

SONY GROUP Announces Details of Bungie Acquisition— No Immediate Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the acquisition of Bungie, Inc. by SONY GROUP CORPORATION (security code: 6758).

- (1) On February 2, 2022, SONY GROUP CORPORATION (the "Company") announced details of its acquisition of Bungie, an independent U.S. game developer. According to the details announced on the same day, the consideration of USD 3.6 billion (approximately JPY414 billion) was set with an emphasis on having creative staff, including Bungie's employee shareholders, remain active at Bungie after the acquisition. Specifically, about one-third of the USD 3.6 billion will be expensed over several years from the time of closing, primarily as compensation to the employee-shareholders as a condition of their continued employment (of which about two-thirds will be expensed over two years after closing). This, together with the amortization of intangible assets, may put pressure on the Company's profit after the acquisition is completed, but it is suggested that the cash outflow at the closing of the acquisition will be limited.
- (2) Bungie has over 900 creative staff and has created blockbuster titles such as "Destiny." Bungie has incorporated live game services into Destiny and has extensive experience and advanced technology in this area. The Company says that the aim of this acquisition is not only to acquire "Destiny" and several other major new IPs, but also to expand the scope of live game services by incorporating Bungie's knowledge and technology into the Group. Through close collaboration with Bungie, the Company plans to launch more than 10 live service game titles by the fiscal year ending March 2026 (FY2025). Bungie will continue to operate as an independent studio and continue to develop its business on platforms other than PlayStation.
- (3) The Company says that in the process of examining various possibilities for collaboration with Bungie, a long-time partner of the Company, the Company became convinced that it could achieve further growth by combining the strengths of both companies in the creative field and their corporate cultures, and decided to proceed with this acquisition. Taking into account factors such as the decision-making process, controlled cash outflow at the closing of the acquisition, and favorable financial results for the third quarter of FY2021 announced on February 2, JCR believes that this acquisition will not have an immediate impact on the Company's rating.

Hiroyuki Chikusa, Hiroaki Sekiguchi

<Reference>

Issuer: SONY GROUP CORPORATION

Long-term Issuer Rating: AA- Outlook: Positive

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