

FY2022 Sustainability Briefing Q&A
Analyst and Investor Session (Summary)

Date: September 15, 2022 (Thu)

IMPORTANT: PLEASE READ THE FOLLOWING STATEMENT

For your reference, below please find an English summary of the question and answer session at the Sustainability Briefing for the fiscal year ending March 31, 2023, 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: How would you assess the level of Sony's AI?

A1: To date, the US tech giants or platform providers have led the conversation on AI and AI ethics. For its part, Sony has, since 2017, been the only Japan-based company engaged in the Partnership on AI, an organization in which such platform providers participate. There, we have discussed how to develop responsible AI technology based on human-centric principles. Our CTO Dr. Kitano is internationally renowned in the field of AI, with an established reputation both in academia and among the US platform providers. Alice Xiang, our Global Head of AI Ethics, who was part of our presentation earlier, joined Sony last year but has been active in this space for some time, primarily in the US. We have recruited a diverse range of top-notch talent from both inside and outside Sony.

Q2: Could you give a specific example of a “distinctively diverse” perspective that Sony can offer regarding AI?

A2: When discussing AI ethics, it is important that the conversation reflects a global perspective and regional differences rather than being overly focused on any one country or region. Given that Sony is based in Japan but also has operations in regions such as the US, Europe, and Asia, we think that it is important for us to drive the conversation on AI ethics along with the other stakeholders.

Questioner 2

Q1: On the topic of climate change, what strategic approach are you taking to identify suppliers? Also, what challenges have you faced in helping suppliers set Science Based Targets (SBTs)?

A1: Given the very large number of suppliers that Sony works with, we have started by identifying our core suppliers. In the case of our electronic products, we have identified the top 80% of our component suppliers, and in our operations where we supply components to other companies, we have identified the top 90% of our suppliers. We are having these suppliers set targets for things such as greenhouse gas emissions and water usage. We are taking steps first to establish what stage our suppliers are currently at and then to spur them to take actions that will lead to reductions. Given the numerous challenges involved, simply telling them that we want them to act is not enough, so we are providing them with support in the form of knowledge sharing.

Ultimately, we may ask our suppliers to cut a certain percentage by a certain time, but rather than unilaterally imposing targets, we think that it is important at present to start by assessing current conditions, building up knowledge, and thinking and working alongside our suppliers to establish how they can go about transitioning to renewable energies or controlling greenhouse gas emissions on their side.

Questioner 3

Q1: You mentioned your Technology Strategy Committee. How are you approaching your internal development efforts and collaborative efforts with other companies?

A1: The activities of the Technology Strategy Committee cover the entire Group, and there is a secretariat under Dr. Kitano, who serves as our CTO. We have adopted a structure whereby Sony Group Corporation runs the committee, and engineers from nearly all our businesses take part in the conversation so that our technologies are put to good use across all our businesses and what is being discussed translates into the development of actual services and products in each of our businesses. Rather than keeping these efforts strictly internal, we are undertaking them with the mindset that we should always be open to learning about and absorbing what is going on at other companies. As such, we have experts from a variety of fields give talks and workshops—sometimes in person at our offices and sometimes virtually. I understand that some of these conversations have evolved into discussions of potential opportunities for collaboration. Our approach is to look for opportunities to collaborate by remaining attuned to what is going on across our Group and across the market.

Q2: What is your sense of the scale of the CO2 reductions that you could potentially achieve by expanding your environmental solutions?

A2: Most of the environmental contributions that we have on display today are ones where we see potential in our R&D efforts or in our businesses from a long-term perspective. As such, we have not set any numeric targets as of yet.

Our environmental initiatives are focused on how to bring the environmental footprint of Sony's own business activities to zero. This is our "Road to Zero" and what we refer to as our "Responsibility" as a company. We are pursuing this goal in accordance with a timeline that we have defined using KPIs and a roadmap.

Furthermore, what we have on display today represents efforts that we are undertaking out of our desire to contribute as a technology company to how the world works and to the reduction of CO2. This is what we have labeled as "Contribution." While the environment is a pressing issue, it also involves long timelines, so we also see potential for our efforts to lead to future business opportunities. One example would be our I&SS segment's Intelligent Vision Sensors. Already on the market, these sensors incorporate AI functionality that allows the sensor itself to process data, which is faster than sending all of the data to the cloud and also enables privacy protections. We think that these sensors will also help reduce the power consumption and the environmental footprints of entire systems. Some of our estimates show that since only the meta data is sent to the cloud and not the processed image data, only 1/7,000th of the power that would ordinarily be required is consumed. This is an example of the sort of thing that we want to pursue to help change the way the world works.

Questioner 4

Q1: What criteria did you use to select the power generation company for the virtual PPA? What do you see as a fair way to assess environmental value?

A1: This came about through conversations with our business partners as well as partners that have helped us in procuring renewable energy. Sony Group has a policy on renewable energy procurement, but we have now updated that policy and established selection criteria for procuring renewable energy via a virtual PPA. We are also confirming whether environmental value criteria are met as part of this process.

By "environmental value," we refer to a certificate verifying that the use of renewable energy has resulted in fewer CO2 emissions, so being able to obtain such certification is key. Furthermore, we expect greater emphasis going forward on renewable energy with additionality, so we hope that this initiative will also lead to that.

Questioner 5

Q1: You say that you intend to let your individual operating companies make their own decisions on employee compensation levels, which could lead to disparity between businesses, regions, and job types. How do you plan to strike a balance between that and your plan to encourage the intermingling of personnel within the Group? Will deploying Workday, the global human capital data management system, help you overcome such issues?

A1: As part of the new organizational structure that we launched last year, we decided that each of the business entities under Sony Group Corporation would stand on its own two feet in the pursuit of growth. A major prerequisite would be for each business entity to think for itself about what sort of talent and HR programs it would need, so we were quite liberal in the amount of discretion that we decided to give to our individual business entities. At the same time, nothing contributes more to Sony's competitiveness than the diversity of its businesses and talent, so the goal of HR for Sony Group as a whole is to offer a wide range of opportunities, potential for growth, and contexts in which to excel, and to establish opportunities for the Group's diversity to translate into growth and the creation of value.

Specifically, we have an internal recruitment system that allows employees to remain dedicated to their current business, while always leaving them the option to take on new challenges outside that business when such opportunities present themselves. We also have our Career Plus program, which allows employees to devote a certain amount of time each week to another business without needing to be transferred there. These are examples of support programs that Sony Group offers to facilitate the creation of value from diversity.

We have not spent much time today discussing programs or frameworks, focusing instead on how we view the broader concept of deriving value from diversity. In my view, the effectiveness of programs and frameworks, as well as their ability to generate value, hinge on how each employee views them and how management engages with them.

My hope is that by sharing the values embodied in Sony's Purpose, our employees will work to meet Sony's expectations and Sony will work to meet theirs so that we continue to choose one another. With that dynamic at the foundation of our relationship, I would like for every conceivable opportunity to remain available to both sides, for us to be united in the direction that we pursue, and for us to grow together.

I think that Workday will make a clear contribution to that end. Many of our employees have expressed the desire to at least be able to learn where they can find other employees possessing certain insights, expertise, experience, and knowhow rather than having that information available only to management. I want us to accelerate the creation of frameworks that allow such information to be shared within the Group, leading to the organic development of more horizontal connections and

collaboration.

In this way, I hope to see our individual businesses primarily operating their own independent HR programs as we simultaneously develop frameworks that allow them to explore every potential cross-business opportunity.

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