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CONSUMER TECH & MEDIA

Sony Group Corp

A Diversified Bet on Gaming, Content & Imaging

TICKER	CURRENT PRICE	PRICE TARGET	UPSIDE	RATING
SONY	$21.24	$22.91	+7.86%	BUY

April 15, 2026 · Global Equity Fund

INVESTMENT THESIS

Why Sony, Why Now

RECOMMENDATION

BUY

$22.91 PRICE TARGET

Current Price	**$21.24**
Implied Upside	**+7.86%**
Market Cap	**$126.5B**
FY End	**March 2026**
Time Horizon	**12 months**

01 Gaming Supercycle Reignites

PS5 Pro refresh, GTA VI tailwind, and live-service expansion drive Game & Network Services to 25% FY28 revenue growth and 11-13% operating margins.

02 Music & Imaging Compounders

Music segment posts steady 7-8% growth with 19-20% margins; Imaging rebounds on AI/auto sensor demand — high-quality cash engines.

03 Financial Services Spinoff = Refocusing

Partial separation removes conglomerate discount; sharpens focus on content + IP flywheel and simplifies the equity story.

04 SOTP Math Says the Parts > Whole

Sum-of-the-parts valuation implies $40+ per share — our DCF-anchored $23 PT assumes only partial re-rating toward peer multiples.

COMPANY OVERVIEW

Sony Group Corporation at a Glance

Sony Group Corp

NYSE: SONY · TSE: 6758

Japan-based conglomerate operating across G&NS, music, movies, ET&S, I&SS, and other segments. Financial services effectively spun off.

Founded	**1946**
Headquarters	**Minato, Tokyo**
CEO	**Hiroki Totoki**
Employees	**~113,000**
Market Cap	**~$124B**
TTM Revenue	**~$81B**
Segments	**7 (6 + Other)**

01 Game & Network Services

Network services, manufacture and sale of home video game consoles and software — PlayStation platform, PS Plus, first-party studios.

02 Music

Music production, music publishing, and video media platform businesses — world's #1 music publisher and #2 record label globally.

03 Movies

Film production, television program production, and media network businesses — Sony Pictures Entertainment, Columbia Pictures, anime.

04 Imaging & Sensing Solutions

Image sensor business — world-leading CMOS sensors supplying Apple, Samsung, and automotive OEMs with dominant global market share.

05 Entertainment, Tech & Services

TV, audio/video, still image and video cameras, smartphones, and internet-related services — the core consumer electronics brand DNA.

06 Financial Services SPUN OFF

Insurance and banking businesses effectively spun off from Sony Group. Previously operated as Sony Financial Group in the Japanese market.

SWOT ANALYSIS

Strategic Position Assessment

Strengths

- Unmatched conglomerate diversification: ¥12.3T ($82B) FY25E revenue, ¥1.54T OI (+22% YoY)
- PlayStation dominance: 92.2M PS5 units shipped, 72.4% current-gen share, 132M MAUs
- CMOS sensor near-monopoly: ~50% global share; Kumamoto fab adds 40K wafers/mo by late 2026
- Music powerhouse: #2 label, Q4 CY25 revenue topped $3B; streaming 67.7% of industry revenue
- Anime IP flywheel: Crunchyroll 17M+ subs, Demon Slayer grossed $734M on $20M budget (36x)
- A+ credit rating; ¥3.5T ($24.5B) investment war chest through 2027

Weaknesses

- CE margin erosion: ceding 51% of Bravia TV to TCL JV (Apr 2027) — managed retreat from legacy HW
- Hardware-dependent gaming: console is low-margin; profitability relies on attach rates and PS Plus
- Geographic concentration: NA (37%) + EU (34%) = 71% of PlayStation revenue — discretionary risk
- AFEELA EV cancelled (Mar 2026) — execution risk in adjacencies outside core competencies
- Semiconductor capex intensity: ¥200B Kumamoto fab creates lumpy supply vs. smartphone cycles

Opportunities

- AI integration across content creation, distribution, sensing HW, and personalized experiences
- Automotive CMOS: 15%+ CAGR to 2030, $8-10B TAM in LiDAR/ADAS; Sony's stacked sensor tech leads
- Live entertainment and D2C expansion: music events +21% rev; VR/gaming crossover ecosystem
- Anime secular growth: global market to $50B+ by 2030; Sony owns most complete value chain
- Strategic M&A capacity: ¥3.5T earmarked for studios, catalogs, and anime production houses

Threats

- Microsoft Game Pass multiplatform push post-Activision erodes PlayStation software exclusivity moat
- Nintendo Switch 2 cycle reset: diverts consumer spend and developer resources from PS ecosystem
- Apple/mobile gaming substitution: $90B mobile vs. $50B console; Vision Pro spatial computing risk
- Samsung ISOCELL push: vertical integration gives structural cost advantage vs. Sony sensors
- Macro headwinds: yen at 158-160/USD creates translation risk; inflation pressures discretionary
- EU DMA and antitrust scrutiny threaten 30% platform take rate underpinning PS Store profitability

PORTER'S FIVE FORCES

Competitive Landscape Assessment

LOW **Threat of New Entrants**	· Console gaming needs $10B+ in R&D and ecosystem; only Microsoft and Nintendo survive (Stadia and Luna failed). · CMOS fabs need billions and 3-5yr lead times; Sony's stacked-sensor design locks customers in. · Music is a three-major oligopoly (UMG, Sony, Warner own ~65-70%); catalogs are too costly to replicate.
MODERATE **Supplier Power**	· TSMC dominates sub-7nm nodes (2021-23 shortage); the Kumamoto fab is partly a de-risking play. · Top artists gain leverage via direct-to-fan, but major-label distribution and sync stay unmatched. · Rare earths, wafers, and neon carry Taiwan/China supply-chain risk.
MOD-HIGH **Buyer Power**	· PS5 hardware is price-sensitive (loss-leader), but library, PS Plus, and friends lock players in. · Spotify and Apple Music are powerful intermediaries pushing back on per-stream rates. · Apple is ~30-40% of Sony's sensor volume; losing a design win craters revenue.
MOD-HIGH **Threat of Substitutes**	· Mobile and free-to-play ($90B+) undercut $70 console titles; cloud gaming could decouple from hardware. · Netflix, Disney+, TikTok, and YouTube fight for the same hours as PlayStation and Crunchyroll. · Computational photography (Pixel AI) chips away at raw-sensor value, risking I&SS commoditization.
HIGH **Competitive Rivalry**	· Gaming: Microsoft (post-Activision) pushes multiplatform Game Pass; Switch 2 resets the field. · Music: UMG and Warner bid up signings and catalogs alongside PE and sovereign wealth. · Sensors: Samsung ISOCELL undercuts via vertical integration; CE crowded with Samsung, Apple, Chinese OEMs.

LEADERSHIP TEAM

Key Management Team

Hiroki Totoki
Chairman, President & CEO
35+ YRS

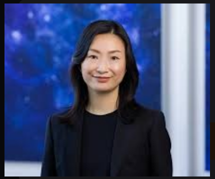
Waseda University (Commerce). Co-founded Sony Bank (2001). CEO of Sony Mobile turnaround. Rose through CSO → CFO → COO → CEO. Drove entertainment from 30% to 60% of consolidated revenue. Architect of Creative Entertainment Vision and IP/semiconductor investment strategy.

Kenichiro Yoshida
Chairman (prev. CEO)
40+ YRS

University of Tokyo (Economics). Led So-net IPO (2005). As CFO, engineered Sony's turnaround from ¥520B loss. One Sony Finance cut admin costs 20%. Pivoted company from hardware to IP-led entertainment. Oversaw $1.2B Crunchyroll acquisition and Kadokawa investment.

Kenji Tanaka
President, ET&S Division
30+ YRS

University of Tokyo (Engineering). PhD in nanophotonics (near-field optics). 30+ years in Sony's camera division — architect of the dominant Alpha mirrorless system. Appointed President & CEO of Sony Corporation (Apr 2026). Leads creation technology strategy for professional creators.



Lin Tao
Chief Financial Officer
25+ YRS

Shanghai-born, MBA in Japan. Joined PlayStation at PS2 launch, helped build PS3 business. Entered CEO office (2016) under Hirai & Yoshida. Led $3.7B Bungie acquisition. Fortune Most Powerful Women Asia 2025. At Sony, CFO → CEO pipeline (Yoshida & Totoki both held the role).

Hideaki Nishino
CEO, Sony Interactive Entertainment
25+ YRS

25-year PlayStation veteran. Led the Platform Experience Group — overseeing PS5 hardware, PSN infrastructure, & third-party developer relations. Managed PS5 Pro launch. Now sole SIE CEO (Apr 2025), leading next-gen console development & IP expansion via PlayStation Productions.

SEGMENT MIX

~~Six~~ Five Engines Under One Roof

Game & Network Services
$29.8B FY25 REVENUE

MIX 35.1% · OP MARGIN 9.1%

Music
$11.9B FY25 REVENUE

MIX 14.0% · OP MARGIN 19.6%

Imaging Products & Sol.
$11.2B FY25 REVENUE

MIX 13.2% · OP MARGIN 15.2%

The Movie Business
$9.8B FY25 REVENUE

MIX 11.6% · OP MARGIN 7.8%

Electronics P&S
$15.5B FY25 REVENUE

MIX 18.2% · OP MARGIN 8.1%

Financial Services
$6.0B FY25 REVENUE

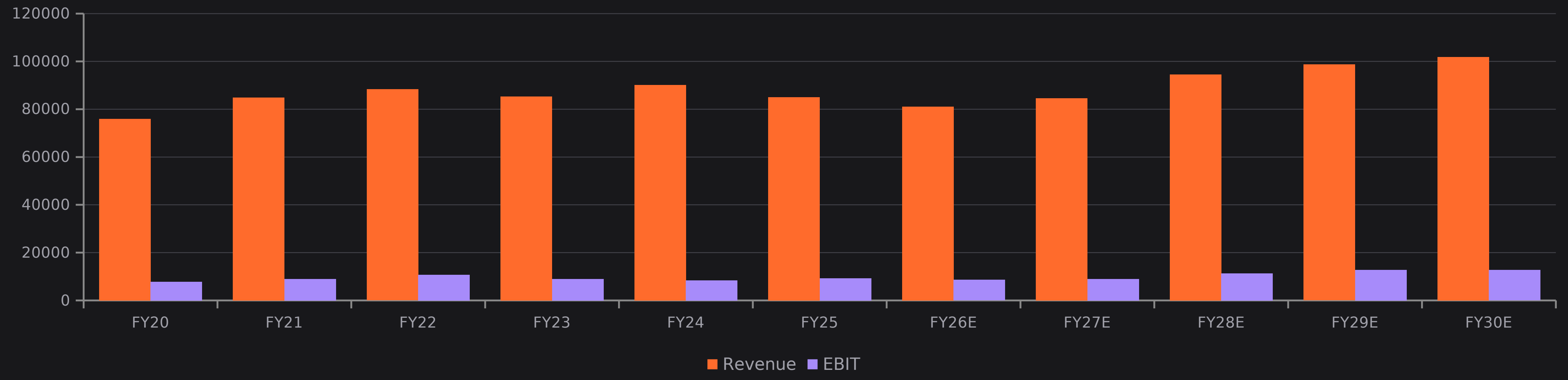
MIX 7.1% · OP MARGIN 14.2%

HISTORICALS & FORECAST

Five-Year Revenue & EBIT Trajectory

Revenue ($M) · EBIT ($M)

Historical Forecast



FY25 REVENUE

$85.0B

-5.7% YoY

FY25 EBIT

$9.2B

10.9% margin

FY30E REVENUE

$101.9B

3.7% CAGR

FY30E EBIT

$12.7B

12.5% margin

VALUATION SUMMARY

Three Methods, One Story

PRICE TARGET

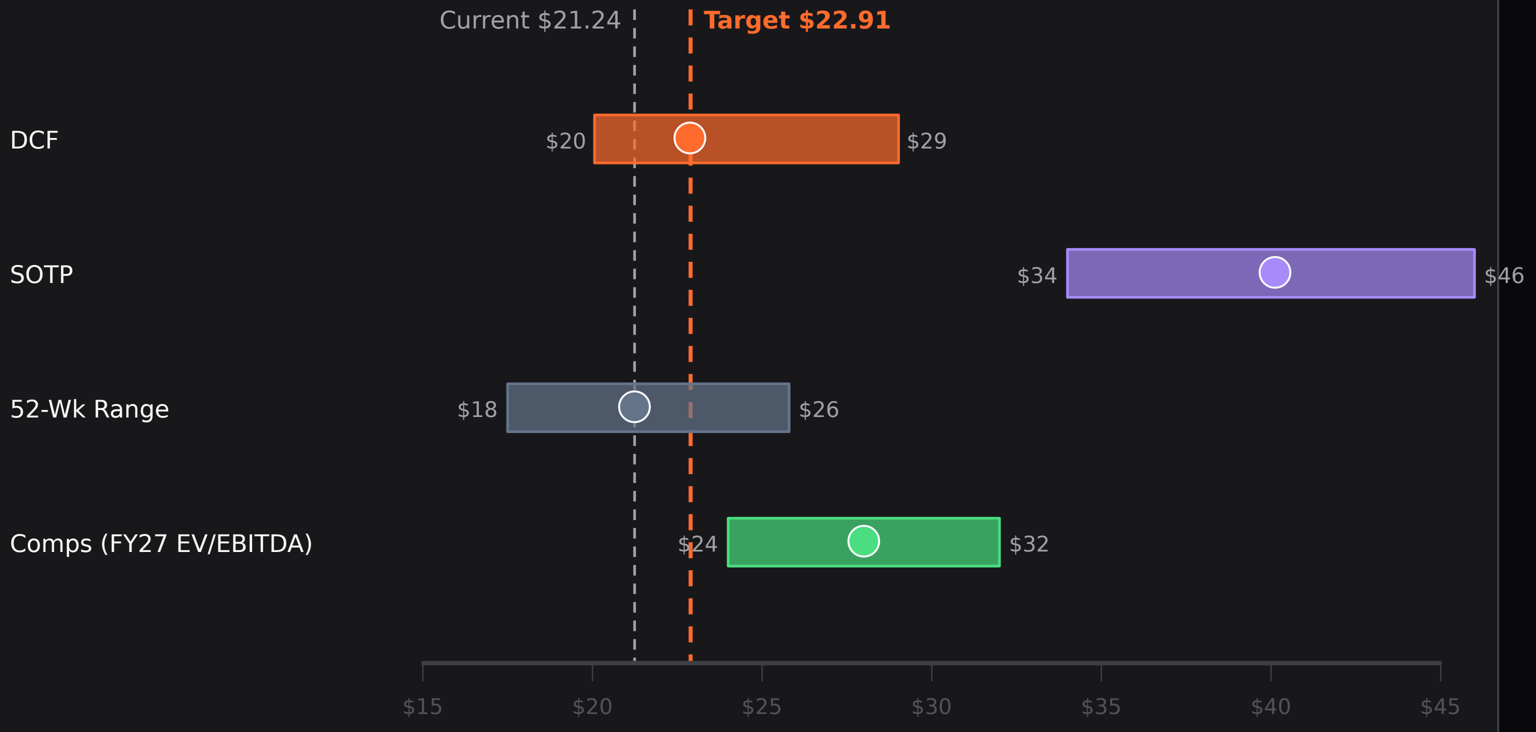
$22.91

+7.9% upside from $21.24

METHODOLOGY

DCF (Base Case)	**$22.91**
SOTP Analysis	**$40.12**
Trading Comps	**$24-32**

IMPLIED SHARE PRICE RANGE ($)



DISCOUNTED CASH FLOW

Base Case: WACC 8.86% · g 2.5%

UNLEVERED FREE CASH FLOW ($M)

	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue	$81,077	$84,543	$94,491	$98,702	$101,741
EBIT	$8,601	$9,009	$11,354	$12,815	$12,690
NOPAT	$6,623	$6,937	$8,743	$9,867	$9,771
(+) D&A	$7,218	$7,527	$8,413	$8,788	$9,058
(–) CapEx	$4,865	$5,073	$4,725	$4,935	$5,087
(–) Δ NWC	$2,684	$2,798	$3,128	$3,267	$3,368
Unlevered FCF	**$6,293**	**$6,593**	**$9,303**	**$10,453**	**$10,375**
PV of UFCF	**$5,781**	**$5,564**	**$7,212**	**$7,443**	**$6,786**

ENTERPRISE → EQUITY BRIDGE

Sum PV of UFCF	**$32,785M**
PV of Terminal	**$109,372M**
Enterprise Value	**$142,157M**
(+) Cash	**$23,873M**
(–) Debt	**($27,998M)**
Equity Value	**$138,033M**
÷ Shares Out.	**6,025M**

IMPLIED SHARE PRICE

$22.91

SENSITIVITY ANALYSIS

Price Target vs. WACC & Terminal Growth

WACC ↓ g →	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
7.36%	$24.17	$25.91	$27.97	$30.46	$33.52	$37.37	$42.37
7.86%	$22.28	$23.74	$25.45	$27.47	$29.92	$32.92	$36.70
8.36%	$20.65	$21.89	$23.32	$25.00	$26.98	$29.38	$32.33
8.86%	$19.23	$20.29	$21.50	**$22.91**	$24.55	$26.51	$28.86
9.36%	$17.98	$18.90	$19.94	$21.13	$22.51	$24.12	$26.04
9.86%	$16.87	$17.67	$18.57	$19.59	$20.76	$22.12	$23.70
10.36%	$15.88	$16.58	$17.36	$18.25	$19.25	$20.40	$21.73

BASE CASE *8.86% WACC × 2.5% terminal growth → $22.91 implied share price. Downside to $15.88 at 10.36% / 1.0%; upside to $42.37 at 7.36% / 4.0%.*

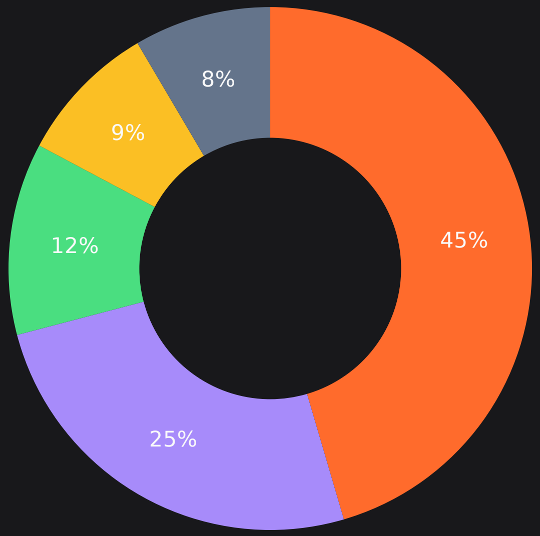
SOTP VALUATION

Parts Worth $40 — Unlocking the Conglomerate Discount

SEGMENT VALUATION (FY27 EBITDA × PEER MULTIPLE)

Segment	FY27 EBITDA	Multiple	Segment EV
Game & Network Svcs	$5,448M	20.5x	$111,901M
Music	$3,850M	16.3x	$62,642M
Imaging P&S	$3,427M	8.5x	$29,264M
The Movie Business	$1,849M	11.6x	$21,513M
Electronics P&S	$2,248M	9.3x	$20,840M
Other / Corp	—	1.0x	($286M)
Gross Enterprise Value			**$245,876M**
(+) Cash			**$23,873M**
(-) Debt			**($27,998M)**
Equity Value			**$241,752M**
Shares Outstanding			**6,025M**
Implied Share Price			**$40.12**

EV MIX BY SEGMENT



Game & Network	46%
Music	26%
Imaging	12%
Movies	9%
Electronics	9%

PEER MULTIPLES

How Sony's Segments Stack Up

GAME & NETWORK SERVICES

COMPANY	MKT CAP	EV/EBITDA
Nintendo (7974.T)	$66.2B	27.7x
Take-Two (TTWO)	$38.0B	35.2x
Electronic Arts (EA)	$50.8B	12.8x
Ubisoft (UBIP.PA)	$0.7B	6.4x
Sony (SONY.K)	**$126.5B**	**9.4x**
Peer Avg		**20.5x**

MUSIC

COMPANY	MKT CAP	EV/EBITDA
Universal Music (UMG)	$43.0B	14.6x
Warner Music (WMG)	$15.2B	13.2x
Hybe (352820.KS)	$7.2B	21.0x
Sony (SONY.K)	**$126.5B**	**9.4x**
Peer Avg		**16.3x**

MOVIES

COMPANY	MKT CAP	EV/EBITDA
Warner Bros Disc. (WBD)	$68.6B	11.9x
Paramount Sky. (PSKY)	$12.3B	7.4x
Lionsgate (LION)	$3.2B	15.5x
Sony (SONY.K)	**$126.5B**	**9.4x**
Peer Avg		**11.6x**

IMAGING & SEMIS

COMPANY	MKT CAP	EV/EBITDA
Samsung (005930.KS)	$897.0B	2.2x
ON Semi (ON)	$28.3B	11.2x
STMicro (STM)	$37.4B	6.1x
Himax (HIMX)	$1.7B	14.7x
Peer Avg		**8.5x**

RISK / REWARD

What Could Break — And What Could Break Out

UPSIDE CATALYSTS

Software & Services Growth

84.2M PS5 install base drives recurring digital sales, add-on content, and PS+ subscriptions at high margins.

Entertainment & Anime IP

IP 360 strategy turns gaming franchises into film hits; Crunchyroll drives massive global anime growth.

CMOS Sensor Dominance

50%+ mobile sensor share; expanding into ADAS, factory automation, and medical imaging at higher ASPs.

Restructuring & AI Efficiency

TCL JV (BRAVIA Inc.) cuts mfg. overhead; Financial Group spun off. AI tools like AnimeCanvas automate production pipelines.

DOWNSIDE RISKS

U.S. Tariffs & FX Pressure

New tariffs on Chinese goods est. ¥50B OI hit in FY25; weak yen complicates raw material purchasing power.

Global RAM Shortage

AI data center demand triggers HBM shortage — component costs surge, threatening PS hardware margins and PS6 timeline.

Hardware Sales Decline

PS5 entering late lifecycle with falling unit sales; ET&S segment faces intense price competition and lower profitability.

Strategic & Legal Setbacks

Afeela EV JV with Honda canceled early 2026; Texas AG privacy lawsuit over Smart TV data collection ongoing.

BUY

$22.91

PRICE TARGET

+7.9% UPSIDE

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THE BOTTOM LINE

A high-quality compounder trading below intrinsic value.

- DCF base case of $22.91 anchored by 8.86% WACC and 2.5% terminal growth — 7.9% upside with asymmetric skew ($16 downside vs. $42 bull).
- Game & Network Services and Music remain the cash engines; Imaging's AI/auto rebound is the margin kicker the Street is underappreciating.
- SOTP math implies $40+; our $23 PT assumes only partial re-rating — any Financial Services separation catalyst is upside optionality.
- Key risks are FX and gaming slate execution — both manageable, and neither disrupts the long-term cash flow story.