Sony IR Day 2017

May 23, 2017
Sony Corporation

Entertainment Business (Pictures/Music)  3
Game & Network Services (G&NS)  24
Mobile Communications (MC)  37
Imaging Products & Solutions (IP&S)  59
Home Entertainment & Sound (HE&S)  74
Semiconductors  88
Sony IR Day 2017
Entertainment Business (Pictures/Music)
May 23, 2017

Kazuo Hirai
President and CEO, Representative Corporate Executive Officer
Sony Corporation
Chairman and Co-CEO, Sony Entertainment Inc.

Philip Rowley
Senior Executive Vice President &
Chief Financial Officer
Sony Pictures Entertainment Inc.

Rob Stringer
Chief Executive Officer
Sony Music Entertainment Inc.

Kevin Kelleher
Chief Operating Officer
Sony Music Entertainment Inc.
Sony’s Music Business

Sony Music Entertainment (Japan) (SMEJ)

Success in Growing Market
- Smartphone Game Application: Fate/Grand Order
  - Create hit content in growing market and expand utilization of catalogue IP

Create New Business
- SMEJ’s First Museum Entertainment: SNOOPY MUSEUM TOKYO
  - Create new business and revitalize existing IP

Create and Maximizing
- Create New Hit Content
  - Maximize Catalogue Value
Sony/ATV Music Publishing (Sony/ATV)

September, 2016
Sony/ATV became a wholly owned subsidiary of Sony Corporation

No.1 Music Publisher

27%  20%  12%  6%
A    B    C

Entertainment Industry Trends

Motion Pictures
Larger share of revenue concentrated on fewer tent-pole films

Television Productions
Networks seeking to own more content rights

Media Networks
TV distributors reevaluating their network portfolios
Issues of Sony Pictures Entertainment

Motion Pictures
Implementing turnaround strategy

Television Productions
Maintain and strengthen relationships with top content producers and major networks

Media Networks
Generate stable profit through recurring-revenue business model

Anthony Vinciquerra
Chairman and CEO, Sony Pictures Entertainment effective on June 1, 2017

Chairman and CEO, Fox Network Group

Senior Advisor, Texas Pacific Group
Board Director, STX Entertainment

Extensive experience in media, entertainment and technology space
Financial Update

SPE FYE17 Review

($ in millions)

Sales

<table>
<thead>
<tr>
<th></th>
<th>FYE16</th>
<th>FYE17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$7,875</td>
<td>$8,292</td>
</tr>
<tr>
<td>Change</td>
<td>+5.3%</td>
<td></td>
</tr>
</tbody>
</table>

Operating Income

<table>
<thead>
<tr>
<th></th>
<th>FYE16</th>
<th>FYE17</th>
</tr>
</thead>
<tbody>
<tr>
<td>$346</td>
<td></td>
<td>$280*</td>
</tr>
</tbody>
</table>

All businesses saw topline growth; however, fully allocated OI decreased for several reasons:

1. Motion Pictures’ FYE17 films had higher marketing costs for films released in the last quarter of FYE17 compared to the prior year’s films
2. In Television Productions, less favorable product mix (prior year included an SVOD sale of Breaking Bad)
3. Media Networks had higher programming costs (including increased programming investment and a write-off of programming in Italy)
4. FYE17 incurred one-off charges due to reductions in centralized costs

Note: FYE = Fiscal Year Ended (e.g., FYE17 = Fiscal Year Ended March 2017)
Source: Pictures Segment Supplemental Data, March 31, 2017
* FYE17 operating income excludes the $962 goodwill impairment write-down
SPE FYE18 Forecast

($ in millions)

Sales
FYE17 Actual $8,292
FYE18 Forecast $9,346**

Operating Income
FYE17 Actual

Factors impacting performance:

1. Improvements in current year’s films and cost reductions in Motion Pictures partially offset by lower catalog sales

2. Television Productions growth driven by syndication of The Goldbergs and several new show launches

3. Media Networks growth driven by GSN and India, somewhat offset by TEN Sports

4. Unfavorable impact of budget FX rates and one-time costs

Source: Pictures Segment Supplemental Data, March 31, 2017 and SPE Management

* FYE17 operating income excludes the $962 goodwill impairment write-down

** FYE18 sales forecast converted at 110.00 JPY/USD and rounded down to the nearest 10 billion yen to ¥1,020,000 million
### SME FYE17 Achievements/Highlights

**Successful, Profitable Year For Sony Music On Multiple Fronts**

#### Success from multiple repertoire centers
- 7 of the Top 20 on the IFPI 2016 Global Album chart, including #1 (Beyoncé) and #2 (Adele)
- 9 of the Top 20 on the IFPI 2016 Global Singles chart, including breakout tracks from The Chainsmokers, ZAYN, Alan Walker
- FYE17 top sellers include international superstars, Catalog artists, new artists

#### Broke new talent to create future superstars
- Broke The Chainsmokers, G-Eazy, Rag'n'Bone Man, DJ Khaled, Alan Walker, Zara Larsson in FYE17

#### Recognition through industry awards
- Adele awarded 5 Grammys, including the top 3 – Album of the Year, Record of the Year and Song of the Year
- SME’s other winners includes David Bowie (5), Beyoncé (2), The Chainsmokers, Maren Morris, Solange, Cage The Elephant, Pentatonix and many others
- Sony Music won an unprecedented 10 out of 13 Brit Awards, the most in company history

#### Sony Music gaining market share in growing market
- Calendar 2016 market share grew +0.5% to 26.0%
- The market grew 6% year-over-year driven by 60% growth in streaming
- Acceleration of paid subscription offsetting declines in Physical and Download
- Future upside from new entrants into the market (Amazon, Pandora and iHeartRadio)

### VISION

A Global Entertainment Leader, Building Artist Brands and Careers and Maximizing Profit Through The Best Creative Teams, A Culture of Entrepreneurial Innovation, and Aggressive Investments

#### Two Key Areas of Focus:

<table>
<thead>
<tr>
<th>Direct Reporting Lines</th>
<th>Data Analytics</th>
<th>Digital Growth</th>
<th>International Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent Development</td>
<td>Aggressive Growth Investment</td>
<td>Commercial Opportunities</td>
<td>One Sony Initiatives</td>
</tr>
<tr>
<td>Culture of Entrepreneurship</td>
<td>New Business Strategies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Maximize Profits, Improve Margins and Grow Market Share
Recorded Music Market Profile ($ in billions; excludes Japan)

- Healthy industry performance overall supports SME growth
- Two years of solid market growth
- Streaming growth more than offsetting declines in physical and download markets
- Streaming represents 41% of total market
  - Paid subscription revenue up 52% year over year
  - 97 million premium paid subscribers
- Expect slight market growth in 2017
- Continued rapid growth of streaming, reaching 56% of total market
- Greater download and physical declines

Digital / Streaming

Physical

2013 2014 2015 2016 2017 est

Healthy industry performance overall supports SME growth

Source: IFPI

Streaming Landscape

Top Streaming Partners

1. Spotify
2. Apple Music

New Entrants Into Market

Amazon Music Unlimited
Pandora

Product Innovation

- Price tier innovation
- Voice will become a more important component of services
- Visual (not just video) will enhance the listening experience
- Video is a different experience and must establish and maintain a separate value with consumers and services
- No streaming service right now is optimized or successful in the car
- Individual upsell opportunities exist for super fans

Goal: Incentivize users to upgrade from free to paid users
**Music FYE16 Act → FYE17 Act**

Sales $5,156 → $5,976 (USD mil.)

- **1.** The Orchard Step up gain
- **2.** Physical & Download
- **3.** Streaming
- **4.** Visual Media & Platform
- **5.** Publishing
- **6.** FX & Others

FYE16 Act 1$=120.1 yen
FYE17 Act 1$=108.4 yen

**Strong year → Achieved growth in operating profit (excluding The Orchard gain) despite significant physical/download market shrink and negative foreign currency impacts**

**Music FYE17 Act → FYE18 4F**

Sales $5,976 → $5,727 (USD mil.)

- **1.** Physical & Download
- **2.** Streaming
- **3.** Visual Media & Platform
- **4.** Publishing
- **5.** FX & Others

FYE17 Act 1$=108.4 yen
FYE18 4F 1$=110 yen

**Similar level of profitability despite negative impacts from continuing physical / download market declines, unfavorably FX and difficult year over year comparison due to strong success of Fate / Grand Order in FYE17**
Music Segment Financial Trend

Revenues
- FYE15ACT: $5,086
- FYE16ACT: $5,156
- FYE17ACT: $5,976
- FYE18BP: $5,727

Operating Income
- FYE15ACT: $551
- FYE16ACT: $720
- FYE17ACT: $700
- FYE18BP: $683

Operating Income Margin:
- FYE15ACT: 10.8%
- FYE16ACT: 11.0%
- FYE17ACT: 11.7%
- FYE18BP: 11.9%

* Excludes The Orchard step up gain

SONY

Sony IR Day 2017

Game & Network Services Segment

May 23, 2017

John (Tsuyoshi) Kodera

Business Executive
Sony Corporation
Deputy President
Sony Interactive Entertainment
Agenda

1. FY2016 Review

2. FY2017 Strategy

*FY2017 = Fiscal year ending on March 31, 2018
FY2016 Key Achievements

1. Highly successful growth and development of PlayStation®4 (PS4™) ecosystem
2. Continued innovation with mid-lifecycle upgrade with PS4™ Pro
3. Successful launch of PlayStation®VR (PS VR) for brand-new immersive entertainment

FY2016 Operating Profit Variation from FY2015

(Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Act</th>
<th>FY2016 Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>1,551.9</td>
<td>1,649.8</td>
</tr>
</tbody>
</table>

**Variation from FY2015**

- Continuous expansion of PS4™ platform
- Successful growth in network revenue
- Decrease of PlayStation®3 (PS3™) platform sales
- SGA increase to support business expansion, etc.
- Unfavorable impact of exchange rates*1

*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2016 and comparing them with the previous fiscal year.
2. FY2017 Strategy

Growth of the PS4™ ecosystem based on MRP direction

- PlayStation® ecosystem
  - Retain and expand PlayStation® engagement, increase business opportunities and revenue
- PlayStation® Users
  - 70M+ MAU
- User engagement focused analysis and planning
- Solutions & Delivery Methods
- Contents & Services
  - 1st & 3rd Party Games
FY17 Key Strategy

1. PS4™ eco-system: Maximize profit during the “harvest” period
2. PS VR: Further expand PS VR as a game and entertainment medium, incubate new content ecosystem
3. PlayStation™Vue: Deliver the best-in-class viewing experience in the OTT TV market
4. Develop new audience: Create a new mobile content opportunity in Japan/Asia region

PS4™ eco-system: Maximize profit during the “harvest” period

- Further expand PlayStation® user base
  - Cumulative hardware units sold in by the end of FY2017: 78 Mil
  - MAU at the end of FY2016: 70 Mil+

- Enhance game line-up
  - + catalog assets

- Grow PlayStation® Plus paid subscribers
  - Year-end paid subscribers
  - In millions
  - 2015: 20.8
  - 2016: 26.4
  - 2017:
PS VR: Expand as a game and entertainment medium, incubate new content ecosystem

Expand as a game and entertainment medium
- Industry-leading immersive VR platform
- Affordable HW pricing enabled by PlayStation® ecosystem
- Enhance game title line-up and PS4™Pro compatibility

Incubate new content ecosystem
- Expand VR content line-up such as movie and music
- Initiatives in location-based entertainment as a new challenge

PlayStation™Vue: Actions for mid-term success

Offer the best personalized TV viewing experience with compelling features, content and channels

Product Differentiation & Quality
- Cloud DVR
- Five Simultaneous Streams
- Multi-View Capabilities
- Browse & Discover
- Channel Favoring
- Access to TV Everywhere Apps

Optimized Content Line-up and Cost

Personalized Ad & Monetization
- Relevant & Personalized Ad
- Subscriber Growth
Develop new audience: Create a new mobile content opportunity in Japan/Asia region

- Establish new service business for smart devices in Japan/Asia
- Leverage strength accumulated in traditional console business
  - SIE’s IP and knowhow in game development
  - Close relationship with 3rd party publishers and developers
- Build a title portfolio in a wide range of genres and develop original IP
- Create brand-new play through collaborations within Sony Group (Project FIELD)

**FY2017 Operating Profit Variation from FY2016**

<table>
<thead>
<tr>
<th>(Billion yen)</th>
<th>Game &amp; Network Services Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>1,649.8</td>
</tr>
<tr>
<td></td>
<td>1,890</td>
</tr>
</tbody>
</table>

- ① Further growth of PS4™ business (Including PS VR)
- ② Continued growth in network revenue
- ③ Decrease of PS3™ platform sales
- ④ Increase in SGA for overall sales growth, etc.
- ⑤ Unfavorable impact of exchange rates*1

*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2017 and comparing them with the previous fiscal year.
Sony IR Day 2017

Mobile Communications Segment

May 23, 2017

Hiroki Totoki

Corporate Executive Officer, Executive Vice President
Officer in charge of Mobile Communications Business,
In charge of New Business Platform (Strategy)
Sony Corporation

President & CEO,
Sony Mobile Communications Inc.

President and Representative Director,
Sony Network Communications Corporation

Agenda

- FY2016 Review

- FY2017 Strategy
  - Smartphone Market
  - Business Directions and Strategy

- Growth Initiatives for FY2018 and Beyond
1. FY2016 Review

Sony IR Day 2017

FY2016 Operating Profit Analysis (comparison with Original Forecast)

<table>
<thead>
<tr>
<th>Mobile Communications Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16 Original Forecast</td>
</tr>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>Operating Profit</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Smartphone unit sales decrease (Original Plan 20M → Actual 14.6M units)</td>
</tr>
<tr>
<td>2</td>
<td>Product pricing and product mix improvements</td>
</tr>
<tr>
<td>3</td>
<td>Positive impact of foreign exchange rates</td>
</tr>
<tr>
<td>4</td>
<td>OPEX reductions and improvements in operational efficiency</td>
</tr>
</tbody>
</table>

Achieved positive Operating Profit for both the Mobile Communications Segment and Smartphone Business
### FY2016 Review: Transformation Results

**Improved “Operational Quality” through organizational delayering and process efficiency enhancement, in addition to OPEX and headcount reductions**

<table>
<thead>
<tr>
<th>OPEX*</th>
<th>[bn yen]</th>
<th>Scrap/Disposal Costs</th>
<th>[bn yen]</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>220</td>
<td>FY2015</td>
<td>-27%</td>
</tr>
<tr>
<td>FY2016</td>
<td>160</td>
<td>FY2016</td>
<td>-11%</td>
</tr>
<tr>
<td>FY2016 Target</td>
<td>180</td>
<td>FY2016 Target</td>
<td>-7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Headcount*</th>
<th>[employees]</th>
<th>Warranty Costs</th>
<th>[%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>4,500</td>
<td>FY2015</td>
<td>-39%</td>
</tr>
<tr>
<td>FY2016</td>
<td>4,000</td>
<td>FY2016</td>
<td>-9%</td>
</tr>
<tr>
<td>FY2016 Target</td>
<td>4,300</td>
<td>FY2016 Target</td>
<td>-7%</td>
</tr>
</tbody>
</table>

*FY2014 forecast at the time of transformation planning: OPEX: 300 billion yen, Headcount: 7,100

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### FY2016 Review: Sales Targets & Results

**Mobile Communications Segment**

<table>
<thead>
<tr>
<th>Flagship Models</th>
<th>Unit sales target achievement rate*</th>
<th>Unit sales target achievement rate*</th>
<th>Unit sales target achievement rate*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Global)</td>
<td>(Japan)</td>
<td>(Outside of Japan)</td>
</tr>
<tr>
<td>Xperia X Performance (Launched 6/2016)</td>
<td>88%</td>
<td>104%</td>
<td>60%</td>
</tr>
<tr>
<td>Xperia XZ (Launched 9/2016)</td>
<td></td>
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</table>

**Premium Standard Models**

<table>
<thead>
<tr>
<th>Premium Standard Models</th>
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<tr>
<td></td>
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<td>(Japan)</td>
<td>(Outside of Japan)</td>
</tr>
<tr>
<td>Xperia X (Launched 5/2016)</td>
<td>43%</td>
<td>85%</td>
<td>31%</td>
</tr>
<tr>
<td>Xperia X Compact (Launched 8/2016)</td>
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</table>

**Total**

<table>
<thead>
<tr>
<th></th>
<th>Unit sales target achievement rate*</th>
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<tr>
<td></td>
<td></td>
<td>73%</td>
<td>105%</td>
</tr>
<tr>
<td></td>
<td>14.6M Units/20M Units</td>
<td>105%</td>
<td>62%</td>
</tr>
</tbody>
</table>

*Achievement rate: Ratio of actual results to target announced at the beginning of the fiscal year (IR Day 2016)
FY2016 Review: Sales Targets & Results

Mobile Communications Segment

1H FY2016 Monthly Sales units (Global excluding Japan)

- High volume inventory of previous models due to sell-in focused sales plans
- Insufficient actions and delayed responses to channel inventory
- Required more optimized launch timings for new models
- Results: Not able to take full advantage of sales for new model that have higher profitability

<table>
<thead>
<tr>
<th>Previous model Sales</th>
<th>New model ratio 26%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr-16</td>
<td></td>
</tr>
<tr>
<td>May-16</td>
<td></td>
</tr>
<tr>
<td>Jun-16</td>
<td></td>
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<tr>
<td>Jul-16</td>
<td></td>
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<tr>
<td>Aug-16</td>
<td></td>
</tr>
<tr>
<td>Sep-16</td>
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FY2016 Review: Sales Targets & Results

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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>73%</td>
<td>105%</td>
<td>62%</td>
</tr>
</tbody>
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*Achievement rate: Ratio of actual results to target announced at the beginning of the fiscal year (IR Day 2016)
2. FY2017 Strategy

Smartphone Market Trend Forecast

Global market growth slowdown and maturation, mainly due to growth deceleration in emerging markets

Source: Sony Mobile Communications Estimate
Competitor Product Trends

Competitors aim to differentiate their flagship products with new, high-end features. At the same time, many features and form factors are becoming similar to each other.

Competitor Product Prices

<table>
<thead>
<tr>
<th>Competitor A</th>
<th>2016 Model*</th>
<th>2017 Model*</th>
</tr>
</thead>
<tbody>
<tr>
<td>S7</td>
<td>€699</td>
<td>€899</td>
</tr>
<tr>
<td>S8</td>
<td>€799</td>
<td>€999</td>
</tr>
<tr>
<td>S7+</td>
<td>€899</td>
<td>€999</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitor B</th>
<th>2016 Model*</th>
<th>2017 Model*</th>
</tr>
</thead>
<tbody>
<tr>
<td>P9</td>
<td>€599</td>
<td>€699</td>
</tr>
<tr>
<td>P9+</td>
<td>€699</td>
<td>€799</td>
</tr>
<tr>
<td>P10</td>
<td>€799</td>
<td>€899</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitor C</th>
<th>2016 Model*</th>
<th>2017 Model*</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1s</td>
<td>19,990 Rupee</td>
<td>24,990 Rupee</td>
</tr>
<tr>
<td>F1s+</td>
<td>24,990 Rupee</td>
<td>29,990 Rupee</td>
</tr>
</tbody>
</table>

*Prices at time of product announcement

Source: Sony
FY2017 Business Directions

Maintaining Profitability in FY2017
- Adjust our product portfolio to recover lost market share in FY2016
- Differentiate products with technologies that only Sony can deliver
- Improve sales operations
- Further focus on markets where we can leverage our strengths

Growth Initiatives for FY2018 and Beyond
- Continuously enhance smartphone product competitiveness
- Create new communication devices and services
- Stabilize business portfolio by growing recurring revenue businesses

Xperia Product Portfolio

FY2016
- Flagship Models
  - X
  - XZ Performance
- Premium Standard Models
  - X
- Mid Range Models
  - XA Ultra
  - XA
  - E5

FY2017
- XZ Premium
- XZs
- New
- XA1 Ultra
- XA1
- L1

Discontinue “Premium Standard” line and focus on high value-added Flagship models
Xperia Flagship Smartphone: Differentiation through Sony’s strengths in audio-visual and communications technologies

- World’s first Memory Stacked CMOS image sensor and Motion Eye™ camera system
  - Super-slow motion that records video at 960 frames per second
  - Predictive Capture features
- World’s first smartphone with a 4K HDR (High Dynamic Range) Display
- Stream/download 4K HDR content from Amazon Prime Video
- Unique antenna and RF technologies that enables download speeds up to 1Gbps

Sales Operations Improvements
Further improve sales planning & operations (in sync with sell-through), introduced in FY2016

1H FY2016 1H FY2017

Minimize Previous model inventory
Quick Clearance of previous model inventory

Early launch of models

Previous model Sales

New model ratio

Monthly Sales units (excluding Japan)

Apr-16 May-16 Jun-16 Jul-16 Aug-16 Sep-16

Apr-17 May-17 Jun-17 Jul-17 Aug-17 Sep-17

Previous model Sales

New model ratio

26% 32%
Initiatives for FY2018 Growth: New Communication Devices

Xperia Smart Products

XPERIA Ear  XPERIA Touch  XPERIA Ear
Open-style CONCEPT

Unique user interfaces to deliver new communication experiences

Initiatives for FY2018 Growth: Recurring Revenue Businesses

IoT Business (Japan)

Accelerate business growth in Smart Home area
- Monitoring services
- Home automation services
- Communication with family members living separately

Develop common infrastructure for business growth

Collaboration with business partners that have broad user base, expand with thorough services.

Business development with solutions utilizing in-house technologies

Healthcare
Health management solutions and services, using wearable devices and image analysis

Transportation
Solutions with wide range tracking and positioning, using Sony’s unique LPWA* communications technology

Utilize assets and resources from Sony Network Communications

Application Platform  Service Platform  Operation Platform

Service Development  CRM
Network  Billing & Payment  Customer Support

*LPWA: Low Power Wide Area
Initiatives for FY2018 Growth: Recurring Revenue Businesses

**IoT Business (Outside of Japan)**

- **Position tracking solution for machinery and other assets**
- **Tracking & alert services for pet health and activities**
- **Smart Office solutions**
- **IT Solutions to support energy-saving designs for IoT devices**

Strengthen partnerships and collaborations for quick business launches

---

**Fixed line communications business**

**NURO:** Focus on growth through new user acquisition while maintaining high customer satisfaction levels

- Rated highly for Connection Speed & Performance

**ISP:** Profit growth by region, service line-up and channel strategy

Grow business while keeping balance with profitability
Summary: FY2017 Forecast

Maintain profitability in FY2017 while undertaking initiatives to build a stable business structure for FY2018 and beyond

1. Unfavorable impact of foreign exchange rates
2. Impact from increase in materials/parts cost
3. Sales increase
4. OPEX reductions

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017 April Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (bln yen)</td>
<td>759.1</td>
<td>820</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>10.2</td>
<td>5</td>
</tr>
</tbody>
</table>

Mid/Long-term Directions: Stable Business Portfolio

Achieve a well-balanced, 50:50 profit proportion between recurring revenue businesses and hardware businesses

- Differentiate fixed line businesses + Expand IoT businesses
- Continue to strengthen product competitiveness + Create new communication devices and services
Sony IR Day 2017

Imaging Products & Solutions Segment

May 23, 2017

Shigeki Ishizuka

Corporate Executive Officer, Executive Vice President,
Officer in charge of Imaging Products and Solutions Business
Sony Corporation

Representative Director and President
Sony Imaging Products & Solutions Inc.

Agenda

1. IP&S Segment FY2016 Review

2. IP&S Segment FY2017 Action Plan
   - Important Initiatives
   - Key Initiatives
     Digital Imaging business
     Professional Solutions business
     Medical business
   - FY2017 Forecast

3. Reference Materials
Sony IR Day 2017

FY2016 Review

**FY2016 Operating Income (vs FY2015)**

**Negative factors**
- Forex impact
- One time items (decrease in insurance recovery from the Thai flood)
- Decrease in unit sales (market shrinkage and opportunity loss due to the Kumamoto Earthquakes)

**Positive factors**
- Increased value-added (shift to higher value-added models)
- Improved OPEX (reduced sales expenses and enhanced operations)

Sales and operating income decreased due to forex impact and the Kumamoto Earthquakes

Digital Imaging: Operating income was essentially flat due to improved value-added

Professional: Operating income decreased due to forex and earthquake impacts

<table>
<thead>
<tr>
<th>Sales and Operating Income</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>(bn yen)</td>
<td>684.0</td>
<td>579.6</td>
</tr>
<tr>
<td>Sales</td>
<td>69.3</td>
<td>47.3</td>
</tr>
<tr>
<td>Operating Income</td>
<td>69.3</td>
<td>47.3</td>
</tr>
</tbody>
</table>

**Positive factors**
- Increased value-added (shift to higher value-added models)
- Improved OPEX (reduced sales expenses and enhanced operations)

Enhanced Profitability Structure of Digital Imaging Business

Enhance Profitability through Execution of FY14 Mid-Range Strategy

**FY14 IR Day Targets and Strategy for DI**

◆ **Mid-term profitability target**
Maintain high profitability at the same level of FY14

◆ **Mid-range strategy (priorities)**
- Strengthen “α” interchangeable lens camera business
- Expand the “α” interchangeable lens business
- Accelerate the shift to higher value-added digital still cameras and camcorders
- Accelerate adoption of superior camera technology in the B2B market
- Further streamline operations

**Progress of consumer (DI) business profitability**

- Operating income
- Operating income margin

FY14 Results
- Forex Unit sales decrease
- Earthquake impact

FY16 Results
- Greater value added
- Business expansion
- Operation streamline
- ILC Expansion
- DSC CAM
- Earthquake impact

Sony IR Day 2017
FY2017 Key Initiatives

Shift from stable profit phase to growth phase
Transform the business structure and invest for growth in the future

- Digital Imaging Business
  Generate higher sales and profit through enhancement of Sony as a camera brand

- Professional Solutions Business
  Thoroughly streamline older businesses so as to adapt to industry trends and continue to invest in the services and solutions business

- Medical Business
  Expand the product and solutions line-up centered on our imaging platform

**Imaging Platform “Light to Display”**

- Light source
- Lens
- Image sensor
- Image processing
- IP transmission
- Display

Digital Imaging Business Initiatives

Generate higher sales and profit through enhancement of Sony as a camera brand

Sales growth of ILC body (FY16→FY17*1)
CAGR +27%

Sales growth of interchangeable lens*2 (FY16→FY17*1)
CAGR +27%

Number of full-frame E-mount lenses

*1: FY17 forecast  *2: includes lens in the same package as the camera body  *3: as of May 23, 2017
Professional Solutions Business <Industry Trends>

Urgent need to provide customer value that adapts to media industry trends

**Industry Trends**
- From “Broadcast” to “IP Media”

**Customer Needs**
- Produce large amounts of high value-added content and deliver to end users efficiently

**Customer Value**
- High value-added content creation equipment centered on the camera
  - Services and Solutions adapted to IP/cloud-based workflow

Professional Solutions Business <Initiatives>

Streamline older businesses and continue to invest in the services and solutions business

**Initiatives for continuous profitability improvement**
- Streamline the business by creating imaging platform
  - Adopt the model implemented by the digital imaging business
  - Significantly reduce fixed costs in older businesses and shift resources to growth areas
  - Decrease of fixed costs in older businesses: -7% year-on-year
  - Break even point improvement due to streamlining: -6% year-on-year

**Initiatives for growth**
- Strengthen the services and solutions business through alliances and M&A
  - B2B Video security
    - Global (excludes Japan) Bosch Security Systems partnership to collaborate in the development of products and solutions (from 2017)
  - Media
    - Content digitization service in Europe (acquired in 2015)
    - Master control automation solution in the U.S. (acquired in 2017)
    - Cloud-based ENG subscription service (alliance planned in 2017)
  - Sports
    - Europe and others
    - HAWK-EYE
    - Sports officiating support system (acquired in 2011)

**Differentiated appealing products**
Professional Solutions Business <Initiatives>  

**Examples of strengthened services and solutions business in FY17**  

**[Media]**  
Cloud-based ENG subscription service “XDCAM Air”  
To be launched in the U.S. in summer 2017

**[Sports]**  
Sports officiating support technology “HAWK-EYE”  
Expand the geographies where our ball-tracking and multi-camera video officiating system is deployed

**[Simulation & Entertainment]**  
Large display solution using Crystal LED  
Offer a new video experience encompassing products and solutions

---

**Medical Business Initiatives**  

Expand products and solutions centered on imaging platform

Enhance operating room solutions by introducing 4K IP enabled products and maximizing the utilization of eSATURNUS
Summary

- **FY2017 Forecast**
  - Sales: 640 billion yen
  - Operating income: 60 billion yen

- **Mid-Range Strategy**
  - From FY2016:
    - Thorough strengthening of profitability by not chasing scale
  - FY2017:
    - Continuous transformation of the business structure with an eye on the future and utilize stable profit to investing in growth areas
Reference Materials

IP&S Sales by Business Category and Geographic Area
Sony IR Day 2017

Home Entertainment & Sound Segment

May 23, 2017

Ichiro Takagi

Corporate Executive Officer, Executive Vice President
Officer in charge of Home Entertainment & Sound Business,
In charge of Consumer AV Sales & Marketing
Sony Corporation
Representative Director & President
Sony Visual Products Inc.
Representative Director & President
Sony Video & Sound Products Inc.

Sony IR Day 2017

Imaging Products & Solutions Segment

IP&S Key Product Market Share (Revenue Basis)

FY2016 Still Camera Market
Market Size: 1,370 bln yen

- Sony 16%

ILC (Incl. Lens): 14% (No. 3)
(No. 1 in Mirror-less Camera)

DSC: 23% (No. 2)
(No. 1 in Premium DSC*1)

Components of Video Camera Pie Chart

Video cameras for consumer
(POV + Conventional)

Video cameras for business
(Prosumer + Professional)

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Source: Sony

*1: Premium DSC = DSC with large (1/1.7 inch and over) image sensors or high zoom (20x and over)
Agenda

1. **HE&S Segment FY2016 Review**
2. **HE&S Segment FY2017 Action Plan**
   1. TV Business
      • Market Trends and Sony Sales Plan
      • Model Concept
      • Business Direction
   2. Video & Sound Business
      • Priorities
   3. HE&S Segment Forecast
3. **Reference Materials**

1. FY2016 Review
## 1. FY2016 Review

### Home Entertainment & Sound Segment

#### Operating Income Analysis

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (bn yen)</td>
<td>1,159.0</td>
<td>1,039.0</td>
<td>-120</td>
</tr>
<tr>
<td>Operating Income</td>
<td>50.6</td>
<td>58.5</td>
<td>7.9</td>
</tr>
<tr>
<td>Exchange Rates[^1]</td>
<td>Volume down</td>
<td>Model Mix Improvement</td>
<td>Cost Reduction</td>
</tr>
</tbody>
</table>

\[^1\]: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2016 and comparing them with the previous fiscal year.

### Results

**TV Business**
- Improvement in profitability resulting from a focus on high value-added models mainly 4K/large-sized TV
- Reduction in material costs and operating costs and improvement in profit structure from enhanced SCM operations and maintenance of proper inventory in response to operating environment changes

**Video & Sound Business**
- Improvement in profitability by focusing on high value-added products
- Cost reduction through operational improvement

### Issues

**TV Business**
- Counteract operating environment changes such as foreign exchange rates
- Reinforce stable profitable structure

**Video & Sound Business**
- Reinforce brand power
- Sales expansion of growing categories in Audio

### 2. FY2017 Action Plan
Shift to premium 4K TV segment while TV market is recovering

**TV Business - Market Trends and Sony Sales Plan**

### LCD TV Market Trends (by units)

- **4K**
  - FY16: 220 (30%)
  - FY17 (Latest Forecast): 230 (40%)

- **2K**
  - FY16: 220
  - FY17 (Latest Forecast): 230

**Sony Sales Amount**

- **4K**
  - FY16 (Actual): 30%
  - FY17 (Latest Forecast): 40%

- **2K**
  - FY16 (Actual): 70%
  - FY17 (Latest Forecast): 60%

**Premium 4K**: ASP: greater than USD1,500, Spec: 120Hz

**Other 4K**: 97%

*Source: Sony*

### TV Business – Model Concept

**Immersive Picture Quality**
Realize high picture quality regardless of panel source through proprietary image processing technology

**Sony Unique Design**
High picture quality but stylish, Uncompromising beauty in both front and back

**Extremely Easy Content Access**
Easy/Smart/Convenient usability responding to user curiosity

*Microphone Assistant*
TV Business – Business Direction

Pursue high-value added products and establish a solid management foundation

◆ Power of products
  Provide the best user experience via proprietary technology
  Continuous investment in R&D for the future

◆ Competitive cost structure
  Cost control in line with the business scale and strategic and stable material procurement

◆ Operational excellence
  Enhance overall operations from production through sales so as to respond to changes in the operating environment

Video & Sound Business - Priorities

Maintain consistent profitability by enhancing product appeal and sales resources in growth categories

◆ Reinforce the image of Sony as a brand which makes great sounding products

◆ Strengthen product competitiveness in audio growth categories through differentiated technology
  (Headphones, Sound Bars, Wireless Speakers)

◆ Reinforce sales resources

◆ Investment in R&D for the future

Sales expansion in growth categories

- Audio Other Category
- Audio Growth Category

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17 (Fct)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales expansion in growth categories</td>
<td>49%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Sony IR Day 2017 | 80
Sony IR Day 2017

**FY2017 Forecast**

**Home Entertainment & Sound Segment**

**Operating Income Analysis**

- **Sales**: 1,039.0 (bln yen)
- **Operating Income**: 1,120

The FY2017 forecasts for the segments have been calculated using the assumed foreign currency rates of approx. 110 yen to the U.S. dollar and approx. 115 yen to the euro.

*1: Forecasted impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in the FY2017 business plan and comparing them with the previous fiscal year.

**TV Business**
- Further increase added value of products through proprietary technologies for high picture and sound quality, and excellent design and usability
- Reinforce a stable profitable base through further operational improvements

**Video & Sound Business**
- Increase added value through enhanced product appeal in growth categories
- Operational improvement
- Further structural reinforcement for future investment

**3. Reference Materials**
TV Business - FY2016 Sales by Product Type & Region / Unit and Revenue Share | Home Entertainment & Sound Segment

- **Sales by LCD TV Product Type**

  - Sales 724.4 bln yen
  - 4K
  - 2K

- **Sales by Region**

  - Asia-Pacific: Sales 724.4 bln yen

- **LCD TV Unit Share by Manufacturer**

  - #4

- **LCD TV Revenue Share by Manufacturer**

  - #3

---

Video & Sound Business – FY2016 Sales by Product Type & Region | Home Entertainment & Sound Segment

- **Sales by Product Type**

  - Video
  - Audio
  - Others
  - Audio Growth Category
  - Sales 314.6 bln yen

- **Sales by Region**

  - Asia-Pacific: Sales 314.6 bln yen

*1: "Audio Growth Category" includes Sound Bar, Wireless Speaker and Headphone as its main products.
Video & Sound Business - Key Products’ Market Share (Revenue basis)

#1 in Japan

- Headphones
- Wireless Speakers
- Sound Bars
- Digital Music Players (WALKMAN)
- Home Video (Blu-ray Players/Recorders)

- #1 in Japan
- #1 in Japan
- #1 in Japan
- #1 in Japan
- #2 in Japan

※ Source: Sony
For the most recent year
*1 EUS: UK, France, Germany, Italy, Spain
*2 EUS: UK, France, Germany
<table>
<thead>
<tr>
<th>Agenda</th>
</tr>
</thead>
</table>

1. Business Structure
2. Strengthen Business Foundation
3. Technology Development
4. Conclusion
SSS Business Summary

Return to growth in the image sensor business after overcoming the impact of the earthquakes

Key Business Strategy

Image Sensor
- Further enhance the business as the core of the segment

Key Applications

- Camera module
  - Limit the scope of the business and focus on differentiated technology
- LSI, Display Device
  - Develop differentiated technology

Sales Trend

<table>
<thead>
<tr>
<th>Year</th>
<th>Image Sensor</th>
<th>Camera Module</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>739.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td>773.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>880</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*SSS = Sony Semiconductor Solutions Corporation

FY2015 - FY2017

Expect to achieve profitability that exceeds FY2015 in FY2017

Operating Income (SSS Total)

<table>
<thead>
<tr>
<th>Year</th>
<th>Image Sensor</th>
<th>Camera Module</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>14.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td>21.8</td>
<td></td>
<td>7.8</td>
</tr>
<tr>
<td>FY17</td>
<td>120</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 USD = 120.1 yen

Restructuring Initiatives

① Camera Module
② LSI Field / New Business

One-time item: gain on sale of factory

Restructuring Initiatives

① Camera Module
② LSI Field / New Business
**FY2016: Turnaround Year**

Image sensors returned to the same level of performance as FY2015 in the second half of FY2016

Operating Income (Image Sensor)

![Graph showing operating income from April to March, indicating a turnaround in performance in the second half of FY2016.](image)

**FY2017: Growth Year**

Steadily increase the profitability of image sensors and aim for further growth

Operating Income (Image Sensor)

![Graph showing a significant increase in operating income from FY15 to FY17, indicating a growth year.](image)
Image Sensor Market

Market to grow due to automotive and surveillance, but mobile to remain core

Global Revenue (CCD + CMOS Image Sensor)

- New Businesses (Automotive, FA, Surveillance, IoT)
- Mobile
- AV

(Mln USD)

CY10 CY11 CY12 CY13 CY14 CY15 CY16 CY17 CY18 CY19 CY20

※ Source: Sony

Mobile Sensors (1) - Business Environment

Trend in the mobile market is toward higher added-value products; this helps our business

- Smartphone Market Share
  Superiority of top-class players is more conspicuous
  Smartphones from top-class players, which purchase high added-value sensors from Sony, are dominating more of the market.

- Smartphone Feature Trend (1)
  Acceleration of the shift to higher resolution front-facing cameras
  The market for high added-value sensors (12 mega pixels and above) is expanding further due to a shift to higher resolution front-facing cameras.

- Smartphone Feature Trend (2)
  Acceleration of dual lens camera adoption
  The sensor market is growing faster than the smartphone market due to greater adoption of dual lens cameras.
Mobile Sensors (2) – Direction of Evolution

Continue to drive evolution of smartphone cameras in the future and become the engine of market expansion

Camera Evolution (Evolution of Dual Lens)

- High Sensitivity
- Zoom
- Color Camera
- Brightness Camera
- Wide Camera
- Tele Camera

Diversification of New Functionality
- Iris Recognition
- Facial Recognition
- Personal Authentication
- 3D Sensing

AV/Surveillance Sensors – Direction of Business Expansion

Expand the business using our widely recognized superior technology, making this business another pillar along with mobile sensors

- Expand Opportunities to Capture Video
- Sports Cam
- 360°/VR
- Pursue reality in all scenes
- Evolution of basic features of image sensors
- Surveillance
- FA
- Deploy in the recognition space
- ITS

Intelligent Transport Systems
1. Business Structure

2. Strengthen Business Foundation

3. Technology Development

4. Conclusion

Aiming for Strong Operation

Improve all aspects of our performance as a semiconductor manufacturer in order to garner the trust of the market and improve our profitability.

- Performance
- Yield rate
- Quality
- Lead-time
- Production Cost

**SSS: World No. 1**

**SSS: Begin improving to become a global top-class player**
Production Capacity

Deploy requisite capacity and enhance competitiveness and profitability

Sony Image Sensor: Wafer Production Capacity Trend

- Unit: Kilo slice per month
- 300mm wafer basis/includes outsourced capacity
- Approximately

Kumamoto Technology Center
Nagasaki Technology Center
Yamagata Technology Center
Oita Technology Center

Agenda

1. Business Structure
2. Strengthen Business Foundation
3. Technology Development
4. Conclusion
Strengthen Technology Development

Work on pixel process and functionality as a source of market competitiveness

- High S/N
- High Speed Framerate
- Global Shutter
- High Dynamic Range/LED Flicker-less
- Polarization Sensor
- High Speed Recognition

Developing Next Generation Sensor

Accelerate development with the expectation that applications will grow

① Automotive Sensor
② Polarization Sensor
③ Triple Layer Sensor
## Agenda

1. Business Structure
2. Strengthen Business Foundation
3. Technology Development
4. Conclusion

## Summary of FY2016

Sales: 773.1 billion yen  Operating Loss: 7.8 billion yen

### Operating Income Variance

<table>
<thead>
<tr>
<th>Sales</th>
<th>739.1</th>
<th>773.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>▲14.5</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

### FY2016 Operating Income Variance

- **Positive Factors**
  1. Increase in image sensor profit
  2. Lower impairment charges related to the camera module business and other factors

- **Negative Factors**
  2. Impact of foreign exchange
  3. Increase in R&D costs
  4. Impact of Kumamoto earthquakes (net of insurance recoveries)
### FY2017 Forecast

<table>
<thead>
<tr>
<th>Sales: 880 Billion yen</th>
<th>Operating Income: 120 Billion yen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Income Variance</strong> (Bln yen)</td>
<td><strong>FY2017 Forecast</strong></td>
</tr>
<tr>
<td>Sales</td>
<td>773.1</td>
</tr>
<tr>
<td>FY16</td>
<td>-7.8</td>
</tr>
<tr>
<td>FY17</td>
<td>110 yen</td>
</tr>
</tbody>
</table>

1 USD = 108.4 yen

**Positive Factors**
1. Image sensor profit increase
2. Impact of foreign exchange
3. Impact of Kumamoto earthquakes (net of insurance recoveries)
4. Lower impairment charges related to the camera module business, gain on sale and other factors

**Negative Factors**
3. Increase in R&D expenses

### Summary

**FY2017 Forecast**
- Sales: 880 billion yen
- Operating income: 120 billion yen (86.3 billion yen excluding one-time items)

**FY2017 Strategy**
- Focus on the core business of image sensors and aim to maximize customer value and profitability, primarily in the mobile, AV and surveillance areas.
- Develop and strengthen image sensor applications for the mid- to long-term (automotive and industrial)

**Base-Line Profitability**
- Build a structure where 100 billion yen in operating income can be achieved even if the yen appreciates to 100 yen to $1.
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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,” “plan,” “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 and network 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 ability to maintain product quality and customers’ satisfaction with its existing products and services;
(viii) 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;
(ix) significant volatility and disruption in the global financial markets or a ratings downgrade;
(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 changes in interest rates and 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;
(xiii) Sony’s ability to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony’s business information, potential business disruptions or financial losses; 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.