## Sony IR Day 2018

May 22, 2018

Sony Corporation

<table>
<thead>
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<th>Category</th>
<th>Page</th>
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<tbody>
<tr>
<td>Game &amp; Network Services (G&amp;NS)</td>
<td>3</td>
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<td>Music (SME)</td>
<td>20</td>
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<td>31</td>
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<td>Home Entertainment &amp; Sound (HE&amp;S)</td>
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</tr>
<tr>
<td>Semiconductors</td>
<td>115</td>
</tr>
</tbody>
</table>
Sony IR Day 2018

Game & Network Services Segment

May 22, 2018

John (Tsuyoshi) Kodera

Business Executive, Sony Corporation
President & CEO, Sony Interactive Entertainment

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Agenda

1. FY2017 Review
2. Strategy from FY2018
1. FY2017 Review

**Further expand PlayStation® user base**
- PlayStation®4
  - 79M units cumulative sales as of Mar 31 2018
- PlayStation™Network
  - 80M+ MAU As of Mar 31 2018
- PS4 Game Play
  - 800M hrs+/week As of final week of Dec 2017

**Enhance game line-up**
- 246M games sold FY2017 PS4 software unit sales

**Grow PlayStation®Plus paid subscribers**
- PlayStation®Plus paid subscribers
  - 20.8M E/FY17
  - 26.4M E/FY16
  - 34.2M E/FY15
Challenges and improvements

PlayStation®VR
- VR market growth below expectation

PlayStation™Vue
- Market & future business model remains uncertain

ForwardWorks
- Delays in title development
- Still in investment phase

Improvements required in spite of steady growth
Utilizing these businesses to strengthen user engagement is key

FY2017 Operating Profit Variation from FY2016

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Act</th>
<th>FY2017 Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>1,649.8</td>
<td>1,943.8</td>
</tr>
<tr>
<td>+18%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>135.6</td>
<td>177.5</td>
</tr>
<tr>
<td>① Profit improvement from hardware cost down etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>② Profit growth from software sales and add-on contents including network</td>
<td></td>
<td></td>
</tr>
<tr>
<td>③ Network services growth mainly with PS Plus paid subscribers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>④ Increase in SGA to support network sales growth and R&amp;D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>⑤ Impact of exchange rates*¹</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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.
2. Strategy from FY2018

Enrich and utilize exclusive titles

Leverage install base and active user

Grow and improve recurring revenue
Strengthen user engagement

User engagement

- Balanced game portfolio
- F2P
- Variety of game models
- IP Franchise

- Improve user experience
- Enhance data analytics

- eSports
- PS VR
- PS Vue

The virtuous cycle of PlayStation

- Strengthen IP
  - Exclusivity
  - Utilize catalog

- PS Plus
  - Enrich membership
  - Grow revenue

- Improve Ecosystem
  - Expand user base
  - Increase playtime

- Platform of Choice
  - Rich features
  - Attractive services

OUTCOME

- MAU
- Retention
- Cash Conversion Cycle
- Cash Flow
Mitigate the impact of platform lifecycle

- Aim to mitigate the impact of platform lifecycle compared to the past cycle and stabilize profit structure.
- Generate cash flow by effectively utilizing 1 trillion yen network business.

Free Cash flow trend (FY2013~2017)
5 years cumulative
700 Bil-yen+

FY2018 Operating Profit Variation from FY2017

1. Hardware unit sales decline and cost increase
2. Profit growth from game software sales and add-on contents growth including network
3. Network services growth mainly with PS Plus paid subscribers
4. Increase in R&D and SGA etc.
5. Impact of exchange rates*1

*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2018 and comparing them with the previous fiscal year.
FY2020 Target

- Sales revenue (For Reference) 1,800 Bil-yen
- Operating Profit 130〜170 Bil-yen

O.P trend (FY1993〜2018, FY2020 Target)

We were aiming 1M units.

1994 We were aiming 1M units.
From now We are aiming 100M MAU.

いくぜ、100万台。
いくぜ、1億MAU。
Sony Music Business Overview

Recorded Music: 57%
Visual Media & Platform: 34%
Music Publishing: 9%

Outside Sales (FYE18 ACT)
SME: Sony Music Entertainment
SMEJ: Sony Music Entertainment Japan
S/ATV: Sony/ATV Music Publishing
EMI: EMI Music Publishing (Equity Method)

SONY

Sony IR Day 2018
Music Segment
May 22, 2018
- Operating Income: 110~130 billion yen

※ Sales Amount (For Reference): 800 billion yen
Sony Music FYE18 Achievements and Highlights

Strong Financial Results

Year over Year increases in:
- Revenue
- Operating Income
- Cash Flow
- Operating Margin

A Global Leader

- 25.1% Market Share
- #2 Global Music Company

Stronger Growth Global Market (ex Japan)

- Streaming +44%
- Digital Video +42%
- Total Market +10.5%

Strong Repertoire Performance

2017 Top Global Albums
- Beautiful Trauma
- Human
- Something Just Like This

2017 Top Global Singles
- Chainsmokers
- Closer
- I'm The One

New Artists
- 21 Savage
- Camila Cabello
- Childish Gambino
- Kane Brown
- Maluma
- Khalid
### Evolution of Streaming Landscape

**Strategies:**

1. **Drive Paid Subscription Around the World**
   - Healthy Competition and Consumer Choice
   - Transition Established and Open Developing Markets to Paid Subscription

<table>
<thead>
<tr>
<th>Established</th>
<th>Developing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spotify</td>
<td>Tencent</td>
</tr>
<tr>
<td>Apple Music</td>
<td>YouTube</td>
</tr>
<tr>
<td>Deezer</td>
<td>Google Play</td>
</tr>
<tr>
<td>Pandora</td>
<td>Claró Musica</td>
</tr>
<tr>
<td>Tidal</td>
<td>KKBox</td>
</tr>
<tr>
<td>Napster</td>
<td>Facebook</td>
</tr>
<tr>
<td>iLokkoM</td>
<td></td>
</tr>
</tbody>
</table>

**CURRENT FOCUS**

2. **Increase Revenue Per User**
   - Modernize Product and Plan Offerings
     - Create greater differentiation between paid and free tiers
     - Construct new product configurations and content to up-sell subscribers
     - Expand the use of voice, a driver of music consumption in the home and soon in the car
     - Launch pre-pay subscription options for developing markets

**LONG-TERM FOCUS**

### Strategic Investment In The Orchard

**MUSIC**

**VIDEO**

**TECH**

**DISTRIBUTION**

[Images of Phonofile and finetunes]
World Class Analytics Capabilities

Talent Discovery
- Analytics in the Creative Process
- Digging Deeper To Find Talent Earlier

Breaking Hits
- Targeted Marketing and Promotion
- Predictive Analytics = Measured Risk Taking

Optimizing Revenue
- Marketing ROI Increasingly Measurable
- Advanced Partner Analytics

Strengthening Artist Relationships
- Transparency in Payments
- Real Time Sales Reporting

Creative, Artist-Centric Approach

Increase Creative Workforce

Creativity & Musical Instinct

Streaming Genre Focus

Creative & Business Services

Artist Relationships
Human Resources Focus

Recorded Music Market Profile ($ in billions; excludes Japan)

- Three years of solid market growth
- Streaming growth more than offsetting declines in physical and downloaded markets
- Streaming represents 45% of total market
- Paid subscription revenue up 50% year over year
- 175 million premium paid subscribers
- Expect market growth in 2018
- Continued rapid growth of streaming, reaching 54% of total market
- Greater downloaded and physical declines

Healthy industry performance overall supports SME growth
Sony Music Operating Income: FYE17 Act → FYE18 Act
(US Dollars)

Sony Music Operating Income: FYE18 Act → FYE19 Forecast
(US Dollars)
Sony IR Day 2018

Music Segment (SMEJ)

May 22, 2018

Business Executive
Sony Corporation

Representative Director
Chief Executive Officer
Sony Music Entertainment (Japan) Inc.

Michinori Mizuno

Director of Board
CFO, Corporate EVP
Sony Music Entertainment (Japan) Inc.

Toshihiro Konno

Agenda

1. Business Outline

2. Mid-Term Vision

3. FY17 Results / FY18 Forecast
1. Business Outline

Company Profile

Name: Sony Music Entertainment (Japan) Inc.
Established: March, 1968
Location: 4-5 Rokubancho, Chiyoda-ku, Tokyo
Representative Director: Michinori Mizuno
Number of Subsidiaries: Approximately 20

Revenue Breakdown

Music
Artist Management
Music Publishing
Mobile Game
Anime
Digital
Physical
Other

Sony Music
### 50 Year Journey ~ Business Diversity Starting from CBS/Sony ~

**Music Segment (SMEJ)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>Est. CBS/Sony Records Inc. Began publishing business</td>
</tr>
<tr>
<td>1969</td>
<td>'75 began record warehouse/logistics business</td>
</tr>
<tr>
<td>1969</td>
<td>'78 built recording studios</td>
</tr>
<tr>
<td>1970</td>
<td>'87 in-house jacket design</td>
</tr>
<tr>
<td>1988</td>
<td>Began Zepp operations</td>
</tr>
<tr>
<td>1997</td>
<td>'97 began consignment sales for other companies</td>
</tr>
<tr>
<td>1997</td>
<td>Began music distribution business</td>
</tr>
<tr>
<td>2007</td>
<td>'97 est. SPE VISUAL WORKS</td>
</tr>
<tr>
<td>2001</td>
<td>'03 changed name to Aniplex, increased investment</td>
</tr>
<tr>
<td>2017</td>
<td>ʻ05 est. US-based company</td>
</tr>
<tr>
<td>2017</td>
<td>'17 first overseas Zepp</td>
</tr>
</tbody>
</table>

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### Business Model

**Content**

Artists, songs, recorded music, anime, video, mobile game, characters, etc.

**Digital**

**Real**

**Live**
2. Mid-Term Vision

Road to General Entertainment Company

◆ Creating and Maximizing Hits
  ✓ Strengthen music and anime IP
  ✓ Leverage IP
Creating and Maximizing Hits 〜 Strengthen Music and Anime IP〜

Creating and Maximizing Hits 〜 Leverage IP 〜

Expand Business Domain (Example: Fate Series)

TV Broadcast  Theatrical  Mobile Game

Visual Package Media  IP  Event

Music

Sony IR Day 2018
Creating and Maximizing Hits 〜 Leverage IP 〜

Sustainable Growth in Mobile Game Business

✔ *Fate/Grand Order* Retention Initiatives

✔ New Hit IP-Based Products

Road to General Entertainment Company

◆ Overseas Expansion

◆ New Businesses
Overseas Expansion - countries/regions

- Germany
- France
- China (Shanghai) Representative Office
- US (LA) Based Company
- Australia
- Live Venues in Asia
  - New Taipei
  - Singapore
  - Kuala Lumpur

New Businesses

- Sports
  - B.League
  - Sunwolves
- Event
  - AnimeJapan 2018
- AI
  - Project Samantha
- VR
  - Godbath
3. FY17 Results / FY18 Forecast

FY17 Operating Profit Variance from FY16

Music Segment (SMEJ)

- Operating Income
  - FY16
  - FY17*
    (Excludes One-Time Factor)
  - FY17

- Mobile Game
- Music/Anime
- Other
- Gain on Sale of Real Estate
SPE FYE18 Review

($ in millions)

**SALES**

<table>
<thead>
<tr>
<th>FYE17 Actual</th>
<th>$8,292</th>
<th>+10.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE18 Actual</td>
<td>$9,133</td>
<td></td>
</tr>
</tbody>
</table>

**OPERATING INCOME**

<table>
<thead>
<tr>
<th>FYE17 Actual</th>
<th>$280*</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE18 Actual</td>
<td>$376</td>
</tr>
</tbody>
</table>

**REVENUE GREW 10% TO OVER $9 BILLION; OI GREW 34% TO $376 MILLION**

1. Increase in Motion Pictures’ OI driven by stronger slate in FYE18 (e.g., Jumanji, Spider-Man: Homecoming, Baby Driver, Peter Rabbit) compared to prior year.

2. In Television Productions, higher licensing revenues for U.S. TV series offset by lower television licensing revenues on catalog product in current year.

3. Media Networks had loss from Ten Sports, a newly acquired business.

4. One-off charges due to reductions in centralized costs and executive restructuring.

Note: FYE = Fiscal Year Ended (e.g., FYE17 = Fiscal Year Ended March 2017)
Source: Pictures Segment Supplemental Data, March 31, 2018
* FYE17 operating income excludes the $962 million goodwill impairment write-down.
FINDING THE BEST HOME FOR OUR CONTENT

SONY PICTURES MOTION PICTURE GROUP
Four Strategic Objectives

1. Control IP
   - Consumer Products
   - Film
   - Theme Parks
   - Games
   - TV Shows
   - New Tech (VR)

2. Strengthen Labels
   - Columbia Pictures
   - Tristar Pictures
   - Sony Pictures Animation
   - Screen Gems
   - Sony Pictures Classics
   - Affirm Films
   - Sony Pictures International Productions

3. Global Focus
   - Control IP
   - Strengthen Labels
   - New Tech (VR)

4. Financial Discipline
   - Control IP
   - Strengthen Labels
   - Global Focus
TRANSITION TO DIGITAL MARKETING

RESHAPING THE ORGANIZATION

TIGHTEN WINDOWS

“THE OPPORTUNITY OF URGENCY”

SONY PICTURES TELEVISION
CREATION
CONNECTING
INNOVATE
COLLABORATION
EMPOWERING
SPE FYE19 Forecast

($ in millions)

SALES

FYE18 Actual: $9,133
FYE19 Forecast: $9,210*

+0.8%

ASSUMPTIONS FOR FYE19:

1. Our current projections for the Motion Pictures’ FYE19 slate are lower than FYE18’s very high-performing slate, and we expect higher unreleased marketing costs.

2. Television Productions is forecasting a reduction in OI based on assumptions regarding several series ending, partially offset by new series launching; also planning for higher development spend.

3. Media Networks growth primarily from Ten Sports, GSN and the Latin America region with general growth across most of the rest of the portfolio.

4. Change to GAAP rules and other.

OPERATING INCOME

FYE18 Actual: $376
FYE19 Forecast: $400**

Source: Pictures Segment Supplemental Data, March 31, 2018 and SPE Management

* FYE19 sales forecast converted at 105 JPY/USD and rounded down to the nearest 10 billion yen to ¥960 billion.

** FYE19 Operating income represents best estimate under new GAAP.

SPE FYE 21 Financial Target

Revenue: ¥1,050 Billion ($10 Billion)
(For Reference)

Operating Income: ¥58 – ¥68 billion ($550 – $650 million)

Implied Margin %: 5.5% – 6.5%

*$1 = ¥105
Sony IR Day 2018
Imaging Products & Solutions Segment
Mobile Communications Segment
May 22, 2018

Shigeki Ishizuka
Corporate Executive Officer, Executive Vice President,
Officer in charge of Imaging Products & Solutions Business/Mobile Communications Business
Sony Corporation
Representative Director and President
Sony Imaging Products & Solutions Inc.
Introduction

Shigeki Ishizuka
Corporate Executive Officer, Executive Vice President,
Sony Corporation

Imaging Products & Solutions Segment

Sony Imaging Products & Solutions Inc.
Shigeki Ishizuka
Representative Director and President
Toru Katsumoto
Hiroshi Kawano
Representative Director and Deputy President

Mobile Communications Segment

Sony Mobile Communications Inc.
Mitsuya Kishida
Representative Director and President

Sony Network Communications Inc.
Hirokazu Takagaki
President and Representative Director

Agenda

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

Organization: Sony Imaging Products & Solutions Inc.

Imaging Products & Solutions Segment

Digital Imaging Group
- ILC
- Lens
- DSC
- Camcorder

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

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

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

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

FeliCa Business Division

Sony IR Day 2018
**FY2017 Review**

**FY2017 Operating Income (vs FY2016)**

**Positive factors**
- Forex impact
- Recovery from the Kumamoto Earthquakes (insurance income, sales recovery)
- Increased value-added (shift to higher value-added models)

**Negative factors**
- 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**
- Forex impact

**Blue: positive factor**
- Improvement in value-added (shift to higher value-added models)
**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**

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

Create strong products based on our differentiated L2D technology

* L2D: Light to Display  * 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

Basic
Resolution
Speed

α7 III
α7R III
α9

"Camera of the Year" Camera Grand Prix 2018

G MASTER

Sony Imaging PRO SUPPORT
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>
- Real-time solutions that leverage IP & cloud
- Expand in the sports and B2B arena
- Develop 5G solutions

<Product>
- Develop products which use our L2D technology
- Reduce fixed costs in existing businesses

Sales

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

OP Margin

FY17 Actual: +
FY20 Target: +
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”

Imaging Products & Solutions Segment

Medical Business: Mid-Range Strategy

Surgical Imaging Device Business

Life Science Business
(For Research and Clinical)

Peripheral Medical Device Business

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

Transition from research device business to medical device business

Life Science Business
(Research)

4K Surgical Endoscope System
Surgical Microscope with 4K 3D Capabilities

Peripheral Medical Device Business

Profit Margin

SOMED & Solutions Business

IP Converter

Printer

Monitor

Cell Analyzer

Cell Sorter
Reference Materials

Sony IR Day 2018

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

FY2017 Sales by Geographic Area
- Sales: 650 bln yen
- Japan
- U.S.
- Europe
- China
- Asia
- Other
2. Mobile Communications Segment
FY2017 Overview

1. Smartphone unit sales decrease (FY16: 14.6M → FY17: 13.5M units)
2. Sharp increase in component costs
3. Negative impact of foreign exchange rates
4. Improvements in operational efficiency
5. Impairment

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

Fixed Line Communication Business: Cumulative Subscribers

<table>
<thead>
<tr>
<th>Year</th>
<th>Subscribers (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14</td>
<td>290</td>
</tr>
<tr>
<td>FY15</td>
<td>220</td>
</tr>
<tr>
<td>FY16</td>
<td>160</td>
</tr>
<tr>
<td>FY17</td>
<td>155</td>
</tr>
</tbody>
</table>

Evolution of Sony’s IoT Services

Utilize Sony Assets

Subscribers & Services

Mobile Communications Segment

Smartphone Business: Review (Accomplishments)

Operating Expenses (billion yen)

Forecast from FY15

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14</td>
<td>290</td>
</tr>
<tr>
<td>FY15</td>
<td>220</td>
</tr>
<tr>
<td>FY16</td>
<td>160 (Actual)</td>
</tr>
<tr>
<td>FY17</td>
<td>155 (Forecast from FY16)</td>
</tr>
</tbody>
</table>

Warranty-Related Costs

-58%

Accelerated reduction through continuous pursuit of further efficiencies

Significant reductions through quality improvements
Smartphone Business: Review (Outstanding Issues)

Issue: not improving product lineup fast enough
- Mid-term product planning and development
- Design and development lead time

Unit Sales (million units)

<table>
<thead>
<tr>
<th>Year</th>
<th>Forecast from FY15</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14</td>
<td>39.1</td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>24.9</td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td>14.6</td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>13.5</td>
<td></td>
</tr>
</tbody>
</table>

Smartphone Business: Business Direction

Mid-Term Vision
Creating New Value to Customers for the 5G Era

FY2018 Business Direction
Lean Transformation for Future Growth

Product
Sales
Manufacturing, Procurement, Operations

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: 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**

- Services: Sports Broadcast, Concert Broadcast, Movie Streaming, Games
- Solutions: Content Production, Distribution, View & Experience
- Products: Xperia, α, Pro cameras, Xperia, Bravia, CLED
- Technology: Light Source, Lens, Image Sensor, Image Processing, IP Transmission, 5G, Display

Product lineup made powerful through differentiating L2D (“light to display”) technology
Mobile Communications Segment

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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Mobile Communications Segment

Smartphone Business: Operating Expenses & Break-Even point

**Transformation into a Lean Business**

**OPEX**

- 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

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

Ichiro Takagi
Corporate Executive Officer, Executive Vice President
Officer in charge of Home Entertainment & Sound Business,
In charge of Consumer AV Sales & Marketing, Manufacturing, Logistics, Procurement
Sony Corporation
Representative Director & President
Sony Visual Products Inc.
Representative Director & President
Sony Video & Sound Products Inc.
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**
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**

**Business Unit**
Product Planning / Design

**Operation Platform**
Manufacturing / Procurement / Logistics

**Sales Platform**

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.
Sales

Sales strategy focused on select regions and product categories

Sony's Sales (by Geographic Region)

- **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
Results

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.

TV Business: Strategy and Priorities

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

*Source: Sony

Sony IR Day 2018
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
Video & Sound Business

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

Operating Income Analysis

<table>
<thead>
<tr>
<th>FY17</th>
<th>Operating Income</th>
<th>Sales 1,222.7</th>
<th>Exchange Rates</th>
<th>Price Erosion</th>
<th>Model Mix Improvement</th>
<th>Cost Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(bln yen)</td>
<td></td>
<td></td>
<td>85.8</td>
<td>86</td>
<td>86</td>
</tr>
<tr>
<td>FY18</td>
<td>April Forecast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

FY2020 Financial Targets

- 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**
  - Sales 864.8 bln yen
- **Sales by Region**
  - Asia Pacific
  - U.S.
  - Europe
  - China
- **LCD TV Unit Share by Manufacturer**
  - #5
- **LCD TV Revenue Share by Manufacturer**
  - #3
Video & Sound Business: FY2017 Sales by Product Type & Region

- **Sales by Product Type**
- **Sales by Region**

*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

- **Wireless Speakers**
  - #1
  - #3

- **Sound Bars**
  - #3
  - #1 in Japan

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

- **Blu-ray Players/Recorders**
  - #2

*Source: Sony
For the most recent year
*1 EU9: UK, France, Germany, Italy, Spain, Netherlands, Sweden, Poland, Czech
*2 EU3: UK, France, Germany
Sony IR Day 2018
Semiconductors Segment
May 22, 2018

Terushi Shimizu
Business Executive
Sony Corporation
Representative Director and President
Sony Semiconductor Solutions Corporation

Agenda

1. FY2017 Review
2. FY2018 Action Plan
3. FY2018 – FY2020 Mid-Range Plan
1. FY2017 Review

Achieved record high profit for the Semiconductors business

Operating Income Analysis (bln yen)

<table>
<thead>
<tr>
<th>Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>773.1</td>
<td>Image Sensors: 548.6</td>
</tr>
<tr>
<td>850.0</td>
<td>Image Sensors: 649.4</td>
</tr>
<tr>
<td>164.0</td>
<td>Others</td>
</tr>
</tbody>
</table>

Achievements

- Increased image sensor sales and profit
- Steady customer expansion for automotive image sensors
- Improved operating results in the non-image sensor businesses

Issues

- Ability to respond to fluctuations in demand from Chinese smartphone manufacturers
- Optimization of inventory level
- High currency sensitivity

FY16: 1 USD = 108.4 yen
FY17: 110.9 yen
2. FY2018 Action Plan

Our View of the Image Sensor Market

Mobile application growth led by dual lens and sensing. Growth in new areas expected.

Trend in World Wide Image Sensor Shipment Amount

- **New Area**
  - Automotive: Rise of the ADAS market
  - Factory Automation: Market expansion due to smart manufacturing
  - Security: Market expansion due to automatic monitoring using AI technology

- **Mobile Area**
  - Market expansion from dual lens and mobile sensing

- **AV Area**
  - Expansion of high-end sensor market

*Source: Sony*
Activities for Mobile

Evolve in plane, time and space to deliver “KANDO” in addition to achieving DSLR camera-like image quality.

Evolution of Mobile Sensors

<table>
<thead>
<tr>
<th>Present</th>
<th>Future ~</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Image Quality</strong>&lt;br&gt;High Dynamic Range / High Sensitivity / Low Noise&lt;br&gt;No blocked up shadows&lt;br&gt;Sharpness even in dark places&lt;br&gt;Reproduce KANDO as is</td>
<td><strong>Plane</strong>&lt;br&gt;Wide Angle / Enlargement&lt;br&gt;Free from Structure&lt;br&gt;<strong>Time</strong>&lt;br&gt;Super Slow&lt;br&gt;Free from Shutter&lt;br&gt;<strong>Space</strong>&lt;br&gt;Depth / Focus&lt;br&gt;Three-Dimensional / Immersive</td>
</tr>
</tbody>
</table>

Activities for Sensing

Succeeded in developing back-illuminated high-resolution ToF* sensor capable of distance measurement. Anticipate deployment to a wide range of use cases.

Development of ToF Sensor

| Front-Illuminated ToF Sensor | Back-Illuminated ToF Sensor |

Use Cases of ToF Sensor

<table>
<thead>
<tr>
<th>Present</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>Mobile</td>
</tr>
<tr>
<td>aibo</td>
<td>Drone</td>
</tr>
</tbody>
</table>

*ToF: Time of Flight
Activities for Automotive

Completed commercialization of stacked image sensor for ADAS.
Strengthen cooperation with key players.

Realization of “Safety Cocoon”

Cooperation with Key Players*

| BOSCH | DENSO |

Commercialization of High Resolution Stacked Sensor for Automotive Cameras

*Logos are arranged in alphabetical order

Activities for Factory Automation

The market is expanding due to industrial automation.
Transition from CCD to CMOS sensor proceeds.

Evolution of FA Sensors

<table>
<thead>
<tr>
<th>Present</th>
<th>Future ~</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCD</td>
<td>Stacked CMOS GS</td>
</tr>
<tr>
<td>Low Error Rate</td>
<td>Automation of Production Line</td>
</tr>
<tr>
<td>Front-illuminated CMOS GS*</td>
<td>High Speed and High Resolution Inspection</td>
</tr>
<tr>
<td>Increase Throughput</td>
<td>Infrared Sensor</td>
</tr>
<tr>
<td>Back-illuminated CMOS GS</td>
<td>Sugar</td>
</tr>
<tr>
<td></td>
<td>Salt</td>
</tr>
</tbody>
</table>

*GS: Global Shutter
Activities for Security

The security market is expanding due to the penetration of automatic monitoring using AI technology.

Evolution of Security Sensors

<table>
<thead>
<tr>
<th>Present</th>
<th>Future ~</th>
</tr>
</thead>
<tbody>
<tr>
<td>Back-illuminated CMOS</td>
<td>High Sensitivity</td>
</tr>
<tr>
<td>Full Color Image Capturing at Night</td>
<td>Wider Area Image Capturing in Outdoors</td>
</tr>
<tr>
<td>Low Noise Miniaturization</td>
<td>High-definition Image Capturing in Wider Area</td>
</tr>
<tr>
<td>Stacked</td>
<td>Optimization for AI monitoring</td>
</tr>
<tr>
<td>Region Control</td>
<td>Data Capacity Reduction</td>
</tr>
</tbody>
</table>

Activities for Technology Development (1)

Proceed with technology development that creates added value responding to market needs.

Direction of Technology Development

<table>
<thead>
<tr>
<th>Present</th>
<th>Future ~</th>
</tr>
</thead>
<tbody>
<tr>
<td>Back-illuminated</td>
<td>Sensitivity Improvement</td>
</tr>
<tr>
<td>Stacked</td>
<td>Miniaturization and High Functionality</td>
</tr>
<tr>
<td>Cu-Cu* Connection</td>
<td>Productivity Improvement and Space Saving</td>
</tr>
<tr>
<td>Pixel-Parallel ADC</td>
<td>Image Distortion Cancellation</td>
</tr>
<tr>
<td>Event Driven</td>
<td>Power Consumption 1/100</td>
</tr>
<tr>
<td>Region Control</td>
<td>Data Capacity Reduction</td>
</tr>
<tr>
<td>ToF</td>
<td>Distance Information Detection</td>
</tr>
<tr>
<td>Polarization</td>
<td>Distortion and Scratch Detection</td>
</tr>
<tr>
<td>Infrared</td>
<td>Invisible Light Inspection</td>
</tr>
</tbody>
</table>

*Cu-Cu: Copper to Copper
Activities for Technology Development (2)

Developed event-driven stacked CMOS image sensor realizing 1/100 power consumption.

Image of Sensor

Realized by stacked structure with Cu-Cu connection

Image of Motion Detection

Low resolution Fast Detection system & Ultra Low Power

Motion Detection & Automatic Switching

Activities for Technology Development (3)

Quick Response & Anti-shake Motion Detection

Movie
**FY2018 Forecast**

**Increase Capital Investment and R&D to Accelerate “Preparation”**

<table>
<thead>
<tr>
<th>Operating Income Analysis (bln yen)</th>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong> 850.0 Image Sensors 646.4</td>
<td>▪ Advancement of dual lens for smartphones</td>
</tr>
<tr>
<td><strong>Operating Income</strong> 164.0</td>
<td>▪ Rise of sensing and automotive market</td>
</tr>
<tr>
<td></td>
<td>▪ Appreciation of the yen and sluggish smartphone market growth are risks</td>
</tr>
<tr>
<td></td>
<td>▪ Appreciation of the yen and sluggish smartphone market growth are risks</td>
</tr>
<tr>
<td></td>
<td>▪ Recapitulation of capital intensive projects</td>
</tr>
<tr>
<td></td>
<td>▪ Increase profitability of mobile and AV fields which are the leading profit drivers</td>
</tr>
<tr>
<td></td>
<td>▪ Foster new areas such as sensing and automotive</td>
</tr>
<tr>
<td></td>
<td>▪ Increase activities to reduce manufacturing cost of sensors</td>
</tr>
</tbody>
</table>

**Basic Policy**

- Increase capital investment and R&D to accelerate “Preparation”
- Maximize profitability of mobile and AV fields which are the leading profit drivers
- Foster new areas such as sensing and automotive
- Continue activities to reduce manufacturing cost of sensors

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**3. FY2018 – FY2020 Mid-Range Plan**
Financial Target for FY2020

- **Financial Target for FY2020**
  - Operating Income: 160 - 200 billion yen
  
  - Sales Amount (For Reference): 1,100 billion yen

- **Mid-Range Plan for FY2020**
  - Maximize mobile sensor profit by enhancing response to environmental changes
  - Aim for profit contribution by new areas including sensing and automotive business
  - Promote technology development including function and performance expansion

---

Operating Income Targets for FY2020

<table>
<thead>
<tr>
<th>Segment</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Game &amp; Network Services (“G&amp;NS”) Segment</td>
<td>130 〜 170</td>
</tr>
<tr>
<td>Music Segment</td>
<td>110 〜 130</td>
</tr>
<tr>
<td>Pictures Segment</td>
<td>58 〜 68</td>
</tr>
<tr>
<td>Home Entertainment &amp; Sound (“HE&amp;S”) Segment</td>
<td>75 〜 105</td>
</tr>
<tr>
<td>Imaging Products &amp; Solutions (“IP&amp;S”) Segment</td>
<td>85 〜 105</td>
</tr>
<tr>
<td>Mobile Communications (“MC”) Segment</td>
<td>20 〜 30</td>
</tr>
<tr>
<td>Semiconductors Segment</td>
<td>160 〜 200</td>
</tr>
</tbody>
</table>

Assumed foreign currency exchange rates
- 1 US dollar: Approx. 105 yen
- 1 Euro: Approx. 115 yen

(For your reference) Branded Hardware* 180 〜 240

*The sum of HE&S, IP&S and MC segments
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(ii) 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 and liabilities are denominated;
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