

**SONY**

# **Sony IR Day 2014**

## **Home Entertainment & Sound Segment**

**November 25, 2014**

**Masashi Imamura**

Representative Director and President, Sony Visual Products Inc.

**Ichiro Takagi**

SVP, Corporate Executive / President of Video and Sound Business Group  
Representative Director and Vice President, Sony Visual Products Inc.

### **Agenda**

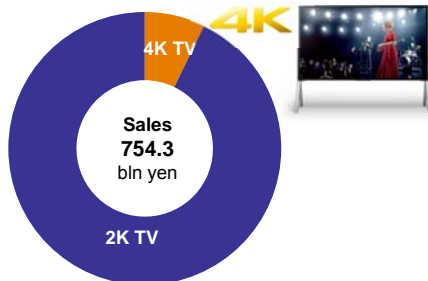
Home Entertainment & Sound Segment

- **Televisions**
  1. **Business Overview**
  2. **Forecasted Market Trends**
  3. **Mid-term Business Direction**
- **Audio and Video**
  4. **Business Overview**
  5. **Forecasted Market Trends**
  6. **Mid-term Business Direction**
- **Home Entertainment & Sound Segment**
  7. **Business Performance**
  8. **Summary**

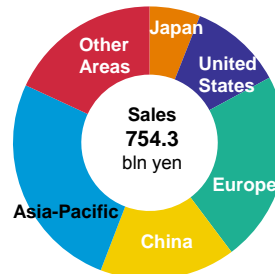
## 1-1. FY2013 LCD TV Sales Unit / Value Share

Home Entertainment & Sound Segment  
Televisions

### FY2013 Sales by Key Product

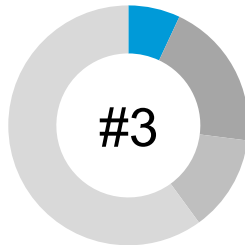


### FY2013 Sales by Region



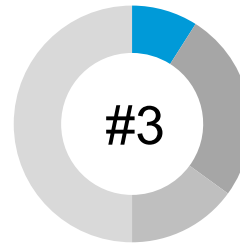
### FY2013 LCDTV Unit Share by Manufacturer

Source: Sony



### FY2013 LCDTV Value Share by Manufacturer

Source: Sony



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## 1-2. TV Business Operation Sites

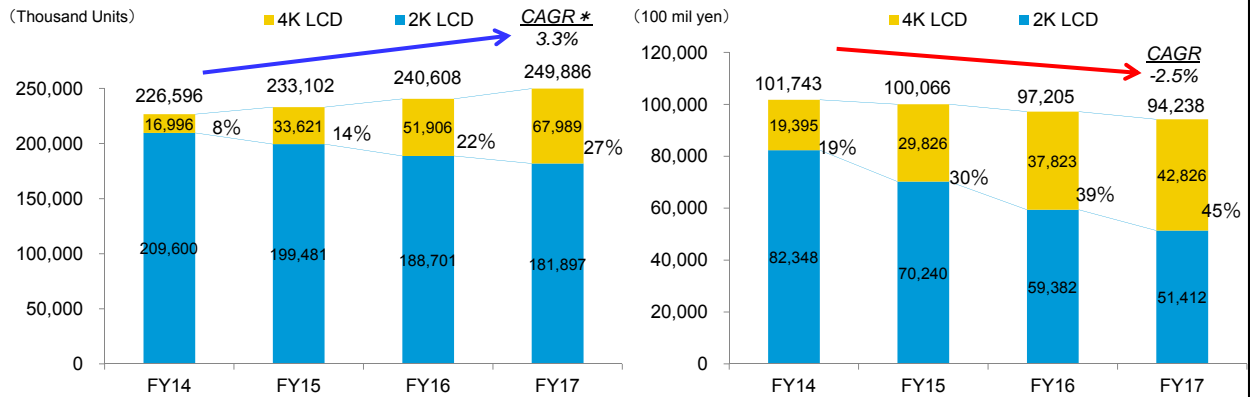
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## 2-1. Forecasted LCD TV Market Trends

Home Entertainment & Sound Segment  
Televisions



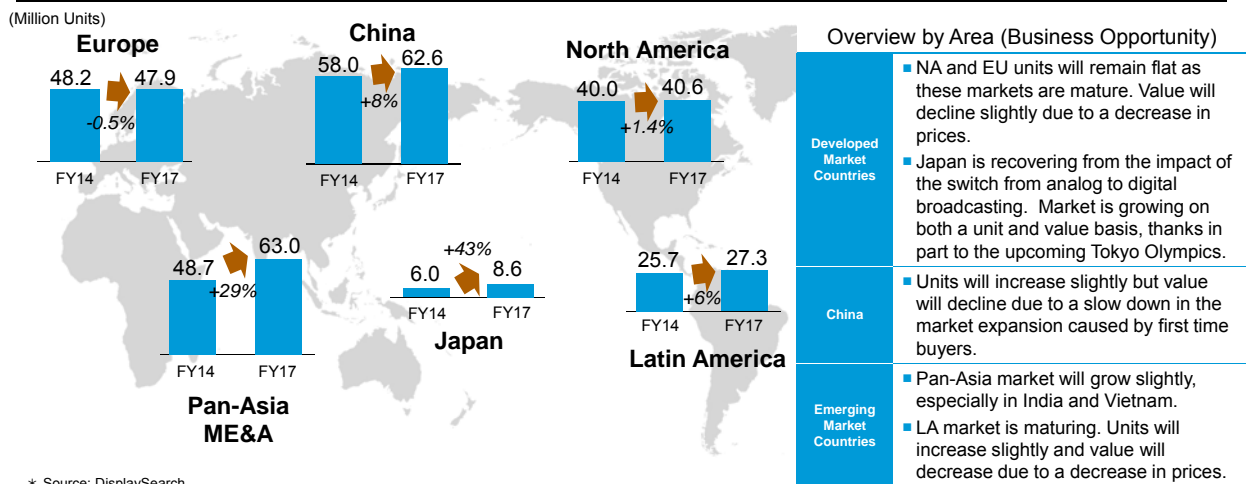
\* CAGR: Compound Annual Growth Rate  
\* Source: DisplaySearch

Although the market is expected to grow slightly on a unit basis, it is expected to decline on a value basis due to a decline in ASPs. Even in this environment, the 4K market will grow steadily.

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## 2-2. Forecasted LCD TV Market Trends by Area

Home Entertainment & Sound Segment  
Televisions



\* Source: DisplaySearch

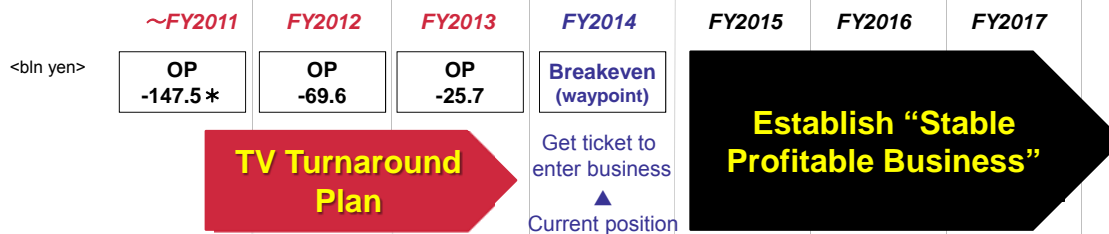
Developed markets are expected to level out, however emerging markets, especially Pan-Asia, are expected to grow steadily.

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### 3-1. Mid-term Business Direction

Home Entertainment & Sound Segment  
Televisions

**Establish a stable, profitable business by differentiating our products and selecting and concentrating where we use our resources**



- (1) Move away from structure which was based on growth
  - remove waste and inefficiencies
  - transform organization, reduce fixed costs
  - improve quality, closely control inventory, reduce idle factory spaces
- (2) Reduce panel costs
  - cancellation of S-LCD joint venture
- (3) Enhance product competitiveness

- (1) Differentiation by enhancing basic functions
- (2) Selection and concentration of where to use resources  
→ **Profitable business structure even if sales fall by 20~30%**

\* A 60 billion yen loss related to the sale of Sony's shares of S-LCD is not included.

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### 3-2. Mid-term Business Direction

Home Entertainment & Sound Segment  
Televisions

**Establish a stable, profitable business by differentiating our products, and selecting and concentrating where we use our resources**

#### ■ Enhance basic functions:

→ Fascinating products that meet our customers' needs

- 1) Enhance essential values: picture quality, cosmetic design, ease of use
- 2) Combine our differentiated technologies and industry standard technologies
  - Differentiated technologies: back lights + signal processing
  - Commoditized panels
  - Utilization of the Android Platform



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### 3-3. Mid-term Business Direction

**Establish a stable, profitable business by differentiating our products, and selecting and concentrating where we use our resources**

■ Selection and concentration → Profitable business structure even if sales fall by 20~30%

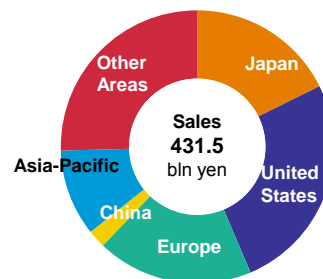
- 1) Accelerated decision-making after splitting out the TV Business
- 2) Reduction of product line-up  
- 30% reduction from FY2014 to FY2017
- 3) Clear focus on sales strategy by area  
- US: Shop in shop  
- EU: Build up shop front (as an interface to our customers)
- 4) Further improvement in design efficiency and low cost operations by global mother factory in Malaysia
- 5) Reduction of headquarter costs and fixed sales cost

### 4-1. FY2013 Business Overview

■ FY2013 Sales by Key Product



■ FY2013 Sales by Region



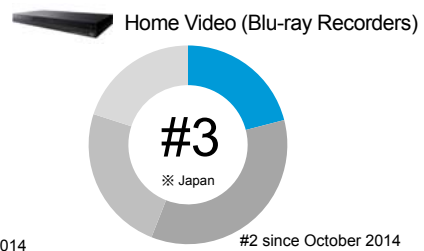
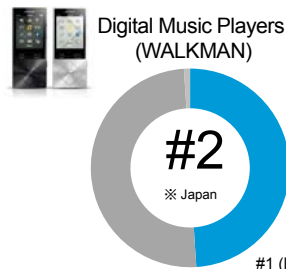
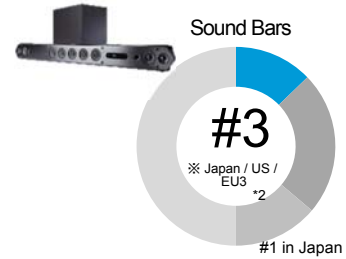
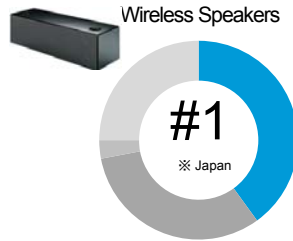
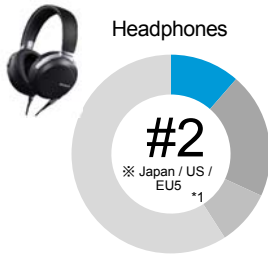
\*1: "Audio Growing Category" includes Sound Bar, Wireless Speaker and Headphone as its main products.

\*2: Sales are based on the organizational structure as of October 2014, which includes a transferred business.

## 4-2. Key Products' Market Share

Home Entertainment & Sound Segment  
Audio & Video

(Value basis)



\* Source: Sony

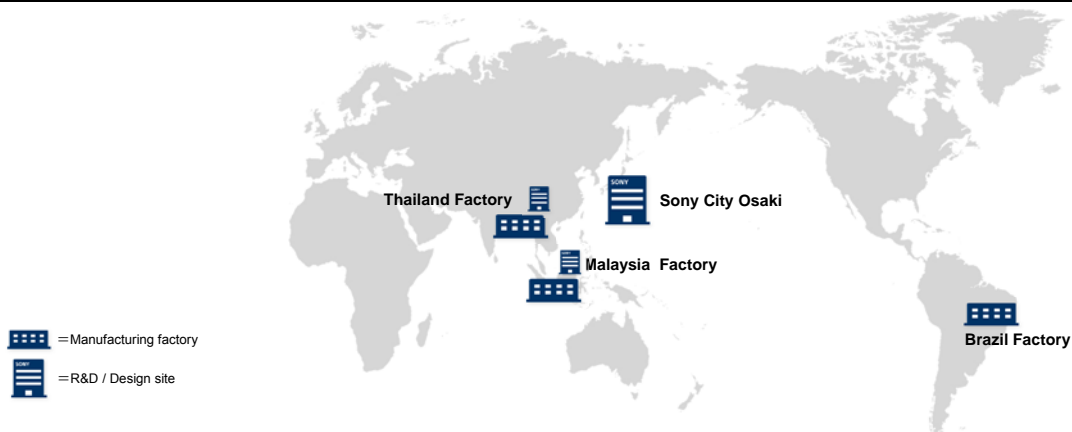
\*1: EU5: UK, France, Germany, Italy, Spain

\*2: EU3: UK, France, Germany

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## 4-3. Audio & Video Business Operation Sites

Home Entertainment & Sound Segment  
Audio & Video



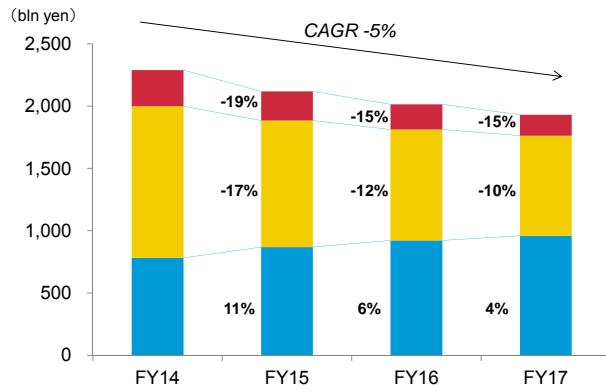
**R&D / Design base sites are located in Tokyo (Osaki).  
Malaysia and Thailand manufacturing sites  
also have some design functions.  
Brazil factory performs local manufacturing.**

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## 5. Forecasted Market Trends by Product

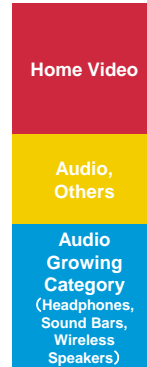
Home Entertainment & Sound Segment  
Audio & Video

(Value basis)



\* Source: Sony

### Product Outlook



### Business Opportunity

- Deliver brand-new audio & visual experiences through improved basic functions and linkage with mobile devices.
- Go after remaining players' profit through efficiency in design & operations.
- Utilize current technology and know-how to respond to changes in the market or customers and expand peripherals.
- Deliver high-res products with Sony's original sound technology to meet the growing demand for high quality sound and offer new exciting sound experiences more easily.



**By FY2017, the audio growing category (Headphones, Sound Bars, and Wireless Speakers) will expand to almost 50% of the market, while the Home Video portion of the market will shrink.**

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## 6-1. Mid-term Business Direction

Home Entertainment & Sound Segment  
Audio & Video

### Establish firmly profitable structure without relying on sales growth

- **Strategy I : Deliver the best sound and picture to customers through high value-added products with high-res technology.**
  - Increase sales and profit through high value-added products in the audio growing category (Headphones, Sound Bars, and Wireless Speakers) positioning high-res as our core technology.
  - Improve profitability by reviewing regional strategy to meet market and competition changes.
- **Strategy II : Strengthen design and operational efficiencies.**
  - Save fixed costs and loss costs through strong operational ties between design and manufacturing which is led by key factories.
- **Strategy III: Enhance brand with the best sound & the best picture.**
  - With high-resolution products, raise Sony brand awareness as high-quality sound and picture brand.

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## 6-2. Mid-term Business Direction

Home Entertainment & Sound Segment  
Audio & Video

**Aim to improve profitability through an expansion of our high-res product portfolio**



Expand SONY's audio products in living room by its original high-res experience

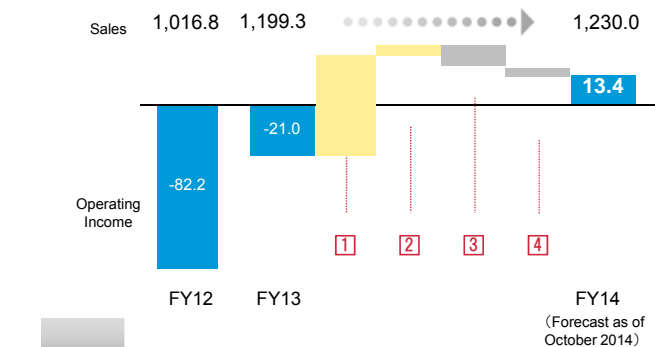
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## 7-1. HE&S Segment: Change in FY2014 Operating Income

Home Entertainment & Sound Segment

(bn yen)

- 1 Improvement in model mix, cost reduction**  
Significant improvement through an increase in high value-added models, and a reduction in material costs
- 2 Reductions in sales company costs**
- 3 Negative impact of foreign exchange rates**
- 4 Increase in design & manufacturing costs**



**Significant improvement due to an increase in high value-added models, and a reduction in cost**

\*The figures for sales and operating income are based on the organizational structure as of October 2014, which includes a transferred business.

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## 7-2. HE&S Segment: Initiatives to Improve Profitability (FY2014 to FY2017)

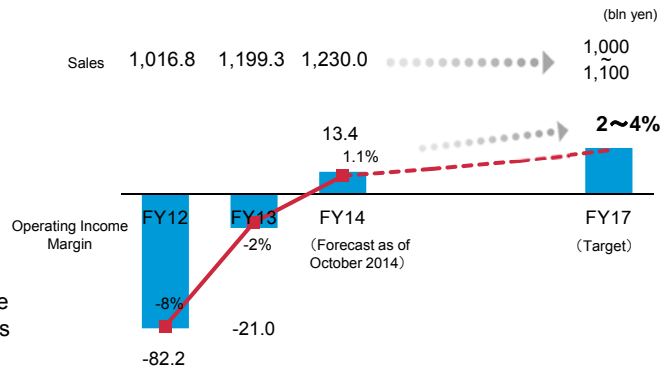
Home Entertainment & Sound Segment

### ■ Televisions

- 1 Improvement in profitability through product differentiation by enhancing basic functions
- 2 Fixed cost reductions realized by selecting and concentrating where to utilize our resources

### ■ Audio & Video

- 1 Increase in sales and operating income due to the introduction of premium products such as high-res
- 2 Fixed cost reductions through efficiencies in design and manufacturing.



**Target a 2~4% operating margin by improving product margins through stronger products and fixed costs reductions.**

\*The figures for sales and operating income are based on the organizational structure as of October 2014, which includes a transferred business.

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## 8. Summary

Home Entertainment & Sound Segment

### ■ FY2017 Financial Targets

- Sales **1,000 ~ 1,100** billion yen
- Operating Income Margin **2 ~ 4 %**

**Target a 2~4% operating margin by improving product margins through stronger products and fixed costs reductions.**

\*The figures for sales and operating income are based on the organizational structure as of October 2014, which includes a transferred business.

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