

**SONY**

# **Sony IR Day 2014**

## **Mobile Communications Segment**

November 25, 2014

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### **Agenda**

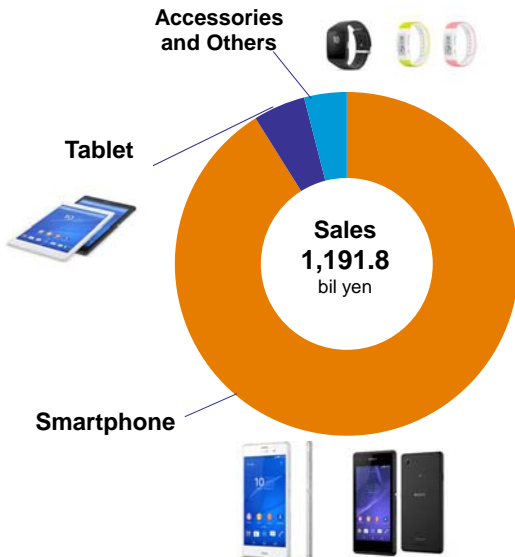
Mobile Communications Segment

- **Mobile Communications Segment**
- 1. **Business Overview**
- 2. **FY2014 Operating Performance**
- 3. **Market Trends**
- 4. **Mid-term Business Direction**

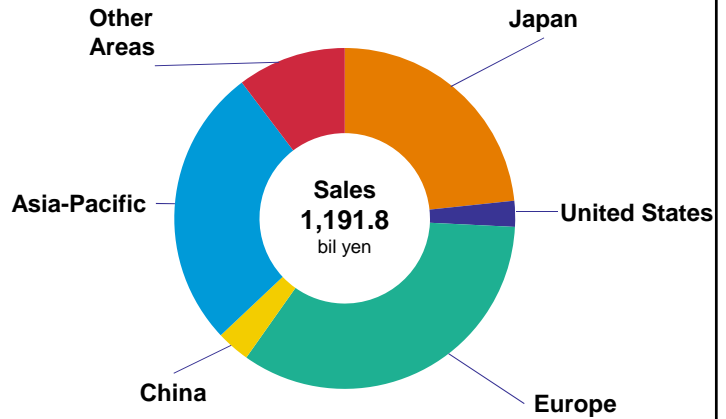
## 1-1. FY2013 Business Overview

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FY2013 Sales by Key Product Groups



FY2013 Sales by Region

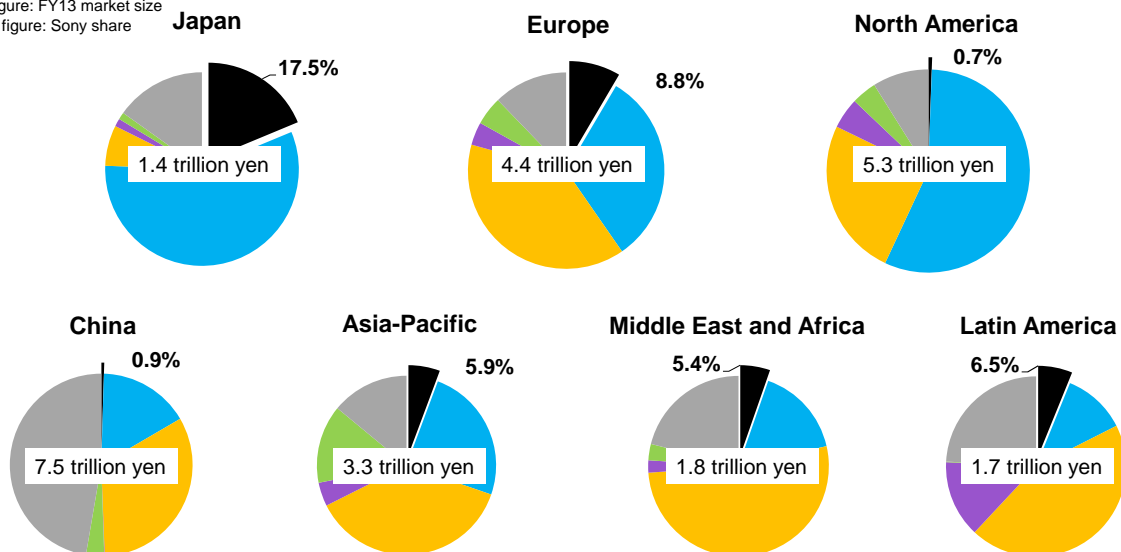


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## 1-2. Market Share in Key Markets

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Inside figure: FY13 market size  
Outside figure: Sony share



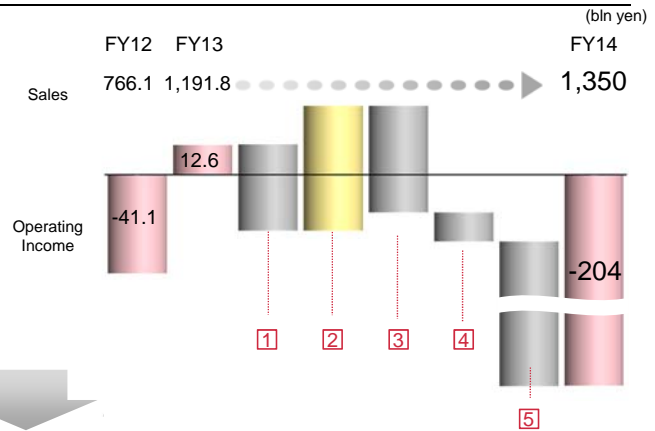
Source: Sony Mobile

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## 2-1. Changes in FY2014 Operating Income (vs. FY2013)

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- 1 Unfavorable impact of the appreciation of the US dollar
- 2 Sales increase, mainly in high-end products
- 3 Increase in marketing, R&D and IP expenses
- 4 Increase in restructuring charges
- 5 Impairment charge of goodwill 176 bil yen



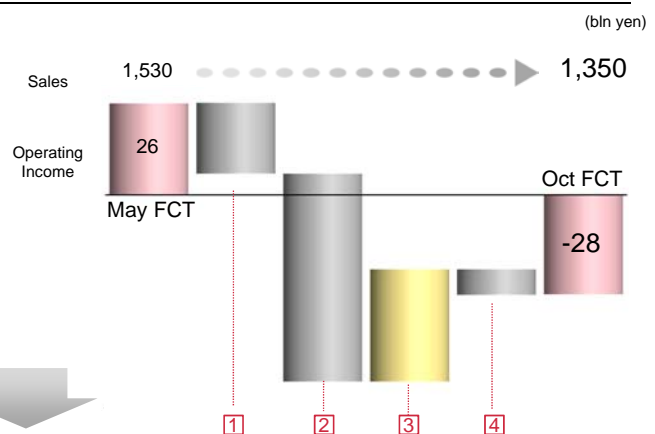
Despite recording a sales increase, mainly in high-end products, a larger operating loss is expected, primarily due to the impairment charge of goodwill, the increase of marketing expenses, the unfavorable impact of foreign exchange rates, and the expected increase of restructuring charges.

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## 2-2. Changes in FY2014 Operating Income (vs. May FCT, excl. impairment charge)

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- 1 Unfavorable impact of the appreciation of the US dollar
- 2 Decrease in sales in mid/low-end smartphone segment
- 3 Reduction of marketing expenses and research and development expenses
- 4 Increase in restructuring charges

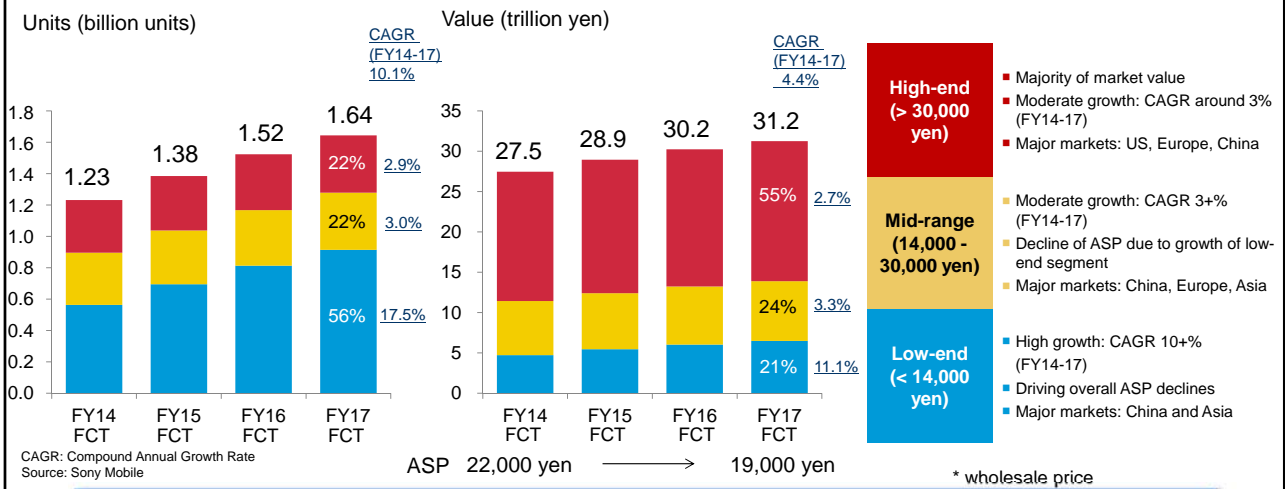


Operating income is expected to decline sharply versus May forecast, primarily due to the decrease in sales in mid/low-end smartphones mainly in South East Asia, China and Europe, partially offset by a reduction in marketing and R&D expenses.

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### 3-1. Smartphone Market Trends (by price segment)

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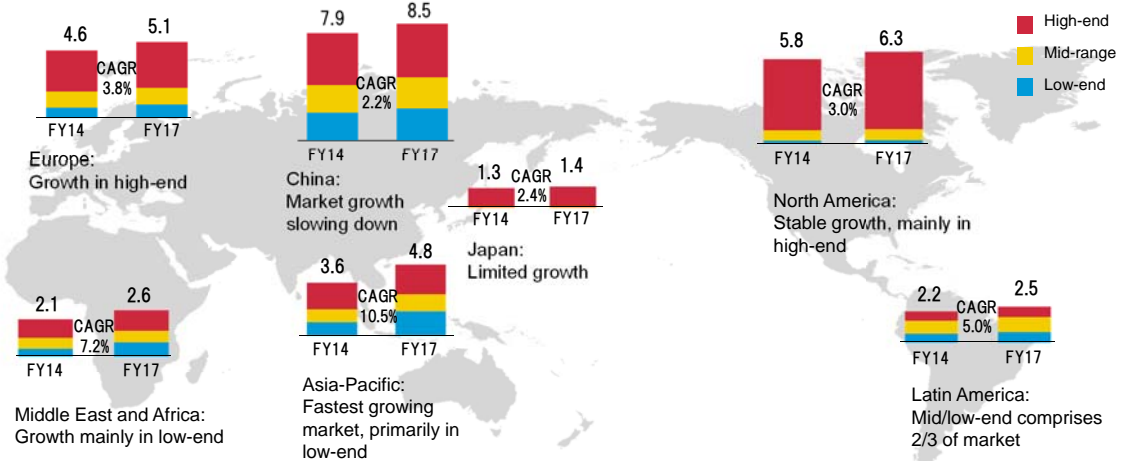


**ASP decline in overall market due to growth slowdown in the high-end segment and rapid growth in the low-end segment**

### 3-2. Smartphone Market Trends (by region)

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\* Trillion yen, FY14-17 CAGR %

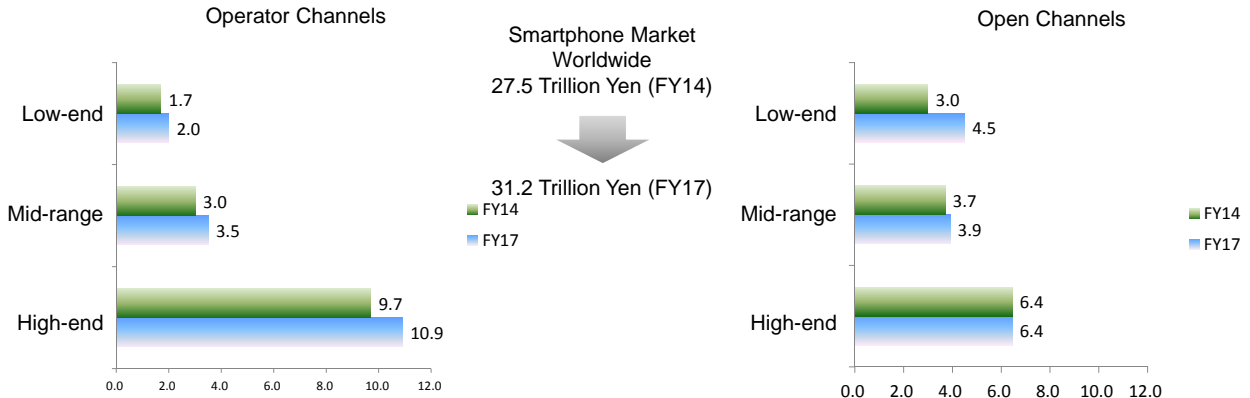


**Growth in China is slowing down, and the market growth will be largely driven by low-end smartphone market.**

### 3-3. Channel Development

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(trillion yen)



**Limited growth in high-end and mid-range in operator channels, but rapid growth in low-end in open channels**

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### 4-1. Mid-term Business Direction

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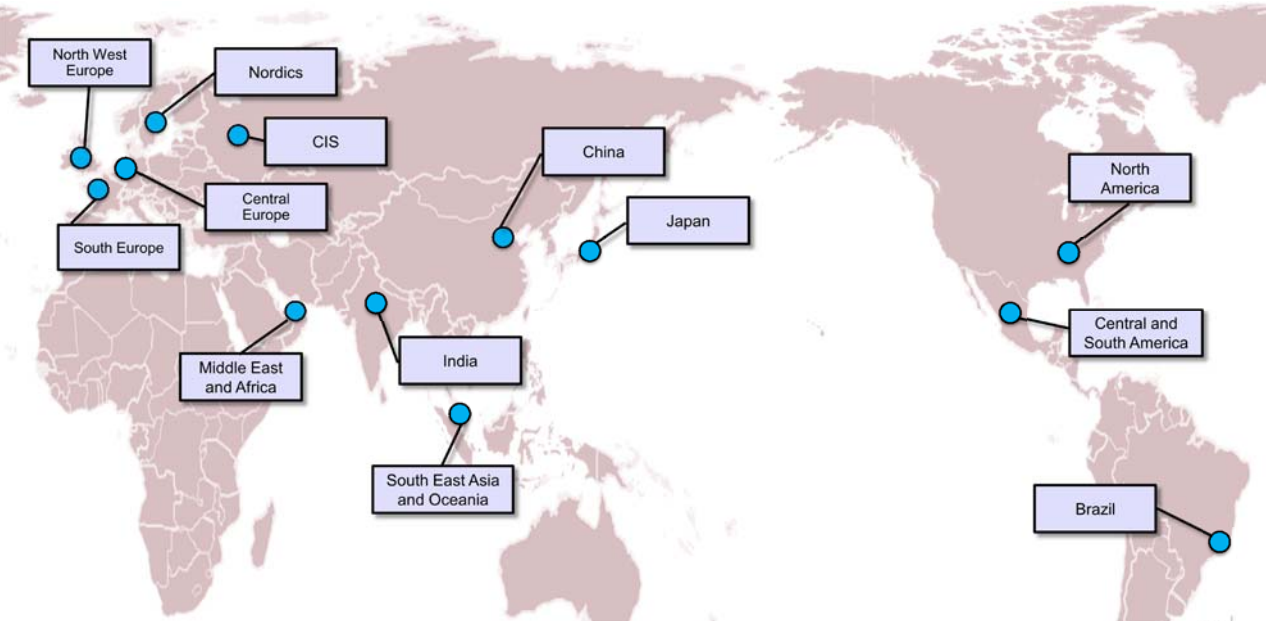
**Selection and Focus:  
Transforming to better compete in the quickly moving mobile industry**

- Selection and Focus 1  
Revise sales and marketing strategy by region, and consider transformation in order to improve the efficiency of our investments and enhance profit management
- Selection and Focus 2  
Streamline product portfolio, and improve efficiency of both hardware and software development in order to enhance cost competitiveness
- Selection and Focus 3  
Shift marketing focus from acquisition to retention, utilizing data analytics to improve cost efficiency and marketing effectiveness
- Selection and Focus 4  
Reshape corporate structure and drive transformation, particularly in HQ and support functions

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## 4-2. Sales & Marketing Set-up (current)

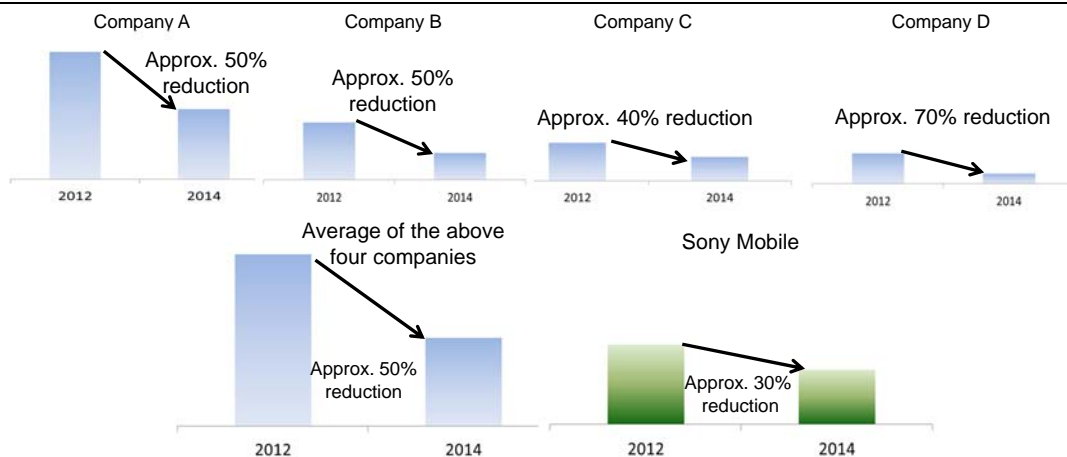
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## 4-3. Streamline Product Portfolio

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Source: Sony Mobile

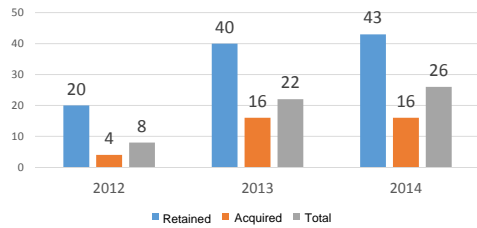
**Improve profitability by reducing number of products, and improving resource allocation per product**

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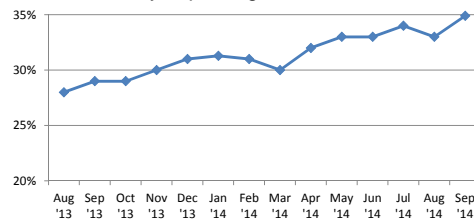
## 4-4. Marketing Efficiency Improvement

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### Net Promoter Score of Xperia Customers - Retained customers show high score

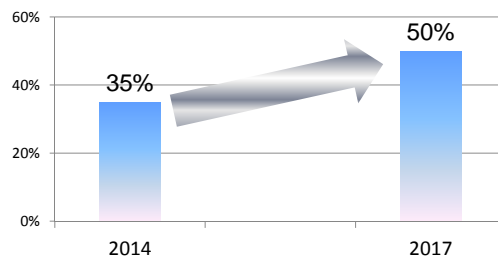


### Retention Rate of Xperia Customers - Continuously improving



\* Net Promoter Score is a KPI measuring customer loyalty.

### Steadily improve retention rate of Xperia customers



Source: Sony Mobile

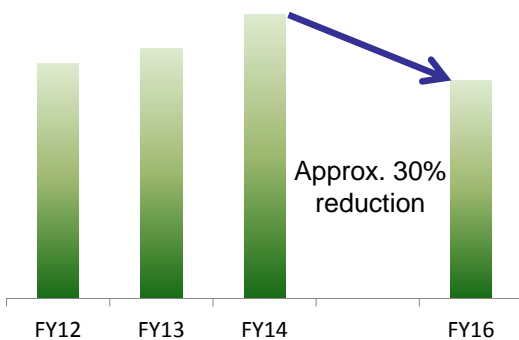
\* Worldwide

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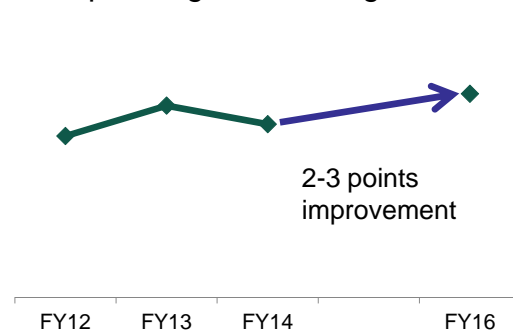
## 4-5. Lower Breakeven Point

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### OPEX



### Operating Gross Margin



**Drive transformation to generate stable profit**

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