Corporate Strategy and Earnings Announcement Presentation
Q&A (Summary)

Date: May 8, 2026 (Fri)

IMPORTANT: PLEASE READ THE FOLLOWING STATEMENT

For your reference, below please find an English summary of the question and answer session for the Corporate Strategy and Earnings Announcement Presentation, 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: [I&SS Segment] Regarding the establishment of the joint venture with TSMC, what led Sony to agree to a memorandum of understanding (MOU) as the controlling shareholder among the various options?

A: With regard to the I&SS business, what we have consistently stated is that, in order to improve profitability while keeping capital expenditure burdens under control, various structural innovations are necessary. Last fiscal year, I stated that we wanted to pursue a fab-light strategy. The joint venture with TSMC can be described as the first step in that direction. Until now, we have operated in an IDM (Integrated Device Manufacturer)-like model, handling everything from R&D to the manufacturing of image sensors in-house. Looking ahead, however, we would like to consider the possibility of manufacturing not only by ourselves, but also together with partners. It is in this context that we reached an agreement on this MOU with TSMC. This move should be understood as being consistent with what we have been communicating since last year.

Q: [Consolidated] About the recent share price. Due to soaring semiconductor memory prices and the perception that Sony is not an AI-related stock, the share price has continued to hit year-to-date lows in recent days. While it turned positive temporarily after today's earnings announcement, the market reaction suggests that these concerns have not been fully dispelled. Based on your explanation of Sony's corporate strategy, do you believe you were able to provide the market with a sufficient explanation?

A: Potential factors that growth cannot be achieved as expected are attributable to the memory shortages and that our cost structure could be significantly impaired. However, those issues not only affect us, but also affect the sector as a whole. In addition, there may be concerns that as AI evolves more broadly, content creation in the entertainment industry will become easier across the board, leading to an increase in the volume of content and intensified competition for consumers' time, potentially preventing the entertainment industry itself from enjoying the same level of growth as before. In today's presentation, we explained our current stance, our initiatives, and the results we have achieved so far in response to these concerns. AI itself will continue to evolve rapidly, and new business models will likely emerge. It is important that we respond flexibly to these changes. While market perceptions are not something we alone can change, as we have done consistently, we intend to enhance both the granularity and quality of the information we provide in order to promote the market's understanding.

Questioner 2

Q: [I&SS Segment] Regarding the JV with TSMC, the understanding to date has been that Sony handles the pixel technology, while logic is produced by foundries such as TSMC, with Sony performing the final integration of image sensors. Your refinement of pixel technology has been viewed as a key differentiator. In addition, image sensors have not always required aggressive miniaturization, and the difficulty of analog technology has been a barrier to entry for competitors. Is there any concern that, by forming a JV, refinement of pixel technology will no longer be handled solely in-house? What is the primary expectation for the JV?

A: Your understanding that pixels have been handled by Sony and logic by TSMC is correct. With respect to pixels, we recognize that there are distinct elements, namely development capabilities and process technology. Up until now, we have vertically integrated these elements in an IDM-like manner. What will be strengthened through the JV with TSMC is the opportunity to work with a company that possesses world-leading semiconductor process technology, which we expect to represent a significant evolution for us. Another important point is the potential to secure future expansion as a result. Until now, our ability to supply image sensors has been constrained by the production capacity of our own facilities. Going forward, in addition to mobile sensors, sensors are likely to play a major role in what is often referred to as "physical AI." From the perspective of preparing for future demand, this JV is a significant step for us. We believe that TSMC also expects for this JV to assist in jointly addressing this large future demand. In that sense, while there are of course financial implications to be expected, this initiative should be understood primarily as an effort to further solidify our position as the world's number one player in sensors together with TSMC.

Questioner 3

Q: [G&NS Segment] Regarding the impact of memory shortages on game console-related businesses, console prices, including those of other companies, are rising, which may be affecting their adoption. While the PS5, currently in its adoption phase, may be relatively resilient, could you explain how console pricing over the next one to three years, including the next-generation platforms, could impact the console-related business?

A: Rising memory prices increase bill of materials (BOM) costs and worsen manufacturing costs. As you noted, if these increases are passed on through pricing, they could have a significant impact on console adoption. That said, we have already secured the memory volumes necessary for 2026, and pricing has been agreed on to a certain extent. With respect to future changes in memory prices, we aim to respond by balancing factors such as hardware pricing and the level of promotional spending. These costs have already been incorporated into our FY2026 forecast. As for next-generation platforms, no decisions have been made regarding timing or pricing, and we plan to consider these matters while monitoring future conditions. At present, the prevailing view is that memory prices will remain elevated and supply-demand conditions will remain tight through 2027. Based on this assumption, we aim to carefully consider what options are available to us. We intend to examine every assumption and simulation, including how much we can reduce hardware costs in other areas, what kinds of sales and go-to-market strategies we can deploy, and even potential business model adjustments, in order to identify the optimal solution. At the same time, we currently have 125 million monthly active users enjoying games on our platform, and this number has continued to grow. Taking into account that demand has not disappeared, we believe there are ways to navigate this environment.

Questioner 4

Q: [Consolidated] Amid examples at other companies of monetization initiatives conducted in partnership with AI players, what is Sony's stance toward external collaboration?

A: While Sony is also advancing various initiatives related to monetization using AI, this involves partners and there may also be pushback from the industry, so we intend to proceed cautiously. Regarding initiatives that partner with AI players, we believe there are various options; however, while partnering with a specific player is appealing, there is also a risk of limiting ourselves. Therefore, we intend to proceed in a well-balanced manner with various players.

Q: [All Other] Although the development and launch of AFEELA of Sony Honda Mobility has been discontinued, do you still see opportunities in the mobility business in the future? Also, how do you think your experience at Sony Honda Mobility will be utilized going forward?

A: Against the backdrop of changes in how cars are built in the context of SDV (Software-Defined Vehicles), our original motivation was to explore how Sony can contribute. Based on the hypothesis that autonomous driving would become possible and that the in-car space would gain value as an entertainment space, we have conducted various experimental initiatives, and there are insights obtained from them. I think that the way cars are made will change significantly in the future, and what users expect from cars will also change. Since the personnel who gained this experience will return to both Honda and Sony, how to utilize this experience and assets going forward is very important . We would like them to be active within the Sony Group, and we believe there will be various opportunities to be involved in mobility in the future.

Questioner 5

Q: [G&NS Segment] Please explain where you see the upside for long-term growth in the G&NS segment.

A: From a long-term perspective, I believe that game content requires evolution, and there is sufficient potential for AI to drive that. The game industry is quite mature, and in reality, market share is dependent on major publishers' large-scale franchise titles. The emergence of *Fortnite,* a major live game service title, before COVID-19 was innovative and acted as a tailwind for the entire industry, and similar innovation is important for the entertainment market. As development of large-scale franchise titles becomes more costly and time-consuming, which makes it harder to take risks, I think AI can lower the barriers to development and increase the likelihood of new titles emerging, and I expect that to lead to the revitalization of the entire industry. While there are concerns that this could lead to disruption, we believe such innovation will lead to market expansion, and capturing these opportunities is what we consider to be the most important initiative.

Q: [Music Segment] Amid risks of AI-generated music, do you see any impact on the valuation of music catalogs in the market? Also, please explain your thoughts regarding the value of music catalogs and investment as AI becomes more prevalent.

A: While AI-generated music entering hit charts has been a topic of discussion, its share remains extremely small at present. Evergreen music catalogs continue to be highly popular as investment targets, and it is difficult to imagine that they will be able to compete with AI-generated music going forward. Evergreen catalogs are based on individual experiences and memories, are listened to

repeatedly over long periods, and sometimes drives behaviors such as attending live performances, which cannot be substituted by AI. At one point, there was active discussion that DIY music distribution platforms would eliminate the need for label services, but in reality, this has not occurred, and we quickly incorporated such platforms into our business while maintaining our label services. Going forward, rather than merely protecting existing businesses in response to technological evolution and changes in business models, it is important to proactively capture opportunities.

Questioner 6

Q: [Consolidated] Regarding capital allocation, please explain again the execution status of strategic investments over the past two years and the approach to capital allocation. In addition, please share key points for the next Mid-Range Plan.

A: For strategic investments, we have set a budget of 1.8 trillion yen in the current Mid-Range Plan, and at present, projects executed or already decided amount to slightly over 1 trillion yen. The fundamental approach to the strategic investment framework has not changed. The recent enhancement of shareholder returns should be understood as being made possible by increased operating cash flow generation, which underpins our capital allocation, allowing us to both execute strategic investments and strengthen shareholder returns.
We are currently organizing our thinking on the next Mid-Range Plan, but we intend to continue investing in appropriate targets at reasonable prices based on the results and lessons learned from various investments made to date. On that basis, we aim to generate free cash flow beyond that level and also provide solid returns to shareholders.

Q: [I&SS Segment] Regarding the strategic partnership with TSMC, the semiconductor business environment is changing partially due to national security considerations. What is your view from that perspective? Also, while establishing a JV seems like a good way to improve ROIC, please explain your mid- to long-term thinking on improving profitability.

A: I believe that TSMC finds the prospect of expanding their business in Japan appealing, particularly from a geopolitical perspective. Regarding the JV with TSMC, we expect it to present various opportunities for us, and we intend to convert those opportunities into results. In addition, while margins generally decline as costs become more variable with a JV structure, risks are also reduced, representing a trade-off. Within that context, we aim to reduce investment burden without lowering margins, achieving the optimal balance.

Questioner 7

Q: [Consolidated] I believe R&D expenses for FY2026 are expected to decline by approximately 60 billion yen compared to FY2025. What changes are there in terms of organization or themes? Also, what are the specific initiatives to optimize operations in each business?

A: We believe that R&D themes must be continuously reviewed in response to changes in the business environment and business direction. As a result, projects that cannot maintain competitiveness in the long term or where it is difficult to find a path forward within the Group have been reorganized, leading to the reduction in the FY2026 budget. Regarding initiatives in each business, since ROIC is difficult to compare across different industries, when performance is inferior compared to peers within the same industry, we believe action must be taken. As a means of improvement, structural reforms aimed at maintaining competitiveness and improving profitability are continuously implemented across each business.

Cautionary Statement:

Please be aware that, in the summary above, statements made with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. Sony cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and, therefore, you should not place undue reliance on them. Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation.

The continued impact of developments relating to the situations in Ukraine and Russia and in the Middle East, as well as the series of changes in U.S. tariff policy, could heighten the important risks and uncertainties. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.