SONY

Corporate Strategy Meeting

May 22, 2018

Sony Corporation

- Good morning. My name is Kenichiro Yoshida. In April, I was appointed President and CEO. Thank you for coming today.
- I am the 11th President in our company's 72-year history.
- As you may know, Sony was founded by Masaru Ibuka and Akio Morita.
- My predecessor, Mr. Hirai, and I are from a generation that did not work directly with our founders. Just once, however, I had an opportunity to talk closely with Mr. Morita. That was in New York, where I was assigned at the time, in September 1993, just two months before Mr. Morita suffered a brain hemorrhage.
- Mr. Morita told me, "Up until now, Sony has learned many things from the United States. Some Japanese companies might even think that we have surpassed the U.S. But Sony needs to be humble and learn from the U.S. again."
- When I think back on this conversation, I believe the sense of urgency that Mr. Morita felt in 1993 was about the internet. In fact, the internet browser Netscape and the company Amazon both emerged just a year later in 1994.
- In the following years, Sony achieved record profit in 1997, and the internet began to have a serious impact on Sony's business as we entered the 21st century.
- Now once again, I feel a sense of management urgency, a need for humility and the importance of a long-term view.

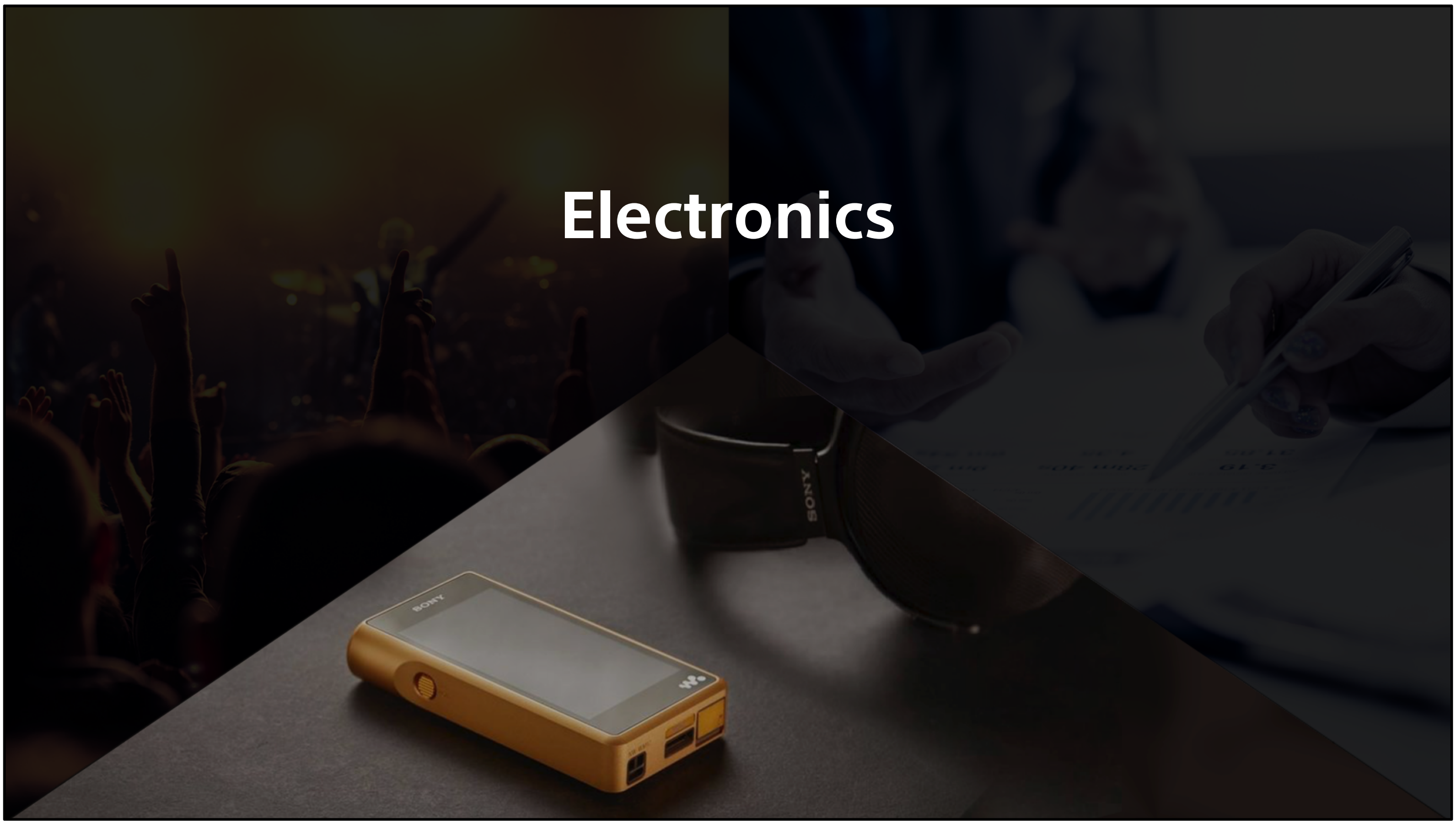
1. Business Portfolio
2. Corporate Direction
3. Initiatives of Each Business Segment
4. Financial Targets
5. Sony and Creating Social Value

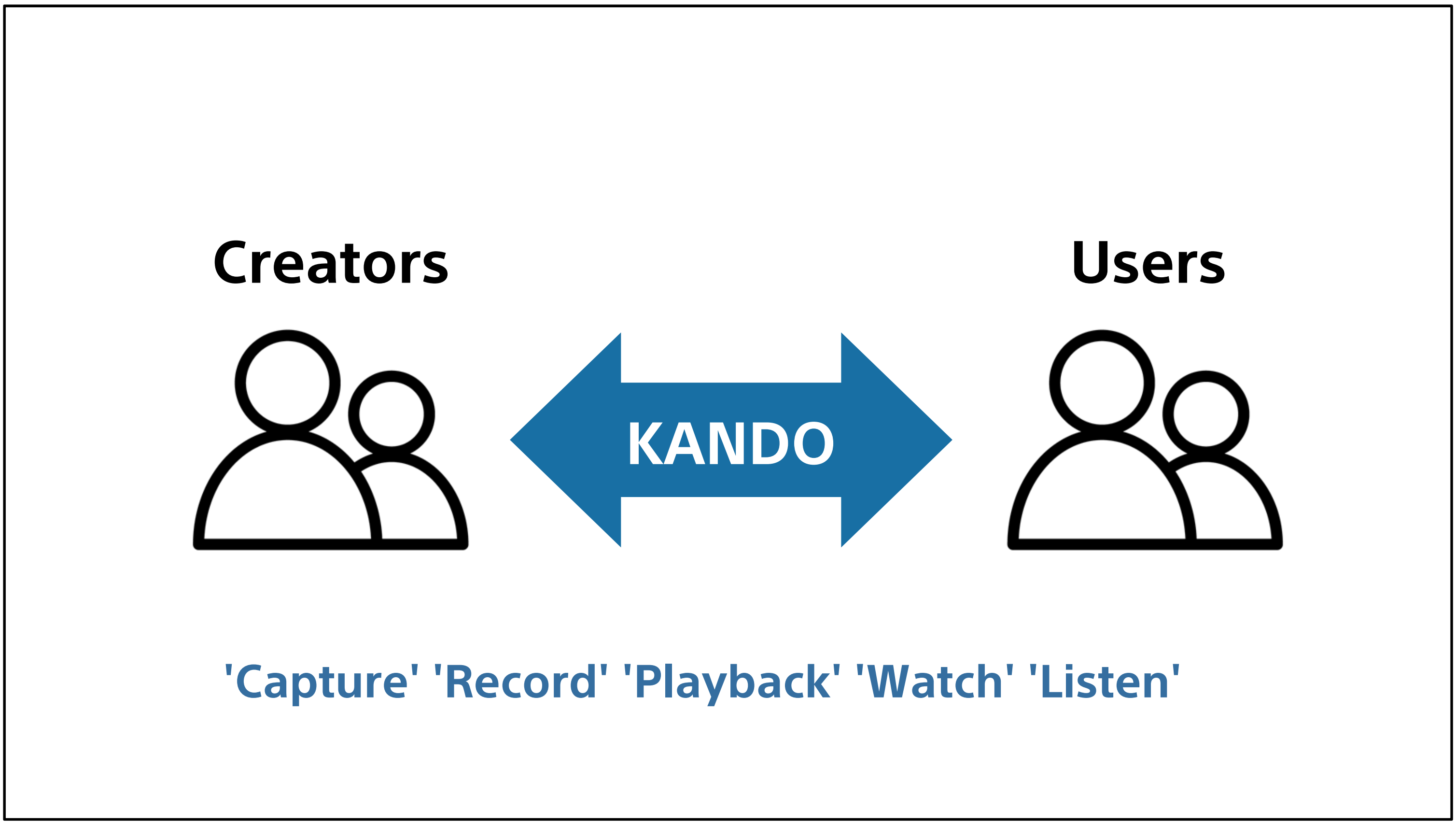
- Today I would like to talk about these items in the next 30 minutes.

- Sony’s mission is embodied in the word KANDO, a sense of excitement, wonder or emotion. People feel KANDO. People also create KANDO.

- Before I talk about our corporate strategy, I want to discuss how our three business portfolios relate to the users who feel KANDO, and the creators who create KANDO.

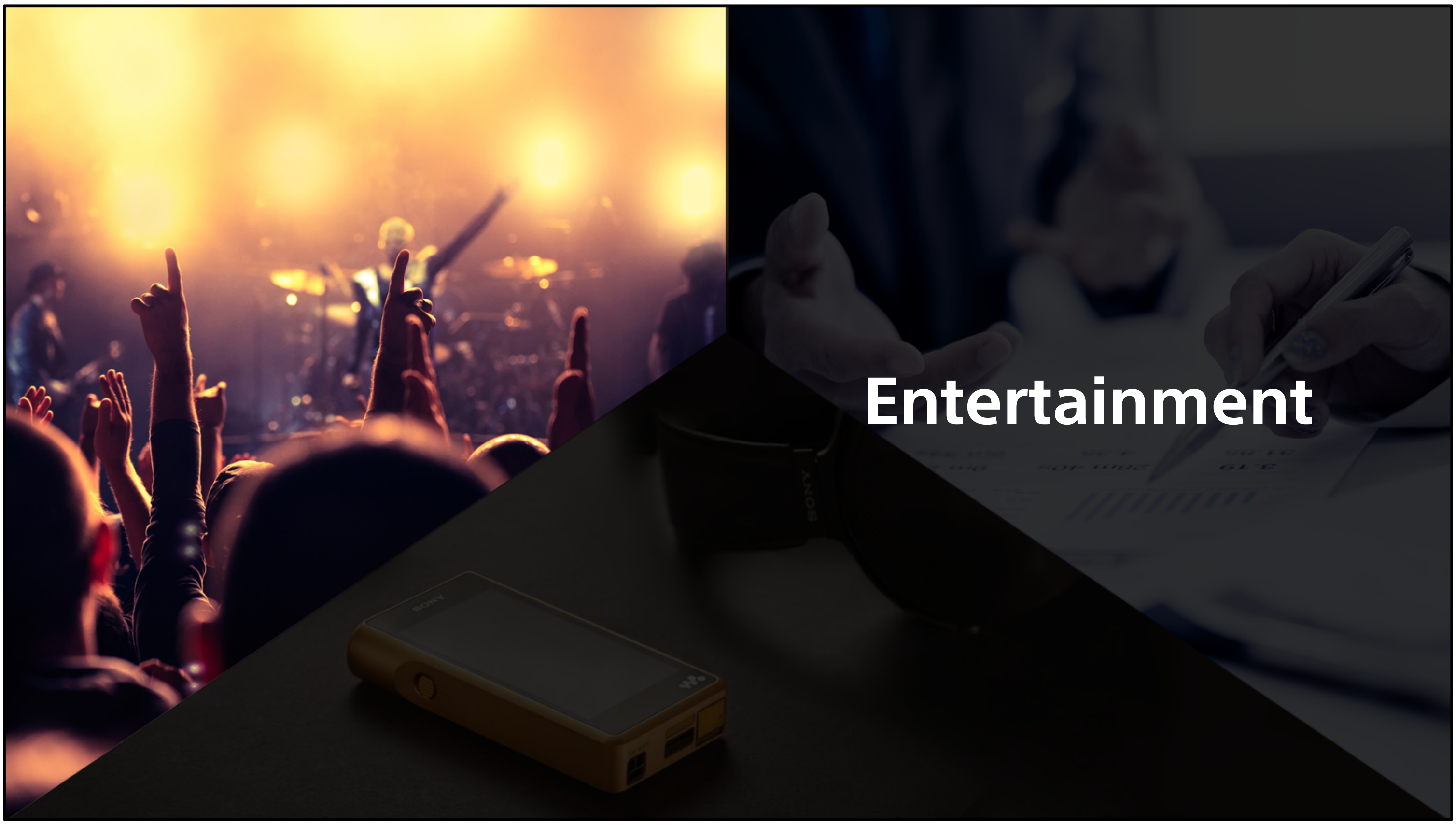
Electronics



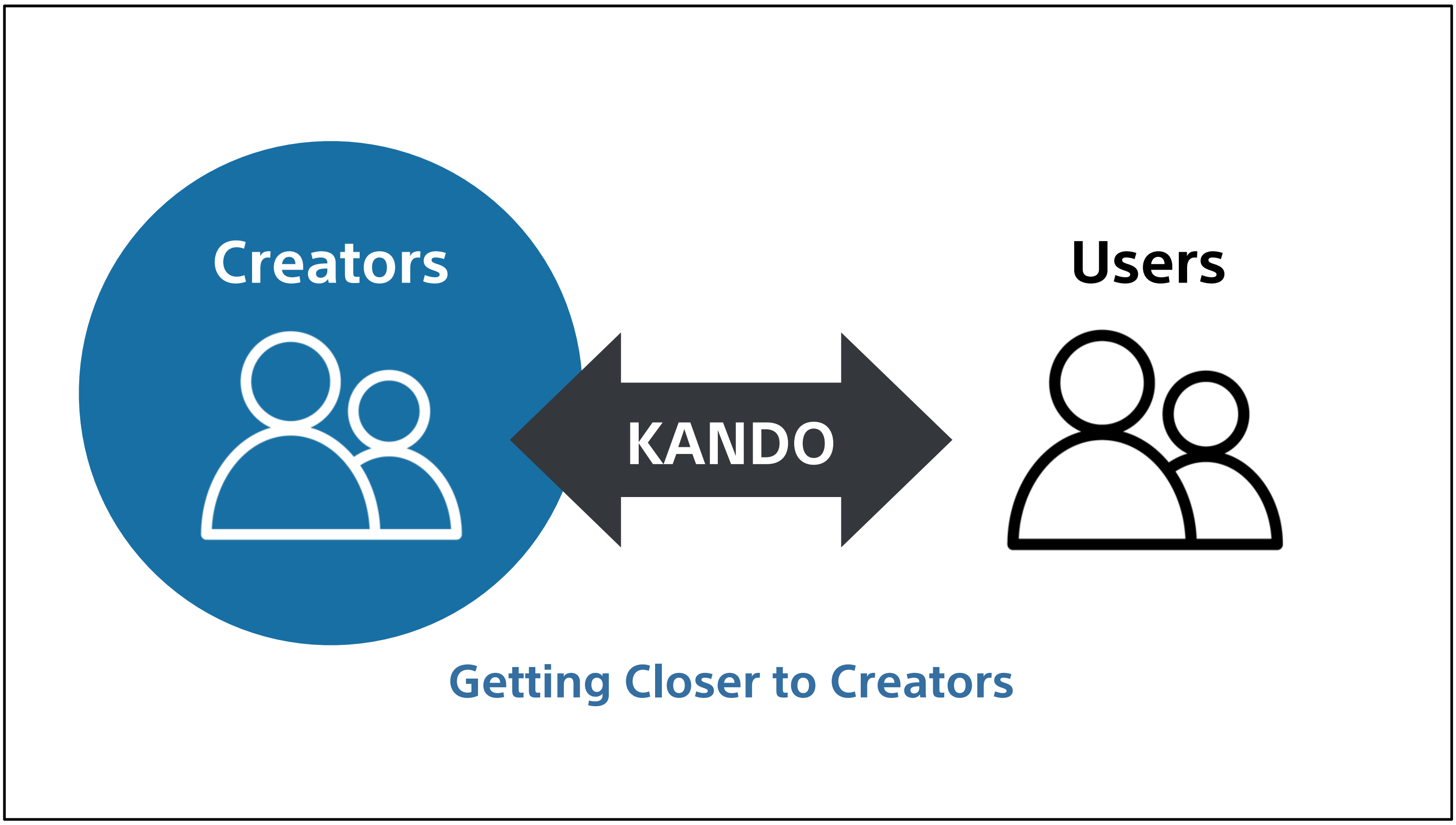


- Sony’s electronics business began with a tape recorder and a transistor radio.
- It is the bridge between the creators and recipients of KANDO.

- Sony’s branded hardware enables people to record, play back, watch and listen. Our hardware exists in the world between users and creators, and brings the two together.
- In addition, the CMOS image sensors used in Sony’s image-capturing hardware are part of our electronics business.

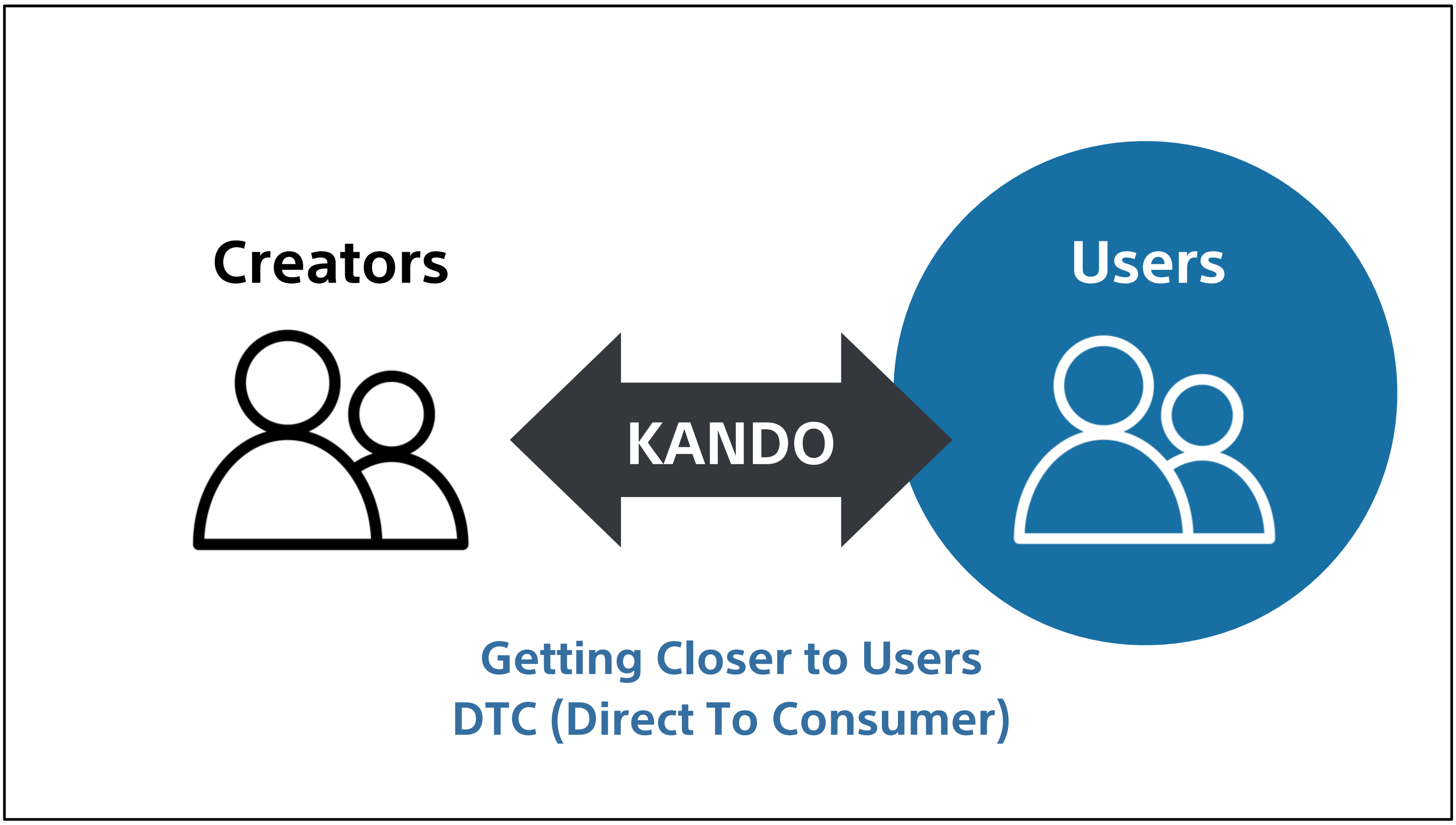


- Now let me talk about our entertainment business.



- The origin of Sony's entertainment business began in 1968 with the establishment of CBS Sony Records.
- This is when our operations expanded from hardware, which is a means to create and deliver KANDO, to content, which triggers KANDO. And this is how we eventually came to acquire CBS Records in 1988 and Columbia Pictures in 1989.
- CBS Sony Records was established 50 years ago. In the business domain of entertainment, Sony discovers, nurtures and supports creators in their creation of KANDO content. Our guiding principle here is to become closer to creators.

- Sony’s financial services operations began in 1981 with the start of operations at Sony Prudential Life Insurance (currently Sony Life Insurance).



- We call the recurring business model that directly connects us with the customer "Direct to Consumer," or DTC, for short. This is one of our company's key words. Sony Life Insurance's life planners, who sell life insurance, are the original source of Sony's DTC efforts. Sony Assurance and Sony Bank, two companies that were established later, are also DTC financial services.
- I myself worked at a DTC communications company named "So-net" for 14 years. The guiding principle of DTC services is to become closer to the user. For the nine years I was president of So-net, during the morning assembly at the call center, I repeatedly mentioned the importance of offering as many services, to as many people, for as long as possible.
- Please allow me to go off topic briefly. I think Sony's financial services businesses symbolize the long-term view of Sony's founders. Mr. Morita established Sony Prudential Life Insurance with a long-term vision of 20 years, and indeed, that is how long it took to eliminate cumulative losses.
- In 1991, when the company changed its name to Sony Life Insurance, Mr. Morita gave a speech to the employees, urging them to grow large enough to build a headquarters building that would bring together all of Sony Group's headquarter functions. Today, the Sony headquarters building we are in now, as well as the land it stands on, are owned by Sony Life Insurance.

Sony Business Segments

- Game & Network Services (G&NS)
- Music
- Pictures
- Home Entertainment & Sound (HE&S)
- Imaging Products & Solutions (IP&S)
- Mobile Communications (MC)
- Semiconductors
- Financial Services

- Now let me review the business segments of Sony.
- Game & Network Services encompasses both users and creators.
- Music and Pictures have B2B business models focused on creators.
- The three branded hardware segments enable the creation and delivery of KANDO content.
- Semiconductors is expanding the reach of its applications beyond image capturing to sensing, which will play a vital role in the era of self-driving cars.
- And Financial Services is a publicly listed company that provides DTC services.

1. Business Portfolio

2. Corporate Direction

3. Initiatives of Each Business Segment

4. Financial Targets

5. Sony and Creating Social Value

- I have decided to call the mid-range plan for the fiscal year ending March 31, 2021 our “third” mid-range plan. The primary reason for this is that our mission of delivering KANDO has not changed. Another reason is that the “Transformation of Sony” that Mr. Hirai announced at the first mid-range plan will continue going forward.

"Getting Closer to People"

- Based on Sony’s mission of KANDO and our business portfolios, our corporate direction can be summarized into one phrase: getting closer to people. This comprises three goals.

1

Reinforce Direct to Consumer (DTC) services and content IP, and create “Communities of Interest” that bring together people who share emotional values and experiences.

- We will aim to reinforce our user-oriented DTC services with our creator-oriented content IP to create Communities of Interest comprised of people from both sides who share emotional values and experiences.

2

Position Branded Hardware, which allows Sony to connect users and creators through its innovative video and audio technologies, as sustainable and consistent cash flow generating businesses.

- Utilizing our position between creators and users, we will seek to make our branded hardware a business that generates sustainable and consistent cash flow by developing the most innovative audio and video technologies to support the KANDO content value chain.

3

In the area of CMOS image sensors that capture the real world in which we all live, and are vital to KANDO content creation, aim to maintain Sony's global number one position in imaging applications, and become the global leader in sensing applications.

- In the area of CMOS image sensors that capture the real world in which we all live and are vital to KANDO content creation, we will aim to maintain our number one position in imaging and become the global leader in sensing.

- The Community of Interest that I mentioned first is an expression of what I have been thinking over the last several years. Communities of Interest are formed by creators of content IP and users who are attracted to that content who share emotional values. These communities are formed around content created by Music, Pictures and Game, but also around hardware like “aibo” and our alpha branded cameras.
- We believe that the longer our customers engage in these communities, the more KANDO will be created, and the more our businesses will grow.

1. Business Portfolio
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- First is our Game & Network Services business which has Sony's largest Community of Interest: PlayStation.
- The strategy of this business is to connect users and creators, primarily over PlayStation 4, and to reinforce our DTC services and content IP.

- Reinforce DTC Services
- Strengthen Content IP

- Reinforcing our DTC services means growing the PlayStation Network (PSN). With revenue of more than 1 trillion yen and active monthly users of more than 80 million, PSN is now one of the world's leading network services.

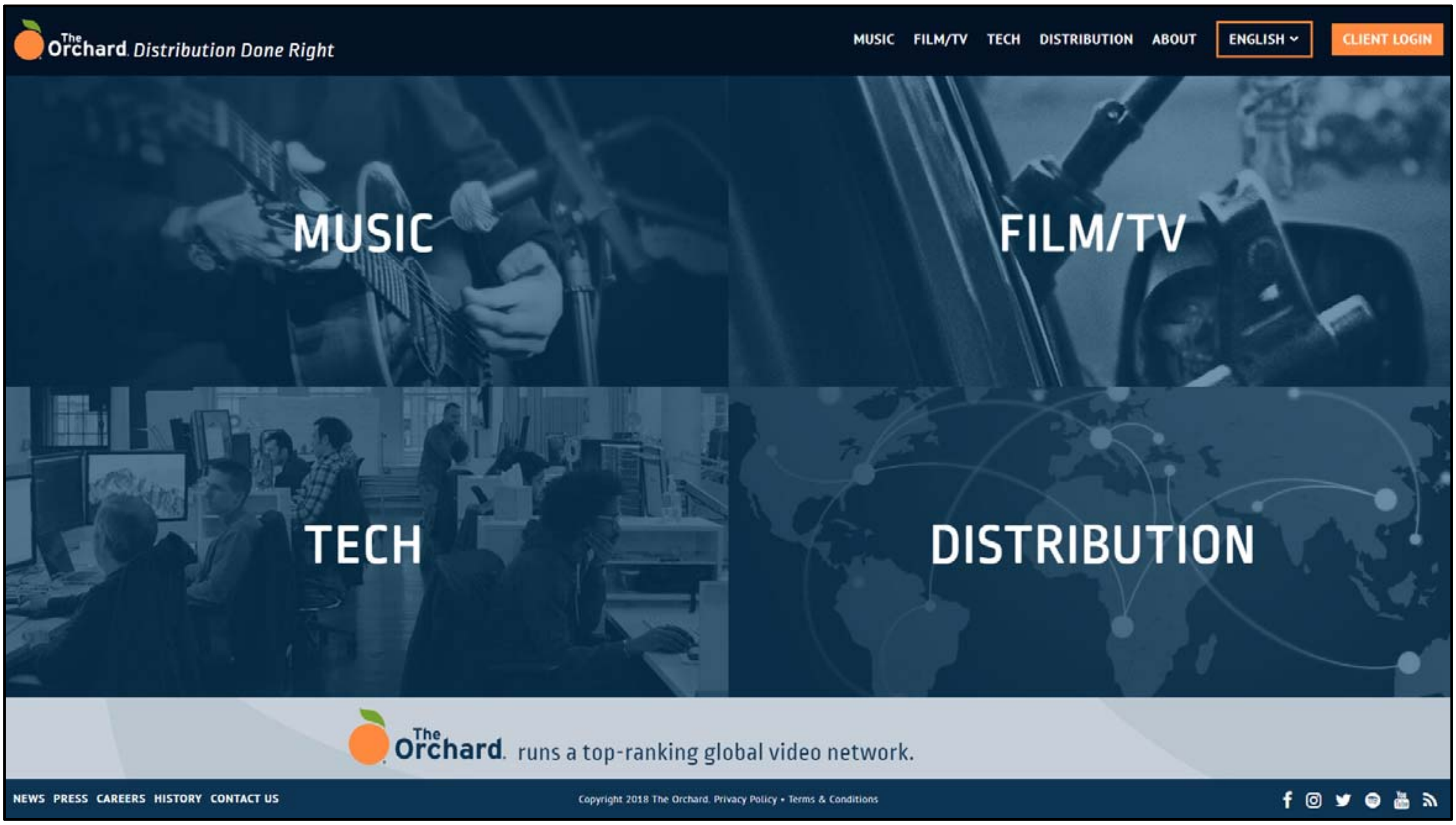
PlayStation™Network

- This growth strategy relies on several elements: further expanding the number of subscribers to our PlayStation Plus subscription-based service and increasing user engagement, the frequency and time users spend, on the PSN by having more people use our products and other services like PS VR, our cloud gaming service PS Now, our video services PS Vue and PS Video, and our music service PS Music.

- Reinforcing content IP means strengthening first-party titles. Maintaining strong relationships with third-party software makers will continue to be vital, but there is potential for growth of our first-party titles through the further creation and leveraging of IP and expansion of add-on content and more.
- We will continue to strive to increase our value proposition to users, as well as the value of the content that game creators develop.

- Next I will talk about Music.
- With the spread of the internet, the music market shrank from 1999 to 2014. This is one example of how the internet seriously impacted the Sony's business.
- Now this market is beginning to grow again as a result of the expansion of paid streaming services.
- Our basic strategy will be to reinforce our music content IP and to get closer to artists. The quality and quantity of content IP will be crucial to maximizing the business opportunities afforded by the growth of the streaming market.
- In addition, we are making other efforts to create new IP by discovering and nurturing artists.

- Today we announced that we have signed an agreement with the investment consortium led by Mubadala Investment Company to acquire their approximately 60% equity interest in EMI Music Publishing.
- This is a perfect example of investment to reinforce content IP.
- Sony currently owns approximately 2.3 million songs including hit titles from the Beatles while EMI Music Publishing owns approximately 2.1 million titles including Motown hits and many titles used in movies and on television. Sony has been administering the copyrights owned by EMI for the last several years and, once this transaction closes, we will be one of the largest music publishing companies in the world.
- Music publishing is a stable, recurring revenue business and we believe our investment in this content IP business will be a crucial stepping stone toward the long-term growth of Sony.



- For example, The Orchard, which became our wholly owned subsidiary in 2016, supports almost 350,000 indie artists with services from music encoding to recouping profits. Currently, there are about 2,000 SME label artists. In an environment where discovering talent is shifting to digital, providing services to a broad range of artists will be important for reinforcing content IP.

- Sony Music Entertainment Japan (SMEJ), which is celebrating its 50th anniversary, has also begun reinforcing its artist management operations so as not to rely solely on master recordings.

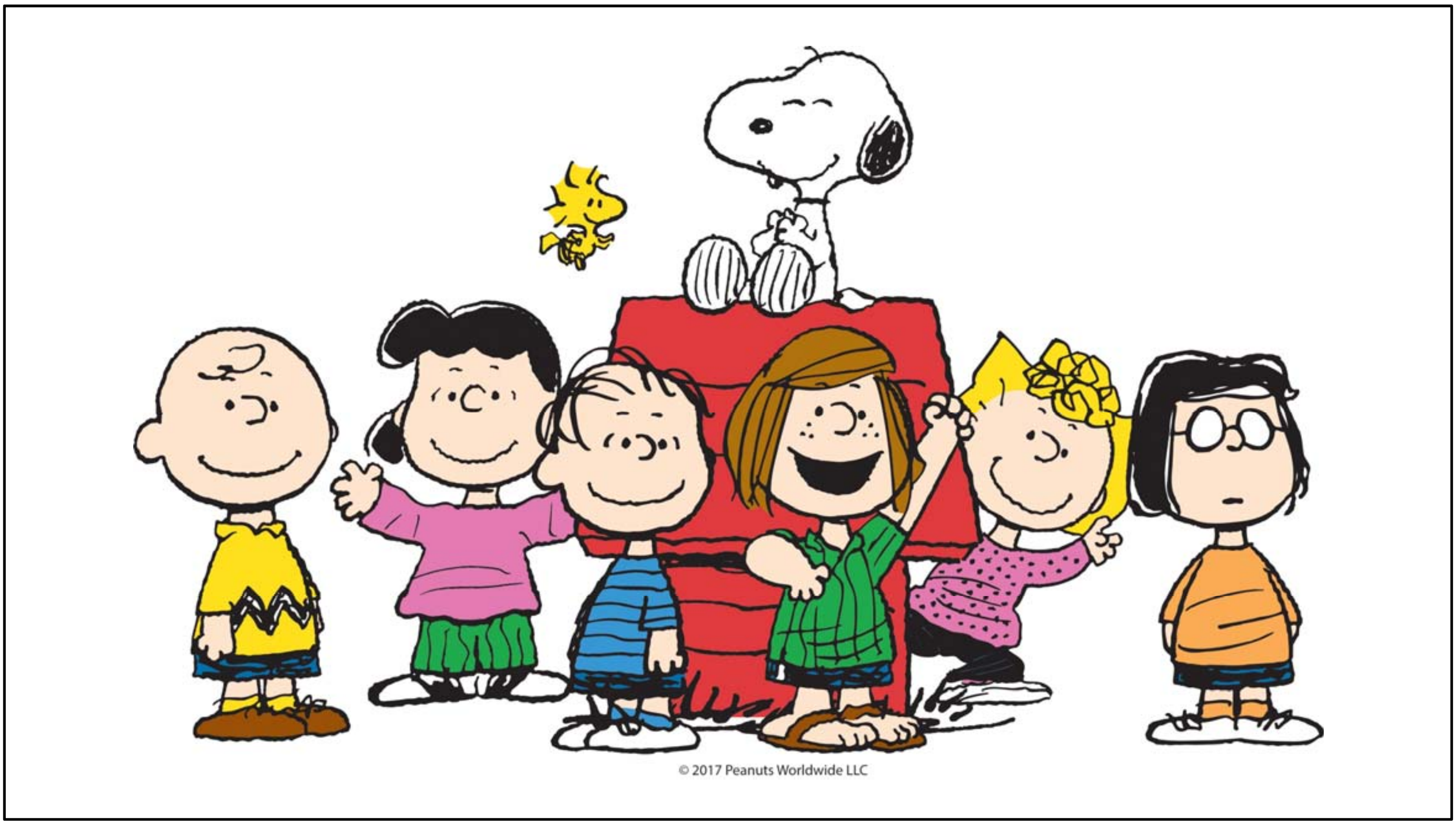
Diversified IP Ecosystem

Fate/Grand Order
(Chinese Edition)

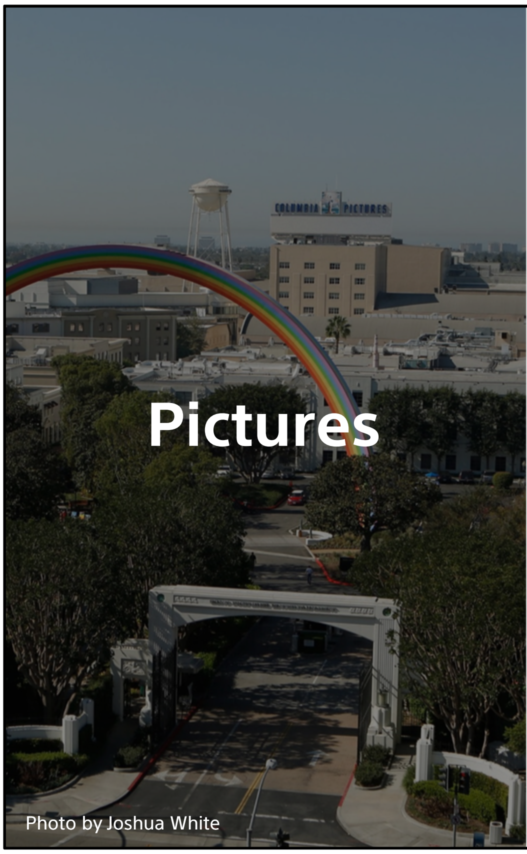
「Fate/stay night[Heaven's Feel]」
(Film)

Fate/Grand Order Duel
(Collection figure)

- Another important IP in this segment is anime IP, which is managed by SMEJ’s subsidiary Aniplex. Our anime IP is evolving in many unique ways such as through merchandising, mobile games, movie distribution and live events.



- Furthermore, SMEJ recently reached an agreement to acquire a 39% interest in the company that manages the rights for PEANUTS, famous for Snoopy, and it will seek to expand the IP business it operates around this world-class property going forward.



- Strengthen Content IP
- Media Networks

- The basic strategy in Pictures is also reinforcing IP.
- Tom Rothman, head of the motion pictures group at Sony Pictures Entertainment (SPE) since 2015, is placing emphasis on stories more than stars by investing in scripts, revitalizing the library and aggressively utilizing the company’s Marvel movie-making rights, among other measures.

Revitalize Content IP

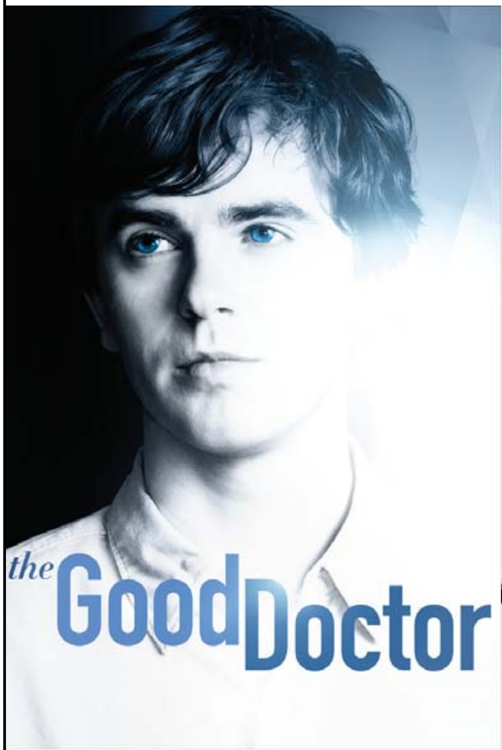
Jumanji

(1995)

Jumanji: Welcome to the Jungle

(2018)

- One example of successfully revitalizing IP is “Jumanji: Welcome to the Jungle,” which recorded more than 100 billion yen in box office revenue and has a sequel planned for release at the end of 2019.



The Good Doctor
© 2018 Sony Pictures Television Inc. and ABC Studios

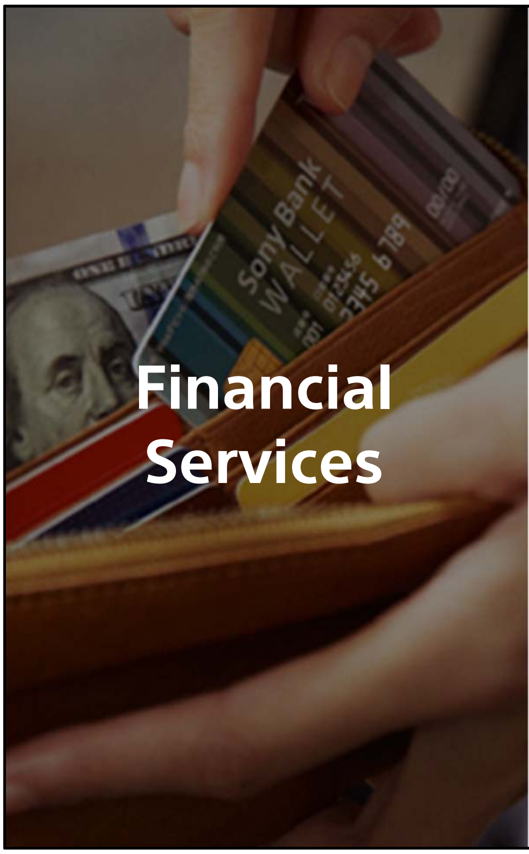
The Goldbergs
© 2018 Sony Pictures Television Inc.

The Crown
© 2018 Left Bank Pictures (Television) Limited

- Just like the music industry, motion picture and TV show production has been heavily affected by digital distribution. However, also like in the music industry, the fundamental value of getting closer to creators and making good content has not changed.

Media Network Business in India

- Another important strategy on par with reinforcing IP in production is the expansion of SPE’s Media Networks, or channel business, especially in India. By 2024, India will be the most populous country in the world, but the proportion of households that own a TV is still only 63%. For this growth market, last year we acquired TEN Sports and now own 31 channels.
- I believe there is upside potential in the Pictures business. Under the leadership of the gifted Tony Vinciquerra, SPE has clear goals to utilize and reinforce IP, maximize opportunities at Media Network in India, and improve profit margins.



- **Reinforce DTC Services**
- **Fintech**

- Our Financial Services segment continues to produce a high level of profit and supports the profitability of the Sony Group.
- At the same time, this segment allows us to get closer to people because we can directly talk with our customers and maintain a very close relationship with them.
- Sony Life Insurance’s core asset is its life planners, who will continue to be the key to reinforcing user engagement. The challenge for the Financial Services segment will be how much closer they can get to their customers through FinTech.

Branded Hardware
Innovative video and audio technologies

- Now I would like to talk about branded hardware, which contributes to the KANDO content value chain with its cutting-edge video and audio technologies.

Sony Business Segments : Branded Hardware

- Game & Network Services (G&NS)
- Music
- Pictures
- **Home Entertainment & Sound (HE&S)**
- **Imaging Products & Solutions (IP&S)**
- **Mobile Communications (MC)**
- Semiconductors
- Financial Services

- Last fiscal year, branded hardware was the driving force behind our record profits, and, over the next three years, we expect it to be the business which generates the most stable cash flow.
- Our branded hardware is comprised of these three segments. Sony’s branded electronics are being positioned as sustainable and consistent cash-generating businesses which we believe will enable us to continue investing in Sony’s growth.
- In this business domain, we will continue to not vainly pursue scale and will maintain our commitment to high-end products. Last year, I visited large-panel manufacturing facilities in Korea and China and also retailers in Vietnam. I was reminded how close relationships with panel manufacturers and retailers lead to improvements in our own operations.

- Our Alpha-9 mirrorless single-lens reflex cameras offer silent and continuous shooting, together with other innovative high-tech features, and are increasingly becoming a favorite among professional cameramen for such things as news reporting and sports events. Also, our 3-sensor 8K cameras, which have a depth of field that is indispensable for sports and other live broadcasts, have been received favorably by cameramen, who are creators.
- We will not vainly pursue scale in this business domain, but last fiscal year, for the first time in 20 years, our audio business enjoyed a year-on-year increase in sales. In this business, and in the high-end market in China, I believe there is opportunity for us to grow.

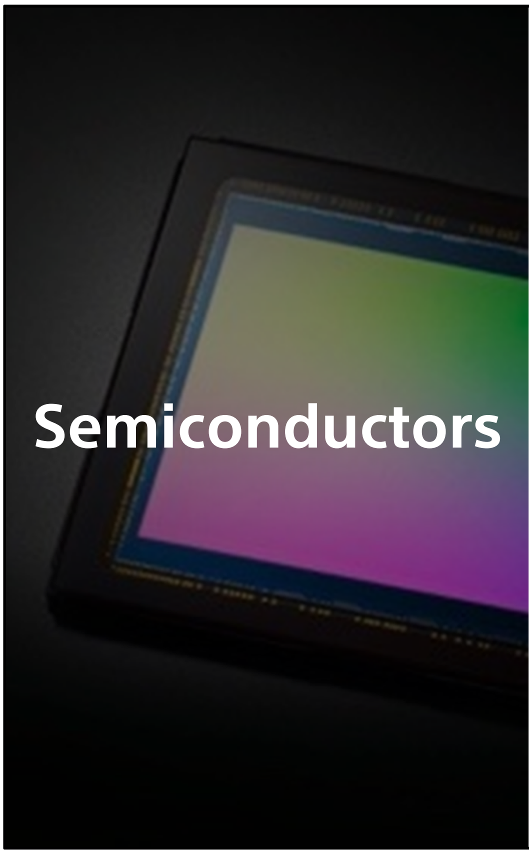
XPERIA™ Smartphones

- In smartphones, we forecast a loss this fiscal year after last year’s impairment charge, a situation we are taking very seriously and are working to stabilize by leveraging the overall strength of Sony. Two important goals are to make our entire branded hardware supply chain sustainable, from procurement to sales, and to procure new telecommunications technologies, such as 5G.

4K/3D Surgical Microscope

aibo

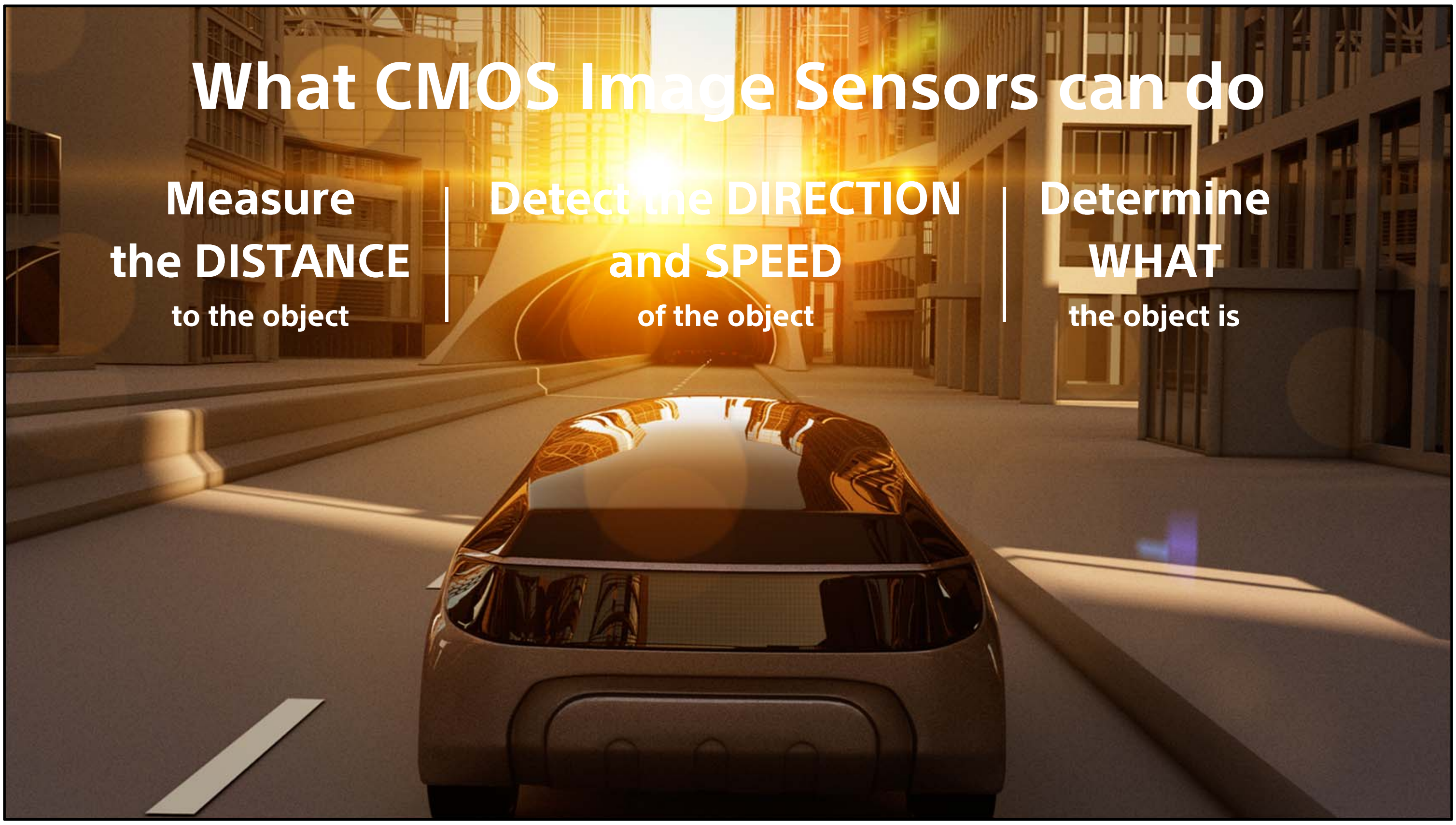
- Long-term initiatives that utilize the technology of our branded hardware include medical products, such as 4K endoscopes and 4K/3D video microscopes for surgical use, and AI and robotics, as represented by the “aibo”, introduced this January.



CMOS Image Sensors

- **Maintain No. 1 Position in Imaging**
- **Aim to Become Global Leader in Sensing**

- CMOS image sensors are a key device for the evolving technology of IoT, AI, and self-driving cars. They are a window into the real world in which people live, and our analog technology that we have cultivated over many years from the CCD era is the source of our competitive advantage in this area.
- I mentioned that it is our intention to maintain our number one position in imaging and to become the global leader in sensing by utilizing our CMOS image sensor technology.



- In the near term, sensing applications will be for smartphones, but in the future, they will be important for automotive use. CMOS image sensors are the only sensors that can: 1) measure the distance to a physical object; 2) detect the direction and speed that object is moving; and 3) determine what the object is.
- Furthermore, semiconductor laser technology is essential for active sensing and we intend to make that technology a strength.
- During our third mid-range plan, the largest portion of our R&D and capital expenditures will be invested in the CMOS image sensor business.

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- Now let me talk about our financial targets for the next three years.

Investment Areas

1. Continued investment in “Content IP” and “DTC Services”
2. Continued investment in “Semiconductor IP”
3. Initiatives in “AI × Robotics” and “Medical” Businesses

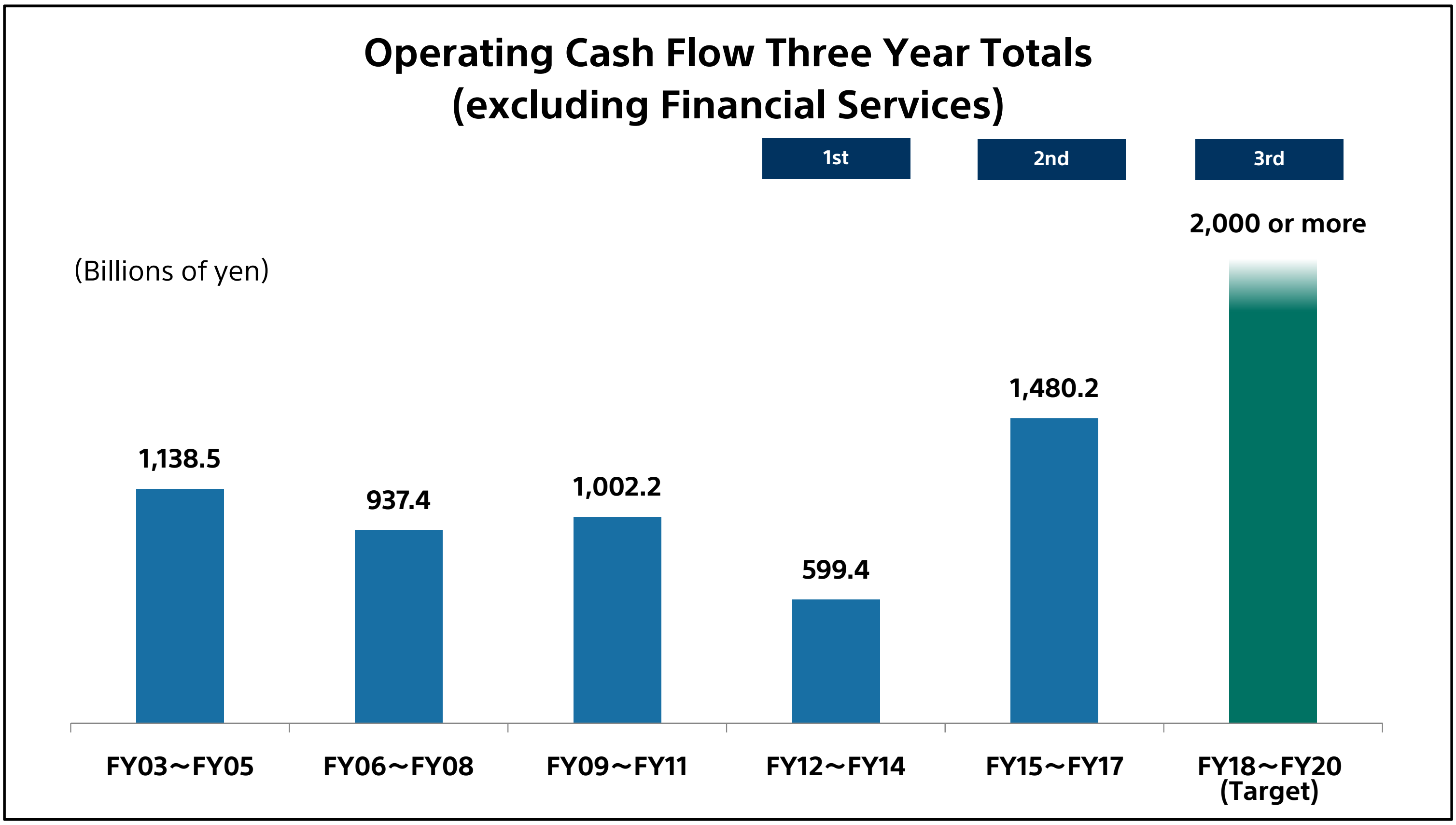
- For the next three years, I think our priorities will be continued investment in content IP, DTC services, and semiconductor IP, and sowing the seeds for long-term growth of our AI, robotics, and medical businesses.
- Not all of these investments will be capitalized on our balance sheet.
- For example, we will make many investments in IP and user engagement that are expensed, including R&D for semiconductors, development costs for game content, and customer acquisition costs in our DTC services.
- By increasing these investments, we will place less emphasis on growth in profits for the next three years and more emphasis on improving the quality of our earnings through an increase in the proportion of our earnings generated in a recurring manner.

Third Mid-Range Plan Financial Targets

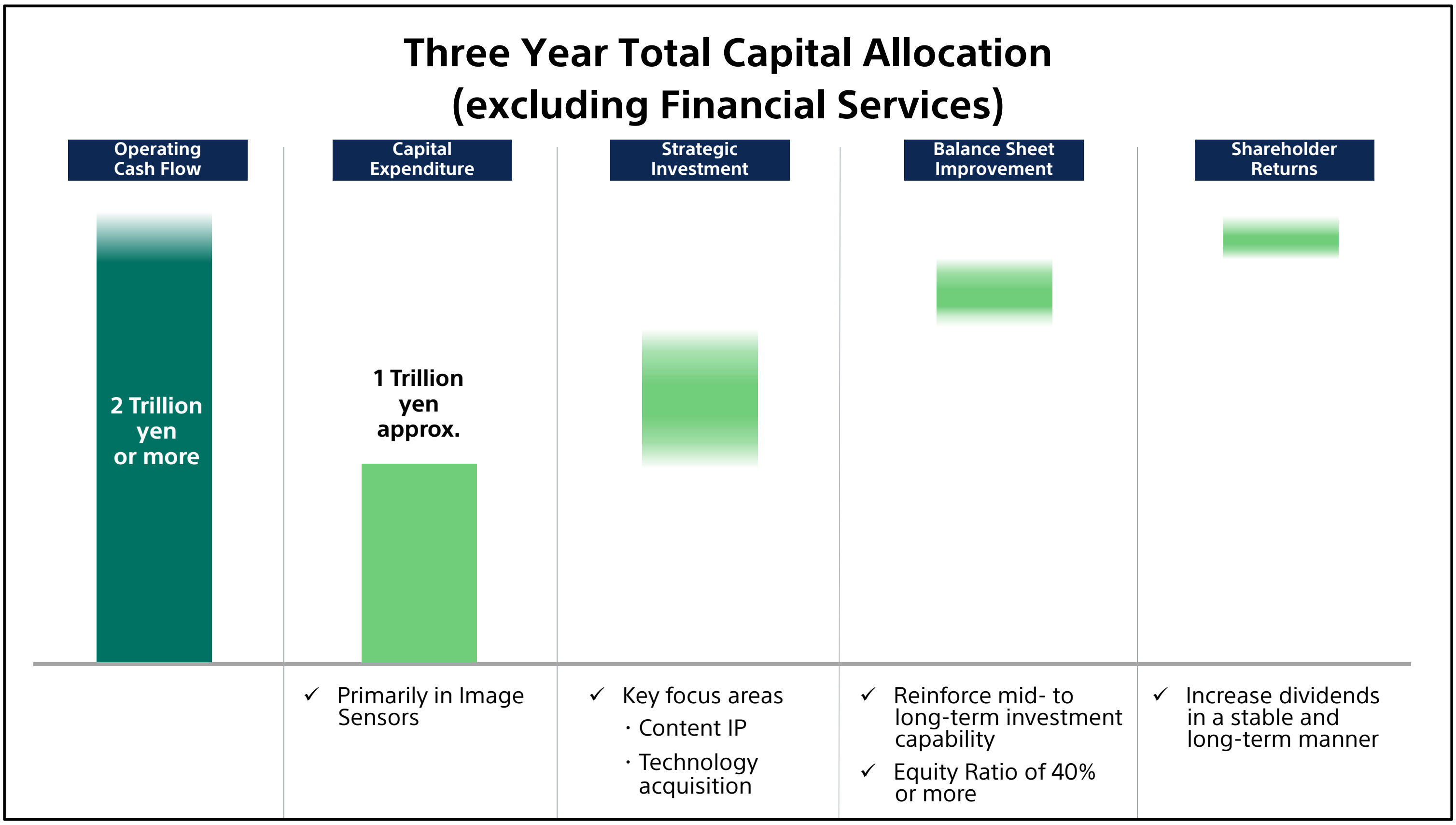
(FY2018-FY2020)

Operating Cash Flow 3 year total (excluding Financial Services)	Return on Equity (ROE)
2 Trillion yen or more	**Maintain 10% or more**

- In our third mid-range plan, our most important performance metric will be operating cash flow. I think this metric is more appropriate for measuring Sony's profit-generating capability than operating income, which includes gains on the sale of real estate and step-up gains from M&A transactions.
- For the next three years starting this fiscal year, excluding Financial Services, we will strive to create more than 2 trillion yen in operating cash flow.



- This slide shows our three-year cumulative operating cash flow. From our second mid-range plan to our third mid-range plan, we expect to improve cash flow by more than 500 billion yen, and we want to generate a stable, high level of cash flow that Sony has not been able to achieve until now.
- Branded hardware, which includes the Mobile Communications segment, does not require a large amount of investment compared to semiconductors, so we expect it to contribute a large amount of cash when you look at its cash flow minus investment.



- For the next three years, we plan to allocate the cash we generate along the lines of the policy shown on this slide with the aim of further raising our enterprise value.
- First, we plan to spend approximately 1 trillion yen on capital expenditures, with image sensors being the largest item.
- For the remaining approximately 1 trillion yen, the foremost priority will be strategic investments, while we also intend to make allocations in other areas such as balance sheet improvement and shareholder return. There are two areas we will be targeting for strategic investment. The first, as I mentioned earlier, is reinforcing content IP. The acquisition of equity interest in EMI Music Publishing that we announced today is one of these strategic investments.
- The second is strengthening areas such as user engagement and sensing, and acquiring technology in areas that need strengthening, or where we do not currently have the technology in-house.

- In terms of shareholder returns, we intend to increase dividends in a stable and long-term manner.

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5. Sony and Creating Social Value

- In conclusion, I would like to discuss the value that Sony creates for society.
- The title of my first internal blog post after becoming President was “The Earth and Sony.” Of course, Sony must create economic value as a company. But, as I wrote in the blog, we also need to manage Sony with a view toward creating social value, including the natural environment of the Earth.
- I received a huge amount of feedback from within Sony on this first blog post.
- Creating social value can be achieved in a variety of ways.

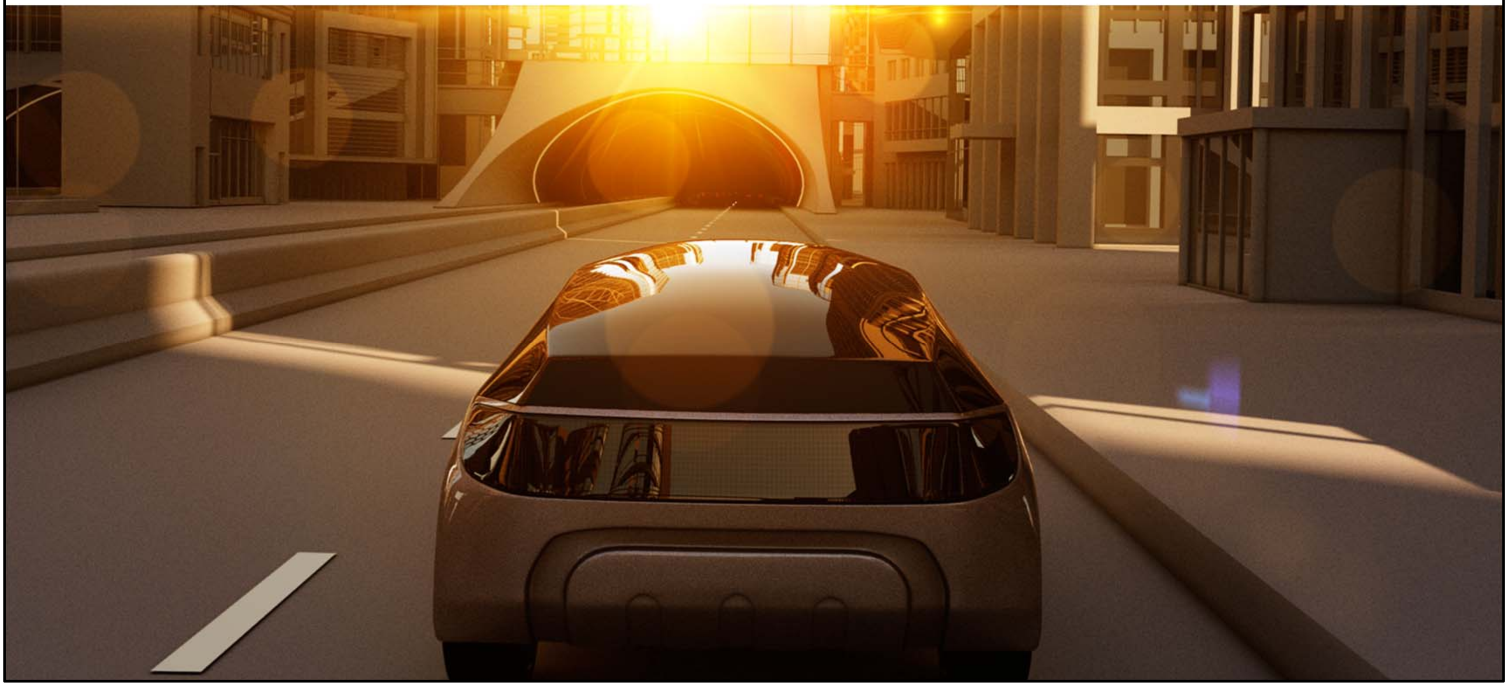
- The creation of a Community of Interest that I mentioned earlier is a part of that. The greatest value that Sony creates for society through its mission of KANDO is to give people a sense of enrichment by creating a Community of Interest.

Environment

Road to
ZERO

- At the same time, because we recognize that Sony only exists because of the natural environment and society, we will continue to promote environmental and human rights initiatives, from a long-term perspective, throughout our supply chain.

Contribute to Safety in Self-Driving Era



- The arrival of the self-driving car era is expected to contribute to a reduction in negative environmental impact. At Sony, we are working to develop a business which contributes to the safety of mobility using our imaging and sensing technologies. We want to make this a pillar of Sony’s contribution to society in the 2020s.

Education

Discover & Nurture Artists
Artist Management

KOOV™ / MESH™ / toio™
Global Math Challenge

SAP (Seed Acceleration Program)
Sony Innovation Fund

- We can also make a contribution to education in the broad sense of the word.
- In the realm of music, discovering new talent, developing artists, and artist management are ways in which we nurture creators, and this fits in the broad definition of education.
- The tools we develop, such as KOOV and MESH, enable children to learn about programming in fun ways help to nurture the engineers of the future.
- Our business incubation initiatives are also part of cultivating creators. These include SAP, the in-house venture system we have been promoting since 2014, and the Sony Innovation Fund, our corporate venture capital fund.

Aim to Generate Sustainable Social Value and Maintain a High Level of Profit

- In Sony's Founding Prospectus, Mr. Ibuka indicated that he wanted Sony to be a stable workplace where engineers "can realize their societal mission and work to their heart's content." I think that this philosophy attracted the engineers who made Sony into the company it is today.

- In order to ensure the sustainability of Sony, we need to engage even more deeply with our stakeholders, including customers, employees and shareholders, by doing things that create value for society.

- I aim to manage Sony in such a way that we deliver KANDO by getting closer to people and become a company that sustainably generates social value and maintain a high level of profit.
- Thank you very much for your kind attention.

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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) the global economic environment in which Sony operates and the economic conditions in Sony's markets, particularly levels of consumer spending;
(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);
(viii) Sony's ability to maintain product quality and customers' satisfaction with its existing products and services;
(ix) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures and other strategic investments;
(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.

Financial information excluding Financial Services made in this presentation is not in accordance with accounting principles generally accepted in the United States of America, which is used by Sony to prepare its consolidated financial statements. However, because the Financial Services segment is different in nature from Sony's other segments, Sony utilizes this information to analyze its results without the Financial Services segment and believes that a comparative presentation may be useful in understanding and analyzing Sony's consolidated financial statements.