

SONY

Corporate Strategy Meeting

February 18, 2015

Sony Corporation

Today's agenda

1. **Review of the First Mid-Range Plan (FY 2012 ~ 2014*)**
2. **Second Mid-Range Plan (FY 2015 ~ 2017)
Business Strategies and Financial Targets**
3. **New Organizational and Management Structure**
4. **Vision for Sony**

*FY2014= Fiscal Year Ending March 31, 2015

Review of the First Mid-Range Plan (FY 2012~2014)

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Sony Group consolidated performance

	FY 2013	FY 2014 (February Forecast)	FY 2014 (First mid-range plan targets)
Sales	7,767.3 billion yen	8,000 billion yen	8,500 billion yen
Operating income margin	0.3%	0.3%	5% +
ROE	- 5.8%	- 7.4%	10%

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Initiatives taken during the last 3 years

- **Business portfolio realignment**

- Exit from the PC business

- **Structural reform**

- Reduce headquarters costs by 30%*
- Reduce sales companies costs by 20%*
- Split out the TV business

*Compared to FY 2013

- **Enhanced product strength**

- Shift to high value-added models

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Second Mid-Range Plan (FY 2015 ~ 2017) Business Strategies and Financial Targets

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Reasoning behind this mid-range plan

Transformation into a highly profitable enterprise

- Management that emphasizes profitability without necessarily pursuing volume
- Greater autonomy at business units with a focus on shareholder value
- Clearly defined positioning of each business

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Prioritizing ROE

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Positioning of Sony's business portfolio

1. Growth drivers
2. Stable profit generators
3. Areas focusing on volatility management

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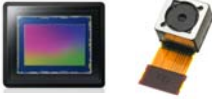



Path to improving ROE



	Sales	Operating income	Invested capital
1. Growth drivers	Increase ↗	Increase ↗	Increase ↗
2. Stable profit generators	Flat →	Slight increase →	Slight decrease →
3. Areas focusing on volatility management	Decrease ↘	Profitability / Improvement ↗	Decrease ↘

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1. Growth drivers

<p>Devices</p> 	<p>Game & Network Services</p> 	<p>Pictures</p> 	<p>Music</p> 
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Grow sales and increase profits through focused Investments and measures aimed at growth

Sales	Operating income	Invested capital
Increase ↗	Increase ↗	Increase ↗

2. Stable profit generators

<p>Imaging Products & Solutions</p> 	<p>Video & Sound Business</p> 
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Aim to record stable profits and create positive cash flows without large scale investments

Sales	Operating income	Invested capital
Flat →	Slight increase ↗	Slight decrease ↘

3. Areas focusing on volatility management

Mobile Communications



Television Business



Place the highest priority on curtailing risk and securing profits, while taking into account the volatility and competitive landscape of these businesses



Financial Services

 Sony Financial Holdings

 Sony Life

 Sony Bank

 Sony Assurance

 Sony Lifecare

Strengthen “recurring-revenue businesses” in order to generate sustained, high profit levels

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Medical – a new business area



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FY 2017 Financial Targets

ROE

10% +

**Operating
Income**

500 billion yen +

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New Organizational and Management Structure

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Purpose of organizational changes

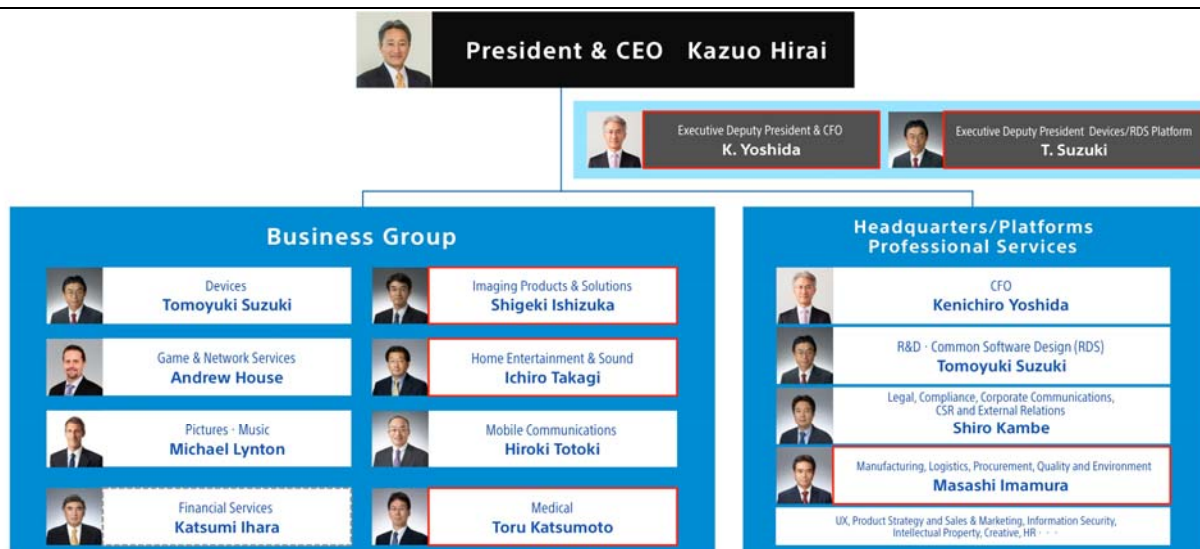
- Clearly attributable responsibility and accountability
- Management policies with an emphasis on sustainable profit generation
- Accelerate decision making and reinforce business competitiveness



Splitting out business units

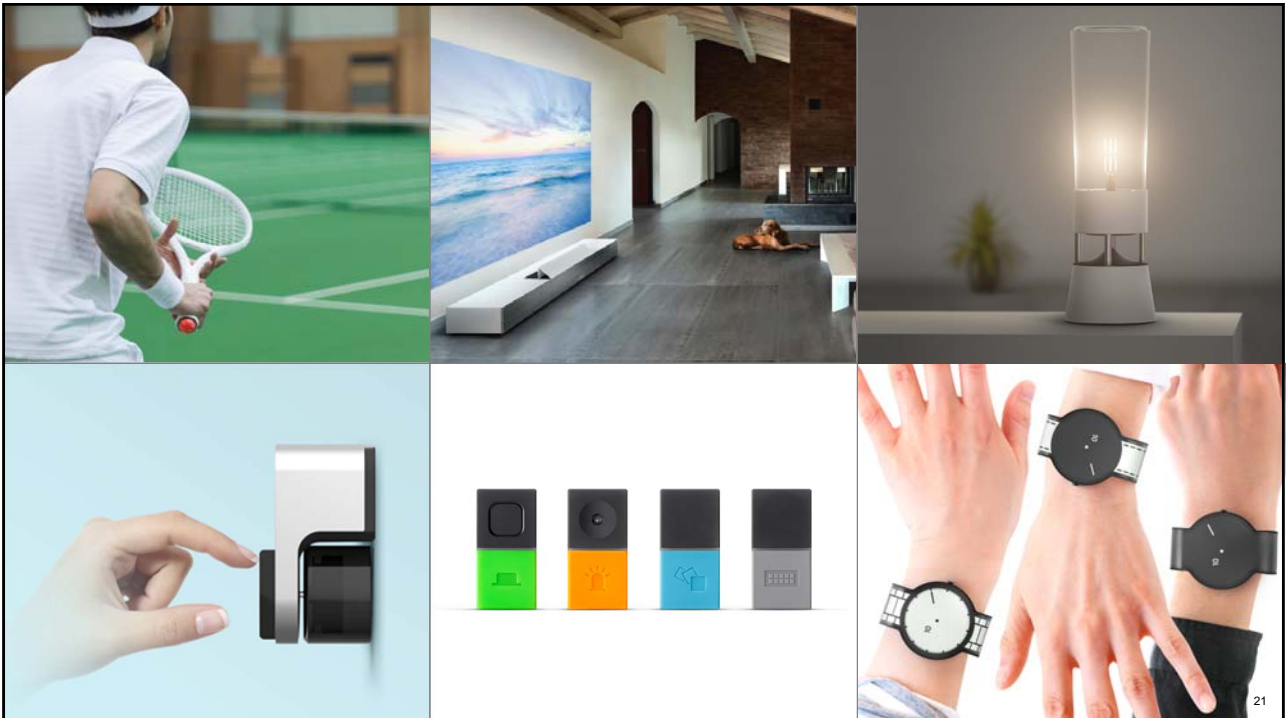
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New management structure



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Vision for Sony





Mission

**A company that inspires and
fulfills your curiosity**

SONY

Financial Targets of the Electronics Businesses

(Bln Yen)

		FY14 February FCT	Financial Targets for FY17 (MC: As of Feb. 4 Other than MC: As of Nov. 25, 2014)
Mobile Communications (MC)	Sales	1,320	900 - 1,100
	Operating income	-215	-
	Operating income margin	-16.3%	3% - 5%
Game & Network Services (G&NS)	Sales	1,380	1,400 - 1,600
	Operating income	40	-
	Operating income margin	2.9%	5% - 6%
Imaging Products & Solutions (IP&S)	Sales	710	650 - 700
	Operating income	53	-
	Operating income margin	7.5%	7% - 9%
Home Entertainment & Sound (HE&S)	Sales	1,210	1,000 - 1,100
	Operating income	13	-
	Operating income margin	1.1%	2% - 4%
Devices	Sales	950	1,300 - 1,500
	Operating income	100	-
	Operating income margin	10.5%	10% - 12%

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Financial Targets of the Entertainment Businesses

		FY14 Forecast (As of Nov. 18, 2014)	Financial Targets for FY17 (As of Nov. 18, 2014)
Pictures	Sales		10 - 11 bln U.S. dollars²
	Operating income (OI) margin	8.1 bln U.S. dollars ²	7 - 8%
	OI margin before "Depreciation and amortization" ¹ and "Restructuring charges"	6.6% 8.9%	9 - 10%
Music	Sales	4.8 bln U.S. dollars ³	4.8 - 5.2 bln U.S. dollars⁴
	Operating income (OI) margin	9.8%	10.5 - 11.5%
	OI margin before "Depreciation and amortization" and "Restructuring charges"	12.8%	13.5 - 14.5%

The FY14 sales and operating income forecasts for the Pictures and Music segments have been revised on February 4, 2015 as follows:

Pictures Sales: 890 billion yen Operating Income: 54 billion yen
 Music Sales: 520 billion yen Operating Income: 53 billion yen

¹ Excludes amortization of film costs

² The U.S. dollar targets and forecasts in the Pictures segment are consistent with the U.S. dollar figures that Sony Pictures Entertainment consolidates from its global operations prior to reporting them to Sony Corporation in Tokyo, where they are converted into yen

³ FY14 Sales Forecast in the Music Segment were derived by converting Sony Music Entertainment Japan's yen target for each line item into U.S. dollars at a rate of ¥106 = U.S. \$1 (the average exchange rate calculated from the actual rate for the first half of FY14 and the assumed rate for the second half of FY14 as of October 31, 2014) and adding the product to Sony Music Entertainment and Sony / ATV Music Publishing's U.S. dollar target for each line item.

⁴ FY17 Sales target in the Music Segment were derived by converting Sony Music Entertainment Japan's yen target for the segment into U.S. dollars at a rate of ¥110 = U.S. \$1, which is the assumed foreign currency exchange rate for the second half of FY14 as of October 31, 2014, and adding the product to Sony Music Entertainment and Sony / ATV Music Publishing's U.S. dollar target for each line item.

Operating income margin before "Depreciation and amortization" and "Restructuring charges" is not a measure in accordance with U.S. GAAP. Sony does not believe that this measure is a substitute for operating income in accordance with U.S. GAAP. However, Sony believes that this supplemental disclosure for the Pictures and Music segments may provide additional useful analytical information to investors.

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- (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 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;
- (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 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 effort to anticipate and manage cybersecurity risk, including the risk of 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.