

**FY2022 Corporate Strategy Meeting**  
**Analyst and Investor Briefing Q&A (Summary)**

Date: May 18, 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 Corporate Strategy Meeting 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.

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Questioner 1

Q1: I understand that you now find yourselves able to consistently produce hit music, motion pictures, and games. I suppose that that is due in part to the mergers and acquisitions you have undertaken, but what would you say the greatest factor is? Also, what strategy will you adopt to ensure that this trend continues?

A1: I want to make Sony the brand that is the most loved by or the closest to creators around the world since it is the creators that create “Kando.” Advances in technology may change the media in which they work, but it remains people who create Kando. To adapt to the change of the media, we will try to address the DTC space by doing our solid best where we can while also adopting a partnership strategy. There is also the question of how we engage with creators. In the case of music, for example, the overarching direction is to support creators, artists, and songwriters, and such direction is also the case for the entire company. One of our recent acquisitions, AWAL, supports independent artists and brings their creativity to the world. That’s what I hope to become part of our corporate culture.

Q2: Other than leveraging your technologies for your own services and products, could you monetize them in a mid-to-long term by making them into industry standards?

A2: Our approach will depend on the field in question. For example, if we have extremely strong Metaverse technologies, everyone starts to use them and we find ourselves able to create alliances, I

believe that those will become something like de facto standards. However, if what you are asking is whether we intend to have our technologies certified by certain organizations, I think we would have to ask ourselves whether that would be an effective approach given the considerable time involved in such processes and how quickly technology is advancing in spaces like the Metaverse. I would meanwhile cite AI as an example of a different kind of field. We attach great importance to ethics in the case of AI and were early in developing internal AI ethics that we made publicly available. In the sustainability space as well, we make everything about our microgrid technology publicly available, including the underlying IP. Our intention is to contribute to the broader world and our own business as well by making good use of both standardization and open availability.

Questioner 2

Q1: I would like to ask about your social media efforts in the entertainment business. I believe you will start to see benefits from your acquisition of Bungie and other moves going forward, but could you speak to what you have done to step up your mobile efforts over the past year, as well as to what benefits or learnings you have gained, if any? Also, what role do you see for mobile in Metaverse spaces?

A1: I believe that the fiscal year ended March 31, 2022 included two highlights for us in the mobile space. The first is that we acquired what is now Lasengle, formerly the mobile game development and operation division of Delightworks, which was responsible for the development and operation of the mobile game *Fate/Grand Order*. We hope that that will add to our development and operational capabilities. The other highlight was that we acquired preferred stocks of Scopely, Inc. as part of the consideration for the transfer of GSN Games. They provide a business whose nature is close to live game services, and run their business based on data, studying player trends in order to establish how to keep them enjoying games longer, and we feel we have a lot to learn from them. In addition, regarding SIE, we want to leverage our IP in mobile spaces over the long term, and we intend to steadily deliver on that.

Q2: You gave many examples of investments in the entertainment business, but looking at the balance between profitability and investment, it looks like ROIC has declined compared with the last few years. I understand that strategic investment and development costs are increasing, but what are your thoughts on the upside for ROIC going forward, including in terms of timeframes?

A2: ROIC is influenced by the harvest cycle. Taking the game business as an example, investment efficiency increased in the mature stage of the PlayStation4 lifecycle, but the transition from the final stage of that console to the PlayStation5 produced another temporary decline in profitability. In the music business, as streaming services have grown, we have made several catalog acquisitions as

investments in content IP. These are low-risk investments, and not necessarily accompanied by high returns. Catalogs that are exceptionally good deliver stable cash flows, but on the flip side, they generate a lower ROIC. However, we are actively investing right now because we believe solid investments at this stage will lead to a phase of sustained growth over the medium term. In the future, we would like to achieve an ideal scenario of maintaining stable margins while making necessary investments. We intend to work on getting as near as we can to achieving that scenario.

### Questioner 3

Q1: What do you believe is the optimal capital structure for each business from a long-term perspective? I understand that this will change depending on the stage, as with the joint venture with Honda Motor Co., Ltd. and minority investment you have made in the subsidiary of TSMC, but ultimately, what do you see as the optimal capital structure, including in your existing business segments?

A1: In the mobility space, we aim to make contributions wherever we can, and concentrating our efforts will be important, so when it comes to fields where we lack insight, like auto body manufacturing, we think it is appropriate to work with partners. The reasoning behind the TSMC plant in Kumamoto is entirely related to the procurement of logic chips, and as such, we view it as capital participation.

One of our objectives over the mid-to-long term is to achieve consolidated ROE of at least 10%. Looking at capital costs for the Sony Group as a whole, we believe this is the absolute minimum if we want to prevent enterprise value erosion and raise added value. Capital costs differ by business segments, so while mindful of this, we will try to maintain this level of ROE for the group as a whole. As to whether there is a possibility that funds may be procured from outside the group to be invested in one of our businesses, I would say that it can be an option, provided that we are working together with the outside partner, not only simply engaging in a capital partnership, but bringing the prospect of even greater growth for the business and/or enhanced corporate value.

Repurchase of shares of Sony's common stock is an investment in the future of the company. By raising our capital efficiency, we aim to nurture the relationship of trust between our company and capital markets, which we believe will raise our capacity to invest in the future.

Q2: Having assumed the role of CTO, is there anything you feel you need to change about your R&D? You were previously at Sony Computer Science Laboratories (Sony CSL), but is there anything you feel that you should do differently than what you were doing there, now that you are in your new position? What do you think is the optimum ratio of R&D spending to the sales over the mid-to-long term?

A2: At Sony, we develop technologies in our individual business units, at the R&D Center at headquarters, at Sony CSL, and at Sony AI. In each instance, our endeavors differ in their nature. Serving as CTO provides me with a high-level view of all of these organizations, and I would like to structure them into a dynamic “Sony R&D ecosystem.” While my guiding principle will be to make the best use of each R&D organization’s unique attributes, I intend to focus especially on fostering stronger alignment between the business units and the R&D Center and on taking on new challenges. The mission statement I have established for the Sony R&D ecosystem as a whole is “to advance civilization and make this planet sustainable” since R&D functions need to look beyond their companies’ existing business domains and out across longer stretches of time. Under the mission statement, we have two strategies. The first is to take on new challenges. The second involves exit strategies. In some cases, these will be academic exit strategies. In others, the exits for our research will involve substantially strengthening Sony’s business units. We will also have exits that involve creating new business domains within Sony and others that involve carve-outs. So, I want ours to be an ecosystem with clearly defined challenges and exit strategies and to develop our organization into one that is diverse and dynamic.

You also asked about the scale of our investment in R&D. I firstly want to undertake a solid review of the content of our R&D portfolio. Even with the same scale of R&D investment, our output can change depending on how we perform our research. My predecessor Mr. Katsumoto has created an excellent organization, so I want to start by strengthening that by making further enhancements to it.

#### Questioner 4

Q1: What are you doing currently and what initiatives would you like to implement in order to recruit and retain top-quality talent?

A1: We believe the actual driving force behind our businesses is our team of 110,000 employees. We see our Purpose as a clear promise we make to our employees. We see it as posing a question “Will you join us?” while sharing with employees our company’s social responsibility. It is creators, customers and our employees that our management should be striving to get close to. As we engage in various acquisitions and other investments, their role within our culture is substantial. Their cultural influence when we strive to create value, collaborate, and work together is immense. I would also say that when viewed over a certain timeline, they likely even contribute directly to Sony’s enterprise value itself.

Recent experiences have reminded me of the great importance of diversity. The coming together of diverse talent creates opportunities to inspire one another, take on new challenges, and develop into a positive community that finds excitement in such challenges. That is what we want to achieve. Involvement in many businesses is not necessarily welcomed by capital markets, but the experience

and possibilities for innovation that arise from engaging in diverse businesses are what we are driving towards from a long-term perspective.

Questioner 5

Q1: There have been many developments in the entertainment industry in the U.S. since the start of the year, including the announcement of a huge investment of more than 8 trillion yen in the game industry and a major OTT platform losing subscribers. How do you view these developments? Also, when you think about strengthening your IP or expanding your platforms, what sort of risks do you see, and what kind of timelines do you think you have to base your efforts on?

A1: When thinking about M&A, the question of utmost importance is whether our investment will enable us to provide greater value for gamers or for game creators, rather than to expand our scale in the market, if what we are talking about is games. Platforms are important, but we are more interested in “Communities of Interest,” what motivates each of them, so we are not focused on the concept of a single platform. The media has changed significantly since things have moved online. We need to adapt ourselves accordingly, but we do not think the content that human creativity gives rise to will change that much. In the past, the media outlets chose what content they provided, but we are gradually beginning to see the content and its creators picking which media outlets they place themselves on. We therefore want to be sure we maintain our status as a company that is getting closer to creators.

We nonetheless place greater investment priority on IPs than on DTC services. No matter how the world changes, we do not think a business can succeed without the power of content. As such, we intend to continue to ask ourselves what we can do to enhance our power of content creation.

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