1. Imaging Products & Solutions Segment  
   Ishizuka
2. Mobile Communications Segment  
   Ishizuka/Kishida
3. Reference Materials
Organization: Sony Imaging Products & Solutions Inc.

Digital Imaging Group
- ILC
- Lens
- DSC
- Camcorder

Professional Solutions and Services Group
- Media
- Sports
- Education
- Visual Simulation

Professional Products Group
- Broadcasting System
- Professional Camcorder
- Network Camera
- Display

Medical Business Group
- Peripheral Medical Devices
- Life Science
- Surgical Imaging Devices

FeliCa Business Division

Imaging Platform: Light to Display
- Light Source
- Lens
- Image Sensor
- Image Processing
- IP Transmission
- Display

FY2017 Review

**FY2017 Operating Income (vs FY2016)**

**Positive factors**

1. Forex impact
2. Recovery from the Kumamoto Earthquakes (insurance income, sales recovery)
3. Increased value-added (shift to higher value-added models)

**Negative factors**

1. Increase in OPEX (due to increase in sales)

Sales and operating income increased significantly due to the recovery from the Kumamoto Earthquakes and the impact of forex. Digital Imaging: continued shift to higher value-added, especially in the interchangeable lens camera space. Professional Solutions: new solutions service business offset by decrease in existing business sales.
**FY2018 Forecast**

**FY2018 Operating Income (vs FY2017)**

**Red:** negative factor  
**Blue:** positive factor

- Forex impact
- Improvement in value-added  
  (shift to higher value-added models)

<table>
<thead>
<tr>
<th>FY17</th>
<th>FY18 April forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Operating Income</td>
<td>655.9</td>
</tr>
<tr>
<td>Operating Income</td>
<td>74.9</td>
</tr>
</tbody>
</table>

**Improvement in Value-Added**

**Mid-Range Plan: Management Policy**

**Business Foundation**

- **Sony brand (B2B&C)**
  Strengthen products & services under the SONY brand
- **Customer’s Real-Time Benefit**
  Create customer value with “time”
- **Differentiation by L2D* technology**
  Competitive advantage derived edge from in-house production technology

**Quantitative Target**

Operating Income Margin: 10% or More

* L2D: Light to Display
Mid-Range Plan: Business Strategy

**Solutions**

Strengthen and grow the Solutions Business by delivering Real-Time Benefit

**Products**

Create strong products based on our differentiated L2D\(^1\) technology

**Technology**

- Light Source
- Lens
- Image Sensor
- Image Processing
- IP Transmission
- Display

*1 L2D: Light to Display  *2 PF: Platform

---

FY2020 Financial Targets

- Operating Income: 85~105 billion yen
  ※ Sales Amount (For Reference): 700 billion yen

Maximize profit growth and enterprise value

Create strong and differentiated products based on L2D technology, deliver Real-Time Benefit, and strengthen and grow the solutions business
Digital Imaging Business: Mid-Range Initiatives

Win in an increasingly competitive market and continue to generate high profit

Industry Trends
- Revitalization of the mirrorless camera market
- Competitors becoming more aggressive in the market

Initiatives
- Aim to be the top brand in the overall camera market
  - Strengthen products, especially in the interchangeable lens camera space
  - Engage the professional market
  - Expand the lens business

Expand Lens Lineup
Expand Pro-Support Worldwide

Professional Solutions Business: Sales by Business

- Broadcasting System
- Professional Camcorder
- Network Camera
- Display
- Services & Solutions
- Media
- Sports
- B2B
- Education, theater, visual simulation, etc.
Professional Solutions Business: Mid-Range Growth Targets

**<Solutions>**
- Enhance solutions that deliver Real-Time Benefit
  - Real-time solutions that leverage IP & cloud
  - Expand in the sports and B2B arena
  - Develop 5G solutions

**<Products>**
- Enhance differentiation and rebuild a stable profit structure
  - Develop products which use our L2D technology
  - Reduce fixed costs in existing businesses

<table>
<thead>
<tr>
<th>FY17 Actual</th>
<th>FY20 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
</tr>
<tr>
<td>OP Margin</td>
<td></td>
</tr>
</tbody>
</table>

- Full Size Cinema Camera “VENICE”
- Proprietary Micro LED
- Crystal LED

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Professional Solutions Business: Mid-Range Initiatives

**Industry Changes and Understanding of Challenges**
- Changes in the media industry
  - Rise of the OTT market, industry consolidation and greater reliance on IP and the cloud
  - Greater demand for cost reduction and efficiency
  - Full-scale demand for 4K and 8K
  - (Start of satellite and IPTV 4K broadcasting)
  - Coming 5G era
- Growing new market for B2B
- Improving profitability

**Action Plan**
- Develop 4K & IP products and solutions
- Develop technology for the 5G era
- Pursue the sports and education markets
- Revise our product and business portfolio so as to better adapt to changes in the industry
- Continuous cost reduction and operational transformation

**Examples of Solutions Businesses**
- Remote Integration “REMI”
- Learnings Solution “Vision Exchange”
**Medical Business: Mid-Range Strategy**

- **Peripheral Medical Device Business**
- **Surgical Imaging Device Business**
- **Life Science Business (For Research and Clinical)**

Transition from single-device business to high value-added business
Transition from research device business to medical device business

**Time**

**Profit Margin**

**Imaging Products & Solutions Segment**

**FY2020 Financial Targets**

- **Operating Income:** 85~105 billion yen

  ※ Sales Amount (For Reference): 700 billion yen

**Maximize profit growth and enterprise value**

Create strong and differentiated products based on L2D technology, deliver Real-Time Benefit, and strengthen and grow the solutions business.
2. Mobile Communications Segment

Operating loss recorded due to impairment charge
Negative impact of unit sales decrease and sharp increase in component costs were offset by cost reductions; full-year profit was recorded on an operational basis.
**FY2018 Operating Results Forecast**

1. **Impairment**
2. Smartphone unit sales decrease (FY16: 13.5M → FY17 FCT: 10.0M units)
3. Positive impact of foreign exchange rates
4. Improvements in operational efficiency

**Year-on-year profitability improvement by shifting away from less profitable models and engaging in continuous operating expense reductions**

**Recurring Revenue Business: Stable Profit Structure & Next Steps**

**Mid-Term Vision**

**Going beyond being just an internet service provider**

- Network quality improvements driving customer satisfaction
- Deploying NURO services to more regions

<table>
<thead>
<tr>
<th>Fixed Line Communication Business: Cumulative Subscribers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAGR 7%</strong></td>
</tr>
</tbody>
</table>

- **Evolution of Sony’s IoT Services**
  - SmartHome
  - Healthcare
  - Transportation

- **Utilize Sony Assets**
  - Devices
  - Cloud
  - Deep Learning
  - LPWA

- **Subscribers & Services**
  - Call Centers
  - Data Centers
  - Network

*LPWA: Low Power Wide Area*
Smartphone Business: Review (Accomplishments)

- **Operating Expenses (billion yen)**
  - Forecast from FY15:
    - FY14: 300
    - FY15: 220
    - FY16: 160
    - FY17: 155
  - Actual:
    - FY14: 300
    - FY15: 220
    - FY16: 160
    - FY17: 155
  - Accelerated reduction through continuous pursuit of further efficiencies

- **Warranty-Related Costs**
  - Actual:
    - FY14: 300
    - FY17: 155
  - -58%
  - Significant reductions through quality improvements

Smartphone Business: Review (Outstanding Issues)

- **Unit Sales (million units)**
  - Forecast from FY15:
    - FY14: 39.1
    - FY15: 24.9
    - FY16: 14.6
    - FY17: 13.5
  - Actual:
    - FY14: 39.1
    - FY15: 24.9
    - FY16: 14.6
    - FY17: 13.5
  - Issue: not improving product lineup fast enough
  - Mid-term product planning and development
  - Design and development lead time
Sony IR Day 2018

**Smartphone Business: Business Direction**

**Mid-Term Vision**

Creating New Value to Customers for the 5G Era

**FY2018 Business Direction**

Lean Transformation for Future Growth

<table>
<thead>
<tr>
<th>Product</th>
<th>Sales</th>
<th>Manufacturing, Procurement, Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add to strength and efficiency by leveraging the assets, business know-how and infrastructure of the Sony Group</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reduce operating expenses & lower break-even point

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**Smartphone Business: Key Issues**

**Enhance Product Offerings: Fully Utilize Sony’s Technological Assets**

- Design
- Camera
- Lens
- Sensing
- Battery
- Audio
- Display
- Wireless Data Transmission
- Mechatronics

Product Development Process: Rebuild and Improve Efficiency
**Strategic Direction for the 5G Era**

**Applications Delivering Real-time Benefit of Live Data Transmission**

<table>
<thead>
<tr>
<th>Services</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Sports Broadcast</td>
<td>Concert Broadcast</td>
<td>Movie Streaming</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Solutions</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Content Production</td>
<td>Distribution</td>
<td>View &amp; Experience</td>
</tr>
<tr>
<td>Packaged Solutions for Professionals</td>
<td>Real-time IP transmission through operator collaboration</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Products</th>
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<tbody>
<tr>
<td>Xperia</td>
<td>α</td>
<td>Pro cameras</td>
</tr>
<tr>
<td></td>
<td>Xperia</td>
<td>Bravia</td>
</tr>
<tr>
<td></td>
<td>CLED</td>
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</table>

<table>
<thead>
<tr>
<th>Technology</th>
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<tr>
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**Smartphone Business: Business Direction**

**Mid-Term Vision**

**Creating New Value to Customers for the 5G Era**

**FY2018 Business Direction**

**Lean Transformation for Future Growth**

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Add to strength and efficiency by leveraging the assets, business know-how and infrastructure of the Sony Group

Reduce operating expenses & lower break-even point
**Smartphone Business: Sales & Operation Enhancements**

**Sales**

**Project Europe**

Strategic partnerships with operators while bolstering open channel sales

**Key Actions**
- Technological collaboration including 5G launch
- Realize efficiencies through the integration of Sony’s electronics sales operations
- Enrich product lineup through entertainment propositions

**Manufacturing, Procurement, Operations**

**Manufacturing**

Higher efficiency realized by automated line introduction

Service evolution through quality improvement

**Procurement**

Create long-term partnerships as “One Sony”

**Logistics**

Utilize Sony’s global network

Accelerate blockchain initiatives

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**Smartphone Business: Operating Expenses & Break-Even point**

**Transformation into a Lean Business**

- Rebuild product development process and significantly improve efficiency
- Leverage Sony Group business know-how and infrastructure to bolster design, manufacturing, sales and operations
MC Segment: Summary

**FY2020 Target:**

**OP:** 20~30 billion yen  
**Sales Level:** 670 billion yen (reference only)

Recurring Revenue Business:
- Realizing solid growth by leveraging stable customer base

Smartphone Business:
- Create a lean, agile business without an excessive focus on revenue and units sold
- Build a sustainable business structure through ‘One Sony’ initiatives
- Steadily implement initiatives to bolster and prepare for the future

Creating New Value to Customers for the 5G Era
Reference Materials

IP&S Sales by Business Category and Geographic Area

- FY2017 Sales by Business Category
  - Sales 650 bln yen
    - Medical
    - Digital Imaging
    - Still and Video Cameras
    - Professional
    - Other

- FY2017 Sales by Geographic Area
  - Sales 650 bln yen
    - Japan
    - U.S.
    - Europe
    - Asia
    - China
    - Other
Sony IR Day 2018

ILC (Incl. Lens): 19% (#3)
   (#1 in Mirrorless Camera)

DSC: 26% (#2)
   (#1 in Premium DSC*)

FY2017 Still Camera Market
Market Size: 1,400 bln yen

Sony 20%

Components of Video Camera Pie Chart
Video cameras for consumer
(POV + Conventional)
Video cameras for business
(Prosumer + Professional)

Sony 29%

*1 Premium DSC = DSC with large (1/1.7 inch and over) image sensors or high zoom (20x and over)

Source: Sony