FY2025.Q3 Earnings Announcement Q&A (Summary)

Date: February 5, 2026 (Thu)

IMPORTANT: PLEASE READ THE FOLLOWING STATEMENT

For your reference, below please find an English summary of the question and answer session for the financial results for the third quarter ended December 31, 2025, which was conducted in Japanese.

This English summary, which is intended to replace the simultaneous translation of the question and answer session previously provided, is not intended to be a direct translation of the question and answer session. As a result, there may be some differences between this English summary and the simultaneous English interpretation provided at the question and answer session.

Questioner 1

Q: [Consolidated] Despite the announcement of upward revisions to the results forecasts across multiple business areas, the stock price remains sluggish. It appears that, rather than concerns in the market about rising memory prices, the market's valuation of the Sony Group may have declined. How do you view this situation? What are your thoughts on measures to continually increase the company's stock price and market capitalization going forward?

A: Regarding the stock price, I believe one contributing factor is that concerns over memory supply have not been fully dispelled across the industry as a whole. In addition, this applies to the entertainment field more broadly, but I suspect that capital is shifting toward AI-related stocks. What we can do to increase the company's stock price and market capitalization going forward is strengthen the fundamentals of our businesses. By improving profitability and optimizing our portfolio, we aim to enhance our current performance, while proactively communicating these efforts to the capital markets to ensure they are properly recognized and valued.

Questioner 2

Q: [G&NS Segment] Regarding the rising cost of memory, you explained that the necessary amount has been secured through the end of next year's holiday season, but even if it has been secured, won't there be an impact from the increase in procurement costs? For example, what is your estimate of the price increase for the current PS5, the timing of the release of the successor to the PS5 and its specifications, and the impact these things will have on business performance next fiscal year and beyond?

A: We will provide information about the impact on next fiscal year's financial results at the appropriate time. PS5 is now in its sixth year since its launch, has an installed base of 92 million units on a sell-in basis, and has created a very healthy ecosystem. As is the case this fiscal year, the majority of our sales for next fiscal year and beyond is expected to come from software sales and network services, which will not be affected by memory prices. Although rising costs of memory procurement will have a certain impact on sales of new PS hardware, we had originally anticipated a relatively gradual decline in hardware unit sales in the latter half of the lifecycle, so we believe that our available options are relatively broad.

Questioner 3

Q: [G&NS Segment] Please tell us how you view the situation regarding user engagement during the holiday season. It appears somewhat stagnant. What is the background behind this?

A: Regarding holiday season user engagement, we see it as having remained solid, and we believe that our platform has very strong momentum. While the way users play varies depending on the game title, we are also planning the release of major titles next fiscal year and are viewing the situation optimistically.

Q: [Consolidated] Regarding the impact of AI on the entertainment industry: should we view it as positive for Sony's entertainment platforms because creators will use AI and thereby increase the volume of content, or should we view it as negative because users' time will be taken by casual content created with AI?

A: Within the entertainment industry, the positioning of AI differs among music, games, anime, and other areas, but we think AI has particularly high affinity with games and anime. Over the long term, an increase in content has a positive impact on the platform. In particular, in the field of game development, we believe that the process from ideation to actual game creation may change going forward. However, since we are still in an early stage, we want to proactively use AI to ensure that we are not in a position where transformation is imposed upon us, but rather positioned to lead it.

Questioner 4

Q: [Consolidated] What is the degree of certainty that you will achieve the 5th Mid-Range Plan targets and what are the risk factors? Also, where do you see the upside?

A: We are currently in the second year of the Mid-Range Plan and our performance is progressing steadily. We understand the market's concerns regarding rising memory prices. However, the momentum of our business is strong, and we plan to manage the increase in memory prices while operating our businesses with a strong focus on profitability going forward. Our confidence in achieving the Mid-Range Plan targets differs by business, but for example, in the G&NS and Pictures segments, the title lineup for next fiscal year is strong, so we view these areas positively and plan to provide further the details at the year-end earnings announcement.

Q: [I&SS Segment] Regarding the image sensor business next fiscal year, do you expect both an increase in unit prices and growth in sales volume, particularly for high-end products?

A: At present, both unit prices and sales volume have momentum, so we are pleased that we have a favorable launch point into next fiscal year. However, in the I&SS business, the range of options to respond to the memory market differs from that of the G&NS and ET&S segments. Because much depends on how manufacturers of end-user products respond to market conditions, we need to continue to communicate closely with customers, understand each customer's thinking, and respond accordingly.

Questioner 5

Q: [Consolidated] Regarding the expansion of the share repurchase facility, I believe there must have been background factors such as higher cash flow and stock price weakness, but please share any thinking behind this decision.

A: The expansion of the share repurchase facility is rooted in our intention to steadily return the recent upside in business performance and cash flow to shareholders. We would like you to take this as a message that we are confident in the momentum and fundamentals of our business performance.

Q: [ET&S Segment] Could you clarify the rationale for separating the TV business and define the scope of what will be included under Home Entertainment, which is subject to the separation? How will technology, shared R&D platforms, and sales functions be delineated between the joint venture and Sony after the partnership? Is there potential for structural reforms within the ET&S segment, in relation to the partnership?

A: Regarding the strategic partnership with TCL in the Home Entertainment field, one of management's key missions is to continually optimize our portfolio while closely monitoring the surrounding business environment. The background of this partnership is our belief that combining the assets Sony has cultivated over many years with TCL's strengths will enable further growth of the Home Entertainment business, including TVs. The scope of the strategic partnership is expected to cover areas such as televisions and home audio. Details including which technologies and assets will be transferred to the joint venture are currently under discussion as we move toward reaching definitive agreements, and we plan to announce this information at an appropriate time. Next fiscal year, we will continue to plan for the business under the ET&S segment. From April 2027, we expect to make organizational changes for the joint venture. Additional structural reforms or portfolio changes are always dynamic and we plan to optimize them with an eye on the situation in each business.

Questioner 6

Q: [G&NS Segment] Compared to 1Q and 2Q, it appears that the profit margin in 3Q has declined. Including domestic hardware promotions and memory procurement, please explain how you view the 3Q results. Also, regarding the full-year forecast, the numbers appear conservative compared with the previous forecast due to the impact of changes in release dates for first-party titles. Are you incorporating costs of any actions, such as strategic inventory build-up, you might be taking in advance of the next fiscal year?

A: The main factor behind the decline in 3Q profit margin compared with 1Q and 2Q is the year-end holiday hardware promotion on a global basis. Although this suppressed 3Q profit, we think it will contribute to lifetime value in the mid- to long-term. Toward fiscal year-end, we are not currently considering any specific measures regarding inventory.

Q: [I&SS Segment] You mentioned that you would conduct structural reforms in 4Q. What are your thoughts on next fiscal year, including the scale of such reforms?

A: We are considering measures such as accelerated depreciation on certain business assets. The scale of the one-time expense in 4Q is expected to be approximately 20 billion yen.

Questioner 7

Q: [Consolidated] Recently, Google announced Project Genie, which has raised concerns that with generative AI, interesting games might be easily created. You mentioned actively using generative AI in game development. Given the advancement of generative AI, where do you see the strengths of Sony's game studios?

A: Most generative AI technologies are still in the testing stage prior to commercialization. We view AI as a new and powerful tool that can be used beyond games. We also believe that new business opportunities and entertainment will emerge only when creators' creative vision and such tools work together. In that sense, we do not consider AI a threat. We think it is our mission to enable creators to master AI quickly and support commercialization of generative AI technologies.
