Sony IR Day 2017

Imaging Products & Solutions Segment

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Agenda

1. IP&S Segment FY2016 Review

2. IP&S Segment FY2017 Action Plan
   - Important Initiatives
   - Key Initiatives
     - Digital Imaging business
     - Professional Solutions business
     - Medical business
   - FY2017 Forecast

3. Reference Materials
**FY2016 Review**

**FY2016 Operating Income (vs FY2015)**

**Negative factors**

- Forex impact
- One time items (decrease in insurance recovery from the Thai flood)
- Decrease in unit sales (market shrinkage and opportunity loss due to the Kumamoto Earthquakes)

**Positive factors**

- Increased value-added (shift to higher value-added models)
- Improved OPEX (reduced sales expenses and enhanced operations)

Sales and operating income decreased due to forex impact and the Kumamoto Earthquakes

Digital Imaging: Operating income was essentially flat due to improved value-added

Professional: Operating income decreased due to forex and earthquake impacts

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**Enhanced Profitability Structure of Digital Imaging Business**

**Enhance Profitability through Execution of FY14 Mid-Range Strategy**

**FY14 IR Day Targets and Strategy for DI**

- **Mid-term profitability target**
  - Maintain high profitability at the same level of FY14

- **Mid-range strategy (priorities)**
  - Strengthen “α” interchangeable lens camera business
  - Expand the “α” interchangeable lens business
  - Accelerate the shift to higher value-added digital still cameras and camcorders
  - Accelerate adoption of superior camera technology in the B2B market
  - Further streamline operations

**Progress of consumer (DI) business profitability**

- Operating income
- Operating income margin

- Forex Unit sales decrease
- Business expansion
- Greater value added
- Operation streamline
**FY2017 Key Initiatives**

Shift from stable profit phase to growth phase
Transform the business structure and invest for growth in the future

- **Digital Imaging Business**
  Generate higher sales and profit through enhancement of Sony as a camera brand

- **Professional Solutions Business**
  Thoroughly streamline older businesses so as to adapt to industry trends and continue to invest in the services and solutions business

- **Medical Business**
  Expand the product and solutions line-up centered on our imaging platform

**Imaging Platform “Light to Display”**

<table>
<thead>
<tr>
<th>Light source</th>
<th>Lens</th>
<th>Image sensor</th>
<th>Image processing</th>
<th>IP transmission</th>
<th>Display</th>
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**Digital Imaging Business Initiatives**

Generate higher sales and profit through enhancement of Sony as a camera brand

- Sales growth of ILC body (FY16→FY17*1) CAGR +27%
- Sales growth of interchangeable lens*2 (FY16→FY17*1) CAGR +27%

- Number of full-frame E-mount lenses
  - FY13: 32
  - FY14: 35
  - FY15: 24
  - FY16: 27
  - FY17: 27

*1: FY17 forecast  *2: includes lens in the same package as the camera body  *3: as of May 23, 2017
Professional Solutions Business <Industry Trends>

Urgent need to provide customer value that adapts to media industry trends

**Industry Trends**
From “Broadcast” to “IP Media”

**Customer Needs**
Produce large amounts of high value-added content and deliver to end users efficiently

**Customer Value**
High value-added content creation equipment centered on the camera
X
Services and Solutions adapted to IP/cloud-based workflow

Professional Solutions Business <Initiatives>

Streamline older businesses and continue to invest in the services and solutions business

**Initiatives for continuous profitability improvement**
Streamline the business by creating imaging platform
Adopt the model implemented by the digital imaging business

Significantly reduce fixed costs in older businesses and shift resources to growth areas
- Decrease of fixed costs in older businesses: -7% year-on-year
- Break even point improvement due to streamlining: -6% year-on-year

**Initiatives for growth**
Strengthen the services and solutions business through alliances and M&A

**B2B**
- Video security

Global (excludes Japan)
Bosch Security Systems
Partnership to collaborate in the development of products and solutions (from 2017)

**Media**
Content digitization service in Europe (acquired in 2015)
Master control automation solution in the U.S. (acquired in 2017)
Cloud-based ENG subscription service (alliance planned in 2017)

**Sports**
- Europe and others
- HAWK-EYE
Sports officiating support system (acquired in 2011)

Differentiated appealing products
Professional Solutions Business <Initiatives>

Examples of strengthened services and solutions business in FY17

【Media】
Cloud-based ENG subscription service “XDCAM Air”
To be launched in the U.S. in summer 2017

【Sports】
Sports officiating support technology “HAWK-EYE”
Expand the geographies where our ball-tracking and multi-camera video officiating system is deployed

【Simulation & Entertainment】
Large display solution using Crystal LED
Offer a new video experience encompassing products and solutions

Medical Business Initiatives

Expand products and solutions centered on imaging platform

Enhance operating room solutions by introducing 4K IP enabled products and maximizing the utilization of eSATURNUS
FY2017 Forecast

FY2017 Operating income (vs FY2016)  
- Negative factors
- Positive factors

- Forex impact
- One time items (absence of insurance recovery from Kumamoto earthquakes and increase in corporate costs)
- Sales increase due to recovery from the Kumamoto Earthquakes
- Higher added-value
- OPEX increase (return to post-earthquake operational levels and investment in priority areas)

FY2017 Operating Income Forecast Analysis (bn yen)

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<tr>
<th>Factor</th>
<th>FY16</th>
<th>FY17 Forecast</th>
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Sales: 579.6 \[\rightarrow\] 640
Operating income: 47.3 \[\rightarrow\] 60

Summary

- **FY2017 Forecast**
  - Sales: 640 billion yen
  - Operating income: 60 billion yen

- **Mid-Range Strategy**
  - ~FY2016: Thorough strengthening of profitability by not chasing scale
  - FY2017~: Continuous transformation of the business structure with an eye on the future and utilize stable profit to investing in growth areas
Reference Materials

**IP&S Sales by Business Category and Geographic Area**

- **FY2016 Sales by Business Category**
  - Digital Imaging
  - Medical
  - Other
  - Professional
  - Still and Video Cameras
  - Sales: 580 bln yen

- **FY2016 Sales by Geographic Area**
  - Japan
  - US
  - Europe
  - China
  - Asia, Middle East & Africa
  - Others
  - Sales: 580 bln yen
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