SONY

FY2017 Consolidated Financial Results

(Fiscal year ended March 31, 2018)

April 27, 2018

Sony Corporation

Please be aware that, in the following remarks, statements made 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. These statements are based on management's assumptions in light of the information currently available to it, and, therefore, you should not place undue reliance on them.

Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. For additional information as to risks and uncertainties, as well as other factors that could cause actual results to differ, please refer to today's press release, which can be accessed by visiting www.sony.net/IR.

■ FY2017 Consolidated Financial Results and
FY2018 Consolidated Results Forecast

■ Segments Outlook

I am Hiroki Totoki. I assumed the role of CFO as of April 1st. It's nice to meet you all.

Today I would like to explain two topics in the next 15 minutes:

FY2017 Consolidated Results

(Bln Yen, Mln US dollar)

	FY16	FY17	Change	FY17 USD Amount[*1]
Sales & operating revenue	7,603.3	**8,544.0**	+940.7 bln yen (+12.4%)	$77,042
Operating income	288.7	**734.9**	+446.2 bln yen (+154.5%)	6,626
Income before income taxes	251.6	**699.0**	+447.4 bln yen (+177.8%)	6,303
Net income attributable to Sony Corporation's stockholders	73.3	**490.8**	+417.5 bln yen (+569.7%)	4,426
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	56.89 yen	**379.75 yen**	+322.86 yen	3.42 USD
Restructuring charges[*2]	60.2	**22.4**	-62.8%	202
Additions to long-lived assets[*3]	272.2	**332.1**	+22.0%	2,995
Depreciation and amortization[*4]	327.0	**361.4**	+10.5%	3,259
Research and development expenses	447.5	**458.5**	+2.5%	4,135
Average rate				
1 US dollar	108.4 yen	**110.9 yen**		
1 Euro	118.8 yen	**129.7 yen**		

Dividend per Share	
Interim	12.5 yen
Year-end	15 yen
Full year	**27.5 yen**

*1 US dollar amounts have been translated from yen, for convenience only, using the average rate listed on this slide
*2 Restructuring charges are included in operating income as operating expenses (applies to all following pages)
*3 Does not include the increase in intangible assets resulting from acquisitions (applies to all following pages)
*4 Includes amortization expenses for intangible assets and for deferred insurance acquisition costs (applies to all following pages)

FY17 consolidated sales were 8 trillion 544.0 billion yen, an increase of 12% compared to the previous fiscal year ("year-on-year"), and consolidated operating income was 734.9 billion yen, 2.5 times that of the previous fiscal year. Net income attributable to Sony Corporation's stockholders was 490.8 billion yen, 6.7 times that of the previous fiscal year.

Second Mid-Range Corporate Plan Financial Targets (FY17)

	Financial Targets	FY17 Results
Operating Income	≥ 500 bln yen	734.9 bln yen
ROE	≥ 10%	18%

As a result, we were able to achieve the financial targets that we set at the Corporate Strategy Meeting in February 2015 of 500 billion yen or more operating income and 10% or more ROE in FY17.

FY2017 Consolidated Results

(Bln Yen, Mln US dollar)

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As we announced earlier today, the FY17 year-end dividend will be 15 yen. Combined with the 12.5 yen interim dividend that we have already paid, the full-year dividend amount per share is 27.5 yen.

Adjusted Operating Income

	Operating Income	Adjusted Operating Income	Adjusted Operating Income excludes the following items*1
FY16	288.7 bln yen	**471.9 bln yen**	■ Impairment charge of goodwill in the Pictures segment (-112.1 bln yen) ■ Impact of the Kumamoto Earthquakes*2 (-42.1 bln yen) ■ Impairment charge related to the transfer of the battery business (-42.3 bln yen) ■ Impairment charge against long-lived assets resulting from the termination of the development and manufacturing of certain high-functionality camera modules for external sale (-23.9 bln yen) ■ Gain on the sale of certain shares of M3, Inc. ("M3") (+37.2 bln yen)
FY17	734.9 bln yen	**709.5 bln yen**	■ Impairment charge against long-lived assets in the MC segment (-31.3 bln yen) ■ Gain resulting from the sale of the entire equity interest in a manufacturing subsidiary in the camera module business (+28.3 bln yen) ■ Gain resulting from the sale of real estate held by a subsidiary in the Music segment (+10.5 bln yen) ■ Insurance recoveries relating to the Kumamoto Earthquakes (+9.3 bln yen) ■ Gain resulting from the sale of manufacturing equipment in the Semiconductors segment (+8.6 bln yen)
Change from FY16	+446.2 bln yen	**+237.6 bln yen** (+50.3%)	

*1 These monetary amounts are disclosed in the Quarterly Financial Statements, the Presentation Slides and the Quarterly Securities Reports for the relevant quarters
*2 Net result of physical damage and opportunity losses offset by insurance recoveries, both of which resulted from the 2016 Kumamoto Earthquakes

Adjusted operating income is not a measure in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors.

As is shown in this slide, there are several extraordinary items included in the operating income for the fiscal year ended March 31, 2017 ("FY16") and FY17. Excluding these items, operating income would have increased 237.6 billion yen, an increase of 50%.

FY2017 Results by Segment [Reclassified]

(Bln Yen)

		FY16	FY17	Change	FX Impact
Game & Network Services (G&NS)	Sales	1,649.8	**1,943.8**	+294.0	+82.5
	Operating income	135.6	**177.5**	+41.9	+19.8
Music	Sales	647.7	**800.0**	+152.3	+9.0
	Operating income	75.8	**127.8**	+52.0	
Pictures	Sales	903.1	**1,011.1**	+107.9	+17.9
	Operating income	−80.5	**41.1**	+121.6	
Home Entertainment & Sound (HE&S)	Sales	1,039.0	**1,222.7**	+183.7	+56.4
	Operating income	58.5	**85.8**	+27.3	+22.8
Imaging Products & Solutions (IP&S)	Sales	579.6	**655.9**	+76.3	+22.9
	Operating income	47.3	**74.9**	+27.7	+11.6
Mobile Communications (MC)	Sales	759.1	**723.7**	−35.4	+16.1
	Operating income	10.2	**−27.6**	−37.8	-5.3
Semiconductors	Sales	773.1	**850.0**	+76.9	+20.8
	Operating income	−7.8	**164.0**	+171.8	+11.7
Financial Services	Revenue	1,087.5	**1,228.4**	+140.9	
	Operating income	166.4	**178.9**	+12.5	
All Other	Sales	450.5	**407.2**	−43.3	
	Operating income	−29.6	**−23.5**	+6.1	
Corporate and elimination	Sales	−286.2	**−298.8**	−12.6	
	Operating income	−87.1	**−64.1**	+23.0	
Consolidated total	Sales	7,603.3	**8,544.0**	+940.7	
	Operating income	288.7	**734.9**	+446.2	

· Due to Sony's realignment of its business segments in Q1 FY2017, certain figures in FY16 have been reclassified to conform to the presentation of FY17 (applies to all following pages)
· Sales and Revenue in each business segment represents sales and revenue recorded before intersegment transactions are eliminated. Operating income in each business segment represents operating income reported before intersegment transactions are eliminated and excludes unallocated corporate expenses (applies to all following pages)
· Both Sales and Revenue include operating revenue and intersegment sales (applies to all following pages)
· For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see Note on page 9 of the Financial Statements for the Fiscal Year Ended March 31, 2018 (applies to all following pages)

This slide shows the results by segment for the fiscal year.

FY2018 Consolidated Results Forecast

(Bln Yen, Mln US dollar)

	FY16	FY17	FY18 Forecast	Change From FY17
Sales & operating revenue	7,603.3	8,544.0	**8,300**	-244.0 bln yen (-2.9%)
Operating income	288.7	734.9	**670**	-64.9 bln yen (-8.8%)
Income before income taxes	251.6	699.0	**735**	+36.0 bln yen (+5.1%)
Net income attributable to Sony Corporation's stockholders	73.3	490.8	**480**	-10.8 bln yen (-2.2%)
Restructuring charges	60.2	22.4	**22**	-1.8%
Additions to long-lived assets	272.2	332.1	**360**	+8.4%
Depreciation and amortization	327.0	361.4	**360**	-0.4%
Research and development expenses	447.5	458.5	**470**	+2.5%
Average rate	Actual	Actual	Assumption	
1 US dollar	108.4 yen	110.9 yen	**Approx. 105 yen**	
1 Euro	118.8 yen	129.7 yen	**Approx. 125 yen**	

* US dollar amounts have been translated from yen, for convenience only, using the average rate listed on this slide

Next is the consolidated results forecast for FY18. Consolidated sales are expected to decrease 3% year-on-year to 8 trillion 300 billion yen and operating income is expected to decrease 9% to 670 billion yen. In addition, due to the public listing in April of Spotify Technology S.A., a portion of which shares one of our group companies owns, and the sale of approximately half of the shares we owned from the listing date until now, we expect to record an approximately 100 billion yen gain in Other Income, including both an unrealized valuation gain and realized gain, net of related expenses. Net income attributable to Sony Corporation's stockholders is expected to be 480 billion yen. Assumed foreign exchange rates are 105 yen to the U.S. dollar and 125 yen to the Euro. We estimate that the year-on-year negative impact on the operating results of the 5 electronics segment resulting from these foreign exchange rates will be approximately 38 billion yen, primarily due to depreciation of emerging market currencies.

FY2018 Results Forecast by Segment [Reclassified]

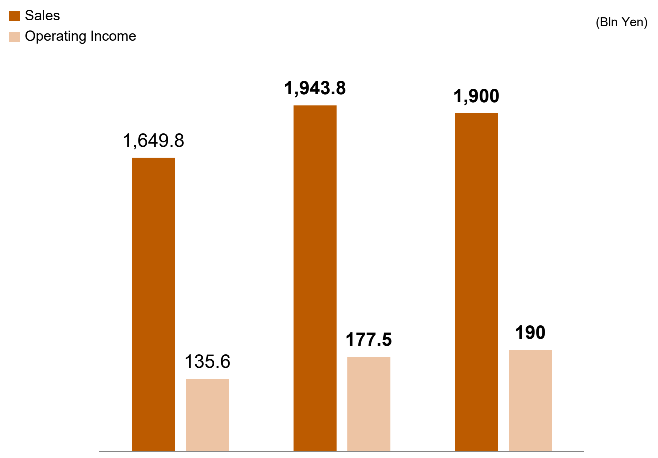
(Bln Yen)

Segment		FY16	FY17	FY18 Forecast	Change from FY17
Game & Network Services (G&NS)	Sales	1,649.8	1,943.8	**1,900**	-43.8
	Operating income	135.6	177.5	**190**	+12.5
Music	Sales	647.7	800.0	**750**	-50.0
	Operating income	75.8	127.8	**112**	-15.8
Pictures	Sales	903.1	1,011.1	**960**	-51.1
	Operating income	−80.5	41.1	**42**	+0.9
Home Entertainment & Sound (HE&S)	Sales	1,039.0	1,222.7	**1,150**	-72.7
	Operating income	58.5	85.8	**86**	+0.2
Imaging Products & Solutions (IP&S)	Sales	579.6	655.9	**660**	+4.1
	Operating income	47.3	74.9	**75**	+0.1
Mobile Communications (MC)	Sales	759.1	723.7	**640**	-83.7
	Operating income	10.2	−27.6	**-15**	+12.6
Semiconductors	Sales	773.1	850.0	**870**	+20.0
	Operating income	−7.8	164.0	**100**	-64.0
Financial Services	Revenue	1,087.5	1,228.4	**1,270**	+41.6
	Operating income	166.4	178.9	**170**	-8.9
All Other, Corporate and elimination	Operating income	-116.7	-87.6	**-90**	-2.4
Consolidated total	Sales	7,603.3	8,544.0	**8,300**	−244.0
	Operating income	288.7	734.9	**670**	−64.9

The fiscal year forecasts for each segment are shown on this slide. I will now turn to the situation in each of our businesses.

Game & Network Services Segment

Sales and Operating Income



(Mln Units)	FY16	**FY17**	**FY18 FCT**
PS4	20	**19**	**16**

FY2017 **(year-on-year)**

- Sales: 294.0 bln yen (17.8%) significant increase (FX Impact: +82.5 bln yen)
  - (+) Increase in PlayStation®4 (PS4™) software sales including sales through the network
  - (+) Impact of foreign exchange rates
  - (+) Increase in the number of subscribers for PlayStation®Plus, a paid membership service
- OI: 41.9 bln yen significant increase (FX Impact: +19.8 bln yen)
  - (+) Increase in sales
  - (–) Increase in selling, general and administrative expenses

FY2018 Forecast **(year-on-year)**

- Sales: 43.8 bln yen (2.3%) decrease
  - (–) Decrease in PS4 hardware sales
  - (–) Impact of foreign exchange rates
  - (+) Increase in PS4 software sales including sales through the network
- OI: 12.5 bln yen increase
  - (+) Increase in PS4 software sales including sales through the network
  - (–) Decrease in PS4 hardware sales

First I will talk about the Game & Network Services segment. FY17 sales increased 18% year-on-year to 1 trillion 943.8 billion yen primarily due to an increase in PS4 software sales. Operating income increased 41.9 billion yen to 177.5 billion yen, primarily due to the increase in sales.

We expect sales in FY18 to decrease 2%, primarily due to a decrease in unit sales of PS4 hardware, but we expect operating income to increase 12.5 billion yen to 190 billion yen primarily due to an increase in sales of PS4 software.

Changes in Disclosure for Game & Network Services

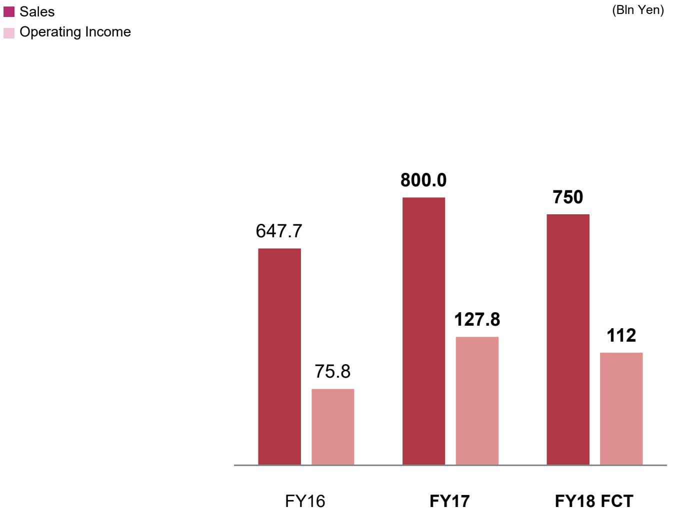
- **Game & Network Services segment sales breakdown**
  - Hardware
  - Game Software
  - Network Services
  - Others

- **PlayStation®4 hardware and software**
  - PS4 hardware (units)
  - PS4 full game software (units)
  - PS4 full game software digital download ratio (%)

From today, we started to disclose the new information shown in this slide in the *Supplemental Information for the Consolidated Financial Results* available on the IR website.

Music Segment

Sales and Operating Income



	FY16	FY17	FY18 FCT
Recorded Music Category Revenue	388.9	**447.0**	-
Streaming* Revenue (included above)	140.6	**197.4**	-

FY2017 (year-on-year)

- Sales: 152.3 bln yen (23.5%) significant increase (FX Impact: +9.0 bln yen)
  - ·(+) Increase in Visual Media and Platform sales due to the continued strong performance of *Fate/Grand Order*, a game application for mobile devices
  - ·(+) Increase in Recorded Music sales due to a continued increase in digital streaming revenues
- OI: 52.0 bln yen significant increase
  - ·(+) Increase in sales
  - ·(+) Gain recorded on the sale of real estate (10.5 bln)

FY2018 Forecast (year-on-year)

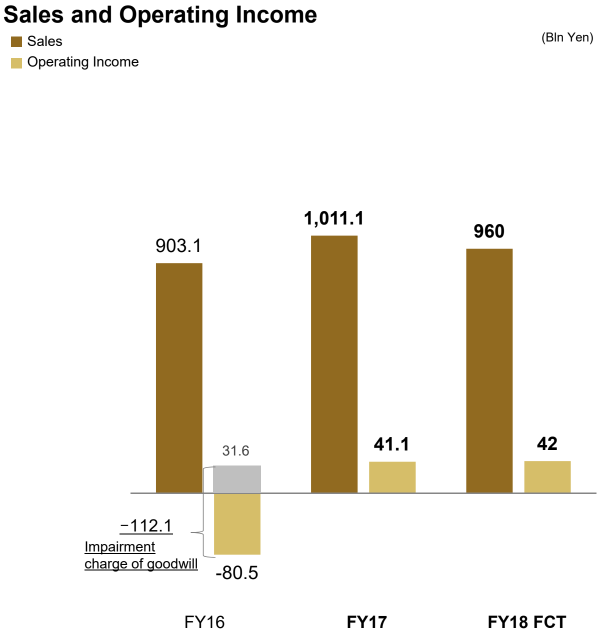
- Sales: 50 bln yen (6.2%) decrease
  - ·(–) Change in accounting standards
  - ·(–) Impact of foreign exchange rates
- OI: 15.8 bln yen decrease
  - ·(–) Absence of the gain recorded on the sale of real estate in FY17 (10.5 bln)

* Streaming includes digital audio, digital video and digital radio, and includes revenue from both subscription and ad-supported services

Next, I will talk about the Music segment. FY17 sales increased 24% year-on-year and operating income increased 52.0 billion yen to 127.8 billion yen. This increase in operating income was primarily due to the continued strength of the mobile game application *Fate/Grand Order* and an increase in streaming services revenue. Operating income of mobile game applications accounted for a little over 30% of the operating income of the segment and was double that of FY16.

We expect sales in FY18 to decrease 6% primarily due to a change in accounting standards and the impact of foreign exchange rates. Operating income is expected to decrease to 112.0 billion yen primarily due to the absence of a 10.5 billion yen gain on the sale of real estate recorded in the previous fiscal year.

Pictures Segment



FY2017 (year-on-year)

The following analysis is on a U.S. dollar basis

- Sales: 107.9 bln yen (12.0%) significant increase

  (U.S. dollar basis: +841 mil USD / +10%)
  - ·(+) Increase in sales for Media Networks
    - ·(+) Higher advertising and subscription revenues resulting from the acquisition of TEN Sports Network and improved ratings, both in India
  - ·(+) Increase in sales for Motion Pictures
    - ·(+) Strong worldwide theatrical performance of *Spider-Man: Homecoming* and *Jumanji: Welcome to the Jungle*
    - ·(−) Lower television licensing revenues for catalog product
  - ·(+) Increase in sales for Television Productions
    - ·(+) Higher licensing revenues for various U.S. television series
    - ·(−) Lower television licensing revenues for catalog product
- OI: 121.6 bln yen significant improvement
  - ·(+) Absence of the 962 million U.S. dollars (112.1 billion yen) impairment charge of goodwill recorded in FY16
  - ·(+) Increase in sales
  - ·(−) Operating loss from TEN Sports Network

FY2018 Forecast (year-on-year)

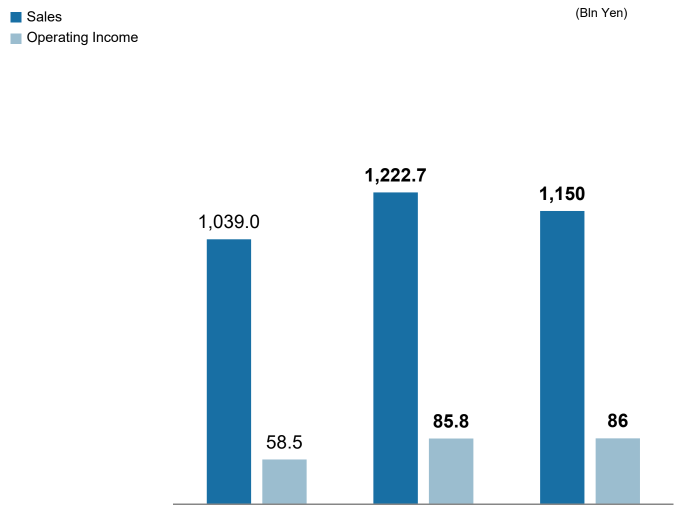
- Sales: 51.1 bln yen (5.1%) decrease
  - ·(−) Impact of foreign exchange rates
- OI: Essentially flat year-on-year

Next, I will talk about the Pictures segment. FY17 sales increased 12% year-on-year and operating income improved to 41.1 billion yen due to the recording of a 112.1 billion yen impairment charge of goodwill in the previous fiscal year. This is the first time since we began to disclose segment forecasts in the fiscal year ended March 31, 2015 that this segment has achieved the forecast issued at the beginning of the fiscal year. Thanks to hits like *Spider-Man: Homecoming* and *Jumanji: Welcome to the Jungle*, the profit from the film slate exceeded our original forecast. We are beginning to see the fruits of the Motion Picture group’s focus on content IP and financial discipline under the leadership of Tom Rothman, who has run the Motion Pictures business since February 2015.

FY18 sales are expected to decrease 5% primarily due to the impact of foreign exchange rates and operating income is expected to be 42 billion yen, essentially flat year-on-year.

Home Entertainment & Sound Segment

Sales and Operating Income



(Mln Units)	FY16	**FY17**	**FY18 FCT**
TVs	12.1	**12.4**	**11.5**

FY2017 (year-on-year)

- Sales: 183.7 bln yen (17.7%) significant increase (FX impact: +56.4 bln yen)
  - ·(+) Improvement in the product mix of televisions reflecting a shift to high value-added models
  - ·(+) Impact of foreign exchange rates
- OI: 27.3 bln yen significant increase (FX Impact: +22.8 bln yen)
  - ·(+) Increase in sales
  - ·(+) Positive impact of foreign exchange rates
  - ·(–) Increase in research and development, marketing and other expenses

FY2018 Forecast (year-on-year)

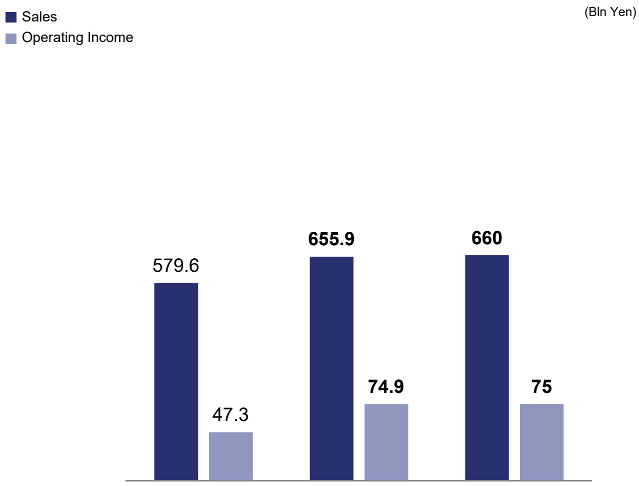
- Sales: 72.7 bln yen (5.9%) decrease
  - ·(–) Impact of foreign exchange rates
  - ·(–) Decrease in television unit sales resulting from a strategic decision not to pursue scale in order to focus on profitability
- OI: Essentially flat year-on-year
  - ·(+) Improvement in the product mix of televisions reflecting a shift to high value-added models
  - ·(–) Decrease in sales

Next is the Home Entertainment & Sound segment. FY17 sales increased 18% year-on-year and operating income increased 27.3 billion yen to 85.8 billion yen. The increase in sales and operating income was due to a shift to high value-added models such as 4K BRAVIA OLED TVs and the positive impact of foreign exchange rates.

We expect sales to decrease 6% and operating income to be essentially flat year-on-year at 86 billion yen.

Imaging Products & Solutions Segment

Sales and Operating Income



(Mln Units)	FY16	**FY17**	**FY18 FCT**
Digital Cameras*	4.2	**4.4**	**3.8**

* Includes compact digital cameras and interchangeable single-lens cameras / Excludes interchangeable lenses

FY2017 (year-on-year)

- Sales: 76.3 bln yen (13.2%) significant increase (FX Impact: +22.9 bln yen)
  - ·(+) Absence of the impact from the Kumamoto Earthquakes in FY16
  - ·(+) Impact of foreign exchange rates
  - ·(+) Improvement in the product mix of Still and Video Cameras reflecting a shift to high value-added models
- OI: 27.7 bln yen significant increase (FX Impact: +11.6 bln yen)
  - ·(+) Improvement in the product mix of Still and Video Cameras
  - ·(+) Positive impact of foreign exchange rates
  - ·(+) Absence of the impact from the Kumamoto Earthquakes in FY16

FY2018 Forecast (year-on-year)

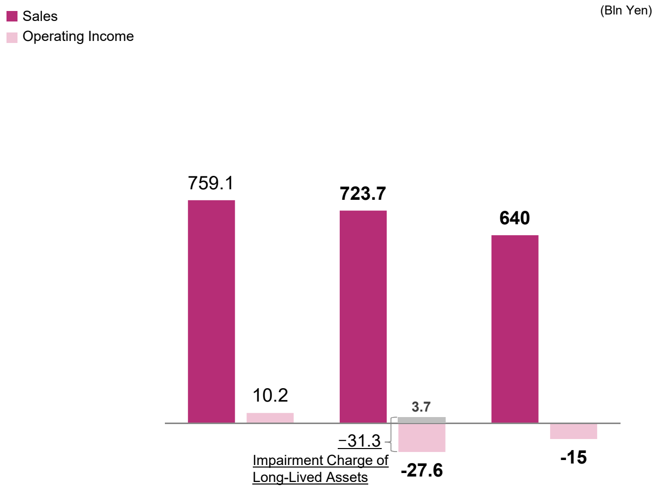
- Sales / OI: Essentially flat year-on-year
  - ·(+) Improvement in the product mix of Still and Video Cameras
  - ·(–) Negative impact of foreign exchange rates

Next I will explain the Imaging Products & Solutions segment. FY17 sales increased 13% year-on-year and operating income increased 27.7 billion yen to 74.9 billion yen. The increase in sales and operating income was primarily due to an enhancement of high value-added products such as our Alpha series mirrorless cameras and our interchangeable lens lineup, the positive impact of foreign exchange rates and the negative impact of the Kumamoto Earthquakes in the previous fiscal year.

In FY18 we expect sales to be 660 billion yen and operating income to be 75 billion yen, essentially flat year-on-year.

Mobile Communications Segment

Sales and Operating Income



(Mln Units)	FY16	**FY17**	**FY18 FCT**
Smartphones	14.6	**13.5**	**10**

FY2017 (year-on-year)

- Sales: 35.4 bln yen (4.7%) decrease (FX Impact: +16.1 bln yen)
  - ·(–) Decrease in smartphone unit sales
- OI: 37.8 bln yen deterioration (FX Impact: -5.3 bln yen)
  - ·(–) Impairment charge against long-lived assets (31.3 billion yen)
  - ·(–) Decrease in smartphone unit sales
  - ·(–) Increase in the price of key components
  - ·(+) Reduction in operating costs

FY2018 Forecast (year-on-year)

- Sales: 83.7 bln yen (11.6%) decrease
  - ·(–) Significant downsizing of smartphone unit sales in an effort to improve profitability
- OI: 12.6 bln yen improvement
  - ·(+) Absence of the impairment charge against long-lived assets recorded in FY17 (31.3 billion yen)
  - ·(+) Reduction in operating costs
  - ·(–) Decrease in smartphone unit sales

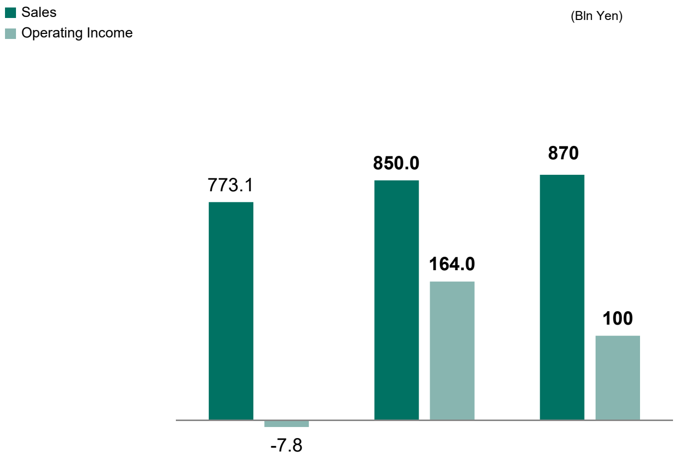
Next I will talk about the Mobile Communications segment. FY17 sales decreased 5% year-on-year to 723.7 billion yen. Operating results deteriorated 37.8 billion yen and a loss of 27.6 billion yen was recorded due to the impact of this decrease in sales and the recording of a 31.3 billion yen impairment charge against long-lived assets in the fourth quarter ended March 31, 2018. In light of the sales results of the smartphone business and changes in the business environment since January 2018, we have downwardly revised our future profitability forecast. As a result, our forecast for future cash flows has decreased, and we recorded the impairment.

We expect FY18 sales to decrease 12% because our smartphone unit sales forecast of 10 million units is significantly below the previous fiscal year, due to our efforts to improve profitability. Primarily due to the impact of the decline in sales, we expect to record an operating loss of 15 billion yen.

I would like to say a few things about the importance of 5G wireless technology in the context of our strategy for the smartphone business going forward. By enabling high-speed communication, low-latency and simultaneous connectivity, 5G, which is expected to be commercialized in the near future, is a technology which we view as having immense potential, since it can connect all portable devices to the cloud. In order to fully utilize this leading-edge technology, we need to retain in-house our fundamental research capability and capability to create related applications. By continuing to work on 5G in our smartphone business, we are aiming to develop 5G technology as a competency that can be used across the Sony Group.

Semiconductors Segment

Sales and Operating Income



	FY16	FY17	FY18 FCT
Image Sensors* Sales	548.6	**649.4**	**690**
Additions to long-lived assets for Semiconductors Segment	84.0	**128.1**	**160**
for Image Sensors* (included above)	45.0	**106.6**	**130**

* Category changes: Image sensors with sensing capabilities previously included in Other are now integrated into the Image Sensors category

FY2017 (year-on-year)

- Sales: 76.9 bln yen (9.9%) increase (FX Impact: +20.8 bln yen)
  - ·(+) Significant increase in sales of image sensors
    - ·(+) Significant increase in unit sales of image sensors for mobile products
    - ·(+) Absence of the impact from the Kumamoto Earthquakes which resulted in a production decrease in FY16
  - ·(–) Significant decrease in sales of camera modules, a business which was downsized
- OI: 171.8 bln yen significant improvement (FX Impact: +11.7 bln yen)
  - ·(+) Increase in sales
  - ·(+) Impairment charge in FY16 and the sale of an equity interest in FY17, both in camera modules (52.2 bln yen)
  - ·(+) Impact of the Kumamoto Earthquakes (after insurance recoveries) (34.7 bln yen)
  - ·(+) Positive impact of foreign exchange rates
  - ·(+) Gain resulting from the sale of manufacturing equipment (8.6 bln yen)
  - ·(+) Inventory write-downs of certain image sensors for mobile products in FY16 (6.5 bln yen)

FY2018 Forecast (year-on-year)

- Sales: 20 bln yen (2.4%) increase
  - ·(+) Increase in unit sales of image sensors for mobile products
  - ·(–) Impact of foreign exchange rates
- OI: 64 bln yen significant decrease
  - ·(–) Increase in depreciation and amortization expenses as well as in research and development expenses
  - ·(–) Negative impact of foreign exchange rates
  - ·(–) Gain resulting from the sale of the entire equity interest in a manufacturing subsidiary in the camera module business in FY17 (28.3 bln yen)
  - ·(–) Gain resulting from the sale of manufacturing equipment in FY17 (8.6 bln yen)
  - ·(+) Increase in sales

Next, I will talk about the Semiconductors segment. FY17 sales increased 10% year-on-year and operating results improved 171.8 billion to a profit of 164.0 billion yen. The improvement in operating results was primarily due to the recording of several extraordinary items in FY16 and FY17 and an increase in unit sales of image sensors year-on-year.

Semiconductors Segment Adjusted Operating Income

	Operating Income	Adjusted Operating Income	Adjusted Operating Income excludes the following items*1
FY16	-7.8 bln yen	**44.1 bln yen**	■ Impact of the Kumamoto Earthquakes*2 (-28.0 bln yen) ■ Impairment charge against long-lived assets resulting from the termination of the development and manufacturing of certain high-functionality camera modules for external sale (-23.9 bln yen)
FY17	164.0 bln yen	**120.4 bln yen**	■ Gain resulting from the sale of the entire equity interest in a manufacturing subsidiary in the camera module business (+28.3 bln yen) ■ Gain resulting from the sale of manufacturing equipment in the Semiconductors segment (+8.6 bln yen) ■ Insurance recoveries related to the Kumamoto Earthquakes (+6.7 bln yen)
Change from FY16	+171.8 bln yen	**+76.3 bln yen** （−173.0%）	

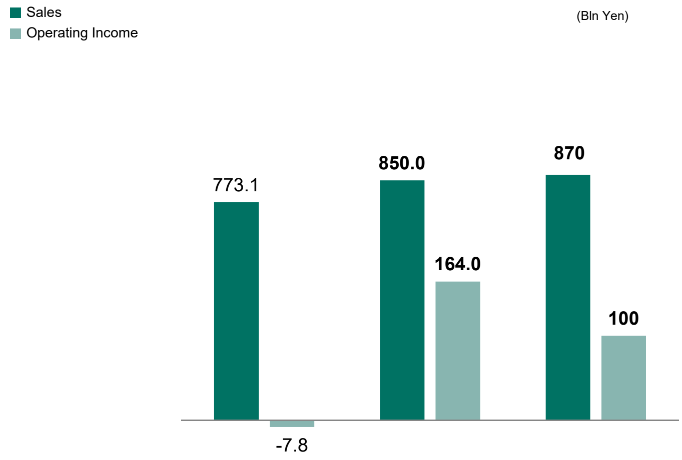
*1 These monetary amounts are disclosed in the Quarterly Financial Statements (previously known as the "Quarterly Earnings Release"), the Presentation Slides (previously known as the "Handout") and the Quarterly Securities Reports for the relevant quarters
*2 Net result of physical damage and opportunity losses offset by insurance recoveries, both of which resulted from the 2016 Kumamoto Earthquakes

Adjusted operating income is not a measure in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors.

As is shown in this slide, adjusted operating income would have increased 76.3 billion yen.

Semiconductors Segment

Sales and Operating Income



	FY16	FY17	FY18 FCT
Image Sensors* Sales	548.6	**649.4**	**690**
Additions to long-lived assets for Semiconductors Segment	84.0	**128.1**	**160**
for Image Sensors* (included above)	45.0	**106.6**	**130**

* Category changes: Image sensors with sensing capabilities previously included in Other are now integrated into the Image Sensors category

FY2017 (year-on-year)

- Sales: 76.9 bln yen (9.9%) increase (FX Impact: +20.8 bln yen)
  - ·(+) Significant increase in sales of image sensors
    - ·(+) Significant increase in unit sales of image sensors for mobile products
    - ·(+) Absence of the impact from the Kumamoto Earthquakes which resulted in a production decrease in FY16
  - ·(–) Significant decrease in sales of camera modules, a business which was downsized
- OI: 171.8 bln yen significant improvement (FX Impact: +11.7 bln yen)
  - ·(+) Increase in sales
  - ·(+) Impairment charge in FY16 and the sale of an equity interest in FY17, both in camera modules (52.2 bln yen)
  - ·(+) Impact of the Kumamoto Earthquakes (after insurance recoveries) (34.7 bln yen)
  - ·(+) Positive impact of foreign exchange rates
  - ·(+) Gain resulting from the sale of manufacturing equipment (8.6 bln yen)
  - ·(+) Inventory write-downs of certain image sensors for mobile products in FY16 (6.5 bln yen)

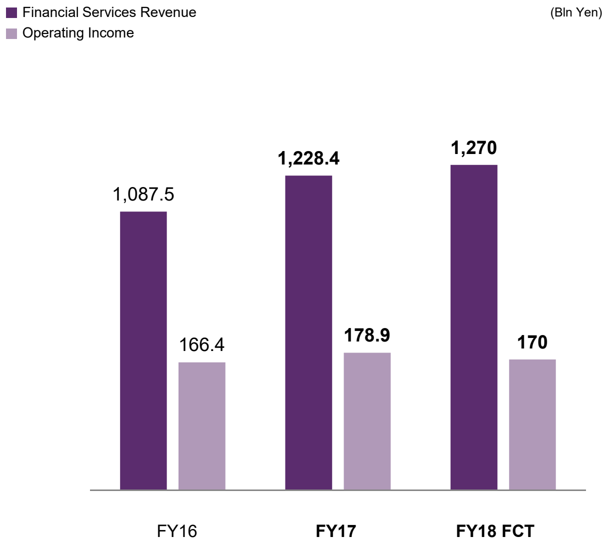
FY2018 Forecast (year-on-year)

- Sales: 20 bln yen (2.4%) increase
  - ·(+) Increase in unit sales of image sensors for mobile products
  - ·(–) Impact of foreign exchange rates
- OI: 64 bln yen significant decrease
  - ·(–) Increase in depreciation and amortization expenses as well as in research and development expenses
  - ·(–) Negative impact of foreign exchange rates
  - ·(–) Gain resulting from the sale of the entire equity interest in a manufacturing subsidiary in the camera module business in FY17 (28.3 bln yen)
  - ·(–) Gain resulting from the sale of manufacturing equipment in FY17 (8.6 bln yen)
  - ·(+) Increase in sales

We expect FY18 sales to increase 2% to 870 billion yen and operating income to be 100 billion yen. Although sales are expected to increase due to an increase in units sales of image sensors for mobile use, we expect operating income to decrease primarily because extraordinary gains of approximately 43 billion yen were recorded in the previous fiscal year and we expect the yen to appreciate compared with the previous fiscal year.

Financial Services Segment

Financial Services Revenue and Operating Income



FY2017 (year-on-year)

- Revenue: 140.9 bln yen (13.0%) significant increase
  - (+) Increase in revenue at Sony Life
    (128.0 bln yen increase, revenue: 1,093.6 bln yen)
    - Higher insurance premium revenue reflecting an increase in the policy amount in force
- OI: 12.5 bln yen increase
  - (+) Increase in OI at Sony Life (4.8 bln yen increase, OI: 159.1 bln yen)
    - (+) Increase in investment performance in the general account
      - Gain recorded on the sale of real estate held for investment purposes
      - Improvement in net gains and losses on derivative transactions to hedge market risk pertaining to minimum guarantees for variable life insurance
    - (–) Increase in amortization of deferred insurance acquisition costs, primarily driven by a decrease in interest rates
  - (+) Decrease of equity in net loss of affiliated companies

FY2018 Forecast (year-on-year)

- Revenue: 41.6 bln yen (3.4%) increase
  - (+) Increase in insurance premium revenue reflecting an increase in policy amount in force at Sony Life
- OI: 8.9 bln yen slight decrease
  - (–) Decrease in gains on the sale of assets
  - (+) Increase in insurance premium revenue

Next, I will explain the Financial Services segment. In FY17, Financial Services revenue increased 13%, due to an increase in policy amount in force at Sony Life, and operating income increased 12.5 billion yen to 178.9 billion yen. This increase in operating income includes a gain on the sale of real estate held for investment purposes at Sony Life.

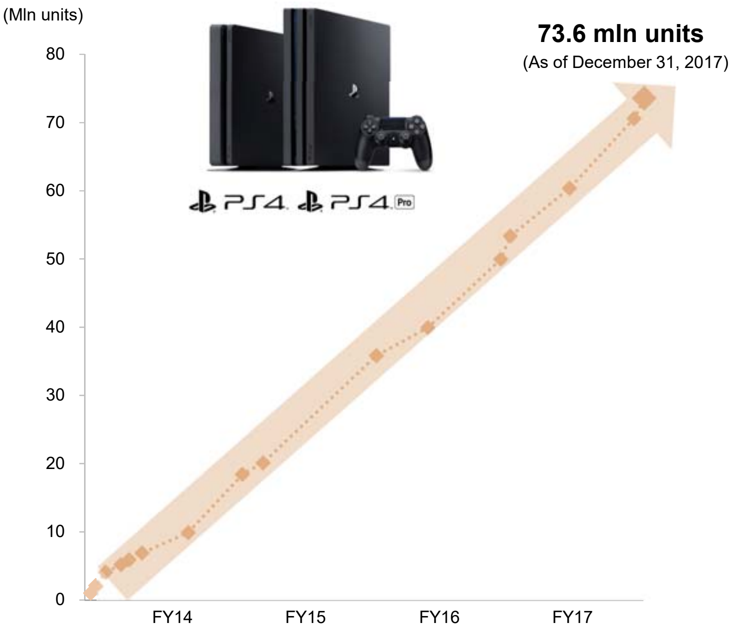
We expect FY18 Financial Services revenue to be 1 trillion 270 billion yen and operating income to be 170 billion yen. Although we expect revenue to continue to increase due to the expansion of policy amount in force, we expect operating income to decrease slightly primarily due to a decrease in gains on the sale of assets.

■Current View of Each Business

Next I would like to briefly explain my view of the current state of each of our businesses.

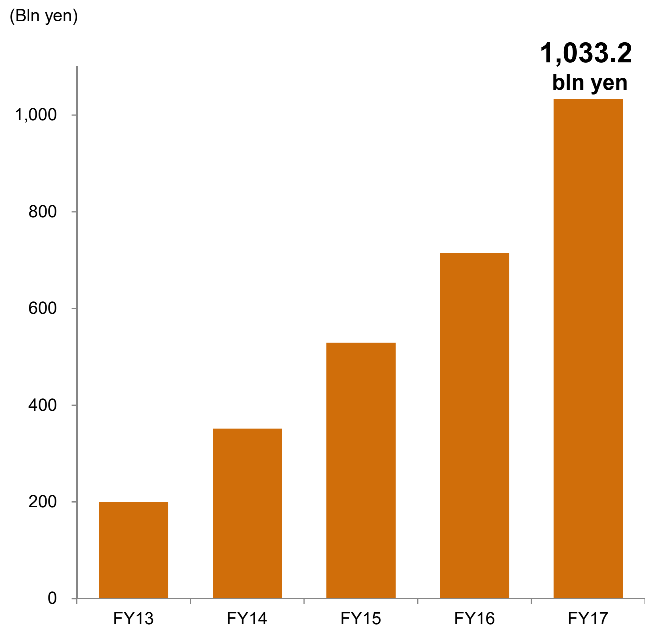
Game & Network Services Segment

PS4 Cumulative Units Sell-through[*1] Trend



[*1] Source: Sony Interactive Entertainment (SIE) announcement

Network Sales[*2] Trend

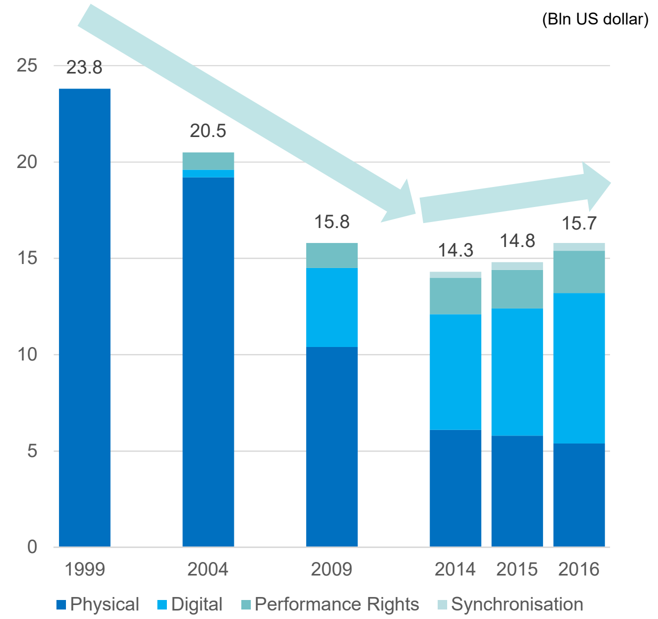


[*2] These monetary amounts are disclosed in the Financial Statements and the Supplemental Information for the relevant fiscal years

In the Game & Network Services business, the PS4 installed-base and expansion of network revenue has driven profit growth. As a result, it is important to further expand our stable network services business model along with our current business model, which is centered on hardware penetration and software tie ratios.

Music Segment

Size of the Global Recorded Music Market



Source: IFPI "Global Music Report 2017"

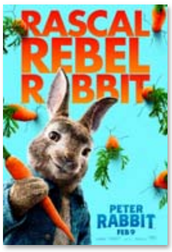
Mobile Game Applications

We believe the Music business needs to leverage its strong industry position in the expanding music market, which is being driven by the penetration of streaming services, and to convert it into profit growth. We also believe that we need to continue to aggressively promote game applications for mobile devices as a part of our strategy to leverage our animated IP.

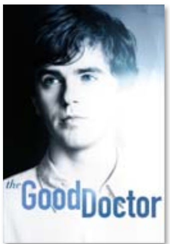
Pictures Segment

Notable Titles in FY17

Motion Pictures



Television Productions



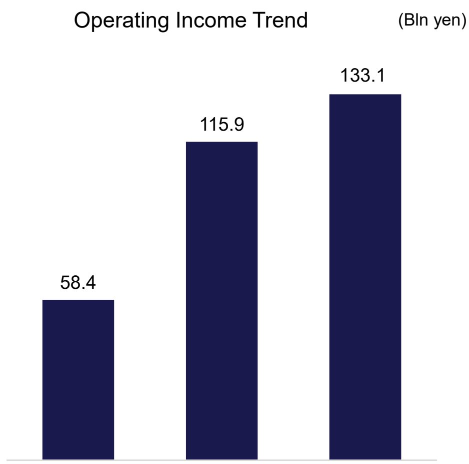
Sony Pictures Entertainment Management

Anthony Vinciquerra

Chairman and CEO, Sony Pictures Entertainment

The Pictures business had some success in FY17, as I mentioned earlier, but we recognize that its profitability is still lower than industry peers. We will concentrate on improving profitability in conjunction with the new management team led by Tony Vinciquerra.

Branded Hardware



	FY15	FY16	FY17
Home Entertainment & Sound (HE&S)	50.6	58.5	85.8
Imaging Products & Solutions (IP&S)	69.3	47.3	74.9
Mobile Communications (MC)	-61.4	10.2	-27.6
Branded Hardware Total	58.4	115.9	133.1

We are calling the three segments shown in this slide Branded Hardware. Their overall profitability has improved as a result of our efforts to strengthen product appeal and improve operations. Going forward, we aim to make this group an even more efficient and stable cash flow generator by continuing the efforts each business is undertaking to improve profitability and by strengthening cross-business cooperation.

Semiconductors Segment – Image Sensors –

Growth in Applications

The Semiconductor business has significant invested capital and should earn a high margin to justify its business risk. To do that, we believe it is important to concentrate on areas where we have competitive advantage and maintain our strong market position. The rate of growth in demand for image sensors is likely to decline in the short-term due to saturation of the smartphone market, but, over the medium to long term, we expect further growth to come from expansion of new applications such as 3D sensing, security, factory automation and automotive.

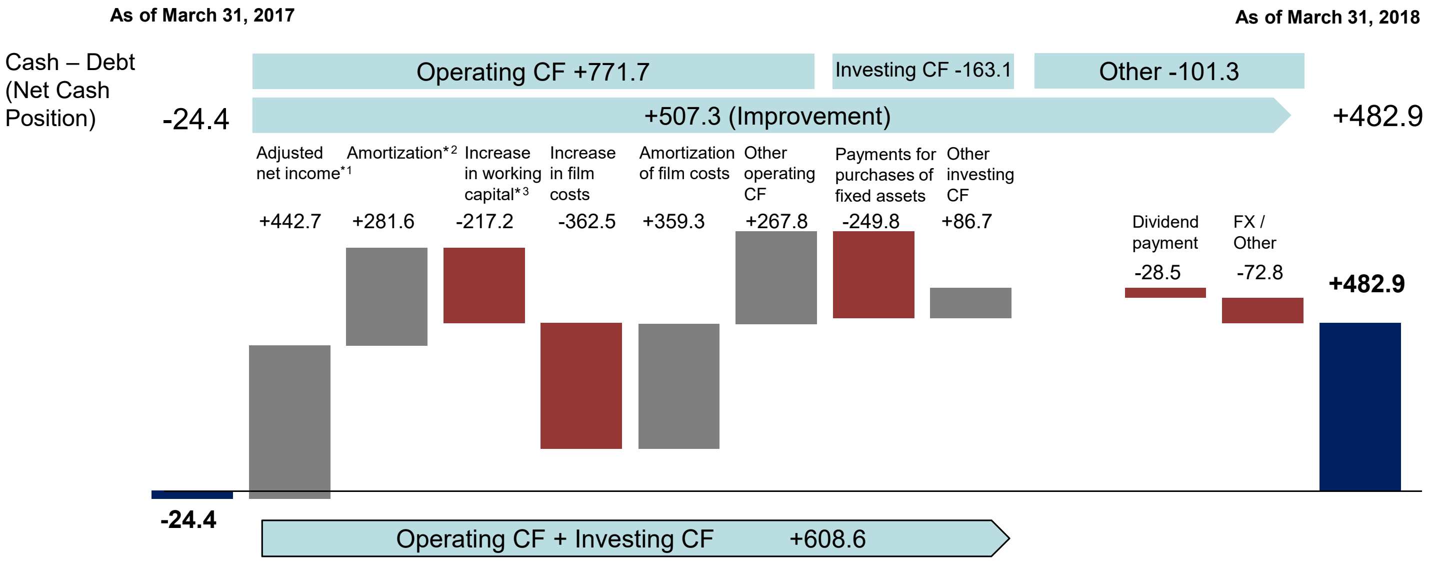
Financial Services Segment

Sony Financial Holdings

We expect the Financial Services business to continue to contribute stable profit.

FY2017 Cash Flow (CF) Analysis (Sony without Financial Services)

(Bln yen)



*1 Net income (loss) + Other operating (income) expense, net + (Gain) loss on sale or devaluation of securities investments, net [Operating CF of Sony without Financial Services]
*2 Depreciation and amortization [Operating CF of Sony without Financial Services]
*3 (Increase) decrease in notes and accounts receivable, trade + (Increase) decrease of inventories + Increase (decrease) in notes and accounts payable, trade [Operating CF of Sony without Financial Services]

·Please refer to F-12 for Condensed Statements of Cash Flows for Sony without Financial Services in “FY17 Financial Statements.”

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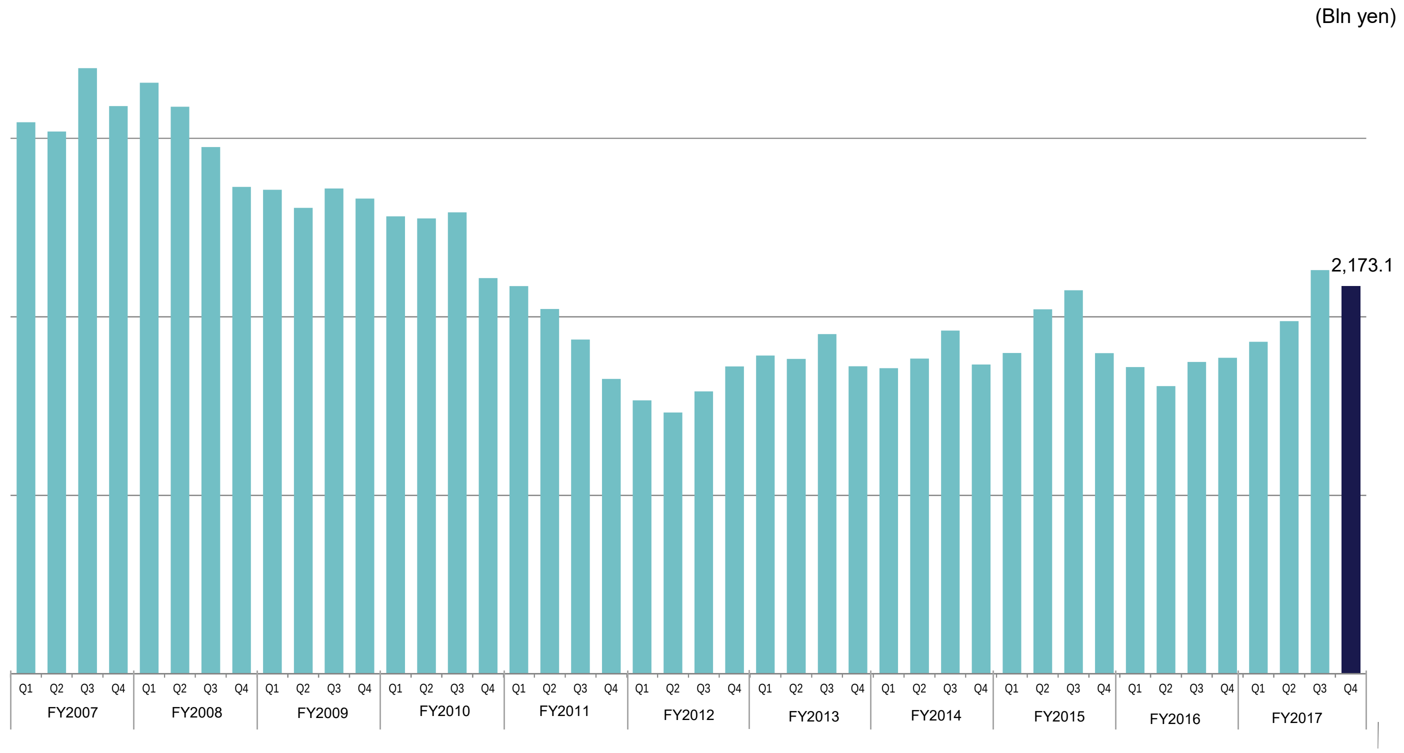
In conclusion, I will discuss the state of our balance sheet. As you can see from the presentation materials, our cash flow excluding Financial Services has steadily improved from the previous fiscal year to this fiscal year.

Trend in Net Income Attributable to Sony's Stockholders (without Financial Services)



On the other hand, our stockholders' equity has just begun to improve. Since we have invested a relatively large amount of capital in the Semiconductor business, we plan to further enhance our stockholders' equity with the standard of the semiconductor industry in mind. At the same time, we will strike the right balance with investments for future growth.

This concludes my remarks.

Cautionary Statement

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(i) the global economic and political environment in which Sony operates and the economic and political 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 image sensors, game and network platforms, smartphones and televisions, 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 customer 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 and regulatory conditions;
(vi) changes in laws, regulations and government policies in the markets in which Sony operates, including those related to taxation and corporate social responsibility;
(vii) Sony's ability to implement successful hardware, software, and content integration strategies, and to develop and implement successful sales and distribution strategies in light of new technologies and distribution platforms;
(viii) 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);
(ix) Sony's ability to maintain product quality and customer satisfaction with its products and services;
(x) 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;
(xi) significant volatility and disruption in the global financial markets or a ratings downgrade;
(xii) Sony's ability to forecast demands, manage timely procurement and control inventories;
(xiii) Sony's reliance on external business partners, including for the procurement of parts, components, software and network services for its products or services, the manufacturing, supply and distribution of its products, and its other business operations;
(xiv) the outcome of pending and/or future legal and/or regulatory proceedings;
(xv) 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;
(xvi) 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;
(xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information, potential business disruptions or financial losses; and
(xviii) risks related to catastrophic disasters or similar events.

Risks and uncertainties also include the impact of any future events with material adverse impact.