

FY2024 Sustainability Small Meeting Q&A (Summary)

Date: September 19, 2024 (Thu)

IMPORTANT: PLEASE READ THE FOLLOWING STATEMENT

For your reference, below please find a summary of the question-and-answer session at the Sustainability Small Meeting for the fiscal year ending March 31, 2025. The meeting was held separately for Japanese investors and European investors. Q&As 1-5, 7, 12, 17, and 19-20 summarize the question-and-answer session for Japanese investors, and Q&As 6, 8-11, 13-16, and 18 summarize the question-and-answer session for European investors. Q&As 5 and 7 summarize both question-and-answer sessions because these questions were overlapping or similar in both sessions.

[Purpose]

Q1: Your company has a very high level of employee engagement with your Purpose. How have you achieved that?

A1: Firstly, our top management repeatedly shares our Purpose internally. Yoshida set about formulating Sony's Purpose immediately after assuming the role of CEO in 2018. He had inherited *Kando* as a concept from his predecessor, Hirai, and it had been a part of Sony's identity since its founding. Our Purpose was created as something that would resonate especially well with our employees, and we seek input from our employees along the way.

The second reason is external factors. With events such as the COVID-19 pandemic and widening social divisions, we feel that Sony's ability to provide value by touching people's hearts and stirring emotion really struck a chord with people.

Also, our Purpose forms the foundation of the corporate culture that ensures our ability to execute a Group management plan. We have stated a goal of maximizing Group synergies during our 5th Mid-Range Plan, and we believe that it is precisely because our Purpose has taken hold that new bottom-up efforts are beginning to produce results that cross business segment boundaries.

Q2: Why do you no longer include data in your Corporate Report on levels of awareness of your Purpose and engagement with it? What indicators do you view as meaningful and intend to disclose in the future regarding your Purpose?

A2: Our Purpose has been embraced by a large part of the Group, and *Kando* and people remain at the core of our company. In the 20th century, the nature of our businesses positioned Sony as a conduit, but in the 21st century we are becoming a creator of *Kando*. We have reached the point where we need to weave our Purpose more deeply into the fabric of our business and to generate synergies.

We conduct our global employee survey every year, and we focus significantly on engagement metrics that tell us whether our employees are working with enthusiasm and engaging with our Purpose. We are not only concerned with how high or low the numbers are, but are also interested in what lies behind them, and based on that, we engage in dialogue and take action in the workplace. We intend to work on ways to disclose this information externally as well.

[Employees]

Q3: The career trajectories of Sony employees appear to be more diverse than those of other Japanese companies, including some instances where employees have returned to Sony after having worked elsewhere for a period of time. Are you doing something creative with your HR practices to enable this?

A3: Since our foundation, Sony has always valued the autonomy of individuals. We believe that for each and every employee to bring all their unique personalities fully to bear, it is important for there to be an equal relationship between the company and the individual.

We have operated an internal recruitment system for approximately 60 years that enables us to support our employees as they strive for new opportunities in their careers. We have established various systems and environments that will increase opportunities within the company. Even if it ultimately leads to opportunities outside the company, we think that is a good thing if they eventually find their way back to Sony because our Purpose resonates with them.

Q4: Creativity is difficult to quantify, but what mechanisms do you have in place to foster it?

A4: We believe that the diversity of our talent pool forms the basis of our creativity. Creativity arises from individuals pushing themselves to take on new challenges, but it can also be the result of connections with peers and by clashes of opinion. That is why we aim to create a culture of interaction among diverse talent.

In addition, “Beyond the Boundaries” is a theme for the 5th Mid-Range Plan. We want to encourage our employees to avoid being confined to their fields of responsibility and instead actively venture beyond to gain new experiences. Our HR framework supports such “Beyond the Boundaries” in multiple ways, including by providing an internal transfer system. We believe that these kinds of initiatives will be another contributor to Sony’s creativity.

Q5: What led to the decision to set the challenging target of 30% or higher women among Sony Group Corporation’s executives by 2030, and how do you intend to go about achieving it?

A5: Our view that diversity of employees is the driver for growth is the same as it was at our founding. Our top management remains committed to achieving diversity, and we have made our commitment public this year.

We employ large numbers of engineers in fields such as electronics and semiconductors, but

there are few women with STEAM backgrounds in Japan.

Internally, we have been supporting women's careers through programs such as our work-life balance support system, as well as our talent management support initiatives that work with employees' life plans. In addition, we conduct manager training programs to eliminate unconscious bias in the workplace.

Recently, we have expanded our efforts externally. We have been collaborating with academia and other external partners, and this year we launched the SONY STEAM GIRLS EXPERIENCE scholarship program. Such initiatives are unlikely to produce instant results, but we intend to take a long-term approach.

Q6: What amount of resources do you allocate for training for your employees?

A6: We are striving to develop future leaders who can lead our diversified businesses and are focused on the importance of training. For example, since the Sony University program was established in 2000, we have had approximately 1,500 graduates globally. Additionally, the Sony Cross-Mentoring Program has entered its third year. We are connecting leadership teams with the next generation of leaders beyond businesses and regions, and they embark on a one-on-one six-month program to cultivate individual development opportunities as well as to bring positive impact to both organizations.

[Environment]

Q7: What is the background for especially large underperformance in waste and water against Green Management 2025 (GM2025) targets?

A7: We track waste not in terms of total volume but based on waste generation intensity. The deterioration of our performance compared to the plan was largely due to two factors. Firstly, relocating and opening new offices generated furniture and construction material waste. However, the increase is not a recurring one, and we believe that the impact of such deterioration on achieving the GM2025 targets will be limited. The second factor involves the increase of the waste volume per unit associated with a certain production plant. At this plant, the denominator of the basic unit index is production volume. In addition, at this plant, which was in its start-up phase in FY2023, a certain amount of chemicals and water was required to maintain the production facilities even when the plant was not in full-scale operation. As a result, the amount generated per unit increased. The increase of the water usage figure is similarly due to this. As production ramps up to full capacity at this plant, waste generation and water usage per unit of production is expected to improve.

Q8: What kind of initiatives have you taken in FY2023 to reduce GHG emissions in the supply chain?

A8: As approximately 95% of Sony's total GHG emissions come from Scope 3, it is essential for us to

tackle issues in this area to achieve net zero by 2040. Within Scope 3, the largest portion is related to electricity used in products after sale. The second largest is from the supply chain. We have started dialogues with our major suppliers: we are discussing what falls into the category of GHG emissions and what approach they can adopt to reduce their carbon footprint and providing annual surveys to them to understand their approach towards climate change and carbon accounting. In addition, we organized the Partner Eco Challenge Program and motivated engineers and employees in the manufacturing functions to identify sources of wasted energy and think of ways to reduce such sources.

Q9: What about end-of-life product waste management? Do you see any opportunities with circular economy?

A9: Our focus now is to reduce virgin plastics through different means including the use of recycled plastics. For the reduction of virgin plastics per unit, our target of GM2025 is to reduce such usage by 10% (vs FY2018), and we have currently achieved a 16% reduction (vs FY2018). We think we are doing fairly well on this track.

As a technology company, we are also developing new materials that are alternative to virgin plastics. An example is SORPLAS™, which can be made from up to 99% recycled materials. Another example would be the Original Blended Materials that have been used for some of our electronic product's packaging.

Q10: What is your position on the use of carbon offsets or renewable energy certificates in achieving your renewable energy goal?

A10: Currently we use renewable energy certificates (RECs) to match our own electricity use, as well as power purchase agreements (PPA) and Green Menu (direct purchase of renewable electricity from the utility company). We do not use carbon offset credits as of today, but for the long-term target for net zero, we can use carbon removal credit to achieve such goals according to SBTi (Science Based Targets initiatives)'s rules. Hence, we are exploring what kind of credits would be suitable for us.

Q11: What is the split between PPAs, RECs and Green Menu towards your 2030 goal?

A11: We do not disclose the split between PPAs, RECs and Green Menu, but the majority is RECs. Since we manufacture semiconductors in Japan, it is difficult to do everything with PPAs or our own generation of renewable electricity. We do see more emphasis on the "additionality" of renewable electricity recently, so we are looking more into the use of PPAs, etc.

[Human Rights]

Q12: How do you respond to human rights issues in the supply chain? What are your goals, timeline, and issues around human rights?

A12: We undertake Group-wide risk assessments by looking at which areas carry a risk of human rights infringements. After identifying priority areas, we work with the relevant divisions on implementing individual initiatives. While our Sony Group Code of Conduct already sets forth our philosophy on human rights, there have been calls for tighter due diligence on human rights recently, and there is a drive towards making such due diligence mandatory in Europe. With this in mind, we established the Sony Group Human Rights Policy last fiscal year, the new policy prescribes the specific framework through which we intend to carry out human rights due diligence in a more structured way.

We have been working with the Responsible Business Alliance (RBA) as one of its founding members on efforts to tackle responsible supply chain issues. We identify high risk suppliers utilizing information and tools provided by RBA, and apply stricter assessments to them.

Furthermore, we need to constantly work on preventing human rights abuses, and if any such abuses caused by our business activities are identified, we take prompt action towards improvements. Therefore, we do not set goals with a definite timeline for our human rights initiatives,

Q13: What governance or oversight mechanism is built to ensure the effective implementation of Sony's Human Rights Policy that was newly established?

A13: Teams and/or persons in charge of human rights at headquarters and business segments cooperate each other, so that we can promote initiatives to respect human rights at Sony Group. The mechanism to manage our supply chain starts with mostly self-assessments conducted by suppliers in accordance with Sony's requests, but if we notice something amiss, we appoint a third-party agency to examine our supplier's practice more closely. If we find something wrong, we then request the supplier to promptly rectify those improper behaviors. If the situation is still not resolved, we may consider reviewing or terminating our business relationship. Additionally, we have a hotline that allows the reporting of human rights issues by our suppliers and/or our employees.

Q14: How do you conduct supplier assessments? What is the background for a decrease in the number of factories covered by your assessments in FY2023?

A14: We conduct assessments based on a supply chain management program. We identify suppliers to conduct assessments on according to their location, the type of business, and the volume of the business. The first approach would be self-assessment conducted by suppliers. If we identify risks through these assessments, we will ask the supplier to come up with the corrective action plan, and we monitor its implementation. In some cases, we also engage an on-site third-party to audit the supplier. The number of factories covered by our assessments in FY2023 appears to be decreasing, but we conduct assessments in a cycle of multiple years at a time. Therefore, we believe that there is no significant decrease based on the overall trend.

Q15: What key actions for mineral sourcing in terms of increasing transparency through supply chain and increasing compliance in smelters in addition to involvement in the initiatives such as RBA and Responsible Minerals Initiative (RMI)?

A15: We do utilize RBA and RMI tools and programs because the supply chain in the electronics industry is quite complicated. It is difficult for us to manage upstream issues like mineral sourcing on our own as a downstream company. We intend to work with RMI and RBA to improve these situations so that we will have a responsible supply chain.

Q16: Are there recent examples of non-compliant suppliers, and what are Sony's actions?

A16: We recently noticed that one of our suppliers, which provides parts to our manufacturing plants in Malaysia, was allegedly practicing inappropriate labor treatment. We are still investigating this allegation with a third-party agency. If any inappropriate or illegal employee practice is identified as a result of the investigation, we aim to strongly request immediate corrective actions, and if they do not comply, we intend to take harsher actions (*).

(*) Regarding the supplier in question, we have conducted the investigations including an on-site audit by a third-party auditor after this small meeting. As a result of these investigations, we recognized that the supplier had violated the Sony Supply Chain Code of Conduct. Accordingly, we have requested the supplier to promptly implement corrective measures and are monitoring its progress (as of the end of October 2024).

[AI Ethics]

Q17: What is the direction and progress of initiatives in the area of AI ethics?

A17: We started engaging in topics such as responsible AI and AI ethics at an early stage. Right from when we released AI-based robots like Aibo, we have discussed how to handle the risks associated with AI, including misinterpretations, and have established internal guidelines and an AI Ethics Committee in the absence of legislation.

However, the arrival of generative AI around two years ago brought about major changes in the advantages as well as the potential social pitfalls of AI. We would like to engage in dialogue international institutions and governments to advance the discussion. In particular, our aim is to leverage AI to help develop a peaceful and sustainable society.

As a company that operates in the entertainment business, we place great importance on the use of AI in bolstering creativity of creators and supporting them in their endeavors, but there are concerns about the potential for AI to impair creativity and reduce employment opportunities, and there are also problems arising from the production of fake images and false information using AI. We are looking into how we can contribute to solutions for such issues, and one example is the technology developed by the ET&S segment to authenticate genuine

images. We are in discussions with industry standards organizations.

[Governance]

Q18: We see officers keep a significant portion of their shares vested through their stock-based compensation for the long term, because that aligns with shareholder interests. What is your view regarding this point?

A18: Our remuneration plan consists of basic cash salary, cash bonus linked to business performance, and a long-term incentive of stock-based compensation. Regarding officers' shareholding period, there could be discussions as to what the appropriate vesting period should be. As of today, most of the directors and Senior Executives are keeping a large number of shares, so we think it is effective as a long-term incentive. We disclose the number of shares owned by directors and corporate executive officers at our headquarters in the Japanese annual securities report.

Q19: How are your sustainability and other non-financial initiatives impacting your financials?

A19: There are real examples, such as how our efforts to improve accessibility have led to new business opportunities in hearing aids.

In order to realize sustainability management, we believe that sustainability initiatives should be implemented within each business unit and that sustainability should be measured in terms of the earnings that it generates over the long term. We treat the investment and costs needed to implement sustainability initiatives within each business the same way as other costs arising from business activities.

There is a concern that being overly focused on how sustainability initiatives can contribute to earnings could lead to short-sightedness. While there is a need for KPIs that track the progress of sustainability initiatives, we think that gauging all such initiatives based on their earnings contributions somewhat misses the point.

Q20: How does Sony incorporate risk management regarding sustainability into its companywide risk management framework and business/financial strategies?

A20: The Sustainability Department manages overall progress at the Group level based on our sustainability KPIs and roadmap. On each topic, in addition to the Sustainability Department, we work together with teams in HR related functions, compliance, and technology fields. Each business segment reports to us regularly, and we hold a meeting covering sustainability as a whole. There, we take stock of our progress in executing mid-term strategies and initiatives. We also report to the Board of Directors periodically on our overall sustainability activities.

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