

FY2020 ESG/ Technology Briefing Q&A (Summary)

Date: September 10, 2020 (Thu)

IMPORTANT: PLEASE READ THE FOLLOWING STATEMENT

For your reference, below please find an English summary of the question and answer session at the ESG Technology Briefing for the financial year ending March 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.

Questioner 1

Q: With respect to the evaluation of your personnel, who are the foundation of value creation, you said that, from FY2020, part of your senior executives' performance-based compensation will be determined based upon One Sony value creation and sustainability initiatives. What sort of metrics will you be using to evaluate them, and what sort of challenges have you faced in incorporating those into your evaluation system? Are there no plans to apply this system to your entire employee body?

A: From this fiscal year, headquarters has been asking each of our businesses to incorporate objectives related to environmental (E) and social (S) issues and social value creation into their mid-range plans that start next fiscal year. To that end, headquarters and the heads of each of our businesses are discussing what areas of interest headquarters and external stakeholders have, as well as the perspectives of management on the business side.

For the past few years, we have been focused on E and S initiatives, but we believe that, for the most part, working through our businesses from a long-term perspective is the most important way to go about creating value at Sony. For example, last month Shigeki Ishizuka, who heads our Electronics Products & Solutions segment, held a business briefing at which he said that sustainability initiatives form part of the segment's management framework. Our semiconductor and entertainment operations are also working on similar things. Since the outcomes of these efforts will be reflected in the performance evaluation of the businesses as a whole, the outcome will ultimately be included in the performance evaluations of the employees who belong to those businesses. In addition, we have stepped up our efforts to set individual metrics for our senior executives.

Questioner 2

Q1: You discussed 3R technologies. Could you tell us what the timeline is for those to contribute to

earnings? In particular, it seems that COVID-19 could bring forward the commercialization of the research you are pursuing with a long-term perspective.

A1: The timeline for 3R technologies varies. We are already doing business in the virtual production space that we referenced in today's presentation. The 360 Virtual Mixing Environment for audio is also being used in actual productions. For instance, we are hoping to enable people to experience exciting occasions like sporting events and concerts in real-time remotely. Today we showed you a video of an Ikimonogakari concert filmed using Volumetric Capture. That was all streamed completely in real-time, and as this illustrates, we are approaching the point where we will be able to recreate a space in a remote location so that it can be enjoyed as if you are really there. The varying levels of difficulty involved likely mean that these efforts will result in earnings contributions at different points in time, but I agree that COVID-19 will certainly accelerate the timeline to commercialization.

Q2: Today you highlighted “decentralized sensing” as a new key word. Where does Sony’s strength lie in terms of decentralized sensing?

A2: “Decentralized” essentially means performing AI processing at the edge or on the chip. It requires much less power consumption than before, and it enables a reduction in the amount of data that leaves the chip, thus addressing security and privacy concerns. For example, facial recognition is a component of some AI systems. If such a system were designed to determine headcount and you had four people, the only data that needs to leave the edge device is the number “4.” However, these systems are sending actual video of the four people’s faces to the cloud. This means an extremely large amount of data is sent to the cloud, which consumes considerable power and communications bandwidth, and also represents a security risk because people’s facial data is being transmitted. We believe that we can address these issues if we bring together data processed at the edge using decentralized sensors. Decentralization essentially enables us to reduce data volume and power consumption, facilitating the real-time use of the applications you are accustomed to.

Questioner 3

Q1: Are there any specific long-term R&D efforts you are pursuing that you can share with us?

A1: We prioritize R&D efforts based on whether they address a sizable market, enable us to leverage Sony’s technologies, and can potentially contribute to a variety of businesses. When we think of long-term R&D efforts, we think of core technologies that are likely to bear fruit 10 years or slightly more down the road. They are technologies that we believe we should develop based on major trends we are seeing, even if we cannot clearly see at present how they will actually lead to business. We are always mulling these over, sometimes with input from outside experts. One example is our research into how Sony might use quantum computing. Also, when we think about the emotions and excitement involved in entertainment in particular, we need to know more about the brain. It will take time to develop these technologies, but that’s what we have in mind.

Q2: How did you decide to allocate time at today's ESG briefing? Your first ESG briefing focused on governance (G) and the following one on social (S). Was the intention to cover each area in turn, or did you decide that environment (E) was particularly important this year given what is going on in society? What did you hope to convey, or what was your thinking this year?

A2: ESG covers many diverse themes so we have numerous discussions internally each year to determine how much time to allocate to each.

I think the key question when it comes to ESG is whether a sufficient governance framework is in place to ensure that E and S initiatives are properly undertaken. I feel that we are reaching the point where we need to be in terms of G from the perspective of E and S awareness. However, at today's briefing, we wanted to give as much detail as possible on the specific E and S initiatives we are engaged in.

Amidst the ongoing spread of COVID-19, some people question allocating resources to environmental issues in particular. However, there is a growing sense of crisis concerning the global environment felt by many of our staff at Sony, our business partners, and within the capital markets. Therefore, engaging in initiatives to support the environment is without a doubt fundamental to the sustainability of our business from a long-term perspective and will also present us with business opportunities.

From a social perspective, we are extremely grateful to those employees who have made it their mission to fulfill our purpose of "filling the world with emotion," especially during this COVID-19 crisis. Sony has made itself stronger by fostering human rights and diversity, and we need to continue to value these strengths within the company. The management team is also highly conscious of doing what we can to make a difference in each of the business communities we work in. Movements such as Black Lives Matter have begun to have significant implications for our business itself, and we see initiatives in such areas as a business issue.

Questioner 4

Q1: In comparison with previous briefings, there appears to be a greater emphasis on diversity of technology and keeping a long-term perspective. Has your viewpoint changed? I also got the impression that there will be an even greater number of businesses requiring third-party input. Does that mean that the number of your alliances and partnerships will grow at a faster pace than before?

A1: At last year's Technology Day, we gave presentations on various technologies partly because it was our first opportunity to talk through parts of our entertainment and finance businesses, for example, which we had not previously covered in depth. Since the theme of our briefing this year was ESG/Technology, we wanted to show you how Sony is applying its technologies to the E and S fields in particular.

As I oversee our R&D activities at Sony, I am constantly aware of the hugely important role that diversity and keeping a long-term perspective plays in shaping the future of the whole company five or 10 years down the line. A lack of diversity results in narrower thinking about the future and about

markets, and it constricts the breadth of your technological portfolio. If discussions only took place in Japan and between male engineers, there would be no growth in the stock of technologies supporting all of Sony's diverse businesses, so I believe diversity within our engineering and research teams is essential.

That said, there are limits to what can be achieved by one company alone, and we have worked with added impetus at forging ties between universities and our R&D facilities across the globe for some time. Recently, through the Sony Innovation Fund, our engagement with start-ups has increased, and this has helped us to boost the number of new collaborations with such companies. As we announced last year and as exemplified by our tie-up with Microsoft, we believe that we now need to work with various partners that have technologies we lack, which means the number of alliances and partnerships in which we engage will inevitably increase as we move forward.

Q2: You provided us with a matrix on the experience and expertise of your board of directors, which shows that many have experience in global businesses, but few have expertise in the field of engineering, IT, and technology. Might this change as your technology diversifies?

A2: To reflect the wide diversity of Sony's business portfolio, we would ideally like our board members to also have a diverse range of knowledge and experience. Of the 12 directors on Sony's board, 10 are outside/non-executive directors, and their function is to monitor and supervise the running of the company. The running of each business and the company overall is undertaken by the management team. Thus, what we require from our board is to assess whether the strategies, targets, or individual projects put forward by the management team are appropriate from a stakeholder's perspective. Therefore, although a certain degree of expertise and background is necessary, what is of greater importance is that individuals have experience in managing global businesses, some of which are based in technology, regardless of whether those individuals have a background in technology.

In June of this year, three new directors joined us. Among them and among the directors who joined us last year are individuals with experience running global businesses in which technology was involved, even though they themselves are not engineers, and this kind of experience is key when it comes to fulfilling their governance and monitoring roles.

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