

SONY

# Q1 FY2018 Consolidated Financial Results

(Three months ended June 30, 2018)

July 31, 2018

Sony Corporation

## Q1 FY2018 Consolidated Results

(Bln Yen, Mln US dollars)

	Q1 FY17	Q1 FY18	Change	Q1 FY18 USD Amount <sup>*1</sup>
Sales & operating revenue	1,858.1	<b>1,953.6</b>	+95.5 bln yen (+5%)	\$17,907
Operating income	157.6	<b>195.0</b>	+37.4 bln yen (+24%)	1,787
Income before income taxes	148.9	<b>312.1</b>	+163.2 bln yen (+110%)	2,861
Net income attributable to Sony Corporation's stockholders	80.9	<b>226.4</b>	+145.6 bln yen (+180%)	2,076
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	62.70 yen	<b>174.80 yen</b>	+112.10 yen	1.60 USD
Restructuring charges <sup>*2</sup>	2.4	<b>1.3</b>	-46%	12
Additions to long-lived assets <sup>*3</sup>	67.4	<b>63.0</b>	-7%	577
Depreciation and amortization <sup>*4</sup>	83.3	<b>86.2</b>	+4%	790
Research and development expenses	101.8	<b>107.5</b>	+6%	985
Average rate				
1 US dollar	111.1 yen	<b>109.1 yen</b>		
1 Euro	122.1 yen	<b>130.1 yen</b>		

<sup>\*1</sup> US dollar amounts have been translated from yen, for convenience only, using the average rate listed on this slide  
<sup>\*2</sup> Restructuring charges are included in operating income as operating expenses (applies to all following pages)  
<sup>\*3</sup> Does not include the increase in intangible assets resulting from acquisitions (applies to all following pages)  
<sup>\*4</sup> Includes amortization expenses for intangible assets and for deferred insurance acquisition costs (applies to all following pages)

## Q1 FY2018 Consolidated Results: Year-on-year Change

	Year-on-year Change	Contributing Factors (+) Better / (-) Worse
Sales & operating revenue	<b>+95.5 bln yen</b> <b>+5%</b>	· (+) Significant increase in G&NS segment sales On a constant currency basis*, sales increased approximately 5%
Operating income	<b>+37.4 bln yen</b> <b>+24%</b>	· (+) Significant increase in G&NS segment operating income
Income tax expense	<b>+20.7 bln yen</b> <small>(Effective tax rate 37%→24%)</small>	· (+) An increase in income before income taxes recorded in Sony Corporation and its national tax filing group in Japan, and income before income taxes, including the gain on Spotify's shares, recorded in its U.S. consolidated tax filing group compared to loss before income taxes recorded in the same quarter of the previous fiscal year. These jurisdictions have established valuation allowances against deferred tax assets resulting in effective tax rates lower than the statutory tax rates in each jurisdiction

\* For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see Note on page 20

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## Adjusted Operating Income (Q1)

	Operating Income	Adjusted Operating Income	Adjusted Operating Income excludes the following items*
Q1 FY17	157.6 bln yen	<b>120.8 bln yen</b>	<ul style="list-style-type: none"> <li>Gain resulting from the sale of an equity interest in a manufacturing subsidiary in the camera module business (+27.5 bln yen)</li> <li>Insurance recoveries related to the Kumamoto Earthquakes (+9.3 bln yen)</li> </ul>
Q1 FY18	195.0 bln yen	<b>195.0 bln yen</b>	
Change from FY17	+37.4 bln yen	<b>+74.2 bln yen</b> (+61%)	

\* These monetary amounts are disclosed in the Quarterly Financial Statements, the Presentation Slides and the Quarterly Securities Reports for the relevant quarters

Adjusted operating income is not a measure in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors.

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## Adjusted Income Before Income Taxes (Q1)

	Income Before Income Taxes	Adjusted Income Before Income Taxes	Adjusted Income Before Income Taxes excludes the following items*
Q1 FY17	148.9 bln yen	112.1 bln yen	<ul style="list-style-type: none"> <li>Gain resulting from the sale of an equity interest in a manufacturing subsidiary in the camera module business (+27.5 bln yen)</li> <li>Insurance recoveries related to the Kumamoto Earthquakes (+9.3 bln yen)</li> </ul>
Q1 FY18	312.1 bln yen	199.3 bln yen	<ul style="list-style-type: none"> <li>Unrealized and realized gains on shares of Spotify (+112.8 bln yen, net)</li> </ul>
Change from FY17	+163.2 bln yen	+87.2 bln yen (+78%)	

\* These monetary amounts are disclosed in the Quarterly Financial Statements, the Presentation Slides and the Quarterly Securities Reports for the relevant quarters

Adjusted Income Before Income Taxes is not a measure in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors.

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## Q1 FY2018 Results by Segment

(Bln Yen)

		Q1 FY17	Q1 FY18	Change	FX Impact
Game & Network Services (G&NS)	Sales	348.1	472.1	+124.0	+6.0
	Operating income	17.7	83.5	+65.7	+4.5
Music	Sales	168.6	181.5	+12.9	-1.8
	Operating income	25.0	32.1	+7.1	+1.6
Pictures	Sales	205.8	175.1	-30.7	-3.3
	Operating income	-9.5	-7.6	+1.9	
Home Entertainment & Sound (HE&S)	Sales	256.9	272.1	+15.2	+0.8
	Operating income	22.6	17.4	-5.2	+1.2
Imaging Products & Solutions (IP&S)	Sales	155.6	164.2	+8.6	+2.4
	Operating income	23.2	26.1	+2.9	+1.6
Mobile Communications (MC)	Sales	181.2	132.5	-48.7	-0.2
	Operating income	3.6	-10.8	-14.4	+1.8
Semiconductors	Sales	204.3	202.2	-2.0	-2.9
	Operating income	55.4	29.1	-26.3	-2.3
Financial Services	Revenue	303.2	335.2	+32.0	
	Operating income	46.2	40.6	-5.6	
All Other	Sales	109.2	82.9	-26.3	
	Operating income	-8.2	0.3	+8.5	
Corporate and elimination	Sales	-74.7	-64.2	+10.5	
	Operating income	-18.5	-15.7	+2.8	
Consolidated total	Sales	1,858.1	1,953.6	+95.5	
	Operating income	157.6	195.0	+37.4	

· Sales and Revenue in each business segment represents sales and revenue recorded before intersegment transactions are eliminated. Operating income in each business segment represents operating income reported before intersegment transactions are eliminated and excludes unallocated corporate expenses (applies to all following pages)

· Both Sales and Revenue include operating revenue and intersegment sales (applies to all following pages)

· For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see Notes on page 20 (applies to all following pages)

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## FY2018 Consolidated Results Forecast

(Bln Yen)

	FY17	FY18 April FCT	FY18 July FCT	Change from April FCT
Sales & operating revenue	8,544.0	8,300	<b>8,600</b>	+300 bln yen (+4%)
Operating income	734.9	670	<b>670</b>	-
Income before income taxes	699.0	735	<b>760</b>	+25 bln yen (+3%)
Net income attributable to Sony Corporation's stockholders	490.8	480	<b>500</b>	+20 bln yen (+4%)
Restructuring charges	22.4	22	<b>22</b>	-
Additions to long-lived assets	332.1	360	<b>360</b>	-
Depreciation and amortization	361.4	360	<b>360</b>	-
Research and development expenses	458.5	470	<b>470</b>	-
Average rate	Actual	Assumption	Assumption (Q2-Q4 FY18)	Dividend per Share (Planned)
1 US dollar	110.9 yen	Approx. 105 yen	Approx. 110 yen	Interim 15 yen
1 Euro	129.7 yen	Approx. 125 yen	Approx. 127 yen	Year-end Undecided

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## FY2018 Results Forecast by Segment

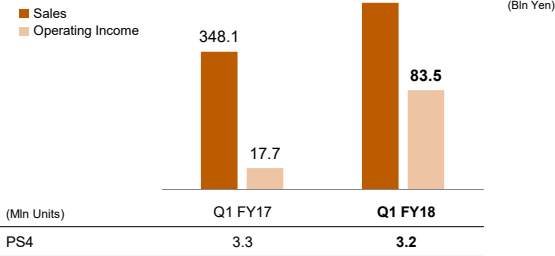
(Bln Yen)

		FY17	FY18 April FCT	FY18 July FCT	Change from April FCT
<b>Game &amp; Network Services (G&amp;NS)</b>	Sales	1,943.8	1,900	<b>2,180</b>	+280
	Operating income	177.5	190	<b>250</b>	+60
<b>Music</b>	Sales	800.0	750	<b>760</b>	+10
	Operating income	127.8	112	<b>115</b>	+3
<b>Pictures</b>	Sales	1,011.1	960	<b>990</b>	+30
	Operating income	41.1	42	<b>44</b>	+2
<b>Home Entertainment &amp; Sound (HE&amp;S)</b>	Sales	1,222.7	1,150	<b>1,150</b>	-
	Operating income	85.8	86	<b>86</b>	-
<b>Imaging Products &amp; Solutions (IP&amp;S)</b>	Sales	655.9	660	<b>670</b>	+10
	Operating income	74.9	75	<b>78</b>	+3
<b>Mobile Communications (MC)</b>	Sales	723.7	640	<b>610</b>	-30
	Operating income	-27.6	-15	<b>-30</b>	-15
<b>Semiconductors</b>	Sales	850.0	870	<b>890</b>	+20
	Operating income	164.0	100	<b>120</b>	+20
<b>Financial Services</b>	Revenue	1,228.4	1,270	<b>1,270</b>	-
	Operating income	178.9	170	<b>170</b>	-
<b>All Other, Corporate and elimination</b>	Operating income	-87.6	-90	<b>-163</b>	-73
<b>Consolidated total</b>	Sales	8,544.0	8,300	<b>8,600</b>	+300
	Operating income	734.9	670	<b>670</b>	-

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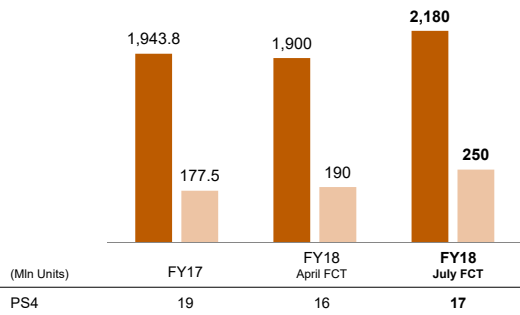
## Game & Network Services Segment

### Sales and Operating Income



#### Q1 FY2018 (year-on-year)

- Sales: 124.0 bln yen (36%) significant increase (FX Impact: +6.0 bln yen)
  - (+): Increase in PS4 software sales including sales through the network
- OI: 65.7 bln yen significant increase (FX Impact: +4.5 bln yen)
  - (+): Increase in sales



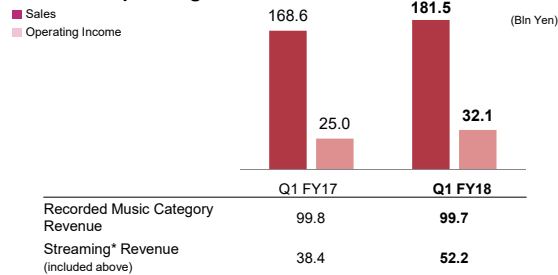
#### FY2018 Forecast (change from April forecast)

- Sales: 280 bln yen (15%) upward revision
  - (+): Higher-than-expected PS4 software sales including sales through the network
  - (+): Impact of foreign exchange rates
  - (+): Increase in PS4 hardware unit sales
- OI: 60 bln yen upward revision
  - (+): Increase in sales

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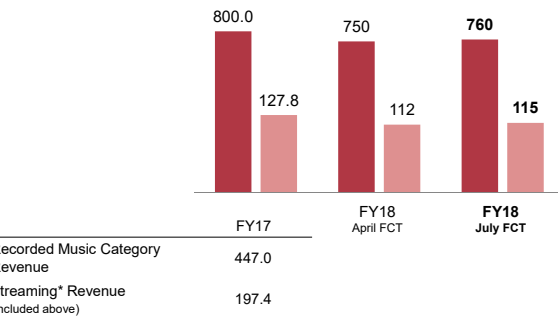
## Music Segment

### Sales and Operating Income



#### Q1 FY2018 (year-on-year)

- Sales: 12.9 bln yen (8%) increase (FX Impact: -1.8 bln yen)
  - (+): Increase in Visual Media and Platform sales due to the strong performance of *Fate/Grand Order*, a game application for mobile devices
  - (+): Increase in Recorded Music sales due to an increase in digital streaming revenues
  - (-): Decrease in Recorded Music sales due to the impact of the new accounting standard
- OI: 7.1 bln yen increase
  - (+): Increase in sales
  - (-): Increase in expenses incurred for EMI's warrant and management equity plans



#### FY2018 Forecast (change from April forecast)

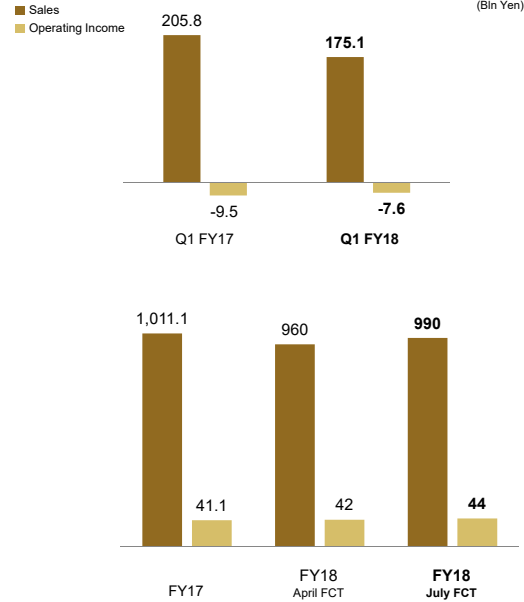
- Sales: 10 bln yen (1%) upward revision
  - (+): Impact of foreign exchange rates
- OI: 3 bln yen upward revision
  - (+): Positive impact from cost reductions
  - (+): Positive impact of foreign exchange rates
  - (-): Expenses incurred for EMI's warrant and management equity plans

\*Streaming includes digital audio, digital video and digital radio, and includes revenue from both subscription and ad-supported services.

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## Pictures Segment

### Sales and Operating Income



### Q1 FY2018 (year-on-year)

The following analysis is on a U.S. dollar basis

- Sales: 30.7 bln yen (15%) significant decrease  
(U.S. dollar basis: -257 mil USD / -14%)
  - (-) Decrease in Television Productions sales due to lower licensing revenues
  - (-) Decrease in Media Networks sales due to lower advertising revenues as compared to the same quarter of the previous fiscal year, which included revenues for the Indian Premier League
- OI: 1.9 bln yen improvement
  - (+ ) Decrease in theatrical advertising costs
  - (+ ) Strong home entertainment performance of *Jumanji: Welcome to the Jungle*
  - (-) Decrease in sales

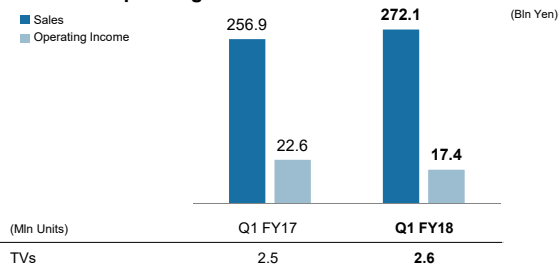
### FY2018 Forecast (change from April forecast)

- Sales: 30 bln yen (3%) upward revision
  - (+ ) Impact of foreign exchange rates
- OI: 2 bln yen upward revision
  - (+ ) Positive impact of foreign exchange rates

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## Home Entertainment & Sound Segment

### Sales and Operating Income



(Mln Units)

	Q1 FY17	Q1 FY18
TVs	2.5	2.6

### Q1 FY2018 (year-on-year)

- Sales: 15.2 bln yen (6%) increase (FX impact: +0.8 bln yen)
  - (+ ) Increase in unit sales of televisions
  - (+ ) Increase in home audio and video sales resulting from strong sales of headphones
- OI: 5.2 bln yen decrease (FX Impact: +1.2 bln yen)
  - (-) Increase in indirect costs\* at sales companies, research and development expenses and marketing costs
  - (+ ) Increase in sales

### FY2018 Forecast

- Sales / OI : Remain unchanged from April forecast

(Mln Units)

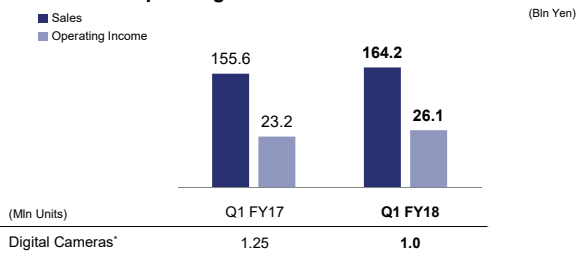
	FY17	FY18 April FCT	FY18 July FCT
TVs	12.4	11.5	11.5

\*A change has been made to the calculation method used for allocating indirect expenses incurred by sales companies to the segments every quarter. For details, please refer to F-4 in "Q1 FY18 Financial Statements"

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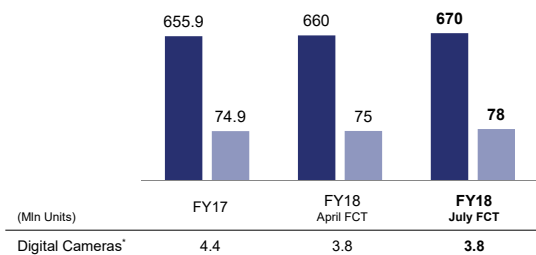
## Imaging Products & Solutions Segment

### Sales and Operating Income



#### Q1 FY2018 (year-on-year)

- Sales: 8.6 bln yen (6%) increase (FX Impact: +2.4 bln yen)
  - (+ Improvement in the product mix of Still and Video Cameras reflecting a shift to high value-added models
  - (+ Impact of foreign exchange rates
  - (-) Decrease in unit sales
- OI: 2.9 bln yen increase (FX Impact: +1.6 bln yen)
  - (+ Improvement in the product mix of Still and Video Cameras
  - (+ Positive impact of foreign exchange rates
  - (-) Decrease in unit sales
  - (-) Absence of insurance recoveries related to the Kumamoto Earthquakes recorded in Q1 FY17 (2.6 bln yen)



#### FY2018 Forecast (change from April forecast)

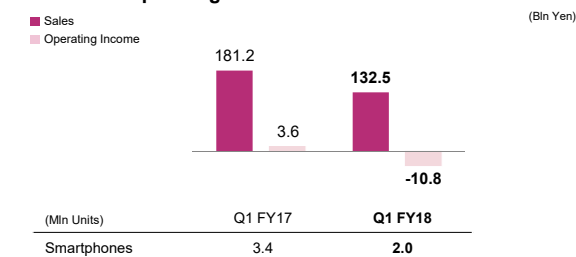
- Sales: 10 bln yen (2%) upward revision
  - (+ Impact of foreign exchange rates
- OI: 3 bln yen upward revision
  - (+ Positive impact of foreign exchange rates

\* Includes compact digital cameras and interchangeable single-lens cameras / Excludes interchangeable lenses

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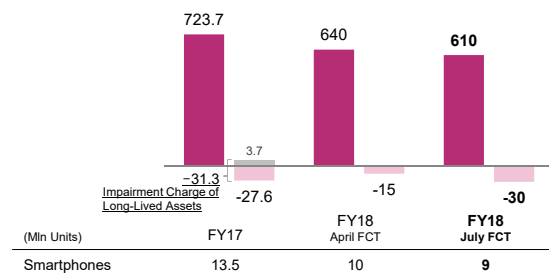
## Mobile Communications Segment

### Sales and Operating Income



#### Q1 FY2018 (year-on-year)

- Sales: 48.7 bln yen (27%) significant decrease (FX Impact: -0.2 bln yen)
  - (-) Decrease in smartphone unit sales mainly in Europe and Japan
- OI: 14.4 bln yen significant deterioration (FX Impact: +1.8 bln yen)
  - (-) Decrease in sales
  - (+ Reductions in operating costs



#### FY2018 Forecast (change from April forecast)

- Sales: 30 bln yen (5%) downward revision
  - (-) Decrease in smartphone unit sales mainly in Europe
- OI: 15 bln yen downward revision
  - (-) Decrease in sales
  - (-) Negative impact of foreign exchange rates
  - (+ Reductions in operating costs

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## Semiconductors Segment

### Sales and Operating Income

(Bln Yen)

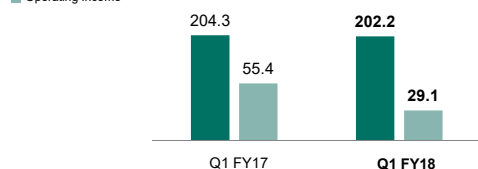


Image Sensors Sales	148.8	161.5
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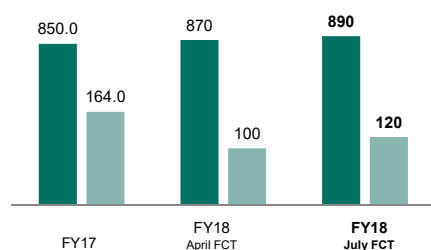


Image Sensors Sales	649.4	690	720
Additions to long-lived assets for Semiconductors Segment	128.1	160	160
for Image Sensors (included above)	106.6	130	130

### Q1 FY2018 (year-on-year)

- Sales: Essentially flat (FX Impact: -2.9 bln yen)
  - (-) Absence of insurance recoveries related to the Kumamoto Earthquakes recorded in Q1 FY17 (6.7 bln yen)
  - (-) Decrease in sales of camera modules, a business which was downsized
  - (+ ) Increase in sales of image sensors for mobile products
- OI: 26.3 bln yen significant decrease (FX Impact: -2.3 bln yen)
  - (-) Absence of the gain resulting from the sale of the entire equity interest in a manufacturing subsidiary in the camera module business in Q1 FY17 (27.5 bln yen)
  - (-) Absence of insurance recoveries related to the Kumamoto Earthquakes recorded in Q1 FY17 (6.7 bln yen)
  - (-) Increase in depreciation and amortization expenses as well as in research and development expenses
  - (+ ) Increase in sales of image sensors for mobile products

### FY2018 Forecast (change from April forecast)

- Sales: 20 bln yen (2%) upward revision
  - (+ ) Impact of foreign exchange rates
- OI: 20 bln yen upward revision
  - (+ ) Positive impact of foreign exchange rates

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## Semiconductors Segment Adjusted Operating Income

	Operating Income	Adjusted Operating Income
Q1 FY17	55.4 bln yen	21.2 bln yen
Q1 FY18	29.1 bln yen	29.1 bln yen
Change from FY17	-26.3 bln yen	+7.9 bln yen

### Adjusted Operating Income excludes the following items\*

- Gain resulting from the sale of the entire equity interest in a manufacturing subsidiary in the camera module business (+27.5 bln yen)
- Insurance recoveries related to the Kumamoto Earthquakes (+6.7 bln yen)

\* These monetary amounts are disclosed in the Quarterly Financial Statements, the Presentation Slides and the Quarterly Securities Reports for the relevant quarters

Adjusted operating income is not a measure in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors.

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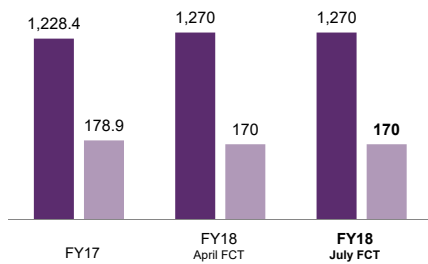
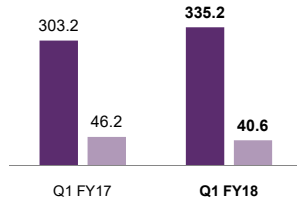


## Financial Services Segment

### Financial Services Revenue and Operating Income

(Bln Yen)

■ Financial Services Revenue  
■ Operating Income



### Q1 FY2018 (year-on-year)

- Revenue: 32.0 bln yen (11%) significant increase
  - (+) Significant increase in revenue at Sony Life (31.1 bln yen increase, revenue: 301.5 bln yen)
  - (+) Higher insurance premium revenue reflecting an increase in the policy amount in force
- OI: 5.6 bln yen decrease
  - (-) Decrease in OI at Sony Life (2.7 bln yen decrease, OI: 36.4 bln yen)
  - (-) Increase in operating expenses
  - (-) Recording of a loss on the valuation of securities investments in the general account
  - (-) Foreign exchange loss incurred at Sony Bank on foreign currency-denominated customer deposits compared to a gain in Q1 FY17

### FY2018 Forecast

- Revenue / OI : Remain unchanged from April forecast

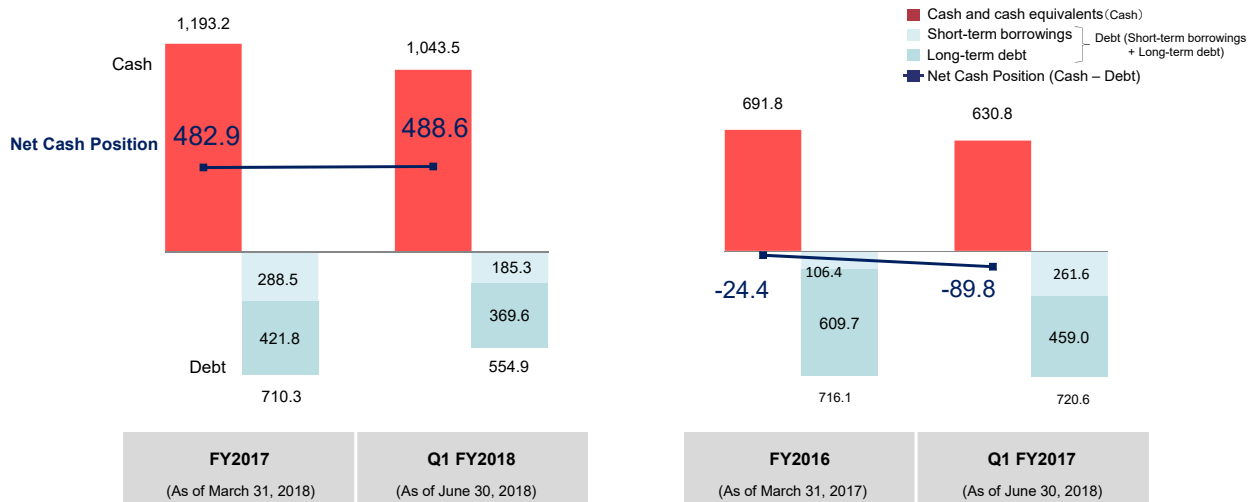
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## Cash, Debt Balance (Sony without Financial Services)

(Bln yen)

The three months ended June 30, 2018

The three months ended June 30, 2017



Please refer to F-9 in "Q1 FY17 Financial Statements" and F-6 in "Q1 FY18 Financial Statements" for condensed balance sheets for Sony without Financial Services

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## Notes

### Sales on a Constant Currency Basis and Impact of Foreign Exchange Rate Fluctuations

The descriptions of sales on a constant currency basis reflect sales calculated by applying the yen's monthly average exchange rates from the same quarter of the previous fiscal year to local currency-denominated monthly sales in the current quarter. For Sony Music Entertainment and Sony/ATV Music Publishing in the Music segment, the constant currency amounts are calculated by applying the monthly average U.S. dollar / yen exchange rates after aggregation on a U.S. dollar basis.

Results for the Pictures segment are described on a U.S. dollar basis as the Pictures segment reflects the operations of Sony Pictures Entertainment Inc., a U.S.-based operation that aggregates the results of its worldwide subsidiaries in U.S. dollars.

The impact of foreign exchange rate fluctuations on sales is calculated by applying the change in the yen's periodic weighted average exchange rate for the same quarter of the previous fiscal year from the current quarter to the major transactional currencies in which the sales are denominated. The impact of foreign exchange rate fluctuations on operating income (loss) is calculated by subtracting from the impact on sales the impact on cost of sales and selling, general and administrative expenses calculated by applying the same major transactional currencies calculation process to cost of sales and selling, general and administrative expenses as for the impact on sales. Additionally, the MC segment enters into its own foreign exchange hedging transactions. The impact of those transactions is included in the impact of foreign exchange rate fluctuations on operating income (loss) for that segment.

This information is not a substitute for Sony's consolidated financial statements measured in accordance with U.S. GAAP. However, Sony believes that these disclosures provide additional useful analytical information to investors regarding the operating performance of Sony.

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## Cautionary Statement

Statements made in this release 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) Sony's ability to maintain product quality and customer satisfaction with its products and services;
- (ii) 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 image sensors, game and network platforms, smartphones and televisions, 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 customer preferences;
- (iii) Sony's ability to implement successful hardware, software, and content integration strategies, and to develop and implement successful sales and distribution strategies in light of new technologies and distribution platforms;
- (iv) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures, investments, capital expenditures, restructurings and other strategic initiatives;
- (v) changes in laws, regulations and government policies in the markets in which Sony and its third-party suppliers, service providers and business partners operate, including those related to taxation, as well as growing consumer focus on corporate social responsibility;
- (vi) Sony's continued ability to identify the products, services and market trends with significant growth potential, to devote sufficient resources to research and development, to prioritize investments and capital expenditures correctly and to recoup its investments and capital expenditures, including those required for technology development and product capacity;
- (vii) Sony's reliance on external business partners, including for the procurement of parts, components, software and network services for its products or services, the manufacturing, marketing and distribution of its products, and its other business operations;
- (viii) the global economic and political environment in which Sony operates and the economic and political conditions in Sony's markets, particularly levels of consumer spending;
- (ix) Sony's ability to meet operational and liquidity needs as a result of significant volatility and disruption in the global financial markets or a ratings downgrade;
- (x) Sony's ability to forecast demands, manage timely procurement and control inventories;
- (xi) 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, liabilities and operating results are denominated;
- (xii) Sony's ability to recruit, retain and maintain productive relations with highly skilled personnel;
- (xiii) Sony's ability to prevent unauthorized use or theft of intellectual property rights, to obtain or renew licenses relating to intellectual property rights and to defend itself against claims that its products or services infringe the intellectual property rights owned by others;
- (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) 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;
- (xvi) risks related to catastrophic disasters or similar events;
- (xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information and the personally identifiable information of its employees and customers, potential business disruptions or financial losses; and
- (xviii) the outcome of pending and/or future legal and/or regulatory proceedings.

Risks and uncertainties also include the impact of any future events with material adverse impact. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.

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