Sony IR Day 2015
Mobile Communications Segment
May 27, 2015

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Agenda

1. **FY2014 Review**
   - FY2014 Results

2. **FY2015 Action Plan**
   - Smartphone Market Trends Forecast
   - Management Direction
   - Important Initiatives
   - FY2015 Results Forecast

3. **Reference Materials**

* FY2014 = Fiscal year ended on March 31, 2015
# 1. FY2014 Review

## FY2014 Results vs FY2013

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,191.8</td>
<td>1,323.3</td>
</tr>
<tr>
<td>Operating Income</td>
<td>12.6</td>
<td>-220.4</td>
</tr>
</tbody>
</table>

### Reasons for Profit Decrease:

1. **Unfavorable impact of foreign exchange rates**
   - Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2014 and comparing them with the previous fiscal year.

2. **Improvement in product mix with focus on high value-added models**

3. **Increase in intellectual property related reserves and restructuring charges**

4. **176.0 billion yen goodwill impairment charge**

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**Profit decreased due to the goodwill impairment, the unfavorable impact of foreign exchange rates, and an increase in intellectual property related reserves and restructuring charges, partially offset by an improvement in product mix.**
2. FY2015 Action Plan

Smartphone Market Trends Forecast (by Price Segment)

ASP slightly decline in overall market due to slowdown in the high-end and rapid growth in the low-end
FY2015 Management Direction

- Complete transformation in order to record a profit in FY2016
- Focus resources through model count reduction and develop technology and appealing products for FY2016 and beyond
- Clarify regional strategy and enhance profit management in each region
- Take bold steps to develop new businesses

Strengthen the smartphone business and invest in new businesses in related areas

Complete Transformation

- Operating Expenses
  - FY14: 300 (Forecast)
  - FY15: 240 (Forecast)
  - FY16: 210 (Forecast)
- Approx. 60 Billion Yen Reduction
- Approx. 30 Billion Yen Reduction

- Headcount
  - As of Oct. 1, 2014: 7,100
  - As of Apr. 1, 2016 (Forecast): 5,000
- Approx. 2,100 Reduction

Delayering:
- Layers from CEO are reduced from 8 to 6.

Simplify and avoid duplications:
- No. of operating units reduced from 43 to 32.

Centralize HQ functions in Tokyo:
- 20 out of 32 unit heads are based in Tokyo.
**Major Xperia Products in 1st half of FY2015**

**XPERIA Z4**
Main Feature
- Design focusing on ultimate quality and functionality
- 25mm wide-angle lens main/front camera
- LDAC™ compatible high quality sound experience

**XPERIA M4 Aqua**
- Excellent waterproof: IP65/68 certified
- Battery life lasting up to 2 days
- Sophisticated design

**XPERIA Z4 Tablet**
- World’s slimmest and lightest
- Latest CPU/OS installed
- Excellent waterproof: IP65/68 certified

**Examples of Focusing Resources Through Portfolio Size Optimization**

<table>
<thead>
<tr>
<th>R&amp;D Expense</th>
<th>Number of Platforms</th>
<th>Number of Variants</th>
</tr>
</thead>
<tbody>
<tr>
<td>91.0 bln yen</td>
<td>7</td>
<td>61</td>
</tr>
<tr>
<td>FY14</td>
<td>FY15 (Forecast)</td>
<td>FY14 (Forecast)</td>
</tr>
<tr>
<td>Approx. 30% reduction</td>
<td>Approx. 60% reduction</td>
<td>Approx. 50% reduction</td>
</tr>
</tbody>
</table>

Realize more efficient development by focusing resources on a smaller number of models
Defining Each Region’s Position

Japan: As the most important region due to its high profitability, aim to maintain profits and expand new business opportunities by leveraging the business platform

Europe: Despite relatively high market share compared to other regions, profitability is low, so aim to enhance profitability by improving model mix and strengthening profit management

China: Drastically downsized this business, so continue to operate the business in limited channels with minimized costs

US: Minimize losses by concentrating on limited carriers and focus only on the premium segment

Split the 13 sales companies into 5 regions and develop an optimal sales & marketing strategy for each region to enhance investment efficiency and improve profit management

Internet of Things (IoT) Strategy

SERVICES & HW
- DATA ANALYTICS: ANALYTICS, STORAGE, BROKER
- APPLICATIONS
- DEVICE MANAGEMENT: SW UPDATES, DM, REMOTE ACCESS

ACCESS
- NETWORK SERVICES: ACCESS AND DATA CONNECTION

DEVICES & HW
- GATEWAYS
- DEVICES
- COMPONENTS/SOC

Expand business together with Sony Mobile and So-net

So-net
- Utilize accumulated knowhow in communication technologies, customer management, billing, CRM etc.

SONY
- Leverage Sony competence
- Create HW ecosystem
Challenges for New Business Creation

- Launch of Seed Acceleration Program by Sony Mobile
- Accelerate the development of smart products with communication at their core, in the area of Internet of Things (IoT)
- Enter the B2B market through collaboration with So-net Corporation and strengthen efforts to build recurring businesses

Sales Trends (FY2014/FY2015)

- Smartphone Unit Sales
  - FY14: 39,100 (Z Series: 30,000)
  - FY15: 30,000 (Z Series: 30,000)
  - Other Smartphones: 39,100
  - FY14 vs FY15: -23% (Z Series: -7%)

- Sales Amount
  - FY14: 1,410.2 bln yen (Z Series: 1,310)
  - FY15: 1,310 bln yen (Z Series: 1,310)
  - Other Smartphones: 39,100
  - FY14 vs FY15: -7% (Z Series: +1%)

Notes:
- The figures for sales include So-net Corporation and its subsidiaries which were previously included in All Other.
Changes in FY2015 Operating Income vs FY2014

1. 176.0 billion yen goodwill impairment charge
2. Reduction in low- and mid-range smartphone unit sales
3. Sales price change
4. Cost structure improvement through OPEX reduction
5. Unfavorable impact of foreign exchange rates*1
6. Increase in restructuring charges

Complete structural reform within FY2015, aiming for a business structure that generates profits without relying on volume. Despite the favorable impact of FY2014 restructuring efforts, operating loss is expected to decrease slightly due to an increase in restructuring charges and the negative impact of FX (excluding the impairment in FY2014).

* The figures for sales & operating income include So-net Corporation and its subsidiaries which were previously included in All Other.
* The FY2015 forecasts for the segments have been calculated using the assumed foreign currency rates of approx. 118 yen to the U.S. dollar and approx. 136 yen to the euro.
*1: Forecasted impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in the FY2015 business plan and comparing them with the previous fiscal year.

3. Reference Materials
FY2014 Sales by Key Product / Region

- Sales by Key Product Groups
  - Tablet
  - Smartphone
  - Accessories and Others

- Sales by Region
  - Japan
  - North America
  - Europe / Middle East
  - Asia-Pacific
  - China
  - Other Areas
  - Other

Table: FY2014 Sales by Key Product / Region

<table>
<thead>
<tr>
<th>Product Group</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tablet</td>
<td>13,233</td>
</tr>
<tr>
<td>Smartphone</td>
<td>13,233</td>
</tr>
<tr>
<td>Accessories and Others</td>
<td>0</td>
</tr>
</tbody>
</table>

FY2014 Smartphone Market Share in Key Markets (Value basis)

- Japan: 15.7% (1.9 trillion yen)
- Europe: 8.7% (5.2 trillion yen)
- North America: 0.6% (6.7 trillion yen)
- China: 0.6% (8.8 trillion yen)
- Asia-Pacific: 4.9% (4.3 trillion yen)
- Middle East and Africa: 6.0% (2.3 trillion yen)
- Latin America: 7.1% (2.0 trillion yen)

Source: Sony Mobile