Sony IR Day 2014

Imaging Products & Solutions Segment

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President of Professional Solutions Group

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Sony Corporation

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Agenda

- Overview of Imaging Products & Solutions Segment
- Digital Imaging Products
  1. Business Overview
  2. Forecasted Market Trends
  3. Mid-term Business Direction
- Professional Solutions
  4. Business Overview
  5. Mid-term Business Direction
  6. Imaging Products & Solutions Segment
  7. Business Performance
  8. Summary
Overview of Imaging Products & Solutions Segment

**Mission:** With continuous innovation in the Digital Imaging category, we aim to firmly maintain Sony’s leading position in the industry and contribute to the Sony Group by generating stable profit.

- **Customer Segments**
  - **Consumers**
    - HandyCam
    - ActionCam
    - New Camera
  - **B2B**
    - Content Creation
      - Visual Presentation
      - Medical Imaging Products
    - Security, Felica, etc.

- **Lens portfolio**
  - Camcorder for Prosumers

- **Imaging Platform**
  - Imaging Products Business
  - Professional Solutions Business

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1-1. Business Overview

- **FY2013 Sales by Products**
  - Video Camera
  - Still Camera
  - Others

- **FY2013 Sales by Region**
  - Japan
  - US
  - Europe
  - Asia, Middle, East & Africa
  - China
  - Others

**Category breakdown:**

- Video Camera: Consumer Video Camera ("Consumer CAM"), Professional Video Camera ("Professional CAM")
- Still Camera: Compact Digital Still Camera ("DSC"), Interchangeable Lens Camera ("ILC"), Interchangeable Lens

*1. abbreviated name in parentheses () will be used in this presentation
*2. CAM=Video Camera
*3. Including Action Camera
1-2. Key Products’ Market Share (Value basis)

**Market Share by Product Category**

**FY2013 Still Camera Market**
- Market Size: 2,300 bln yen
- DSC: 19% (No.3)
  - (Premium DSC*1 share: over 30% (No.1))
- ILC (Inc. Lens): 9% (No.3)
  - (Mirror-less camera share: 40% (No.1))

**FY2013 Video Camera Market**
- Market Size: 320 bln yen
- No.1 Share

*1. Premium DSC= DSC with large (1/1.7inch over) imager or high zoom (x20 over)

Source: Sony

2. Forecasted Market Trends by Product

The video camera market is expected to shrink slightly, while the still camera market is expected to shrink significantly. In still cameras, the percentage of mirror-less ILCs will increase.

**Still Camera Market Composition Forecast**
- Expect increase in ratio of ILC, especially mirror-less
- ILC: Mirror-less
- ILC: Single reflex
- DSC

**Video Camera Market Composition Forecast**
- No significant change in market composition
- Professional cameras accounts for 30% on value basis

Source: Sony
3-1. FY2014 Business Outlook and Mid-term Business Direction

Revised FY2014 Business Outlook

- Improvement in product mix due to the shift to premium products (ILC, DSC)
- Growth of “α” interchangeable lens business
- Improvement in operational efficiency
  - Reduction in sales company SGA
  - Reduction in fixed costs associated with manufacturing
  - Improvement in development efficiencies by propelling Design Platform

Reasons for Improvement from FY2013→FY2014

- Change in FY2014 Operating Income

Mid-term Business Direction

Aim to sustain highly profitable business by continuously focusing on premium and growing markets while pursuing operational efficiencies

3-2. Mid-term Business Direction

Aim to sustain highly profitable business by continuously focusing on premium and growing markets while pursuing operational efficiencies

- **Strategy I**
  Enforcement of “α” Interchangeable Lens Camera (ILC) Business

- **Strategy II**
  Expansion of “α” Interchangeable Lens Business

- **Strategy III**
  DSC/CAM Further Premium Shift

- **Strategy IV**
  Application of Camera Technology to B2B Market

- **Strategy V**
  Continuous Improvement in Operational Efficiency

### FY2013
- **Create New Full Frame Mirror-less Camera Market**
  - World’s First, 35mm Full Frame
  - Optical Low-pass Filter-less Ultra High Resolution (35M pixels)
  - Released Nov. 2013

### FY2014
- **The World’s Best Technology in a Compact Body**
  - World’s Highest Sensitivity ISO409600
  - World’s First Full Frame ILC with 5-axis image stabilization
  - Released Jun. 2014

### FY2015
- To be released Dec. 2014

### Middle & Entry User
- Entry and Middle class Mirror-less camera line-up with top market share
  - **World’s Fastest Autofocus**
    - α 6000 as of Feb. 2014
    - World’s fastest AF speed of 0.06 sec
    - Wide-area 179-point focal plane phase-detection AF sensor
    - AF algorithm for steadfast and accurate prediction of next move
    - Released May 2014
    - Released Sep. 2014

## 3-4. Strategy I. Enforcement of “α” ILC Business: Our Next Vision

### FY2013
- **Create New Full Frame Mirror-less Camera Market**
- High-end User: α 7
- Middle & Entry User: α 7R, α 7N

### FY2014
- **The World’s Best Technology in a Compact Body**
- High-end User: α 7R, α 7N
- Middle & Entry User: α 7, α 7II
  - New

### FY2015
- **Establish clear differentiation from others by utilizing 3 key in-house core technologies**
- High-end User: α 6000, α 5100
- Middle & Entry User: α 6000, α 5100
- Ultimate Speed
- Ultimate Sensitivity
- Ultimate Resolution
- 4K Image Cube
- Image Stabilization
- A F

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3-5. Strategy II. Expansion of “α” Interchangeable Lens Business

Accelerate lens business by expanding rich lens line-up, especially on full frame E-mount (FE) lenses, and marketing them with “G” brand and “Zeiss” brand backed by cutting edge in-house lens technology.

In-house lens technologies

- Aspherical Lens Elements
- Nano AR Coating
- ED (Extra-low Dispersion) Glass
- Circular Aperture
- Linear Motor
- Super Sonic-wave Motor (SSM)

Expansion of FE line-up

- FY2013: 5 FE lenses
- FY2014+: 13 FE lenses
- FY2015~ (Short term goal): Over 20 FE lenses

Rich lens line-up offering versatile shooting options

- Total Lens Line-up*1:
  - FY2013: 56 Lenses
  - FY2014+: 64 Lenses
- Cumulative production*2
  - FY2015~ (Short term goal): Over 70 Lenses

Customer

- Branding Strategy
  - Branding mainly for:
    - Wide ~ Standard
    - Prime type Lenses
  - Established brand of optics from analog era
  - Brand lenses with Sony’s cutting edge digital technology
  - Branding mainly for:
    - Standard to Telephoto
    - Zoom type Lenses

Product

- Technology
  - Over 70 Lenses
  - Over 30 mil. units

Customer

3-6. Strategy III. DSC/CAM Further Premium Shift

Keep competitiveness of premium products by evolving and combining in-house core technologies which realize new photography experiences and customer value.

- RX100 (FY2012)
  - “Pocket-sized, pro performance”
  - Premium DSC with 1.0-type Sensor

- RX100M2 (FY2013)
  - “Ultra-sensitive artistry”
  - New 1.0-type back-illuminated Sensor

- RX100M3 (FY2014)
  - “Wide angle / High resolution”
  - New large aperture lens
  - New EVF
  - New image processing engine

- AX100
  - “Your Story. In 4K detail”
  - World’s first 4K Consumer CAM with 1.0-type Sensor

- PXW-FS7
  - “Expansion α mount family to professional CAM”
  - Professional CAM with E-mount Interchangeable lens system

- Image Cube
  - New large aperture lens
  - New EVF
  - New image processing engine

- “Pocket-sized, pro performance”
  - Premium DSC with 1.0-type Sensor
3-7. Strategy IV. Application of Camera Technology to B2B Market

Planning to expand B2B camera business by applying our strong core camera technologies cultivated in the competitive consumer camera market

- Automotive Camera
- Machine Vision Camera
- Camera Block for Surveillance Camera

3-8. Strategy V. Continuous Improvement in Operational Efficiency

- Propel camera design platform to realize engineering efficiencies and reinforce our core technologies
- “Be Particular” and “Decide Practically”
- Lean management of fixed cost to meet tough business conditions
- Streamline sales function in accordance with corporate strategy
Aim to sustain highly profitable business by continuously focusing on premium and growing markets while pursuing operational efficiencies

**Key Strategies**

I. Enforcement of “α” Interchangeable Lens Camera (ILC) Business
II. Expansion of “α” Interchangeable Lens Business
III. DSC/CAM Further Premium Shift
IV. Application of Camera Technologies to B2B Market
V. Continuous Improvement in Operational Efficiency
4-1. Business Overview

Three Core Business Areas
- Solutions business aimed toward broadcasters’ and other content creators’ mission-critical tasks (Content Creation)
- Projection systems for sophisticated and diversified content (Projector)
- Medical products and systems using Sony’s imaging and device technologies for capturing, printing, sharing and presenting images (Medical)

FY2013 Sales by Key Business Areas

4-2. Business Overview - Content Creation

Content Creation – business strengths:
- Overwhelming trust from customers derived from Sony’s long-term contribution to their mission-critical tasks
- Global No. 1 market share in camera system

FY2013 Sales by Key Products / Systems

FY2013 Sales by Region
4-3. Business Overview - Projector

Projector – business strengths:
- In-house production of key devices provides us with technological differentiation and high quality
- Successful laser light source model that is more advanced than our competitors has allowed us to increase our share in the middle-brightness market
- Expansion of market share in high-end home projector with 4K SXRD panel

FY2013 Sales by Key Products / Systems

Strength of vertical integration
Phosphor laser light source and 3LCD panel can realize vivid color images

“BrightEra” is the name of our own LCD micro-display device which realizes high picture quality

4-4. Business Overview - Medical

Medical – business strengths:
- Global No. 1 market share in medical printers for endoscope and ultrasound systems
- Expansion of medical products other than printers
  Example: head-mount image processing unit for endoscopic image display

FY2013 Sales by Key Products / Systems

Head-mount image processing unit enables more flexible work styles

Conventional laparoscopic procedure
Laparoscopic procedure using Sony’s head-mounted display

Surgeons’ posture and movement are restricted
Enables surgeons to position themselves flexibly

*Please note that although this product has been approved in Japan and EU, its launch in other countries has not yet been confirmed.
5-1. Mid-term Business Direction

Utilizing the strengths of the three core businesses, we will reinforce the competitiveness and profitability of each business, and contribute to stable and sustainable profit for Sony’s electronics business

- **Forecasted Market Trends by Business Area (CAGR*1 for FY2014-2017)**

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Addressable Market</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content Creation</td>
<td></td>
<td>2-3%</td>
</tr>
<tr>
<td>Projector Installation Projectors</td>
<td></td>
<td>11-13%</td>
</tr>
<tr>
<td>Medical Addressable Market</td>
<td></td>
<td>5-7%</td>
</tr>
</tbody>
</table>

*1. CAGR: Compound Annual Growth Rate

Source: Sony

5-2. Mid-term Business Direction - Content Creation

Maintain competitiveness by offering innovative value in total workflow from acquisition to distribution utilizing the strengths of our camera systems, and respond to customer’s demand for higher resolution and further efficiency

- **4K for HD solution**
  - The remote production environment can be easily simplified compared to a conventional system using multiple coaxial cables

- **Archive System**
  - Optical Disc Archive

- **HD Super Zoom**

- **IP Live Production**

- **Media Lifecycle Service**
  - Create new efficiencies and new business based on customer’s media assets and archives

Source: Sony
5-3. Mid-term Business Direction - Projector

- Continue to invest in “one and only” differentiated technologies
- Propose Sony’s unique visual entertainment experience to the customers

Elemental technologies necessary to realize immersive “Kando” experience

SXRD 3LCD Laser Light Source

5-4. Mid-term Business Plan - Medical

Offer innovative products and systems for images in medical workflow by optimizing Sony’s imaging and device technologies and resources

Expansion of products for key accounts
Distribution of surgery video in hospitals

*product photos are current model.
6-1. IP&S Segment: Change in FY2014 Operating Income

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14 (Forecast as of October 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>756.2</td>
<td>741.2</td>
<td>710.0</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1.4</td>
<td>26.3</td>
<td>52.0</td>
</tr>
</tbody>
</table>

Operating income is forecasted to increase as a result of 1. an improvement in the product mix which covered the decline in sales due to the shrinking consumer digital imaging market, and 2. fixed cost reductions.

6-2. IP&S Segment: Initiatives to Improve Profitability (FY2014 to FY2017)

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14 (Forecast as of October 2014)</th>
<th>FY17 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>756.2</td>
<td>741.2</td>
<td>710.0</td>
<td>650~700</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1.4</td>
<td>26.3</td>
<td>52.0</td>
<td>7%~9%</td>
</tr>
<tr>
<td>Operating Income Margin (%)</td>
<td>0.2%</td>
<td>3.5%</td>
<td>7.3%</td>
<td></td>
</tr>
</tbody>
</table>

Although the market size of our existing commoditized businesses is shrinking, we plan to increase operating income through the expansion of new consumer and professional businesses, in addition to controlled fixed costs.
7. Summary

### FY2017 Financial Targets

- **Sales**: 650～700 billion yen
- **Operating Income Margin**: 7% ～ 9%

IP&S will aim to generate stable profit by promoting technology-driven product development and establishing new customer segments.

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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 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 excluding 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);

(viii) Sony’s ability to maintain product quality;

(ix) the effectiveness of Sony’s strategies and their execution, including but not limited to the success of Sony’s acquisitions, joint ventures and other strategic investments;

(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 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; and

(xiv) risks related to catastrophic disasters or similar events.

Risks and uncertainties also include the impact of any future events with material adverse impact.