Sony IR Day 2014
Home Entertainment & Sound Segment

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Agenda

- Televisions
  1. Business Overview
  2. Forecasted Market Trends
  3. Mid-term Business Direction
- Audio and Video
  4. Business Overview
  5. Forecasted Market Trends
  6. Mid-term Business Direction
- Home Entertainment & Sound Segment
  7. Business Performance
  8. Summary
1-1. FY2013 LCD TV Sales  Unit / Value Share

- **FY2013 Sales by Key Product**
  - 4K TV
  - Sales 754.3 bln yen
  - 2K TV

- **FY2013 Sales by Region**
  - Sales 754.3 bln yen
  - Japan
  - United States
  - Europe
  - Asia-Pacific
  - China
  - Other Areas

- **FY2013 LCDTV Unit Share by Manufacturer**
  - Source: Sony
  - #3

- **FY2013 LCDTV Value Share by Manufacturer**
  - Source: Sony
  - #3

1-2. TV Business Operation Sites

- **Home Entertainment & Sound Segment**
- **Television**

- **Sony Visual Products Inc.**
- **Malaysia Factory**
- **Brazil Factory**
- **EMS**
- **EMS**
- **Shanghai Factory**
- **Aichi Inazawa Factory**

Legend:
- = Transferred site
- = Production, assembly factory
- = D&D, R&D site
2-1. Forecasted LCD TV Market Trends

Although the market is expected to grow slightly on a unit basis, it is expected to decline on a value basis due to a decline in ASPs. Even in this environment, the 4K market will grow steadily.

2-2. Forecasted LCD TV Market Trends by Area

Developed markets are expected to level out, however emerging markets, especially Pan-Asia, are expected to grow steadily.
3-1. Mid-term Business Direction

Establish a stable, profitable business by differentiating our products and selecting and concentrating where we use our resources

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<tbody>
<tr>
<td>OP</td>
<td>-147.5</td>
<td>OP</td>
<td>-69.6</td>
<td>OP</td>
<td>-25.7</td>
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</tbody>
</table>

(1) Move away from structure which was based on growth
- remove waste and inefficiencies
- transform organization, reduce fixed costs
- improve quality, closely control inventory, reduce idle factory spaces

(2) Reduce panel costs
- cancellation of S-LCD joint venture

(3) Enhance product competitiveness

Establish “Stable Profitable Business”

Get ticket to enter business ▲
Current position

(1) Differentiation by enhancing basic functions
(2) Selection and concentration of where to use resources
→ Profitable business structure even if sales fall by 20~30%

A 60 billion yen loss related to the sale of Sony’s shares of S-LCD is not included.

3-2. Mid-term Business Direction

Establish a stable, profitable business by differentiating our products, and selecting and concentrating where we use our resources

- Enhance basic functions:
  ➔ Fascinating products that meet our customers’ needs

  1) Enhance essential values: picture quality, cosmetic design, ease of use

  2) Combine our differentiated technologies and industry standard technologies
     - Differentiated technologies: back lights + signal processing
     - Commoditized panels
     - Utilization of the Android Platform
3-3. Mid-term Business Direction

Establish a stable, profitable business by differentiating our products, and selecting and concentrating where we use our resources

- Selection and concentration → Profitable business structure even if sales fall by 20~30%

1) Accelerated decision-making after splitting out the TV Business

2) Reduction of product line-up
   - 30% reduction from FY2014 to FY2017

3) Clear focus on sales strategy by area
   - US: Shop in shop
   - EU: Build up shop front (as an interface to our customers)

4) Further improvement in design efficiency and low cost operations by global mother factory in Malaysia

5) Reduction of headquarters costs and fixed sales cost

4-1. FY2013 Business Overview

- FY2013 Sales by Key Product
- FY2013 Sales by Region

*1: "Audio Growing Category" includes Sound Bar, Wireless Speaker and Headphone as its main products.

*2: Sales are based on the organizational structure as of October 2014, which includes a transferred business.
4-2. Key Products’ Market Share

<table>
<thead>
<tr>
<th>Product</th>
<th>Market Share</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headphones</td>
<td>#2</td>
<td>Japan / US / EU5</td>
</tr>
<tr>
<td>Wireless Speakers</td>
<td>#1</td>
<td>Japan</td>
</tr>
<tr>
<td>Sound Bars</td>
<td>#3</td>
<td>Japan</td>
</tr>
<tr>
<td>Digital Music Players</td>
<td>#2</td>
<td>Japan</td>
</tr>
<tr>
<td>Home Video (Blu-ray Recorders)</td>
<td>#3</td>
<td>Japan / US / EU3</td>
</tr>
</tbody>
</table>

* Source: Sony

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

R&D / Design base sites are located in Tokyo (Osaki). Malaysia and Thailand manufacturing sites also have some design functions. Brazil factory performs local manufacturing.
5. Forecasted Market Trends by Product

<table>
<thead>
<tr>
<th>Product Outlook</th>
<th>Business Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Video</td>
<td>Deliver brand-new audio &amp; visual experiences through improved basic functions and linkage with mobile devices.</td>
</tr>
<tr>
<td>Audio, Others</td>
<td>Go after remaining players’ profit through efficiency in design &amp; operations.</td>
</tr>
<tr>
<td>Audio Growing Category (Headphones, Sound Bars, Wireless Speakers)</td>
<td>Utilize current technology and know-how to respond to changes in the market or customers and expand peripherals.</td>
</tr>
<tr>
<td>Audio Growing Category (Headphones, Sound Bars, Wireless Speakers)</td>
<td>Deliver high-res products with Sony’s original sound technology to meet the growing demand for high quality sound and offer new exciting sound experiences more easily.</td>
</tr>
</tbody>
</table>

By FY2017, the audio growing category (Headphones, Sound Bars, and Wireless Speakers) will expand to almost 50% of the market, while the Home Video portion of the market will shrink.

6-1. Mid-term Business Direction

Establish firmly profitable structure without relying on sales growth

- **Strategy I**: Deliver the best sound and picture to customers through high value-added products with high-res technology.
  - Increase sales and profit through high value-added products in the audio growing category (Headphones, Sound Bars, and Wireless Speakers) positioning high-res as our core technology.
  - Improve profitability by reviewing regional strategy to meet market and competition changes.

- **Strategy II**: Strengthen design and operational efficiencies.
  - Save fixed costs and loss costs through strong operational ties between design and manufacturing which is led by key factories.

- **Strategy III**: Enhance brand with the best sound & the best picture.
  - With high-resolution products, raise Sony brand awareness as high-quality sound and picture brand.
6-2. Mid-term Business Direction

Aim to improve profitability through an expansion of our high-res product portfolio

Expand SONY’s audio products in living room by its original high-res experience

7-1. HE&S Segment: Change in FY2014 Operating Income

<table>
<thead>
<tr>
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<th>FY12</th>
<th>FY13</th>
<th>FY14 (Forecast as of October 2014)</th>
</tr>
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<tbody>
<tr>
<td>1. Improvement in model mix, cost reduction</td>
<td>1,016.8 bln yen</td>
<td>1,199.3 bln yen</td>
<td>1,230.0 bln yen</td>
</tr>
<tr>
<td>2. Reductions in sales company costs</td>
<td>-21.0</td>
<td>-82.2</td>
<td></td>
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<tr>
<td>3. Negative impact of foreign exchange rates</td>
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<tr>
<td>4. Increase in design &amp; manufacturing costs</td>
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Significant improvement due to an increase in high value-added models, and a reduction in cost

*The figures for sales and operating income are based on the organizational structure as of October 2014, which includes a transferred business.
7-2. HE&S Segment: Initiatives to Improve Profitability (FY2014 to FY2017)

**Televisions**
- Improvement in profitability through product differentiation by enhancing basic functions
- Fixed cost reductions realized by selecting and concentrating where to utilize our resources

**Audio & Video**
- Increase in sales and operating income due to the introduction of premium products such as high-res
- Fixed cost reductions through efficiencies in design and manufacturing.

Target a 2~4% operating margin by improving product margins through stronger products and fixed costs reductions.

*The figures for sales and operating income are based on the organizational structure as of October 2014, which includes a transferred business.

8. Summary

**FY2017 Financial Targets**
- Sales: $1,000~1,100$ billion yen
- Operating Income Margin: 2~4%

Target a 2~4% operating margin by improving product margins through stronger products and fixed costs reductions.

*The figures for sales and operating income are based on the organizational structure as of October 2014, which includes a transferred business.
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