629)	477	—	—	—	—	—	4,024
Financial assets designated to be measured at FVPL									
Debt securities									
Foreign corporate bonds	—	337	—	—	—	3,288	—	—	3,625
Financial assets required to be measured at FVOCI									
Debt securities									
Japanese corporate bonds	93,288	(1)	(13,006)	73,964	—	—	—	—	154,245
Foreign corporate bonds	18,066	700	(5)	12,000	(9,868)	—	—	(56)	20,837
Securitized products	9,402	279	(82)	41,763	(10,625)	3,166	(4,044)	—	39,859
Financial assets designated to be measured at FVOCI									
Equity securities	104,541	—	25,614	89,274	(5,825)	63	(7,884)	(274)	205,509
Liabilities:									
Financial liabilities required to be measured at FVPL									
Contingent consideration	6,161	297	1,645	15,221	(1,762)	—	—	(10)	21,552
Financial liabilities designated to be measured at FVPL									
Redeemable noncontrolling interests	8,179	2,008	2,978	27,240	(5,285)	—	—	(125)	34,995

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

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

*4 Certain debt and equity securities were transferred to Level 3 because differences between the fair value determined by indicative quotes from dealers and the fair value determined by internally developed prices became significant and the observability of the inputs used decreased.

*5 Certain debt and equity securities 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 March 31, 2021 and 2022 are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Assets:		
Financial assets required to be measured at FVPL		
Debt securities		
Foreign corporate bonds	—	5
Investment funds	(914)	4,562
Equity securities	(652)	98
Derivative assets		
Equity contracts	5,554	(6,629)
Financial assets designated to be measured at FVPL		
Debt securities		
Foreign corporate bonds	—	337
Financial assets required to be measured at FVOCI		
Debt securities		
Foreign corporate bonds	168	700
Securitized products	761	238
Liabilities:		
Financial liabilities required to be measured at FVPL		
Contingent consideration	—	(513)
Financial liabilities designated to be measured at FVPL		
Redeemable noncontrolling interests	(783)	(1,878)

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

Sony generally elects to designate investments in equity instruments held to promote its businesses and to maintain and enhance the business relationship as financial assets measured at fair value through other comprehensive income based on the purposes of holding the investments.

Equity instruments measured at fair value through other comprehensive income as of April 1, 2020, March 31, 2021 and 2022 comprise the following:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Marketable equity instruments	10,432	241,577	106,499
Non-marketable equity instruments	47,233	104,541	205,509
Total	57,665	346,118	312,008

Significant marketable equity instruments measured at fair value through other comprehensive income as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Bilibili Inc.	—	205,177	54,162
KADOKAWA Corporation	—	6,110	9,161
Toei Animation Co., Ltd.	3,411	8,851	8,371
Safie Inc.	—	—	7,122
ClearView Wealth Limited	1,472	4,228	6,987
Devolver Digital, Inc.	—	—	5,773
Chicken Soup for the Soul Entertainment, Inc.	—	4,717	5,521

The balances of the non-marketable instruments measured at fair value through other comprehensive income by major sector categories as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Entertainment*1	7,634	52,458	148,283
Manufacturing*2	24,806	33,579	35,406
Information technology, Communication and Service*3	12,363	16,416	20,327

*1 Major investments included were as follows:

April 1, 2020: Crackle Plus, LLC
March 31, 2021: Epic Games, Inc.
March 31, 2022: Epic Games, Inc. and Scopely, Inc.

*2 Major investments included Nichia Corporation.

*3 Major investments included MBS Media Holdings, Inc.

In order to enhance the efficiency of using assets held effectively, Sony derecognizes equity instruments measured at fair value through other comprehensive income upon the sale of the investment. Information relating to investments derecognized during the fiscal years ended March 31, 2021 and 2022 is as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Fair value at derecognition	2,644	11,015
Cumulative amount recognized in other comprehensive income, net of tax *	(6,085)	5,784
Dividend received	5	70

* The cumulative amount recognized in other comprehensive income, net of tax, was transferred to retained earnings upon derecognition of the equity instruments.

(3) 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 April 1, 2020, March 31, 2021 and 2022 are summarized as follows:

	Yen in millions				
	April 1, 2020				
	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Debt securities					
Japanese national government bonds	—	94,062	—	94,062	72,064
Japanese local government bonds	—	2,835	—	2,835	2,503
Japanese corporate bonds	—	4,166	—	4,166	3,634
Foreign corporate bonds	—	105	—	105	98
Securitized products	—	—	160,760	160,760	174,772
Other	—	41	2,335	2,376	2,376
Housing loans in the banking business	—	2,161,432	—	2,161,432	1,919,219
Total assets	—	2,262,641	163,095	2,425,736	2,174,666
Liabilities:					
Long-term debt including the current portion	—	605,444	25,401	630,845	631,716
Total liabilities	—	605,444	25,401	630,845	631,716

	Yen in millions				
	March 31, 2021				
	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Debt securities					
Japanese national government bonds	—	87,705	—	87,705	71,420
Japanese local government bonds	—	2,010	—	2,010	1,716
Japanese corporate bonds	—	3,883	—	3,883	3,537
Foreign corporate bonds	—	6,032	—	6,032	5,907
Securitized products	—	—	211,229	211,229	211,271
Other	—	41	4,902	4,943	4,943
Housing loans in the banking business	—	—	2,559,073	2,559,073	2,342,728
Total assets	—	99,671	2,775,204	2,874,875	2,641,522
Liabilities:					
Long-term debt including the current portion	—	794,479	55,451	849,930	857,019
Total liabilities	—	794,479	55,451	849,930	857,019

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

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

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

Financial instruments classified as Level 3 mainly include housing loans in the banking business, securitized products and certain bonds issued by Sony. In determining the fair value of such financial instruments, Sony uses the present value of expected cash flows based on risk-free interest rate yield curves with certain credit risk. Transfers of housing loans in the banking business to Level 3 occurred primarily due to increases in the significance of unobservable inputs during the fiscal year ended March 31, 2021.

(4) Income and expenses related to financial instruments in the Financial Services segment

Income and expenses related to financial instruments in the Financial Services segment are recorded in financial services revenue and financial services expenses in the consolidated statements of income. Income and expenses related to financial instruments in all segments other than Financial Services segment are recorded in Financial income and Financial expenses in the consolidated statements of income. Refer to Note 24.

The breakdown of income and expenses related to financial instruments in the Financial Services segment for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Yen in millions						
	March 31, 2021						
	Financial instruments required to be measured at FVPL	Financial instruments designated to be measured at FVPL	Financial assets measured at AC	Financial liabilities measured at AC	Debt instruments measured at FVOCI	Equity instruments measured at FVOCI	Total
Income							
Net gains (losses) recognized in profit or loss	412,957	4,936	(14,069)	(5,569)	51,194	—	449,449
Total interest income	—	—	26,141	—	169,072	—	195,213
Dividend income	—	—	—	—	—	2	2
Expenses							
Total interest expenses	—	—	—	4,577	—	—	4,577
Impairment losses (gains) on financial assets	—	—	(15)	—	18	—	3

	Yen in millions						
	March 31, 2022						
	Financial instruments required to be measured at FVPL	Financial instruments designated to be measured at FVPL	Financial assets measured at AC	Financial liabilities measured at AC	Debt instruments measured at FVOCI	Equity instruments measured at FVOCI	Total
Income							
Net gains (losses) recognized in profit or loss	225,922	(6,673)	14,765	(49,110)	148,813	—	333,717
Total interest income	—	—	32,839	—	180,006	—	212,845
Dividend income	—	—	—	—	—	85	85
Expenses							
Total interest expenses	—	—	—	3,838	—	—	3,838
Impairment losses (gains) on financial assets	—	—	19	—	24	—	43

6. Financial risk management

(1) Capital management

Sony uses Return on Equity (“ROE”) as an indicator for capital management.

	March 31	
	2021	2022
ROE*	17.8%	12.8%

* ROE is calculated using equity attributable to Sony Group Corporation’s stockholders.

Sony manages capital separately for the Financial Services segment and the Sony Group without the Financial Services segment because certain subsidiaries in the Financial Services segment are subject to the below restrictions. Sony also refers to the ratio of stockholders’ equity to total assets of the Sony Group without the Financial Services segment to ensure financial soundness.

The subsidiaries in the Financial Services segment are required to maintain the capital adequacy ratio and net assets at a certain level or higher based on the Insurance Business Act and the Banking Act in Japan. Material requirements which the subsidiaries in the Financial Services segment are subject to are as follows:

Insurance business: Maintain solvency margin ratio

The life insurance subsidiary and the non-life insurance subsidiary have maintained a high solvency margin ratio, relative to the Japanese domestic minimum solvency margin ratio requirements.

Banking business: Maintain capital adequacy ratio

The banking subsidiary has maintained a capital adequacy ratio relative to the Japanese domestic criteria.

Lending and borrowing between subsidiaries in the Financial Services segment and the other companies within Sony Group is strictly limited. The carrying amounts of total assets of Sony Financial Group Inc. ("SFGI") as of April 1, 2020, March 31, 2021 and 2022 are 17,933,587 million yen, 19,339,517 million yen and 20,974,027 million yen, respectively. Total liabilities of SFGI as of April 1, 2020, March 31, 2021 and 2022 are 14,876,992 million yen, 16,408,036 million yen and 18,392,874 million yen, respectively. On October 1, 2021, SFGI changed its company name from Sony Financial Holdings Inc. ("SFH").

(2) Interest rate risk

For interest rate risk inherent in the insurance business, which is included in the Financial Services segment, refer to Note 13. For interest rate risk inherent in the banking business, which is included in the Financial Services segment, refer to (7) Market risks for subsidiary in the banking business.

Risk management policy and exposure

Interest rate risk is the risk the fair value of a financial instrument or future cash flows of the financial instrument will fluctuate because of changes in market interest rates.

Sony without the Financial Services segment is exposed to interest rate risk that is mainly related to its liabilities such as short-term borrowings and long-term debt as well as bonds. The amount of interest will be affected by changes in market interest rates; therefore, Sony is exposed to the interest rate risk that the future cash outflows for interest payments will fluctuate.

Sony raises funds by issuing fixed-rate bonds in order to avoid an increase in future interest payments that is mainly resulting from an increase in interest rates.

Also, Sony utilizes interest rate swap agreements to reduce funding costs, to diversify sources of funding, and to hedge the downside risk on borrowings and debt securities resulting from unfavorable fluctuations of interest rates and currency exchange rates, and from changes in the fair value of financial instruments. Therefore, the interest risk associated with cash flows of Sony without the Financial Services segment is not significant.

(3) Price risk

For price risk inherent in the insurance business, which is included in the Financial Services segment, refer to Note 13. For price risk inherent in the banking business, which is included in the Financial Services segment, refer to (7) Market risks for a subsidiary in the banking business.

Risk management policy and exposure

Sony is exposed to securities price risk inherent in holding of equities in other entities in Japan and overseas countries. Sony periodically assesses fair values of equity instruments and the financial conditions of the issuers of such equity instruments, and reviews its portfolio on a regular basis.

Price sensitivity analysis

The table below shows the effects on income before income taxes and other comprehensive income (before considering the tax effects) as of April 1, 2020, March 31, 2021 and 2022 if market prices of marketable equity instruments (e.g., stocks) had decreased by 10%.

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Income before income taxes	(8,439)	(17,930)	(11,604)
Other comprehensive income (before considering the tax effects)	(769)	(23,598)	(9,871)

(4) Liquidity risk

For liquidity risk inherent in the insurance business, which is included in the Financial Services segment, refer to Note 13. This section does not include information regarding the insurance business other than maturity analysis for financial liabilities.

Risk management policy

The description below covers basic financial policy and figures for Sony's consolidated operations except for the Financial Services segment and certain subsidiaries, which secure liquidity on their own. Furthermore, the banking business in the Financial Services segment is described separately at the end of this section.

Liquidity Management and Market Access

An important financial objective of Sony is to maintain the strength of its financial condition, while securing adequate liquidity for business activities. Sony defines its liquidity sources as the amount of cash and cash equivalents ("cash balance") (excluding restrictions on capital transfers mainly due to national regulations) and the unused amount of committed lines of credit. Funding requirements that arise from maintaining liquidity are principally covered by cash flow from operating and investing activities (including asset sales) and by the available cash balance; however, Sony also raises funds as needed from financial and capital markets through means such as corporate bonds, commercial paper ("CP") and bank loans. Sony Group Corporation, Sony Global Treasury Services Plc ("SGTS"), a finance subsidiary in the U.K. and Sony Capital Corporation ("SCC"), a finance subsidiary in the U.S., maintain CP programs with access to the Japanese, U.S. and European CP markets. The borrowing limits under these CP programs, translated into yen, were 1,111.6 billion yen in total for Sony Group Corporation, SGTS and SCC as of March 31, 2022. There were no amounts outstanding under the CP programs as of March 31, 2022. 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 611.4 billion yen in unused committed lines of credit, as of March 31, 2022. Details of those committed lines of credit are: a 275.0 billion yen committed line of credit contracted with a syndicate of Japanese banks, a 1.7 billion U.S. dollar multicurrency committed line of credit also contracted with a syndicate of Japanese banks and a 1,050 million 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.

Cash Management

Sony manages its global cash management activities primarily through Sony Group Corporation in Japan, SCC in the U.S. and SGTS in other regions. The excess or shortage of cash at most of Sony's subsidiaries is invested or funded by Sony Group Corporation, SGTS and SCC on a net basis, although Sony recognizes that fund transfers are limited in certain countries and geographic areas due to restrictions on capital transactions. In order to pursue more efficient cash management, cash surpluses among Sony's subsidiaries are deposited with Sony Group Corporation, SGTS and SCC, and cash shortfalls among subsidiaries are covered by loans through Sony Group Corporation, SGTS and SCC, so that Sony can make use of excess cash balances and reduce third-party borrowings. Where local restrictions prevent an efficient intercompany transfer of funds, Sony's intent is that cash balances remain outside of Sony Group Corporation, SGTS and SCC and that Sony meets its liquidity needs through ongoing cash flows, external borrowings, or both. Sony does not expect restrictions of capital transactions on amounts held outside of Japan to have a material effect on Sony's overall liquidity, financial condition or results of operations.

Banking business in the Financial Services segment

By formulating and conforming with liquidity risk management policies, the banking subsidiary manages a variety of liquidity risks. The subsidiary defines liquidity risk as cash flow risk and market liquidity risk. Cash flow risk is the risk associated with losses due to the subsidiary's inability to make cash payments because of a failure to maintain sufficient cash reserves at settlement, as well as risks associated with losses if the subsidiary is forced to raise funds under unfavorable conditions in order to fulfill cash payment obligations. The levels of cash flow risks are classified into phases based on the degree of pressure, and methods of risk management and reporting are set out for each phase, while guidelines are formulated and reviewed as necessary. Market liquidity risk is the risk associated with losses due to the subsidiary's inability to conduct market transactions, in particular due to an inability to unwind its market position at a given time, or due to the subsidiary being forced to complete transactions under unfavorable market conditions, due to market turmoil or other factors. To manage market liquidity risk, the subsidiary works to understand market liquidity conditions that pertain to the types of products it handles. The subsidiary formulates and revises guidelines on a product-by-product basis, as necessary. To manage liquidity risk and ensure a robust liquidity buffer, the subsidiary carries out stress tests regularly. The subsidiary estimates potential cash outflow and determines the required buffer, if the liquidity stress scenario would happen. The liquidity buffer consists of highly liquid assets, such as cash and government bonds, which can be immediately converted to cash even in a liquidity crisis. The aforementioned liquidity risk management is carried out by the risk management division. The division periodically reports risk management conditions to the banking subsidiary's Board of Directors and Executive Committee. In addition, the banking subsidiary's internal audit division conducts regular audits.

Maturity analysis

The following table summarizes Sony's financial liabilities as of April 1, 2020, March 31, 2021 and 2022.

	Yen in millions							
	April 1, 2020							
	Carrying amount	Total	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	5+ years
Deposits from customers in the banking business*1	2,440,783	2,440,783	2,347,387	44,351	20,295	10,504	3,247	14,999
Bonds	376,800	382,982	732	100,635	129,915	15,363	40,326	96,011
Borrowings	1,078,961	1,079,685	849,930	56,657	98,480	64,663	3,510	6,445
Loan commitments	—	34,306	34,306	—	—	—	—	—
Derivative liabilities*2	35,866	35,600	19,454	4,654	2,468	1,761	1,295	5,968
Guarantee deposits received	47,064	47,064	36,698	328	1	15	—	10,022
Redeemable noncontrolling interests	7,767	9,539	—	5,680	1,461	—	2,398	—

	Yen in millions						
	April 1, 2020						
	Carrying amount	Total	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years
Lease liabilities	406,237	461,237	82,176	72,810	58,191	42,574	31,994
		5 years to 6 years	6 years to 7 years	7 years to 8 years	8 years to 9 years	9 years to 10 years	10+ years
		28,481	26,625	24,530	21,962	18,575	53,319

*1 Demand deposits are included in the "Within 1 year" category.

*2 Breakdown of net settlements and gross settlements in the derivative liabilities are presented below.

	Yen in millions						
	April 1, 2020						
	Total	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	5+ years
Derivative contracts							
—Net settled							
Paid	32,574	17,928	3,159	2,463	1,761	1,295	5,968
Derivative contracts							
—Gross settled							
Received	46,608	27,071	17,539	1,998	—	—	—
Paid	49,634	28,597	19,034	2,003	—	—	—

	Yen in millions							
	March 31, 2021							
	Carrying amount	Total	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	5+ years
Deposits from customers in the banking business*1	2,773,884	2,773,884	2,682,156	36,586	19,643	3,135	3,159	29,205
Bonds	330,229	333,902	100,629	51,573	25,363	40,326	20,303	95,708
Borrowings	1,728,537	1,742,736	1,232,687	54,699	69,691	148,361	6,866	230,432
Loan commitments	—	37,322	37,322	—	—	—	—	—
Derivative liabilities*2	40,354	41,415	29,660	3,260	2,103	1,289	847	4,256
Guarantee deposits received	31,811	31,811	21,279	365	21	26	275	9,845
Redeemable noncontrolling interests	8,179	10,225	5,307	872	—	1,628	2,418	—

	Yen in millions						
	March 31, 2021						
	Carrying amount	Total	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years
		444,725	84,050	68,993	57,683	39,359	31,797
Lease liabilities	402,023	5 years to 6 years	6 years to 7 years	7 years to 8 years	8 years to 9 years	9 years to 10 years	10+ years
		28,937	26,606	23,977	20,461	17,510	45,352

*1 Demand deposits are included in the "Within 1 year" category.

*2 Breakdown of net settlements and gross settlements in the derivative liabilities are presented below.

	Yen in millions						
	March 31, 2021						
	Total	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	5+ years
Derivative contracts							
—Net settled							
Paid	41,415	29,660	3,260	2,103	1,289	847	4,256
Derivative contracts							
—Gross settled							
Received	—	—	—	—	—	—	—
Paid	—	—	—	—	—	—	—

	Yen in millions							
	March 31, 2022							
	Carrying amount	Total	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	5+ years
Deposits from customers in the banking business*1	3,004,215	3,004,215	2,886,361	48,676	15,860	3,038	1,186	49,094
Bonds	216,103	218,676	36,976	25,363	40,326	20,303	35,243	60,465
Borrowings	2,670,156	2,687,135	2,053,340	58,767	76,434	115,460	23,813	359,321
Loan commitments	—	33,587	33,587	—	—	—	—	—
Derivative liabilities*2	72,120	72,118	66,017	688	718	753	721	3,221
Guarantee deposits received	39,296	39,296	28,872	345	27	8	8	10,036
Redeemable noncontrolling interests	34,995	37,046	2,435	19,927	9,046	2,381	—	3,257

	Yen in millions						
	March 31, 2022						
	Carrying amount	Total	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years
Lease liabilities	465,349	511,883	81,421	69,791	59,214	45,063	37,363
		5 years to 6 years	6 years to 7 years	7 years to 8 years	8 years to 9 years	9 years to 10 years	10+ years
		35,841	32,369	30,593	27,864	19,913	72,451

*1 Demand deposits are included in the "Within 1 year" category.

*2 Breakdown of net settlements and gross settlements in the derivative liabilities are presented below.

	Yen in millions						
	March 31, 2022						
	Total	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	5+ years
Derivative contracts —Net settled							
Paid	72,118	66,017	688	718	753	721	3,221
Derivative contracts —Gross settled							
Received	—	—	—	—	—	—	—
Paid	—	—	—	—	—	—	—

(5) Foreign exchange risk

For foreign exchange risk inherent in the insurance business, which is included in the Financial Services segment, refer to Note 13. For foreign exchange risk inherent in the banking business, which is included in the Financial Services segment, refer to (7) Market risks for subsidiary in the banking business.

Risk management policy and exposure

Costs and prices of products and services in transactions denominated in foreign currencies are affected by currency exchange rate fluctuation, which may have adverse impacts on Sony's business, operating results, and financial condition. Sony seeks to reduce its exposure to foreign exchange risk mainly by using derivatives such as currency forward contracts or investing in securities denominated in the same currency.

(i) Foreign exchange risk exposure

The net amount of Sony's exposure to foreign exchange risk mainly includes the following. Foreign exchange risk exposures that are mitigated by the use of derivatives are excluded.

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
U.S. dollar	(4,533)	5,813	(6,384)
Euro	286	1,877	(22,713)

* Net exposures resulting in a liability are presented as negative and net exposures resulting in an asset are presented as positive.

Sensitivity analysis

The table below shows the effects on the income before income taxes regarding the financial instruments denominated in foreign currencies held by Sony as of April 1, 2020, March 31, 2021 and 2022 if the Japanese yen had strengthened by 10% against the U.S. dollar or euro. If the Japanese yen had weakened by 10% against the U.S. dollar or euro, there would be an opposite impact on income before income taxes in the same amount. This analysis was performed based on the assumption that all other variables stay the same.

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
U.S. dollar	453	(581)	638
Euro	(29)	(188)	2,271

(6) Credit risk

Risk management policy and exposure

Sony is exposed to credit risk in relation to its customers with outstanding trade receivables and the financial institutions who are the counterparties of derivative instruments that Sony holds to hedge the foreign exchange risk related to such trade receivables.

In order to manage risks inherent in trade receivables, Sony assesses management conditions and creditworthiness of prospective customers and sets credit limits before commencement of business in accordance with Sony's internal rules regarding credit management. After commencement of business, in accordance with Sony's internal rules regarding receivable management, Sony seeks to promptly identify and mitigate the risk of uncollectible receivables due to deterioration in the financial conditions of customers by managing payment due dates and outstanding balances by customer, consistently reviewing the status of transactions, payment history, and trends in the outstanding balance of customers, and actively monitoring their management and business conditions. Sony makes judgments about the creditworthiness of customers based on past collection experience, the current conditions, forecasts of future economic conditions and ongoing credit risk evaluations when calculating the loss allowances for the expected credit losses from trade receivables.

In addition, the credit risk inherent in derivative transactions is considered low since Sony enters into derivative transactions only with financial institutions with high creditworthiness or central clearing house counterparties, and such derivative transactions are collateralized.

The Financial Services segment formulates Fundamental Principles for Risk Management and manages risks depending on its subsidiaries' size, characteristics and business. Risk Management Guidelines in the Financial Services segment establish a detailed framework for risk management, and each of the subsidiaries in the Financial Services segment has developed a framework for risk management on its own depending on the characteristics of financial assets, including issuer credit risk on debt securities, counterparty risks, credit screenings, the management of credit information, credit ratings, the setting of guarantees or collateral and handling of problem assets on a case-by-case basis. Relevant departments of subsidiaries in the Financial Services segment periodically report risk management conditions to their Boards of Directors and their Executive Committees.

Risk exposure analysis

(a) Changes in the loss allowances

Trade and other receivables, and contract assets including non-current other receivables in the Pictures segment

	Yen in millions	
	Lifetime expected credit losses	
	Fiscal year ended March 31	
	2021	2022
Balance at beginning of the fiscal year	27,108	30,066
Changes due to financial assets recognized at beginning of the fiscal year:		
— Financial assets that have been derecognized	(2,151)	(935)
New financial assets originated or purchased	6,673	5,998
Write-offs	(5,682)	(9,501)
Changes in models/risk parameters	4,066	4,269
Foreign exchange and other movements	52	1,444
Balance at end of the fiscal year	30,066	31,341

Debt Securities

	Yen in millions	
	12-month expected credit losses *	
	Fiscal year ended March 31	
	2021	2022
Balance at beginning of the fiscal year	41	29
Changes due to financial assets recognized at beginning of the fiscal year:		
— Financial assets that have been derecognized	(11)	(6)
New financial assets originated or purchased	12	44
Changes in models/risk parameters	(14)	(14)
Foreign exchange and other movements	1	—
Balance at end of the fiscal year	29	53

* For all debt securities, Sony considers that the credit risk has not increased significantly since initial recognition, and therefore the loss allowance is measured at an amount equal to 12-months of expected credit losses.

Substantially all of the loss allowances for debt securities are for debt securities measured at fair value through other comprehensive income as of April 1, 2020, March 31, 2021 and 2022.

Loans

	Yen in millions		
	12-month expected credit losses	Lifetime expected credit losses	Total
Balance as of April 1, 2020	126	936	1,062
Changes due to financial assets recognized as of April 1, 2020:			
— Transfer to lifetime expected credit losses	(1)	1	—
— Transfer to 12-month expected credit losses	97	(97)	—
— Financial assets that have been derecognized	(30)	(121)	(151)
New financial assets originated or purchased	27	21	48
Changes in models/risk parameters	(98)	208	110
Foreign exchange and other movements	1	(2)	(1)
Balance as of March 31, 2021	122	946	1,068
Changes due to financial assets recognized as of March 31, 2021:			
— Transfer to lifetime expected credit losses	(1)	1	—
— Transfer to 12-month expected credit losses	103	(103)	—
— Financial assets that have been derecognized	(59)	(97)	(156)
New financial assets originated or purchased	33	17	50
Changes in models/risk parameters	(34)	163	129
Foreign exchange and other movements	—	—	—
Balance as of March 31, 2022	164	927	1,091

Loans that are credit-impaired as of April 1, 2020, March 31, 2021 and 2022 were not significant.

(b) Description of collateral held as security and other credit enhancements

Sony assesses creditworthiness of each customer on an individual project basis. When it is determined to extend credit to a customer, the amount of collateral to be obtained will be based on the credit assessment for the customer by management. Collateral held as security includes, but is not limited to the following:

- Floating charges on all assets and businesses of the customer
- Specific or related guarantees
- Debt guarantees from customers and loan agreements with favorable and unfavorable covenant terms

The carrying amount of the financial assets, without taking into account any collateral held or credit enhancements, represents Sony's maximum exposure to credit risk on these assets. For maximum exposure to credit risk of securities to which impairment requirements in IFRS 9 "Financial Instruments" ("IFRS 9") are not applied without taking into account any collateral held or other credit enhancements, refer to Note 5.

In the Financial Services segment, housing loans have sufficient collateral, which results in no significant loss allowance being recognized. In addition, certain securities received as collateral for short-term lending transactions are permitted to be sold or repledged. The fair value of the securities which were not sold or repledged as collateral was 373,274 million yen and 530,589 million yen as of March 31, 2021 and 2022, respectively. None of the securities were sold or repledged as collateral as of March 31, 2021 or 2022. The securities are not recognized in the consolidated statements of financial position until being sold or repledged as collateral.

(c) Credit risk exposure by risk rating grades

Credit risk exposure by risk rating grades as of April 1, 2020, March 31, 2021 and 2022, is as follows:

Trade and other receivables, and contract assets including non-current other receivables in the Pictures segment

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Outstanding receivables by overview period of overdue (Gross carrying amount)			
Not past due or due within 30 days	1,223,507	1,388,742	1,732,371
Due over 30 to 90 days	48,007	40,046	52,895
Due over 90 days	61,782	56,946	45,269
Total	1,333,296	1,485,734	1,830,535

Debt securities

Debt securities held in the Financial Services segment are substantially all composed of investment grade debt securities, and, as a financial instrument subject to IFRS 9 impairment requirements, 12-month expected losses are recorded.

The following table shows an analysis of the gross carrying amount for debt securities measured at amortized cost or at fair value through other comprehensive income based on a credit rating system in the Financial Services segment, which is primarily a composite of external credit ratings as of April 1, 2020, March 31, 2021 and 2022.

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Debt securities by credit ratings (Gross carrying amount)			
AAA	233,334	282,551	488,275
AA	1,540,380	2,024,890	2,431,758
A	7,930,999	8,259,282	8,560,523
BBB	19,171	17,961	12,948
Other	7,628	11,017	32,422
Total	9,731,512	10,595,701	11,525,926

Loans

Loans held in the banking business in the Financial Services segment are regularly reassessed by the credit ratings of debtors, and as a financial instrument subject to IFRS 9 impairment requirements, 12-month or lifetime expected credit losses are recorded depending on whether or not the credit risk has increased significantly since initial recognition or not.

The following table shows an analysis of the gross carrying amount for loans measured at amortized cost based on credit ratings by debtors in the banking business in the Financial Services segment as of April 1, 2020, March 31, 2021 and 2022.

	Yen in millions						
	April 1, 2020						
	Normal*			Other than Normal			
	12-month expected credit losses	Lifetime expected credit losses	Sub total	12-month expected credit losses	Lifetime expected credit losses	Sub total	Total
Loans							
Housing loans	1,916,086	205	1,916,291	1,163	2,250	3,413	1,919,704
Other	43,440	666	44,106	1	118	119	44,225
Total	1,959,526	871	1,960,397	1,164	2,368	3,532	1,963,929

	Yen in millions						
	March 31, 2021						
	Normal*			Other than Normal			
	12-month expected credit losses	Lifetime expected credit losses	Sub total	12-month expected credit losses	Lifetime expected credit losses	Sub total	Total
Loans							
Housing loans	2,337,703	128	2,337,831	1,115	4,279	5,394	2,343,225
Other	34,114	486	34,600	2	76	78	34,678
Total	2,371,817	614	2,372,431	1,117	4,355	5,472	2,377,903

	Yen in millions						
	March 31, 2022						
	Normal*			Other than Normal			
	12-month expected credit losses	Lifetime expected credit losses	Sub total	12-month expected credit losses	Lifetime expected credit losses	Sub total	Total
Loans							
Housing loans	2,747,406	156	2,747,562	2,532	3,423	5,955	2,753,517
Other	24,522	282	24,804	11	85	96	24,900
Total	2,771,928	438	2,772,366	2,543	3,508	6,051	2,778,417

* Normal is defined as borrowers who have strong results and no particular problems with their financial position.

(d) Credit risk for debt securities designated to be measured at fair value through profit or loss

The credit risk exposures for debt securities designated to be measured at fair value through profit or loss were 247,289 million yen, 295,314 million yen, and 267,169 million yen as of April 1, 2020, March 31, 2021 and 2022, respectively. The change in the fair value attributable to the changes in credit risk was a decrease of 5,045 million yen for the fiscal year ended March 31, 2021 and an increase of 1,425 million yen for the fiscal year ended March 31, 2022. The cumulative changes are 5,645 million yen, 601 million yen and 2,026 million yen as of April 1, 2020, March 31, 2021 and 2022, respectively.

(7) Market risks for a subsidiary in the banking business

By formulating and conforming with market risk management policies, a subsidiary in the banking business manages the risk of loss for when the value of assets and liabilities (including off-balance-sheet items), and income from assets and liabilities could be adversely affected by changes in various market risk factors, such as interest rates, exchange rates and stock prices. Market risk management policies specify details such as risk management methods and procedures. ALM and risk management policies are determined by the subsidiary's

Board of Directors. Based on these policies, an ALM committee and a risk management committee typically meet once each month to understand and confirm actual conditions and deliberate future measures and risk conditions. On a daily basis, the risk management division maintains an overall understanding of interest, exchange rates and duration of financial assets and liabilities, and monitors Value at Risk (“VaR”), which quantifies the maximum expected loss which could occur during a given holding period and at a given probability, and interest rate sensitivity analysis, and confirms regulatory compliance. The subsidiary also conducts interest rate swaps and other derivative transactions to hedge against interest and exchange rate fluctuation risks. In the measurement of VaR, the historical method (time period: 250 days, confidence level: 99.0%) is used, and interest rate risk, exchange rate risk, and price risk are measured as the amount of market risk. The total market risk volume as of March 31, 2021 and 2022 was 13,215 million yen and 8,230 million yen, respectively. VaR employs statistical methods to estimate the maximum loss that could occur in a defined period of time in the future based on market fluctuation data for a defined period of time in the past; therefore, VaR may not capture the risk in situations in which the market environment undergoes drastic changes that are unpredictable under normal circumstances.

(8) Effect of IBOR reform

Due to the reform and replacement of benchmark interest rates such as the London Interbank Offered Rate (“LIBOR”), the use of other interbank offered rates (“IBORs”) has become a priority for global regulators. The use of panel-based LIBOR ceased as of December 2021, except for the use of certain U.S. dollar (“USD”) LIBORs. The 1-, 3-, and 6-months panel-based USD LIBOR settings are expected to be abolished and lose their representativeness at the end of June 2023. The overnight and 12 months USD LIBOR settings will permanently cease immediately after June 2023. As of March 31, 2022, the banking subsidiary is party to contracts that reference USD LIBOR.

As mentioned above, the JPY and GBP IBORs have been abolished on December 31, 2021 and replaced by alternative interest rates such as the Tokyo Overnight Average rate (“TONA”) and the Sterling Overnight Index Average (“SONIA”). Currently, the Secured Overnight Financing Rate (“SOFR”) is gradually replacing USD LIBOR as a reference rate. There remains key differences between USD LIBOR and SOFR. USD LIBOR is a “term rate,” which means that it is published for a specific borrowing period (such as three months or six months) and is “forward-looking,” because it is published at the beginning of the borrowing period. On the other hand, SOFR, TONA and SONIA are currently “backward-looking” rates, based on overnight rates from actual transactions, and are published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, while SOFR, TONA and SONIA currently do not include such a spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for term differences and credit differences need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

As of March 31, 2022, the Alternative Reference Rates Committee (“ARRC”), a working group for a transition from USD LIBOR to a more robust reference rate, recommends SOFR instead of LIBOR. However, some market participants are calling for the use of credit sensitive rates (“CSRs”) that include a credit spread, and these rates might be used in addition to SOFR.

In 2021 the banking subsidiary established a LIBOR transition project plan. This transition project is considering changes to systems, business processes, risk management and valuation models, as well as managing any related tax and accounting implications. As of March 31, 2022, changes to systems, business processes, risk management and valuation models are largely complete, but some contractual changes, such as securities and derivatives transactions that reference USD LIBOR, have not yet been implemented. Therefore, there is a risk that Sony will not be able to make the necessary contractual changes before June 2023, when the 1-, 3-, and 6-months panel-based USD LIBOR are abolished. In addition, CSRs, rather than SOFR, might be used as an alternative interest rate, which would require the implementation of system changes in a short period of time. To avoid the above risks, Sony closely monitors the progress of necessary contractual changes with its counter parties. Sony is also flexible in responding to systemic issues through collaboration among project members and other departments.

Sony Group Corporation has a loan contract and interest swap agreement, related to the loan contract, aiming to manage certain borrowing costs, both of which reference USD LIBOR, which expire after 2023. Sony is currently in discussion with the counterparties on which alternative interest rate would be referenced in the contractual periods after the current benchmark rates are no longer available.

The following table contains details of all of the financial instruments that Sony Group Corporation and the banking subsidiary hold at March 31, 2022 which reference USD LIBOR and SOFR and have not yet transitioned to SOFR or an alternative interest rate benchmark:

	Yen in millions	
	March 31, 2022	
	Carrying Value	Of which have yet to transition to an alternative benchmark interest rate
Debt securities		
Financial assets required to be measured at FVOCI	25,142	22,954
Financial assets required to be measured at AC	244,388	209,059
Long-term debt	(146,778)	(146,778)
Derivatives*	20,178	19,948
Total	142,930	105,183

* Derivatives are presented on a net basis.

7. Inventories

Inventories are comprised of the following:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Finished products	322,103	398,474	533,612
Work in process	142,935	133,560	163,206
Raw materials, purchased components and supplies	94,741	104,634	177,189
Inventories	559,779	636,668	874,007

For the fiscal years ended March 31, 2021 and 2022, the write-downs of inventories were 73,594 million yen and 80,546 million yen, respectively.

For the fiscal years ended March 31, 2021 and 2022, the amounts of inventories expensed and included in cost of sales were 2,057,248 million yen and 2,495,769 million yen, respectively. Included within these amounts for the fiscal years ended March 31, 2021 and 2022 were employee benefits expenses of 269,428 million yen and 282,765 million yen, respectively, and depreciation and amortization expenses of 192,760 million yen and 201,860 million yen, respectively. Other cost of sales mainly consists of material costs, subcontractor costs and other professional service fees.

8. Investments in associates and joint ventures

There are no associates or joint ventures that are individually material to Sony.

The carrying amounts of investments in associates and joint ventures that are not individually material to Sony, as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Investments accounted for using the equity method			
Associates	181,795	198,539	235,671
Joint ventures	22,496	26,547	32,842
Total	204,291	225,086	268,513

Sony's share of comprehensive income, profit or loss and other comprehensive income, of associates and joint ventures that are not individually material to Sony for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Share of profit or loss		
Associates	14,086	21,920
Joint ventures	(2,535)	1,726
Total	11,551	23,646
Share of other comprehensive income		
Associates	884	2,077
Joint ventures	1	1
Total	885	2,078
Share of comprehensive income		
Associates	14,970	23,997
Joint ventures	(2,534)	1,727
Total	12,436	25,724

9. Property, plant and equipment

The changes in property, plant and equipment for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions				
	Land	Buildings	Machinery and equipment	Construction in progress	Total
Balance as of April 1, 2020:					
Cost	77,716	731,440	1,844,088	78,811	2,732,055
Accumulated depreciation and impairment losses	—	(475,344)	(1,337,056)	(2,457)	(1,814,857)
Carrying amount	77,716	256,096	507,032	76,354	917,198
Changes in carrying amount:					
Additions	—	22,464	91,873	187,003	301,340
Acquisitions through business combinations	—	47	50	—	97
Reclassifications	340	12,568	146,025	(159,774)	(841)
Disposals or classified as held for sale*1	(2,484)	(1,599)	(3,140)	(779)	(8,002)
Depreciation*2	—	(24,405)	(189,568)	—	(213,973)
Impairment losses	(37)	(1,063)	(2,866)	(2,203)	(6,169)
Translation adjustment	505	2,572	2,756	736	6,569
Other	—	(2,721)	(2,348)	(609)	(5,678)
Total changes	(1,676)	7,863	42,782	24,374	73,343
Balance as of March 31, 2021:					
Cost	76,077	755,115	1,864,034	102,310	2,797,536
Accumulated depreciation and impairment losses	(37)	(491,156)	(1,314,220)	(1,582)	(1,806,995)
Carrying amount	76,040	263,959	549,814	100,728	990,541
Changes in carrying amount:					
Additions	2,461	25,434	91,189	229,094	348,178
Acquisitions through business combinations	—	1,946	1,437	—	3,383
Reclassifications	24	48,600	134,660	(185,979)	(2,695)
Disposals or classified as held for sale*1	(1,628)	(2,248)	(4,690)	(158)	(8,724)
Depreciation*2	—	(29,906)	(205,920)	—	(235,826)
Impairment losses	—	(235)	(579)	(74)	(888)
Translation adjustment	1,226	9,640	7,032	1,036	18,934
Other	—	282	22	6	310
Total changes	2,083	53,513	23,151	43,925	122,672
Balance as of March 31, 2022:					
Cost	78,160	832,785	1,953,985	145,940	3,010,870
Accumulated depreciation and impairment losses	(37)	(515,313)	(1,381,020)	(1,287)	(1,897,657)
Carrying amount	78,123	317,472	572,965	144,653	1,113,213

*1 An asset or disposal group for which the cash flows are expected to arise principally from sale rather than continuing use is classified to current asset as an asset held for sale.

*2 Depreciation expenses are allocated to the cost of inventory and are recognized in cost of sales as inventory is sold, or are directly recognized in selling, general and administrative expenses and research and development expenditures in the consolidated statements of income, depending on the use of the asset.

10. Leases

Sony leases communication and commercial equipment, plant, office space, warehouses, employees' residential facilities and other assets.

(1) Right-of-use assets as a lessee

Right-of-use assets are comprised of the following:

	Yen in millions			
	Land	Buildings	Machinery and equipment	Total
Balance as of April 1, 2020:				
Carrying amount	16,581	338,426	18,275	373,282
Changes in the carrying amount				
Increase due to new lease agreements and remeasurement of lease liabilities	1,657	61,887	5,299	68,843
Decrease due to termination of lease agreements and remeasurement of lease liabilities	(0)	(2,255)	(268)	(2,523)
Depreciation	(1,043)	(70,049)	(8,330)	(79,422)
Other	(1,801)	(659)	314	(2,146)
Net changes	(1,187)	(11,076)	(2,985)	(15,248)
Balance as of March 31, 2021:				
Carrying amount	15,394	327,350	15,290	358,034
Changes in the carrying amount				
Increase due to new lease agreements and remeasurement of lease liabilities	2,908	104,456	12,816	120,180
Decrease due to termination of lease agreements and remeasurement of lease liabilities	(159)	(5,685)	(356)	(6,200)
Depreciation	(1,140)	(72,944)	(7,700)	(81,784)
Other	797	22,091	312	23,200
Net changes	2,406	47,918	5,072	55,396
Balance as of March 31, 2022:				
Carrying amount	17,800	375,268	20,362	413,430

(2) Income, expenses, and cash flows (except for depreciation) arising from lease contracts as a lessee and lessor are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Interest expenses on lease liabilities	8,292	8,223
Expenses related to short-term leases accounted for applying an exemption	17,805	19,764
Income from subleases	(2,256)	(2,256)
Net cash outflows for leases	81,399	83,546

Refer to Note 6 for the maturity analysis of Sony's financial liabilities including lease liabilities.

11. Goodwill and intangible assets

(1) Goodwill

The changes in goodwill for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Balance at beginning of the fiscal year		
Cost	1,035,320	1,073,178
Accumulated impairments	(344,391)	(347,069)
Carrying amount	690,929	726,109
Increase (decrease) due to:		
Acquisitions	15,679	197,644
Disposals or classified as held for sale *	(2,486)	(40,201)
Impairments	—	—
Translation adjustments	21,987	69,343
Other	—	—
Balance at end of the fiscal year		
Cost	1,073,178	1,312,615
Accumulated impairments	(347,069)	(359,720)
Carrying amount	726,109	952,895

* Disposals or classified as held for sale for the fiscal year ended March 31, 2022 relate mainly to the transfer of certain operations of Game Show Network, LLC, a wholly-owned subsidiary in the Pictures segment. Refer to Note 31 for the details of the transfer.

The carrying amounts of goodwill by segment as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Game & Network Services*1	170,974	172,360	200,206
Music*2	391,325	408,424	539,055
Pictures*3	103,626	120,083	187,658
Electronics Products & Solutions	11,354	11,533	11,949
Imaging & Sensing Solutions	2,816	2,875	3,193
Financial Services	10,834	10,834	10,834
All Other	—	—	—
Total	690,929	726,109	952,895

*1 Game & Network Services

All of the goodwill shown in the G&NS line of the table above relates to the PlayStation® business. Intangible assets with indefinite useful lives related to the PlayStation® business have carrying amounts of 57,397 million yen, 57,449 million yen and 57,217 million yen, as of April 1, 2020 and March 31, 2021 and 2022, respectively, which are included in “Other intangible assets.” Intangible assets with indefinite useful lives include the trademark for PlayStation®, which is assessed to have an indefinite useful life as the trademark for PlayStation® is utilized as the core trademark for Sony’s products and services throughout the G&NS segment and Sony expects to continue using the trademark in the foreseeable future as well. The recoverable amount of the CGU is determined by the value in use. The value in use is calculated by discounting the estimated future cash flows including a terminal value. The estimated future cash flows are prepared based on the MRP. A terminal value after the final year of the total forecasted period is determined by utilizing a perpetual growth rate. The growth rate and the pre-tax discount rate were 1.5% and 9.8% as of April 1, 2020, 1.5% and 8.7% as of March 31, 2021, and 1.5% and 9.6% as of March 31, 2022, respectively.

*2 Music

Goodwill shown in the Music line of the table above is primarily allocated to the worldwide recorded music and the worldwide music publishing CGUs excluding operations in Japan.

Goodwill related to the worldwide recorded music CGU has carrying amounts of 128,918 million yen, 136,572 million and 235,746 million yen, as of April 1, 2020 and March 31, 2021 and 2022, respectively. The recoverable amount of the CGU is determined by the value in use. The value in use is calculated by discounting the estimated future cash flows including a terminal value. The estimated future cash flows are prepared based on the MRP. A terminal value after the final year of the total forecasted period is determined by utilizing a perpetual growth rate. The growth rate and the pre-tax discount rate were 1.0% and 9.2% as of April 1, 2020, 1.0% and 9.3% as of March 31, 2021, and 1.0% and 8.9% as of March 31, 2022, respectively.

Goodwill related to the music publishing CGU has carrying amounts of 238,684 million yen, 248,130 million yen and 270,116 million yen, as of April 1, 2020, March 31, 2021 and 2022, respectively. The recoverable amount of the CGU is determined by the value in use. The value in use is calculated by discounting the estimated future cash flows including a terminal value. The estimated future cash flows are prepared based on the MRP. A terminal value after the final year of the total forecasted period is determined by utilizing a perpetual growth rate. The growth rate and the pre-tax discount rate were 2.5% and 8.4% as of April 1, 2020, 2.5% and 8.2% as of March 31, 2021, and 2.5% and 8.5% as of March 31, 2022, respectively.

*3 Pictures

Goodwill shown in the Pictures line of the table above is primarily allocated to the United States television network and the animation distribution CGUs.

Goodwill related to the United States television network CGU has carrying amounts of 54,156 million yen, 55,092 million yen and 20,347 million yen, as of April 1, 2020, March 31, 2021 and 2022, respectively. The recoverable amount of the CGU is determined by the value in use. The value in use is calculated by discounting the estimated future cash flows including a terminal value. The estimated future cash flows are prepared based on the MRP, with earnings in years beyond the MRP based on a steady growth rate. A terminal value is based on an earnings multiple applied to the final year of the total forecasted period. The growth rate beyond the MRP period and the pre-tax discount rate were 1.0% and 15.9% as of April 1, 2020, 1.0% and 14.7% as of March 31, 2021, and (5.0%) and 13.1% as of March 31, 2022, respectively.

Goodwill related to the animation distribution CGU has a carrying amount of 102,590 million yen, as of March 31, 2022. The recoverable amount of the CGU is determined by the value in use. The value in use is calculated by discounting the estimated future cash flows including a terminal value. The estimated future cash flows are prepared based on the MRP, with revenues in years beyond the MRP based on declining growth rates. A terminal value is based on a revenue multiple applied to the final year of the total forecasted period. The growth rates beyond the MRP period were 5.0% to 15.0%, and the pre-tax discount rate was 13.5% as of March 31, 2022. The carrying amounts of the CGU as of April 1, 2020 and March 31, 2021 have not been presented as these amounts were not material.

The value in use calculation uses key assumptions such as the pre-tax discount rate, perpetual growth rate, competitive and regulatory environment, and technology trends. For each assumption, historical experience, external information, competitors and industry trends are taken into account. Sony does not expect the recoverable amounts to be lower than the carrying amounts even when the growth rate and pre-tax discount rate that are used in the evaluation of the recoverable amounts change within a reasonably predictable range.

(2) Content assets

The changes in content assets for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions						
	Film costs	Broadcasting rights	Music catalogs	Artist contracts	Music distribution rights	Other	Content assets Total
Balance as of April 1, 2020:							
Cost	2,712,996	265,517	628,184	25,847	31,218	10,118	3,673,880
Accumulated amortization and impairment losses	(2,315,662)	(202,966)	(140,705)	(13,099)	(5,592)	(3,212)	(2,681,236)
Carrying amount	397,334	62,551	487,479	12,748	25,626	6,906	992,644
Changes in carrying amount:							
Additions	211,521	61,446	61,106	31	451	6,985	341,540
Acquisitions through business combinations	—	1,912	235	—	—	—	2,147
Disposals or classified as held for sale	(5,182)	(2,797)	—	—	—	—	(7,979)
Amortization	(211,359)	(57,053)	(20,211)	(511)	(1,247)	(2,858)	(293,239)
Impairment losses	(4,408)	(1,782)	—	—	—	(1,990)	(8,180)
Translation adjustment	6,569	356	28,143	209	181	156	35,614
Other	—	—	—	—	—	—	—
Total changes	(2,859)	2,082	69,273	(271)	(615)	2,293	69,903
Balance as of March 31, 2021:							
Cost	2,909,102	304,036	724,513	26,709	32,019	14,178	4,010,557
Accumulated amortization and impairment losses	(2,514,627)	(239,403)	(167,761)	(14,232)	(7,008)	(4,979)	(2,948,010)
Carrying amount	394,475	64,633	556,752	12,477	25,011	9,199	1,062,547
Changes in carrying amount:							
Additions	313,648	75,841	87,350	2,209	—	20,997	500,045
Acquisitions through business combinations	11,724	32,124	28,194	—	9,760	10,797	92,599
Disposals or classified as held for sale	(932)	(4,747)	—	—	—	—	(5,679)
Amortization	(294,350)	(70,514)	(25,182)	(604)	(1,648)	(8,602)	(400,900)
Impairment losses	(13,870)	(738)	—	—	—	—	(14,608)
Translation adjustment	42,782	4,619	57,676	1,161	938	866	108,042
Other	—	—	—	—	—	—	—
Total changes	59,002	36,585	148,038	2,766	9,050	24,058	279,499
Balance as of March 31, 2022:							
Cost	3,549,934	395,045	914,418	30,278	43,219	46,086	4,978,980
Accumulated amortization and impairment losses	(3,096,457)	(293,827)	(209,628)	(15,035)	(9,158)	(12,829)	(3,636,934)
Carrying amount	453,477	101,218	704,790	15,243	34,061	33,257	1,342,046

The additions in Film costs include the cost of films internally produced and acquired from third party projects. Film costs acquired from third party projects are not a significant portion of Film costs recorded by Sony. The additions in Broadcasting rights, Music catalogs, Artist contracts and Music distribution rights mainly represent acquisitions through contracts with third parties.

(3) Other intangible assets

The changes in other intangible assets for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions						
	Patent rights, know-how and license agreements	Customer relationships	Trademarks	Software	Television carriage contracts	Other	Total
Balance as of April 1, 2020:							
Cost	197,891	38,842	23,150	749,598	56,270	169,202	1,234,953
Accumulated amortization and impairment losses	(181,529)	(35,024)	(5,576)	(518,314)	(24,104)	(92,906)	(857,453)
Carrying amount	16,362	3,818	17,574	231,284	32,166	76,296	377,500
Changes in carrying amount:							
Additions	8,210	53	9	85,562	—	4,203	98,037
Acquisitions through business combinations	16	1,693	358	191	156	1,500	3,914
Internal development	—	—	—	17,255	—	—	17,255
Disposals or classified as held for sale	(81)	—	(1)	(5,018)	(202)	(253)	(5,555)
Amortization	(5,851)	(1,130)	(550)	(78,364)	(3,273)	(4,300)	(93,468)
Impairment losses	(97)	—	—	(6,401)	—	(499)	(6,997)
Translation adjustment	(14)	286	483	752	(24)	884	2,367
Other	(759)	(1)	(20)	(926)	(233)	(59)	(1,998)
Total changes	1,424	901	279	13,051	(3,576)	1,476	13,555
Balance as of March 31, 2021:							
Cost	218,192	41,494	24,250	827,210	55,752	148,729	1,315,627
Accumulated amortization and impairment losses	(200,406)	(36,775)	(6,397)	(582,875)	(27,162)	(70,957)	(924,572)
Carrying amount	17,786	4,719	17,853	244,335	28,590	77,772	391,055
Changes in carrying amount:							
Additions	4,668	639	158	93,642	—	3,538	102,645
Acquisitions through business combinations	2,488	19,121	7,076	6,895	—	8,132	43,712
Internal development	—	—	—	15,681	—	—	15,681
Disposals or classified as held for sale	(49)	(565)	(550)	(2,599)	—	(107)	(3,870)
Amortization	(5,576)	(4,975)	(1,875)	(87,113)	(3,361)	(6,904)	(109,804)
Impairment losses	(6)	—	(313)	(3,218)	—	(202)	(3,739)
Translation adjustment	216	2,146	2,280	5,534	2,829	1,577	14,582
Other	140	—	1	819	—	(1,119)	(159)
Total changes	1,881	16,366	6,777	29,641	(532)	4,915	59,048
Balance as of March 31, 2022:							
Cost	213,649	58,427	32,683	952,153	61,939	155,479	1,474,330
Accumulated amortization and impairment losses	(193,982)	(37,342)	(8,053)	(678,177)	(33,881)	(72,792)	(1,024,227)
Carrying amount	19,667	21,085	24,630	273,976	28,058	82,687	450,103

12. Impairment of non-financial assets

There were no material impairment losses for the fiscal years ended March, 2021 and 2022. Refer to Note 34 for the details of impairment of goodwill at the date of transition to IFRS.

13. Insurance-related accounts

(1) Assets, liabilities, revenues and expenses included in the insurance business

Insurance policies

Life insurance policies that subsidiaries in the Financial Services segment underwrite, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health, variable annuities and variable life insurance contracts. The life insurance revenues for the fiscal years ended March 31, 2021 and 2022 were 913,361 million yen and 943,092 million yen, respectively. Property and casualty insurance policies that a subsidiary in the Financial Services segment underwrites are primarily automotive insurance contracts, which are categorized as short-duration contracts. The non-life insurance revenues for the fiscal years ended March 31, 2021 and 2022 were 123,574 million yen and 132,908 million yen, respectively.

The insurance contract liability in which an insured event has not occurred or a surrender option has not been exercised at the reporting date is classified as non-current. However, if either the insured event has occurred or the surrender option has been exercised, Sony would no longer have the right to defer payment of these amounts. Since the insurance contract liability would be due to be settled within twelve months after the reporting period, it is classified as current.

Deferred insurance acquisition costs

As of April 1, 2020, March 31, 2021 and 2022, the balances of deferred insurance acquisition costs of non-traditional life insurance contracts were 179,894 million yen, 220,254 million yen and 261,475 million yen, respectively.

Future insurance policy benefits

Liabilities for future insurance policy benefits, except the portion of liabilities for minimum guarantee benefits described below, which mainly relate to individual life insurance policies, are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality rates, lapse rates and other factors. Future insurance policy benefits are computed using interest rates ranging from 0.5% to 4.5% and are based on factors such as market conditions and expected investment returns. Morbidity, mortality rates and lapse rates used as assumptions for all policies are based on either the subsidiary's own experience or various actuarial tables. Generally these assumptions are locked in throughout the life of the contract upon the issuance of new insurance contracts, although significant changes in experience or assumptions may require Sony to provide for expected future losses.

Liabilities for future insurance policy benefits include the liabilities for the minimum guarantee benefits of variable annuities and variable life insurance contracts. The details regarding the minimum guarantee benefits are presented in "Minimum guarantee benefit for variable annuities and variable life insurance contracts" below. Sony measures certain of these liabilities for future insurance policy benefits at fair value. Refer to (4).

Policyholders' account in the life insurance business

Policyholders' account in the life insurance business represents an accumulation of account deposits plus credited interest less withdrawals, expenses and mortality charges. Policyholders' account in the life insurance business includes universal life insurance and investment contracts. Investment contracts are defined by the previous accounting practices in accordance with the provisions of IFRS 4. Universal life insurance includes interest sensitive whole life contracts and variable life insurance contracts. The credited rates associated with interest sensitive whole life contracts range from 1.7% to 2.0%. For variable life insurance contracts, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. Investment contracts mainly include single payment endowment contracts, single payment educational endowment contracts, individual variable annuities and policies after the start of annuity payments. The credited rates associated with investment contracts, except for individual variable annuities, range from 0.01% to 6.3%. For individual variable annuities, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. The liabilities for policyholders' account in the life insurance business includes the liabilities related to the variable annuities and variable life insurance contracts with minimum guarantee benefits. Sony measures certain of these liabilities for policyholders' account in the life insurance business at fair value. Refer to Note (4).

Policyholders' account in the life insurance business is comprised of the following:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Universal life insurance	2,611,577	3,067,791	3,278,148
Investment contracts	883,429	1,101,614	1,393,257
Other	145,004	159,489	119,890
Total	3,640,010	4,328,894	4,791,295

Minimum guarantee benefit for variable annuities and variable life insurance contracts

Regarding variable annuities and variable life insurance contracts, minimum guarantee benefits (minimum death benefit, minimum accumulation benefit, etc.) are provided, and Sony bears the risk of fulfilling the minimum guarantee benefits prescribed in the contracts to policyholders. The fair value measurement is applied to the liability for variable annuity contracts with minimum guarantee benefits. Refer to Note (4). Excluding the portion of the liability measured at fair value, the liability for the minimum guarantee benefits is calculated using current best-estimate assumptions and is based on the ratio of the present value of expected total excess payments divided by the present value of expected total assessments over the life of the contract. Mortality rates, lapse rates, discount rates and investment yield are used as significant assumptions for this calculation. The policyholders' account value, net amount at risk, liability for the minimum guarantee benefit, and average attained age as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	Yen in millions		
	April 1, 2020		
	Variable annuities	Variable life insurance contracts	Total
Policyholders' account value	464,093	1,096,935	1,561,028
Net amount at risk	71,685	4,564,214	4,635,899
Liability for minimum guarantee benefit	64,045	79,860	143,905

	Age	
	April 1, 2020	
	Variable annuities	Variable life insurance contracts
Average attained age	60	45

	Yen in millions		
	March 31, 2021		
	Variable annuities	Variable life insurance contracts	Total
Policyholders' account value	490,152	1,486,001	1,976,153
Net amount at risk	50,861	5,074,637	5,125,498
Liability for minimum guarantee benefit	42,309	58,246	100,555

	Age	
	March 31, 2021	
	Variable annuities	Variable life insurance contracts
Average attained age	61	45

	Yen in millions		
	March 31, 2022		
	Variable annuities	Variable life insurance contracts	Total
Policyholders' account value	467,924	1,686,488	2,154,412
Net amount at risk	58,961	6,361,770	6,420,731
Liability for minimum guarantee benefit	37,382	63,392	100,774

	Age	
	March 31, 2022	
	Variable annuities	Variable life insurance contracts
Average attained age	63	45

Shadow liability adequacy test in the life insurance business

When holding financial assets that are measured at fair value through other comprehensive income and correspond to insurance contract liabilities, shadow accounting is applied to evaluate insurance-related accounts as if the financial assets were sold as of the end of reporting period and valuation gains or losses were realized for the purpose of reducing the accounting mismatches between the insurance contract liabilities and the financial assets. Sony performs a shadow liability adequacy test on life insurance contracts quarterly.

Mortality rates, morbidity rates, lapse rates and discount rates are used as significant assumptions for this shadow liability adequacy test.

As a result of the shadow liability adequacy test, deferred insurance acquisition costs decreased by 386,528 million yen and future insurance policy benefits increased by 268,748 million yen through other comprehensive income as of April 1, 2020. Since the net amounts of future insurance policy benefits minus deferred insurance acquisition costs were recorded at a sufficient level, the decrease of deferred insurance acquisition costs and the increase of future insurance policy benefits were not recorded as of March 31, 2021 and 2022.

(2) Changes in insurance contract liabilities and deferred insurance acquisition costs

Changes in insurance contract liabilities

The changes in insurance contract liabilities are as follows:

	Yen in millions		
	Future insurance policy benefits and other	Policyholders' account in the life insurance business	Total
Balance as of April 1, 2020	6,646,656	3,640,010	10,286,666
Current portion*1	127,079	—	127,079
Non-current portion	6,519,577	3,640,010	10,159,587
Net premiums	786,916	319,240	1,106,156
Insurance liabilities released	(465,997)	(195,202)	(661,199)
Unwind of discount and actuarial items*2	157,379	465,769	623,148
Changes in valuation of expected future benefits	(69,332)	(6,401)	(75,733)
Shadow accounting adjustments	(258,953)	(3,954)	(262,907)
Other	(68,340)	90,575	22,235
Currency exchange rate fluctuations	21,121	18,857	39,978
Balance as of March 31, 2021	6,749,450	4,328,894	11,078,344
Current portion*1	134,865	—	134,865
Non-current portion	6,614,585	4,328,894	10,943,479
Net premiums	813,856	468,299	1,282,155
Insurance liabilities released	(539,586)	(251,169)	(790,755)
Unwind of discount and actuarial items*2	149,869	201,797	351,666
Changes in valuation of expected future benefits	(11,144)	946	(10,198)
Shadow accounting adjustments	(15,692)	(3,169)	(18,861)
Other	(65,198)	29,328	(35,870)
Currency exchange rate fluctuations	110,485	16,369	126,854
Balance as of March 31, 2022	7,192,040	4,791,295	11,983,335
Current portion*1	153,006	—	153,006
Non-current portion	7,039,034	4,791,295	11,830,329

*1 The current portion of future insurance policy benefits and other is included in other current liabilities in the consolidated statements of financial position.

*2 Mainly includes interests credited to reserves, expenses and mortality charges.

Changes in deferred insurance acquisition costs

The changes in deferred insurance acquisition costs are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Balance at beginning of the fiscal year	194,116	631,231
Current portion*	6,212	7,245
Non-current portion	187,904	623,986
New deferred insurance acquisition costs	96,638	109,320
Amortization amount for current period	(44,738)	(69,237)
Shadow accounting adjustments	383,731	4,505
Currency exchange rate fluctuations	1,484	8,017
Balance at end of the fiscal year	631,231	683,836
Current portion*	7,245	7,310
Non-current portion	623,986	676,526

* The current portion of deferred insurance acquisition costs is included in other current assets in the consolidated statements of financial position.

(3) Significant assumptions regarding insurance contracts

Significant assumptions

The significant assumptions and the ranges used to measure the insurance contract liabilities as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	April 1	Fiscal year ended March 31	
	2020	2021	2022
Discount rate	(0.061%)-6.25%	(0.046%)-6.25%	(0.075%)-6.25%

Other significant assumptions are mortality rates and lapse rates.

Impact from changes made to assumptions

	Yen in millions		
	April 1	Fiscal year ended March 31	
	2020	2021	2022
Impact on gains (losses)	(11,064)	31,076	6,643
Changes in economic assumptions	(14,048)	25,704	7,091
Changes in non-economic assumptions	2,984	5,372	(448)
Impact on capital	(465,869)	477,642	18,087
Changes in economic assumptions	(472,171)	467,478	16,874
Changes in non-economic assumptions	6,302	10,164	1,213

Economic assumptions including discount rates and non-economic assumptions including mortality rates and morbidity rates, lapse rates, and operating expense rates are developed based on best estimates by product as of each cutoff date. Best-estimate assumptions are developed to reflect past and current experiences as well as expected experiences in the future. Expected future changes in assumptions should be reflected only when they are supported by sufficient rationales. Except for a deteriorating trend in mortality rates and morbidity rates, no other expected future changes are assumed in the best-estimate assumptions applied.

(4) Insurance-related accounts measured at fair value

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

The fair value of future insurance policy benefits and policyholders' account in the life insurance business as of April 1, 2020, March 31, 2021 and 2022 is as follows:

	Yen in millions		
		Presentation in the consolidated statements of financial position	
	Fair value	Future insurance policy benefits and other	Policyholders' account in the life insurance business
April 1, 2020	532,191	64,045	468,146
March 31, 2021	536,189	42,309	493,880
March 31, 2022	507,699	37,382	470,317

The valuation techniques, significant unobservable inputs, and the ranges used to measure the fair value of the future insurance policy benefits and policyholders' account in the life insurance business as of April 1, 2020, March 31, 2021 and 2022 are as follows:

		Range		
Valuation techniques	Significant unobservable inputs	April 1, 2020	March 31, 2021	March 31, 2022
Present value of future expected cash flows	Credit spread*	64.4bp	37.9bp	47.5bp
	Mortality rates	0.004%-44.865%	0.004%-44.865%	0.003%-35.693%
	Lapse rates	1.000%-7.500%	1.000%-7.500%	0%-7.500%

* bp = basis point

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

The changes in fair value of future insurance policy benefits and policyholders' account in the life insurance business measured at fair value for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Balance at beginning of the fiscal year	532,191	536,189
Total (gains) losses*1:		
Included in net income*2	16,475	830
Included in other comprehensive income*3	3,120	(797)
Issuances	1,996	—
Settlements	(17,593)	(28,523)
Balance at end of the fiscal year	536,189	507,699
Changes in unrealized gains (losses) relating to future insurance policy benefits and policyholders' account in the life insurance business still held as of reporting date included in net income*2	(29,205)	(13,638)

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

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

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

(5) Insurance and market risks

Risk management policy and exposure

The life insurance subsidiary manages various market-related risks in the following manner:

(a) Insurance risk management

Insurance risk

With respect to insurance underwriting risk, based on the level of policy reserves and capital levels, the life insurance subsidiary manages the insurance portfolio appropriately, such as setting policy limits for each type of insurance as necessary. In addition, underwriting standards, reinsurance standards, reinsurance company selection standards, and standards for revising and abolishing each product are clearly defined as internal rules and are regularly reviewed.

Concentration of insurance risk

The insurance contract portfolio does not have excessive concentration risk.

(b) Market risk management

Interest rate risk management

Interest rate risk is managed by the risk management division based on the policies for interest rate risk management that specify details such as risk management methods and procedures. Based on ALM policies that are determined through such methods as deliberation by the life insurance subsidiary's Executive Committee, the subsidiary determines and confirms actual risk conditions with its Board of Directors. As part of the ALM management, the life insurance subsidiary invests in financial assets that match the characteristics of the insurance contract obligations, and thereby reduces interest rate risk as much as possible. Through the purchase and sale of financial assets included in their portfolio, the interest rate sensitivity (duration) of financial assets and insurance contract obligations is matched as much as possible so that they ensure sufficient cash flow to settle insurance claims as they come due.

Exchange rate risk

Exchange rate risk is managed by the risk management division based on the policies for exchange rate risk management that specify details such as risk management methods and procedures. The division periodically reports such information to the life insurance subsidiary's Board of Directors and Executive Committee.

Equity market price fluctuation risk

Equity market price fluctuation risk is managed by the risk management division based on the policies for equity market price fluctuation risk management that specify details such as risk management methods and procedures. The division periodically reports such information to the life insurance subsidiary's Board of Directors and Executive Committee.

Derivative transactions

Derivative transactions are managed by the risk management division based on the policies for derivative transactions that specify details such as risk management methods and procedures. The division periodically reports such information to the life insurance subsidiary's Board of Directors and Executive Committee.

Sensitivity analysis

Market risk

For the purpose of pursuing a stable and sustainable increase of corporate value, in the life insurance business Sony uses Market Consistent Embedded Value ("MCEV"), which is an indicator used to support the analysis of the value of a life insurance business and is compliant with the European Insurance CFO Forum Market Consistent Embedded Value Principles© ("MCEV Principles"). MCEV is also used for sensitivity analysis of market risk and insurance risk.

MCEV represents the present value of the current and future distributable earnings to shareholders generated from assets allocated to the covered business after sufficient allowance for the aggregate risks in the covered business. MCEV consists of the adjusted net worth and the value of the existing business. Adjusted net worth is the amount of assets allocated to the covered business as of the valuation date and is calculated as the amount of its market value in excess of statutory policy reserves and other liabilities. The value of the existing business consists of the present value of certainty-equivalent profit, the time value of options and guarantees, frictional costs and the cost of non-hedgeable risks. The main assumptions, including mortality rates, morbidity rates, lapse and surrender rates, and operating expense rates, were developed based on best estimates by product. The Board of Directors of the life insurance subsidiary has confirmed that, with the exception of certain noncompliance items, the MCEV presented below has been produced following the methodology set out in the MCEV Principles. The main noncompliance item referred to above is the reference rate, which is used in the calculations and has been defined as the government bond nominal spot rate curve rather than the swap rate curve as stipulated in the MCEV Principles.

MCEV is not an estimate of “fair value” as it does not include the value of new businesses to be sold in the future and does not include the non-life insurance business, such as the property and casualty insurance business and the banking business. The calculation of MCEV is based on numerous assumptions with respect to economic conditions, operating conditions, taxes and other matters, many of which are beyond Sony’s control. In general, deviations between projection assumptions and actual experience in the future are to be expected and such deviations may materially impact the value calculated.

The tables below show the sensitivities of changing the underlying assumptions of MCEV as of April 1, 2020, March 31, 2021 and 2022.

		April 1, 2020		
		Yen in millions		
Assumption	**Changes in assumptions, etc.**	**MCEV**	**Change in amount**	**Rate of change**
Base	No change	1,713,544	—	—
Interest rates*	50bp decrease	1,675,351	(38,193)	(2.23%)
	50bp increase	1,723,260	9,716	0.57%
Stock/Real estate market value	10% decrease	1,687,104	(26,439)	(1.54%)
Maintenance expenses	10% decrease	1,742,146	28,603	1.67%
Lapse and surrender rate	10% decrease	1,661,415	(52,128)	(3.04%)
Mortality rates (death protection)	5% decrease	1,781,851	68,308	3.99%
Mortality rates (third sector / annuity products)	5% decrease	1,697,478	(16,066)	(0.94%)
Morbidity rates	5% decrease	1,786,439	72,895	4.25%
Foreign exchange rates	10% appreciation of the Yen	1,684,219	(29,324)	(1.71%)

* bp = basis point

		March 31, 2021		
		Yen in millions		
Assumption	**Changes in assumptions, etc.**	**MCEV**	**Change in amount**	**Rate of change**
Base	No change	1,966,570	—	—
Interest rates*	50bp decrease	1,972,839	6,269	0.32%
	50bp increase	1,936,227	(30,343)	(1.54%)
Stock/Real estate market value	10% decrease	1,942,875	(23,695)	(1.20%)
Maintenance expenses	10% decrease	1,994,729	28,158	1.43%
Lapse and surrender rate	10% decrease	1,965,268	(1,302)	(0.07%)
Mortality rates (death protection)	5% decrease	2,032,004	65,434	3.33%
Mortality rates (third sector / annuity products)	5% decrease	1,952,436	(14,134)	(0.72%)
Morbidity rates	5% decrease	2,038,626	72,055	3.66%
Foreign exchange rates	10% appreciation of the Yen	1,941,841	(24,729)	(1.26%)

* bp = basis point

		March 31, 2022		
		Yen in millions		
Assumption	**Changes in assumptions, etc.**	**MCEV**	**Change in amount**	**Rate of change**
Base	No change	2,066,357	—	—
Interest rates*	50bp decrease	2,107,521	41,164	1.99%
	50bp increase	2,004,841	(61,516)	(2.98%)
Stock/Real estate market value	10% decrease	2,049,089	(17,268)	(0.84%)
Maintenance expenses	10% decrease	2,097,153	30,796	1.49%
Lapse and surrender rate	10% decrease	2,083,260	16,903	0.82%
Mortality rates (death protection)	5% decrease	2,136,304	69,948	3.39%
Mortality rates (third sector / annuity products)	5% decrease	2,052,870	(13,487)	(0.65%)
Morbidity rates	5% decrease	2,136,413	70,057	3.39%
Foreign exchange rates	10% appreciation of the Yen	2,051,249	(15,108)	(0.73%)

* bp = basis point

Liquidity risk

(a) Risk management policy and exposure

In line with liquidity risk management policies, the accounting division of each insurance subsidiary prepares and updates cash flow plans in a timely manner based on the reports from departments and manages cash flows, and the risk management division of each insurance subsidiary manages the liquidity risk. The accounting division and risk management division periodically or as needed report such information to each insurance subsidiary's Board of Directors and Executive Committee.

(b) Maturity analysis

The following table summarizes the estimated timing of the remaining undiscounted net cash flows from insurance contract liabilities and the contractual timing of the remaining undiscounted cash flows arising from securities held by the insurance subsidiaries as of April 1, 2020, March 31, 2021 and 2022. The cash flows of insurance liabilities are based on assumptions regarding morbidity rates, mortality rates, and lapse rates, which are consistent with the estimates used for the carrying amounts.

	Yen in millions							
	April 1, 2020							
	Total	**Indefinite Terms**	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Insurance contract liabilities	17,292,920	—	58,958	79,164	136,924	178,881	223,072	16,615,921
Securities held by insurance subsidiaries	15,459,087	1,005,229	645,257	188,889	187,273	238,590	352,546	12,841,303

	Yen in millions							
	March 31, 2021							
	Total	**Indefinite Terms**	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Insurance contract liabilities	22,097,488	—	127,728	148,972	189,784	224,574	262,433	21,143,997
Securities held by insurance subsidiaries	17,014,630	1,584,670	670,402	198,858	245,184	342,846	328,947	13,643,723

	Yen in millions							
	March 31, 2022							
	Total	**Indefinite Terms**	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Insurance contract liabilities	25,561,549	—	165,028	155,586	198,370	234,987	263,679	24,543,899
Securities held by insurance subsidiaries	18,536,483	2,008,071	656,948	223,111	348,527	335,791	311,466	14,652,569

Since the total of the above estimated amounts is the amount before discounting, it exceeds the amount of insurance contract liabilities and securities which is included in investments and advances in the Financial Services segment shown in the consolidated statements of financial position.

14. Short-term borrowings and long-term debt

Short-term borrowings and long-term debt are comprised of the following:

	April 1, 2020		
	Book value (Yen in millions)	Weighted average interest rate	Due
Short-term borrowings	824,045	0.74%	
Long-term debt			
Long-term loans	254,916	0.26%	2020-2030
Unsecured bonds	259,441	0.29%	2020-2029
Unsecured zero coupon convertible bonds	117,359	—%	2022
Lease liabilities	406,237	2.48%	
	1,037,953		
Less — Portion due within one year	98,923		
	939,030		

	March 31, 2021		
	Book value (Yen in millions)	Weighted average interest rate	Due
Short-term borrowings	1,201,747	0.14%	
Long-term debt			
Long-term loans	526,790	0.62%	2021-2030
Unsecured bonds	289,491	0.28%	2021-2029
Unsecured zero coupon convertible bonds	40,738	—%	2022
Lease liabilities	402,023	2.12%	
	1,259,042		
Less — Portion due within one year	205,406		
	1,053,636		

	March 31, 2022		
	Book value (Yen in millions)	Weighted average interest rate	Due
Short-term borrowings	1,976,553	0.18%	
Long-term debt			
Long-term loans	693,603	0.70%	2022-2056
Unsecured bonds	189,608	0.25%	2022-2029
Unsecured zero coupon convertible bonds	26,495	—%	2022
Lease liabilities	465,349	2.10%	
	1,375,055		
Less — Portion due within one year	171,409		
	1,203,646		

Certain subsidiaries in the Financial Services segment pledged assets as collateral for short-term borrowings and long-term debt and the pledged assets are comprised of the following:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Securities	740,331	1,036,855	1,490,663
Housing loans in the banking business	374,314	553,722	782,175

In addition to the above, certain subsidiaries in the Financial Services segment pledged securities for securities-for-securities lending transactions and the pledged securities are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Securities	—	361,278	521,912

Furthermore, pledged securities of certain subsidiaries in the Financial Services segment as collateral for cash settlements, variation margins of futures markets and certain other purposes are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Securities	14,672	17,355	21,271

On July 21, 2015, Sony issued 120,000 million yen of 130% Callable Unsecured Zero Coupon Convertible Bonds due on September 28, 2022 (the "Zero Coupon Convertible Bonds"). The bondholders are entitled to convert the Zero Coupon Convertible Bonds into shares of common stock from September 1, 2015 to September 28, 2022. The initial conversion price was 5,008 yen per share. The conversion price is subject to anti-dilution provisions, where the conversion price is adjusted in certain cases such as the issuance or disposal of the shares of Sony Group Corporation's common stock at below market price, stock splits, bonus issues of shares, and dividends in excess of 25 yen per common share per fiscal year. In addition, an early redemption is triggered upon the occurrence of certain corporate events including a merger or corporate split, and the completion of a takeover bid resulting in the delisting of the shares of common stock of Sony Group Corporation. The conversion price is reduced for a certain period prior to the early redemption date, which is determined by a formula that is based on time to maturity and Sony's common stock price, in order to compensate bondholders for the time value up to the original maturity date. The reduced conversion price ranges from 3,526.5 yen to 5,008 yen per share. The conversion price has been adjusted to 4,952.8 yen per common share since June 10, 2022 because the payment of the total annual dividend per common share for the fiscal year ended March 31, 2022 was 65 yen, which is in excess of 25 yen. At the early redemption date, the remaining Zero Coupon Convertible Bonds would be redeemed at 100% of the principal amount. The conversion right is bifurcated from the host contract and classified as equity.

Sony has the option to redeem all of the Zero Coupon Convertible Bonds outstanding at 100% of the principal amount on or after July 21, 2020, if the closing price per share of Sony Group Corporation's common stock on the Tokyo Stock Exchange is 130% or more of the conversion price of the Zero Coupon Convertible Bonds applicable on each trading day for 20 consecutive trading days. As the option is considered closely related to the host contract, Sony does not bifurcate the option from the host contract.

There are no significant adverse debt covenants under the Zero Coupon Convertible Bonds.

There are no significant adverse debt covenants or cross-default provisions related to the other short-term borrowings and long-term debt.

15. Derivative instruments and hedging activities

Sony has certain financial instruments including financial assets and liabilities acquired in the normal course of business. Such financial instruments are exposed to market risk arising from the changes in foreign currency exchange rates and interest rates. In applying a consistent risk management strategy for the purpose of reducing such risk, Sony uses derivative financial instruments, which include foreign exchange forward contracts, swap agreements, currency option contracts, and interest rate swap agreements (including interest rate and currency swap agreements). Certain other derivative financial instruments are entered into in the Financial Services segment for ALM purposes. These instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major countries. Other than derivatives utilized in the Financial Services segment for ALM, Sony does not use derivative financial instruments for trading or speculative purposes. These derivative transactions utilized for ALM in the Financial Services segment are executed within certain limits in accordance with an internal risk management policy.

A description of the purpose and classification of the derivative financial instruments held by Sony is as follows:

Foreign exchange forward contracts, swap agreements and currency option contracts

Foreign exchange forward contracts, swap agreements and purchased and written foreign currency option contracts are utilized primarily to limit the exposure affected by changes in foreign currency exchange rates on cash flows generated or anticipated by Sony's transactions and accounts receivable and payable denominated in foreign currencies. The majority of written foreign currency option contracts are a part of range forward contract arrangements and expire in the same month with the corresponding purchased foreign currency option contracts.

Sony also entered into foreign exchange forward contracts and foreign exchange range forward contracts which effectively fixed the cash flows from certain forecasted purchase and sale transactions denominated in foreign currencies for the fiscal years ended March 31, 2021 and 2022. The ineffective portions of the hedging relationships were not significant. Accordingly, these derivatives have been designated as cash flow hedges.

Foreign exchange forward contracts and foreign currency option contracts that do not qualify as hedges are measured at fair value with changes in value recognized in financial income and financial expenses.

Foreign exchange forward contracts, foreign currency option contracts and swap agreements held by certain subsidiaries in the Financial Services segment are measured at fair value with changes in value recognized in financial services revenue.

Interest rate swap agreements (including interest rate and currency swap agreements)

Interest rate swap agreements are utilized primarily to lower funding costs, to diversify sources of funding and to limit Sony's exposure associated with underlying borrowings and debt securities resulting from adverse fluctuations in interest rates, foreign currency exchange rates and changes in fair values. Interest rate swap agreements entered into in the Financial Services segment are used for reducing the risk arising from the changes in the fair value of fixed rate debt securities.

Certain subsidiaries in the Financial Services segment have interest rate swap agreements as part of their ALM, which are measured at fair value with changes in value recognized in financial services revenue.

Any other interest rate swap agreements that do not qualify as hedges, which are used for reducing the risk arising from changes of variable rate debt, are measured at fair value with changes in value recognized in financial income and financial expenses.

Other agreements

Certain subsidiaries in the Financial Services segment have equity future contracts, equity swap agreements, bond future contracts, commodity future contracts, interest rate swaption agreements, other currency contracts and hybrid financial instruments as part of their ALM, which are marked-to-market with changes in value recognized in financial services revenue. The hybrid financial instruments, disclosed in Note 5 as debt securities, contained embedded derivatives that are not required to be bifurcated because the entire instruments are measured at fair value.

The estimated fair values of Sony's outstanding derivative instruments are summarized as follows:

	Yen in millions					
	April 1, 2020		March 31, 2021		March 31, 2022	
	Asset derivatives	Liability derivatives	Asset derivatives	Liability derivatives	Asset derivatives	Liability derivatives
Interest rate contracts						
Interest rate swap agreements	1,604	17,621	12,788	14,757	26,795	6,455
Interest rate swaptions agreements	—	58	—	205	—	1,075
Foreign exchange contracts						
Foreign exchange forward contracts	10,023	6,822	7,820	13,241	14,687	34,284
Swap agreements	6,020	7,027	4,912	4,422	11,897	925
Currency option contracts purchased	7	—	15	—	42	—
Currency option contracts written	—	5	—	1,790	—	172
Other currency contracts	5,453	2,482	2,944	780	3,578	1,201
Equity contracts						
Equity future contracts	605	1,476	240	986	—	11,903
Equity swap agreements	18,280	—	—	4,171	—	16,105
Option contracts purchased	4,081	—	10,177	—	4,024	—
Other						
Other contracts	391	375	17	2	—	—
Total derivatives	46,464	35,866	38,913	40,354	61,023	72,120

The estimated fair values and maturity analysis for notional amounts of Sony's outstanding derivative instruments which are designated as hedging instruments are summarized as follows:

	Yen in millions					
	April 1, 2020					
	Notional amounts			Fair Value		
	Within 1 Year	Over 1 Year	Total	Asset derivatives	Liability derivatives	Balance sheet location
Cash flow hedging relationships						
Foreign exchange forward contracts	173,398	—	173,398	1,799	—	Current assets: Other financial assets
Average rate (JPY/USD)	108.9	—				

	Yen in millions					
	March 31, 2021					
	Notional amounts			Fair Value		
	Within 1 Year	Over 1 Year	Total	Asset derivatives	Liability derivatives	Balance sheet location
Cash flow hedging relationships						
Foreign exchange forward contracts	100,177	—	100,177	—	4,221	Current liabilities: Other financial liabilities
Average rate (JPY/USD)	106.0	—				
Currency option bought contracts	32,754	—	32,754	8	—	Current assets: Other financial assets
Average rate (JPY/USD)	103.0	—				
Currency option sold contracts	33,390	—	33,390	—	1,779	Current liabilities: Other financial liabilities
Average rate (JPY/USD)	105.0	—				
Interest rate swap agreements	—	132,852	132,852	10,438	—	Non-current assets: Other financial assets
Average rate	—	1.5%				

	Yen in millions					
	March 31, 2022					
	Notional amounts			Fair Value		
	Within 1 Year	Over 1 Year	Total	Asset derivatives	Liability derivatives	Balance sheet location
Cash flow hedging relationships						
Foreign exchange forward contracts	138,135	—	138,135	—	7,618	Current liabilities: Other financial liabilities
Average rate (JPY/USD)	115.3	—				
Currency option bought contracts	4,830	—	4,830	28	—	Current assets: Other financial assets
Average rate (JPY/USD)	115.0	—				
Currency option sold contracts	4,975	—	4,975	—	161	Current liabilities: Other financial liabilities
Average rate (JPY/USD)	118.5	—				
Interest rate swap agreements	—	146,778	146,778	17,987	—	Non-current assets: Other financial assets
Average rate	—	1.5%				

Changes in the fair value of hedging instruments related to cash flow hedges are recorded in accumulated other comprehensive income for the fiscal years ended March 31, 2021 and 2022.

	Yen in millions		
	Foreign exchange contracts	Interest rate contracts	Total
Balance as of April 1, 2020	1,248	—	1,248
Changes in fair value of hedging instruments recognized in other comprehensive income	(2,672)	10,153	7,481
Reclassification adjustments to profit (loss) for the year*1,2	(5,119)	(2,109)	(7,228)
Deferred tax	2,261	(2,463)	(202)
Balance as of March 31, 2021	(4,282)	5,581	1,299
Changes in fair value of hedging instruments recognized in other comprehensive income	(14,645)	6,942	(7,703)
Reclassification adjustments to profit (loss) for the year*1,2	12,886	1,643	14,529
Deferred tax	538	(2,629)	(2,091)
Balance as of March 31, 2022	(5,503)	11,537	6,034

*1 In the consolidated statements of income, the amount reclassified to profit (loss) is included in sales for hedges of foreign exchange contracts and in financial expenses for hedges of interest rate contracts.

*2 For the fiscal years ended March 31, 2021 and 2022, hedge ineffectiveness recognized in profit or loss was not material.

16. Offsetting of financial assets and financial liabilities

Tables below show the gross amounts of financial assets and liabilities, amounts offset, and net amounts presented in the consolidated statements of financial position, as well as the financial assets and liabilities that are subject to enforceable master netting agreements or similar agreements, as of April 1, 2020, March 31, 2021 and 2022.

	Yen in millions					
	April 1, 2020					
	Gross amounts recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Amounts not offset in the consolidated statements of financial position		Net amounts
				Financial instruments	Cash collateral	
Derivative assets*1	38,281	—	38,281	12,614	20,545	5,122
Trade receivables	15,833	3,497	12,336	6,743	—	5,593
Total assets	54,114	3,497	50,617	19,357	20,545	10,715
Derivative liabilities*1	31,896	—	31,896	7,086	23,873	937
Trade payables	30,749	3,497	27,252	6,743	—	20,509
Short-term borrowings*2	567,194	—	567,194	564,874	—	2,320
Total liabilities	629,839	3,497	626,342	578,703	23,873	23,766

	Yen in millions					
	March 31, 2021					
	Gross amounts recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Gross amounts not offset in the consolidated statements of financial position		Net amounts
				Financial instruments	Cash collateral	
Derivative assets*1	15,159	—	15,159	10,666	2,008	2,485
Trade receivables	9,944	2,704	7,240	—	—	7,240
Total assets	25,103	2,704	22,399	10,666	2,008	9,725
Derivative liabilities*1	38,966	—	38,966	11,052	16,225	11,689
Trade payables	27,003	2,704	24,299	—	—	24,299
Short-term borrowings*2	917,792	—	917,792	911,881	—	5,911
Total liabilities	983,761	2,704	981,057	922,933	16,225	41,899

	Yen in millions					
	March 31, 2022					
	Gross amounts recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Gross amounts not offset in the consolidated statements of financial position		Net amounts
				Financial instruments	Cash collateral	
Derivative assets*1	37,847	—	37,847	24,504	10,782	2,561
Trade receivables	30,370	26,739	3,631	—	—	3,631
Total assets	68,217	26,739	41,478	24,504	10,782	6,192
Derivative liabilities*1	72,004	—	72,004	33,514	29,530	8,960
Trade payables	60,056	26,739	33,317	—	—	33,317
Short-term borrowings*2	1,272,040	—	1,272,040	1,269,188	—	2,852
Total liabilities	1,404,100	26,739	1,377,361	1,302,702	29,530	45,129

*1 Certain subsidiaries have entered into master netting agreements or other similar agreements, which are mainly International Swaps and Derivatives Association (ISDA) Master Agreements. An ISDA Master Agreement is an agreement between two counterparties that may have multiple derivative contracts with each other, and such ISDA Master Agreement may provide for the net settlement of all or a specified group of these derivative contracts, through a single payment, in a single currency, in the event of a default on or affecting any one derivative contract, or a termination event affecting all or a specified group of derivative contracts. Master netting agreements create a right of set off, but the master netting agreements do not automatically provide for such set off.

*2 Short-term borrowings relate to repurchase agreements.

17. Employee benefits

(1) Defined benefit and severance plans

Upon terminating employment, employees of Sony Group Corporation and its subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pension payments as described below. Sony Group Corporation and certain of its subsidiaries' pension plans utilize a point-based plan under which a point is added every year reflecting the individual employee's performance over that year. Under the point-based plan, the amount of payment is determined based on the sum of cumulative points from past services and interest points earned on the cumulative points regardless of whether or not the employee is voluntarily retiring.

Under the plans, in general, the defined benefits cover 65% of the indemnities under existing regulations to employees. The remaining indemnities are covered by severance payments by the companies. The pension benefits are payable at the option of the retiring employee either in a lump-sum amount or monthly pension payments. Contributions to the plans are funded through several financial institutions in accordance with the applicable laws and regulations.

From April 1, 2012, Sony Group Corporation and substantially all of its subsidiaries in Japan have modified existing defined benefit pension plans such that life annuities will no longer accrue additional service benefits, with those participants instead accruing fixed-term annuities. The defined benefit pension plans were closed to new participants and a defined contribution plan was also introduced.

From October 1, 2019, Sony Group Corporation and substantially all of its subsidiaries in Japan have amended their defined benefit pension plans and have implemented defined contribution plans for all employees other than those employees that had retired before the amendments.

In addition, several of Sony's foreign subsidiaries have defined benefit pension plans or severance indemnity plans, which cover substantially all of their employees. Under such plans, the related cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on the current rate of pay and length of service.

Net defined benefit liability (asset) recognized in the consolidated statements of financial position

Amounts recognized in the consolidated statements of financial position are as follows:

	Yen in millions					
	Japanese plans			Foreign plans		
	April 1	March 31		April 1	March 31	
	2020	2021	2022	2020	2021	2022
Present value of defined benefit obligations	658,863	640,061	614,763	357,096	371,239	277,903
Fair value of plan assets	(437,206)	(476,411)	(474,933)	(277,719)	(288,394)	(198,791)
The impact of minimum funding requirement and asset ceiling	1,898	3,990	4,870	14,241	13,156	2,491
Net amount	223,555	167,640	144,700	93,618	96,001	81,603
Amount recognized in the consolidated statements of financial position						
Net defined benefit asset	(1,493)	(1,757)	(21,057)	(9,818)	(714)	(6,544)
Net defined benefit liability	225,048	169,397	165,757	103,436	96,715	88,147
Net amount	223,555	167,640	144,700	93,618	96,001	81,603

Present value of defined benefit obligations

The changes in the defined benefit obligations for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions			
	Japanese plans		Foreign plans	
	Fiscal year ended March 31		Fiscal year ended March 31	
	2021	2022	2021	2022
Beginning balance of the fiscal year	658,863	640,061	357,096	371,239
Current service cost	12,763	12,868	2,605	2,424
Past service cost	—	4	157	(34)
Interest cost	3,684	3,751	6,410	5,117
Remeasurements:				
Change in demographic assumptions	3,091	(536)	(1,568)	630
Change in financial assumptions	(2,820)	(8,594)	10,694	(16,789)
Other	—	(95)	2,002	(91)
Translation adjustments	—	—	26,669	19,372
Plan participants' contributions	—	—	258	333
Benefits paid	(35,563)	(32,909)	(24,075)	(38,923)
Curtailments and settlements *	—	—	(9,009)	(65,375)
Other	43	213	—	—
Ending balance of the fiscal year	640,061	614,763	371,239	277,903

* Curtailments and settlements of the foreign plans for the fiscal year ended March 31, 2022 relate mainly to the termination of the defined benefit pension plan at certain U.S. subsidiaries.

The weighted average duration of defined benefit obligations for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Japanese plans March 31		Foreign plans March 31	
	2021	2022	2021	2022
Weighted average duration of defined benefit obligations	11.9 years	11.5 years	11.8 years	15.7 years

The significant actuarial assumptions used to determine the present value of defined benefit obligations as of April 1, 2020 and March 31, 2021 and 2022 are as follows:

	Japanese plans			Foreign plans		
	April 1	March 31		April 1	March 31	
	2020	2021	2022	2020	2021	2022
Discount rate	0.6%	0.6%	0.7%	2.1%	1.4%	2.5%

The sensitivities of the defined benefit obligations to changes in the significant weighted-average actuarial assumptions are as follows:

	Yen in millions					
	Japanese plans			Foreign plans		
	April 1	March 31		April 1	March 31	
Change in assumptions	2020	2021	2022	2020	2021	2022
Discount rate						
0.25% decrease	20,722	19,965	18,069	10,619	11,281	11,055
0.25% increase	(18,277)	(16,825)	(15,372)	(9,914)	(10,431)	(10,439)

The sensitivity analyses are calculated using the same method used to determine the defined benefit liability recognized in the consolidated statements of financial position while holding all other assumptions consistent.

Fair value of plan assets

Sony's pension investment policy recognizes the expected growth and the variability risk associated with the long-term nature of pension liabilities, the returns and risks of diversification across asset classes, and the correlation among assets. The asset allocations are designed to maximize returns consistent with levels of liquidity and investment risk that are considered prudent and reasonable. While the pension investment policy gives appropriate consideration to recent market performance and historical returns, the investment assumptions utilized by Sony are designed to achieve a long-term return consistent with the long-term nature of the corresponding pension liabilities.

The investment objectives of Sony's plan assets are designed to generate returns that will enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the retirement dates and life expectancy of the plans' participants. The obligations are estimated using actuarial assumptions, based on current economic conditions and other pertinent factors. Sony's investment strategy balances the requirement to generate returns, using potentially higher yielding assets such as equity securities, with the need to control risk in the portfolio with less volatile assets, such as fixed-income securities. Risks include, among others, inflation, volatility in equity values and changes in interest rates that could negatively impact the funding level of the plans, thereby increasing their dependence on contributions from Sony. To mitigate any potential concentration risk of plan assets, thorough consideration is given to balancing the portfolio among industry sectors and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The target allocations as of March 31, 2022, are, as a result of Sony's asset liability management, 16% (2020: 17%, 2021: 20%) of equity securities, 52% (2020: 54%, 2021: 51%) of fixed income securities and 32% (2020: 29%, 2021: 29%) of other investments for the pension plans of Sony Group Corporation and most of its subsidiaries in Japan, and, on a weighted average basis, 1% (2020: 14%, 2021: 7%) of equity securities, 22% (2020: 63%, 2021: 32%) of fixed income securities and 77% (2020: 23%, 2021: 61%) of other investments for the pension plans of foreign subsidiaries.

The changes in the plan assets for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions			
	Japanese plans		Foreign plans	
	Fiscal year ended March 31		Fiscal year ended March 31	
	2021	2022	2021	2022
Beginning balance of the fiscal year	437,206	476,411	277,719	288,394
Interest income	2,623	3,026	5,118	3,955
Remeasurements:				
Return on plan assets excluding interest income	56,913	17,617	(28,024)	(10,121)
Translation adjustments	—	—	24,158	13,880
Employer contribution	2,333	2,476	37,880	4,573
Plan participants' contributions	—	—	258	333
Benefits paid	(22,664)	(24,597)	(22,488)	(37,545)
Refunds from the plans	—	—	—	(5,005)
Curtailments and settlements *	—	—	(6,227)	(59,673)
Ending balance of the fiscal year	476,411	474,933	288,394	198,791

* Curtailments and settlements of the foreign plans for the fiscal year ended March 31, 2022 relate mainly to the termination of the defined benefit pension plan at certain U.S. subsidiaries.

Sony makes contributions to its defined benefit pension plans as deemed appropriate by management after considering the fair value of plan assets, expected return on plan assets and the present value of defined benefit obligations. Sony expects to contribute approximately 6 billion yen to the Japanese plans and approximately 4 billion yen to the foreign plans during the fiscal year ending March 31, 2023.

The fair values of the assets held by Japanese and foreign plans are as follows:

	Yen in millions		
	Japanese plans		
		Market price in active market	
Asset class	April 1 2020	Quoted	Unquoted
Cash and cash equivalents	13,349	13,349	—
Equity securities[*1]	24,715	21,377	3,338
Fixed income:			
Government bonds[*2]	7,833	1,087	6,746
Corporate bonds[*3]	3,952	20	3,932
Commingled funds[*4]	303,030	—	303,030
Private equity	35,866	—	35,866
Hedge funds	48,461	—	48,461
Total	437,206	35,833	401,373

Asset class	Yen in millions Japanese plans March 31 2021	Market price in active market Quoted	Unquoted
Cash and cash equivalents	44,317	44,317	—
Equity securities*1	32,269	28,288	3,981
Fixed income:			
Government bonds*2	9,820	1,149	8,671
Corporate bonds*3	3,635	19	3,616
Commingled funds*4	295,963	—	295,963
Private equity	43,023	—	43,023
Hedge funds	47,384	—	47,384
Total	476,411	73,773	402,638

Asset class	Yen in millions Japanese plans March 31 2022	Market price in active market Quoted	Unquoted
Cash and cash equivalents	13,843	13,843	—
Equity securities*1	31,660	28,175	3,485
Fixed income:			
Government bonds*2	10,005	1,122	8,883
Corporate bonds*3	4,222	31	4,191
Commingled funds*4	316,319	—	316,319
Private equity	49,777	—	49,777
Hedge funds	49,107	—	49,107
Total	474,933	43,171	431,762

*1 Represents primarily Japanese equity securities.

*2 Includes approximately 82%, 84% and 84% of debt securities issued by Japanese national and local governments, and 18%, 16% and 16% of debt securities issued by foreign national and local governments as of April 1, 2020 and for the fiscal years ended March 31, 2021 and 2022, respectively.

*3 Includes debt securities issued by Japanese and foreign corporation and government related agencies.

*4 Commingled funds represent pooled institutional investments, including primarily investment trusts.

Asset class	Yen in millions Foreign plans April 1 2020	Market price in active market Quoted	Unquoted
Cash and cash equivalents	3,940	3,940	—
Equity securities*1	17,591	16,973	618
Fixed income:			
Government bonds*2	93,826	—	93,826
Corporate bonds*3	32,080	—	32,080
Asset-backed securities	1,320	—	1,320
Insurance contracts*4	16,722	—	16,722
Commingled funds*5	78,972	—	78,972
Real estate and other	33,268	—	33,268
Total	277,719	20,913	256,806

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Yen in millions		
	Foreign plans		
		Market price in active market	
Asset class	March 31 2021	Quoted	Unquoted
Cash and cash equivalents	2,642	2,642	—
Equity securities*1	11,349	10,631	718
Fixed income:			
Government bonds*2	18,843	—	18,843
Corporate bonds*3	59,071	—	59,071
Asset-backed securities	120	—	120
Insurance contracts*4	129,491	—	129,491
Commingled funds*5	63,118	—	63,118
Real estate and other	3,760	—	3,760
Total	288,394	13,273	275,121

	Yen in millions		
	Foreign plans		
		Market price in active market	
Asset class	March 31 2022	Quoted	Unquoted
Cash and cash equivalents	2,350	2,350	—
Equity securities*1	61	61	—
Fixed income:			
Government bonds*2	19,141	—	19,141
Corporate bonds*3	23,546	—	23,546
Asset-backed securities	63	—	63
Insurance contracts*4	129,084	432	128,652
Commingled funds*5	22,316	—	22,316
Real estate and other	2,230	8	2,222
Total	198,791	2,851	195,940

*1 Includes primarily foreign equity securities.

*2 Includes primarily foreign government debt securities.

*3 Includes primarily foreign corporate debt securities.

*4 Represents annuity contracts with or without profit sharing and bulk insurance contracts.

*5 Commingled funds represent pooled institutional investments, including primarily investment trusts.

The impact of minimum funding requirement and asset ceiling

The impact of minimum funding requirement and asset ceiling for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Yen in millions			
	Japanese plans		Foreign plans	
	Fiscal year ended March 31		Fiscal year ended March 31	
	2021	2022	2021	2022
Beginning balance of the fiscal year	1,898	3,990	14,241	13,156
Interest income	11	25	271	187
Remeasurements:				
Change in asset ceiling excluding interest income	2,081	855	(2,447)	(11,018)
Translation adjustments	—	—	1,091	166
Ending balance of the fiscal year	3,990	4,870	13,156	2,491

(2) Defined contribution plans

Total defined contribution expenses for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Japanese plans	10,992	11,137
Foreign plans	9,639	11,154

(3) Employee benefits expenses

Employee benefits expenses included in cost of sales, selling, general and administrative, and financial services expenses in the consolidated statements of income for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Total employee benefits expenses	1,187,119	1,253,148

Employee benefits expenses include salaries, bonuses, stock-based compensation, social security, welfare and expenses relating to post-employment benefits.

18. Participation and residual liabilities in the Pictures segment

The changes in participation and residual liabilities for the fiscal year ended March 31, 2022 are as follows:

	Yen in millions
	Fiscal year ended March 31
	2022
Balance at beginning of the fiscal year	277,970
Current portion	161,433
Non-current portion	116,537
Additional participation and residual liabilities	254,916
Amounts paid during the year	(159,836)
Translation adjustment	37,225
Balance at end of the fiscal year	410,275
Current portion	190,162
Non-current portion	220,113

There were no material changes driven from discounting or unpaid amounts reversed during the year.

19. Other assets and other liabilities

(1) Other assets

Components of other assets as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Advance payments and prepaid expenses	237,643	300,237	384,299
Income taxes receivable and other taxes receivable	186,718	118,914	169,580
Other	185,408	184,548	208,241
Total	609,769	603,699	762,120
Current assets	441,974	396,210	473,070
Non-current assets	167,795	207,489	289,050

(2) Other liabilities

Components of other liabilities as of April 1, 2020, March 31, 2021 and 2022 are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Contract liabilities	271,286	294,911	366,227
Accrued short-term employee benefits	245,054	321,553	347,023
Refund liabilities	168,739	186,875	197,791
Accrued expenses	222,028	192,396	177,404
Taxes payable other than income taxes	128,037	133,672	163,316
Future insurance policy benefits and other	127,079	134,865	153,006
Product warranties	31,807	32,851	28,606
Other	157,234	163,426	161,596
Total	1,351,264	1,460,549	1,594,969
Current liabilities	1,263,944	1,367,527	1,488,488
Non-current liabilities	87,320	93,022	106,481

The changes in product warranties for the fiscal year ended March 31, 2022 are as follows:

	Yen in millions
	Fiscal year ended March 31
	2022
Balance at beginning of the fiscal year	32,851
Additional product warranties	27,810
Amounts used during the year	(23,432)
Unused amounts reversed during the year	(10,659)
Translation adjustment	2,036
Balance at end of the fiscal year	28,606

20. Stockholders' equity

(1) Common stock

The number of shares of common stock authorized as of March 31, 2021 and 2022 was 3,600,000,000. All of the shares of common stock of Sony Group Corporation are issued with no par value, and the issued stock was fully paid.

Changes in the number of shares of common stock issued and outstanding during the fiscal years ended March 31, 2021 and 2022 have resulted from the following:

	Number of shares	
	Fiscal year ended March 31	
	2021	2022
Balance at beginning of the fiscal year	1,261,058,781	1,261,058,781
Issuance of new shares	—	23,000
Balance at end of the fiscal year	1,261,058,781	1,261,081,781

As of April 1, 2020, March 31, 2021 and 2022, the number of shares of treasury stock, which was included in the balance of common stock shares issued above, were 40,898,841 shares, 21,831,206 shares and 24,078,136 shares, respectively.

Sony Group Corporation may purchase its own shares at any time by a resolution of the Board of Directors up to the retained earnings available for dividends to shareholders, in accordance with the Companies Act of Japan.

Although Sony Group Corporation approved on August 4, 2020 by resolution of the Board of Directors the setting of parameters for the repurchase of shares of its own common stock pursuant to the Companies Act of Japan and Sony Group Corporation's Articles of Incorporation, no common stock was acquired based on these parameters by March 31, 2021.

Sony Group Corporation's Board of Directors resolved and approved the setting of parameters for the repurchase of shares of its own common stock pursuant to the Companies Act of Japan and Sony Group Corporation's Articles of Incorporation at the meeting of the Board of Directors held on April 28, 2021. Under the above resolution, Sony Group Corporation repurchased 7,400,600 shares of its common stock for an amount of 88,281 million yen by March 31, 2022.

(2) Additional paid-in capital

Additional paid-in capital consists of surplus that is derived from equity transactions and not recorded in common stock, and its primary component is capital reserves. The Companies Act of Japan provides that no less than 50% of the paid-in amount or proceeds of issuance of shares shall be incorporated in common stock, and that the remaining shall be incorporated in capital reserves. Capital reserves may be incorporated in common stock upon approval of the General Meeting of Shareholders.

(3) Retained earnings

Retained earnings consist of legal reserves and accumulated earnings. The Companies Act of Japan provides that earnings in an amount equal to 10% of cash dividends from retained earnings shall be appropriated as a capital reserve or a legal reserve on the date of distribution of retained earnings until an aggregated amount of capital reserve and legal reserve equals 25% of common stock. Legal reserves may be used upon approval of the General Meeting of Shareholders.

Dividends whose record date falls in the fiscal year ended March 31, 2022 and whose effective date falls in the fiscal year ending March 31, 2023 are as follows:

(Resolution)	Type of shares	Total amount of dividends (Yen in millions)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 10, 2022	Common stock	43,295	Retained earnings	35.00	March 31, 2022	June 3, 2022

(4) Other comprehensive income

Changes in accumulated other comprehensive income, net of tax, by component for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Yen in millions				
	Balance at April 1, 2020	Other comprehensive income attributable to Sony Group Corporation's stockholders	Transfer to retained earnings	Transactions with noncontrolling interests shareholders and other	Balance at March 31, 2021
Changes in equity instruments measured at fair value through other comprehensive income	(8,882)	144,544	6,085	(2,125)	139,622
Changes in debt instruments measured at fair value through other comprehensive income	985,234	(179,251)	—	458,754	1,264,737
Cash flow hedges	1,248	51	—	—	1,299
Remeasurement of defined benefit pension plans	—	11,555	(11,555)	—	—
Exchange differences on translating foreign operations	—	113,771	—	130	113,901
Insurance contract valuation adjustments	1,973	(2,537)	—	476	(88)
Share of other comprehensive income of investments accounted for using the equity method	(97)	885	(2)	—	786
Total	979,476	89,018	(5,472)	457,235	1,520,257

	Yen in millions				
	Balance at April 1, 2021	Other comprehensive income attributable to Sony Group Corporation's stockholders	Transfer to retained earnings	Transactions with noncontrolling interests shareholders and other	Balance at March 31, 2022
Changes in equity instruments measured at fair value through other comprehensive income	139,622	(106,426)	(5,784)	—	27,412
Changes in debt instruments measured at fair value through other comprehensive income	1,264,737	(416,904)	—	—	847,833
Cash flow hedges	1,299	4,735	—	—	6,034
Remeasurement of defined benefit pension plans	—	33,641	(33,641)	—	—
Exchange differences on translating foreign operations	113,901	223,777	—	—	337,678
Insurance contract valuation adjustments	(88)	599	—	—	511
Share of other comprehensive income of investments accounted for using the equity method	786	2,078	—	—	2,864
Total	1,520,257	(258,500)	(39,425)	—	1,222,332

Each component of other comprehensive income and the related tax effect including noncontrolling interests for the fiscal years ended March 31, 2021 and 2022 are as follows:

Comprehensive income components	Yen in millions Fiscal year ended March 31 2021	2022
Items that will not be reclassified to profit or loss		
Changes in equity instruments measured at fair value through other comprehensive income		
Amount incurred during the year	191,122	(139,511)
Total before tax	191,122	(139,511)
Tax expense or (benefit)	(46,382)	33,085
Net of tax	144,740	(106,426)
Remeasurement of defined benefit pension plans		
Amount incurred during the year	17,856	43,134
Total before tax	17,856	43,134
Tax expense or (benefit)	(6,301)	(9,493)
Net of tax	11,555	33,641
Share of other comprehensive income of investments accounted for using the equity method		
Amount incurred during the year	98	869
Total before tax	98	869
Tax expense or (benefit)	(11)	(292)
Net of tax	87	577
Total	156,382	(72,208)
Items that may be reclassified subsequently to profit or loss		
Changes in debt instruments measured at fair value through other comprehensive income		
Amount incurred during the year	(285,504)	(572,692)
Reclassification to profit or loss	(98)	(6,408)
Total before tax	(285,602)	(579,100)
Tax expense or (benefit)	80,053	162,196
Net of tax	(205,549)	(416,904)
Cash flow hedges		
Amount incurred during the year	7,481	(7,703)
Reclassification to profit or loss	(7,228)	14,529
Total before tax	253	6,826
Tax expense or (benefit)	(202)	(2,091)
Net of tax	51	4,735
Insurance contract valuation adjustments		
Amount incurred during the year	(3,081)	807
Reclassification to profit or loss	(39)	(10)
Total before tax	(3,120)	797
Tax expense or (benefit)	—	(198)
Net of tax	(3,120)	599
Exchange differences on translating foreign operations		
Amount incurred during the year	115,304	227,017
Reclassification to profit or loss	17	(742)
Total before tax	115,321	226,275
Tax expense or (benefit)	—	—
Net of tax	115,321	226,275

Comprehensive income components	Yen in millions Fiscal year ended March 31 2021	 2022
Share of other comprehensive income of investments accounted for using the equity method		
Amount incurred during the year	798	1,501
Reclassification to profit or loss	—	—
Total before tax	798	1,501
Tax expense or (benefit)	—	—
Net of tax	798	1,501
Total	(92,499)	(183,794)
Total other comprehensive income	63,883	(256,002)

(5) Equity transactions with noncontrolling interests shareholders

During the fiscal year ended March 31, 2021, Sony Group Corporation acquired all the common shares and the related stock acquisition rights not held by Sony Group Corporation of SFGI, a consolidated subsidiary of Sony Group Corporation, and SFGI became a wholly-owned subsidiary of Sony Group Corporation. Consideration for this acquisition was 396,698 million yen. The net difference between the consideration, the decrease in the carrying amount of the noncontrolling interests of 1,046,380 million yen and the increase in accumulated other comprehensive income of 457,072 million yen was recognized as an increase to additional paid-in capital of 192,610 million yen. On October 1, 2021, SFGI changed its company name from SFH.

21. Stock-based compensation plans

The stock-based compensation expense for the fiscal years ended March 31, 2021 and 2022 was 8,892 million yen and 11,105 million yen, respectively.

Sony Group Corporation has a stock-based compensation incentive plan for the corporate executive officers and employees of Sony Group Corporation, and the directors, other officers and employees of its subsidiaries in the form of a stock option plan. The stock acquisition rights granted under the stock option plan generally have three-year vesting schedules and are exercisable up to 10 years from the date of grant. Sony Group Corporation either issues new shares of common stock or reissues existing treasury stock upon the exercise of these rights.

The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal years ended March 31, 2021 and 2022 was 2,207 yen and 2,994 yen, respectively. The fair value of stock acquisition rights granted on the date of grant and used to recognize compensation expense for the fiscal years ended March 31, 2021 and 2022 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Fiscal year ended March 31	
	2021	2022
Weighted-average assumptions		
Share price at the grant date	9,202 yen	14,361 yen
Risk-free interest rate	0.17%	0.60%
Expected lives	5.41 years	5.33 years
Expected volatility*	26.97%	22.47%
Expected dividends	0.34%	0.29%

* Expected volatility was based on the historical volatilities of Sony Group Corporation's common stock over the expected life of the stock acquisition rights.

A summary of the activities regarding the stock option plan during the fiscal years ended March 31, 2021 and 2022 is as follows:

	Fiscal year ended March 31			
	2021		2022	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
		Yen		Yen
Outstanding at beginning of the fiscal year	12,876,700	4,982	14,022,400	6,653
Granted	4,534,600	9,221	4,876,400	14,188
Exercised	3,178,300	3,911	1,944,900	5,313
Forfeited or expired	210,600	6,280	409,600	9,484
Outstanding at end of the fiscal year	14,022,400	6,653	16,544,300	9,397
Exercisable at end of the fiscal year	5,800,700	4,535	7,044,700	5,883

The weighted-average stock price at the time when the stock acquisition rights were exercised during the fiscal years ended March 31, 2021 and 2022 was 9,311 yen and 12,627 yen, respectively.

A summary of unexercised stock acquisition rights as of March 31, 2021 and 2022 is as follows:

Series	Date of grant	Exercise term	Exercise price	Outstanding at end of the fiscal year (shares) 2021	2022
22nd	November 22, 2011	November 22, 2012 to November 21, 2021	¥ 1,523	24,700	—
23rd	November 22, 2011	November 22, 2012 to November 21, 2021	$ 19.44	77,500	—
24th	December 4, 2012	December 4, 2013 to December 3, 2022	¥ 932	24,000	14,700
25th	December 4, 2012	December 4, 2013 to December 3, 2022	$ 11.23	102,600	77,900
26th	November 20, 2013	November 20, 2014 to November 19, 2023	¥ 2,007	88,500	47,000
27th	November 20, 2013	November 20, 2014 to November 19, 2023	$ 20.01	140,900	127,300
28th	November 20, 2014	November 20, 2015 to November 19, 2024	¥2,410.5	243,700	190,900
29th	November 20, 2014	November 20, 2015 to November 19, 2024	$ 20.67	167,300	154,100
30th	November 19, 2015	November 19, 2016 to November 18, 2025	¥ 3,404	323,900	252,600
31st	November 19, 2015	November 19, 2016 to November 18, 2025	$ 27.51	218,800	170,800
32nd	November 22, 2016	November 22, 2017 to November 21, 2026	¥ 3,364	672,100	516,300
33rd	November 22, 2016	November 22, 2017 to November 21, 2026	$ 31.06	446,200	367,900
34th	November 21, 2017	November 21, 2018 to November 20, 2027	¥ 5,231	872,800	572,500
35th	November 21, 2017	November 21, 2018 to November 20, 2027	$ 45.73	787,200	676,400
36th	February 28, 2018	February 28, 2019 to February 27, 2028	¥ 5,442	5,800	4,500
37th	February 28, 2018	February 28, 2019 to February 27, 2028	$ 50.39	15,000	15,000
38th	November 20, 2018	November 20, 2019 to November 19, 2028	¥ 6,440	1,290,600	977,800
39th	November 20, 2018	November 20, 2019 to November 19, 2028	$ 56.22	987,300	826,800
40th	November 20, 2019	November 20, 2020 to November 19, 2029	¥ 6,705	1,645,300	1,389,700
41st	November 20, 2019	November 20, 2020 to November 19, 2029	$ 60.99	1,393,400	1,190,800
42nd	April 17, 2020	April 17, 2021 to April 16, 2030	$ 63.75	20,000	13,300
43rd	November 18, 2020	November 18, 2021 to November 17, 2030	¥ 9,237	2,252,000	2,193,000
44th	November 18, 2020	November 18, 2021 to November 17, 2030	$ 87.48	2,222,800	1,974,800
45th	November 18, 2021	November 18, 2022 to November 17, 2031	¥ 14,350	—	2,399,100
46th	November 18, 2021	November 18, 2022 to November 17, 2031	$ 124.90	—	2,391,100

22. Revenue

(1) Contract balances

Receivables from contracts with customers, contract assets and contract liabilities are comprised of the following:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Receivables from contracts with customers*1	1,127,622	1,177,027	1,382,377
Contract assets*2	13,985	12,204	16,785
Contract liabilities*3	271,286	294,911	366,227

*1 Receivables from contracts with customers are included in the consolidated statements of financial position as "Trade and other receivables, and contract assets" and "Other financial assets," non-current.

*2 Contract assets are included in the consolidated statements of financial position as "Trade and other receivables, and contract assets" and "Other non-current assets."

*3 Contract liabilities are included in the consolidated statements of financial position as "Other current liabilities" and "Other non-current liabilities."

Contract liabilities principally relate to customer advances received prior to performance. Revenues of 216,931 million yen and 231,274 million yen were recognized during the fiscal years ended March 31, 2021 and 2022, which were included in the balance of contract liabilities as of April 1, 2020 and March 31, 2021. Revenues of 76,405 million yen and 78,149 million yen were recognized during the fiscal years ended March 31, 2021 and 2022, respectively, from performance obligations satisfied prior to April 1, 2020 and April 1, 2021, respectively.

(2) Performance obligations

Remaining (unsatisfied or partially unsatisfied) performance obligations represent future revenues not yet recorded for firm orders that have not yet been performed. Sony applies practical expedients to exclude contracts with an expected original duration of one year or less. The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2021 and 2022, respectively, of which more than half are expected to be recognized within one year and substantially all within three years. The amount of the transaction price related to variable consideration is included only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue to be recognized will not occur.

	Yen in millions	
	March 31	
	2021	2022
Pictures — Motion Pictures and Television Productions*1	644,569	705,974
Pictures — Media Networks	20,346	17,568
Music*2	57,904	127,530
Others	47,211	57,948

*1 For Motion Pictures and Television Productions in the Pictures segment, Sony has included all contracts regardless of duration.

*2 The amount included in the Music segment primarily consists of minimum royalty guarantees or fixed fees in contracts related to license revenue for ongoing access to an evolving library of content.

(3) Contract costs

Contract costs are comprised as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Incremental costs of obtaining a contract	7,464	8,348	7,336

Sony applies practical expedients to recognize the incremental costs of obtaining a contract as an expense if the amortization period of the asset that otherwise would have been recognized is one year or less. The amortization of 7,271 million yen and 6,917 million yen was recognized during the fiscal years ended March 31, 2021 and 2022, respectively. The incremental costs of obtaining a contract are primarily recognized in the EP&S segment for the internet-related service business and amortized to expense over the contract period.

(4) Disaggregation of revenue

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

23. Supplemental consolidated statements of income information

(1) Other operating (income) expense, net

Sony records transactions in other operating (income) expense, net due to either the nature of the transaction or in consideration of factors including the relationship to Sony’s core operations.

Other operating (income) expense, net is comprised of the following:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Gain on transfer of GSN Games shares*1	—	(70,020)
(Gain) loss on purchase/sale of interests in subsidiaries and associates, net	(18,868)	(4,593)
(Gain) loss on sale, disposal or impairment of assets, net*2	32,122	8,316
Other	996	803
	14,250	(65,494)

*1 Refer to Note 31.

*2 Refer to Notes 9 and 11.

(2) Research and development expenditures

Research and development expenditures recognized as an expense for the fiscal years ended March 31, 2021 and 2022 were 545,357 million yen and 618,368 million yen, respectively.

(3) Advertising costs

Advertising costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2022 were 261,391 million yen and 347,709 million yen, respectively.

(4) Shipping and handling costs

Shipping and handling costs for finished goods included in selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2022 were 82,708 million yen and 70,858 million yen, respectively, which included the internal transportation costs of finished goods.

24. Financial income and expense

Financial income

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Interest income		
Financial assets measured at AC	7,610	6,996
Dividends		
Financial assets measured at FVOCI	1,566	2,792
Gain on revaluation of equity instruments		
Financial assets measured at FVPL*1	61,259	—
Other	13,357	9,516
Total	83,792	19,304

Financial expenses

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Interest expense		
Financial liabilities measured at AC	5,916	6,377
Other	8,292	8,223
Foreign exchange loss, net*2	16,191	1,612
Loss on revaluation of equity instruments		
Financial assets measured at FVPL*1	—	66,177
Other	10,683	21,751
Total	41,082	104,140

*1 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 revaluation of the Spotify shares owned as of March 31, 2021 and March 31, 2022 resulted in an unrealized gain, net of costs to be paid to Sony's artists and distributed labels, of 51,310 million yen (480 million U.S. dollars) and an unrealized loss, net of a decrease in costs to be paid to Sony's artists and distributed labels, of 45,017 million yen (395 million U.S. dollars), respectively.

*2 Foreign exchange loss, net includes gains or losses from foreign exchange contracts.

25. Income taxes

Income (loss) before income taxes and the provision for current and deferred income taxes attributable to such income are as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Income (loss) before income taxes:	997,965	1,117,503
Income tax expenses		
Current	156,592	238,602
Deferred	(202,523)	(9,505)
Total income tax expense	(45,931)	229,097

The impact of the changes in tax rates for the fiscal years ended March 31, 2021 and 2022 resulted in deferred tax benefits of 722 million yen and 2,136 million yen, respectively.

The impact of the write-down or reversal of a previous write-down of the deferred tax assets for the fiscal years ended March 31, 2021 and 2022 resulted in deferred tax benefits of 287,590 million yen and 33,415 million yen, respectively.

A reconciliation of the differences between the Japanese statutory tax rate and the effective tax rate is as follows:

	Fiscal year ended March 31	
	2021	**2022**
Statutory tax rate	31.5%	31.5%
Non-deductible expenses	0.2	0.2
Income tax credits	(1.4)	(1.9)
Change in statutory tax rate	(0.1)	(0.2)
Change in unrecognized tax assets (other than the reversal of a previous write-down of the deferred tax assets below)	(5.5)	(3.7)
Reversal of a previous write-down of the deferred tax assets of the consolidated tax filing group in the United States	(6.6)	—
Reversal of a previous write-down of the deferred tax assets relating to the national tax of Sony Group Corporation and its national tax filing group in Japan	(21.5)	—
Change in deferred tax liabilities on undistributed earnings of foreign subsidiaries and corporate joint ventures	0.7	1.0
Lower tax rate applied to life and non-life insurance business in Japan	(0.5)	(0.4)
Foreign income tax differential	(4.4)	(5.5)
Adjustments to tax reserves	(0.4)	0.8
Controlled Foreign Company taxation in Japan	3.0	(1.8)
Other	0.4	0.5
Effective income tax rate	-4.6%	20.5%

Sony recognizes deferred tax assets, which include temporary differences, net operating losses and tax credits, to the extent that it is probable that taxable profit will be available against which the assets can be utilized. The realization of deferred tax assets is dependent upon the generation of future taxable income in the relevant tax jurisdiction.

During the fiscal year ended March 31, 2021, Sony assessed the recoverability of deferred tax assets, and reversed a previous write-down of the deferred tax assets for general business tax credits and foreign tax credits of the consolidated tax filing group in the United States.

Despite the spread of COVID-19, as a result of the acquisition of SFGI in the three months ended September 30, 2020, the taxable income of Sony Group Corporation and its national tax filing group in Japan has increased and is expected to be stable going forward. Based on an assessment of the available evidence, in particular recent profit history and forecasted profitability, in the three months ended September 30, 2020, Sony reversed a previous write-down of a significant portion of the deferred tax assets of the consolidated tax filing group in Japan, primarily for temporary differences and certain net operating losses. As a result, Sony recorded a tax benefit of 214,346 million yen in the three months ended September 30, 2020. On October 1, 2021, SFGI changed its company name from SFH. Remaining deferred tax assets in Japan, primarily foreign tax credits, are continuously not recognized due to restrictions on the use of such assets and their relatively short remaining carryforward periods.

The schedules of deferred tax assets and liabilities by major cause of their occurrence are as follows:

	Yen in millions						
	Fiscal year ended March 31, 2021						
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Changes accompanying business combination	Recognized directly in equity	Other*	Ending balance
Deferred tax assets:							
Operating loss carryforwards for tax purposes	34,308	50,453	—	—	—	1,409	86,170
Defined benefit liabilities	33,601	34,373	(6,301)	—	—	753	62,426
Amortization including content assets	64,465	(20,432)	—	—	—	218	44,251
Lease liabilities	99,360	(9,413)	—	—	—	871	90,818
Warranty reserves and accrued expenses	51,811	76,032	—	—	—	1,806	129,649
Inventories	2,929	26,549	—	—	—	236	29,714
Depreciation	15,973	23,787	—	—	—	471	40,231
Tax credit carryforwards	16,120	31,944	—	—	—	251	48,315
Loss allowances	8,505	(1,391)	—	—	—	51	7,165
Impairment of investments	1,506	5,441	—	—	—	(147)	6,800
Deferred revenue	24,420	(326)	—	—	—	408	24,502
Other	95,874	53,236	2,261	—	1,478	(607)	152,242
Total deferred tax assets	448,872	270,253	(4,040)	—	1,478	5,720	722,283
Deferred tax liabilities:							
Insurance acquisition costs	(54,312)	(14,978)	(107,445)	—	—	(10)	(176,745)
Insurance contract liabilities	(77,359)	(89)	(73,614)	—	—	1	(151,061)
Non-current other receivables in the Pictures segment	(26,214)	17,984	—	—	—	336	(7,894)
Right-of-use assets	(96,978)	13,149	—	—	—	(899)	(84,728)
Equity securities measured at FVOCI	(4,916)	2,296	(46,382)	—	—	(2,009)	(51,011)
Equity securities measured at FVPL	(36,160)	(53,736)	—	—	—	2,178	(87,718)
Debt securities measured at FVOCI	(766,567)	(459)	261,112	—	—	—	(505,914)
Intangible assets acquired through stock exchange offerings	(23,949)	—	—	—	—	—	(23,949)
Intangible assets derived from EMI Music Publishing acquisition	(89,909)	1,556	—	—	—	(5,128)	(93,481)
Undistributed earnings of foreign subsidiaries and corporate joint ventures	(24,498)	(12,740)	—	—	—	(1,928)	(39,166)
Investment in M3	(38,303)	(3,044)	—	—	—	—	(41,347)
Other	(40,530)	(17,669)	(11)	(224)	357	(2,110)	(60,187)
Total deferred tax liabilities	(1,279,695)	(67,730)	33,660	(224)	357	(9,569)	(1,323,201)

* Other mainly consists of exchange differences on translating foreign operations.

	Yen in millions						
	Fiscal year ended March 31, 2022						
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Changes accompanying business combination	Recognized directly in equity	Other*	Ending balance
Deferred tax assets:							
Operating loss carryforwards for tax purposes	86,170	(16,573)	—	—	—	1,490	71,087
Defined benefit liabilities	62,426	20,721	(9,493)	—	1,640	(2,729)	72,565
Amortization including content assets	44,251	(20,323)	—	—	—	2,831	26,759
Lease liabilities	90,818	5,091	—	1,244	—	(1,053)	96,100
Warranty reserves and accrued expenses	129,649	8,389	—	134	—	3,172	141,344
Inventories	29,714	(547)	—	—	—	379	29,546
Depreciation	40,231	2,539	—	161	—	258	43,189
Tax credit carryforwards	48,315	(12,007)	—	—	—	2,576	38,884
Loss allowances	7,165	98	—	2	—	483	7,748
Impairment of investments	6,800	3,418	—	—	—	(402)	9,816
Deferred revenue	24,502	3,779	—	—	—	2,904	31,185
Other	152,242	(32,131)	(538)	13,304	(125)	7,842	140,594
Total deferred tax assets	722,283	(37,546)	(10,031)	14,845	1,515	17,751	708,817
Deferred tax liabilities:							
Insurance acquisition costs	(176,745)	(13,182)	(1,261)	—	—	(286)	(191,474)
Insurance contract liabilities	(151,061)	(10,796)	(5,480)	—	—	—	(167,337)
Non-current other receivables in the Pictures segment	(7,894)	8,009	—	—	—	(115)	—
Right-of-use assets	(84,728)	25,955	—	(1,245)	—	452	(59,566)
Equity securities measured at FVOCI	(51,011)	1,841	33,085	—	—	116	(15,969)
Equity securities measured at FVPL	(87,718)	36,915	—	—	—	(2,336)	(53,139)
Debt securities measured at FVOCI	(505,914)	9,822	168,937	—	—	(204)	(327,359)
Intangible assets acquired through stock exchange offerings	(23,949)	—	—	—	—	—	(23,949)
Intangible assets derived from EMI Music Publishing acquisition	(93,481)	(1,209)	—	—	—	(6,904)	(101,594)
Undistributed earnings of foreign subsidiaries and corporate joint ventures	(39,166)	(15,031)	—	—	—	(1,834)	(56,031)
Investment in M3	(41,347)	(1,345)	—	—	—	—	(42,692)
Other	(60,187)	6,072	(292)	(15,230)	765	1,262	(67,610)
Total deferred tax liabilities	(1,323,201)	47,051	194,989	(16,475)	765	(9,849)	(1,106,720)

* Other mainly consists of exchange differences on translating foreign operations.

As of April 1, 2020, March 31, 2021 and 2022, based on the assessment of recoverability of deferred tax assets, Sony continued not to recognize the deferred tax assets at some entities in Japan, Sony Mobile Communications AB in Sweden, Sony Europe B.V. in the United Kingdom, certain subsidiaries in Brazil, and certain subsidiaries in other tax jurisdictions.

As of March 31, 2022, the deductible temporary differences for which no deferred tax assets are recognized aggregated to 26,600 million yen on a tax basis (222,135 million yen as of April 1, 2020 and 44,032 million yen as of March 31, 2021). The amount of the deductible temporary differences is computed using an average tax rate of approximately 21% (an average of approximately 27% as of April 1, 2020 and approximately 11% as of March 31, 2021).

As of March 31, 2022, Sony had operating loss carryforwards and the amount for which no deferred tax asset is recognized aggregated to 195,091 million yen on a tax basis (312,499 million yen as of April 1, 2020 and 217,624 million yen as of March 31, 2021). The operating loss carryforwards consist of the following amounts and expiration periods: 55,197 million yen with an expiration period of 1 year to 5 years, 34,207 million yen with an expiration period of 6 years to 10 years, 4,181 million yen with an expiration period of 11 years to 15 years, 505 million yen with an expiration period of over 15 years and 101,001 million yen with no expiration period. The operating loss carryforwards with no expiration date as of April 1, 2020 and March 31, 2021 were 82,106 million yen and 89,420 million yen, respectively. There were no significant changes in the operating loss carryforwards for all expiration periods incurred and expired in each fiscal year. The amount of the operating loss carryforwards is computed using an average tax rate of approximately 14% (an average of approximately 28% as of April 1, 2020 and approximately 13% as of March 31, 2021).

As of March 31, 2022, the amount of tax credit carryforwards for which no deferred tax asset is recognized aggregated to 19,066 million yen (78,914 million yen as of April 1, 2020 and 15,369 million yen as of March 31, 2021). Except for the amount with no expiration period, which was 1,803 million yen as of March 31, 2022, the major portion of the tax credit carryforwards expire within 5 years. The amount of tax credit carryforwards with no expiration date as of April 1, 2020 and March 31, 2021 was 694 million yen and 974 million yen, respectively.

As of April 1, 2020, March 31, 2021 and 2022, deferred income taxes have not been provided on taxable temporary differences for undistributed earnings of certain foreign subsidiaries and corporate joint ventures amounting to 365,925 million yen and which are not expected to be remitted in the foreseeable future. The tax basis of these undistributed earnings was approximately 5,855 million yen. In addition, deferred income taxes have not been provided on the taxable temporary differences in subsidiaries, including a gain of 61,544 million yen on a subsidiary's sale of stock arising from the issuance of common stock of Sony Music Entertainment (Japan) Inc. in a public offering to third parties in November 1991 and the remeasurement gain on 116,939 million yen for the pre-owned equity interest in EMI Music Publishing acquired in November 2018. Sony does not anticipate any significant tax consequences on the possible future disposition of these investments based on its tax planning strategies.

In addition, the deductible temporary differences arising from the translation adjustments for the foreign operations for which deferred tax assets are not recognized as of March 31, 2021 and March 31, 2022 amounted to 50,110 million yen and 92,252 million yen, respectively. The taxable temporary differences arising from the translation adjustments for the foreign operations for which deferred tax liabilities are not recognized as of March 31, 2021 and March 31, 2022 amounted to 164,011 million yen and 429,930 million yen, respectively.

26. Reconciliation of the differences between basic and diluted EPS

Reconciliation of the differences between basic and diluted EPS for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Net income attributable to Sony Group Corporation's stockholders	1,029,610	882,178
Adjustment amount to net income attributable to Sony Group Corporation's stockholders for diluted EPS computation		
Zero Coupon Convertible Bonds	385	163
Net income attributable to Sony Group Corporation's stockholders for diluted EPS computation	1,029,995	882,341
	Thousands of shares	
Weighted-average shares outstanding for basic EPS computation	1,230,480	1,239,299
Effect of dilutive securities:		
Stock acquisition rights	4,474	5,470
Zero Coupon Convertible Bonds	15,392	6,491
Weighted-average shares for diluted EPS computation	1,250,346	1,251,260
	Yen	
Basic EPS	836.75	711.84
Diluted EPS	823.77	705.16

Potential shares of common stock which were excluded from the computation of diluted EPS for the fiscal years ended March 31, 2021 and 2022 were 4,475 thousand shares and 4,790 thousand shares, respectively. The potential shares related to stock acquisition rights were excluded as anti-dilutive for the fiscal years ended March 31, 2021 and 2022 when the exercise price for those shares was in excess of the average market value of Sony Group Corporation's common stock for the fiscal year.

27. Supplemental cash flow information

(1) Classification of cash flows in Financial Services segment

Sony classifies the cash flows from changes in assets and liabilities associated with the insurance business and banking business, such as investments and advances, deposits from customers, policyholders' account and borrowings/debt, as cash flows from operating activities in the consolidated statements of cash flows.

(2) Classification of cash flows of content assets

Sony classifies the cash flows from the additions and disposals of content assets as cash flows from operating activities in the consolidated statements of cash flows because the additions and disposals of content assets are derived from the principal revenue-producing activities of Sony.

(3) Interest and dividends

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Interest received		
Financial services revenue	198,310	208,170
Financial income	8,409	6,988
Dividends received		
Financial services revenue	19,299	27,075
Financial income	1,559	2,800
Interest paid		
Financial services expenses	9,659	6,607
Financial expenses	8,172	8,843

The above are items presented in the consolidated statements of income, which include cash flows for interest and dividends.

Sony classifies the cash flows from interest and dividends of the above as cash flows from operating activities in the consolidated statements of cash flows.

(4) Non-cash investing and financing activities

There was an increase in ROU assets as a result of entering into lease contracts and the conversion of convertible bonds during the fiscal years ended March 31, 2021 and 2022. Refer to (5) Reconciliation of liabilities arising from financing activities for more details.

In addition, during the fiscal year ended March 31, 2022, a portion of the consideration received as a result of transferring of certain operations of Game Show Network, LLC was in the form of stock. Refer to Note 31 for more details.

(5) Reconciliation of liabilities arising from financing activities

	Yen in millions	
	Short-term borrowings	Long-term debt
Balance as of April 1, 2020	66,631	817,919
Net cash flows from financing activities	(18,334)	147,017
Acquisitions through business combinations	—	59
Non-cash items:		
Conversion of convertible bonds	—	(78,342)
Obtaining assets by entering into lease contracts	—	56,247
Translation adjustment	106	15,514
Other	4,134	10,630
Total changes	(14,094)	151,125
Balance as of March 31, 2021	52,537	969,044
Net cash flows from financing activities	408	(163,104)
Acquisitions through business combinations	—	8,346
Non-cash items:		
Conversion of convertible bonds	—	(14,597)
Obtaining assets by entering into lease contracts	—	121,937
Translation adjustment	1,659	35,652
Other	1,487	(6,045)
Total changes	3,554	(17,811)
Balance as of March 31, 2022	56,091	951,233

The amount of short-term borrowings and long-term debt associated with the insurance business and banking business operations, which are classified as cash flows from operating activities in the consolidated statements of cash flows, is excluded from the amount above.

(6) Components of cash and cash equivalents

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Cash and demand deposits	1,034,265	902,036	1,824,912
Time deposits with original maturities of three months or less	369,428	635,848	72,270
Money market funds	108,830	249,098	71,554
Call loans	—	—	80,900
Total	1,512,523	1,786,982	2,049,636

Cash and demand deposits, time deposits with original maturities of three months or less and call loans are classified as financial assets required to be measured at amortized cost, whose carrying amounts approximate their fair values mainly due to their short-term nature. Money market funds are short-term and highly liquid investments with insignificant risk of changes in value. Money market funds are classified as financial assets required to be measured at fair value through profit or loss and classified within Level 1 of the fair value hierarchy.

28. Structured entities

Sony has, from time to time, entered into various arrangements with structured entities.

(1) Consolidated structured entities

Sony consolidates investment funds as structured entities in the Financial Services segment. The investment funds are designed so that voting or similar rights are not the dominant factor in deciding who controls these entities, but it is determined that Sony has control over these structured entities. Sony has not provided and does not intend to provide any significant financial or other support to any of the consolidated structured entities without contractual obligations to the investment funds. The assets and liabilities of structured entities that are consolidated in the Financial Services segment are limited in their intended use by contractual arrangements. As of April 1, 2020, March 31, 2021 and 2022, the total assets of these structured entities are 542,777 million yen, 616,578 million yen, and 628,297 million yen, respectively.

Sony also consolidates several structured entities in the Music and Pictures segment. Sony has not provided and does not intend to provide any significant financial or other support to these structured entities without contractual obligation. The total assets and liabilities for these structured entities were insignificant to Sony's financial position.

(2) Unconsolidated structured entities

Certain trade receivable sales programs also involve structured entities. These structured entities are all special purpose entities associated with the sponsor banks. Based on a qualitative assessment, Sony does not consolidate these entities as Sony does not have the power to direct the activities, an obligation to absorb losses, or the right to receive the residual returns of these structured entities. Sony's maximum exposure to losses from these structured entities is considered insignificant.

The subsidiary in the Financial Services segment enters into securitization transactions for certain housing loans, involving unconsolidated structured entities. Sony derecognizes a financial asset when the contractual right to receive the cash flows from the financial asset is transferred, or when Sony retains the contractual right to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows without reinvestment or material delay to other recipients in an arrangement, and substantially all the risks and rewards of ownership of the financial asset are transferred to another entity. Since the above securitization transactions do not meet the requirements for derecognition of financial assets, such transferred assets are not derecognized. Sony recorded 182,417 million yen of transferred assets that do not meet the requirement for derecognition of financial assets included in investments and advances in the Financial Services segment as of March 31, 2022. The liabilities recorded from these securitization transactions were 183,886 million yen and are included in current portion of long-term debt and long-term debt. The liabilities will be settled when the payment for the transferred assets is executed and until this time, Sony is unable to utilize the transferred assets. The transferee of the transferred assets has recourse only to the transferred asset, and as of March 31, 2022, the fair value of the transferred assets and the associated liabilities are 187,555 million yen and 186,702 million yen, respectively.

In addition to the above, in the Financial Services segment, Sony makes investments in structured entities. Sony's investments in such structured entities include securitized products, foreign corporate bonds and other investments. The following tables present the carrying amount of the investments of unconsolidated structured entities, the presentation in the consolidated statements of financial position, and the maximum exposure to loss associated with these investments as of April 1, 2020, March 31, 2021 and 2022. Maximum exposure to loss does not reflect Sony's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Sony enters into to reduce its exposure. The risks associated with structured entities in which Sony is involved are limited to the amount recorded in the consolidated statements of financial position and the amount of commitments.

	Yen in millions			
	April 1, 2020			
	Presentation in the consolidated statements of financial position			
	Investments and advances in the Financial Services segment (Current assets)	Investments and advances in the Financial Services segment (Non-current assets)	Other financial assets (Current assets)	Maximum exposure to loss
Securitized products	—	224,232	—	224,232
Foreign corporate bonds*1	41,452	41,036	—	82,488
Other investments*2	—	135,743	21,000	164,955
Total	41,452	401,011	21,000	471,675

	Yen in millions			
	March 31, 2021			
	Presentation in the consolidated statements of financial position			
	Investments and advances in the Financial Services segment (Current assets)	Investments and advances in the Financial Services segment (Non-current assets)	Other financial assets (Current assets)	Maximum exposure to loss
Securitized products	—	270,920	—	270,920
Foreign corporate bonds*1	49,011	31,026	—	80,037
Other investments*2	—	224,765	21,000	266,825
Total	49,011	526,711	21,000	617,782

	Yen in millions			
	March 31, 2022			
	Presentation in the consolidated statements of financial position			
	Investments and advances in the Financial Services segment (Current assets)	Investments and advances in the Financial Services segment (Non-current assets)	Other financial assets (Current assets)	Maximum exposure to loss
Securitized products	—	356,862	—	356,862
Foreign corporate bonds*1	28,412	168,167	—	196,579
Other investments*2	2	247,394	24,697	286,662
Total	28,414	772,423	24,697	840,103

*1 Foreign corporate bonds include repackaged bonds.

*2 Other investments include investment funds.

29. Subsidiaries

(1) Major consolidated subsidiaries

The following table sets forth the major consolidated subsidiaries owned, directly or indirectly, by Sony Group Corporation.

Name of company	Country of incorporation /residence	(As of March 31, 2022) Percentage owned
Sony Interactive Entertainment Inc.	Japan	100.0
Sony Music Entertainment (Japan) Inc.	Japan	100.0
Sony Corporation	Japan	100.0
Sony Global Manufacturing & Operations Corporation	Japan	100.0
Sony Semiconductor Solutions Corporation	Japan	100.0
Sony Semiconductor Manufacturing Corporation	Japan	100.0
Sony Network Communications Inc.	Japan	100.0
Sony Marketing Inc.	Japan	100.0
Sony Storage Media Solutions Corporation	Japan	100.0
Sony Financial Group Inc.	Japan	100.0
Sony Life Insurance Co., Ltd.	Japan	100.0
Sony Bank Inc.	Japan	100.0
Sony Assurance Inc.	Japan	100.0
Sony Corporation of America	U.S.A.	100.0
Sony Interactive Entertainment LLC	U.S.A.	100.0
Sony Music Entertainment	U.S.A.	100.0
Sony Music Publishing LLC	U.S.A.	100.0
Sony Pictures Entertainment Inc.	U.S.A.	100.0
Sony Electronics Inc.	U.S.A.	100.0
Sony Europe B.V.	U.K.	100.0
Sony Interactive Entertainment Europe Ltd.	U.K.	100.0
Sony Global Treasury Services Plc	U.K.	100.0
Sony Overseas Holding B.V.	Netherlands	100.0
Sony (China) Limited	China	100.0
Sony EMCS (Malaysia) Sdn. Bhd.	Malaysia	100.0
Sony Electronics (Singapore) Pte. Ltd.	Singapore	100.0

(2) Subsidiaries with material noncontrolling interests

SFGI had noncontrolling interests that were material to Sony as of April 1, 2020. Sony acquired all of the common shares and the related stock acquisition rights of SFGI and increased its ownership from 65.1% to 100% in the fiscal year ended March 31, 2021. Accordingly, the summarized financial information relating to SFGI is shown only for April 1, 2020. The summarized financial information shows amounts before elimination of intercompany transactions. On October 1, 2021, SFGI changed its company name from SFH.

Sony Financial Group Inc. and its consolidated subsidiaries

	Yen in millions
	April 1, 2020
Shareholding ratio of noncontrolling interests	34.9%
Cumulative amount of noncontrolling interests	1,074,469

	Yen in millions
	April 1, 2020
Current assets	1,124,209
Non-current assets	16,809,378
Current liabilities	3,406,291
Non-current liabilities	11,470,701

30. Acquisitions

(1) Ellation Holdings, Inc. acquisition

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

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

As a result of the acquisition, Sony consolidated Ellation by using the acquisition method of accounting and recorded the fair value of the identifiable assets acquired, liabilities assumed and residual goodwill of Ellation. The following table summarizes the final fair values assigned to the assets and liabilities of Ellation that were recorded in the Pictures segment. The measurement period adjustments were not material.

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

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

Revenue and net income attributable to Ellation since the date of acquisition included in Sony's consolidated statements of income and pro forma results of operations have not been presented because the effect of the acquisition was not material.

(2) Other acquisitions

During the fiscal year ended March 31, 2021, Sony completed other acquisitions for total consideration of 18,258 million yen which was paid for primarily in cash and there was no material contingent consideration subject to future change. As a result of these acquisitions, Sony recorded 15,679 million yen of goodwill and 6,061 million yen of intangible assets.

During the fiscal year ended March 31, 2022, Sony completed other acquisitions for total consideration of 175,878 million yen which was paid for primarily in cash and there was no material contingent consideration subject to future change. As a result of these acquisitions, Sony recorded 116,394 million yen of goodwill and 64,348 million yen of intangible assets.

No significant amounts have been allocated to in-process research and development and all of the entities described above have been consolidated into Sony's results of operations since their respective acquisition dates. Other information including pro forma results of operations has not been presented because the effects of other acquisitions, individually and in aggregate, were not material.

31. Divestiture

Transfer of certain operations of Game Show Network, LLC

On December 6, 2021, Sony completed the transfer of GSN Games, a division of Game Show Network, LLC, a wholly-owned subsidiary in the Pictures segment, to Scopely, Inc. ("Scopely"). The consideration for the transaction was 115,054 million yen (1,011 million U.S. dollars), of which Sony received 58,131 million yen (511 million U.S. dollars) in cash and 56,923 million yen (500 million U.S. dollars) in preferred stock of Scopely.

This preferred stock is measured at fair value as an equity instrument and subsequent changes in the fair value will be recognized in other comprehensive income. As a result of the completion of this transfer, Sony recognized a gain of 70,020 million yen (615 million U.S. dollars) within other operating (income) expense, net in the consolidated statements of income for the fiscal year ended March 31, 2022.

32. Related party transactions

(1) Account balances and transactions with associates and joint ventures accounted for under the equity method

Account balances and transactions with associates and joint ventures accounted for under the equity method are as follows:

	Yen in millions		
	April 1	March 31	
	2020	2021	2022
Trade and other accounts receivable			
Associates	6,236	6,875	9,587
Joint ventures	7,383	1,953	5,143
Total	13,619	8,828	14,730
Other current assets			
Associates	9,757	16,097	7,042
Joint ventures	—	—	—
Total	9,757	16,097	7,042
Accounts payable, trade			
Associates	1,437	1,356	1,219
Joint ventures	60	53	157
Total	1,497	1,409	1,376
Short-term borrowings			
Associates	—	2,847	2,131
Joint ventures	31,557	18,520	20,132
Total	31,557	21,367	22,263
Lease liabilities and other			
Associates	36,957	50,748	64,552
Joint ventures	—	—	—
Total	36,957	50,748	64,552
Accounts payable for property, plant and equipment			
Associates	68	1,566	7,189
Joint ventures	—	—	—
Total	68	1,566	7,189

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Sales		
Associates	15,087	20,385
Joint ventures	17,985	27,374
Total	33,072	47,759
Purchases		
Associates	3,083	3,271
Joint ventures	1	785
Total	3,084	4,056
Lease payments and other		
Associates	8,028	11,180
Joint ventures	—	—
Total	8,028	11,180
Payments for property, plant and equipment		
Associates	1,272	12,052
Joint ventures	—	—
Total	1,272	12,052

Sony has agreements with shareholders of associates to make cash investments in the associates in the future. The investment commitments as of March 31, 2022, amounted to 39,231 million yen.

(2) Compensation for key management personnel

Compensation for key management personnel for the fiscal years ended March 31, 2021 and 2022 is presented as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2021	2022
Short-term employee benefits	1,202	1,480
Stock-based compensation	2,329	1,597
Total	3,531	3,077

Compensation for key management personnel is the remuneration for Directors (including outside Directors) and Corporate executive officers of Sony Group Corporation.

33. 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 April 1, 2020 and March 31, 2021 and 2022, the total unused portion of the lines of credit extended under these contracts was 34,306 million yen, 37,322 million yen and 33,587 million yen, respectively.

(2) Purchase commitments

Purchase commitments as of April 1, 2020 and March 31, 2021 and 2022 amounted to 680,739 million yen, 629,474 million yen and 1,000,833 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 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 April 1, 2020 and March 31, 2021 and 2022, these subsidiaries were committed to make payments under such contracts of 126,917 million yen, 105,921 million yen and 101,284 million yen, respectively.

Certain subsidiaries in the Music segment have entered into contracts with recording artists, songwriters and companies for the future production, distribution and/or licensing of music products. These contracts cover various periods, mainly within five years from the end of each period. As of April 1, 2020 and March 31, 2021 and 2022, these subsidiaries were committed to make payments of 128,678 million yen, 149,021 million yen and 153,920 million yen, respectively, under such contracts.

Certain subsidiaries in the G&NS segment have entered into long-term contracts for the development, distribution and publishing of game software. These contracts cover various periods, mainly within seven years from the end of each period. As of April 1, 2020 and March 31, 2021 and 2022, these subsidiaries were committed to make payments of 29,243 million yen, 32,959 million yen and 34,842 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 April 1, 2020 and March 31, 2021 and 2022, Sony has committed to make payments of 199,145 million yen, 135,297 million yen and 246,263 million yen, respectively, under such contracts.

Sony has entered into purchase contracts for materials. As of April 1, 2020 and March 31, 2021 and 2022, Sony has committed to make payments of 115,670 million yen, 96,589 million yen and 265,518 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 April 1, 2020 and March 31, 2021 and 2022 amounted to 2,214 million yen, 529 million yen and 501 million yen, respectively.

34. First-time adoption

Sony has adopted IFRS from the first quarter of the fiscal year ended March 31, 2022. The latest consolidated financial statements under U.S. GAAP were prepared for the fiscal year ended March 31, 2021, and the date of transition to IFRS was April 1, 2020.

(1) Exemption under IFRS 1

IFRS 1 requires that a company adopting IFRS for the first-time ("first-time adopters") shall apply IFRS retrospectively. However, IFRS 1 provides certain exemptions that allow first-time adopters to choose not to apply certain standards retrospectively. Sony has adopted the following exemptions:

Business combinations

First-time adopters may choose not to apply IFRS 3 "Business Combinations" ("IFRS 3") retrospectively to business combinations that occurred before the date of transition to IFRS. Sony has applied this exemption and chosen not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS. Therefore, the carrying amounts of goodwill generated in business combinations that occurred prior to the date of transition to IFRS were based on the carrying amounts determined under U.S. GAAP at the date of transition to IFRS.

Sony performed an impairment test on goodwill at the date of transition to IFRS regardless of whether there were any indications that the goodwill may be impaired, refer to Note 3 I. Significant accounting policies (10).

Exchange differences on translating foreign operations

First-time adopters may choose to deem the cumulative exchange differences on translating foreign operations as zero at the date of transition to IFRS. Sony has chosen to apply this exemption and deemed all cumulative exchange differences on translating foreign operations as zero at the date of transition to IFRS.

Designation of financial instruments recognized before the date of transition to IFRS

First-time adopters may designate an investment in an equity instrument as an investment recognized at fair value through other comprehensive income in accordance with IFRS 9 "Financial Instruments" based on the facts and circumstances that existed at the date of transition to IFRS. Sony has applied this exemption and designated some equity instruments at fair value in other comprehensive income at the date of transition to IFRS.

Recognition of ROU assets and lease liabilities

When first-time adopters recognize ROU assets and lease liabilities as a lessee, they are permitted to measure ROU assets and lease liabilities at the date of transition to IFRS. Sony measured all lease liabilities at the date of transition to IFRS at the present value of the remaining lease payments, discounted using Sony's incremental borrowing rate at the date of transition to IFRS. Sony recognized ROU assets equal to the amount of lease liabilities at the date of transition to IFRS.

(2) Mandatory exception under IFRS 1

IFRS 1 prohibits the retrospective application of IFRS concerning "estimates," "non-controlling interests," "classification and measurement of financial instruments" and other items. Sony applied these items prospectively from the date of transition to IFRS.

(3) Reconciliation

The reconciliations required to be disclosed in the first IFRS financial statements are described in the reconciliations as below. "Reclassification" includes items that do not affect retained earnings and comprehensive income, while "Recognition and measurement differences" includes items that affect retained earnings and comprehensive income.

Reconciliation of equity at the date of transition to IFRS (April 1, 2020)

Accounts under U.S. GAAP	Yen in millions				Note	Accounts under IFRS
	U.S. GAAP*	Reclassification	Recognition and measurement differences	IFRS		
ASSETS						***ASSETS***
Current assets:						**Current assets:**
Cash and cash equivalents	1,512,357	—	166	1,512,523		Cash and cash equivalents
Marketable securities	1,847,772	(1,847,772)	—	—	a	
	—	327,092	—	327,092	a,f	Investments and advances in the Financial Services segment
Notes and accounts receivable, trade and contract assets	1,028,793	(1,028,793)	—	—	b	
	—	1,195,228	(894)	1,194,334	b,c	Trade and other receivables, and contract assets
Allowance for credit losses	(26,153)	26,153	—	—	b	
Inventories	558,452	—	1,327	559,779		Inventories
Other receivables	188,076	(188,076)	—	—	c	
	—	135,265	217	135,482	d	Other financial assets
Prepaid expenses and other current assets	594,009	(153,473)	1,438	441,974	d	Other current assets
Total current assets	5,703,306	(1,534,376)	2,254	4,171,184		Total current assets
						Non-current assets:
Film costs	458,853	(458,853)	—	—	e	
Investments and advances:						
Affiliated companies	207,922	(608)	(3,023)	204,291		Investments accounted for using the equity method
Securities investments and other	12,526,990	(12,526,990)	—	—	f	
Allowance for credit losses	(6,341)	6,341	—	—		
	—	13,906,535	2,445,750	16,352,285	a,f,D	Investments and advances in the Financial Services segment
Property, plant and equipment:						
Land	81,482	(81,482)	—	—		
Buildings	659,556	(659,556)	—	—		
Machinery and equipment	1,725,720	(1,725,720)	—	—		
Construction in progress	76,391	(76,391)	—	—		
Less — Accumulated depreciation	1,634,505	(1,634,505)	—	—		
	—	921,513	(4,315)	917,198		Property, plant and equipment
Other assets:						
Operating lease right-of-use assets	359,510	(359,510)	—	—	g	
Finance lease right-of-use assets	33,100	(33,100)	—	—	g	
	—	376,998	(3,716)	373,282	g	Right-of-use assets
Intangibles, net	906,310	(906,310)	—	—	e	
Goodwill	783,888	—	(92,959)	690,929	C	Goodwill
	—	991,611	1,033	992,644	e	Content assets
	—	373,552	3,948	377,500	e	Other intangible assets
Deferred insurance acquisition costs	600,901	—	(412,997)	187,904	E	Deferred insurance acquisition costs
Deferred income taxes	210,417	87	(171)	210,333		Deferred tax assets
	—	298,469	23,252	321,721	f,h,D	Other financial assets
Other	339,284	(154,853)	(16,636)	167,795	h,B	Other non-current assets
	17,329,478	1,526,238	1,940,166	20,795,882		Total non-current assets
Total assets	23,032,784	(8,138)	1,942,420	24,967,066		**Total assets**

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Accounts under U.S. GAAP	Yen in millions				Note	Accounts under IFRS
	U.S. GAAP*	Reclassification	Recognition and measurement differences	IFRS		
LIABILITIES						***LIABILITIES***
Current liabilities:						**Current liabilities:**
Short-term borrowings	810,176	13,869	—	824,045		Short-term borrowings
Current portion of long-term debt	29,807	69,116	—	98,923	i	Current portion of long-term debt
Current portion of long-term operating lease liabilities	68,942	(68,942)	—	—	i	
Notes and accounts payable, trade	380,810	(380,810)	—	—	j	
	—	1,340,573	(30,037)	1,310,536	j,k,m	Trade and other payables
Accounts payable, other and accrued expenses	1,630,197	(1,630,197)	—	—	k	
Deposits from customers in the banking business	2,440,783	(93,396)	—	2,347,387	l	Deposits from customers in the banking business
Accrued income and other taxes	145,996	(60,650)	—	85,346		Income taxes payables
	—	163,007	—	163,007	k	Participation and residual liabilities in the Pictures segment
	—	56,152	—	56,152	k,m	Other financial liabilities
Other	733,732	527,859	2,353	1,263,944	k,m	Other current liabilities
Total current liabilities	6,240,443	(63,419)	(27,684)	6,149,340		Total current liabilities
						Non-current liabilities:
Long-term debt	634,966	305,871	(1,807)	939,030	i	Long-term debt
Long-term operating lease liabilities	314,836	(314,836)	—	—	i	
Accrued pension and severance costs	324,655	4,355	611	329,621	B	Defined benefit liabilities
Deferred income taxes	548,034	87	493,035	1,041,156	F	Deferred tax liabilities
Future insurance policy benefits and other	6,246,047	—	273,530	6,519,577	E	Future insurance policy benefits and other
Policyholders' account in the life insurance business	3,642,271	—	(2,261)	3,640,010	E	Policyholders' account in the life insurance business
	—	122,706	(3,004)	119,702	n	Participation and residual liabilities in the Pictures segment
	—	146,834	—	146,834	l,n,o	Other financial liabilities
Other	289,285	(201,969)	4	87,320	n	Other non-current liabilities
	12,000,094	63,048	760,108	12,823,250		Total non-current liabilities
Total liabilities	18,240,537	(371)	732,424	18,972,590		**Total liabilities**
Redeemable noncontrolling interest	7,767	(7,767)	—	—	o	
EQUITY						***EQUITY***
Sony Group Corporation's stockholders' equity:						**Sony Group Corporation's stockholders' equity:**
Common stock	880,214	—	—	880,214		Common stock
Additional paid-in capital	1,289,719	—	7,835	1,297,554		Additional paid-in capital
Retained earnings	2,765,187	—	(815,490)	1,949,697	G	Retained earnings
Accumulated other comprehensive income	(580,980)	—	1,560,456	979,476	A,B,D E,F	Accumulated other comprehensive income
Treasury stock, at cost	(232,503)	—	—	(232,503)		Treasury stock, at cost
	4,121,637	—	752,801	4,874,438		Equity attributable to Sony Group Corporation's stockholders
Noncontrolling interests	662,843	—	457,195	1,120,038	F	Noncontrolling interests
Total equity	4,784,480	—	1,209,996	5,994,476		**Total equity**
Total liabilities and equity	23,032,784	(8,138)	1,942,420	24,967,066		**Total liabilities and equity**

* "U.S. GAAP" represents the consolidated financial statements under U.S. GAAP for the fiscal year ended March 31, 2020, adjusted for the adoption of the Accounting Standards Updates issued by the Financial Accounting Standards Board effective as of April 1, 2020.

Reconciliation of equity as of March 31, 2021

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
	Yen in millions					
ASSETS						***ASSETS***
Current assets:						**Current assets:**
Cash and cash equivalents	1,786,982	—	—	1,786,982		Cash and cash equivalents
Marketable securities	2,902,438	(2,902,438)	—	—	a,p	
	—	412,016	(34)	411,982	a,f	Investments and advances in the Financial Services segment
Notes and accounts receivable, trade and contract assets	1,099,300	(1,099,300)	—	—	b	
	—	1,366,991	(1,498)	1,365,493	b,c	Trade and other receivables, and contract assets
Allowance for credit losses	(29,406)	29,406	—	—	b	
Inventories	637,391	—	(723)	636,668		Inventories
Other receivables	283,499	(283,499)	—	—	c	
	—	117,522	160	117,682	d	Other financial assets
Prepaid expenses and other current assets	538,540	(141,517)	(813)	396,210	d	Other current assets
Total current assets	7,218,744	(2,500,819)	(2,908)	4,715,017		Total current assets
						Non-current assets:
Film costs	459,426	(459,426)	—	—	e	
Investments and advances:						
Affiliated companies	226,218	(1,132)	—	225,086		Investments accounted for using the equity method
Securities investments and other	14,046,196	(14,046,196)	—	—	f	
Allowance for credit losses	(8,419)	8,419	—	—		
	—	15,639,456	1,657,090	17,296,546	a,f,D	Investments and advances in the Financial Services segment
Property, plant and equipment:						
Land	79,557	(79,557)	—	—		
Buildings	683,249	(683,249)	—	—		
Machinery and equipment	1,748,961	(1,748,961)	—	—		
Construction in progress	100,728	(100,728)	—	—		
Less — Accumulated depreciation	1,627,061	(1,627,061)	—	—		
	—	994,676	(4,135)	990,541		Property, plant and equipment
Other assets:						
Operating lease right-of-use assets	337,322	(337,322)	—	—	g	
Finance lease right-of-use assets	39,772	(39,772)	—	—	g	
	—	365,641	(7,607)	358,034	g	Right-of-use assets
Intangibles, net	996,305	(996,305)	—	—	e	
Goodwill	827,149	(398)	(100,642)	726,109	C	Goodwill
	—	1,062,865	(318)	1,062,547	e	Content assets
	—	392,862	(1,807)	391,055	e	Other intangible assets
Deferred insurance acquisition costs	657,420	—	(33,434)	623,986	E	Deferred insurance acquisition costs
Deferred income taxes	207,470	(2,649)	10,848	215,669		Deferred tax assets
	—	663,105	32,659	695,764	f,h,D	Other financial assets
Other	361,803	(137,916)	(16,398)	207,489	h,B	Other non-current assets
	19,136,096	2,120,474	1,536,256	22,792,826		Total non-current assets
Total assets	26,354,840	(380,345)	1,533,348	27,507,843		**Total assets**

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
	Yen in millions					
LIABILITIES						***LIABILITIES***
Current liabilities:						**Current liabilities:**
Short-term borrowings	1,187,868	13,879	—	1,201,747		Short-term borrowings
Current portion of long-term debt	131,699	73,582	125	205,406	i	Current portion of long-term debt
Current portion of long-term operating lease liabilities	73,362	(73,362)	—	—	i	
Notes and accounts payable, trade	599,569	(599,569)	—	—	j	
	—	1,632,952	(36,389)	1,596,563	j,k,m	Trade and other payables
Accounts payable, other and accrued expenses	1,756,833	(1,756,833)	—	—	k	
Deposits from customers in the banking business	2,773,885	(91,729)	—	2,682,156	l	Deposits from customers in the banking business
Accrued income and other taxes	165,406	(82,594)	1,619	84,431		Income taxes payables
	—	164,005	(2,572)	161,433	k	Participation and residual liabilities in the Pictures segment
	—	54,341	—	54,341	k,m,o	Other financial liabilities
Other	1,126,802	234,441	6,284	1,367,527	k,m,p	Other current liabilities
Total current liabilities	7,815,424	(430,887)	(30,933)	7,353,604		Total current liabilities
						Non-current liabilities:
Long-term debt	773,294	281,086	(744)	1,053,636	i	Long-term debt
Long-term operating lease liabilities	290,259	(290,259)	—	—	i	
Accrued pension and severance costs	254,103	12,364	755	267,222	B	Defined benefit liabilities
Deferred income taxes	366,761	(2,649)	452,475	816,587	F	Deferred tax liabilities
Future insurance policy benefits and other	6,599,977	—	14,608	6,614,585	E	Future insurance policy benefits and other
Policyholders' account in the life insurance business	4,331,065	—	(2,171)	4,328,894	E	Policyholders' account in the life insurance business
	—	120,712	(4,175)	116,537	n	Participation and residual liabilities in the Pictures segment
	—	139,417	—	139,417	l,n,o	Other financial liabilities
Other	294,302	(201,551)	271	93,022	n	Other non-current liabilities
	12,909,761	59,120	461,019	13,429,900		Total non-current liabilities
Total liabilities	20,725,185	(371,767)	430,086	20,783,504		**Total liabilities**
Redeemable noncontrolling interest	8,179	(8,179)	—	—	o	
EQUITY						***EQUITY***
Sony Group Corporation's stockholders' equity:						**Sony Group Corporation's stockholders' equity:**
Common stock	880,214	—	—	880,214		Common stock
Additional paid-in capital	1,486,721	—	2,876	1,489,597		Additional paid-in capital
Retained earnings	3,857,152	—	(942,649)	2,914,503	G	Retained earnings
Accumulated other comprehensive income	(524,020)	—	2,044,277	1,520,257	A,B,C D,E,F	Accumulated other comprehensive income
Treasury stock, at cost	(124,228)	—	—	(124,228)		Treasury stock, at cost
	5,575,839	—	1,104,504	6,680,343		Equity attributable to Sony Group Corporation's stockholders
Noncontrolling interests	45,637	(399)	(1,242)	43,996		Noncontrolling interests
Total equity	5,621,476	(399)	1,103,262	6,724,339		**Total equity**
Total liabilities and equity	26,354,840	(380,345)	1,533,348	27,507,843		**Total liabilities and equity**

SONY GROUP CORPORATION AND CONSOLIDATED SUBSIDIARIES

Reconciliation of profit or loss for the fiscal year ended March 31, 2021

Accounts under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Accounts under IFRS
	Yen in millions					
Sales and operating revenue:						**Sales and financial services revenue:**
Net sales	7,252,766	79,293	1,611	7,333,670	q	Sales
Financial services revenue	1,661,520	13,512	(10,041)	1,664,991	r,D	Financial services revenue
Other operating revenue	85,074	(85,074)	—	—	q	
	8,999,360	7,731	(8,430)	8,998,661		Total sales and financial services revenue
Costs and expenses:						**Costs and expenses:**
Cost of sales	5,072,596	(3,850)	(2,867)	5,065,879	B	Cost of sales
Selling, general and administrative	1,469,955	61	3,138	1,473,154	B	Selling, general and administrative
Financial services expenses	1,488,963	12,503	208	1,501,674	r,D	Financial services expenses
Other operating expense, net	7,468	(720)	7,502	14,250	C	Other operating (income) expense, net
	8,038,982	7,994	7,981	8,054,957		Total costs and expenses
Equity in net income of affiliated companies	11,487	—	64	11,551	D	**Share of profit (loss) of investments accounted for using the equity method**
Operating income	971,865	(263)	(16,347)	955,255		**Operating income**
Other income:						
Interest and dividends	10,457	(10,457)	—	—		
Gain on equity securities, net	247,026	(247,026)	—	—		
Other	6,752	(6,752)	—	—		
	—	264,692	(180,900)	83,792	s,D	**Financial income**
Other expenses:						
Interest expenses	12,185	(12,185)	—	—		
Foreign exchange loss, net	16,056	(16,056)	—	—		
Net periodic benefit costs other than service cost	8,811	(8,811)	—	—		
Other	6,678	(6,678)	—	—		
	—	43,924	(2,842)	41,082	s,B	**Financial expenses**
Income before income taxes	1,192,370	—	(194,405)	997,965	H	**Income before income taxes**
Income taxes	995	—	(46,926)	(45,931)	I	**Income taxes**
Net income	1,191,375	—	(147,479)	1,043,896		**Net income**
						Net income attributable to
Net income attributable to Sony Group Corporation's stockholders	1,171,776	—	(142,166)	1,029,610		Sony Group Corporation's stockholders
Net income attributable to noncontrolling interests	19,599	—	(5,313)	14,286		Noncontrolling interests

Reconciliation of comprehensive income for the fiscal year ended March 31, 2021

	Yen in millions					
Accounts under U.S. GAAP	**U.S. GAAP**	**Reclassification**	**Recognition and measurement differences**	**IFRS**	**Note**	**Accounts under IFRS**
Net income	1,191,375	—	(147,479)	1,043,896		**Net income**
Other comprehensive income, net of tax —						**Other comprehensive income, net of tax —**
						Items that will not be reclassified to profit or loss
	—	—	144,740	144,740	D	Changes in equity instruments measured at fair value through other comprehensive income
Pension liability adjustment	12,965	—	(1,410)	11,555		Remeasurement of defined benefit pension plans
	—	—	87	87		Share of other comprehensive income of investments accounted for using the equity method
						Items that may be reclassified subsequently to profit or loss
Unrealized losses on securities	(102,492)	—	(103,057)	(205,549)	D,E,F	Changes in debt instruments measured at fair value through other comprehensive income
Unrealized gains on derivative instruments	1,513	—	(1,462)	51		Cash flow hedges
Debt valuation adjustments	(3,120)	—	—	(3,120)		Insurance contract valuation adjustments
Foreign currency translation adjustments	106,826	(798)	9,293	115,321		Exchange differences on translating foreign operations
	—	798	—	798		Share of other comprehensive income of investments accounted for using the equity method
	15,692	—	48,191	63,883		**Total other comprehensive income, net of tax**
Total comprehensive income	1,207,067	—	(99,288)	1,107,779		**Comprehensive income**
						Comprehensive income attributable to
Comprehensive income attributable to Sony Group Corporation's stockholders	1,198,836	—	(80,208)	1,118,628		Sony Group Corporation's stockholders
Comprehensive income attributable to noncontrolling interests	8,231	—	(19,080)	(10,849)		Noncontrolling interests

(4) Notes to reconciliation

Reclassifications

a. "Marketable securities," which were separately presented under U.S. GAAP, have been reclassified into "Investments and advances in the Financial Services segment" as current assets under IFRS. Investments held for variable annuities and variable life insurance contracts in the life insurance business, which were included in “Marketable securities” under U.S. GAAP, have been reclassified into “Investments and advances in the Financial Services segment” as current assets or non-current assets under IFRS, after considering the current/non-current distinction based on the purpose of the investments related to the insurance liabilities in accordance with paragraph 66 of IAS 1 “Presentation of Financial Statements” (“IAS 1”).

b. “Notes and accounts receivable, trade and contract assets” and “Allowance for credit losses,” which were separately presented under U.S. GAAP, have been reclassified into “Trade and other receivables, and contract assets” under IFRS.

c. “Other receivables,” which were separately presented under U.S. GAAP, have been reclassified into “Trade and other receivables, and contract assets” under IFRS.

d. “Other financial assets,” which were included in “Prepaid expenses and other current assets” under U.S. GAAP, are separately presented under IFRS.

e. “Film costs,” which were presented separately, and music catalogs, artist contracts, music distribution rights and other content assets, which were included in “Intangibles, net” under U.S. GAAP are collectively reclassified and presented as “Content assets” under IFRS. “Intangibles, net” other than those reclassified and presented as “Content assets” have been reclassified into “Other intangible assets” under IFRS.

f. “Securities investments and other,” which were separately presented under U.S. GAAP, have been reclassified into “Investments and advances in the Financial Services segment” as non-current assets for the amounts related to the Financial Services segment and “Other financial assets” as non-current assets for the amounts related to all segments excluding the Financial Services segment under IFRS. Housing loans in the banking business, which were included in “Securities investments and other” under U.S. GAAP, have been reclassified into “Investments and advances in the Financial Services segment” as current assets or non-current assets under IFRS after considering the current/non-current distinction based on the terms of the contract in accordance with paragraph 66 of IAS 1.

g. “Operating lease right-of-use assets” and “Finance lease right-of-use assets,” which were separately presented under U.S. GAAP, have been reclassified into “Right-of-use assets” under IFRS.

h. “Other financial assets,” which were included in “Other” in other assets under U.S. GAAP, are separately presented under IFRS.

i. “Current portion of long-term operating lease liabilities” and “Long-term operating lease liabilities,” which were separately presented under U.S. GAAP, have been reclassified into “Current portion of long-term debt” and “Long-term debt,” respectively under IFRS.

j. “Notes and accounts payable, trade,” which were separately presented under U.S. GAAP, have been reclassified into “Trade and other payables” under IFRS.

k. “Accounts payable, other and accrued expenses,” which were separately presented under U.S. GAAP, have been reclassified into either “Trade and other payables,” “Participation and residual liabilities in the Pictures segment,” “Other financial liabilities” or “Other current liabilities” under IFRS.

l. “Deposits from customers in the banking business,” which were separately presented under U.S. GAAP, have been reclassified into “Other financial liabilities” of non-current liabilities under IFRS, after considering the current/non-current distinction based on the terms of the contract in accordance with paragraph 69 of IAS 1.

m. “Trade and other payables” and “Other financial liabilities,” which were included in current liabilities “Other” under U.S. GAAP, are separately presented under IFRS.

n. “Participation and residual liabilities in the Pictures segment” and “Other financial liabilities,” which were included in “Other” in other than current liabilities under U.S. GAAP, are separately presented under IFRS.

o. “Redeemable noncontrolling interest,” which was separately presented under U.S. GAAP, has been reclassified into “Other financial liabilities” under IFRS.

p. Under U.S. GAAP, securities received as collateral other than cash in lending transactions are accounted for as “Marketable securities” and also as “Other current liabilities” representing Sony’s obligation to return the collateral, which was 373,274 million yen as of March 31, 2021. Under IFRS, the securities received as collateral other than cash shall be recognized in the consolidated statements of financial position if they are sold or the transferor defaults. None of the securities was recognized in the consolidated statements of financial position as of March 31, 2021.

q. "Other operating revenue," which was separately presented under U.S. GAAP, has been reclassified into "Sales" under IFRS.

r. Under IFRS, "Financial services revenue" and "Financial services expenses" have increased by the same amount due to the gross up of revenue and expenses related to service transactions, based on the presentation requirements.

s. Under IFRS, "Financial income" and "Financial expenses" have been presented separately, based on the presentation requirements.

Recognition and measurement differences

A. Exchange differences on translating foreign operations

Under IFRS 1, first-time adopters may choose to deem the cumulative exchange differences on translating foreign operations as zero at the date of transition to IFRS. Sony has chosen to apply this exemption and transferred all cumulative exchange differences on translating foreign operations into retained earnings at the date of transition to IFRS.

The impact of this change is as follows:

	Yen in millions	
	April 1, 2020	March 31, 2021
(Consolidated Statements of Financial Position)		
Accumulated other comprehensive income	(509,872)	(510,091)
Adjustment to retained earnings	(509,872)	(510,091)

B. Post-employment benefits

Under U.S. GAAP, past service costs and actuarial gains and losses are deferred in accumulated other comprehensive income, and subsequently reclassified to profit or loss over a certain period of time in the future.

Under IFRS, past service costs are expensed as incurred. Adjustments due to remeasurements of the net defined benefit liabilities or assets, such as actuarial gains and losses, are recognized in other comprehensive income when incurred and immediately transferred to retained earnings and are not reclassified to profit or loss in a subsequent period.

In addition, if the fair value of plan assets is in excess of the present value of defined benefit obligations, the amount of any asset to be recognized is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The impact of this change before considering the tax effect is as follows:

	Yen in millions	
	April 1, 2020	March 31, 2021
(Consolidated Statements of Financial Position)		
Other non-current assets	(16,829)	(17,083)
Defined benefit liabilities	30	(62)
Accumulated other comprehensive income	(300,385)	(277,379)
Adjustment to retained earnings	(317,184)	(294,524)

	Yen in millions
	Fiscal year ended March 31, 2021
(Consolidated Statements of Income)	
Cost of sales	(2,193)
Selling, general and administrative	(244)
Financial expenses	9,476
Increase (decrease) in adjustment to income before income taxes	7,039

C. Impairment of goodwill

The level at which goodwill is tested for impairment differs between U.S. GAAP and IFRS. Under U.S. GAAP, goodwill is tested for impairment at the reporting unit level. Reporting units are Sony's operating segments or one level below the operating segments. The identification of reporting units is dependent on the level at which discrete financial information is available and regularly reviewed by the segment manager. Under IFRS, goodwill is tested for impairment at the level of the CGU or group of CGUs, which represent the lowest level at which goodwill is monitored for internal management purposes, which may be a lower level of grouping than a reporting unit under U.S. GAAP. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Upon the transition to IFRS, Sony assessed its reporting units to determine if such reporting units should be further divided into several CGUs under IFRS. As a result, Sony determined that certain CGUs should be grouped at a lower level than a reporting unit under U.S. GAAP. In addition, Sony performed an impairment test for goodwill at the date of transition to IFRS regardless of whether there were any indications that the goodwill may be impaired based on conditions at the date of transition to IFRS. In performing the impairment test, Sony used the goodwill balance under U.S. GAAP attributed to each CGU or group of CGUs based on the history of acquisitions of the businesses. Under U.S. GAAP, when a business within a reporting unit was disposed of (including when classified as held for sale), goodwill was allocated to the remaining business and the disposed business based on relative fair value, and only the goodwill allocated to the disposed business was written off. Under IFRS, since certain disposed businesses represented individual CGUs or a group of CGUs, at the time of disposition, all the goodwill that was recognized for such businesses would have been written off. The assessment resulted in impairments related to CGUs or groups of CGUs of businesses that Sony disposed of prior to the date of transition to IFRS. In addition, the assessment resulted in impairments related to CGUs or groups of CGUs of businesses that existed at the date of transition to IFRS where the recoverable amount was lower than the carrying amount.

As a result, at the date of transition to IFRS, goodwill decreased by 96,817 million yen, and retained earnings decreased by the same amount. The impact of this change was primarily in the I&SS and Pictures segments and is discussed below.

In the I&SS segment, at the date of transition to IFRS, Sony recognized 43,376 million yen of impairment losses in retained earnings, which includes the impairment loss related to the goodwill allocated to CGUs or groups of CGUs of businesses that Sony disposed of prior to the date of transition to IFRS as well as the Internet of Things ("IoT")-related business, which existed at the date of transition to IFRS. The recoverable amount of the IoT-related business was determined by the value in use and a pre-tax discount rate of 9.8% was used in the measurement.

In the Pictures segment, at the date of transition to IFRS, Sony recognized 48,749 million yen of impairment losses in retained earnings, which includes the impairment loss related to the goodwill allocated to CGUs or groups of CGUs of businesses that Sony disposed of prior to the date of transition to IFRS as well as the United States television network CGU, which existed at the date of transition to IFRS. The recoverable amount of the United States television network CGU was determined by the value in use and a pre-tax discount rate of 15.9% was used in the measurement.

The impact of this change is as follows:

	Yen in millions	
	April 1, 2020	**March 31, 2021**
(Consolidated Statements of Financial Position)		
Goodwill	(96,817)	(100,727)
Accumulated other comprehensive income	—	2,942
Adjustment to retained earnings	(96,817)	(97,785)

	Yen in millions
	Fiscal year ended March 31, 2021
(Consolidated Statements of Income)	
Other operating (income) expense, net	(968)
Increase (decrease) in adjustment to income before income taxes	(968)

D. Equity instruments and debt instruments

Under U.S. GAAP, equity securities are recognized at fair value and subsequent changes in fair value are recognized in profit or loss. Equity securities that do not have readily determinable fair values are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Additionally, under U.S. GAAP, debt securities that are held-to-maturity, primarily in the life insurance business, are carried at amortized cost.

Under IFRS, equity instruments are recognized at fair value and subsequent changes in fair value are recognized in profit or loss. However, for investments in equity instruments which are not held for trading, Sony may make an irrevocable election at initial recognition to present subsequent changes in fair value of the investments in other comprehensive income. Such financial assets are measured at fair value and subsequent changes in the fair value are recognized in other comprehensive income.

Additionally, under IFRS, debt instruments, which are primarily in the life insurance business, are classified as financial assets measured at fair value through other comprehensive income if the debt instruments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Changes in the fair value of the financial assets after initial recognition, except for impairment gains or losses and foreign exchange gains or losses, are recognized in other comprehensive income.

The impact of this change before considering the tax effect is as follows:

	Yen in millions	
	April 1, 2020	**March 31, 2021**
(Consolidated Statements of Financial Position)		
Other financial assets (non-current)	22,110	31,627
Investments and advances in the Financial Services segment (non-current)	2,439,946	1,649,660
Accumulated other comprehensive income	(2,424,510)	(1,840,980)
Adjustment to retained earnings	37,546	(159,693)

	Yen in millions
	Fiscal year ended March 31, 2021
(Consolidated Statements of Income)	
Financial services revenue	(12,547)
Financial services expenses	(854)
Share of profit (loss) of investments accounted for using the equity method	(30)
Financial income	(178,677)
Increase (decrease) in adjustment to income before income taxes	(192,108)

E. Insurance-related accounts

In accordance with Sony’s first-time adoption of IFRS 4 at the date of transition to IFRS, insurance contracts are recognized and measured based on the same accounting principles previously applied under U.S. GAAP. Under IFRS, the amount of insurance-related accounts was affected by shadow accounting in the life insurance business as a result of the increase in financial instruments to be measured at fair value through other comprehensive income. This change is mainly because the shadow liability adequacy test indicated that the insurance liabilities were not recorded at a sufficient level at the date of transition to IFRS.

The impact of this change before considering the tax effect is as follows:

	Yen in millions	
	April 1, 2020	March 31, 2021
(Consolidated Statements of Financial Position)		
Deferred insurance acquisition costs	(412,997)	(33,434)
Future insurance policy benefits and other	(273,530)	(14,609)
Policyholders' account in the life insurance business	2,261	2,170
Accumulated other comprehensive income	684,266	45,873

F. Impact of changes in the measurement method of debt instruments in the life insurance business on deferred tax liabilities and noncontrolling interests

In connection with "D. Equity instruments and debt instruments" and "E. Insurance-related accounts," accumulated other comprehensive income is affected due to the change in the measurement method of debt instruments in the life insurance business and the change in the amount of insurance-related accounts as a result of the application of shadow accounting.

The impact of this change on deferred tax liabilities and noncontrolling interests is as follows:

	Yen in millions	
	April 1, 2020	March 31, 2021
(Consolidated Statements of Financial Position)		
Deferred tax liabilities	(489,839)	(452,189)
Noncontrolling interests	(440,099)	—
Accumulated other comprehensive income	929,938	452,189

G. Retained earnings

The main items causing the differences in retained earnings are as follows:

	Yen in millions	
	April 1, 2020	March 31, 2021
Retained earnings under U.S. GAAP	2,765,187	3,857,152
1 Exchange differences on translating foreign operations *A	(509,872)	(510,091)
2 Post-employment benefits *B	(317,184)	(294,524)
3 Impairment of goodwill *C	(96,817)	(97,785)
4 Equity instruments and debt instruments *D	37,546	(159,693)
5 Other	6,616	13,249
Tax effect of adjustments	64,221	106,195
Total	(815,490)	(942,649)
Retained earnings under IFRS	1,949,697	2,914,503

H. Income before income taxes

The main items causing the differences in income before income taxes are as follows:

	Yen in millions
	Fiscal year ended March 31, 2021
Income before income taxes under U.S. GAAP	1,192,370
1 Post-employment benefits *B	7,039
2 Impairment of goodwill *C	(968)
3 Equity instruments and debt instruments *D	(192,108)
4 Other	(8,368)
Total	(194,405)
Income before income taxes under IFRS	997,965

I. Income taxes

Due to the adoption of IFRS, income taxes have been adjusted by recording the tax effects on various IFRS adjustments recognized and measured, and other IFRS tax effects.

(5) Reconciliation of consolidated statements of cash flows

The main items causing the differences in the consolidated statements of cash flows are as follows:

	Yen in millions		
	Fiscal year ended March 31, 2021		
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
Consolidated statements of cash flows under U.S. GAAP	1,350,150	(1,781,516)	666,967
1. Principal payments for operating lease liabilities*1	72,098	—	(72,098)
2. Additions and disposals of content assets*2	(34,751)	34,751	—
3. Changes in assets and liabilities in the Financial Services segment*3			
(1) Investments and advances in the Financial Services segment	(1,181,744)	1,181,744	—
(2) Deposits from customers in the banking business	332,987	—	(332,987)
(3) Borrowings in the life insurance business and the banking business	463,783	—	(463,783)
(4) Future insurance policy benefits and other and policyholders' account in the life insurance business	134,299	—	(134,299)
4. Other	3,395	1,111	(2,333)
Total	(209,933)	1,217,606	(1,005,500)
Consolidated statements of cash flows under IFRS	1,140,217	(563,910)	(338,533)

*1 Principal payments for operating lease liabilities

Under U.S. GAAP, lessees classify leases as either operating leases or finance leases, and the principal payments for the operating lease liabilities are classified as cash flows from operating activities in the consolidated statements of cash flows. Under IFRS, the distinction between operating leases and finance leases no longer exists for lessees, and all of the principal payments for lease liabilities are classified as cash flows from financing activities in the consolidated statements of cash flows.

*2 Additions and disposals of content assets

Under U.S. GAAP, Sony classified the cash flows from the additions and disposals of film costs as cash flows from operating activities, and classified the cash flows from the additions and disposals of music catalogs, artist contracts, music distribution rights and other content assets as cash flows from investing activities in the consolidated statements of cash flows based on the nature of such transactions as additions and disposals of intangible assets. Under IFRS, Sony defines these intangible assets as content assets, and classifies the cash flows from the additions and disposals of content assets as cash flows from operating activities in the consolidated statements of cash flows except for additions and disposals of content assets from business combinations or business divestitures, because the additions and disposals of content assets are derived from the principal revenue-producing activities of Sony.

*3 Changes in assets and liabilities in the Financial Services segment

Under U.S. GAAP, Sony classified cash flows from changes in investments and advances in the Financial Services segment and repurchase agreements in the Financial Services segment, deposits from customers in the banking business and policyholders' account in the life insurance business according to the nature of these transactions in the consolidated statements of cash flows. Under IFRS, Sony classifies cash flows from these transactions as cash flows from operating activities in the consolidated statements of cash flows as these transactions are viewed as integral to the principal revenue-producing activities of Sony.

35. Subsequent event

Setting of parameters for repurchase of shares of its own common stock

Sony Group Corporation approved the setting of the following parameters for repurchase of its own common stock pursuant to the Companies Act of Japan and Sony Group Corporation's Articles of Incorporation at the meeting of its Board of Directors held on May 10, 2022:

1. Total number of shares for repurchase: 25 million shares (maximum)

2. Total purchase price for repurchase of shares: 200 billion yen (maximum)

3. Period of repurchase: May 11, 2022 to May 10, 2023