Sony IR Day 2017

Home Entertainment & Sound Segment

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

Agenda

1. HE&S Segment FY2016 Review
2. HE&S Segment FY2017 Action Plan
   1. TV Business
      • Market Trends and Sony Sales Plan
      • Model Concept
      • Business Direction
   2. Video & Sound Business
      • Priorities
   3. HE&S Segment Forecast
3. Reference Materials
## 1. FY2016 Review

### Home Entertainment & Sound Segment

#### TV Business
- Improvement in profitability resulting from a focus on high value-added models mainly 4K/large-sized TV
- Reduction in material costs and operating costs and improvement in profit structure from enhanced SCM operations and maintenance of proper inventory in response to operating environment changes

#### Video & Sound Business
- Reinforce brand power
- Sales expansion of growing categories in Audio

### Operating Income Analysis

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,159.0</td>
<td>1,039.0</td>
</tr>
<tr>
<td>Operating Income</td>
<td>50.6</td>
<td>58.5</td>
</tr>
<tr>
<td>Change in Exchange Rates*1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume down</td>
<td></td>
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</tr>
<tr>
<td>Price Erosion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model Mix Improvement</td>
<td></td>
<td></td>
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<tr>
<td>Cost Reduction</td>
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</tbody>
</table>

*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2016 and comparing them with the previous fiscal year.

### Results

- **TV Business**
  - Improvement in profitability resulting from a focus on high value-added models mainly 4K/large-sized TV
  - Reduction in material costs and operating costs and improvement in profit structure from enhanced SCM operations and maintenance of proper inventory in response to operating environment changes

- **Video & Sound Business**
  - Improvement in profitability by focusing on high value-added products
  - Cost reduction through operational improvement

### Issues

- **TV Business**
  - Counteract operating environment changes such as foreign exchange rates
  - Reinforce stable profitable structure

- **Video & Sound Business**
  - Reinforce brand power
  - Sales expansion of growing categories in Audio
2. FY2017 Action Plan

TV Business - Market Trends and Sony Sales Plan

Shift to premium 4K TV segment while TV market is recovering

LCD TV Market Trends (by units)

- 4K
- 2K

(Million Units)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>4K</td>
<td>220</td>
<td>230</td>
</tr>
<tr>
<td>2K</td>
<td>30%</td>
<td>40%</td>
</tr>
</tbody>
</table>

*1 FY16 (Actual)  *1 FY17 (Latest Forecast)

Sony Sales Amount

- 4K
- 2K

(Million Yen)

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*1 Source: Sony

Definition of Premium 4K
- ASP: greater than USD1,500
- Spec: 120Hz

3% 97%
TV Business – Model Concept

Drive market growth of “Premium 4K”

Immersive Picture Quality
Realize high picture quality regardless of panel source through proprietary image processing technology

Sony Unique Design
High picture quality but stylish Uncompromising beauty in both front and back

Extremely Easy Content Access
Easy/Smart/Convenient usability responding to user curiosity

Power of products
Provide the best user experience via proprietary technology
Continuous investment in R&D for the future

Competitive cost structure
Cost control in line with the business scale and strategic and stable material procurement

Operational excellence
Enhance overall operations from production through sales so as to respond to changes in the operating environment
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Video & Sound Business - Priorities

Maintain consistent profitability by enhancing product appeal and sales resources in growth categories

- Reinforce the image of Sony as a brand which makes great sounding products
- Strengthen product competitiveness in audio growth categories through differentiated technology (Headphones, Sound Bars, Wireless Speakers)
- Reinforce sales resources
- Investment in R&D for the future

Home Entertainment & Sound Segment

Maintain consistent profitability by enhancing product appeal and sales resources in growth categories

- Further increase added value of products through proprietary technologies for high picture and sound quality, and excellent design and usability
- Reinforce a stable profitable base through further operational improvements

Video & Sound Business

- Increase added value through enhanced product appeal in growth categories
- Operational improvement
- Further structural reinforcement for future investment

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3. Reference Materials

TV Business - FY2016 Sales by Product Type & Region / Unit and Revenue Share

- Sales by LCD TV Product Type

- Sales by Region

- LCD TV Unit Share by Manufacturer

- LCD TV Revenue Share by Manufacturer

Source: Sony
For the most recent year
Sales by Product Type

- Video
- Audio
- Others

Audio Growth Category

- Sound Bars
- Headphones
- Wireless Speakers

Sales by Region

- Japan
- United States
- Europe
- Other Areas

Video & Sound Business – FY2016 Sales by Product Type & Region

*1: “Audio Growth Category” includes Sound Bar, Wireless Speaker and Headphone as its main products.

Video & Sound Business - Key Products’ Market Share (Revenue basis)

- #1 in Japan
- #2
- #3
- #4

*1 EU5: UK, France, Germany, Italy, Spain
*2 EU3: UK, France, Germany

※ Source: Sony
For the most recent year
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(iii) 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 televisions, game and network platforms and smartphones, 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 consumer preferences;
(iv) Sony’s ability and timing to recoup large-scale investments required for technology development and production capacity;
(v) Sony’s ability to implement successful business restructuring and transformation efforts under changing market conditions;
(vi) Sony’s ability to implement successful hardware, software, and content integration strategies for all segments including the Financial Services segment, and to develop and implement successful sales and distribution strategies in light of the Internet and other technological developments;
(vii) Sony’s continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to prioritize investments correctly (particularly in the electronics businesses);
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(x) Sony’s ability to forecast demands, manage timely procurement and control inventories;
(xi) the outcome of pending and/or future legal and/or regulatory proceedings;
(xii) 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;
(xiii) 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;
(xiv) Sony’s ability to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony’s business information, potential business disruptions or financial losses; and
(xv) risks related to catastrophic disasters or similar events.

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