

Sony IR Day 2016

Pictures Segment

Jun 29, 2016

Michael Lynton

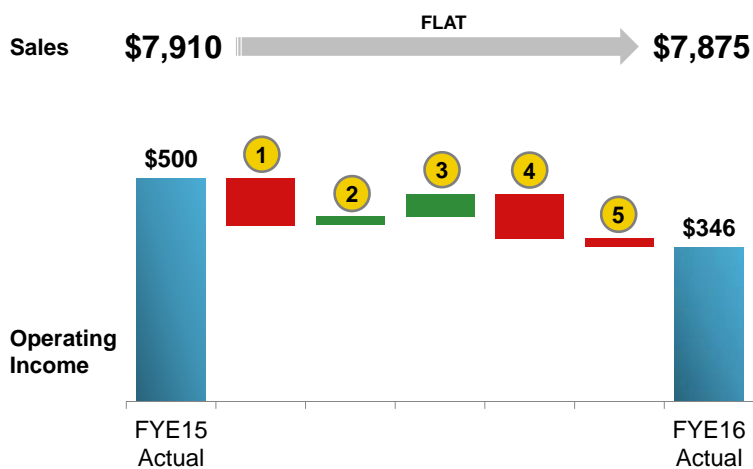
Executive Vice President
 Officer in charge of Pictures and Music Businesses
 Sony Corporation
 CEO, Sony Entertainment Inc.
 Chairman & CEO, Sony Pictures Entertainment Inc.
 CEO, Sony Corporation of America

Tom Rothman

Chairman, Sony Pictures Motion Picture Group

SPE FYE16 Review

(\$ in millions)



Note: FYE = Fiscal Year Ended (e.g., FYE16 = Fiscal Year Ended March 2016)
 Source: Pictures Segment Supplemental Data, March 31, 2016



PRODUCTION BUSINESSES



NETWORKS



Motion Picture Group



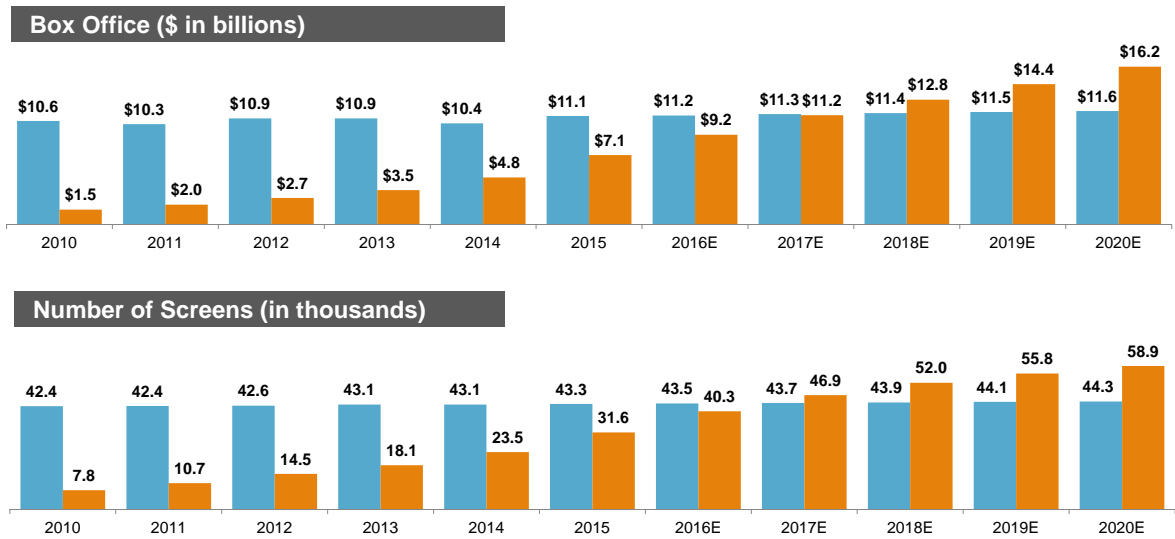
Global box office growth driven by international markets



Source: IHS
Note: "E" = Estimate (e.g., 2016E = Calendar Year 2016 Estimate)

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The Meteoric Rise of China

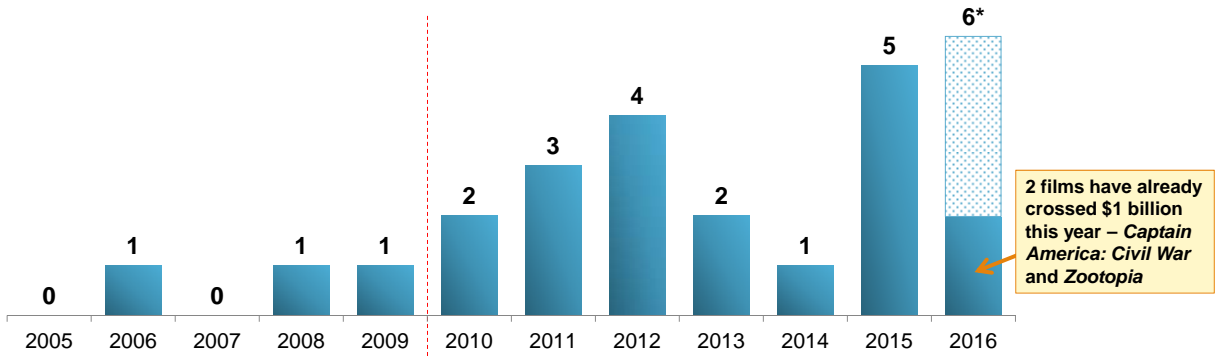


Source: IHS
Note: "E" = Estimate (e.g., 2016E = Calendar Year 2016 Estimate)

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For successful films, there is more upside than ever

Number of Films Grossing Over \$1 Billion of Worldwide Box Office



Prior to 2010, no more than one film per year had grossed over \$1 billion at the WWBO

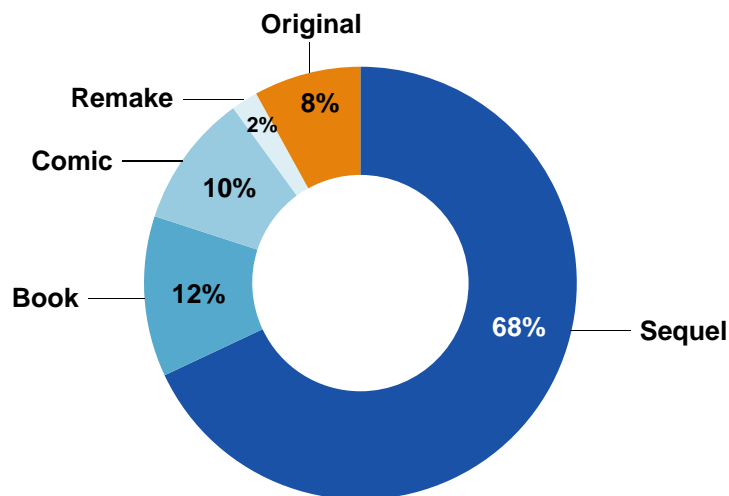
Since then, \$1+ billion WWBO films have become a more frequent occurrence

Source: boxofficemojo.com
* Internal estimate

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The Importance of Branded IP

Top 50 Global Grossing Live-Action Films of the Last 5 Years

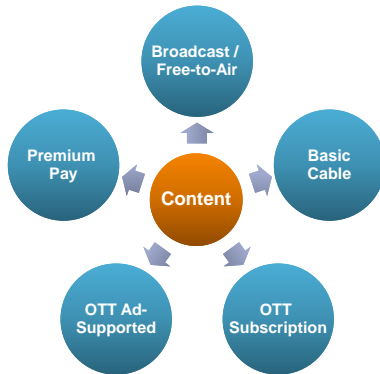


Source: OpusData and boxofficemojo.com

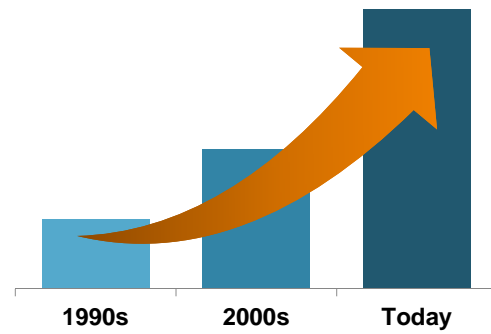
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Growing international television sales generating more distribution opportunities for motion pictures

More types of domestic and international content buyers



Significant growth in the number of television buyers worldwide



MORE COMPETITION IN THE MARKETPLACE

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Motion Pictures' growth strategy is built on three pillars



1. Global Reach

Globally-appealing titles
Local language production
Worldwide rights retention

2. IP Focus

Rebuild our own IP
Develop new IP

3. Financial Discipline

Smarter, more efficient spend
Improved risk management
Third-party film equity

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Global Reach

More globally-appealing titles in our upcoming slate



Investing in local language films to capture growing local film markets



Retaining global rights to strengthen our international distribution structure



Leadership with global experience



IP Focus

Developing opportunities in existing IP



Moving forward with new films with franchise potential



Building on the current momentum in animation



Increasing control of rights in key brands





Financial Discipline

“Be financially prudent so you can be creatively ambitious”



Financial Discipline

Reducing average production costs across all titles

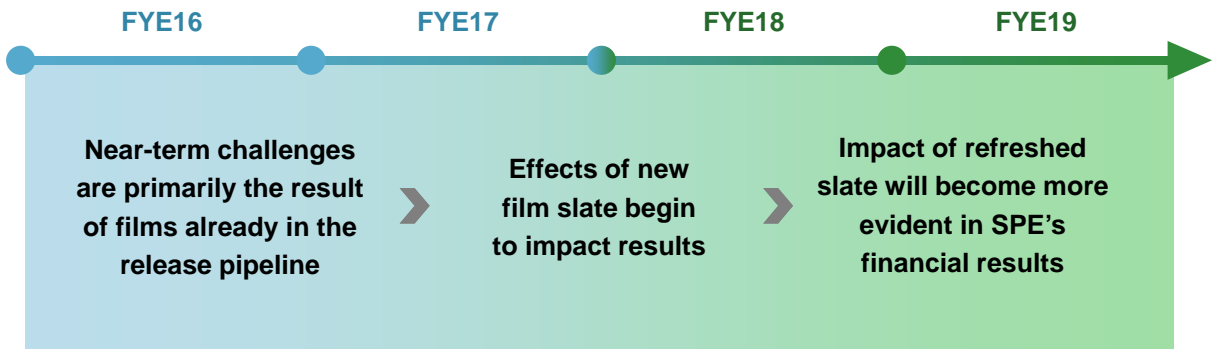
Limiting talent shares on the back end

Scrutinizing marketing spend

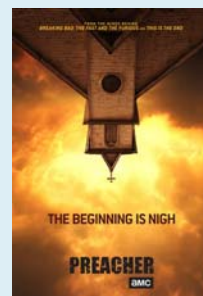
Aligning development spend closely with production targets

Employing equity financing for the slate

Redirecting the business is a multi-year process



TV Production & Distribution



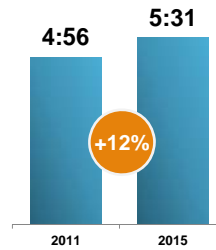
Consumer behavior is driving change in the TV landscape

Growing universe of connected devices and new technology are powering consumer viewing

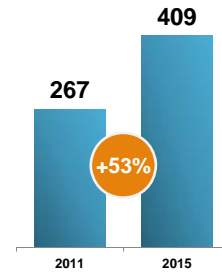


Increase in viewing has created a robust demand for high-quality, original content

Time Spent Per Day Watching Video ⁽¹⁾
(Hrs:Min) Adults 18+



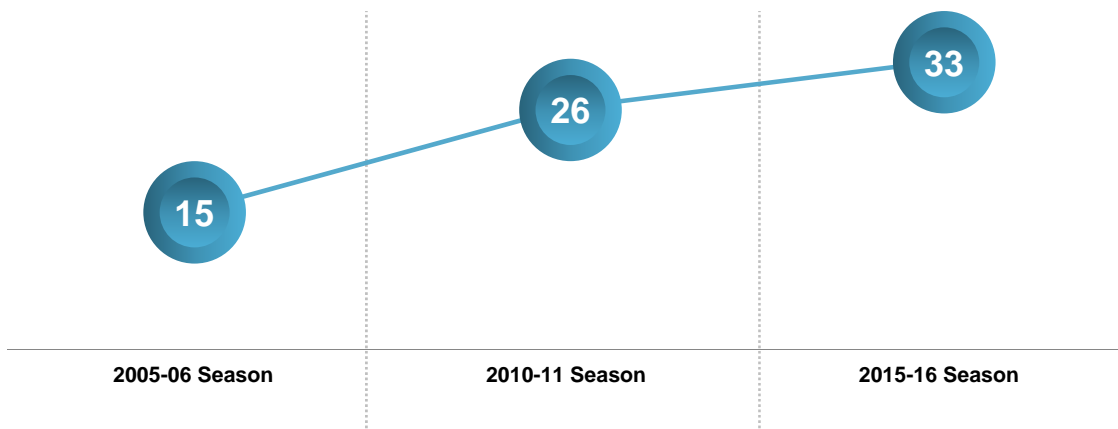
Number of Scripted Original Series On the Rise ⁽²⁾



(1) Source: eMarketer, April 2015, Television & Digital Video Viewing (includes time spent watching digital video via game console, connected TV or OTT device), U.S. Total Day, A18+.

(2) Source: Based on report issued on 12/15/15 by FX Networks Research, as published in AdWeek, December 16, 2015

Sony Pictures Television (SPT) has more than twice the number of on-air series as it did 10 years ago and expects to continue increasing its output



Note: The number of on-air series for the 2015-16 broadcast season reflects the current programs ordered (excluding movies of the week and miniseries).

SPT is focused on growing a diverse TV portfolio

Our calendar 2016 U.S. program lineup airs across multiple outlets in a variety of genres

	Scripted		Non-Scripted		Movies of the Week / Miniseries
	Drama	Comedy	Game Show	Reality/Talk	
Broadcast	✓	✓	✓	✓	
Cable	✓		✓		✓
Digital	✓	✓	✓		
First-Run Syndication			✓	✓	

Note: The program lineup reflects the current SPT-produced or co-produced programs ordered.

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SPT's carefully-crafted growth strategy springs from our entrepreneurial approach

- Secure top creative talent to drive probability of success
- Customize licensing models
- Create new revenue streams for proven IP

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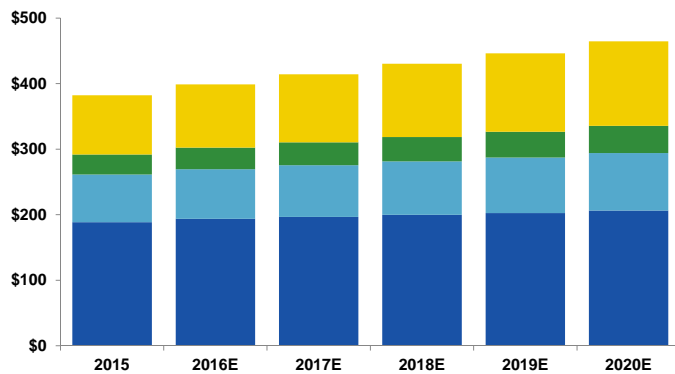
Media Networks



The networks environment is growing

Global market growth

TV Subscription and Ad Spend By Region (\$ in billions)

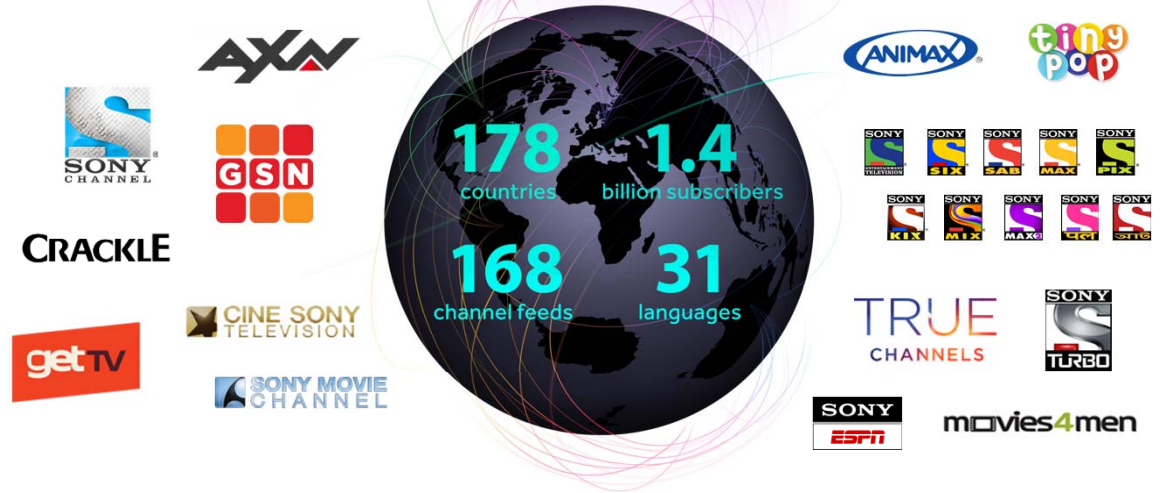


	CAGR 2015-2020E	% of SPE Media Networks FYE16 Revenue
Asia-Pacific (including India)	7.4%	42%
India only	12.4%	34%
Latin America	6.2%	10%
Europe	3.8%	16%
North America	1.8%	32%

Source: PwC Global Entertainment and Media Outlook 2016-2020; TV subscription includes subscription video on demand (SVOD), and TV advertising includes broadcast, cable and online
 Note: "E" = Estimate (e.g., 2016E = Calendar Year 2016 Estimate)

Our Global Footprint

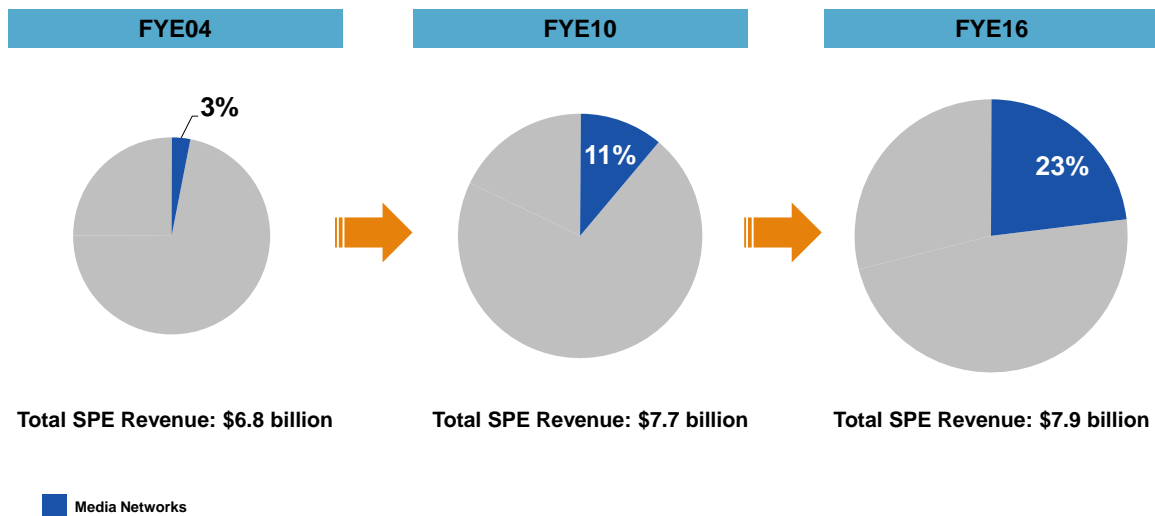
Examples of SPT networks around the world



Note: As of June 16, 2016

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Media Networks is an increasing growth area for SPE



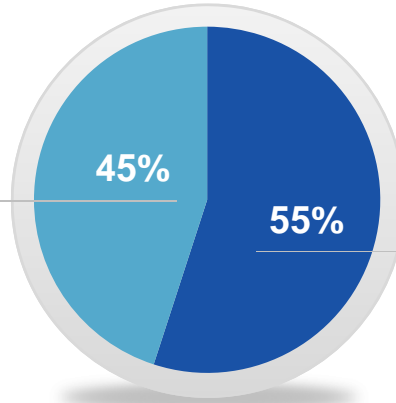
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GSN covers two lines of business: linear and digital



Linear TV

Television side of the business remains strong with solid carriage and good ratings



% of FYE16 revenue



Digital Gaming

Expanding digital gaming with a focus on the high-growth mobile gaming space

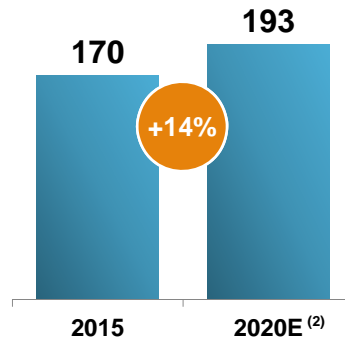
India continues to stand out as a high-priority market

TODAY: Top 10 – Number of TV Households in 2015 ⁽¹⁾

(in millions)

1	China	404
2	India	170
3	U.S.	119
4	Indonesia	66
5	Brazil	62
6	Russia	56
7	Japan	51
8	Germany	39
9	Mexico	28
10	France	28

FUTURE: Strong growth of TV Households in India ⁽¹⁾



Competitive Position ⁽³⁾

SPT is established as a **top network operator** in India with two of the top six Hindi general entertainment channels:



















(1) Source: IHS, May 26, 2016

(2) Note: "E" = Estimate (e.g., 2020E = Calendar Year 2020 Estimate)

(3) Source: BARC Ratings for Hindi General Entertainment Channels, Week 22 (June 9, 2016)

Our portfolio of digital businesses continues to grow

Current examples:

TV Everywhere (Authenticated Access)	Over-The-Top (OTT)		Digital IP Extensions		Digital Advertising
Networks	Subscription	Ad-Supported	Second Screen	Games	
  	 	  	  	  	 

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Media Networks is focused on three strategic priorities

- Invest in growth areas
- Build asset value
- Drive profitability

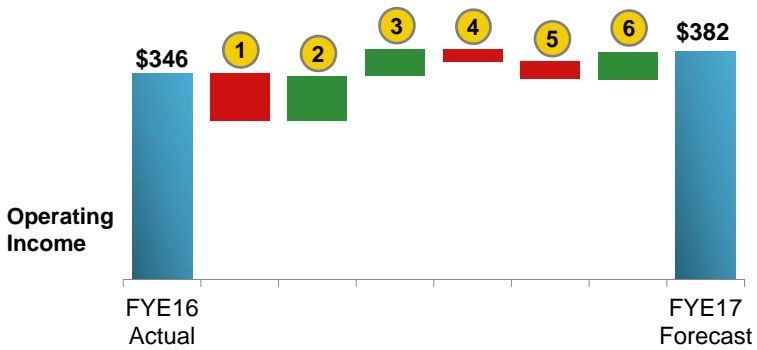
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SPE FYE17 Forecast

(\$ in millions)

Sales **\$7,875** +14.5% → **\$9,015**



Factors impacting performance:

- 1 Lower earnings from original television series, primarily as a result of a significant *Breaking Bad* sale in the prior year
- 2 Growth across Media Networks portfolio, most notably in India and Latin America
- 3 Cost savings initiatives
- 4 Sony overhead allocation (new item)
- 5 Unfavorable impact of foreign exchange rates
- 6 All other (includes lower cyberattack costs)

SPE Targets for FYE18

	Previous Guidance*	Current Guidance
Revenue	\$10-11B	\$9.5-10.5B
Operating Profit Margin	7-8%	6-7%

* November 2014 IR Day

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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);
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- (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.

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