

SONY

Sony IR Day 2016

Music Segment

Jun 29, 2016

Michael Lynton

Executive Vice President
Officer in charge of Pictures and Music Businesses
Sony Corporation

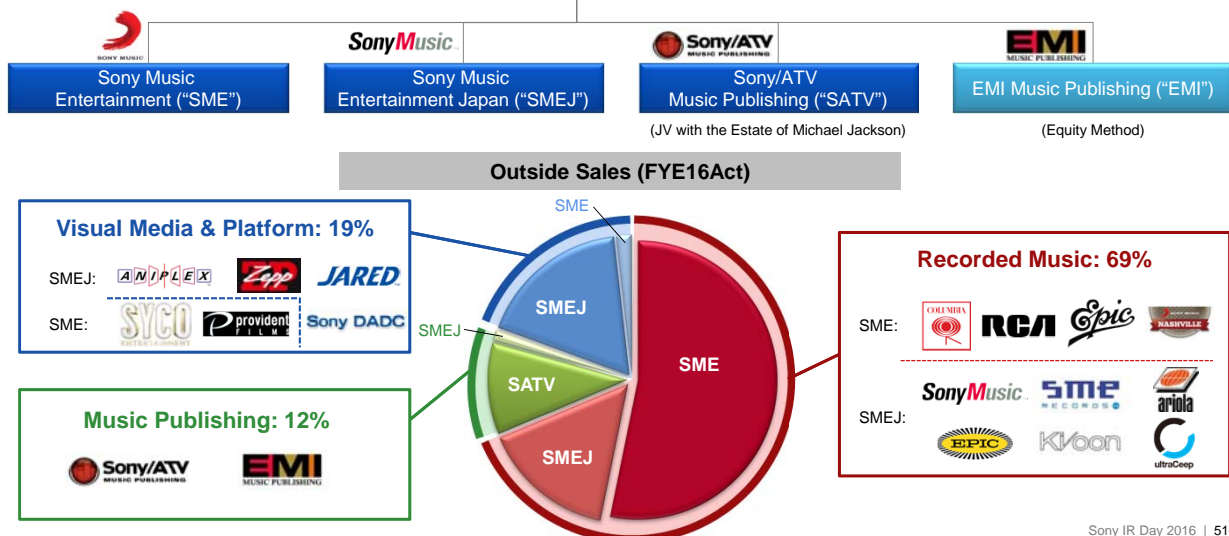
CEO, Sony Entertainment Inc.
Chairman & CEO, Sony Pictures Entertainment Inc.
CEO, Sony Corporation of America

Kevin Kelleher

Executive Vice President and CFO
Sony Music Entertainment

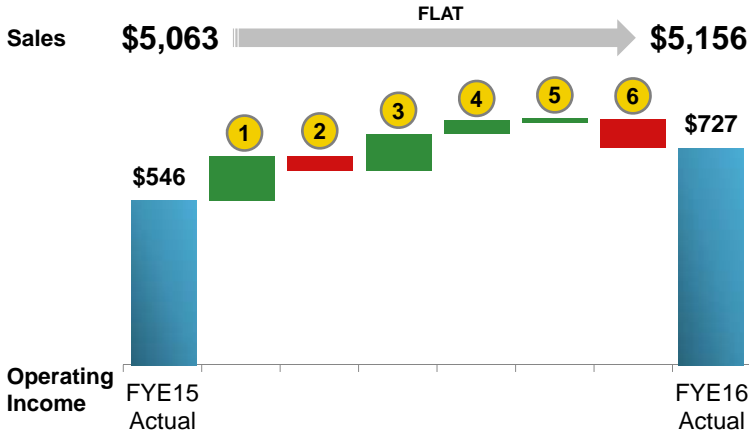
Sony Music Business Overview

SONY



FYE16 Operating Income Change from FYE15

(\$ in millions)

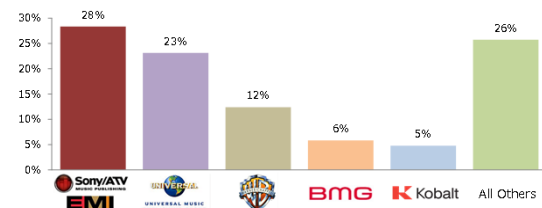


Strong year → Achieved growth in operating profit (excluding Orchard gain) despite significant negative foreign currency impact

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Sony/ATV FYE16 Achievements/Highlights

Sony/ATV Remains the #1 Music Publisher ⁽¹⁾



Announced Acquisition of Remaining 50% of Sony/ATV

- Total payments of \$750M (purchase price of \$733M, plus \$17M of previously committed distributions)
- Immediate financial benefits (eliminates JV profit share / cash dividend; reduced administration; tax benefits)
- Demonstrates Sony's commitment to Music Publishing as a stable, long-term investment



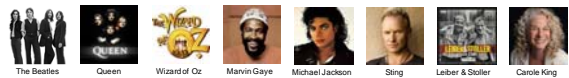
Awards and Highlights

- Sony/ATV writers were represented on more than 30 Grammy Award winners, including:
 - Taylor Swift (Album of the Year)
 - Ed Sheeran (Song of the Year)
- Sony/ATV songwriters won several awards at the 88th Academy Awards
 - Sam Smith's "Writing's On The Wall" won for Best Song
 - Ennio Morricone's score for The Hateful Eight won for Best Score



Highly Diverse Catalog of Iconic Songs and Hit-Making Songwriters

• Catalog:



• Current:



(1) Music & Copyright, April 2016. Based on worldwide revenue for calendar year 2015.

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Sony/ATV Key Strategic Priorities

1

Continuously Pursue Talent

2

Maximize Synch Opportunities Worldwide

3

Optimize Value of Digital Rights through Direct Licensing Deals

4

Proactive Catalog Approach



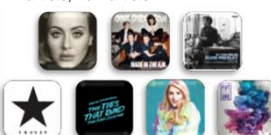
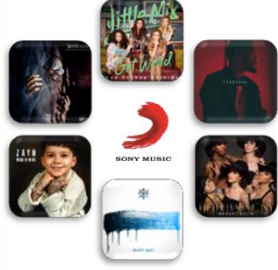


Sony/ATV
MUSIC PUBLISHING



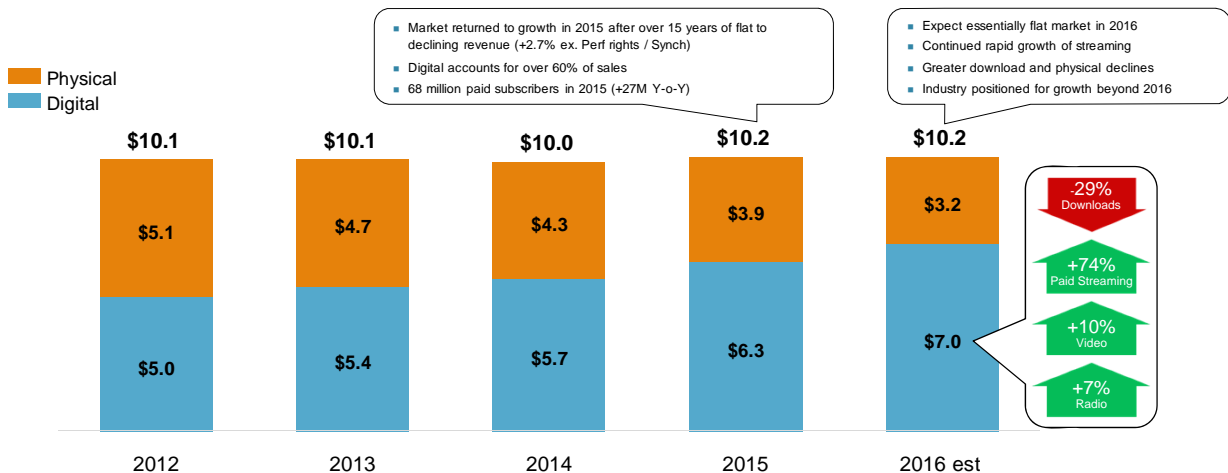
SONY MUSIC

SME FYE16 Achievements/Highlights

| | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Completed acquisition of the remaining 49% of The Orchard</p> <ul style="list-style-type: none"> Full ownership of the premiere independent digital music, film and television content distribution services company in the world Leverage Orchard's technology and infrastructure to complement existing indie physical / digital supply chain Immediately EBIT accretive on a consolidated basis  | <p>Rapid growth of paid subscription revenue offsetting decline in physical and download businesses</p> <ul style="list-style-type: none"> Spotify more than doubled its paid subscriber base in calendar 2015 (+15M) Encouraging early results from June 2015 launch of Apple Music streaming service Accelerating decline of digital downloads (-11% in calendar 2015; -22% from January to March 2016) and continued decline of physical (-7% in calendar 2015)  | <p>Success from multiple repertoire centers</p> <ul style="list-style-type: none"> Tremendous success of Adele '25' in the US and Latin America <ul style="list-style-type: none"> Record shattering 3.4M week one sales in the US 9M album units and \$90M in revenue in 5 months 2 of the Top 5 on the IFPI 2015 Global Artist chart FYE16 top sellers include international superstars, Catalog artists, new artists  | <p>Breaking new talent to create future superstars and augment catalog value</p> <ul style="list-style-type: none"> Broke Maître Gims, Little Mix, ZAYN, Kygo, Fifth Harmony, Travis Scott, Bryson Tiller in FYE16  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Successful, profitable year for Sony Music On Multiple Fronts

Recorded Music Market Profile (\$ in billions; excludes Japan)



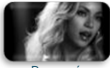
Industry stabilizing with paid subscription growth offsetting physical / download decline

SME Key Strategic Priorities

1

Maximize Talent Development and Grow Market Share

- Deliver on key strategic releases



Beyoncé



Meghan Trainor



Justin Timberlake

- Maximize value of catalog



AC/DC



Bruce Springsteen



Michael Jackson

- Break developing artists globally



G-Eazy



Zara Larsson



Maren Morris

Close market share gap with Universal

2

Expand and Grow Digital Revenue

- Working with partners to market and promote services to drive paid streaming subscription growth
- Support new paid streaming players entering the market (Amazon, Pandora, SoundCloud, iHeartMedia)



- Manage decline of downloads through new offers / windowing

- Maximize investments in The Orchard and VEVO



Close value gap between ad-supported model and paid subscription

SME Key Strategic Priorities (cont'd)

3

International Growth and Expansion In Emerging Markets

- Focus on breaking artists with regional / global potential
- Aggressively pursue acquisitions / joint ventures to increase repertoire base (e.g. Essential, Century Media)
- Grow market share in emerging markets (China, India, Africa, Latin America)

| Rank | Country/Region |
|------|----------------|
| #3 | China |
| #2 | India |
| #1 | Africa |
| #1 | Latin America |



Maximize results across all our international territories

4

Redefine Our Organizational Blueprint

- Continue to re-evaluate organizational structure as the market transitions to digital
 - ✓ Analytics based decision making
 - ✓ Leverage new marketing and promotion channels / tools
 - ✓ Strengthen IT security and compliance
 - ✓ Increase transparency to artists on sales and royalties



Invest in analytics and IT platforms and resources

SME Key Strategic Priorities (cont'd)

5

Expand Ancillary Income Streams and Invest in Growth Opportunities

- Create and expand global brands through the recently extended Syco JV deal with Simon Cowell (X Factor, Got Talent, La Banda)



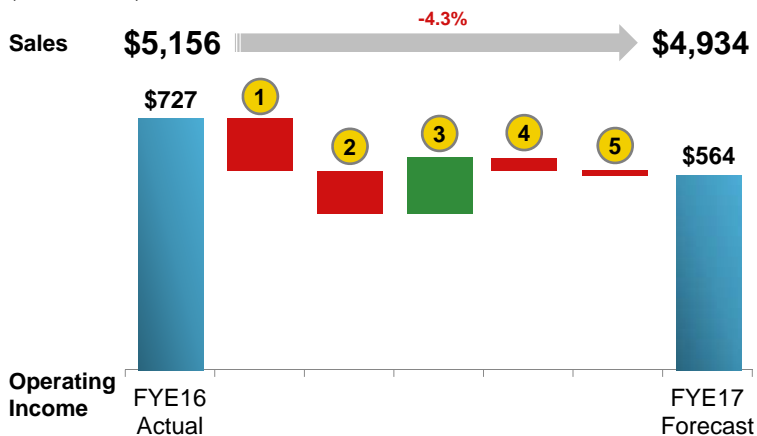
- Capture and exploit broader rights from new artist signings
- Further develop new business ventures (Astronauts Wanted, Provident, Sony Music Originals)



Create Global Brands Through World Leading Music and Entertainment Content

FYE17 Operating Income Change from FYE16

(\$ in millions)



Factors impacting performance:

- 1 The Orchard Step up gain
- 2 Physical & Download
- 3 Streaming
- 4 FX & Others
- 5 HQ Fee

Slightly lower profitability due to increased cost allocations from Corporate and unfavorable impact of foreign exchange rates

Music Segment Guidance for FYE18

| | Previous Guidance | Current Guidance |
|-------------------------|-------------------|------------------|
| Revenue | \$4.9-5.3B | \$5.1-5.5B |
| Operating Profit Margin | 10.5-11.5% | 11-12% |

On track to exceed targets

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Appendix

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Footnotes to the U.S. dollar financial results, targets and forecasts

Pictures

- The U.S. dollar results, targets and forecasts in the Pictures segment are consistent with the U.S. dollar figures that Sony Pictures Entertainment consolidates from its global operations prior to reporting them to Sony Corporation in Tokyo, where they are converted into yen.

Music

- The U.S. dollar results in the Music segment are derived by converting Sony Music Entertainment Japan's ("SMEJ") monthly operating results translated from JPY into U.S. dollars using the average exchange rate for the month and adding the product to Sony Music Entertainment ("SMEI") and Sony/ATV Music Publishing's ("Sony/ATV") U.S. dollar results.
- The U.S. dollar targets and forecasts are derived by converting SMEJ's yen target and forecast into U.S. dollars at the rate assumptions below and adding the product to SMEI and Sony/ATV's U.S. dollar targets and forecasts.
 - The rate assumption for the previous guidance was ¥110 = U.S. \$1, which was the assumed foreign currency exchange rate for the second half of the fiscal year ending March 31, 2015 at the time when we announced the guidance.
 - The rate assumption for the current guidance and forecast is ¥113 = U.S. \$1, which is the assumed foreign currency exchange rate for the fiscal year ending March 31, 2017.

Cautionary Statement

Statements made in this presentation with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. Sony cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore investors should not place undue reliance on them. Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to:

- (i) the global economic environment in which Sony operates and the economic conditions in Sony's markets, particularly levels of consumer spending;
- (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.