

SONY

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.

Agenda

Home Entertainment & Sound Segment

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**

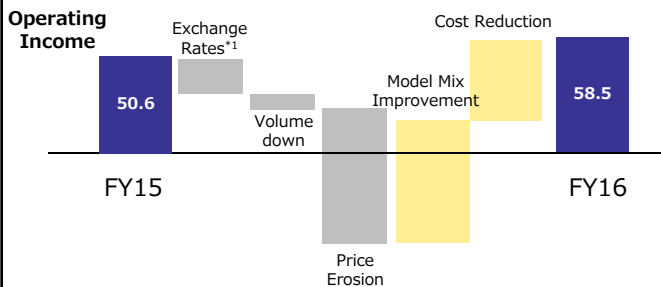
1. FY2016 Review

1. FY2016 Review

Operating Income Analysis

(bln yen)

Sales 1,159.0 → 1,039.0



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

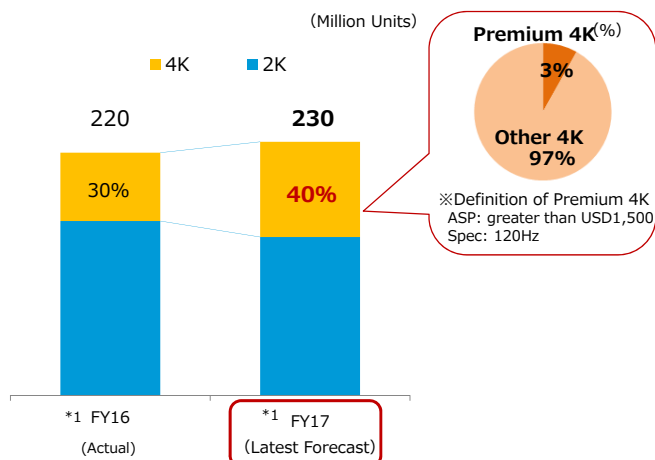
*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2016 and comparing them with the previous fiscal year.

2. FY2017 Action Plan

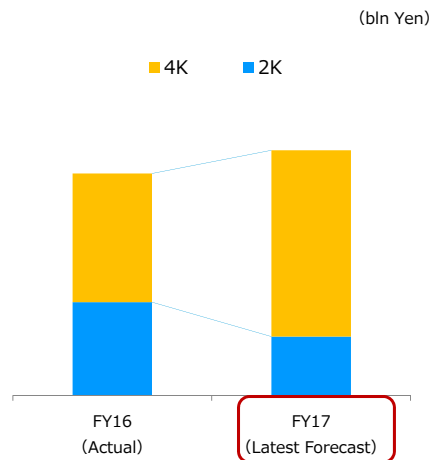
TV Business - Market Trends and Sony Sales Plan


Shift to premium 4K TV segment while TV market is recovering

LCD TV Market Trends (by units)



Sony Sales Amount



Drive market growth of “Premium 4K” 

<p>Immersive Picture Quality Realize high picture quality regardless of panel source through proprietary image processing technology</p> <p>X-tended Dynamic Range PRO Backlight Master Drive</p> <p>CONTRAST</p> <p>SONY X1 Extreme 4K HDR Processor</p> <p>COLOR TRILUMINOS DISPLAY</p> <p>CLARITY 4K X-Reality PRO</p> 	<p>Sony Unique Design High picture quality but stylish</p> <p>Uncompromising beauty in both front and back</p> 	<p>Extremely Easy Content Access Easy/Smart/Convenient usability responding to user curiosity</p>  <p>Microphone Assistant androidtv</p>
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Pursue high-value added products and establish a solid management foundation

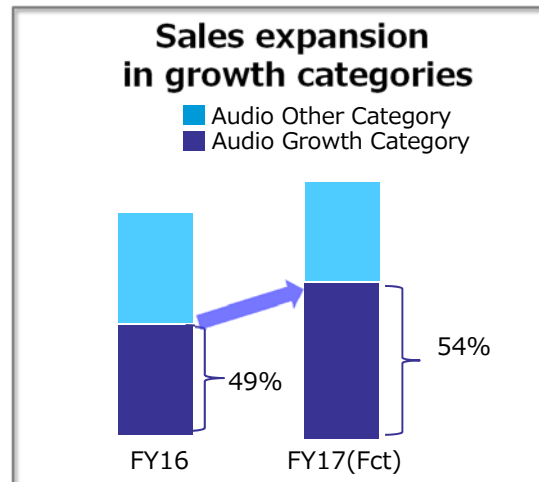
- ◆ Power of products
 - Provide the best user experience via proprietary technology
 - Continuous investment in R&D for the future
- ◆ Competitive cost structure
 - Cost control in line with the business scale and strategic and stable material procurement
- ◆ Operational excellence
 - Enhance overall operations from production through sales so as to respond to changes in the operating environment

Video & Sound Business - Priorities

Home Entertainment & Sound Segment

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



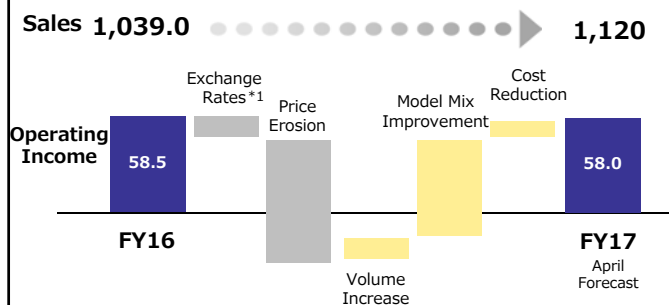
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FY2017 Forecast

Home Entertainment & Sound Segment

Operating Income Analysis

(bln yen)



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

* 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.

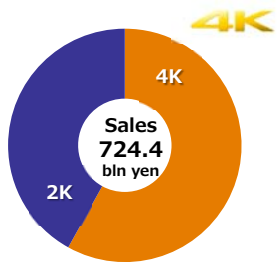
*1: Forecasted impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in the FY2017 business plan and comparing them with the previous fiscal year.

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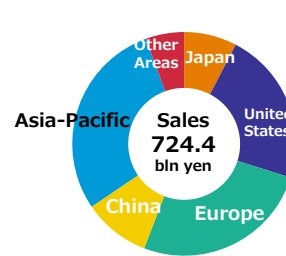
3. Reference Materials

TV Business - FY2016 Sales by Product Type & Region / Unit and Revenue Share Home Entertainment & Sound Segment

■ Sales by LCD TV Product Type

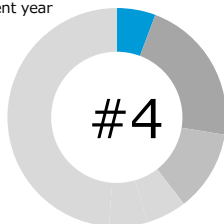


■ Sales by Region



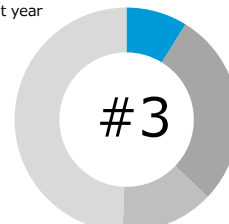
■ LCD TV Unit Share by Manufacturer

Source: Sony
For the most recent year



■ LCD TV Revenue Share by Manufacturer

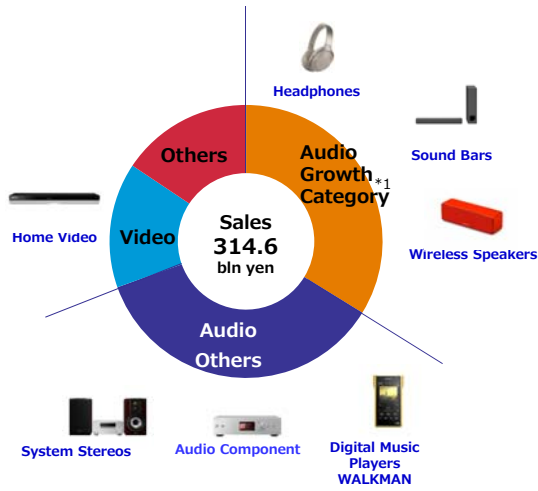
Source: Sony
For the most recent year



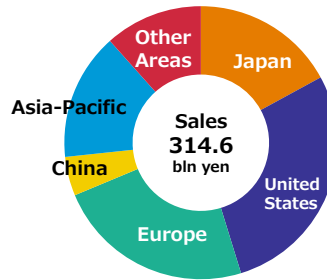
Video & Sound Business – FY2016 Sales by Product Type & Region

Home Entertainment & Sound Segment

Sales by Product Type



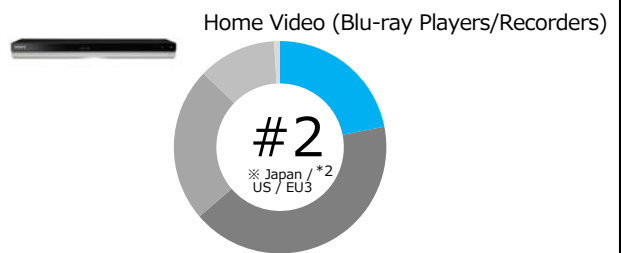
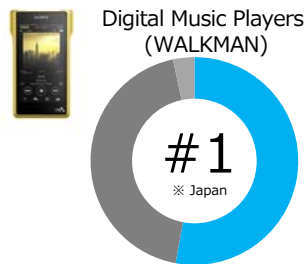
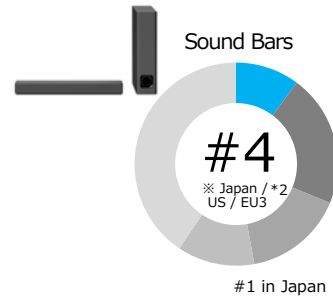
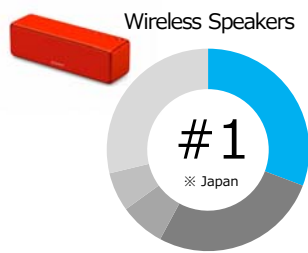
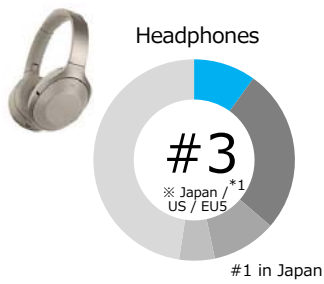
Sales by Region



*1: "Audio Growth Category" includes Sound Bar, Wireless Speaker and Headphone as its main products.

Video & Sound Business - Key Products' Market Share (Revenue basis)

Home Entertainment & Sound Segment



※ Source: Sony
For the most recent year
*1 EU5: UK, France, Germany, Italy, Spain
*2 EU3: UK, France, Germany

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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 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 continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to prioritize investments correctly (particularly in the electronics businesses);
- (viii) Sony's ability to maintain product quality and customers' satisfaction with its existing products and services;
- (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 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;
- (xv) 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
- (xvi) risks related to catastrophic disasters or similar events.

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