Sony IR Day 2016

Mobile Communications Segment

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President and Representative Director
So-net Corporation

Agenda

■ Smartphone Market Trends

■ Transformation of the Mobile Business
  1. Key Priorities
  2. Business Review and Financials
  3. Future-Oriented Actions
1. Smartphone Market Trends

**Smartphone Market Trend Forecast**

- Global average annual growth slowing to +1.4% due to growth slowdown in emerging markets
- Sony’s priority is to focus on markets where Sony can leverage its strengths to ensure profitability improvements

<table>
<thead>
<tr>
<th>Units (million)</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>80</td>
<td>114</td>
<td>91</td>
</tr>
<tr>
<td>North America</td>
<td>176</td>
<td>205</td>
<td>169</td>
</tr>
<tr>
<td>Middle East</td>
<td>205</td>
<td>135</td>
<td>205</td>
</tr>
<tr>
<td>Europe</td>
<td>31</td>
<td>26</td>
<td>28</td>
</tr>
<tr>
<td>Other Asia Pac</td>
<td>45</td>
<td>110</td>
<td>120</td>
</tr>
<tr>
<td>Japan</td>
<td>39</td>
<td>26</td>
<td></td>
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</tbody>
</table>

**CAGR (FY15-17)** +1.4% (IR Day 2015 assumption: +7.1%)

Growth in China, India, Indonesia, Brazil (45% of volume market) slowing to 0.3% (IR Day 2015 assumption: +8.1%)

Source: Sony estimate
2. Transformation of the Mobile Business
Sony IR Day 2016

Mobile Business Transformation

<table>
<thead>
<tr>
<th>FY2015 (Phase 1)</th>
<th>FY2016 (Phase 2)</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolster Area Strategy</td>
<td></td>
<td></td>
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<tr>
<td>Enhance Product Appeal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transformation: Execution &amp; Completion</td>
<td>Continue &amp; Maintain Healthy Business Structure</td>
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<tr>
<td>Engage in New Future-Minded Businesses</td>
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**FY2016 Turnaround through Completion of Phases 1 & 2**

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**Mobile Business Transformation – Phase 1**

- **FY2015: Transformation Interim Report**

  **KPI from IR Day 2015**

  - **OPEX:** FY14 300 bln yen
  - **Headcount:** 7,100 (As of Oct. 1, 2014)
  - **Organization Delayering:**
    - Organization layers below CEO level: 8 to 6
    - Units 2 layers below CEO level: 43 to 32
    - Locate 20 of 32 units in Tokyo
  - **R&D Expense Reduction (FY14→16):**
  - **Number of Platforms (FY15→16):**
  - **Number of Variants (FY14→16):**

<table>
<thead>
<tr>
<th>Target</th>
<th>Result / Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15: 240 bln yen</td>
<td>FY15: 220 bln yen</td>
</tr>
<tr>
<td>FY16: 210 bln yen</td>
<td>FY16: 180 bln yen</td>
</tr>
<tr>
<td>Headcount: 5,000 (As of Apr. 1, 2016)</td>
<td>Headcount: 4,500 (As of Apr. 1, 2016)</td>
</tr>
<tr>
<td>6 layers</td>
<td>6 layers</td>
</tr>
<tr>
<td>32 units</td>
<td>31 units</td>
</tr>
<tr>
<td>20 units</td>
<td>21 units</td>
</tr>
<tr>
<td>Approx. 30% Reduction</td>
<td>Approx. 35% Reduction</td>
</tr>
<tr>
<td>Approx. 60% Reduction</td>
<td>Approx. 33% Reduction</td>
</tr>
<tr>
<td>Approx. 50% Reduction</td>
<td>Approx. 55% Reduction</td>
</tr>
</tbody>
</table>

- **Completed profit structure transformation for business turnaround in FY2016**
# Mobile Business Transformation – Phase 2: Area Strategy

## Business Direction

<table>
<thead>
<tr>
<th>Region</th>
<th>Key Priority</th>
<th>Business Direction</th>
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</thead>
<tbody>
<tr>
<td>East Asia (inc. Japan), Europe, Middle East</td>
<td>Maximize sales &amp; profit contribution</td>
<td>Strengthen Business/Growth</td>
</tr>
<tr>
<td>Latin America, Other Asia Pacific</td>
<td>Continue to generate and maintain steady profit</td>
<td>Preserve Business</td>
</tr>
<tr>
<td>U.S.A., Brazil, India, China</td>
<td>Significant operating loss reduction through transformation (FY14→FY16 reduction: approx. 40 bln yen)</td>
<td>Business Contraction</td>
</tr>
</tbody>
</table>

*Completed in FY2015*
Mobile Business Transformation – Phase 2: Area Strategy

**Japan**

- **Maximize profit by enhancing high value-added product competitiveness**
  - Z5 Premium: Strong sales, highly appreciated by customers

- **Focus on customer value and make Xperia the “brand of choice”**
  - Deliver unique and superior user experience
  - Brand change and alignment with new Xperia X series

- **Enhance engagement with operators and other business partners**
  - Technological collaboration/co-development with target operators
    - eg: achieved fastest network connection speed on our high value-added smartphone

Roll out best practices in Japan to other key regions

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Mobile Business Transformation – Phase 2: Product Strategy

- **Focus on the essential functions most valued by our targeted user base**
- **Enhance user experiences using “intelligent” technologies to achieve high customer satisfaction**

### Function

- **Camera**
  - Latest camera innovations from α™ and Cyber-shot®
    - 0.6s launch & capture
    - Predictive hybrid auto-focus

- **Stamina**
  - Batteries that perform well even after 2 years of use
  - Longer battery life through “Stamina Mode”

- **Design**
  - Refined, comfortable design
  - Smooth, rounded form factor

### User Experience

- **Bring the best digital camera experiences to your everyday life**
- **Never miss the perfect shot**
- **Clear shots even with moving objects**
  - Battery performs well even with long-term use
  - Keep your phone active for longer

- **Luxurious textures and colors in harmony with your daily life**
- **Perfect fit in the palm of your hand**

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*1 Source: Sony Mobile
*2 Source: Dentsu Segmentation Brand Survey (January 2016)
### Changes in Operating Income: FY2014 ~ FY2016

**FY17 KPI:**
- **Sales:** 900~1,050 bln yen
- **Operating Profit Margin:** 1.5%~3.5%

<table>
<thead>
<tr>
<th>Goodwill impairment charge: +176 bln yen (charge recorded in FY14)</th>
<th>FY14 Sales 1,410.2</th>
<th>FY16 May Forecast 940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfavorable impact from foreign exchange rates</td>
<td>Operating Income -217.6</td>
<td>+222.6</td>
</tr>
<tr>
<td>Unit sales reduction following strategic refocusing</td>
<td>Includes approx. 40 bln yen from shrinking losses from unprofitable regions</td>
<td></td>
</tr>
<tr>
<td>Region refocus (defocus China, India, US etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product refocus (focus on high value-added models)</td>
<td></td>
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<tr>
<td>Margin improvement resulting from focus on high value-added models</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Margin ratio +3 ppt (FY14→FY16)</td>
<td></td>
<td></td>
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<tr>
<td>OPEX reductions, etc.</td>
<td></td>
<td></td>
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<tr>
<td>OPEX reductions: 120 bln yen</td>
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</tbody>
</table>

### New Future-Minded Businesses – 1

**Pursue new communication device concepts**

Offer new “communication styles” that go beyond what smartphones can do
Deliver devices and services that connect people to each other and become essential and beloved parts of their lives

- **Product & concept examples**
- **Supported by the latest technologies**

**“Intelligence & Assist” Technology**
New Future-Minded Businesses – 2

Define future-minded businesses

- Aerosense Inc. commences solution services
  From drone manufacturing and flight management to data gathering and analysis, offering solutions including soil measurements and facility/equipment inspections.

- IoT business development
  - Accelerating efforts to develop IoT-related businesses, in combination of hardware/ device technologies, recurring business platform and our capability to deliver solutions
  - Assemble IoT related resources of Sony HQ and Sony Network Communications Inc. *1 together under Sony Mobile.

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*1 Effective 1st July, So-net Corporation will change its company name to “Sony Network Communications Inc.”
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Summary

- Execution & Completion of Transformation
- Bolster Area Strategy
- Enhance Product Appeal
- Engage in New Future-Minded Businesses

FY2016: Business turnaround and steps for business re-growth
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