

**R&D Strategy Briefing**  
**Analyst and Investor Session Q&A (Summary)**

Date: December 6, 2022 (Tue)

**IMPORTANT: PLEASE READ THE FOLLOWING STATEMENT**

For your reference, below please find an English summary of the question and answer session at the R&D Strategy Briefing, which was mainly 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: When it comes to virtual worlds, which represent one of your three core technology domains, I believe you have strengths in both hardware and software, but what are you especially focusing on?

A1:

Hiroaki Kitano (CTO)

We need both hardware and software to demonstrate our strength in virtual worlds. On the hardware side, we have sensor technology, and displays and audio will also be vital. Combining these technologies enables us to create incredibly lifelike 3D virtual spaces. I feel confident that Sony is number one in these technologies. However, that is nothing exciting without content to go along with it. If, for example, were we to have the hardware but lack our strong content in such realms as games, fan engagement, and digital twins for industrial applications, we would not be able to grow the technology into anything meaningful. As such, I believe it will come down to the combination of the two.

Yoshinori Matsumoto (Sony Corporation)

I believe that Sony has an edge in both the hardware and software for virtual worlds, but we are particularly interested in the creative aspect of building virtual worlds. We believe that the creative processes that give rise to 3D worlds, avatars, and assets are going to evolve rapidly going forward. We want to support creators with both software and hardware and to generate business opportunities that position us to help creators unleash their creativity. We have received great creator feedback on our hardware, including our recently launched user-friendly motion capture system, “mocopi,” and

our spatial reality display(SRD), which is already on the market. We want to champion the creation of more imaginative 3D worlds by providing these hardware offerings and the associated software expertise.

Ueli Gallizzi (Sony Interactive Entertainment)

I think one of the big strengths we have in Sony Interactive Entertainment is not only the hardware but is that we can combine hardware and software to build the platform, and that we can build the creativity on top of it. We want to go in this direction more and provide the best ecosystem for all the creators.

Q2: Will the Technology Promotion and Deployment Division be located in the R&D Center at Sony Group Corporation or in the operating companies? What changes will the creation of this division drive? What are your hopes for it?

A2:

Hiroaki Kitano

The division will be established within Sony Group Corporation and will be engaged in activities that span the whole Sony Group. The Technology Promotion and Deployment Division's remit does not cover situations in which R&D findings are successfully transferred to individual business divisions and make their way into products without a hitch. On the other hand, in pursuing our R&D efforts, we sometimes come across promising research fodder or ideas that have no apparent outlet because of various hiccups that happen along the way or due to changes in our business plans. We may decide to cease R&D when the idea is not good enough to move forward with, but when we have something really interesting that deserves an outlet and that the R&D engineer developing it shows huge enthusiasm for it, we want to pursue possibilities in and outside the Sony Group, including in academia and in the form of spin-outs, so as to at least ensure that the engineer's efforts do not come to naught.

Tetsu Natsume (Sony Computer Science Laboratories)

The Technology Promotion and Deployment Division will focus on the practical application of research, but that can take a variety of forms. In addition to what Kitano mentioned, we may develop a certain technology into a business by releasing it externally in the form of open source. No matter what form it takes, the technology we have gone to all the trouble of creating will not generate any value if it is not implemented in our society, so I believe this division's mission is to find practical uses for it.

Questioner 2

Q1: I assume your competitors in AI are the likes of Google and Amazon, which have access to vast

amounts of training data. What are Sony's strengths in AI?

A1: Hiroaki Kitano

The format and objectives of our business are very different from those of Google or Amazon, so whether we are actually in competition with them is a question that warrants consideration. One of Sony's aims is to help creators unleash their creativity to its fullest measure, and our mission is to bring emotion to people all around the world through creator content. We may even work with companies like Amazon or Google. We want to purely focus on faithfully pursuing Sony Group's Purpose rather than contemplating who we are competing with. At the same time, it is true that the GAFAs tech giants possess large amounts of data in one form or another, and I expect that we will also accumulate and/or generate a tremendous amount of data going forward. When we do so, it is crucial that we pursue responsible AI rather than sheer quantities of data, meaning that we work with clean data that is free of ethical and copyright issues and that we make effective use of it in ways that are in keeping with our objectives.

Questioner 3

Q1: What specific outcomes are you hoping for as CTO? What KPIs will you use to assess your organizations and employees?

A1: Hiroaki Kitano

Creating a technology portfolio that allows us to faithfully execute on Sony Group's Purpose and weaving that technology tightly into our business units will be a very core part of my expectation. At the same time, Sony is involved in a very broad range of business fields. The breadth and depth of our business portfolio and technologies make us feel that, while we are an entertainment company, we have the potential to contribute to the world in ways that go beyond that over the mid- to long-term, partly because we are involved in fields that form part of our social infrastructure. To maximize on that potential, we will need to maximize the capabilities of the individuals of the R&D Group. For that, diversity will be key. In addition, we all need to be at the top of our game, and work well not only with each other but also with external parties. I am hoping that we will be taking the Sony Group's technology and the Sony Group itself to the next higher level.

On the question of KPIs, I basically want our teams to give it their all based on the philosophy I have just described. I find that quantitative KPIs rarely work for research organizations. Our engineers are very talented, so if you give them quantitative KPIs, they tend to be able to meet them. That does not mean, however, that they are necessarily achieving the goals that they should be achieving. Since achieving quantitative KPIs and our fundamental goals are different, I am thinking of making our evaluation process somewhat more qualitative. I want our R&D functions to give it their all to research and development, form top-level teams in their respective fields, and make progress on their

research. Moreover, I want them to commercialize their research very early on at high speeds and I want to see how much our R&D function can give back to society.

Questioner 4

Q1: You said at the Corporate Strategy Meeting that you wanted to create an ecosystem that allowed a three-layer R&D function to operate synergistically. Am I correct to understand that those three layers are the organization which is being transferred to the operating companies, the organization for development of foundational technologies, and Sony Research? Also, am I correct to understand that the Technology Promotion and Deployment Division will be established for one of the ways to uncover the potential value rather than scaling up the organization?

A1:

Hiroaki Kitano

Basically, I think that R&D consists of three components. The first is R&D that emphasizes development efforts carried out very close to the business. The second is to cover slightly more basic areas. The third is far removed from the business. The goal of what we will be integrating into the R&D functions of our business organizations is to step up our efforts that are close to the business and run them more quickly. Technology Infrastructure, which will fall under Mr. Tamai's purview, will serve as the core engine that provides support for all of this. There is no getting around the need for basic research that has broad applicability for many businesses, and while there is no need for it to be academic in nature, research that spans the continuum between the basic and something close to real-world applicability can sometimes be a beneficial source of strength. It is extremely important that we step up our ability to make the output of such research available to our business organizations quickly and make it part of our companywide infrastructure. The likes of Sony AI and Sony CSL are tackling our more challenging research.

Hisashi Tamai (Head of R&D Center)

I want the Technology Infrastructure Group to be a group with a portfolio of basic functions and a repository of insights into things like the cloud, security, AI, and data analytics so that it is capable of providing support to every department and contributing to our business organizations. It will also be important that we leverage external capabilities rather than trying to do everything on our own. I believe that using knowledge which third-party corporations and universities have, so that we can develop more discerning eyes for external technologies and establish how we can deploy them internally, will be a major challenge for us. I want to develop the Technology Infrastructure Group as our major technology asset.

Erica Kato Marcus (Sony AI)

With GT Sophy, Sony AI executed an end-to-end proof of concept covering everything from the basic R&D through to the handover of the resulting tools to the game creators and ultimately to that output reaching players. We want to take that process to the next level at the newly created Sony Research, which is based on Sony AI.

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