

SONY

Sony IR Day 2017

Semiconductors Segment

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Agenda

Semiconductors Segment

- 1. Business Structure**
- 2. Strengthen Business Foundation**
- 3. Technology Development**
- 4. Conclusion**

Agenda

Semiconductors Segment

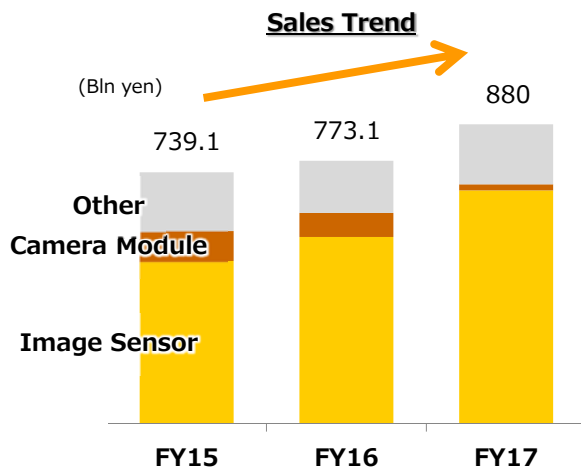
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SSS Business Summary

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Return to growth in the image sensor business after overcoming the impact of the earthquakes

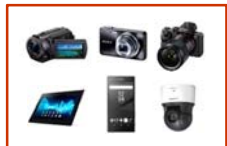


Key Business Strategy

Key Applications

Image Sensor

Further enhance the business as the core of the segment



Other

- Camera module
Limit the scope of the business and focus on differentiated technology
- LSI, Display Device
Develop differentiated technology



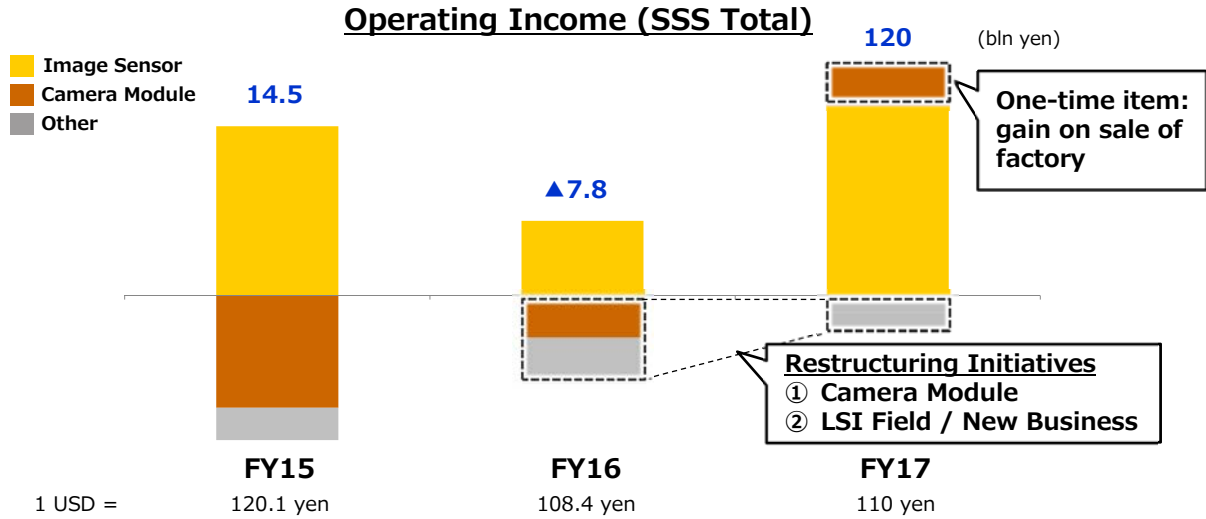
※SSS = Sony Semiconductor Solutions Corporation

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FY2015 - FY2017

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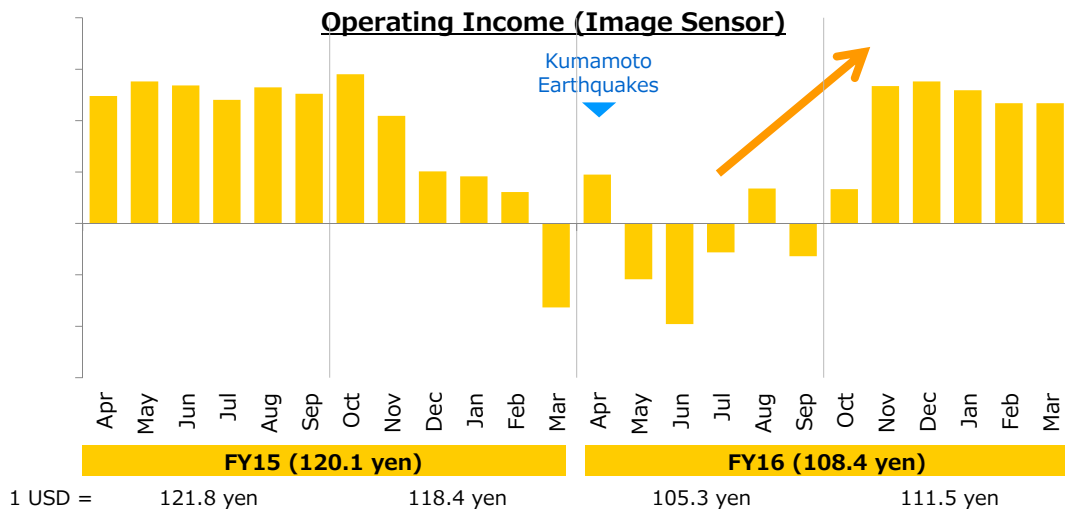
Expect to achieve profitability that exceeds FY2015 in FY2017



FY2016: Turnaround Year

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Image sensors returned to the same level of performance as FY2015 in the second half of FY2016



FY2017: Growth Year

Steadily increase the profitability of image sensors and aim for further growth

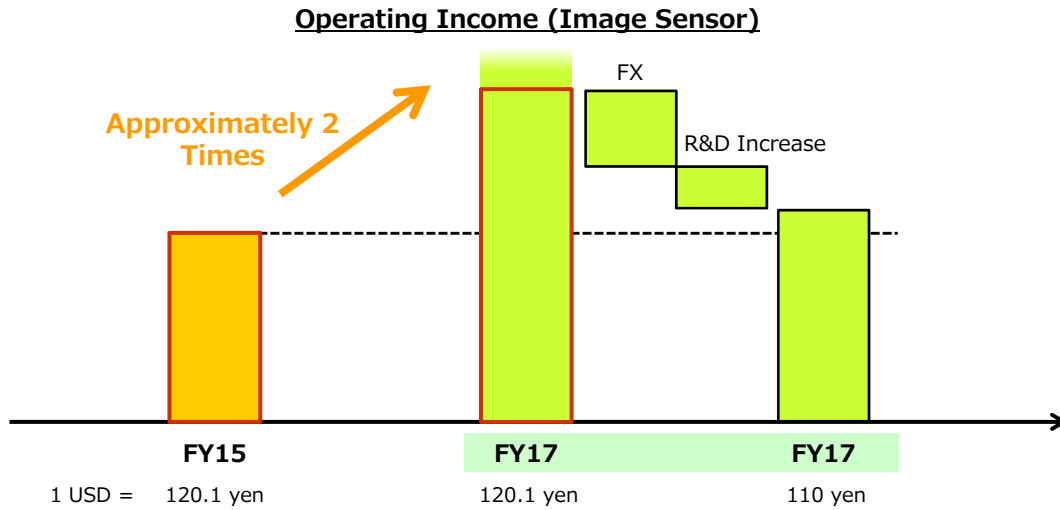
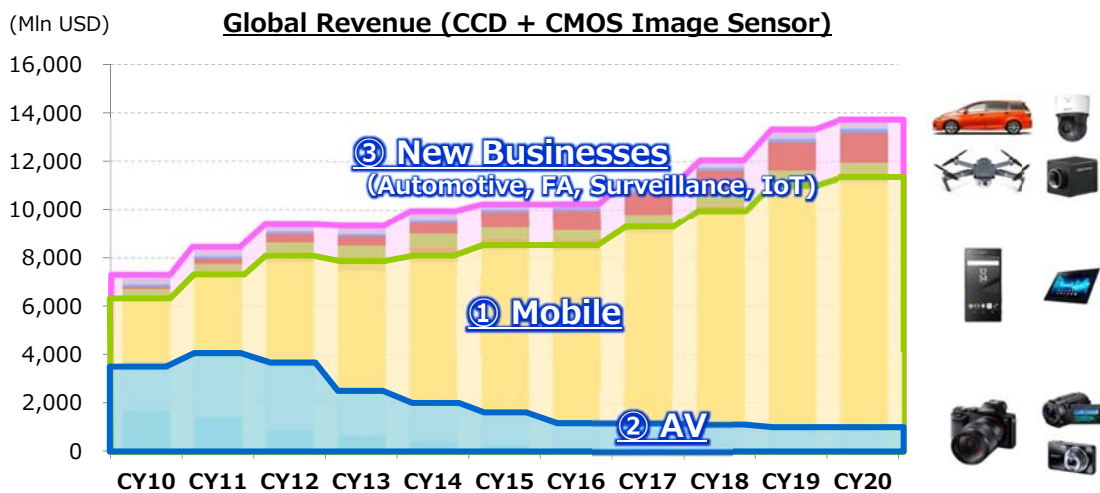


Image Sensor Market

Market to grow due to automotive and surveillance, but mobile to remain core



Mobile Sensors (1) - Business Environment

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Trend in the mobile market is toward higher added-value products; this helps our business

Smartphone Market Share

Superiority of top-class players is more conspicuous

Smartphones from top-class players, which purchase high added-value sensors from Sony, are dominating more of the market.

Smartphone Feature Trend (1)

Acceleration of the shift to higher resolution front-facing cameras

The market for high added-value sensors (12 mega pixels and above) is expanding further due to a shift to higher resolution front-facing cameras.

Smartphone Feature Trend (2)

Acceleration of dual lens camera adoption

The sensor market is growing faster than the smartphone market due to greater adoption of dual lens cameras.

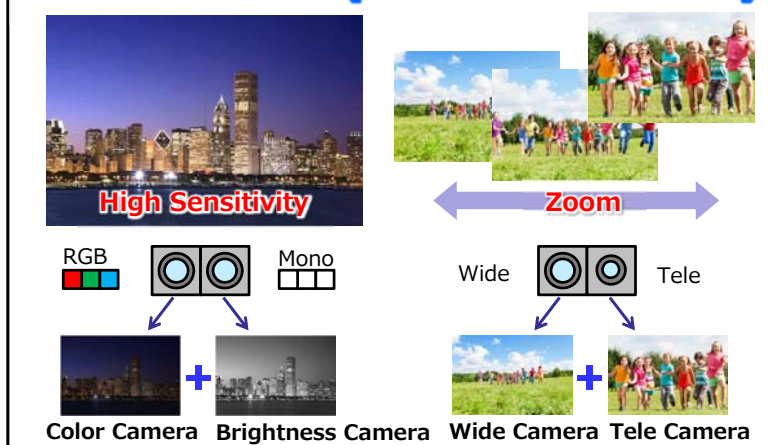
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Mobile Sensors (2) – Direction of Evolution

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Continue to drive evolution of smartphone cameras in the future and become the engine of market expansion

Camera Evolution (Evolution of Dual Lens)



Diversification of New Functionality



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AV/Surveillance Sensors – Direction of Business Expansion Semiconductors Segment

Expand the business using our widely recognized superior technology, making this business another pillar along with mobile sensors

Expand Opportunities to Capture Video

Sports Cam



Drone



360°/VR



Pursue reality in all scenes



Evolution of basic features of image sensors

Surveillance



FA



ITS



Deploy in the recognition space

※Intelligent Transport Systems

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Aiming for Strong Operation

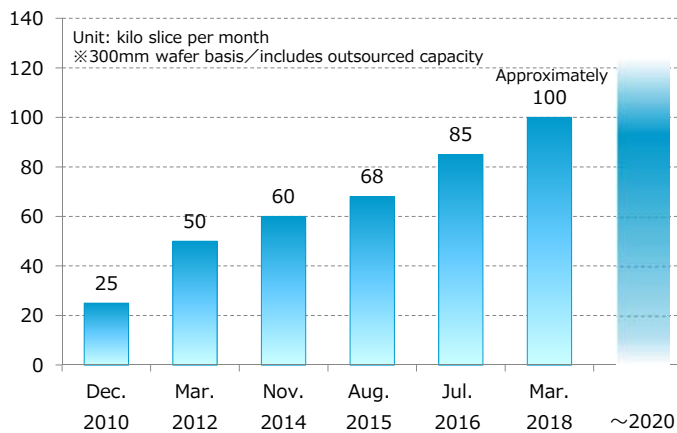
Improve all aspects of our performance as a semiconductor manufacturer in order to garner the trust of the market and improve our profitability



Production Capacity

Deploy requisite capacity and enhance competitiveness and profitability

Sony Image Sensor: Wafer Production Capacity Trend



Kumamoto Technology Center



Nagasaki Technology Center



Yamagata Technology Center



Oita Technology Center



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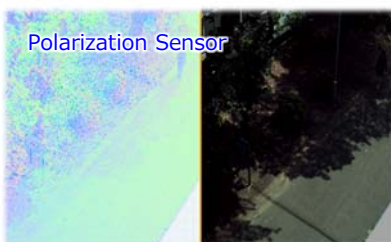
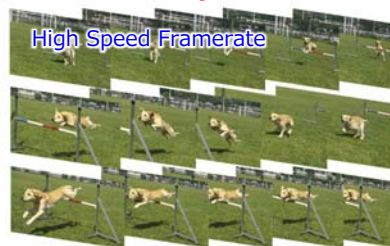
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Strengthen Technology Development

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Work on pixel process and functionality as a source of market competitiveness



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Developing Next Generation Sensor

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Accelerate development with the expectation that applications will grow

① Automotive Sensor



② Polarization Sensor



③ Triple Layer Sensor



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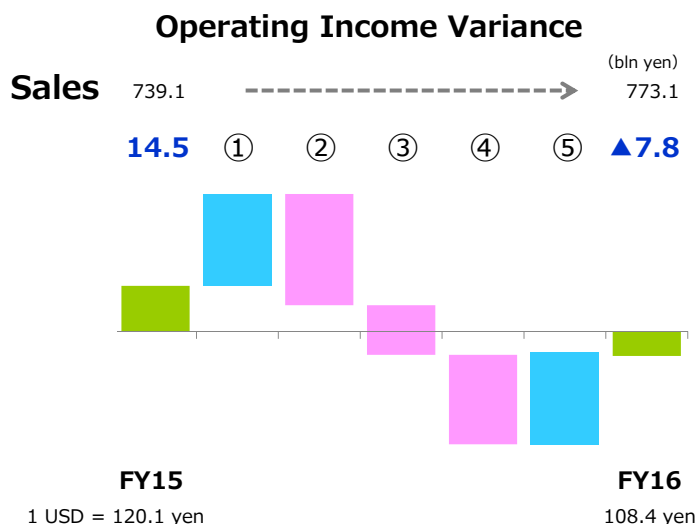
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Summary of FY2016

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Sales: 773.1 billion yen Operating Loss: 7.8 billion yen



FY2016 Operating Income Variance

■ Positive Factors

- ① Increase in image sensor profit
- ⑤ Lower impairment charges related to the camera module business and other factors

■ Negative Factors

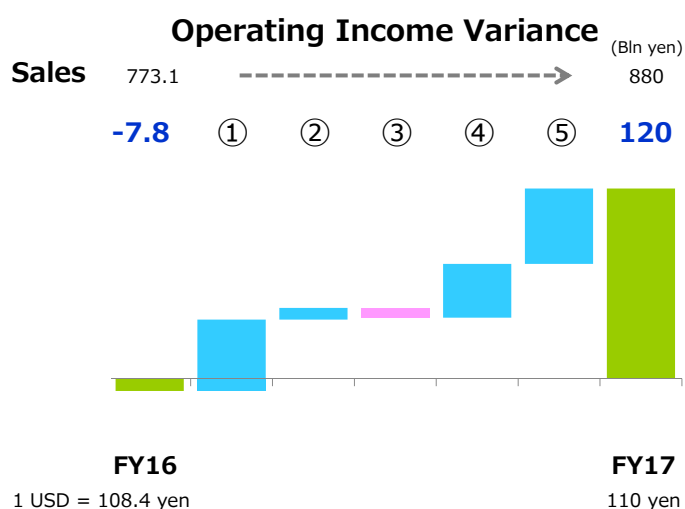
- ② Impact of foreign exchange
- ③ Increase in R&D costs
- ④ Impact of Kumamoto earthquakes (net of insurance recoveries)

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FY2017 Forecast

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Sales: 880 Billion yen Operating Income: 120 Billion yen



FY2017 Operating Income Variance

■ Positive Factors

- ① Image sensor profit increase
- ② Impact of foreign exchange
- ④ Impact of Kumamoto earthquakes (net of insurance recoveries)
- ⑤ Lower impairment charges related to the camera module business, gain on sale and other factors

■ Negative Factors

- ③ Increase in R&D expenses

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Summary

Semiconductors Segment

■ FY2017 Forecast

- ◆ Sales: 880 billion yen
- ◆ Operating income: 120 billion yen (86.3 billion yen excluding one-time items)

■ FY2017 Strategy

- ◆ Focus on the core business of image sensors and aim to maximize customer value and profitability, primarily in the mobile, AV and surveillance areas.
- ◆ Develop and strengthen image sensor applications for the mid- to long- term (automotive and industrial)

■ Base-Line Profitability

- ◆ Build a structure where 100 billion yen in operating income can be achieved even if the yen appreciates to 100 yen to \$1.

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