Sony IR Day 2014
Mobile Communications Segment

November 25, 2014

Hiroki Totoki
President & CEO
Sony Mobile Communications Inc.

Agenda

1. Business Overview
2. FY2014 Operating Performance
3. Market Trends
4. Mid-term Business Direction
1-1. FY2013 Business Overview

**Mobile Communications Segment**

- **FY2013 Sales by Key Product Groups**

- **FY2013 Sales by Region**

1-2. Market Share in Key Markets

**Mobile Communications Segment**

- **Japan**
  - Sales: 1.4 trillion yen
  - Market share: 17.5%

- **Europe**
  - Sales: 4.4 trillion yen
  - Market share: 8.8%

- **North America**
  - Sales: 5.3 trillion yen
  - Market share: 0.7%

- **China**
  - Sales: 7.5 trillion yen
  - Market share: 0.9%

- **Asia-Pacific**
  - Sales: 3.3 trillion yen
  - Market share: 5.9%

- **Middle East and Africa**
  - Sales: 1.8 trillion yen
  - Market share: 5.4%

- **Latin America**
  - Sales: 1.7 trillion yen
  - Market share: 6.5%

Source: Sony Mobile
2-1. Changes in FY2014 Operating Income (vs. FY2013) Mobile Communications Segment

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>766.1</td>
<td>1,191.8</td>
<td>1,350</td>
</tr>
<tr>
<td>Operating Income</td>
<td>-41.1</td>
<td>-28</td>
<td>-204</td>
</tr>
</tbody>
</table>

1. Unfavorable impact of the appreciation of the US dollar
2. Sales increase, mainly in high-end products
3. Increase in marketing, R&D and IP expenses
4. Increase in restructuring charges
5. Impairment charge of goodwill 176 bil yen

Despite recording a sales increase, mainly in high-end products, a larger operating loss is expected, primarily due to the impairment charge of goodwill, the increase of marketing expenses, the unfavorable impact of foreign exchange rates, and the expected increase of restructuring charges.

2-2. Changes in FY2014 Operating Income (vs. May FCT, excl. impairment charge) Mobile Communications Segment

<table>
<thead>
<tr>
<th></th>
<th>May FCT</th>
<th>Oct FCT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,530</td>
<td>1,350</td>
</tr>
<tr>
<td>Operating Income</td>
<td>26</td>
<td>-28</td>
</tr>
</tbody>
</table>

1. Unfavorable impact of the appreciation of the US dollar
2. Decrease in sales in mid/low-end smartphone segment
3. Reduction of marketing expenses and research and development expenses
4. Increase in restructuring charges

Operating income is expected to decline sharply versus May forecast, primarily due to the decrease in sales in mid/low-end smartphones mainly in South East Asia, China and Europe, partially offset by a reduction in marketing and R&D expenses.
3-1. Smartphone Market Trends (by price segment)

**Units (billion units)**

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-end (&gt; 30,000 yen)</td>
<td>1.23</td>
<td>1.38</td>
<td>1.52</td>
<td>1.64</td>
</tr>
<tr>
<td>Mid-range (14,000 - 30,000 yen)</td>
<td>2.75</td>
<td>2.89</td>
<td>3.02</td>
<td>3.12</td>
</tr>
<tr>
<td>Low-end (&lt; 14,000 yen)</td>
<td>55%</td>
<td>55%</td>
<td>55%</td>
<td>55%</td>
</tr>
</tbody>
</table>

**Value (trillion yen)**

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-end (&gt; 30,000 yen)</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Mid-range (14,000 - 30,000 yen)</td>
<td>17.5%</td>
<td>17.5%</td>
<td>17.5%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Low-end (&lt; 14,000 yen)</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**CAGR (FY14-17)**

- High-end: 10.1%
- Mid-range: 3.5%
- Low-end: 2.9%

**ASP (22,000 yen)**

- FY14: 56%
- FY15: 55%
- FY16: 55%
- FY17: 55%

**CAGR (FY14-17)**

- High-end: 4.4%
- Mid-range: 3.3%
- Low-end: 2.7%

**Mobile Communications Segment**

**ASPs**

- High-end: 22,000 yen
- Mid-range: 19,000 yen
- Low-end: < 14,000 yen

**Notes**

- Majority of market value
- Moderate growth: CAGR around 3%
- Major markets: US, Europe, China
- Moderate growth: CAGR 3+%
- Decline of ASP due to growth of low-end segment
- Major markets: China, Europe, Asia
- High growth: CAGR 10+%
- Driving overall ASP declines
- Major markets: China and Asia

**ASP decline in overall market due to growth slowdown in the high-end segment and rapid growth in the low-end segment**

3-2. Smartphone Market Trends (by region)

**Europe**

- Growth in high-end: 3.8%
- Growth in mid-range: 2.2%
- Growth in low-end: 1.2%

**China**

- Market growth slowing down: 2.5%
- Stable growth in high-end: 5.8%
- Limited growth in mid-range: 6.3%
- Stable growth in low-end: 2.5%

**Asia-Pacific**

- Fastest growing market, primarily in low-end: 3.0%
- Stable growth in high-end: 5.8%
- Stable growth in mid-range: 6.3%

**Middle East and Africa**

- Growth mainly in low-end: 1.6%

**North America**

- High-end: 3.8%
- Mid-range: 2.2%
- Low-end: 2.5%

**Latin America**

- Mid/low-end comprises 2/3 of market

**Growth in China is slowing down, and the market growth will be largely driven by low-end smartphone market.**
3-3. Channel Development

Operator Channels

Low-end 1.7 2.0
Mid-range 3.0 3.5
High-end 9.7 10.9

Smartphone Market Worldwide
27.5 Trillion Yen (FY14)

Open Channels

Low-end 3.0 4.5
Mid-range 3.7 3.9
High-end 6.4 6.4

Limited growth in high-end and mid-range in operator channels, but rapid growth in low-end in open channels

4-1. Mid-term Business Direction

Selection and Focus:
Transforming to better compete in the quickly moving mobile industry

- Selection and Focus 1
  Revise sales and marketing strategy by region, and consider transformation in order to improve the efficiency of our investments and enhance profit management

- Selection and Focus 2
  Streamline product portfolio, and improve efficiency of both hardware and software development in order to enhance cost competitiveness

- Selection and Focus 3
  Shift marketing focus from acquisition to retention, utilizing data analytics to improve cost efficiency and marketing effectiveness

- Selection and Focus 4
  Reshape corporate structure and drive transformation, particularly in HQ and support functions
4-2. Sales & Marketing Set-up (current)

Mobile Communications Segment

4-3. Streamline Product Portfolio

Mobile Communications Segment

Company A
- Approx. 50% reduction
- Average of the above four companies: Approx. 50% reduction

Company B
- Approx. 50% reduction

Company C
- Approx. 40% reduction

Company D
- Approx. 70% reduction

Source: Sony Mobile

Improve profitability by reducing number of products, and improving resource allocation per product
4-4. Marketing Efficiency Improvement

- **Net Promoter Score of Xperia Customers**
  - Retained customers show high score

- **Retention Rate of Xperia Customers**
  - Continuously improving

- **Steadily improve retention rate of Xperia customers**

* Net Promotor Score is a KPI measuring customer loyalty.

Source: Sony Mobile

4-5. Lower Breakeven Point

- **OPEX**
  - Approx. 30% reduction

- **Operating Gross Margin**
  - 2-3 points improvement

Drive transformation to generate stable profit
Cautionary Statement

Statements made in this presentation with respect to Sony’s current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as “believe,” “expect,” “plans,” “strategy,” “prospects,” “forecast,” “estimate,” “project,” “anticipate,” “aim,” “intend,” “seek,” “may,” “might,” “could” or “should,” and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management’s assumptions, judgments and beliefs in light of the information currently available to it. Sony cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore investors should not place undue reliance on them. Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to:

(i) the global economic environment in which Sony operates and the economic conditions in Sony’s markets, particularly levels of consumer spending;
(ii) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony’s assets and liabilities are denominated;
(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 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) 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;
(xii) 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
(xv) risks related to catastrophic disasters or similar events. Risks and uncertainties also include the impact of any future events with material adverse impact.