

SONY

Sony IR Day 2016

Mobile Communications Segment

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Agenda

Mobile Communications Segment

■ Smartphone Market Trends

■ Transformation of the Mobile Business

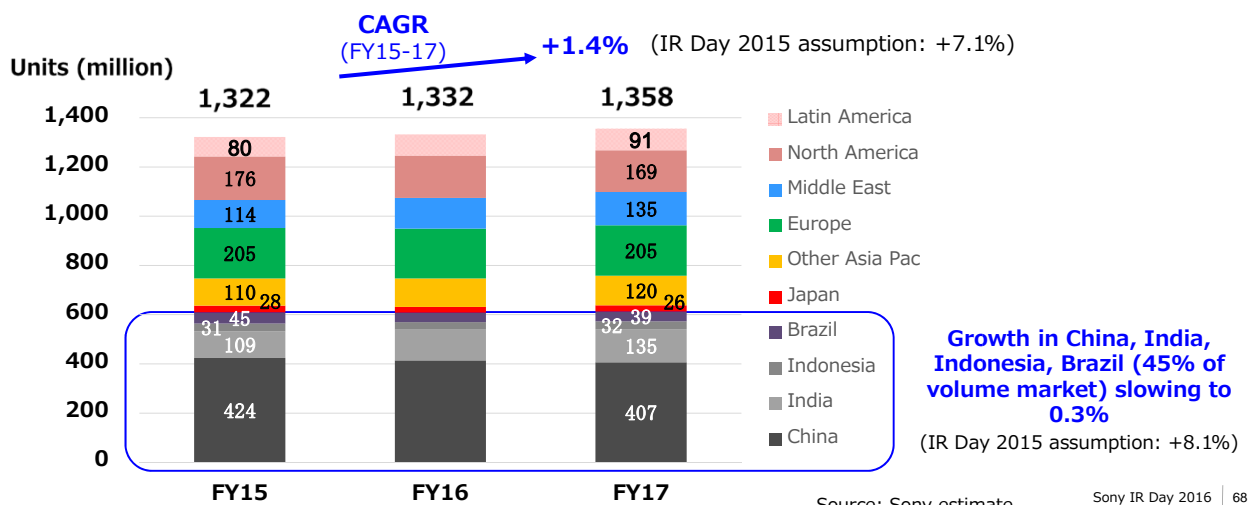
1. Key Priorities
2. Business Review and Financials
3. Future-Oriented Actions

1. Smartphone Market Trends

Smartphone Market Trend Forecast

Mobile Communications Segment

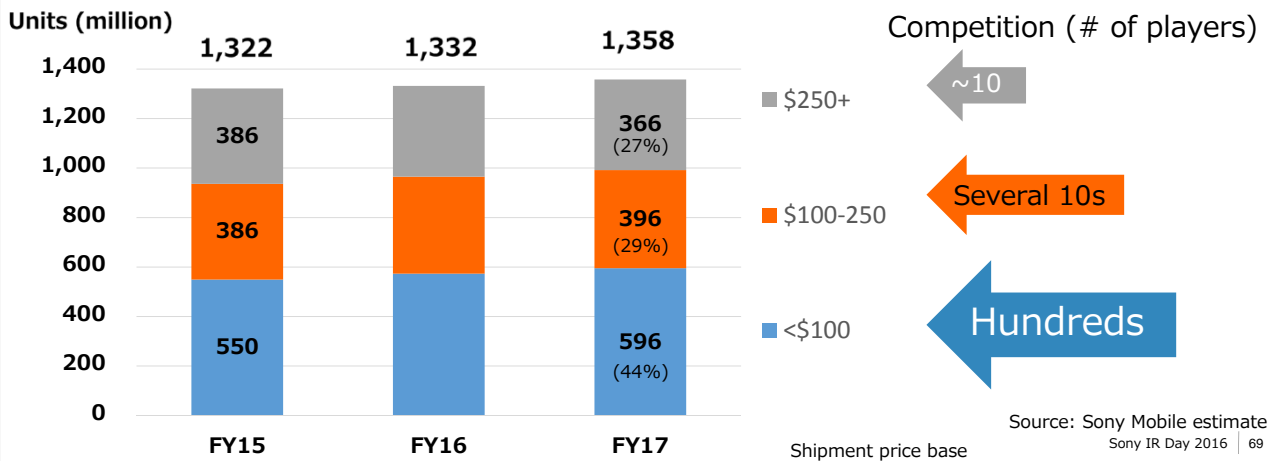
- Global average annual growth slowing to +1.4% due to growth slowdown in emerging markets
- Sony's priority is to focus on markets where Sony can leverage its strengths to ensure profitability improvements



Smartphone Market by Price Segment

Mobile Communications Segment

- Growth is anticipated only in the entry/mid-tier segments
- However, competition with Chinese and Indian players is expected to intensify in entry/mid-tier segments
- Sony to maintain its core focus in the high value-added segment and develop its business through product differentiation, since players that can offer high value-added smartphones globally are limited



2. Transformation of the Mobile Business

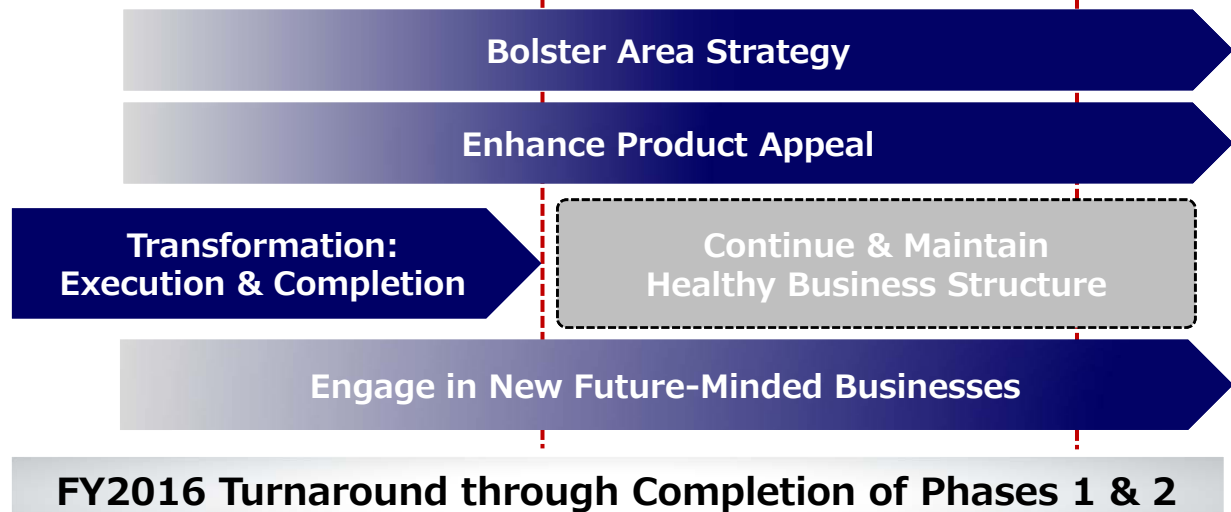
Mobile Business Transformation

Mobile Communications Segment

FY2015 (Phase 1)

FY2016 (Phase 2)

FY2017



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Mobile Business Transformation – Phase 1

Mobile Communications Segment

● FY2015: Transformation Interim Report

KPI from IR Day 2015

Target

Result / Update

➤ OPEX: FY14 300 bln yen	FY15: 240 bln yen FY16: 210 bln yen	FY15: 220 bln yen FY16: 180 bln yen	Achieved
➤ Headcount: 7,100 (As of Oct. 1, 2014)	Headcount: 5,000 (As of Apr. 1, 2016)	Headcount: 4,500 (As of Apr. 1, 2016)	Will achieve (plan) Achieved
➤ Organization Delayering:			
➤ Organization layers below CEO level: 8 to 6	6 layers	6 layers	Achieved
➤ Units 2 layers below CEO level: 43 to 32	32 units	31 units	Achieved
➤ Locate 20 of 32 units in Tokyo	20 units	21 units	Achieved
➤ R&D Expense Reduction (FY14→16):	Approx. 30% Reduction	Approx. 35% Reduction	Will achieve (plan)
➤ Number of Platforms (FY15→16):	Approx. 60% Reduction	Approx. 33% Reduction	Won't achieve (plan)
➤ Number of Variants (FY14→16):	Approx. 50% Reduction	Approx. 55% Reduction	Will achieve (plan)

Completed profit structure transformation for business turnaround in FY2016

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Mobile Business Transformation – Phase 2: Area Strategy

Mobile Communications Segment

Region	Key Priority	Business Direction
East Asia (inc. Japan), Europe, Middle East	Maximize sales & profit contribution	Strengthen Business/ Growth
Latin America, Other Asia Pacific	Continue to generate and maintain steady profit	Preserve Business
Completed in FY2015		
U.S.A., Brazil, India, China	Significant operating loss reduction through transformation (FY14→FY16 reduction: approx. 40 bln yen)	Business Contraction

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Mobile Business Transformation – Phase 2: Area Strategy

Mobile Communications Segment

Region	Key Priority	Business Direction
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Mobile Business Transformation – Phase 2: Area Strategy

Mobile Communications Segment

Japan

- Maximize profit by enhancing high value-added product competitiveness

- Z5 Premium: Strong sales, highly appreciated by customers

- Focus on customer value and make Xperia the “brand of choice”

- Deliver unique and superior user experience
- Brand change and alignment with new Xperia X series

- Enhance engagement with operators and other business partners

- Technological collaboration/co-development with target operators eg: achieved fastest network connection speed on our high value-added smartphone

- #1 Android smartphone ASP in Japan

(2nd half of FY2015)^{*1}



- #1 Android smartphone brand repeat rate

(Brand segmentation survey)^{*2}



- #1 Android share among major Japanese operators

(2nd half of FY2015)^{*1}



- Operator A: #1
- Operator B: #1
- Operator C: #1

Roll out best practices in Japan to other key regions

^{*1} Source: Sony Mobile

^{*2} Source: Dentsu Segmentation Brand Survey (January 2016) Sony IR Day 2016 | 75

Mobile Business Transformation – Phase 2: Product Strategy

Mobile Communications Segment

- Focus on the essential functions most valued by our targeted user base
- Enhance user experiences using “intelligent” technologies to achieve high customer satisfaction

Function

Camera



- Latest camera innovations from α™ and Cyber-shot®
- 0.6s launch & capture
- Predictive hybrid auto-focus

Stamina



- Batteries that perform well even after 2 years of use
- Longer battery life through “Stamina Mode”

Design



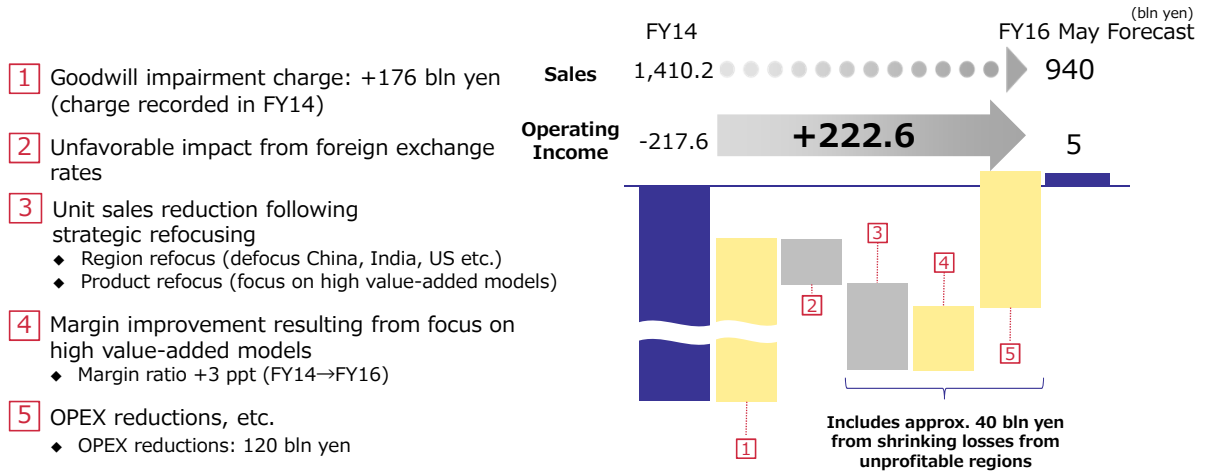
- Refined, comfortable design
- Smooth, rounded form factor

User Experience

- Bring the best digital camera experiences to your everyday life
- Never miss the perfect shot
- Clear shots even with moving objects
- Battery performs well even with long-term use
- Keep your phone active for longer
- Luxurious textures and colors in harmony with your daily life
- Perfect fit in the palm of your hand

Changes in Operating Income: FY2014 ~ FY2016

Mobile Communications Segment



FY17 KPI: Sales: 900~1,050 bln yen Operating Profit Margin: 1.5%~3.5%

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New Future-Minded Businesses – 1

Mobile Communications Segment

◆ Pursue new communication device concepts

Offer new “communication styles” that go beyond what smartphones can do
 Deliver devices and services that connect people to each other and become essential and beloved parts of their lives

● Product & concept examples

● Supported by the latest technologies



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◆ Developing solution-based recurring businesses

Create B2B and B2B2C solutions through the combination of hardware and unique services

● **Aerosense Inc. commences solution services**

From drone manufacturing and flight management to data gathering and analysis, offering solutions including soil measurements and facility/equipment inspections.



● **IoT business development**

- Accelerating efforts to develop IoT-related businesses, in combination of hardware/ device technologies, recurring business platform and our capability to deliver solutions
- Assemble IoT related resources of Sony HQ and Sony Network Communications Inc. *¹ together under Sony Mobile.



*¹ Effective 1st July, So-net Corporation will change its company name to "Sony Network Communications Inc."

- Execution & Completion of Transformation**
- Bolster Area Strategy**
- Enhance Product Appeal**
- Engage in New Future-Minded Businesses**

FY2016: Business turnaround and steps for business re-growth

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- (ii) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony's assets and liabilities are denominated;
- (iii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including televisions, game and network platforms and smartphones, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing consumer preferences;
- (iv) Sony's ability and timing to recoup large-scale investments required for technology development and production capacity;
- (v) Sony's ability to implement successful business restructuring and transformation efforts under changing market conditions;
- (vi) Sony's ability to implement successful hardware, software, and content integration strategies for all segments excluding the Financial Services segment, and to develop and implement successful sales and distribution strategies in light of the Internet and other technological developments;
- (vii) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to prioritize investments correctly (particularly in the electronics businesses);
- (viii) Sony's ability to maintain product quality and customers' satisfaction with its existing products and services;
- (ix) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures and other strategic investments;
- (x) significant volatility and disruption in the global financial markets or a ratings downgrade;
- (xi) Sony's ability to forecast demands, manage timely procurement and control inventories;
- (xii) the outcome of pending and/or future legal and/or regulatory proceedings;
- (xiii) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment;
- (xiv) the impact of changes in interest rates and unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;
- (xv) Sony's ability to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information, potential business disruptions or financial losses; and
- (xvi) risks related to catastrophic disasters or similar events.

Risks and uncertainties also include the impact of any future events with material adverse impact.