Agenda

1. FY2007 Review
   i ) Initiatives
      - Asset Light
      - Selection & Focus
   ii ) Key Performance Indicators

2. For FY2008
Asset Light

Background of Asset Light

Lack of applications (technology drivers) for cutting-edge line → Failure of "Water Fall Strategy"

Purpose of Asset Light

Develop flexible cutting-edge MOS Logic production depending on volume due to the effective utilization of alliances/foundries with other companies

(Bear all fixed costs → bear variable costs)

※ In-house production of image sensors, etc. for high value-added process development/manufacturing technology

Increase chip output with shift to next generation process

Image of possible "PS3" Core LSI unit production

(Assuming constant monthly wafer unit production)

90nm 65nm 45nm

Semiconductor Business Presentation

Asset Light

Sony Nagasaki Fab2
("Cell/B.E."※ "RSX" Production)

Change from in-house production to foundry procurement
- Sale of Facilities
- Establishment of a new JV company

Oita TS Semiconductor Corp. (OTSS)
("RSX" Production)

Change from in-house production to foundry procurement
- Termination of JV contract
- Sale of Facilities

IBM East Fishkill Factory
("Cell/B.E."※ Production)

Change from in-house production to foundry procurement of 45nm"Cell/B.E."※

Cutting-edge process development (IBM, Sony, Toshiba)

Early withdrawal from joint development agreement for cutting-edge process technologies at 32nm and beyond (Ended Dec. 21, 2007)

※ "Cell Broadband Engine™"="Cell/B.E."
**Asset Light**

- **Sale of Nagasaki Fab2 1st Floor 300mm Wafer Line Facilities**
  - Finalize agreement to transfer assets to Toshiba (Feb 19th, 2008)
  - Amount of sale: approximately 90 billion yen

- **Establishment of new JV company**
  - Finalize JV contract with Toshiba (Feb 19th, 2008)
  - Start of Operation: Apr. 1st, 2008 (scheduled)
  - Chairman and CEO: To be determined (appointed by Toshiba)
  - President and COO: To be determined (appointed by Sony)
  - Ownership: Toshiba 60%, Sony 20%, Sony Computer Entertainment 20%

**Nagasaki Technology Center**
- Fab1-2nd Floor: 180nm/200mm Wafer Line
- Fab2-2nd Floor: 90nm/200mm Wafer Line
- NP: 350nm~200mm Wafer Line

*Transfer manufacturing facilities of the line to Toshiba → Make it available to JV company from Toshiba*

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**Cutting-edge MOS Logic LSI Initiative**

- **Continue cutting-edge MOS Logic LSI product development after 32nm and beyond**

  - **LSI Design** → **In-house development**
  - **Production** → **Outsource to other manufacturers**
    - (Wafer manufacturing process)
    - ※Considering whether to manufacture semiconductor packaging in-house
  - **Process Development** → **Terminated**
    - ※Shift development personnel to other areas
      - (Next Generation CMOS Image Sensor/CCD, Semiconductor laser, Low-temperature polysilicon, OLED etc.)
Cutting-edge Image Sensor Development

Image of the trend of Sony semiconductor R&D expenses (R&D, D&D)

Without increasing total R&D expenses, strengthen and shift power to image sensor

Technology fostered with leading process development and production

Technology for:
- Microfabrication/3D simulation/
- Yield improvement/Noise-reduction etc.

1.4μm CMOS Image Sensor/image sensing for cellular System on Chip Development

Lead industry for product shipment time
Realize high image quality

35mm full-size CMOS Image Sensor development for D-SLR

Realize high yield and high image quality

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2. For FY2008
Selection and Focus: Initiatives in Business Focus Areas

**Image Sensor**
- High S/N high-speed A/D-equipped CMOS Image Sensor
- Expansion of "Exmor"
  - APS-C size 12 mega pixels for D-SLR
  - 1.75um 1/3.2 type 5 mega pixels for cellular
  - 1.77um 1/3.1 type 5 mega pixels for camcorders etc.
- Image Sensor cumulative shipments:
  - Achieved 800 million units (as of Dec. 2007)
- 5 mega pixels and over-equipped sensor share for cellular:
  - Attained about 75% share (Sony estimate)

**Game**
- Commence 65nm "Cell/B.E." mass production shipments (1st Half of FY07)
- Commence 65nm "RSX" mass production shipments (2nd Half of FY07)
- Commence LSI mass production shipments for the new model "PSP" (Release Date Sep. 2007)

**TV/Video**
- Full entry into LCD Source Drivers (10bit/8bit)
- Silicon Tuner Chip set commercialization
- Commence 2nd Generation Blu-ray Chip set mass production shipments

Selection and Focus

**System LSI**
- Focus Categories
  - Game
  - TV/Video
  - Digital Imaging
  - Analog IC etc.

**Image Sensor**
- Focus Categories
  - CCD
  - CMOS Image Sensor
  - Image sensing System on Chip etc.

Semiconductor Business Presentation

SONY
Agenda

1. FY2007 Review
   i) Initiatives
      • Asset Light
      • Selection & Focus
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2. For FY2008

Sales/Operating Profit (Loss) Trend (FY05~FY07)

Sales (‘000 mln yen)
OP (Loss)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>OP (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY05</td>
<td>4,960</td>
<td></td>
</tr>
<tr>
<td>FY06</td>
<td>7,800</td>
<td>+59%</td>
</tr>
<tr>
<td>FY07</td>
<td>8,600</td>
<td>+10%</td>
</tr>
</tbody>
</table>

Sales Excludes Laser, includes high-temp. LCD
**Semiconductor Business Presentation**

**Capital Expenditure Trend (FY04~FY07)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment (‘000 mln yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY04</td>
<td>1,500</td>
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<tr>
<td>FY05</td>
<td>1,400</td>
</tr>
<tr>
<td>FY06</td>
<td>1,500</td>
</tr>
<tr>
<td>FY07</td>
<td>1,100</td>
</tr>
</tbody>
</table>

*<Direction>*
Reduce investment in MOS, active investment in Image Sensor

**Agenda**

1. **FY2007 Review**
   i ) **Initiatives**
   - Asset Light
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   ii ) **Key Performance Indicators**

2. **For FY2008**
Business Policies

- **Continuation/Strengthening of Selection and Focus**
- **Continued profit generation structure**

Image Sensor Business

**Maintain share, expand market in "Large-size" "High image quality /High resolution" Areas**

Share expansion in the Volume Zone for Cellular

- Strengthen production capacity (June 6th, 2007 announcement)
  - Increase floor space of clean room in Building No.2, Kumamoto Tech by 5,000㎡
  - Expand production facilities

- Take advantage of Sony’s technological edge, maintain CCD business

- Expand D-SLR business due to mass production of 35mm full-size CMOS image sensors (Jan. 30th, 2008 announcement)
  
  - 35mm full-size 24.81 effective mega pixels
  - High S/N - high speed imaging
  - All-pixel scan mode 6.3 frames/s

- α flagship model
Key Factors for Cellular Business

**High-end (5 mega pixels and over)**

- **1.4um CMOS Image Sensor**
  - Lead industry for mass production

**Affordable Range (3 mega pixel range)**

- **1.4um image sensing System on Chip mass production commenced**
  - **Compact Size & Best Picture Quality**
  - **Compact & High Performance ISP**

- **1.4um Pixel Low Noise Process**
- **Column ADC for High Speed & Low Noise**

Volume of Sensors for cell phones equipped with CMOS exceeding 5 mega pixels

- Sony volume exceeds 300% compared to the prior year

- Share Target FY2009 12%

Game-related Business

**Contribute to Sony’s Game business with active cost reduction of the “PS3” Core LSI**

- **Image of the cost trend for the “PS3” Core LSI**

- Flexible production by using the new JV company, Toshiba, IBM, and other foundries
- Continuous improvement of quality and yield of the “PS3” Core LSI 65nm generation
- Initiatives to develop the next generation shrink versions
  - Full launch of the development and design of the 45nm “PS3” Core LSI
  - Continuous improvement and development of LSI for “PSP”
**System LSI Business (TV, Video, Digital Imaging)**

Strengthen cooperation with Sony in-house set business units

- Silicon Tuner Chip set
  - Front End LSI
  - Back End LSI etc.
- Blu-ray Chip Set etc.
- AV Codec Image processing engine etc.

Take advantage of **semiconductor know-how,**
From a **“vertical integration structure”**
to an **“technology solution service structure”** business

- Architecture/Algorithm design
- RTL design
- Layout/Mask design
- Wafer production
- Test (PC)
- Assembly/Packaging
- Test (FC)
- Design for Testability
- Codesign/Verification
- Design for Manufacturing
- Built-in Self-Testing
- Semi Packaging Tech (SiP etc)
- Built-on Self-Testing

**Technology Solution Service (Semiconductor Packaging)**

Offer a total solution with Sony’s cutting-edge SiP technology

<table>
<thead>
<tr>
<th>Product</th>
<th>Package structure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile</strong></td>
<td></td>
</tr>
<tr>
<td>DSC/DVC</td>
<td>PoP (Package on Package)</td>
</tr>
<tr>
<td>Mobile Phone</td>
<td>FC-BGA (Flip Chip BGA)</td>
</tr>
<tr>
<td><strong>Game</strong></td>
<td></td>
</tr>
<tr>
<td>“PSP”</td>
<td>PiP (Package in Package)</td>
</tr>
<tr>
<td>“PS2”</td>
<td>PBGA (Plastic BGA)</td>
</tr>
<tr>
<td>“PS3”</td>
<td>FC-BGA (Flip Chip BGA)</td>
</tr>
</tbody>
</table>
Analog Business

Business development focused on categories where Sony has competitive strength
(LCD Source Driver, PDIC, I/F IC, Power IC, MMIC)

< LCD Source Driver >
- Take advantage of Sony’s technological edge in 10bit/Multi-Channel,
  Improve the ratio of in-house large screen LCD TVs equipped with Sony LCD Source Drivers
- Expand external sales

Image of Sony LCD TV unit shipment trend

- LCD TVs are equipped with an average of about 10 LCD source drivers

Semiconductor Laser Business

Active development of the blue-violet laser for Blu-ray

- Maintain No.1 share of blue-violet laser market for playback and recording
  FY2007 blue-violet laser market share 74%  (Sony estimate)

- Mass production of blue-violet optical-integrated device by year-end
  (Jan. 30, 2008 announcement)

- Cumulative unit shipments of semiconductor laser diodes:
  Achieved 2.25 billion units  (At the end of Jan. 2008)

Blue-violet semiconductor laser for Blu-ray
H/H Drives  5.6mm φ package
Slim Drives  3.8mm φ package

Optical-integrated device for Blu-ray
Basic prototype
(14mm X 7.4mm X 3mm)
Joint development with Nichia Corp.
**Production Sites**

- **Sony Semiconductor Kyushu Corp.**
  - Nagasaki TEC (MOS production site)
  - Kumamoto TEC (Imaging device production site)
  - Kagoshima TEC (Multi-category production site)

- **Sony Shiroishi Semiconductor Inc.** (Semiconductor laser production site)

- **Oita TEC** (Cutting-edge packaging development/production site)

- **Sony Device Technology (Thailand) Co., Ltd.** (Assembly site)

**Sony Semiconductor Business**

- Technological strength of Sony Semiconductor (Image Sensor, LSI for Game, etc.)

- Advantage of having a significant in-house set business (TV, Video, Digital Imaging, Game, etc.)