

Sony Group Corporation (6758)

3Q: Game business below expectation, short-term price could react negatively

Reiterate Rating: BUY | PO: 16,500 JPY | Price: 14,660 JPY

Unique business model remains attractive; reiterate Buy

Sony Group demonstrated strong earnings management capabilities, but console sales and profitability in the core game business appear to have fallen short of market expectations, and we think the results are somewhat negative for the short-term share price. We lower our FY3/25 operating profit (OP) estimate by 2%, mainly due to games. However, Sony's unique business model of generating synergies between its strong content businesses remains attractive. We reiterate our Buy rating and keep our price objective at ¥16,500 (change base year from FY3/24 to FY3/25; lower game EV/EBITDA from 12x to 10x; other multiples unchanged).

3Q: PS5 sales volume missed consensus by 18%

The 3Q OP beat the Visible Alpha consensus by 7%, driven by financial services and semiconductors. However, PS5 sales volume of 8.2mn units missed the Visible Alpha consensus of 10mn units. Sony also recorded ¥30bn in inventory reserves due to weak PS5 sales volume. Its 3Q game OP missed the Visible Alpha consensus by over ¥30bn. Game profits were still flat YoY after adding back the reserves, and it seems higher game software sales contributed little to profit growth. However, 3Q MAU rose 10% YoY, and total PS playing time grew 13% YoY. These are positive factors that point to solid user engagement.

Expects modest profit growth in games in FY3/25

Sony raised FY3/24 OP guidance slightly from ¥1.17trn to ¥1.18trn. This reflects the net impact of increases of ¥20bn for financial services and ¥10bn for corporate and eliminations. In FY3/25, Sony expects (1) modest profit growth in the game business on higher sales for third-party titles and network services, (2) profit growth in the pictures business as the negative impact of strikes is offset by Crunchyroll and cost control, and (3) gradual sales growth for image sensors on larger sizes and higher value-added.

Estimates (¥)	3/22A	3/23A	3/24E	3/25E	3/26E
	IFRS	IFRS	IFRS	IFRS	Other GAAP
EPS	705.2	754.9	749.5	744.1	776.4
EPS Change (YoY)	-24.8%	7.1%	-0.7%	-0.7%	4.3%
Dividend / Share	65	75	85	85	85
BPS	5,710.9	5,824.0	6,030.3	6,697.2	7,388.8
Valuation					
P/E	20.8x	19.4x	19.6x	19.7x	18.9x
Dividend Yield*	0.4%	0.5%	0.6%	0.6%	0.6%
P/B	2.6x	2.5x	2.4x	2.2x	2.0x
EV/EBITDA*	9.1x	8.5x	8.0x	7.5x	7.4x
Free Cash Flow Yield*	4.3%	-1.6%	7.0%	9.0%	4.5%

* For full definitions of *IQmethod*SM measures, see page 7.

14 February 2024

Equity

Key Changes

(¥)	Previous	Current
2024E Rev (m)	12,508,844.2	12,514,075.0
2025E Rev (m)	12,250,877.4	12,607,687.4
2026E Rev (m)	12,588,722.9	12,238,181.8
2024E EPS	711.2	749.5
2025E EPS	767.7	744.1
2026E EPS	857.5	776.4
2024E EBITDA (m)	2,401,748.7	2,349,027.1
2025E EBITDA (m)	2,576,566.8	2,487,512.7
2026E EBITDA (m)	2,688,250.8	2,537,367.9

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Stock Data

Price (Common / ADR)	14,660 JPY / 95.86 USD
Price Objective	16,500 JPY / 117.86 USD
Date Established	9-Aug-2023/ 9-Aug-2023
Investment Opinion	B-1-7 / B-1-7
52-Week Range	11,050-14,915 JPY
Market Value (mn)	18,489,659 JPY
Market Value (\$mn)	122,777 USD
Shares Outstanding (mn)	1,261.2
Average Daily Value (\$mn)	328.7 USD
Free Float	91.3%
BofA Ticker / Exchange	SNEJF / TYO
BofA Ticker / Exchange	SONY / NYS
Bloomberg / Reuters	6758 JP / 6758.T
ROE (2024E)	12.6%
Net Dbt to Eqty (Mar-2023A)	3.9%

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Refer to important disclosures on page 8 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Timestamp: 14 February 2024 10:00AM EST

MAU: Monthly Active User

iQprofileSM Sony Group Corporation (6758)

Key Income Statement Data	3/22A	3/23A	3/24E	3/25E	3/26E
(¥ Billions)	IFRS	IFRS	IFRS	IFRS	Other GAAP
Sales	9,921.5	11,539.8	12,514.1	12,607.7	12,238.2
% Change	10.2%	16.3%	8.4%	0.7%	-2.9%
Gross Profit	4,075.7	4,363.1	4,722.2	4,896.8	5,003.1
EBITDA	2,055.6	2,212.8	2,349.0	2,487.5	2,537.4
Operating Profit	1,202.3	1,208.2	1,203.4	1,318.7	1,371.7
% Change	23.7%	0.5%	-0.4%	9.6%	4.0%
Net Interest & Other Income	0	0	0	0	0
Pretax Income (ex extraords.)	1,117.5	1,180.3	1,201.2	1,288.7	1,341.7
% Change	-6.3%	5.6%	1.8%	7.3%	4.1%
Net Income	882.2	937.1	926.3	918.5	958.3

Key Cash Flow Statement Data					
Net Income from Cont Operations (GAAP)	882.2	937.1	926.3	918.5	958.3
Depreciation & Amortization	853.2	1,004.6	1,145.6	1,168.8	1,165.6
Change in Working Capital	2,135.9	(216.2)	417.8	176.7	(677.3)
Capital Expenditure	(441.1)	(613.6)	(637.4)	(655.2)	(655.2)
Free Cash Flow*	792.5	(298.9)	1,301.7	1,656.8	839.5
Share Issue / (Repurchase)	(88.6)	(99.2)	(74.7)	0	0
Cost of Dividends Paid	(74.3)	(86.6)	(98.4)	(104.6)	(104.6)

Key Balance Sheet Data					
Cash & Equivalents	2,049.6	1,480.9	1,000.0	1,646.6	2,209.2
Trade Receivables	1,628.5	1,777.9	2,124.5	2,194.2	2,015.2
Other Current Assets	1,857.1	2,517.7	2,303.7	2,389.5	2,135.0
Property, Plant & Equipment	1,113.2	1,344.9	1,487.0	1,496.1	1,466.7
Other Non-Current Assets	23,832.5	24,919.8	24,688.2	24,337.7	24,028.9
Total Assets	30,481.0	32,041.2	31,603.4	32,064.1	31,855.0
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	8,760.2	9,308.9	8,489.7	8,088.6	6,977.8
Long-Term Debt	1,203.6	1,767.7	1,840.1	1,840.1	1,840.1
Other Non-Current Liabilities	13,319.9	13,676.3	13,648.1	13,648.1	13,648.1
Total Liabilities	23,283.7	24,752.9	23,977.9	23,576.7	22,465.9
Total Equity	7,197.2	7,288.3	7,625.5	8,487.4	9,389.0
Total Equity & Liabilities	30,481.0	32,041.2	31,603.4	32,064.1	31,855.0

Key Metrics

iQmethodSM – Business Performance*

Return On Capital Employed	4.7%	4.3%	4.1%	4.2%	4.2%
Return On Equity	13.9%	13.0%	12.6%	11.7%	11.0%
Operating Margin	12.1%	10.5%	9.6%	10.5%	11.2%

iQmethodSM – Quality of Earnings*

Cash Realization Ratio	1.4x	0.3x	2.1x	2.5x	1.6x
Asset Replacement Ratio	0.5x	0.6x	0.6x	0.6x	0.6x
Tax Rate (Reported)	20.5%	20.1%	21.5%	25.0%	25.0%
Net Debt-to-Equity Ratio	-11.8%	3.9%	11.0%	2.3%	-3.9%
Interest Cover	NA	NA	NA	NA	NA

* For full definitions of iQmethodSM measures, see page 7.
Other GAAP denotes Japanese Accounting Standards.

Company Sector

Electronics

Company Description

World-class electronics brand founded by Masaru Ibuka and Akio Morita in 1946. Well-known entertainment conglomerate ranging from AV equipment to games, movies, music and finance. Following CMOS imagers, games and music are expected to drive Sony's earnings.

Investment Rationale

Our Buy rating rests on our outlook for profit growth driven by the game business amid a console upcycle and longer-term earnings growth from creating synergies between content and hardware business.

Key Changes

(US\$)	Previous	Current
2024E EPS	4.72	4.98
2025E EPS	5.10	4.94
2026E EPS	5.69	5.16

Exhibit 1: Sony (6758) Consolidated Earnings Model (¥mn, %)

3Q OP beat consensus mainly on semiconductors and financial services, but games missed consensus. We substantially lower our FY3/26 OP estimate to account for the financial services spin-off from 2H FY3/26

	Sales	YoY	OP	YoY	Pre-tax Income	YoY	NP	YoY	EPS	PER
3Q										
3Q 3/22 A	3,031,319	12%	465,183	29%	461,569	-3%	346,161	-7%	276.7	53.0
3Q 3/23 A	3,412,914	13%	428,737	-8%	398,579	-14%	326,809	-6%	263.9	55.6
3Q 3/24 A	3,747,527	10%	463,338	8%	458,555	15%	363,918	11%	294.8	49.7
3Q 3/24 BofA E	3,697,000	8%	435,000	1%	430,000	8%	310,000	-5%	250.7	58.5
3Q 3/24 Consensus	3,562,721	4%	439,738	3%	434,900	9%	320,966	-2%	253.3	57.9
FY										
3/22 A	9,921,513	10%	1,202,339	24%	1,117,503	-6%	882,178	-25%	705.2	20.8
3/23 A	11,539,837	16%	1,208,206	0%	1,180,313	6%	937,126	6%	754.9	19.4
3/24 CoE (New)	12,300,000	7%	1,180,000	-2%	1,190,000	1%	920,000	-2%	-	-
3/24 CoE (Old)	12,400,000	7%	1,170,000	-3%	1,160,000	-2%	880,000	-6%	-	-
3/24 BofA E (New)	12,514,000	8%	1,203,000	0%	1,201,000	2%	926,000	-1%	749.5	19.6
3/24 BofA E (Old)	12,509,000	8%	1,185,000	-2%	1,182,000	0%	880,000	-6%	711.2	20.6
3/24 Consensus	12,267,247	6%	1,198,842	-1%	1,185,534	0%	894,993	-4%	726.7	20.2
3/25 BofA E (New)	12,608,000	1%	1,319,000	10%	1,289,000	7%	919,000	-1%	744.1	19.7
3/25 BofA E (Old)	12,251,000	-2%	1,360,000	15%	1,330,000	13%	950,000	8%	767.7	19.1
3/25 Consensus	12,488,729	2%	1,353,841	13%	1,334,549	13%	997,946	12%	823.6	17.8
3/26 BofA E (New)	12,238,000	-3%	1,372,000	4%	1,342,000	4%	958,000	4%	776.4	18.9
3/26 BofA E (Old)	12,589,000	3%	1,509,000	11%	1,479,000	11%	1,061,000	12%	857.5	17.1
3/26 Consensus	12,816,250	3%	1,488,247	10%	1,469,106	10%	1,099,955	10%	911.1	16.1

Source: Company, IFIS, BofA Global Research estimates

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Exhibit 2: Sony (6758) Consolidated Quarterly Earnings Forecasts Summary (¥bn)

3Q console sales of 8.2mn units missed consensus for 10mn units. Sony cut FY3/24 console sales volume guidance from 25mn units to 21mn units.

	FY3/23	FY3/24			FY3/23	FY3/24			
	3QA	3QA	3QBofAE	3QVACons.	A	CoE(New)	CoE (Old)	BofAE(Old)	VACons.(Old)
Sales	3,413	3,748	3,689	3,603	11,540	12,300	12,400	12,506	12,300
Game & Network Services	1,247	1,444	1,478	1,449	3,645	4,150	4,360	4,307	4,216
Music	364	422	418	397	1,381	1,570	1,560	1,559	1,536
Pictures	332	366	347	353	1,369	1,470	1,460	1,435	1,466
Entertainment, Tech & Services	753	736	746	738	2,476	2,430	2,440	2,446	2,390
Imaging & Sensing Solutions	417	505	455	479	1,402	1,590	1,590	1,573	1,557
Financial services	359	312	220	217	1,455	1,300	1,210	1,225	1,282
Others / Corporate and Elimination	(58)	(38)	24	(37)	(188)	-	-	(38)	(155)
OP	429	463	433	434	1,208	1,180	1,170	1,184	1,222
Game & Network Services	116	86	118	120	250	270	270	276	291
Music	63	76	77	78	263	295	295	301	301
Pictures	25	42	41	36	119	115	115	115	120
Entertainment, Tech & Services	81	77	57	76	179	180	180	181	187
Imaging & Sensing Solutions	85	100	108	91	212	195	195	202	199
Financial services	54	77	42	42	224	175	155	155	167
Others / Corporate and Elimination	4	5	(11)	(7)	(40)	(50)	(40)	(45)	(44)
Pre-tax profits	399	459	428	431	1,180	1,190	1,160	1,182	1,195
Net profits	327	364	309	319	937	920	880	880	906
Dividend (Yen)	0	0	0	-	75	85	-	85	81
EPS (Yen)	263.9	294.8	249.5	258.6	754.9	-	-	711.0	731.0
BPS (Yen)	5,343	5,921	5,967	-	5,857	-	-	6,108	-
PS5 sales unit (mn)	7.1	8.2	10.2	10.0	19.1	21.0	25.0	24.0	23.6

Source: Company, Visible Alpha, BofA Global Research estimates

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Segment comments

Games (G&NS): Poor 3Q profits even allowing for reserves

PS5 console sales volume was 8.2mn units in 3Q, below our 10.2mn estimate and Visible Alpha consensus of 10mn units. In response to 3Q results, Sony lowered FY3/24 PS5 sales volume guidance from 25mn units to 21mn units.

Game OP was ¥86.1bn in 3Q, more than ¥30bn below our estimate of ¥118bn and Visible Alpha consensus of ¥120bn. The consensus shortfall can be generally explained by the recording of ¥30bn in reserves due to an increase in inventories caused by weak console sales in 3Q.

However, OP comes to just ¥116.1bn when adding back this ¥30bn, on par with OP in 3Q FY3/23. We believe this level is somewhat disappointing, considering that game software sales grew 22% YoY, driven by strong free-to-play titles and console upcycle. If console sales are in line with expectations in 4Q, we think Sony could maintain FY3/24 OP guidance for ¥270bn as a result of reversing the ¥30bn in reserves.

In FY3/25, Sony cites first-party software as a YoY profit-reducing factor in the game business (lower acquisition-related costs but no plans to release major first-party titles) but expects profits to be lifted by gradual sales growth of third-party titles and network services. Overall, Sony forecasts modest profit growth in the game business in FY3/25, but said it aims to expand the scale of profit growth as much as possible.

Music: Streaming remains strong

3Q streaming sales remained strong, with recorded music up 17% YoY (USD basis +12%) and music publishing up 22% (+17%).

Picture: Aims for FY3/25 profit growth amid strike impact

Sony estimates the negative OP impact of Hollywood strikes at ¥20bn in FY3/24. It estimates the negative impact in FY3/25 could double from FY3/24 on a USD basis (¥40bn if forex levels are unchanged). However, Sony aims for YoY profit growth based on cost control and growth at Crunchyroll.

ET&S (hardware): Maintains steady earnings management

The TV market is weak but Sony is successfully controlling inventory. Camera demand is firm in China, Europe, and US, and 3Q OP was in line with the Visible Alpha consensus.

I&SS (image sensors): Maintain growth on larger sizes

Profit growth continues, driven by larger sensor sizes, and 3Q OP rose 17% YoY to ¥99.7bn, above the Visible Alpha consensus of ¥91bn.

Financial services: Spin off and list shares in Oct 2025

Quarterly profit fluctuations have increased as a result of accounting changes with the introduction of IFRS, but 3Q OP beat the Visible Alpha consensus by 84%. Sony announced that it will prepare to spin off and list shares of Sony Financial Group (financial services business) in October 2025.

Exhibit 3: Sony (6758) Consolidated Earnings Forecasts Revisions (¥bn)

Lower our FY3/25 OP estimate 2%, due mainly to games. Substantially lower FY3/26 OP estimate to account for financial services spin-off from 2H FY3/26

	FY3/24 BofAE		FY3/25 BofAE		FY3/26 BofAE	
	Old	New	Old	New	Old	New
Sales	12,506	12,514	12,217	12,608	12,552	12,238
Game & Network Services	4,266	4,143	4,239	4,233	4,399	4,340
Music	1,547	1,554	1,623	1,627	1,694	1,705
Pictures	1,433	1,451	1,460	1,458	1,504	1,502
Entertainment, Tech & Services	2,427	2,432	2,402	2,362	2,440	2,400
Imaging & Sensing Solutions	1,519	1,541	1,512	1,514	1,516	1,520
Financial services	1,221	1,300	886	1,320	904	678
Others / Corporate and Elimination	94	93	94	93	94	93
OP	1,184	1,203	1,351	1,319	1,499	1,372
Game & Network Services	276	267	367	337	407	371
Music	301	302	310	311	325	326
Pictures	115	116	117	112	145	145
Entertainment, Tech & Services	181	182	175	176	188	189
Imaging & Sensing Solutions	202	202	239	239	282	283
Financial services	155	180	189	190	196	102
Others / Corporate and Elimination	(45)	(45)	(45)	(45)	(45)	(45)

Source: BofA Global Research estimates

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Keep PO at ¥16,500

We keep our price objective at ¥16,500. However, (1) we change the base year for calculating our price objective from FY3/24 to FY3/25; (2) we lower our FY3/25 OP estimate, due mainly to games; and (3) we change our fair-value EV/EBITDA for games from 12x to 10x to reflect development delays for first-party titles.

Exhibit 4: Sony (6758) SOTP Analysis (FY3/25, ¥bn)

Keep PO at ¥16,500

	EV	EV/EBITDA	EBITDA	OP	Dep	EV/EBITDA multiple reference
Game & network services	4,322	10.0	432	337	95	Nintendo 20.5x, Electronic Arts 14.3x
Music	6,675	18.0	371	311	60	Universal Music Group 18.2x,
Pictures	2,268	14.0	162	112	50	Disney 15.9x
Entertainment, Technology & Service	1,653	6.0	276	176	100	Panasonic 4.0x, LG Electronics 3.6x
Imaging & sensing solutions	3,560	7.0	509	239	270	ON semiconductor 12.5x, Samsung 6.0x
Others	(281)	11.3	(25)	(45)	20	
Sub total	18,197	10.6	1,724	1,129	595	
Net cash	691					
SFH's value	1,230					
M3's value at BofA PO	461					
Minority stake	158					
Value to shareholders	20,421					
Number of shares outstanding (mn)	1,234					
Per share Value (Yen)	¥16,543					

Source: BofA Global Research estimates

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Price objective basis & risk

Sony Group Corporation (6758 / SNEJF / SONY)

We base our ¥16,500 PO (\$117.86/ADR) on a SOTP approach using peer-based segment EV/EBITDA multiples and our FY3/25 EBITDA forecasts for each segment. Multiple of 10x is applied to game business reflecting the delay in first party software development. Our music multiple of 18x is in line with a competitor. Our pictures multiple of 14x applies a discount of around 2pt versus a peer to reflect IP competitiveness. Our ET&S multiple of 6x adds a 1-2pt premium to competitors, taking a positive view of Sony's competitiveness in mirrorless cameras. Our I&SS multiple of 7x adds a 1pt premium to a competitor, considering Sony's competitiveness in large sensors.

Downside risks to our PO are (1) a slowdown in the CMOS image sensors (CIS) business owing to weak smartphone demand, (2) price decline in the TV and smartphone owing to tough competition, (3) a strengthening of the dollar against the euro, and (4) worse-than-expected impact of the COVID-19 outbreak. Upside risks are (1) a rapid increase in the use of multiple rear-camera lenses on smartphones contributing to earnings from CIS, (2) an earlier-than-expected launch of the market for on-board automotive CIS raising Sony's share of that market, and (3) greater-than-expected growth in the delivery of content over networks.

Analyst Certification

I, Mikio Hirakawa, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Japan - Technology Hardware Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY	Advantest	ADTF	6857 JP	Mikio Hirakawa
	BayCurrent Consulting	BYCRF	6532 JP	Yuki Kaneko
	Fujitsu	FJTSF	6702 JP	Yuki Kaneko
	Hirose Electric	HRSEF	6806 JP	Masashi Kubota
	Hitachi	HTHIF	6501 JP	Mikio Hirakawa
	Hitachi	HTHIY	HTHIY US	Mikio Hirakawa
	HOYA	HOC PF	7741 JP	Masashi Kubota
	HOYA	HOC PY	HOC PY US	Masashi Kubota
	Ibiden	IBIDF	4062 JP	Masashi Kubota
	Iriso Electronics	IREEF	6908 JP	Masashi Kubota
	JEOL	XJEOF	6951 JP	Mayako Ouchi
	JEOL	JELLF	JELLF US	Mayako Ouchi
	Kyocera	KYOCF	6971 JP	Masashi Kubota
	Kyocera	KYOCY	KYOCY US	Masashi Kubota
	Lasertec	LSRCF	6920 JP	Mikio Hirakawa
	MinebeaMitsumi	MNBEF	6479 JP	Masashi Kubota
	Mitsubishi Electric	MIELF	6503 JP	Mikio Hirakawa
	NEC	NIPNF	6701 JP	Yuki Kaneko
	Net One Systems	NONEF	7518 JP	Yuki Kaneko
	Nidec	NNDNF	6594 JP	Masashi Kubota
	NIDEC	NJDCY	NJDCY US	Masashi Kubota
	Nitto Denko	NDEKF	6988 JP	Masashi Kubota
	NRI	NURAF	4307 JP	Yuki Kaneko
	Obic Business Consultants	OBIBF	4733 JP	Yuki Kaneko
	Oracle Japan	OCLCF	4716 JP	Yuki Kaneko
	Panasonic	PCRFF	6752 JP	Mikio Hirakawa
	Panasonic	PCRFY	PCRFY US	Mikio Hirakawa
	Renesas Electronics	RNECF	6723 JP	Mikio Hirakawa
	Rohm	ROHCF	6963 JP	Masashi Kubota
	SCREEN Holdings	DINRF	7735 JP	Mikio Hirakawa

Japan - Technology Hardware Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	SHIFT	SFTTF	3697 JP	Yuki Kaneko
	Sony Group Corporation	SONY	SONY US	Mikio Hirakawa
	Sony Group Corporation	SNEJF	6758 JP	Mikio Hirakawa
	TDK	TTDKY	TTDKY US	Masashi Kubota
	TDK	TTDKF	6762 JP	Masashi Kubota
	TIS	TISNF	3626 JP	Yuki Kaneko
	Tokyo Electron	TOELF	8035 JP	Mikio Hirakawa
NEUTRAL				
	DISCO	DISPF	6146 JP	Mikio Hirakawa
	Japan Aviation	JPAVF	6807 JP	Masashi Kubota
	Murata Mfg	MRAAF	6981 JP	Masashi Kubota
	Niterra	NGKSF	5334 JP	Masashi Kubota
	NTT DATA	NTTDF	9613 JP	Yuki Kaneko
	Otsuka Corporation	OSUKF	4768 JP	Yuki Kaneko
UNDERPERFORM				
	Alps Alpine	APELF	6770 JP	Masashi Kubota
	Alps Alpine	APELY	APELY US	Masashi Kubota
	Anritsu	AITUF	6754 JP	Mikio Hirakawa
	Fuji Electric	FELTF	6504 JP	Mikio Hirakawa
	Mabuchi Motor	MBUMF	6592 JP	Masashi Kubota
	Obic	OBIIF	4684 JP	Yuki Kaneko
	Sharp	SHCAF	6753 JP	Mikio Hirakawa
	Taiyo Yuden	TYOYF	6976 JP	Masashi Kubota
	Trend Micro	TMICF	4704 JP	Yuki Kaneko
	Trend Micro	TMICY	TMICY US	Yuki Kaneko
RSTR				
	Shinko Electric Industries	SHEGF	6967 JP	Masashi Kubota

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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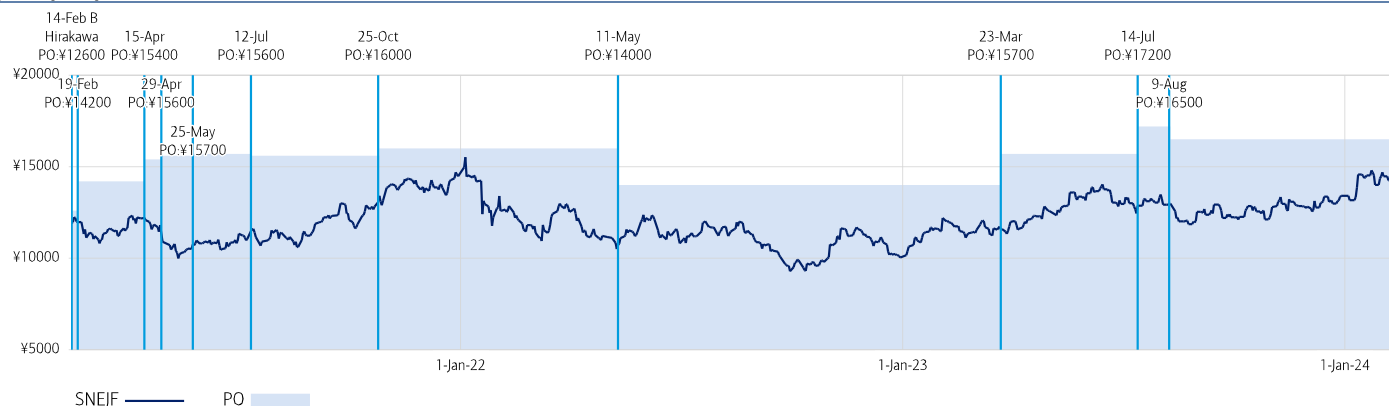
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Sony Group Corp (SNEJF) Price Chart



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Sony Group Corp (SONY) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Electronics Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	32	54.24%	Buy	13	40.63%
Hold	11	18.64%	Hold	3	27.27%
Sell	16	27.12%	Sell	4	25.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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