FY2021 Q2 Earnings Announcement
Analyst and Investor Briefing Q&A (Summary)

Date: October 28, 2021 (Thu)

IMPORTANT: PLEASE READ THE FOLLOWING STATEMENT

For your reference, below please find an English summary of the question and answer session at the analyst and investor briefing for the financial results for the second quarter ended September 30, 2021, 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

Q1: [G&NS segment] What is your analysis of the trends in your monthly active user (MAU) and PS Plus subscriber numbers? It seems that your MAUs have stopped falling, and PS Plus subscriber numbers were higher than in the first quarter. Do you expect to see MAUs bottom out during the third quarter holiday shopping season? I had not anticipated PS Plus subscriptions growing at this time. Do you think that, for example, the PS Plus Collection could have contributed to that growth?

A1: PS Plus subscriber numbers declined at the end of June, but our analysis indicates that this was a temporary phenomenon. It is difficult to say what triggered the temporary decline, but subscriptions do seem to have bottomed out at any rate. The growth in the second quarter, in particular, was due to a variety of initiatives we took, including promotions, and successful promotions are not a bad thing. It is difficult to analyze the latest trends since the impact of the presence or absence of stay-at-home demand is significant, but with the second quarter behind us and there being almost no more impact of stay-at-home demand left to speak of, we take a positive view of current conditions and aim to generate strong momentum as we head into the holiday shopping season.

Q2: [I&SS segment] Could you give me your capacity and wafer input figures for the quarter as well as your outlook for each? Do you still anticipate that your mix will improve into next year as die sizes for mobile image sensors increase? How are your talks with customers going?

A2: As of the end of the second quarter, monthly photodiode production capacity stood at roughly

140,000, and we expect it to be at 137,000 at the end of the third quarter due to changes in the model mix. The average monthly wafer input for the three months of the second quarter was approximately 139,000. Our estimate as of the end of the first quarter had been 138,000, so the result was basically in line with our expectations and represents full utilization. We expect the monthly average for wafer input over the three months of the third quarter to work out to around 138,000, and we are anticipating operating at full utilization.

Our talks with customers are going well and are likely to extend beyond FY2022. We believe that die sizes will continue to increase, as we have been expecting. A particular Chinese customer had been driving the increase in die sizes, and the hole left by that customer has not necessarily been filled in, so I believe that the pace of the expansion in die sizes could be slightly slower than what we described last year.

Questioner 2

Q1: [Consolidated] I understand that you have incorporated the risk of a 35-40 billion yen year-on-year in the impact of supply chain issues into your second half forecast for the EP&S segment. What do you expect the companywide impact to be, including impacts in other areas such as the G&NS and I&SS segments?

A1: The scale of risk we incorporated for the EP&S segment forecast is close to the figure you mention. In the G&NS segment, the way of profit impact of supply delays is vastly different to the EP&S segment as delays in shipping PS5 units would not directly lead to deterioration in FY2021 earnings. That is why we have mainly reflected risks related to the EP&S segment into our forecast for FY2021.

Q2: [Consolidated] If the factory construction project with Taiwan Semiconductor Manufacturing Company (TSMC) goes ahead, would the expenditure be part of your 1.5 trillion-yen capital expenditure budget or your strategic investment budget of more than 2 trillion yen over the next three years? Some people expect the scale of investment might be large. What is your view on this, including the possibility that some of the figures in your capital allocation plan will be revised upwards?

When talking about strategic investments other than TSMC's factory, you mentioned that investments of roughly 120 billion yen have already been decided upon. Is the investment in Zee Entertainment Enterprises Ltd. (Zee) included in that figure? You have spent only a little of the more than 2 trillion yen that you have budgeted for strategic investments. Would you share your thinking on this, including what kind of investments are forthcoming?

A2: It would be difficult to answer your TSMC question without discussing specific details on capital allocation, but generally speaking, if we take an investment stake, that stake would come from the strategic investment budget, and if we make a capital investment, it would be included within capital expenditures. However, this matter is subject to further study and discussion, and nothing has been determined.

The investment in Zee is not included within the figure for projects already decided upon. We only include projects in this figure that have officially received the go-ahead from our internal decision-making bodies. The Zee deal is still at the due diligence stage on both sides and is not at the stage of the project already having been decided upon.

Questioner 3

Q1: [Consolidated] Would you share with us your progress, using end-of-September data where possible, toward the goal of connecting with 1 billion people discussed during your Corporate Strategy Meeting? Where do you expect to be by the end of FY2021? How do you plan to disclose progress on this going forward?

A1: Our challenge to connect with 1 billion people is a long-term vision, and we see it as an aspirational target and not something to report data on every quarter. I personally feel we could give an annual update on our efforts aimed at achieving our 1-billion-people vision, including on strategic investments we have made and other initiatives, as well as on group synergies. We have not yet decided how to disclose the information, but we would like to share with you how the initiatives we have announced are helping us to reach 1 billion people.

Q2: [Consolidated] How well defined is the overall group strategy for India? Each of your businesses seems to be acting based on individual strategies, but do you have a regional strategy on India at a group level, including regarding how your businesses there should work together?

A2: SONY LIV is a key business that would drive our growth in India, so it is our starting point and why we are working on the Zee deal that I discussed today. The leaders of our individual business speak with one another daily about information gained from our endeavors and about opportunities for our other businesses. I believe that it is through such conversations that group synergies will take shape, and that, rather than just pay lip service, they will lead to action that produces real results.
India is a large and growing market. We have seen good growth in the number of SONY LIV's viewership, with subscriber numbers for our broadcasting business in India reaching approximately 470 million as of the end of September. We want to make ample use of connections between video and music going forward, and a wide range of discussions is underway, including regarding the future potential for games.

Questioner 4

Q1: [I&SS segment] I have heard that the prices of Sony's image sensors for mobile applications are coming down and that there seems to be a surplus of mobile image sensor inventory in the market as a whole. What sort of changes do you believe to be underway in the market? When you released your first-quarter earnings, you said that the average selling price for wafers was down by around 10% year-on-year. I understand that your image sensor sales revenue split is roughly 70% for mobile applications and 30% for audio-visual and industrial applications, with the latter primarily for cameras. Do you expect the audio-visual and industrial portion to increase going forward? Or do you continue to expect profits to improve, driven by mobile image sensors, as custom sensors start to make a solid contribution in FY2022?

A1: We believe that the market for mobile applications will continue to expand. The markets for audio-visual and industrial applications are stable and offer high margins, but in terms of sheer size, the market for mobile applications is much larger, and the mobile portion of our split is actually slightly greater than the 70% that you suggest. In terms of sensor inventory in the market, I am not aware that it is impeding our talks with our customers. What you are hearing about the decrease in price may be coming out of our negotiations with customers, but I will refrain from referencing any specific prices. We have made no change in tack and continue to believe that for high-end applications, die sizes will continue to grow and the market will continue to expand. That, however, is where the strength of Sony's technology can be leveraged. Our customers are striving for higher picture quality, higher pixel counts, and sometimes both, so we intend to stay abreast of their needs and to compete in fields where we can best bring our strengths to bear. We see no change in overarching trends and intend to continue to expand our production capacity to meet growing demand and to bolster our research and development efforts.

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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 COVID-19 could heighten the important risks and uncertainties noted above. For additional information as to risks and uncertainties, as well as other factors, that could cause actual results to differ from those discussed in the forward-looking statements, please refer to Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.