Sony IR Day 2018

Operation & Sales Platform
Home Entertainment & Sound Segment
May 22, 2018

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Sony Corporation
Representative Director & President
Sony Visual Products Inc.
Representative Director & President
Sony Video & Sound Products Inc.

Agenda

1. **End-to-End Operations**
   1. Manufacturing / Procurement / Logistics
   2. Sales

2. **HE&S Segment**
   1. FY2017 Review
   2. FY2018 Action Plan
      • TV Business
      • Video & Sound Business
      • Financial Forecast
   3. FY2020 Financial Targets

3. **Reference Materials**
1. End-to-End Operations

**End-to-End Operations**

**Until March 2015**
- **Business Unit**: Product Planning / Design
- **Operation Platform**: Manufacturing / Procurement / Logistics
- **Sales Platform**

**From April 2015 through March 2018**
- **Collaboration between Business Units and Sales Platform**: Saved 5 to 15 billion yen of Costs

**From April 2018, Greater Efficiency of the Value Chain**
- **Business Unit**: Product Planning / Design
- **Operation Platform**: Manufacturing / Procurement / Logistics
- **Sales Platform**

- **Room for Improvement**
- **Potential Upside**
Manufacturing / Procurement / Logistics

- **Manufacturing**
  - Align manufacturing strategy with our business strategy while improving efficiency.
  - Enhance manufacturing technology, including automation, to support our product strategy.

- **Procurement**
  - Leverage key partners to rebuild our procurement strategy to better align with our business and product strategy.
  - Ensure seamless procurement and optimal component costs through One Sony sourcing.

- **Logistics**
  - Expand direct shipping and enhance logistical efficiencies based on our sales channel strategy.
  - Quickly change transportation methods to adapt to changes in the market environment.

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Sales

Sales strategy focused on select regions and product categories

- **Asian Pacific (including China), Middle East, Latin America, Other**
  - Invest primarily in growth areas such as audio
  - Augment sales operations

- **Japan, U.S., Europe**
  - Maintain market position
  - Manage downside risk
    - (Reduce costs and increase profit through better forecasting of market demand and improved supply chain communication)
2. HE&S Segment

Operating Income Analysis (bln yen)

Sales 1,039.0 → 1,222.7

- TV Business
  - Introduction of OLED TVs secured our brand position in the premium segment of the market.
  - Profitability improved due to high value-added product strategy focused on OLED, 4K and large-sized TVs.
  - Incremental margins improved due to enhanced supply chain management and better control over inventory in response to changes in the market environment.

- Video & Sound Business
  - Grew sales primarily in the growth area of Audio.
  - Improved profitability as a result of high value-added products.
  - Improved branding.

Issues

- TV Business
  - Can improve how we adapt to changes in panel prices.

- Video & Sound Business
  - Can improve operations further.
  - Can improve collaboration with sales channels.

FY2017 Review

Results

*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2017 and comparing them with the previous fiscal year.
Maintain a stable business by pursuing a high-value added strategy

◆ Product Competitiveness
   Deliver the best customer experience through our proprietary technology.
   Continue investing in technological innovation for the future.

◆ Cost Competitiveness
   Manage expenses and streamline component procurement.

◆ Operational Competitiveness
   Continue improving our end-to-end operations (from production to sales) so as to adapt to changes in the market.

Sony’s TV Sales

<table>
<thead>
<tr>
<th></th>
<th>FY17 Actual</th>
<th>FY18 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>4K TVs</td>
<td>35%</td>
<td>45%</td>
</tr>
<tr>
<td>2K TVs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of 4K TVs* (Volume Basis)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Inch Size*</td>
<td>44 inches</td>
<td>47 inches</td>
</tr>
<tr>
<td></td>
<td>46 inches</td>
<td></td>
</tr>
<tr>
<td>Market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sony</td>
<td></td>
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</tbody>
</table>

*Source: Sony

Drive expansion of the premium 4K market

Best Picture/Sound Quality

Unique Design

Ease of Use

- X-Motion Clarity
- Ktended Dynamic Range Pro
- Acoustic Surface
- Google Assistant built-in

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Video & Sound Business

Consistently grow sales and profits through greater product competitiveness in growth categories

- Enhance competitiveness of products in growth categories (e.g. headphones, wireless speakers)
- Invest in technological innovation for future growth (acoustics which make you feel like you are there)
- Strengthen operations
- Enhance collaboration with sales platform

Sony’s Sales

<table>
<thead>
<tr>
<th>CAGR (FY16-18)</th>
<th>49%</th>
<th>50%</th>
<th>61%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td></td>
<td></td>
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<tr>
<td>FY17</td>
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<td>FY18</td>
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<tr>
<td>FY20</td>
<td></td>
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</tbody>
</table>

Audio Market

<table>
<thead>
<tr>
<th>CAGR (FY16-18)</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.9 Tril Yen</td>
<td></td>
</tr>
<tr>
<td>2.2 Tril Yen</td>
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</tbody>
</table>

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FY2018 Forecast

Operating Income Analysis (bln yen)

<table>
<thead>
<tr>
<th>Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,222.7</td>
<td>85.8</td>
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</table>

<table>
<thead>
<tr>
<th>FY17</th>
<th>FY18</th>
</tr>
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<tbody>
<tr>
<td>Exchange Rates</td>
<td>86</td>
</tr>
<tr>
<td>Price Erosion</td>
<td></td>
</tr>
<tr>
<td>Volume Decrease</td>
<td></td>
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<tr>
<td>Model Mix Improvement</td>
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<tr>
<td>Cost Reduction</td>
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TV Business

- Further increase added value of products through proprietary technologies for high picture and sound quality, and excellent design and usability.
- Customize product and sales strategy to each geographic region.
- Further improve operations that adapt quickly to changes in the market environment.

Video & Sound Business

- Enhance product competitiveness in audio growth categories.
- Strengthen operations.
- Address differences in geographic regions through greater collaboration with sales channels.

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*1: Forecasted impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in the FY2018 business plan and comparing them with the previous fiscal year.
Operating Income: 75 to 105 Billion Yen

※ Sales Amount (For Reference): 1,200 billion yen

Continue to generate stable cash flow through enhanced product competitiveness centered on high value-added products and enhanced end-to-end operations
3. Reference Materials

TV Business: FY2017 Sales by Product Type & Region / Unit and Revenue Share

- **Sales by Product Type**
  - 4K TVs: Sales 864.8 bln yen
  - 2K TVs

- **Sales by Region**
  - Asia Pacific: Sales 864.8 bln yen
  - Other: Japan, U.S., Europe, China

- **LCD TV Unit Share by Manufacturer**
  - #5

- **LCD TV Revenue Share by Manufacturer**
  - #3

(Source: Sony / For the most recent year)
Video & Sound Business: FY2017 Sales by Product Type & Region

- **Sales by Product Type**
  - Audio Growth Category
    - Sales 357.9 bln yen
  - Video
  - Audio Others
  - Home Video
  - System Stereos
  - Audio Components
  - Digital Music Players: WALKMAN
  - Sound Bars
  - Wireless Speakers

- **Sales by Region**
  - Japan
  - U.S.
  - Europe
  - Asia Pacific
  - Other
  - Sales 357.9 bln yen

*1: "Audio Growth Category" includes Headphones, Sound Bars and Wireless Speakers as its main products.

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Video & Sound Business: Key Products’ Market Share (Revenue Basis)

- **Headphones**
  - #3
  - #1 in Japan
  - Japan / U.S. / EU3

- **Wireless Speakers**
  - #1
  - Japan

- **Sound Bars**
  - #3
  - Japan / U.S. / EU3*
  - #1 in Japan

- **Digital Music Players (WALKMAN)**
  - #1
  - Japan

- **Blu-ray Players/Recorders**
  - #2
  - Japan / U.S. / EU3*

* Source: Sony
  For the most recent year

*1 EU9: UK, France, Germany, Italy, Spain, Netherlands, Sweden, Poland, Czech

*2 EU3: UK, France, Germany