Sony IR Day 2015
Devices Segment
May 27, 2015

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Officer in charge of Device Solutions Business, RDS Platform (R&D, Common Software Design)
Sony Corporation

Agenda

1: FY2014 Results

2: FY2015 Business Policy
   • Overview
   • Image Sensors
   • Summary

*FY2014 = Fiscal year ended on March 31, 2015
Sony IR Day 2015
Devices Segment

**Sales & Operating Income (bln yen)**

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY13 Actual</th>
<th>FY14 Actual</th>
<th>Previous (Feb) forecast for FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image Sensor</td>
<td>-16.9</td>
<td>+105.9</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>89.0</td>
<td>-7.0</td>
<td></td>
</tr>
<tr>
<td>Camera Module</td>
<td>922.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>742.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>927.1</td>
<td>+4.5</td>
<td></td>
</tr>
</tbody>
</table>

- **Changes from previous year**
  - Sales increased by 25%, OT increased by 105.9 bln yen
  - (+) Robust smartphone market conditions (Image Sensor/Energy)
  - (+) Strong demand for power tools (Energy)
  - (+) Profit improvement in image sensors
  - (+) Sales decrease in System LSIs due to the shift from PS3 to PS4
  - (+) (FY13) Recorded impairment loss for Energy’s long-lived assets
  - (+) Impact of foreign exchange rate (1USD 100yen->110yen)*1

- **Changes from February forecast**
  - Sales increased by 0.5%, OT decreased by 7.0 bln yen

Sales were in line with the announcement in Feb
(Robust smartphone market conditions)

* Negative impact from the recording of litigation-related reserves

*Operating loss in FY13 includes a 12.1 billion yen impairment charge related to long-lived assets in the energy business.
*The figures for sales & operating income exclude pre-installed automotive audio products which were previously included in the Devices segment.
*1: 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.

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Sony Products Leveraging Image Sensor Strength (from Nov 2014)

**α7 II**
- Debur

**Handycam**
- 25 mm full-frame 24MP CMOS image sensor
- Enabled the shooting of sharp still images and movies without vibration, even for scenes that used to require tripods, by installing our 5 axis stabilization feature

**Action cam**
- 4K action cam with high-definition video & high-quality sound
- 1/2.3 type, 12MP

**Xperia™ Z4**
- New flagship model
- Enables shooting & sharing with others
- Installed with 25mm wide angle front camera
- High-quality wireless sound system

**HDC-4300**
- World’s first 4K/HD system camera using three 2/3-inch 4K image sensors capable of 8x HD super slow motion

【Front camera】SMP image sensor
【Main camera】1/2.3 type 20MP image sensor
Module technologies allow thinner model
(Thinness Z3 7.4mm->Z4 6.3mm)
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Sony’s Strengths in Imaging Technology

Total differentiation through technologies from input to output

- High dynamic range (HDR)
- High frame rate (HFR)
- Super high resolution
- Low light
- High speed AF
- Polarization imaging

- Super high resolution
- Depth sensing
- Object recognition technology
- Infrared/multi spectrum
- Stackable projector
- Video codec technology

- Short throw projector
- Portable projector
- Pico projector
- Crystal LED Display
- SmartEyeglass
- Laser source

Evolution of Image Sensor Technology

Strengthen Imaging

High Dynamic Range
- Short exposure
- Long Exposure

Evolve to Sensing

High Frame Rate
- 4K Super slow motion
**Evolution of Projector Technology**

**4K Ultra Short Throw Projector**

- **Pico Projector**
  - Light source: Laser
  - Micro display: High-resolution, High contrast
  - Optical design: Ultra short throw, Compact, Aberration-reduced holographic

- **Portable Projector**
  - Light source: Laser
  - Micro display: High-intensity, Wide color gamut, Low speckle
  - Optical design: High resolution, High contrast

**Device Solutions Business Policy**

**Direction**

- Strengthen profitability
- Always be the first in the market
- Be the source of Sony’s end products’ competitiveness

**Strategy**

**Selection and concentration of businesses**
- Concentrate resources on main business areas
- Strengthen profitability in mature business areas
- Healthy asset management/invest in future business

**Technological differentiation and advantages**
- Outpace competitors by strengthening our device competitiveness
- Always be the first to introduce products with advanced technologies and to develop cutting-edge technologies

**Device innovation**
- Increase customer value with system solutions
- Strengthen ties with customers and strategic partnerships
Positioning of Device Solutions Business

Product Lifecycle

Strategy
- Develop Investment
- Strengthen Concentration
- Reconstruct Profitability
- Terminate

Business Area
- Life Space UX
- Wearable
- Vehicle
- Medical
- ARAM
- Image Sensor Camera Module Energy
- Tuner MMIC SXRD/HTPS Laser Tape/OD (B2B)
- Game/TV LSI OD (CE)

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**Image Sensor Business Conditions**

- **Mobile**: Increase our share in the robust smartphone market using our technological strengths and reinforce our production capacity
- **Non-Mobile**: Increase our share in the shrinking AV market and ensure sales equal to FY2014 due to increased demand for security cameras
- **New business**: Steadily prepare for medical and automotive businesses

![Sales target by category](image)

<table>
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<tr>
<th>Category</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY17 (Target announced in Nov. 2014)</th>
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<tr>
<td>Mobile</td>
<td></td>
<td></td>
<td></td>
<td>+47%</td>
</tr>
<tr>
<td>Non-Mobile</td>
<td></td>
<td>+28%</td>
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**Mobile**
Main business focused on adding greater value
Applications: Smartphone, Tablet

**Non-Mobile**
Base business utilizing technological advantage
Applications: Digital camera/Video camera
Professional Camera, Security Camera

**New Business**
Meet customer needs with system solutions
Applications: Medical, Automotive

**Image Sensor Wafer Production Capacity**

- Proactively invest in production capacity to meet customer demand
- Improve ROIC through efficient investment

![Image Sensor Wafer Production Capacity](image)

### Recent investments

- Press Release in Dec. 2010, Nagasaki TEC: approx. 100
- Press Release in Feb. 2015, Nagasaki/Kumamoto/Yamagata TEC: approx. 105
- Press Release in Apr. 2015, Nagasaki/Yamagata TEC: approx. 45
Locations (Semiconductors)
Reliably produce high quality image sensor wafers at Sony Semiconductor’s 3 TECs in Japan and meet worldwide customer needs from 7 global sales bases.

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**FY2015 Business Overview**

- A smooth start to the first year of the mid-term plan (FY2015-2017)
- Steady expansion of Image Sensor and Camera Module businesses

*Unit: Billion Yen*

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<th>Year</th>
<th>Sales</th>
<th>Operating Income (Margin)</th>
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<td>FY14</td>
<td>927.1</td>
<td>89.0 (10%)</td>
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**Operating income margin** 10%~12%

**FY2015 Business Overview**

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**Business Trend from FY2014 to FY2015**

- Operating income is expected to increase by 32.0 bln yen compared with FY2014 and operating income margin is expected to be 11%
- Proactively concentrate management resources in focus areas according to our mid-range plan

*Sales: 927.1 +152.9 (+16%) +32.0 (+36%) → 1,080*

**Operating Income**

- Sales increase
  - Robust smartphone market conditions
  - Exchange rates *1
    - (10/10 yen → 19/118 yen)
- Manufacturing expenses
- Reinforce R&D/Startup
- SGA etc.
- Increase in costs due to production increase
- Restructuring charges related to Oita's closing
- Litigation-related reserves
- Strengthen imaging
- Evolve to sensing
- Invest in new businesses
- Start-up expenses for Yamagata TEC's production lines

*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.*
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(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 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;
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(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) significant volatility and disruption in the global financial markets or a ratings downgrade;
(xi) Sony’s ability to forecast demands, manage timely procurement and control inventories;
(xii) the outcome of pending and/or future legal and/or regulatory proceedings;
(xiii) 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;
(xiv) 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;
(xv) Sony’s effort to anticipate and manage cybersecurity risk, including the risk of potential business disruptions or financial losses; and
(xvi) risks related to catastrophic disasters or similar events.
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