

**SONY**

# **Q1 FY2018 Consolidated Financial Results**

(Three months ended June 30, 2018)

**July 31, 2018**

**Sony Corporation**

Please be aware that, in the following remarks, statements made 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. These statements are based on management's assumptions in light of the information currently available to it, and, therefore, you should not place undue reliance on them.

Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. For additional information as to risks and uncertainties, as well as other factors that could cause actual results to differ, please refer to today's press release, which can be accessed by visiting [www.sony.net/IR](http://www.sony.net/IR).

- **Q1 FY2018 Consolidated Results and FY2018 Consolidated Forecast**
- **Segments Outlook**

I am CFO Hiroki Totoki. Thank you for your time today.

Today I would like to explain two topics in the next 15 minutes:

## Q1 FY2018 Consolidated Results

(Bln Yen, Min US dollars)

	Q1 FY17	Q1 FY18	Change	Q1 FY18 USD Amount*1
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*2	2.4	<b>1.3</b>	-46%	12
Additions to long-lived assets*3	67.4	<b>63.0</b>	-7%	577
Depreciation and amortization*4	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>		

\*1 US dollar amounts have been translated from yen, for convenience only, using the average rate listed on this slide

\*2 Restructuring charges are included in operating income as operating expenses (applies to all following pages)

\*3 Does not include the increase in intangible assets resulting from acquisitions (applies to all following pages)

\*4 Includes amortization expenses for intangible assets and for deferred insurance acquisition costs (applies to all following pages)

FY18 Q1 consolidated sales increased 5% compared to the same quarter of the previous fiscal year ("year-on-year") to 1 trillion 953.6 billion yen and consolidated operating income increased 24% year-on-year to 195.0 billion yen. Net income attributable to Sony Corporation's stockholders for the quarter was 226.4 billion yen, approximately 2.8 times that of the same quarter of the previous fiscal year.

## 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.*

As is shown in this slide, operating income in the same quarter of the previous fiscal year included certain extraordinary items. Excluding those extraordinary items, adjusted operating income would have increased 74.2 billion yen from the 120.8 billion yen that would have been recorded in the same quarter of the previous fiscal year to 195.0 billion yen in the current quarter.

## Adjusted Income Before Income Taxes (Q1)

	Income Before Income Taxes	Adjusted Income Before Income Taxes	Adjusted Income Before Income Taxes excludes the following items*
<b>Q1 FY17</b>	148.9 bln yen	<b>112.1 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>
<b>Q1 FY18</b>	312.1 bln yen	<b>199.3 bln yen</b>	<ul style="list-style-type: none"> <li>Unrealized and realized gains on shares of Spotify (+112.8 bln yen, net)</li> </ul>
<b>Change from FY17</b>	+163.2 bln yen	<b>+87.2 bln yen</b> (+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.

This slide shows income before income taxes excluding certain extraordinary items. During the current quarter, a total of 112.8 billion yen was recorded in non-operating income for unrealized and realized gains on shares of Spotify Technology S.A (“Spotify”). Excluding these extraordinary items, including the impact of the unrealized and realized gains on shares of Spotify, adjusted income before income taxes would have increased 87.2 billion yen from the 112.1 billion yen that would have been recorded in the same quarter of the previous fiscal year to 199.3 billion yen in the current quarter.

## Q1 FY2018 Consolidated Results

(Bln Yen, Min 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>		

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

This is not shown in this slide, but if the impact on income taxes of these extraordinary items was approximated using the effective tax rates of each quarter, then excluding these extraordinary items, adjusted net income\* would have increased 83.3 billion yen from the 57.5 billion yen that would have been recorded in the same quarter of the previous fiscal year to 140.8 billion yen in the current quarter.

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

## Q1 FY2018 Results by Segment

(Bln Yen)

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

This slide shows the results by segment for Q1.

## 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)	<b>Dividend per Share (Planned)</b>
1 US dollar	110.9 yen	Approx. 105 yen	Approx. 110 yen	<b>Interim</b> 15 yen
1 Euro	129.7 yen	Approx. 125 yen	Approx. 127 yen	<b>Year-end</b> Undecided

Next is the consolidated results forecast for FY18. The consolidated sales forecast has increased 300 billion yen to 8 trillion 600 billion yen as a result of upward revisions, primarily in the Game & Network Services segment. There is no change to the consolidated operating income forecast from April. Primarily because the amount of unrealized and realized gains on shares of Spotify that I mentioned earlier exceeded the amount in our April forecast, we have upwardly revised our forecast for income before income taxes to 760 billion yen and our forecast for net income to 500 billion yen. We have changed the assumed foreign exchange rates for the nine months ending March 31, 2019 to 110 yen to the U.S. dollar and 127 yen to the Euro. We expect to issue an interim dividend of 15 yen per share.

## FY2018 Results Forecast by Segment

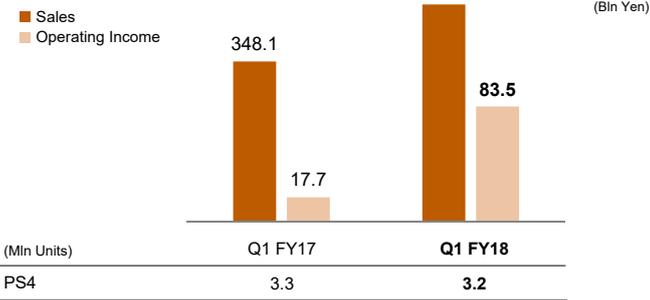
(Bln Yen)

		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>	-

The fiscal year forecasts for each segment are shown on this slide. As you can see, we have changed the forecasts for several segments, and I will explain each when I discuss the segment results in a moment. We have incorporated a 73 billion yen contingency budget in All Other, Corporate and elimination. In addition to general risks, such as those related to the economy, the competitive environment and changes in foreign exchange rates, we believe there are risks related to our smartphone business, which I will explain later, and risks related to component procurement, especially multilayer ceramic capacitors which are used in a variety of electronics products. I will now turn to the situation in each of our business segments.

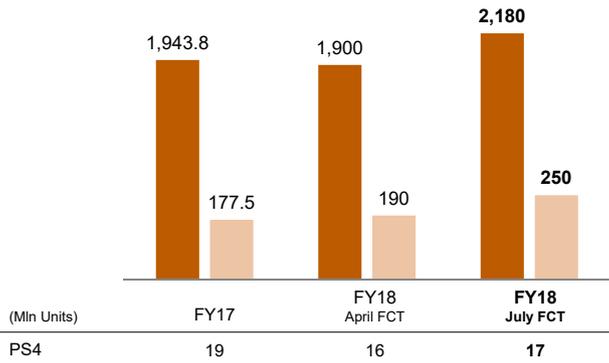
## Game & Network Services Segment

### 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

First I will talk about the Game & Network Services segment. FY18 Q1 sales increased 36% year-on-year to 472.1 billion yen and operating income increased approximately 4.7 times year-on-year to 83.5 billion yen. This significant increase in sales and operating income was primarily due to an increase in sales of PS4™ software including through the network.

We have upwardly revised our sales forecast to 2 trillion 180 billion yen and our operating income forecast to 250 billion yen. The upward revision in forecasted sales is primarily due to an upward revision in PS4 software sales, the impact of foreign exchange rates and an upward revision in unit sales of PS4 hardware.

## *God of War*

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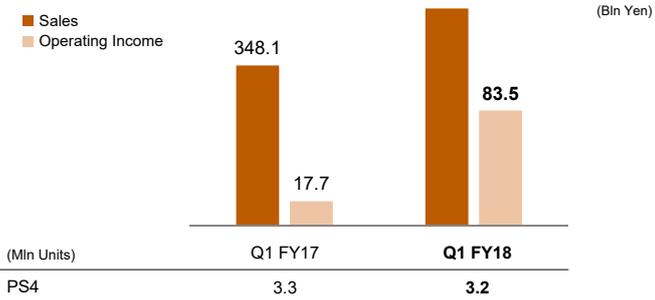


©Sony Interactive Entertainment LLC. God of War is a trademark of Sony Interactive Entertainment LLC

We upwardly revised PS4 software sales to reflect the fact that our first-party title *God of War* and other third-party titles are significantly exceeding expectations, and the titles we announced at E3 are receiving strong feedback.

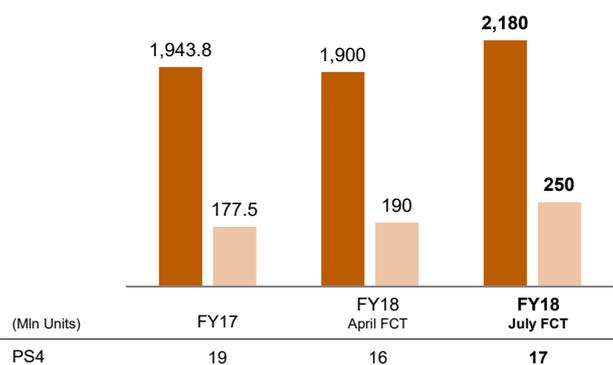
## Game & Network Services Segment

### 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



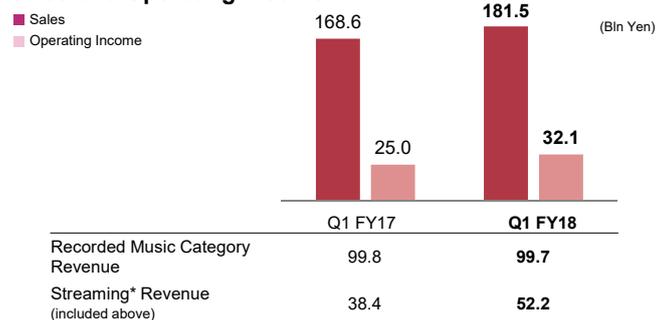
### FY2018 Forecast (change from April forecast)

- 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

We revised our PS4 hardware unit sales forecast to reflect recent strength in actual sales. Primarily due to the impact of the increase in sales, we upwardly revised our operating income forecast.

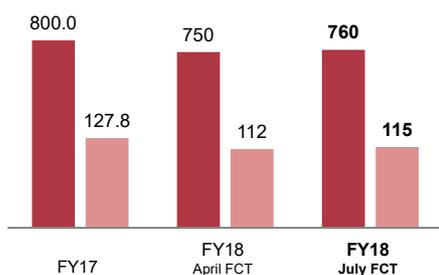
## Music Segment

### 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

Recorded Music Category Revenue	447.0
Streaming* Revenue (included above)	197.4

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

Next, I will talk about the Music segment. FY18 Q1 sales increased 8% year-on-year to 181.5 billion yen. Despite the negative impact of a change in accounting standards, sales increased primarily due to an increase in streaming revenue and the continued strong performance of mobile gaming applications, primarily *Fate/Grand Order*. Operating income increased 7.1 billion yen year-on-year to 32.1 billion yen. Due to an increase in one-time expenses, equity in net loss for EMI Music Publishing (“EMI”), which operates a music publishing business, was recorded in the current quarter compared to equity in net income in the same quarter of the previous fiscal year, but the impact of the increase in sales resulted in an increase in overall segment profitability.

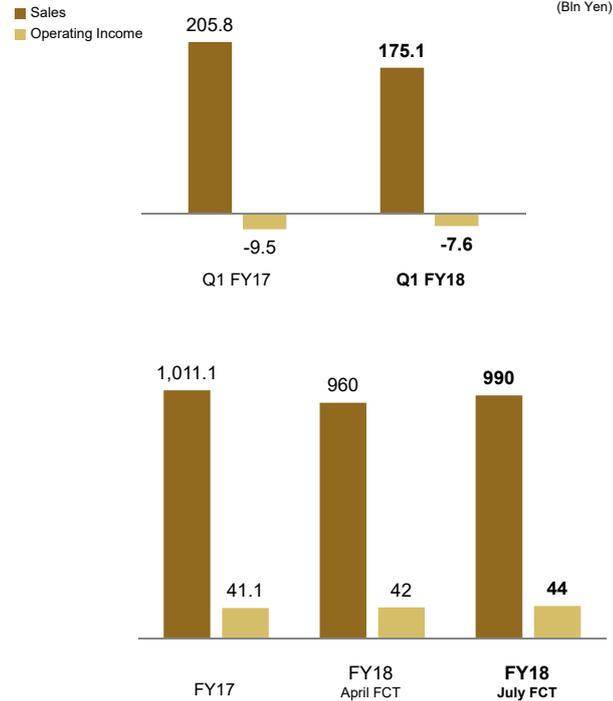
We have upwardly revised our April forecast for sales and operating income to 760 billion yen and 115 billion yen respectively. We upwardly revised operating income primarily due to the expected benefit of cost improvements and the positive impact of foreign exchange rates, partially offset by the deterioration of equity in net income I just mentioned.



Today we announced that Nile Acquisition LLC, a consolidated subsidiary which owns approximately 40% of EMI, has become a wholly owned subsidiary. In addition to this, if we are able to close our previously announced transaction to acquire the remaining approximately 60% interest in EMI, EMI will become a wholly-owned subsidiary of Sony. That will make Sony one of the world's largest music publishers, administering over 4 million songs. We aim to continue to capitalize on the growth of the music publishing business primarily resulting from the growth of streaming services.

## 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)

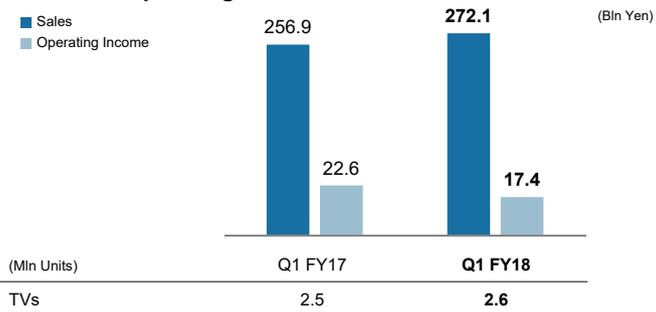
- Sales: 30 bln yen (3%) upward revision
  - (+ ) Impact of foreign exchange rates
- OI: 2 bln yen upward revision
  - (+ ) Positive impact of foreign exchange rates

Next, I will talk about the Pictures segment. FY18 Q1 sales decreased 15% year-on-year to 175.1 billion yen. This decrease in sales was primarily due to lower licensing revenue from U.S. television series compared to the same quarter of the previous fiscal year and a decrease in advertising revenues in the Media Networks business compared to the same quarter of the previous fiscal year during which we had the broadcast rights for the Indian Premier League cricket competition. An operating loss of 7.6 billion yen was recorded. Despite the impact of the decrease in sales, loss decreased 1.9 billion yen compared to the same quarter of the previous fiscal year in which advertising costs were recorded for the July 2017 release of *Spider-Man: Homecoming*.

Due to the impact of foreign exchange rates, we have upwardly revised our FY18 forecast for sales to 990 billion yen and operating income to 44 billion yen.

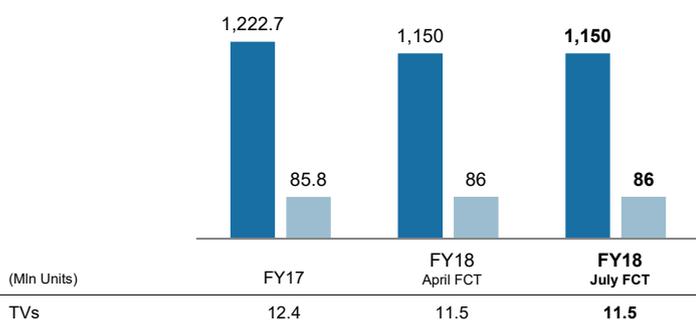
## Home Entertainment & Sound Segment

### Sales and Operating Income



### 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

\*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"

Next is the Home Entertainment & Sound segment. FY18 Q1 sales increased 6% year-on-year to 272.1 billion yen and operating income decreased 5.2 billion yen to 17.4 billion yen. The increase in sales was primarily due to an increase in unit sales of televisions, primarily in Europe, and an increase in sales of audio products, primarily headphones. Operating income decreased primarily due to an increase in the allocation for indirect expenses incurred by sales companies, partially offset by the impact of the increase in sales.

The FY18 forecast remains unchanged from April; we expect to record the same level of operating income as last fiscal year.



4K OLED TV BRAVIA® KJ-65A8F (65V)



4K LCD TV BRAVIA®  
KJ-65X9000F (65V)

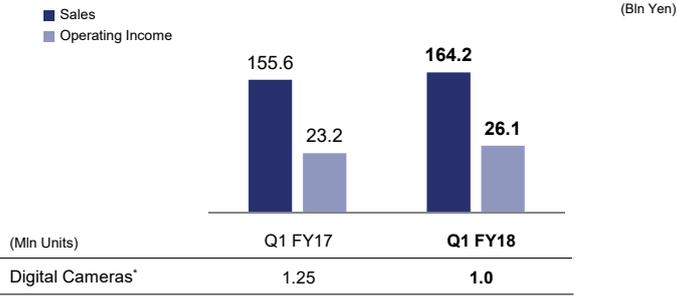


4K HDR Processor  
X1 Extreme

During the quarter, we began selling 4 lines of new 4K BRAVIA® TVs, including OLED TVs. Thanks to Sony's proprietary, high-performance image enhancement engine, these TVs render superb images which make you feel like you are really there by leveraging the unique characteristics of OLED or LCD. In addition, our OLED TVs continue to use the acoustic surface technology which creates sound by vibrating the screen. We aim to differentiate our products using these proprietary technologies and continue to bring high value-added products to our customers.

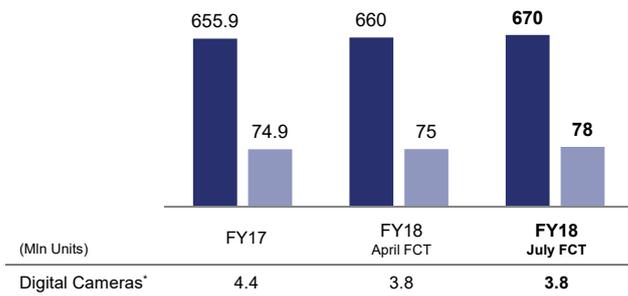
## Imaging Products & Solutions Segment

### 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

Next I will explain the Imaging Products & Solutions segment. FY18 Q1 sales increased 6% year-on-year to 164.2 billion yen and operating income increased 2.9 billion yen to 26.1 billion yen. The increase in sales and operating income was primarily due to an increase in sales of high value-added products, primarily interchangeable lens mirrorless cameras and lenses themselves.

The FY18 forecast was revised upward to 670 billion yen for sales and 78 billion yen for operating income primarily due to the revision in foreign exchange rate assumptions.

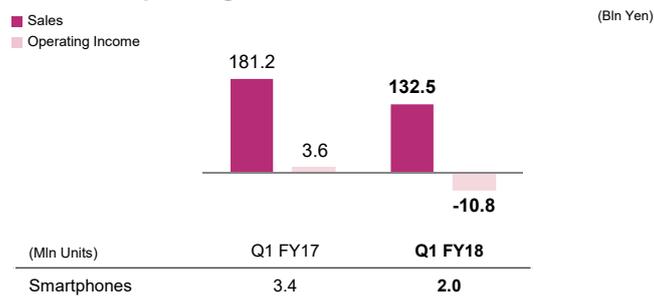


Full lineup of 35mm full-frame mirrorless cameras and compatible E Mount interchangeable lenses

On June 28, we announced the world's lightest, large aperture super-telephoto lens with a 400 mm focal length and maximum large aperture of F2.8, which is designed for the 35 mm format. Aside from the high-quality images that this G master lens can render, its light weight and maneuverability meets the high-level demands of professional photographers not only when shooting sports and the news, but also when capturing wildlife. Once we start selling this product, we will have 29 full-frame interchangeable E-mount lenses. We will continue to expand our lens lineup in order to meet the diverse needs of professionals, and we will work to solidify our position in the full-frame mirrorless camera market.

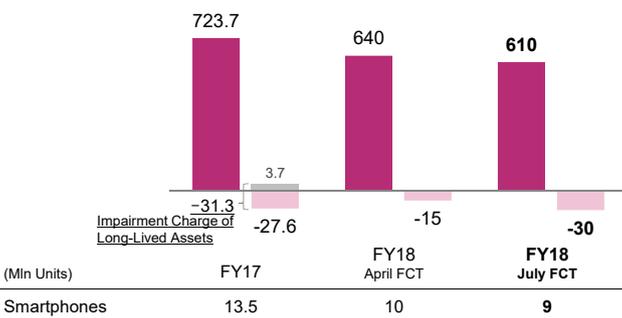
## Mobile Communications Segment

### 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

Next I will talk about the Mobile Communications segment. FY18 Q1 sales decreased 27% year-on-year to 132.5 billion yen due to a decrease in unit sales of smartphones primarily in Europe and Japan. An operating loss of 10.8 billion yen was recorded in the current quarter, compared to a profit in the same quarter of the previous fiscal year, primarily due to the impact of the decrease in sales.

We have downwardly revised our sales forecast to 610 billion yen and our operating loss forecast to 30 billion yen. This downward revision is primarily due to the negative impact of foreign exchange rates and a reduction in expected unit sales of smartphones, primarily in the first half of the fiscal year, reflecting recent sales results. Since there is a risk that the competitive environment will become even more severe, we have begun to assess the impact on smartphone unit sales in the second half of the fiscal year and the countermeasures we will implement if that risk becomes a reality. As a result of this assessment, there is a risk that we will have to downwardly revise our forecast further for the current fiscal year and revise our mid-range plan.

## Semiconductors Segment

### Sales and Operating Income

■ Sales  
■ Operating Income

(Bln Yen)

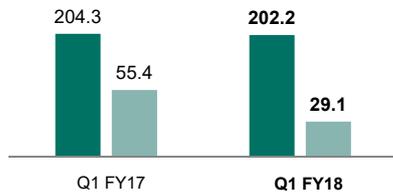


Image Sensors Sales	148.8	161.5
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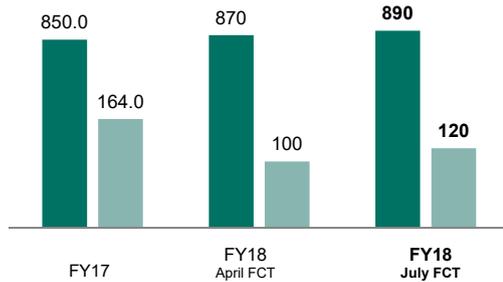


Image Sensors Sales	649.4	690	720
Additions to long-lived assets for Semiconductors Segment	128.1	160	160
for Image Sensors (included above)	106.6	130	130

### 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

Next, I will talk about the Semiconductors segment. FY18 Q1 sales were essentially flat year-on-year at 202.2 billion yen. Although insurance recoveries related to the Kumamoto Earthquakes were recorded in the same quarter of the previous fiscal year, sales of image sensors primarily for mobile devices increased. Operating income decreased 26.3 billion yen year-on-year to 29.1 billion yen.

## Semiconductors Segment Adjusted Operating Income

	Operating Income	Adjusted Operating Income	Adjusted Operating Income excludes the following items*
<b>Q1 FY17</b>	55.4 bln yen	<b>21.2</b> bln yen	<ul style="list-style-type: none"> <li>■ Gain resulting from the sale of the entire equity interest in a manufacturing subsidiary in the camera module business (+27.5 bln yen)</li> <li>■ Insurance recoveries related to the Kumamoto Earthquakes (+6.7 bln yen)</li> </ul>
<b>Q1 FY18</b>	29.1 bln yen	<b>29.1</b> bln yen	
<b>Change from FY17</b>	-26.3 bln yen	<b>+7.9</b> 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.

As is shown in this slide, several extraordinary items were contained in the same quarter of the previous fiscal year. Excluding these items, adjusted operating income would have increased 7.9 billion yen. This increase was primarily due to the increase in sales of image sensors for mobile devices.

## Semiconductors Segment

### Sales and Operating Income

■ Sales (Bln Yen)  
■ Operating Income

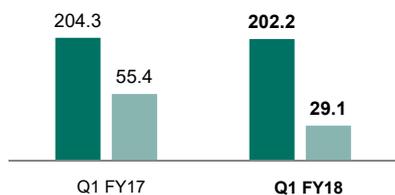


Image Sensors Sales	Q1 FY17	Q1 FY18
	148.8	161.5

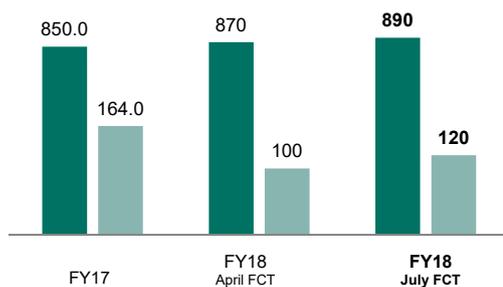


Image Sensors Sales	FY17	FY18 April FCT	FY18 July FCT
	649.4	690	720
Additions to long-lived assets for Semiconductors Segment	128.1	160	160
for Image Sensors (included above)	106.6	130	130

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

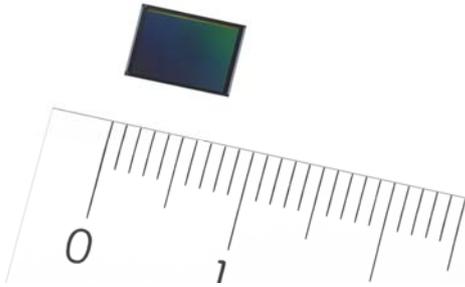
- Sales: Essentially flat (FX Impact: -2.9 bln yen)
  - (-) Absence of insurance recoveries related to the Kumamoto Earthquakes recorded in Q1 FY17 (6.7 bln yen)
  - (-) Decrease in sales of camera modules, a business which was downsized
  - (+) Increase in sales of image sensors for mobile products
- 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

We have upwardly revised our FY18 sales forecast to 890 billion yen and operating income to 120 billion yen. This change is primarily due to the positive impact of foreign exchange rates.

## Stacked CMOS Image Sensor for Smartphones



IMX586 stacked CMOS image sensor

- **World-First**<sup>\*1</sup>  
Ultra-compact pixel size of 0.8  $\mu\text{m}$
- **Industry's Highest**<sup>\*2</sup>  
48 effective megapixels<sup>\*3</sup>

<sup>\*1</sup> Among image sensors. According to Sony research. As of announcement on July 23, 2018

<sup>\*2</sup> Among image sensors for smartphones. As of announcement on July 23, 2018

<sup>\*3</sup> Based on image sensor effective pixel specification method

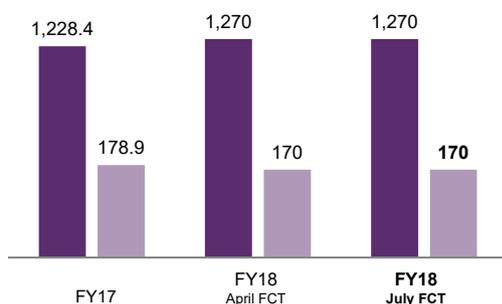
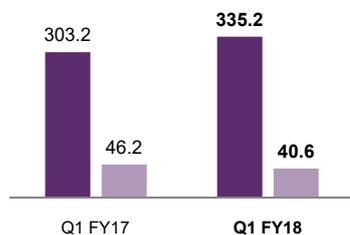
On July 23, we announced the release of an image sensor which has an ultra-compact pixel size of 0.8 microns, making it possible to pack 48 effective megapixels into a 1/2-type unit. 0.8 micron is a world first, and 48 mega pixels is the highest pixel count in the industry. One of our strengths is our unparalleled ability to develop cutting-edge technology that also has a practical use, well ahead of our competitors. We aim to continue this advanced product development going forward.

## 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

Next, I will explain the Financial Services segment. In FY18 Q1, Financial Services revenue increased 11% year-on-year to 335.2 billion yen, primarily due to an increase in the policy amount in force at Sony Life. Operating income decreased 5.6 billion yen to 40.6 billion yen. This decrease was primarily due to an increase in operating expenses and the recording of a valuation loss on investment securities in the general account at Sony Life, as well as a change from a foreign exchange gain on foreign-currency denominated customer deposits at Sony Bank in the same quarter of the previous fiscal year to a foreign exchange loss in the current quarter.

The FY18 forecast remains unchanged from April.

## 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>	-

Lastly, I will show the results on a segment basis again.

This concludes my remarks.

## 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.