

**FY2021 Q3 Earnings Announcement**  
**Analyst and Investor Briefing Q&A (Summary)**

Date: February 2, 2022 (Wed)

**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 third quarter ended December 31, 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.

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Questioner 1

Q1: [G&NS segment] While you downwardly revised your FY21 unit sales forecast for PS5 hardware, what is your outlook for the PS5 hardware sales in FY2022? At your IR Day in May 2021, you said that you intended to aim for the highest unit sales for PS5 ever for one of your game consoles, so I believe that you were targeting unit sales of 22 to 23 million units. Based on the demand you are currently seeing and your ability to supply, what sort of volumes do you think you will be able to achieve?

A1: As regards the PS5 in FY2022, we continue to believe that the strong demand we see justifies our targeting the highest unit sales ever for one of our game consoles. We definitely want to make that a reality, and to that end, we remain engaged in talks and negotiations with the partners that supply our components. At the same time, the world has been challenged by logistics disruptions and struggles to procure components, especially semiconductors. My objective view as CFO is that it is fair to assume that these issues are likely to persist in FY2022. Providing a highly accurate forecast for the second half (“2H”) of FY2022 would be especially difficult at present as we can say nothing definitive about how things may look then. I believe, however, that lowering the goal we have set for ourselves at this stage would be taking the easy way out and therefore think that maintaining that goal and working hard to achieve it is the correct path at present. We hope to be able to present a more accurate unit sales forecast along with our FY2022 earnings forecast at the time of earnings announcement for FY2021.

Q2: [G&NS segment] What criteria do you apply to your strategic investments? For example, you acquired a minority stake in Epic Games, and now you are acquiring 100% of the shares of Bungie. Will you make future game IP acquisitions in order to maintain your user numbers or to bolster your first-party offerings, for example? What criteria will you apply?

A2: We believe that there is such a thing as fair value when it comes to IP as well. The criterion we apply is to ask ourselves whether Sony will be able to create future upside by making the investment. That comes down to increasing our investment efficiency and to making the premium reasonable. We have not established any definitive criterion regarding the size of the investments that we make. We intend to answer that question based on our financial capacity and what sort of risks are involved. You also asked about partial versus outright acquisitions, citing some examples. On whether we intend to acquire a minority stake or 100% shares, we will not always get exactly our own way given that there is the other party to consider. Often our preference is to acquire 100% of the shares of good companies but being strict about that can make it difficult to form alliances. We therefore want to be flexible in considering our options over long timespans, with minority stakes investments being one possibility.

Questioner 2

Q1: [G&NS/EP&S/I&SS segments] Could you share your thinking on the impact of component supply shortages and inflation, including how they are affecting inventory?

A1: Inventory levels at the end of the third quarter were down in the G&NS segment due to the holiday season and issues with PS5 component supply shortages, and my understanding is that inventories are basically low. In the EP&S segment, while the holiday season reduced inventories of finished products, our TV panel inventory grew, and we have strategically stockpiled components to hedge the risk of supply shortages. Looking ahead to FY2022, we expect shortages of certain products, particularly in the first half ("1H"), so we will likely build up our inventories in anticipation. This means the decline in inventory of finished products following the holiday season will be partially offset by strategic stockpiling and by longer delivery times because of logistics disruptions. We actually have an adequate level of panel inventory. In the I&SS segment, we have seen our inventory grow as the slow recovery in the Chinese smartphone market has increased the amount of stock in distribution channels. We nonetheless still intend to build up our strategic inventory as we head toward the FY2021 fiscal-year end based on our FY2022 demand outlook and our production capacity. In broad terms, as we head toward the end of FY2021, we will build up our inventory to the level we think will be required to also fulfill demand in FY2022.

Q2: [Others] How do you assess the risk and return profile of Sony Mobility Inc., and what level of

resources are you planning to allocate to that business?

A2: We are unable to share anything definitive on the risk/return profile or resource allocation at this stage, but we have an asset-light business model in mind, and as such, do not intend to invest a considerable amount of capital in this business. More specifically, we do not intend to engage in battery development, invest in facilities to produce the vehicles themselves, or develop sales and maintenance infrastructure by ourselves. Our basic approach is to work within the context of partnerships or similar arrangements that will allow us to operate with as little as possible in terms of assets. We want Sony's technologies to help drive vehicle evolution, with the long-term vision of transforming the car into a new entertainment space. Therefore, we have no intention of investing the kind of sums that would prompt discussion over whether the VISION-S investment is included within the two-trillion-yen strategic investment budget in the current mid-range plan, for example.

Questioner 3

Q1: [Consolidated] How do you view end demand in North America?

A1: Economic sentiment in North America is something that is very much on my mind. There are many moving parts, including the inflection point in monetary policy, greatly heightened geopolitical risk, and the impending mid-term elections. As such, I have been asking the business side whether this has caused any downshifts in demand and am staying updated, but we have thus far seen no clear downtrend in momentum. We have seen a year-on-year slowdown in TVs in Europe and Japan in 2H FY2021, but North American TV demand stills seems stronger than we had anticipated, albeit within the range of our forecasts. Entertainment is solid on the whole, but in terms of our theatrical releases, we are flexible including the adjustment of our release dates when there are surges in infections of COVID-19. That said, there has been no significant change in demand for entertainment, and the North American market seems solid. But we are very concerned about the potential for a downshift, so we intend to keep our ears to the ground and be prepared to respond quickly to any changes.

Questioner 4

Q1: [G&NS segment] You said that approximately one-third of the 3.6 billion dollar consideration you will pay to acquire Bungie consists primarily of deferred payments to employee shareholders, conditional upon their continued employment, and other retention incentives, which works out to roughly 1.2 billion dollars. You additionally stated that two-thirds of such payment would be expensed over two years. Does that mean that you will expense around 400 million dollars annually? Also, over what period do you expect to amortize the intangible assets?

A1: Approximately one-third of the consideration is for deferred payments and retention incentives, but we have further work to do to establish the specific numbers. I believe that we will be able to provide an update when we announce our FY2022 forecast. I am also unable to share any definitive numbers on the intangible assets as our review is underway even as we speak. We would generally expect around 10 years for amortization, but it depends on the nature of the intangible assets.

On the question of expensing this amount over two years, I would like to add that it depends on the contract terms and that the amount will therefore not necessarily be spread equally over the first and second year. We will likewise be determining the values and amortization periods for the various intangible assets involved as we undertake the purchase price allocation process.

Q2: [G&NS segment] You said that you will make strategic investment decisions based on the potential for creating upside. What sort of upside do you see in the case of Bungie, and how will Bungie and Sony benefit respectively? Also, which Key Performance Indicators (KPIs), such as user numbers, average revenue per user (ARPU), etc., do you expect to be impacted by the acquisition?

A2: We have much to learn from Bungie given its ability to serve a variety of content to different platforms, as well as its ability to develop and operate live game services. Our PlayStation studios are also very eager to learn from Bungie, and Bungie has likewise told us that it is very interested in thinking and creating with us. I understand that the two sides intend to develop numerous plans and deepen their engagement with one another in the first year post-acquisition, and we are hopeful about upside potential. Bungie sees potential for Sony to help it retain and acquire talent, and we very much want to do so. In addition, we intend to leverage Bungie's IP not only for games but for a range of uses, including merchandising. Adapting popular IP into movies would be a prime example, and I understand that Bungie hopes to further cultivate the IP that it has developed by leveraging it across a variety of media. Sony also has movies and music, so we are hopeful that Bungie will make use of our platforms to tap the upside potential of its IP.

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