SONY

Q2 FY2018 Consolidated Financial Results

(Three months ended September 30, 2018)

October 30, 2018

Sony Corporation

Please be aware that, in the following remarks, statements made with respect to Sony‘s current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. These statements are based on management’s assumptions in light of the information currently available to it, and, therefore, you should not place undue reliance on them.

Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. For additional information as to risks and uncertainties, as well as other factors that could cause actual results to differ, please refer to today's press release, which can be accessed by visiting www.sony.net/IR.

- **Q2 FY2018 Consolidated Results and FY2018 Consolidated Forecast**
- **Segments Outlook**

I am CFO Hiroki Totoki. Thank you for your time today.

Today I would like to explain two topics in the next 15 minutes:

Q2 FY2018 Consolidated Results

(Bln Yen, Mln US dollars)

	Q2 FY17	Q2 FY18	Change	Q2 FY18 USD Amount*1
Sales & operating revenue	2,062.5	**2,182.8**	+120.2 bln yen (+6%)	$19,576
Operating income	204.2	**239.5**	+35.3 bln yen (+17%)	2,148
Income before income taxes	198.6	**246.4**	+47.8 bln yen (+24%)	2,210
Net income attributable to Sony Corporation's stockholders	130.9	**173.0**	+42.1 bln yen (+32%)	1,552
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	101.35 yen	**133.43 yen**	+32.08 yen	1.20 USD
Restructuring charges*2	1.6	**3.7**	+131%	33
Additions to long-lived assets*3	75.8	**69.3**	-9%	622
Depreciation and amortization*4	86.7	**85.6**	-1%	768
Research and development expenses	108.8	**116.5**	+7%	1,045
Average rate				
1 US dollar	111.0 yen	**111.5 yen**		
1 Euro	130.4 yen	**129.7 yen**		

*1 US dollar amounts have been translated from yen, for convenience only, using the average rate listed on this slide.
*2 Restructuring charges are included in operating income as operating expenses (applies to all following pages).
*3 Does not include the increase in intangible assets resulting from acquisitions (applies to all following pages).
*4 Includes amortization expenses for intangible assets and for deferred insurance acquisition costs (applies to all following pages).

FY18 Q2 consolidated sales increased 6% compared to the same quarter of the previous fiscal year ("year-on-year") to 2 trillion 182.8 billion yen and consolidated operating income increased 17% year-on-year to 239.5 billion yen. Net income attributable to Sony Corporation's stockholders for the quarter increased 32% year-on-year to 173.0 billion yen.

Q2 FY2018 Results by Segment

(Bln Yen)

Segment		Q2 FY17	Q2 FY18	Change	FX Impact
Game & Network Services (G&NS)	Sales	433.2	**550.1**	+116.9	+0.2
	Operating income	54.8	**90.6**	+35.9	-0.6
Music	Sales	206.6	**203.9**	-2.7	+0.5
	Operating income	32.5	**31.5**	-1.0	
Pictures	Sales	244.0	**240.9**	-3.1	+0.9
	Operating income	7.7	**23.5**	+15.8	
Home Entertainment & Sound (HE&S)	Sales	300.9	**274.9**	-26.0	-5.9
	Operating income	24.4	**24.5**	+0.1	-6.0
Imaging Products & Solutions (IP&S)	Sales	156.7	**163.9**	+7.2	-0.6
	Operating income	18.9	**21.8**	+2.9	-0.6
Mobile Communications (MC)	Sales	172.0	**117.8**	-54.2	-1.5
	Operating income	-2.5	**-29.8**	-27.4	+1.2
Semiconductors	Sales	228.4	**254.4**	+26.1	+0.9
	Operating income	49.4	**47.9**	-1.4	+0.6
Financial Services	Revenue	279.2	**353.5**	+74.2	
	Operating income	36.6	**39.2**	+2.6	
All Other	Sales	112.8	**89.1**	-23.7	
	Operating income	-0.0	**5.0**	+5.1	
Corporate and elimination	Sales	-71.3	**-65.7**	+5.6	
	Operating income	-17.5	**-14.7**	+2.7	
Consolidated total	Sales	2,062.5	**2,182.8**	+120.2	
	Operating income	204.2	**239.5**	+35.3	

· Sales and Revenue in each business segment represents sales and revenue recorded before intersegment transactions are eliminated. Operating income in each business segment represents operating income reported before intersegment transactions are eliminated and excludes unallocated corporate expenses (applies to all following pages).
· Both Sales and Revenue include operating revenue and intersegment sales (applies to all following pages).
· For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see Notes on page 23 (applies to all following pages).

This slide shows the results by segment for Q2.

1H FY2018 Consolidated Results

(Bln Yen, Mln US dollars)

	1H FY17	1H FY18	Change	1H FY18 USD Amount*
Sales & operating revenue	3,920.6	**4,136.4**	+215.7 bln yen (+6%)	$37,501
Operating income	361.8	**434.5**	+72.7 bln yen (+20%)	3,939
Income before income taxes	347.5	**558.5**	+211.0 bln yen (+61%)	5,063
Net income attributable to Sony Corporation's stockholders	211.7	**399.4**	+187.7 bln yen (+89%)	3,621
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	164.06 yen	**308.17 yen**	+144.11 yen	2.79 USD
Restructuring charges	4.0	**5.0**	+24%	45
Additions to long-lived assets	143.2	**132.3**	-8%	1,199
Depreciation and amortization	170.0	**171.8**	+1%	1,558
Research and development expenses	210.6	**224.0**	+6%	2,031
Average rate				
1 US dollar	111.1 yen	**110.3 yen**		
1 Euro	126.3 yen	**129.9 yen**		

* US dollar amounts have been translated from yen, for convenience only, using the average rate listed on this slide.

This slide shows the results for the first half of the fiscal year.

1H FY2018 Results by Segment

(Bln Yen)

Segment		1H FY17	1H FY18	Change	FX Impact
Game & Network Services (G&NS)	Sales	781.3	**1,022.2**	+240.9	+6.1
	Operating income	72.5	**174.1**	+101.6	+3.9
Music	Sales	375.1	**385.3**	+10.2	-1.3
	Operating income	57.5	**63.6**	+6.1	
Pictures	Sales	449.8	**416.0**	-33.9	-2.4
	Operating income	-1.8	**15.9**	+17.7	
Home Entertainment & Sound (HE&S)	Sales	557.8	**547.0**	-10.8	-5.0
	Operating income	47.0	**41.8**	-5.1	-4.8
Imaging Products & Solutions (IP&S)	Sales	312.4	**328.1**	+15.7	+1.7
	Operating income	42.1	**47.9**	+5.8	+0.9
Mobile Communications (MC)	Sales	353.2	**250.3**	-102.9	-1.7
	Operating income	1.2	**-40.6**	-41.7	+3.0
Semiconductors	Sales	432.6	**456.7**	+24.1	-2.0
	Operating income	104.8	**77.1**	-27.7	-1.7
Financial Services	Revenue	582.4	**688.7**	+106.3	
	Operating income	82.8	**79.7**	-3.1	
All Other	Sales	222.1	**172.0**	-50.0	
	Operating income	-8.3	**5.3**	+13.6	
Corporate and elimination	Sales	-146.0	**-129.9**	+16.1	
	Operating income	-36.0	**-30.4**	+5.6	
Consolidated total	Sales	3,920.6	**4,136.4**	+215.7	
	Operating income	361.8	**434.5**	+72.7	

This slide shows the results by segment for the first half of the fiscal year.

FY2018 Consolidated Results Forecast

(Bln Yen)

	FY17	FY18 July FCT	FY18 October FCT	Change from July FCT
Sales & operating revenue	8,544.0	8,600	**8,700**	+100 bln yen (+1%)
Operating income	734.9	670	**870**	+200 bln yen (+30%)
Income before income taxes	699.0	760	**975**	+215 bln yen (+28%)
Net income attributable to Sony Corporation's stockholders*1	490.8	500	**705**	+205 bln yen (+41%)
Restructuring charges	22.4	22	**27**	+23%
Additions to long-lived assets	332.1	360	**360**	-
Depreciation and amortization	361.4	360	**360**	-
Research and development expenses	458.5	470	**470**	-
Operating Cash Flow*2 (Sony without Financial Services)	770.6	-	**830**	-

Average rate	Actual	Assumption (2Q-4Q FY18)	Assumption (2H FY18)
1 US dollar	110.9 yen	Approx.110 yen	**Approx. 112 yen**
1 Euro	129.7 yen	Approx.127 yen	**Approx. 132 yen**

Dividend per Share	
Interim	15 yen
Year-end	Undecided

*1 Income tax resulting from the consolidation of EMI and its impact on the forecast for net income attributable to Sony Corporation's stockholders is currently being evaluated.
*2 Operating cash flow (Sony without Financial Services) is not a measure in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors. Please refer to F-11 in "Q2 FY18 Financial Statements" for Condensed Statements of Cash Flows for Sony without Financial Services.

Next is the consolidated results forecast for FY18. The consolidated sales forecast has increased 100 billion yen from the previous forecast to 8 trillion 700 billion yen and the consolidated operating income forecast has increased 200 billion yen to 870 billion yen. Despite a downward revision in the Mobile Communications segment, the overall consolidated forecast was revised upward primarily due to the impact of the consolidation of EMI Music Publishing, which I will explain later, and upward revisions in several segments, particularly the Game & Network Services segment. In addition, income before income taxes was revised upward to 975 billion yen and net income attributable to Sony Corporation's stockholders was revised upward to 705 billion yen. From this quarter, we have started to disclose our forecast for operating cash flow excluding the Financial Services, and we expect it to be 830 billion yen this fiscal year. We have changed the assumed foreign exchange rates for the six months ending March 31, 2019 to 112 yen to the U.S. dollar and 132 yen to the Euro.

FY2018 Results Forecast by Segment

(Bln Yen)

		FY17	FY18 July FCT	FY18 October FCT	Change from July FCT
Game & Network Services (G&NS)	Sales	1,943.8	2,180	**2,350**	+170
	Operating income	177.5	250	**310**	+60
Music	Sales	800.0	760	**820**	+60
	Operating income	127.8	115	**230**	+115
Pictures	Sales	1,011.1	990	**1,000**	+10
	Operating income	41.1	44	**50**	+6
Home Entertainment & Sound (HE&S)	Sales	1,222.7	1,150	**1,150**	-
	Operating income	85.8	86	**86**	-
Imaging Products & Solutions (IP&S)	Sales	655.9	670	**680**	+10
	Operating income	74.9	78	**81**	+3
Mobile Communications (MC)	Sales	723.7	610	**510**	-100
	Operating income	-27.6	-30	**-95**	-65
Semiconductors	Sales	850.0	890	**910**	+20
	Operating income	164.0	120	**140**	+20
Financial Services	Revenue	1,228.4	1,270	**1,270**	-
	Operating income	178.9	170	**170**	-
All Other, Corporate and elimination	Operating income	-87.6	-163	**-102**	+61
Consolidated total	Sales	8,544.0	8,600	**8,700**	+100
	Operating income	734.9	670	**870**	+200

The fiscal year forecasts for each segment are shown on this slide. We have incorporated a 20 billion yen contingency budget in All Other, Corporate and elimination; this amount was 73 billion yen in the previous forecast. After assessing the content and taking action regarding the risks we identified last quarter, we have incorporated the risk related to our smartphone business and the risk related to component procurement into the forecasts for the applicable business segments. On the other hand, we have become more concerned about the impact on our business of the recent macro environment, which has become more inhospitable, as evidenced by trends like declines in equity markets, a slowdown in the Chinese economy and fluctuations in foreign currency exchange rates (especially in emerging markets). We have reflected these environmental changes into our forecasts for each business, but we have also decided to retain a 20 billion yen contingency budget for the entire company in case the environment worsens further.

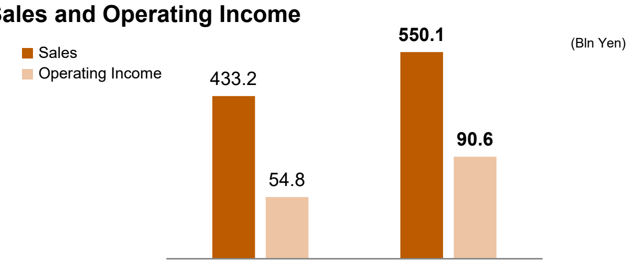
MUSIC PUBLISHING

I would now like to update you on the consolidation of EMI Music Publishing. The closing process is progressing smoothly and we expect to be able to close within this calendar year. As a result, assuming the transaction will close this calendar year, we estimated the impact on the Music segment and consolidated results and have reflected in our forecast an approximately 25 billion yen positive impact on sales and an approximately 110 billion yen positive impact on each of operating income, income before income taxes and net income attributable to Sony Corporation's stockholders. This impact includes the recording of a non-cash step-up gain on Sony's approximately 40% equity interest and the impact on the post-closing financial statements of the company changing from an equity affiliate to a consolidated subsidiary. The impact of this transaction on income taxes is currently under review and there is a possibility that the forecast for net income attributable to Sony Corporation's stockholders will change.

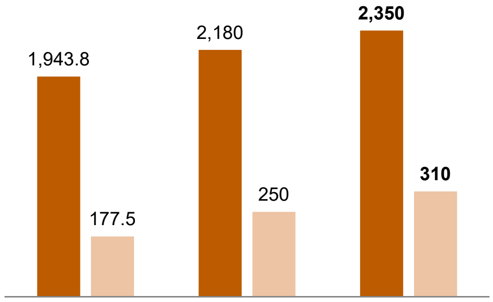
Now I will explain the situation in each of our business segments.

Game & Network Services Segment

Sales and Operating Income



(Mln Units)	Q2 FY17	**Q2 FY18**
PS4	4.2	**3.9**



(Mln Units)	FY17	FY18 July FCT	**FY18 October FCT**
PS4	19	17	**17.5**

Q2 FY2018 (year-on-year)

- Sales: 116.9 bln yen (27%) significant increase (FX Impact: +0.2 bln yen)
  - ·(+) Increase in game software sales
- OI: 35.9 bln yen significant increase (FX Impact: -0.6 bln yen)
  - ·(+) Increase in game software sales

FY2018 Forecast (change from July forecast)

- Sales: 170 bln yen (8%) upward revision
  - ·(+) Increase in game software sales
  - ·(+) Impact of foreign exchange rates
  - ·(+) Increase in PlayStation®4 (PS4™) hardware unit sales
  - ·(+) Increase in sales of PlayStation®Plus (PS Plus), a paid membership service
- OI: 60 bln yen upward revision
  - ·(+) Increase in sales of game software and PS Plus
  - ·(+) Reductions for promotional and other costs related to PS4 hardware, based on the recent strong business momentum

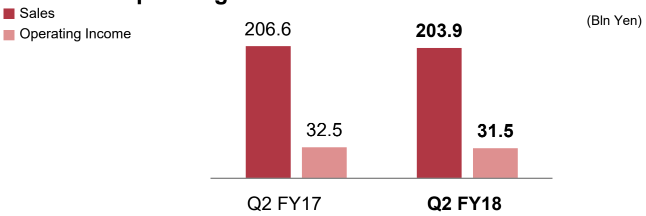
First I will talk about the Game & Network Services segment. FY18 Q2 sales increased 27% year-on-year to 550.1 billion yen, and operating income increased 35.9 billion yen year-on-year to 90.6 billion yen, both mainly due to an increase in software sales.

We have upwardly revised our sales forecast to 2 trillion 350 billion yen and our operating income forecast to 310 billion yen. The upward revision is primarily due to upward revisions in game software and PlayStation®Plus (“PS Plus”) sales, as well as expected reductions for promotional and other costs related to PlayStation®4 hardware, based on the recent strong business momentum.

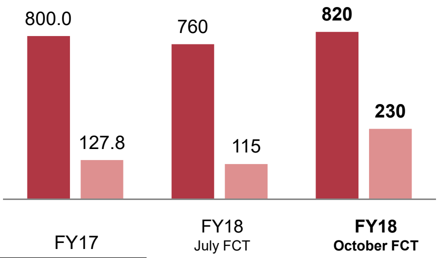
For your reference, we have begun to disclose the number of PS Plus subscribers on a quarterly basis from the fiscal year ended March 31, 2017 in our Supplemental Information document.

Music Segment

Sales and Operating Income



	Q2 FY17	Q2 FY18
Recorded Music Category Revenue	109.2	**105.5**
Streaming* Revenue (included above)	53.0	**57.1**



	FY17
Recorded Music Category Revenue	447.0
Streaming* Revenue (included above)	197.4

Q2 FY2018 (year-on-year)

- Sales: 2.7 bln yen (1%) decrease (FX Impact: +0.5 bln yen)
  - ·(–) Decrease in Recorded Music sales
    - ·(–) Impact of the new accounting standard
    - ·(–) Decrease in physical and digital download revenues
    - ·(+) Increase in streaming revenues
- OI: 1.0 bln yen decrease
  - ·(–) Higher marketing expenses for Visual Media and Platform

FY2018 Forecast (change from July forecast)

- Sales: 60 bln yen (8%) upward revision
  - ·(+) Expected impact from the consolidation of EMI
  - ·(+) Strong performance of the mobile gaming application *Fate/Grand Order*
- OI: 115 bln yen upward revision
  - ·(+) Expected impact of a non-cash step up gain for the approximately 40% equity interest in EMI that Sony currently owns
  - ·(+) Expected impact from the consolidation of EMI
  - ·(+) Increase in sales for *Fate/Grand Order*

  Approximately 110 bln yen

* Streaming includes digital audio, digital video and digital radio, and includes revenue from both subscription and ad-supported services.

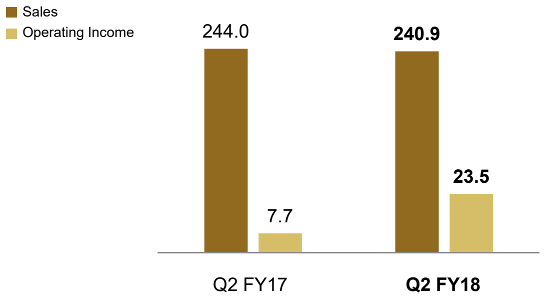
Next, I will talk about the Music segment. Although streaming revenues increased, FY18 Q2 sales decreased slightly year-on-year to 203.9 billion yen primarily due to the impact of the new accounting standard. Operating income was essentially flat year-on-year at 31.5 billion yen.

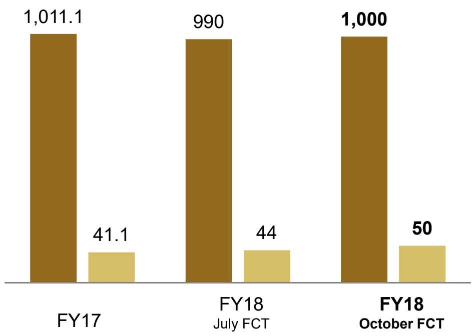
We have upwardly revised our July forecast for sales and operating income to 820 billion yen and 230 billion yen respectively. This revision was primarily due to the impact of the consolidation of EMI Music Publishing that I mentioned before.

Pictures Segment

Sales and Operating Income

(Bln Yen)





Q2 FY2018 (year-on-year)

The following analysis is on a U.S. dollar basis

- Sales: 3.1 bln yen (1%) decrease (U.S. dollar basis: -35 mil USD / -2%)
  - ·(–) Decrease in sales for Motion Pictures
    - ·(–) Decrease in worldwide theatrical revenues due to the strong performance of *Spider-Man: Homecoming* in Q2 FY17
    - ·(+) Higher television licensing revenues for titles released in FY17 including *Jumanji: Welcome to the Jungle* and *Peter Rabbit*
  - ·(+) Increase in sales for Motion Pictures and Television Productions due to the impact of the new accounting standard

- OI: 15.8 bln yen increase
  - ·(+) Impact of the new accounting standard (+8.3 bln yen)
  - ·(+) Impact of higher television licensing revenues for Motion Pictures
  - ·(+) Lower theatrical marketing expenses
  - ·(–) Impact of lower worldwide theatrical revenues

FY2018 Forecast (change from July forecast)

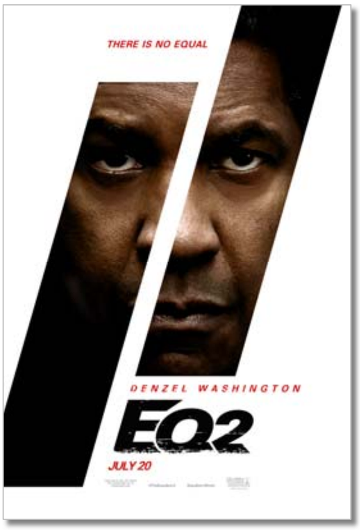
- Sales: 10 bln yen (1%) upward revision
  - ·(+) Higher-than-expected revenue for Motion Pictures
    - ·(+) Strong theatrical performance of titles released in the current fiscal year
    - ·(+) Higher television licensing revenues for titles released in the previous fiscal year
  - ·(+) Impact of foreign exchange rates
  - ·(–) Decrease in sales for Media Networks

- OI: 6 bln yen upward revision
  - ·(+) Increase in sales

Next is the Pictures segment. FY18 Q2 sales decreased slightly year-on-year to 240.9 billion yen. Although the sales of Television Productions and Media Networks increased, the sales of Motion Pictures decreased. In Motion Pictures, theatrical revenues decreased significantly compared to the same quarter of the previous fiscal year which benefitted from the contribution of Spider-Man: Homecoming. However, television licensing revenues for Motion Pictures increased primarily due to the contribution of films released in the previous fiscal year. Operating income of 23.5 billion yen was recorded, an increase of approximately 3 times the same quarter of the previous fiscal year. The increase in operating income was primarily due to an 8.3 billion yen impact of the new accounting standard and the increase in television licensing revenues in Motion Pictures.

We have upwardly revised our FY18 forecast for sales to 1 trillion yen and for operating income to 50 billion yen. The primary reasons for the upward revision were the strong performance of films released in the current year and higher-than-expected results from television licensing in Motion Pictures, partially offset by lower-than-expected sales of Media Networks.

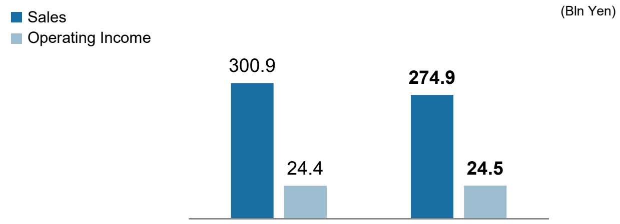
Developing Franchises



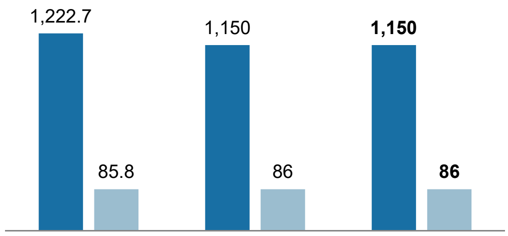
Sony Pictures' box office revenue exceeded 1 billion U.S. dollars from January through October of calendar year 2018. This is the first time in the four years that we achieved the 1 billion U.S. dollar mark in October. We are building franchises such as the *Equalizer* and *Hotel Transylvania*, and we are leveraging our Spider-Man IP like *Venom*. This is the result of our Motion Picture Group, working together under the leadership of Tom Rothman, to transform the business.

Home Entertainment & Sound Segment

Sales and Operating Income



(Mln Units)	Q2 FY17	**Q2 FY18**
TVs	3.2	**2.8**



(Mln Units)	FY17	FY18 July FCT	**FY18 October FCT**
TVs	12.4	11.5	**11.5**

Q2 FY2018 (year-on-year)

- Sales: 26.0 bln yen (9%) decrease (FX impact: -5.9 bln yen)
  - ·(–) Decrease in television unit sales resulting from a strategic decision not to pursue scale in order to focus on profitability
- OI: 0.1 bln yen increase (FX Impact: -6.0 bln yen)
  - ·(+) Improvement in the product mix reflecting a shift to high value-added models
  - ·(–) Negative impact of foreign exchange rates
  - ·(–) Decrease in sales

FY2018 Forecast

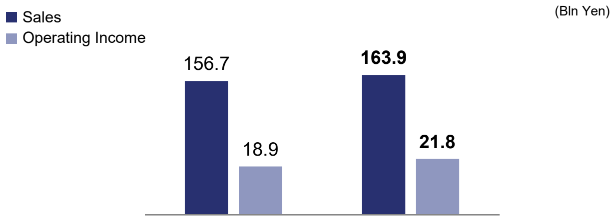
- Sales / OI : Remain unchanged from July forecast

Next is the Home Entertainment & Sound segment. FY18 Q2 sales decreased 9% year-on-year to 274.9 billion yen primarily due to a decrease in unit sales of televisions reflecting a focus on profitability. Operating income of 24.5 billion yen was recorded, essentially flat year-on-year, as profitability improvements resulting from a shift to high value-added models were offset by the impact of foreign exchange rates and lower sales.

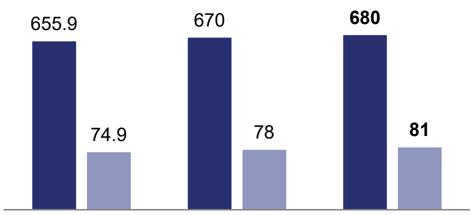
The FY18 forecast remains unchanged from July.

Imaging Products & Solutions Segment

Sales and Operating Income



(Mln Units)	Q2 FY17	**Q2 FY18**
Digital Cameras*	1.1	**0.9**



(Mln Units)	FY17	FY18 July FCT	**FY18 October FCT**
Digital Cameras*	4.4	3.8	**3.8**

* Includes compact digital cameras and interchangeable single-lens cameras / Excludes interchangeable lenses.

Q2 FY2018 (year-on-year)

- Sales: 7.2 bln yen (5%) increase (FX Impact: -0.6 bln yen)
  - ·(+) Improvement in the product mix of Still and Video Cameras reflecting a shift to high value-added models
  - ·(–) Decrease in unit sales
- OI: 2.9 bln yen increase (FX Impact: -0.6 bln yen)
  - ·(+) Increase in sales

FY2018 Forecast (change from July forecast)

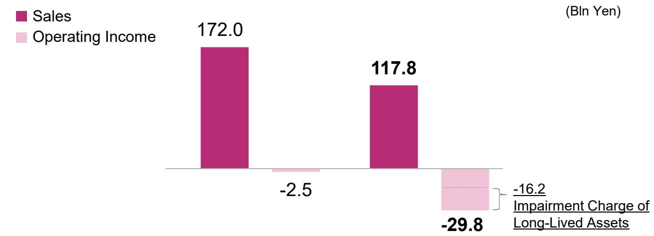
- Sales: 10 bln yen (1%) upward revision
  - ·(+) Improvement in the product mix of Still and Video Cameras reflecting a shift to high value-added models
  - ·(+) Impact of foreign exchange rates
- OI: 3 bln yen upward revision
  - ·(+) Increase in sales

Next I will explain the Imaging Products & Solutions segment. FY18 Q2 sales increased 5% year-on-year to 163.9 billion yen. Although unit sales of digital cameras decreased due to the impact of the market, segment sales increased primarily due to an increase in sales of high value-added products, primarily interchangeable lens mirrorless cameras and lenses themselves. Operating income increased 2.9 billion yen year-on-year to 21.8 billion yen primarily due to the increase in sales of high value-added products I just mentioned.

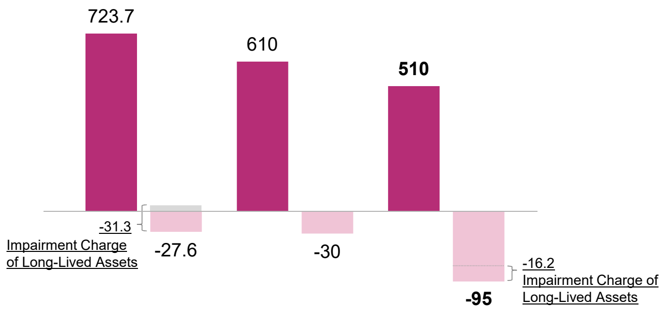
The FY18 forecast was revised upward to 680 billion yen for sales and 81 billion yen for operating income primarily due to an upward revision in the sales forecast for high value-added products.

Mobile Communications Segment

Sales and Operating Income



(Mln Units)	Q2 FY17	**Q2 FY18**
Smartphones	3.4	**1.6**



(Mln Units)	FY17	FY18 July FCT	**FY18 October FCT**
Smartphones	13.5	9.0	**7.0**

Q2 FY2018 (year-on-year)

- Sales: 54.2 bln yen (32%) significant decrease (FX Impact: -1.5 bln yen)
  - ·(–) Decrease in smartphone unit sales mainly in Europe, Latin America, and the Middle East
- OI: 27.4 bln yen significant increase in loss (FX Impact: +1.2 bln yen)
  - ·(–) Decrease in sales
  - ·(–) Recording of impairment charge against long-lived assets (-16.2 billion yen)
  - ·(+) Reductions in operating costs

FY2018 Forecast (change from July forecast)

- Sales: 100 bln yen (16%) downward revision
  - ·(–) Decrease in smartphone unit sales mainly in Europe and Japan
- OI: 65 bln yen downward revision
  - ·(–) Decrease in sales
  - ·(–) Recording of impairment charge against long-lived assets (-16.2 billion yen)
  - ·(–) Negative impact of foreign exchange rates
  - ·(+) Reductions in operating costs

Next I will talk about the Mobile Communications segment. FY18 Q2 sales decreased 32% year-on-year to 117.8 billion yen due to a decrease in unit sales of smartphones primarily in Europe. Primarily due to this decrease in sales, and the recording of an impairment charge of 16.2 billion yen against long-lived assets resulting from a review of the future profitability forecast for the smartphone business, Q2 operating loss increased 27.4 billion yen year-on-year to 29.8 billion yen.

We have downwardly revised our sales forecast to 510 billion yen and our operating loss forecast to 95 billion yen. This downward revision was primarily due to a lowering of the forecast for smartphone unit sales to 7 million units and the recording of the impairment against long-lived assets in Q2.

Mobile Communications Segment

Smartphone Business

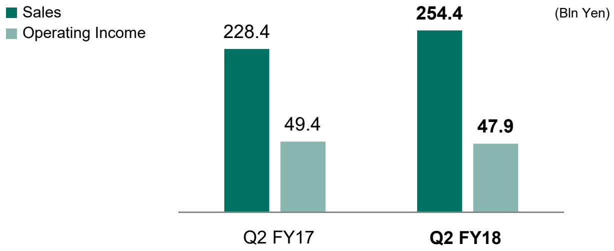
Future Direction of the Business

Profitability Improvement Plan

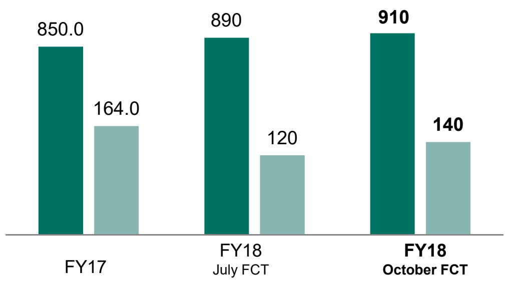
Now I would like to outline the plans we have to improve the profitability of the smartphone business. After intense discussion regarding the future of this business, we concluded that it is necessary to further reduce scale in order to reduce business risk. To that end, we plan to reduce the operating costs incurred in the business in the fiscal year ending March 31, 2021 (“FY20”) to approximately 50% of the level recorded in the fiscal year ended March 31, 2018. At the IR Day in May, we said that we would reduce costs by 30%, but we now plan to alter the scope of our operations even more and make even more significant reductions quicker than planned. We will also proactively leverage the technology and business infrastructure of our branded hardware business. We will improve product appeal at the same time, but, since it will take time for these efforts to have an impact on our financial results and since our cost reduction efforts will continue next fiscal year, we expect to record an operating loss in the fiscal year ending March 31, 2020. We take very seriously the fact that we expect operating loss to continue for three fiscal years, and we aim to implement a profitability improvement plan that will enable us to record a profit in FY20.

Semiconductors Segment

Sales and Operating Income



	Q2 FY17	Q2 FY18
Image Sensors Sales	176.8	**205.8**



	FY17	FY18 July FCT	FY18 October FCT
Image Sensors Sales	649.4	720	**740**
Additions to long-lived assets for Semiconductors Segment	128.1	160	**160**
for Image Sensors (included above)	106.6	130	**130**

Q2 FY2018 (year-on-year)

- Sales: 26.1 bln yen (+11%) significant increase (FX Impact: +0.9 bln yen)
  - ·(+) Significant increase in sales of image sensors for mobile products
    - ·(+) Significant increase in unit sales
    - ·(+) Improvement in the product mix reflecting a focus on high value-added models
  - ·(–) Significant decrease in sales of camera modules, a business which was downsized
- OI: 1.4 bln yen decrease (FX Impact: +0.6 bln yen)
  - ·(–) Increase in research and development expenses as well as in depreciation and amortization expenses
  - ·(+) Increase in sales of image sensors for mobile products

FY2018 Forecast (change from July forecast)

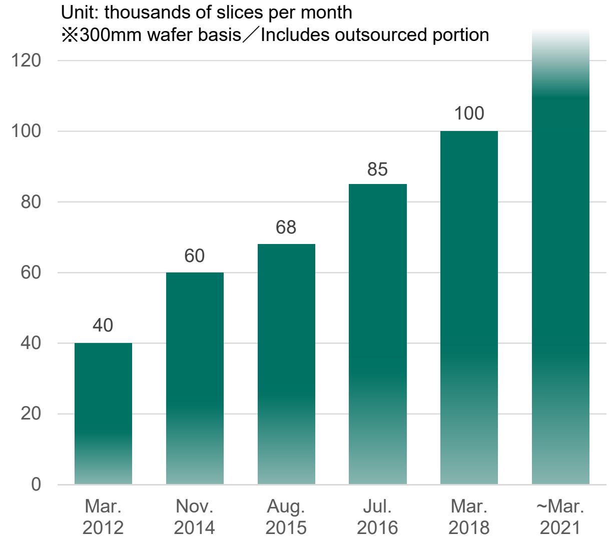
- Sales: 20 bln yen (2%) upward revision
  - ·(+) Higher-than-expected sales of image sensors for mobile products
  - ·(+) Impact of foreign exchange rates
- OI: 20 bln yen upward revision
  - ·(+) Increase in sales
  - ·(+) Positive impact of foreign exchange rates

Next, I will talk about the Semiconductors segment. FY18 Q2 sales increased 11% year-on-year to 254.4 billion yen, primarily due to an increase in unit sales of image sensors for mobile devices and an improvement in model mix. Operating income decreased 1.4 billion yen year-on-year to 47.9 billion yen. This was primarily due to an increase in research and development expenses and depreciation and amortization expenses, partially offset by the impact of the increase in sales.

We have upwardly revised our FY18 sales forecast to 910 billion yen and operating income to 140 billion yen. This change is primarily due to an upward revision in the sales forecast for image sensors for mobile devices and the positive impact of foreign exchange rates. The back-illuminated ToF sensor that we started to mass produce from the second half of this fiscal year has started-up smoothly.

Production Capacity

CMOS Image Sensors: Wafer Production Capacity Trends (Input Basis)



CMOS Image Sensor: Manufacturing Centers


Kumamoto Technology Center


Nagasaki Technology Center

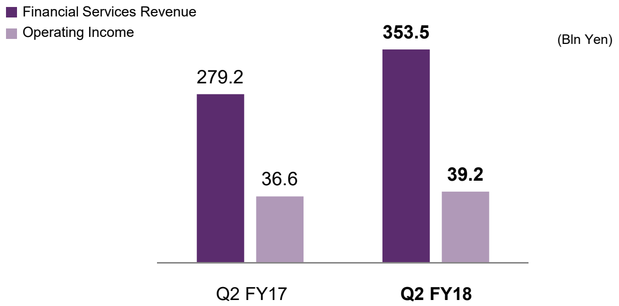

Yamagata Technology Center

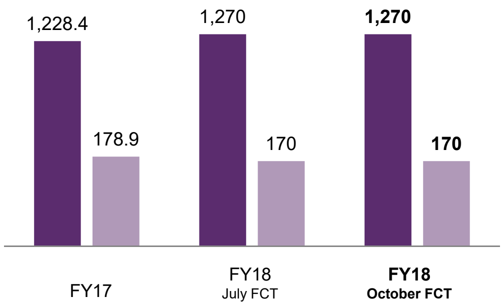
Oita Technology Center

We expect that demand for image sensors will continue to expand for the next several years as multiple-sensor cameras and larger-sized image sensors are adopted in smartphones. In order to proactively adapt to this increased demand, we have brought forward the capital expenditure plan for image sensors in our third mid-range plan and begun to consider increasing the amount. As a result, we might increase our image sensor capital expenditures by approximately 20% above our previous plan, which will bring our production capacity to nearly the maximum that can fit into our existing facilities by FY20. We expect to be able to secure the funds for this additional investment from an expected increase in the operating cash flow for the Sony Group above the amount originally estimated in our current plan. However, we will make the actual decisions whether or not to invest after closely assessing recent and future demand trends. By continuing to strike the right balance between investment and profitability, we plan to grow our image sensor business.

Financial Services Segment

Financial Services Revenue and Operating Income





Q2 FY2018 (year-on-year)

- Revenue: 74.2 bln yen (27%) significant increase
  - · (+) Significant increase in revenue at Sony Life (71.8 bln yen increase, revenue: 317.7 bln yen)
    - ·(+) Improvement in investment performance in the separate accounts
    - ·(+) Higher insurance premium revenue reflecting an increase in the policy amount in force
- OI: 2.6 bln yen increase
  - · (+) Increase in OI at Sony Life (2.1 bln yen increase, OI: 34.3 bln yen)
    - ·(+) Higher insurance premium revenue reflecting an increase in the policy amount in force
  - · (–) Rise in the loss ratio due to the impact of natural disasters at Sony Assurance

FY2018 Forecast

- Revenue / OI : Remain unchanged from July forecast

Next, I will explain the Financial Services segment. In FY18 Q2, Financial Services revenue increased 27% year-on-year to 353.5 billion yen, primarily due to an improvement in investment performance in the separate account and an increase in the policy amount in force at Sony Life. Operating income increased 2.6 billion yen year-on-year to 39.2 billion yen.

The FY18 forecast remains unchanged from July.

FY2018 Results Forecast by Segment

(Bln Yen)

Segment		FY17	FY18 July FCT	FY18 October FCT	Change from July FCT
Game & Network Services (G&NS)	Sales	1,943.8	2,180	**2,350**	+170
	Operating income	177.5	250	**310**	+60
Music	Sales	800.0	760	**820**	+60
	Operating income	127.8	115	**230**	+115
Pictures	Sales	1,011.1	990	**1,000**	+10
	Operating income	41.1	44	**50**	+6
Home Entertainment & Sound (HE&S)	Sales	1,222.7	1,150	**1,150**	-
	Operating income	85.8	86	**86**	-
Imaging Products & Solutions (IP&S)	Sales	655.9	670	**680**	+10
	Operating income	74.9	78	**81**	+3
Mobile Communications (MC)	Sales	723.7	610	**510**	-100
	Operating income	-27.6	-30	**-95**	-65
Semiconductors	Sales	850.0	890	**910**	+20
	Operating income	164.0	120	**140**	+20
Financial Services	Revenue	1,228.4	1,270	**1,270**	-
	Operating income	178.9	170	**170**	-
All Other, Corporate and elimination	Operating income	-87.6	-163	**-102**	+61
Consolidated total	Sales	8,544.0	8,600	**8,700**	+100
	Operating income	734.9	670	**870**	+200

Lastly, I will show the results on a segment basis again. This concludes my remarks.

Notes

Sales on a Constant Currency Basis and Impact of Foreign Exchange Rate Fluctuations

The descriptions of sales on a constant currency basis reflect sales calculated by applying the yen's monthly average exchange rates from the same period of the previous fiscal year to local currency-denominated monthly sales in the current six months. For SME and Sony/ATV in the Music segment, the constant currency amounts are calculated by applying the monthly average U.S. dollar / yen exchange rates after aggregation on a U.S. dollar basis.

Results for the Pictures segment are described on a U.S. dollar basis as the Pictures segment reflects the operations of SPE, a U.S.-based operation that aggregates the results of its worldwide subsidiaries in U.S. dollars.

The impact of foreign exchange rate fluctuations on sales is calculated by applying the change in the yen's periodic weighted average exchange rate for the same period of the previous fiscal year from the current six months to the major transactional currencies in which the sales are denominated. The impact of foreign exchange rate fluctuations on operating income (loss) is calculated by subtracting from the impact on sales the impact on cost of sales and selling, general and administrative expenses calculated by applying the same major transactional currencies calculation process to cost of sales and selling, general and administrative expenses as for the impact on sales. Additionally, the MC segment enters into its own foreign exchange hedging transactions. The impact of those transactions is included in the impact of foreign exchange rate fluctuations on operating income (loss) for that segment.

Notes about Financial Performance of the Music, Pictures and Financial Services segments

The Music segment results include the yen-translated results of Sony Music Entertainment and Sony/ATV Music Publishing, both U.S.-based operations which aggregate the results of their worldwide subsidiaries on a U.S. dollar basis, and the results of Sony Music Entertainment (Japan) Inc., a Japan-based music company which aggregates its results in yen. The segment also includes equity in net income (loss) for EMI, an affiliated company accounted for under the equity method for which Sony records 39.8% of EMI's net income in the segment's operating income. Because Sony expects to complete the acquisition of the remaining equity interest in EMI within the 2018 calendar year, both an expected non-cash step-up gain for the equity interest in EMI that Sony currently owns and the expected impact of the consolidation of EMI have been incorporated into the October forecast for the fiscal year ending March 31, 2019.

The results presented in Pictures are a yen-translation of the results of Sony Pictures Entertainment Inc., a U.S.-based operation that aggregates the results of its worldwide subsidiaries on a U.S. dollar basis.

The Financial Services segment results include Sony Financial Holdings Inc. ("SFH") and SFH's consolidated subsidiaries such as Sony Life Insurance Co., Ltd., Sony Assurance Inc. and Sony Bank Inc. The results of SFH and its consolidated subsidiaries discussed in the Financial Services segment differ from the results that these companies disclose separately on a Japanese statutory basis.

Cautionary Statement

Statements made in this presentation with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. Sony cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore investors should not place undue reliance on them. Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to:

- (i) Sony's ability to maintain product quality and customer satisfaction with its products and services;
- (ii) 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 image sensors, game and network platforms, smartphones and televisions, 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 customer preferences;
- (iii) Sony's ability to implement successful hardware, software, and content integration strategies, and to develop and implement successful sales and distribution strategies in light of new technologies and distribution platforms;
- (iv) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures, investments, capital expenditures, restructurings and other strategic initiatives;
- (v) changes in laws, regulations and government policies in the markets in which Sony and its third-party suppliers, service providers and business partners operate, including those related to taxation, as well as growing consumer focus on corporate social responsibility;
- (vi) Sony's continued ability to identify the products, services and market trends with significant growth potential, to devote sufficient resources to research and development, to prioritize investments and capital expenditures correctly and to recoup its investments and capital expenditures, including those required for technology development and product capacity;
- (vii) Sony's reliance on external business partners, including for the procurement of parts, components, software and network services for its products or services, the manufacturing, marketing and distribution of its products, and its other business operations;
- (viii) the global economic and political environment in which Sony operates and the economic and political conditions in Sony's markets, particularly levels of consumer spending;
- (ix) Sony's ability to meet operational and liquidity needs as a result of significant volatility and disruption in the global financial markets or a ratings downgrade;
- (x) Sony's ability to forecast demands, manage timely procurement and control inventories;
- (xi) 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, liabilities and operating results are denominated;
- (xii) Sony's ability to recruit, retain and maintain productive relations with highly skilled personnel;
- (xiii) Sony's ability to prevent unauthorized use or theft of intellectual property rights, to obtain or renew licenses relating to intellectual property rights and to defend itself against claims that its products or services infringe the intellectual property rights owned by others;
- (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) 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;
- (xvi) risks related to catastrophic disasters or similar events;
- (xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information and the personally identifiable information of its employees and customers, potential business disruptions or financial losses; and
- (xviii) the outcome of pending and/or future legal and/or regulatory proceedings.

Risks and uncertainties also include the impact of any future events with material adverse impact. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.