

SONY

# Corporate Strategy Meeting

May 21, 2019

Sony Corporation  
Representative Corporate Executive Officer  
President and CEO

**Kenichiro Yoshida**

- Good morning. Thank you all for coming today.

SONY

## Purpose

Fill the world with emotion,  
through the power of creativity and technology.

- Sony is a company born out of the dream of our founders who had a strong desire to excite people's lives through the power of technology. That is the origin of Sony's purpose from a social perspective.
- Sony started in the electronics business but grew to become a company with entertainment businesses such as Music and Pictures, and service businesses such as Financial Services and Game. Our purpose codifies the intention of the approximately 110,000 people working around the world in these businesses to create new value.

- 1. FY18 Review and Mid-Range Outlook**
- 2. Sony Group & Business Segment Initiatives**
- 3. Technology and Social Value**

- Today I will speak about the following topics regarding the direction of the Sony Group and each of our businesses, which we operate in accordance with Sony's purpose. I expect my remarks to last for about 30 minutes.
- First, let me review FY18 and talk about our Mid-Range Outlook.

# “Getting Closer to People”

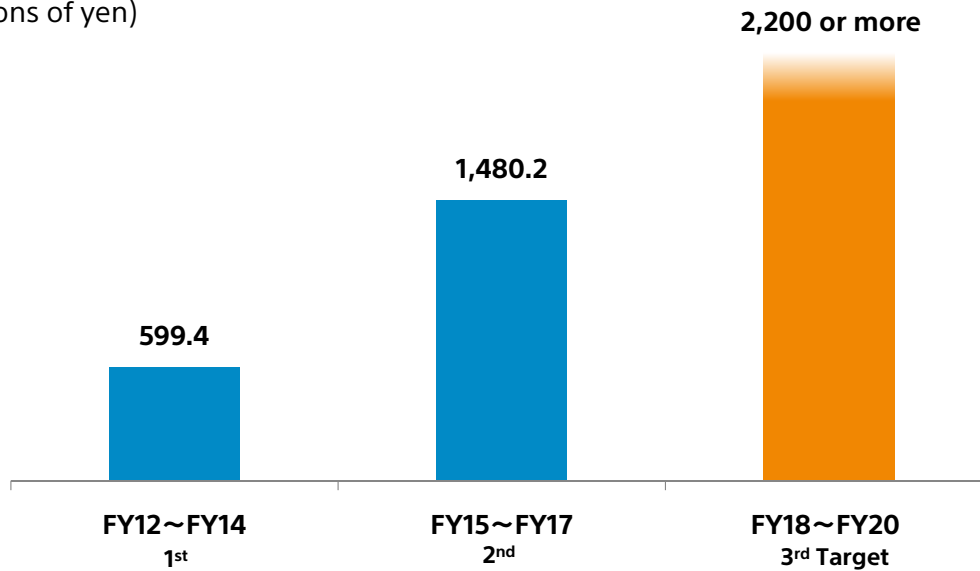
- 1** | Reinforce our user-oriented Direct to Consumer (DTC) services and creator-oriented content IP
- 2** | Generate a sustainably high-level of cash flow from our branded hardware business
- 3** | Maintain our number one position in imaging and become the global leader in sensing, both in the CMOS image sensor area

- At last year’s corporate strategy meeting, I said that Sony’s corporate direction is getting closer to people. Sony strives to get closer to the motivation that compels users and creators.
  - I talked about three specific points that underpin this corporate direction.
  - The growth of the PlayStation Network (“PSN”) is an example of the success we have had in reinforcing DTC. The approximately 2.3 trillion yen of sales and 310 billion yen of operating income recorded in the Game & Network Services (“G&NS”) segment last fiscal year were the largest sales and profit ever recorded by a single segment of Sony. What drove this achievement was the PSN, which accounted for more than 60% of the segment sales.
  - We have reinforced our content IP by fully consolidating EMI Music Publishing (“EMI”), which made Sony the largest music publishing company in the world.
  - And we have created numerous hits that utilize IP in our Game, Music and Pictures segments.
  - As to the second point regarding our branded hardware business, we continued to develop products that connect users and creators. In order to accelerate new value creation and further accelerate business optimization, on April 1, 2019, we integrated all the consumer electronics businesses and professional solutions businesses into one segment called Electronics Products & Solutions (“EP&S”).
  - The EP&S segment, including the Mobile business, would have generated net cash flow last fiscal year of approximately 90 billion yen, making it second only to the Game segment in cash generation.\*
  - In the image-capture part of the CMOS sensor business, we were able to deliver a stable supply of product to a market that is evolving not only toward higher resolution, but also toward multiple sensors per camera and larger sized sensors, while, at the same time, maintaining our number one market share position in CMOS sensors on a revenue basis.
  - In addition, in the sensing part of the business, our products were adopted by a major automobile manufacturer last fiscal year, and our technologically superior iToF sensor was adopted by major smartphone manufacturers.
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- Please refer to P.9 of “FY2018 Consolidated Financial Results Presentation” for the method and the adjustment made for calculating the amount of net cash flow (the difference between operating cash flow and investing cash flow). The amount of net cash flow of the EP&S Segment is identified as “Combined total of HE&S · IP&S · MC” within the table.

# Operating cash flow three year totals

(without Financial Services)

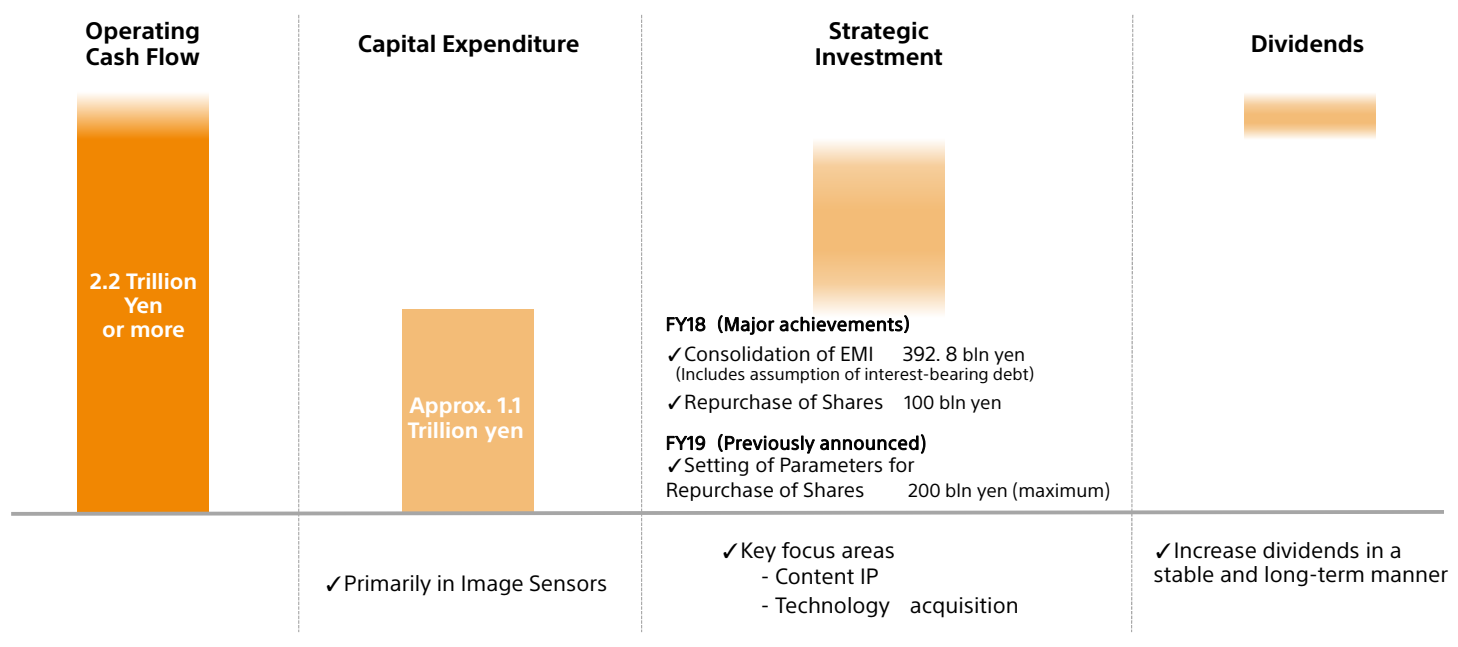
(Billions of yen)



- As for the financial targets for FY18 to FY20 that we set for our third mid-range plan, we have increased the three-year cumulative operating cash flow target by 200 billion yen to 2.2 trillion yen or more.

# Three year total capital allocation target

(without Financial Services)



- We are prioritizing investments aimed at growing profit over the long term when making capital allocation decisions.
- Last year, we expected capital expenditures to reach 1 trillion yen over three years, but now we expect that amount to increase to between 1.1 and 1.2 trillion yen as a result of greater investment in CMOS sensors.
- As for strategic investments, we implemented the nearly 400 billion yen acquisition of EMI, which I mentioned earlier. Also, since Sony values growth in earnings per share, we conducted a 100 billion yen repurchase of Sony's shares last fiscal year and have obtained an authorization for a maximum of 200 billion yen in share repurchases for the current fiscal year with the goal of increasing shareholder value. Last fiscal year's repurchase was the first time we ever engaged in a share repurchase for the purpose of increasing shareholder value.
- Going forward, we plan to engage in share repurchases in a flexible manner after taking into account the balance between strategic investment opportunities and our financial situation and stock price.
- There is no change to our policy of increasing our dividend in a consistent manner over the long-term.

- 1. FY18 Review and Mid-Range Outlook**
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- Next I would like to provide an overview of Sony's business portfolio.

# SONY

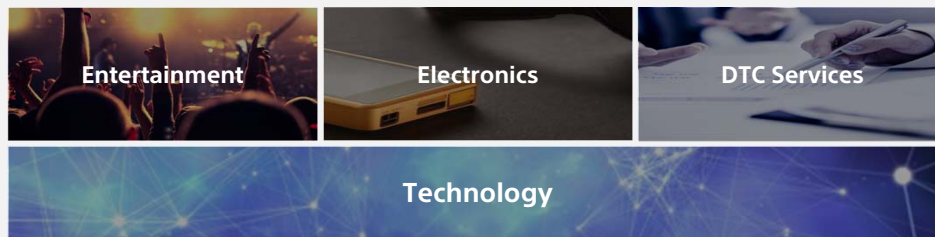
Creative entertainment company with a solid foundation of technology

Corporate  
Direction

## Getting Closer to People



Business  
Portfolio



Purpose

**Fill the world with emotion, through the power of creativity and technology.**

- What is Sony? The answer to this question is simply that Sony is a creative entertainment company with a solid foundation of technology. People are the common denominator of all of our businesses.
- Sony is an entertainment business which has content IP made by creators in the game, music, pictures and animation areas.
- We are also an electronics business which delivers the content made by creators to users.
- And we are a company that operates DTC services like the PlayStation Network and the Financial Services business.
- All of these businesses are underpinned by technology.
- We plan to hold a Technology Day this autumn where we will delineate the various technologies that underpin the Sony Group.





- I will now talk about each business segment's initiatives as well as collaborations between our content IP and DTC services and synergies between our businesses based on technology, in each case focusing on key points.
- First let me touch upon G&NS, which was the engine that enabled us to record historically high profit last fiscal year for the second consecutive year.



- Sony’s PlayStation has the number one position in the console gaming market and, this year, we expect PS4 to reach the significant milestone of having sold 100 million units cumulative since launch.
- Today I would like to explain the future direction of PlayStation using two keywords: immersive and seamless (which is the ability to play anytime and anywhere without disruption).

# Immersive Seamless

- The most important way in which consoles create value is by providing users with an immersive gaming experience. Providing that experience is one of the key aspects Sony has worked to ensure over successive generations of the PlayStation console.
- We are just as dedicated to delivering that immersive experience on the next generation console we are currently developing. We plan to do that by further improving the computational power of the console, measured in TFLOPS (Tera Floating-point Operations Per Second), and by dramatically increasing the graphics rendering speed through the employment of a customized ultra-fast, broadband SSD.
- The extraordinary improvement in rendering speed I just showed will continue to immerse users in games in the future, and we believe this improvement clearly demonstrates why it makes sense to have a next generation console, since the experience will greatly exceed what is possible on the current generation PS4 hardware, including PS4 Pro.
- We are planning many other features in addition to this one on the next generation console, and we believe that console will continue to make PlayStation The Best Place to Play. Please look forward to it.
- Next I would like to discuss the other keyword: seamless.
- Users will be able to bring the games purchased on disc or via the network from in front of a TV to other places and continue their play anytime and anywhere without feeling stress.
- Thanks to improvements in the telecommunication and network environment available to users, and improved smartphone functionality, seamless experiences are more of a reality than ever before.

# PlayStation Streaming

## PS4 Remote Play



- PlayStation has been providing two services: Remote Play, which utilizes the PS4 console in your home as a server, and PlayStation Now, a service based on cloud servers. Today I am introducing these two seamless streaming services as PlayStation streaming.
- Remote Play is a free feature for PS4 users that enables them to continue playing immersive games in a seamless way anytime and anywhere within Wi-Fi, for example in bedrooms or when not at home, by using the user's PlayStation as a game server.
- This service has been provided on PlayStation since 2006 and, thanks to the acquisition of Gaikai and its leading-edge streaming technology and compression technology in 2012, we have made significant strides in reducing latency and increasing the reliability of the service.
- Heretofore, this service was available on PC and Xperia, but, in March, it was made available on iOS, making it accessible to an even larger user-base. Going forward, we plan to deploy it on a variety of Android smartphones.
- Earlier I said that the cumulative sales of PS4 are expected to reach 100 million units this calendar year. The Remote Play feature transforms these 100 million PS4s that users are expected to own all over the world into streaming game servers which can stream content from locations very close to users.
- We plan to support this feature in our next generation console as well.
- The other core component of PlayStation streaming is PlayStation Now, which utilizes game servers in the cloud. With this service, our aim is to further expand our addressable market of gamers by allowing people to enjoy immersive game content regardless of whether they are a PS4 user or do not own a PS4 console at all.

# **1 . Network Technology**

## **2 . Discovery of New Games**

### **3 . Content Lineup**

- As a pioneer in the streaming game space, Sony has been offering the PlayStation Now service for the last five years.
- At the fiscal year-end earnings announcement, CFO Totoki gave an overview of PlayStation Now. Today I will talk about the three things we have learned from our experience operating the service.
- First, a streaming service can provide value to gamers by enabling them to play games anytime and anywhere on a variety of devices. In order to operate the service, it is essential to have network technology to back it up. Over the last five years, we have verified that gamers do see value in the service, and we have accumulated technology and patents to minimize latency. Going forward, we will continue to accumulate more technology and know-how.
- Second, PlayStation Now creates value for users by enabling them to test and discover many games because it is a subscription, all-you-can-play service.
- Third, we have learned about the game titles that should be made available on PlayStation Now. In the five years of operating the service, we have learned what kinds of games fit the needs of people who subscribe to such a service. We intend to strengthen our content catalogue, including triple A titles, and are working to make those improvements.
- Thanks to streaming technology, the world of PlayStation streaming is a reality.
- We will continue to improve the user experience on PlayStation by leveraging the latest computing, streaming, cloud and 5G technology.

## Explore collaboration on game streaming services

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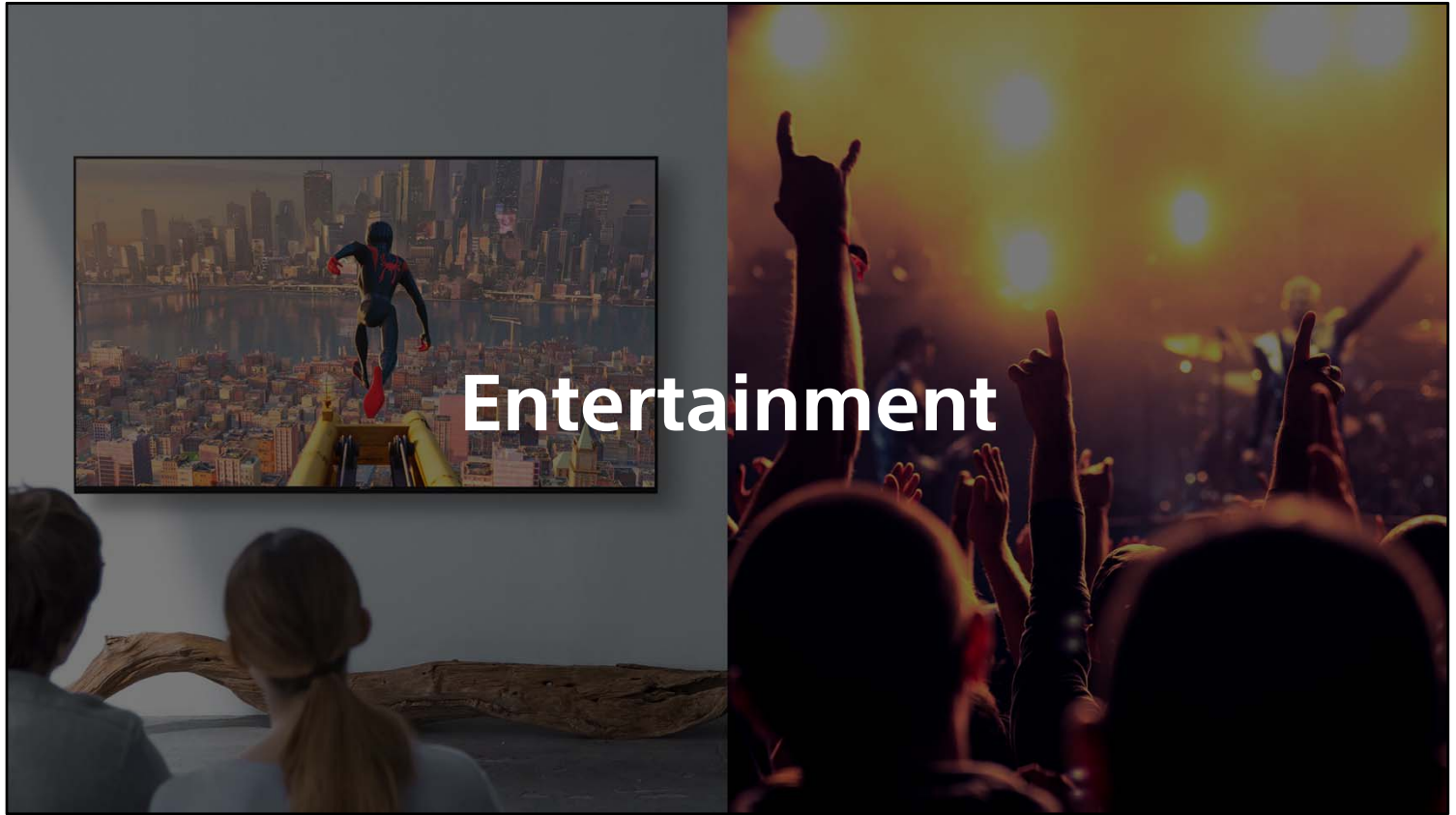


- As part of this, we announced the other day that we have signed an MoU with Microsoft to explore collaboration on cloud-based solutions, including streaming gaming.





- In addition to such partnerships, we will invest to further strengthen our 1<sup>st</sup> party content IP, which attained considerable success last fiscal year, as well as maintain and improve a relationship of trust with 3rd party developers, all with the goal of continuing to pursue the mission of PlayStation, which is to be The Best Place to Play.
- In addition to PlayStation, we will strengthen our mobile games developed by Aniplex and ForwardWorks.



- Next I will discuss the Music and Pictures segments, where we operate businesses focused on content IP.
- The proliferation of subscription streaming services has increased the demand for music and video entertainment content and this is acting as a tailwind for companies like Sony that own businesses which produce music and video content such as movies, television shows and animation. The basic strategy of our Music and Pictures businesses is to get closer to creators, or, in other words, to reinforce our content IP.



# The world's largest music company



\*Based on the total sales of the Music segment (total sales of Sony Music Entertainment, Sony/ATV Music Publishing LLC, EMI Music Publishing and Sony Music Entertainment (Japan) Inc.) for the fiscal year ended March 31, 2019, under the assumption that EMI Music Publishing had been our wholly-owned subsidiary from April 1, 2018.

- We expect that the Music segment will grow its stable profit as a recurring license business due to its strong position as the largest music company in the world, and due to the growth of the subscription streaming market.
- In order to further reinforce our music IP, we will strive to attract and nurture hip-hop, urban, Latin and other artists who are especially popular on streaming services, and we will work to foster local artists including in China, where the market is expected to grow.
- The Orchard, which supports indie artists, is also an important strategic business for us.
- We will also continue to pursue business synergies, including cost synergies, in our music publishing and recorded music businesses.

## Content Library with 100 year history Revitalization of IP



**Men In Black: International**



**Charlie's Angels**



**Jumanji:  
Welcome to the Jungle Sequel**

- While our music business is in a strong market position, I believe that Sony Pictures Entertainment (“SPE”), which produces motion pictures and television shows, can be said to have a unique market position.
- First, it is unique because it is only one of a few independent studios. At a time when many DTC video services are launching, being independent may entail some risk, but it also presents an opportunity because we own premium content and are in an advantageous position whereby we can sell our content to multiple services.
- The second reason SPE is unique is because of its content IP assets. As a Hollywood studio with an approximately 100 year history, we have a large content library that can be revitalized. We also have the rights to produce movies and television shows based on over 900 Marvel characters.



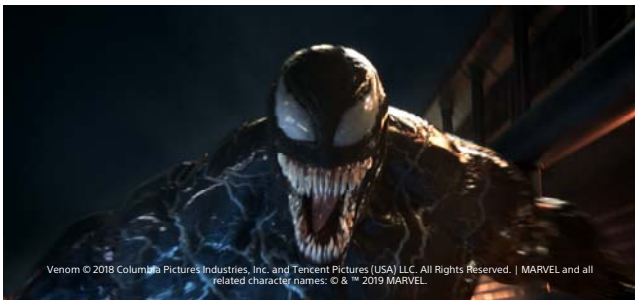
**Spider-Man: Homecoming**



**Spider-Man: Far From Home**



**Morbius**



**Venom**



**Spider-Man: Into the Spider-Verse**

- This slide shows the successes we have had with our Marvel Universe IP and the major projects we are planning that leverage that IP going forward.

# One Sony Collaboration



Camila Cabello



- The third element of uniqueness is that SPE is part of the Sony Group, which has a diverse genre of entertainment companies. This is a common strength of all the entertainment businesses within our group.
- The other day, we entered into a five-year overall deal with the creators of the animated film *Spider-Man: Into the Spider-Verse* and announced our intention to have them produce a new drama series for Sony Pictures Television based on the Marvel Comics.
- In addition, Sony Interactive Entertainment's ("SIE") Worldwide Studios established PlayStation Productions, a production team at SPE's Culver City Studio that will make movies out of PlayStation game IP. The Pictures and Music businesses have begun to work on specific projects as well.
- Competition for creators is intensifying, but we believe that the diverse opportunities that are available to creators across our music, video and gaming business, as well as our technology, enhance the possibility that top-level creators will want to work with us.



# Electronics Products & Solutions

- Next, let me talk about the Electronics business that delivers content created by creators to users.
- As I explained at the beginning of my remarks during my review of last fiscal year, we integrated all of the consumer electronics and professional solutions businesses into EP&S as of April 1, 2019.
- As a result of this integration, we are optimizing our business structure and enhancing efficiency, at the same time that we are strengthening existing businesses, including Mobile, by facilitating and revitalizing the movement of human capital across businesses. We are also nurturing new businesses that leverage Sony's technology such as medical and robotics.
- The mission of EP&S is to continue to create products that bring to life all of the creativity and expressiveness of artists such as movie directors and professional cameramen who are creators. The mission is also to create consumer products that leverage the technology that these professional artists have demanded from Sony.



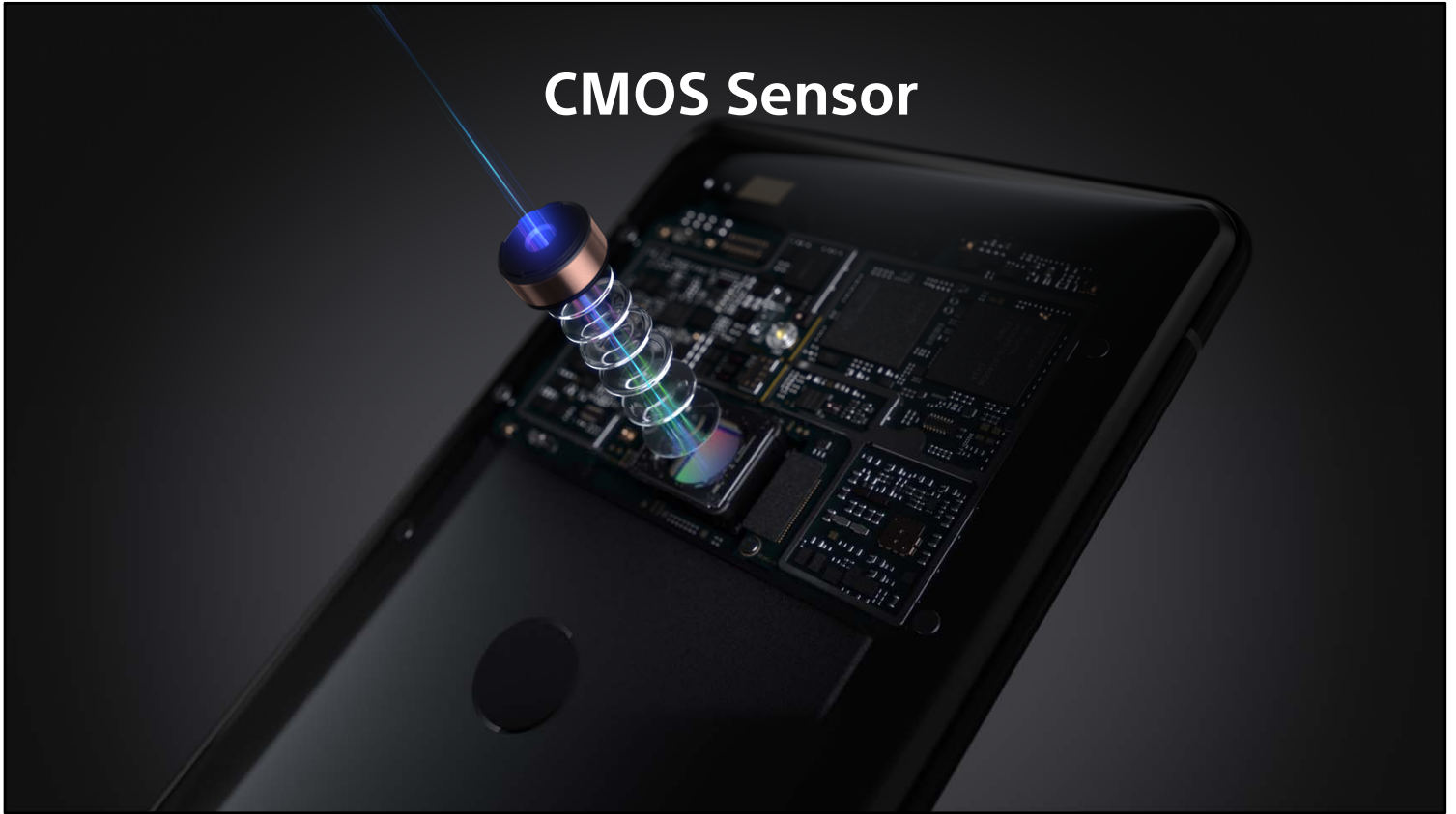


## Capture, Record , Watch, Listen, Play



- Going forward, Sony will continue to evolve as the most trusted and loved brand for creators and users by continuing to provide all modes of entertainment: capture, record, watch, listen and play.
- By concentrating Sony's technologies on all these modes of entertainment, we will strengthen our smartphone product lineup.

## CMOS Sensor



- Next is our semiconductor business, the majority of which is represented by our CMOS sensor business.
- Image-capture applications for cameras account for the vast majority of the CMOS sensor business, but the market for sensing applications, such as depth sensing, is also beginning to grow.
- Approximately 80% of CMOS sensor sales are to smartphones. This market has matured, but demand for sensors continues to grow due to adoption of multiple sensors and larger sized sensors in smartphones. At the same time, demand for ToF sensors for smartphones is expected to increase. As a result, we believe we will need to invest in greater production capacity over the next few years.
- Functionality like high sensitivity, low noise and high dynamic range are extremely important for CMOS sensors. CMOS sensors are also analog semiconductors, so their production capacity does not become obsolete.
- As a result, we expect this business to generate high return on investment in the long term.
- By leveraging the superior technology we have developed in this business, we expect to maintain our industry leading position going forward.

**Toyota Corolla Sports vehicle with Sony's sensor was awarded the top score in the automatic braking tests for night-time pedestrians (1<sup>st</sup> half of FY18)**



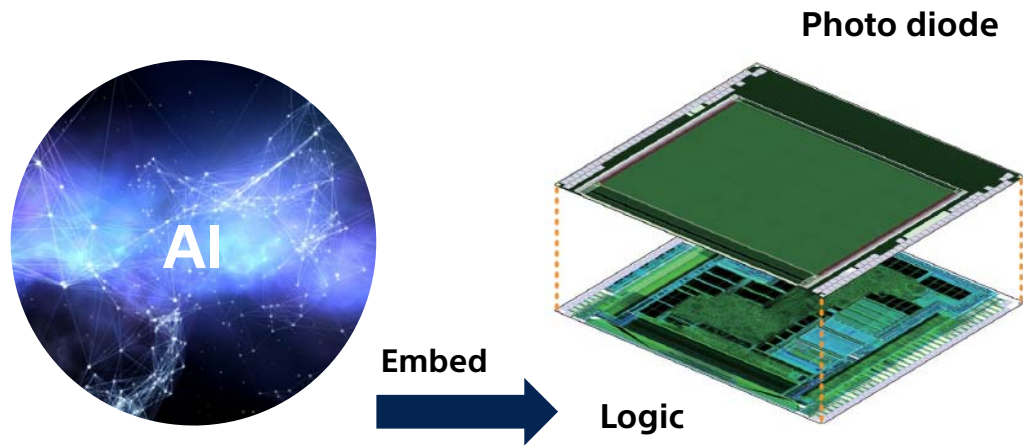
**TOYOTA**

***DENSO***

- Regarding automotive sensors which are a primary example of sensing applications, while it will still take a long time for the market for automotive sensors to expand, I can highlight an example of the positive feedback we have already received on one of our products.
- The automotive sensor we are supplying to Denso for installation in the Toyota Corolla Sports vehicle won the top score in the 2018 automatic braking test for nighttime pedestrians.



# Making our stacked sensors more intelligent



- Going forward, a key evolutionary direction and growth opportunity for CMOS sensors is Edge AI.
- Evolution of AI used for image recognition has developed tremendously. We plan to make our CMOS sensors more intelligent by embedding AI functionality in the logic layer of our stacked CMOS sensors.
- In the realm of AI, we plan to actively pursue alliances with partner companies. Our signing of the MoU with Microsoft the other day is based on this approach.

# Initiatives by business segment

## G&NS

- Enhance immersive gaming experience through the next generation console
- Provide immersive and seamless gaming experiences through streaming

## Entertainment

- Strengthen content IP
- Accelerate creation of synergies across content genres

## EP&S

- Pursue creation of new value
- Create stable cash flow

## Semiconductors

- Realize global No.1 position with CMOS Image Sensors in sensing applications
- Expand business through fields such as distance measurement and automotive

- Today I spoke about these points.
- By implementing these initiatives, Sony will connect creators and users through technology and will remain a creative entertainment company with a strong foundation of technology.

# 1. FY18 Review and Mid-Range Outlook

## 2. Sony Group & Business Segment Initiatives

### 3. Technology and Social Value

- Lastly, I want to end my speech today by briefly touching upon how we as a company aim to contribute to society through our technology.
- As a member of the earth and society, Sony will continue to work to enhance its economic value while, at the same time, contributing to the environment and to society by creating social value through the business activities of the entire Sony Group.
- After the question and answer session, we will show a video\* which introduces Sony Group activities which create social value via technology.
- On those pages, we highlight some specific activities in which Sony contributes to the safety and reliability of mobility, the medical field, education, the environment and sports for the disabled.
- This concludes my presentation. Thank you very much for your attention.

\* VIDEO: "Creating Social Value through Sony's Technology"  
<https://www.sony.net/SonyInfo/IR/library/presen/strategy/index.html>

## 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.

## Note to the Financial Information Excluding Financial Services

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.