



# Corporate Report **2019**



## **Sony's Purpose & Values**

### **Purpose**

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

### **Values**

#### **Dreams & Curiosity**

Pioneer the future with dreams and curiosity.

#### **Diversity**

Pursue the creation of the very best by harnessing diversity and varying viewpoints.

#### **Integrity & Sincerity**

Earn the trust for the Sony brand through ethical and responsible conduct.

#### **Sustainability**

Fulfill our stakeholder responsibilities through disciplined business practices.





# A Creative Entertainment Company with a Solid Foundation of Technology

Born out of our founders' dream of enriching people's lives through the power of technology, today Sony is a corporate group that operates entertainment businesses, including games, music, motion pictures, animation and other content intellectual property (IP); electronics businesses; and direct to consumer (DTC) services businesses including PlayStation™Network (PSN) and financial services. People are at the core of all of these businesses. Based on our Purpose to "fill the world with emotion, through the power of creativity and technology," we at Sony will continue our efforts to grow and deliver even greater value by "getting closer to people."

**Kenichiro Yoshida**

President and CEO, Representative Corporate Executive Officer

## Sony's Value Creation

Sony's founders had a strong desire to enhance people's lives through the power of technology. Driven by the ambitions and technologies of engineers who shared that dream, Sony has helped to enrich society by creating numerous innovations and hit products that have touched people's hearts. Sony's deep commitment to delivering social value originated from these dreams and desires from the time of its founding, and this will never change.

For Sony to remain a meaningful presence in the world, the approximately 110,000 employees of the global Sony Group must work together to create new value from a long-term perspective. This led to the creation of Sony's Purpose & Values, which we defined this year.

Sony's Purpose sets forth the meaning of our existence. Furthermore, our identity is "a creative entertainment company with a solid foundation of technology" and our overall corporate direction is "getting closer to people." These touchstones, together with Sony's business portfolio and the relationships between technology and people, constitute Sony's value creation model. I believe that Sony's uniqueness stems from the fact that for us, "getting closer to people" refers not only to users, but also creators, and that all of our diverse businesses

are underpinned by technology and by our highly diverse and talented employees.

Based on our unique purpose, identity and direction, we will harness our diversity and realize the kinds of value creation that only Sony can deliver.

## Three Strategic Focus Areas

Since taking office as CEO in April 2018, the most important responsibility for myself and the rest of the management team has been to guide Sony to its next growth stage so that we can pass an even better Sony on to the next generation.

In the fiscal year ended March 31, 2019, we achieved record profits for the second consecutive year as the initiatives we have been implementing over the last few years bore fruit. These include PlayStation™Network (PSN), the network service for the PlayStation® business which we launched in 2006, and CMOS image sensors, which replaced CCDs as the mainstay product of our semiconductors business in 2004. Going forward, Sony will continue to take advantage of its diverse businesses to create new value Group-wide.

Based on this approach, we formulated a mid-range plan that incorporates our corporate direction of "getting closer to people."

Let me explain the three focus areas of our mid-range plan, the progress we have made in the first year of the plan (the fiscal year ended March 31, 2019), and our future direction.

The first focus area is to reinforce our user-oriented DTC services and creator-oriented content IP. We aim to strengthen ties with users and enhance DTC services that generate recurring revenue as we acquire and revitalize content IP and maximize its value.

Our progress in the fiscal year ended March 31, 2019 can be measured by the growth of PSN, which has become one of the world's leading network services. Game & Network Services (G&NS) posted the largest sales and profit ever recorded by a single segment of Sony, and that achievement was driven by PSN, which accounts for more than 60% of the segment's sales.

In addition, PlayStation® holds the top position in the console game market, and PlayStation®4 (PS4™) is expected to reach the major milestone of cumulative sales of 100 million units by the end of the fiscal year ending March 31, 2020.

The most important way game consoles create value is by providing users with an immersive play experience. Providing that experience is one of the key aspects we have worked to ensure over successive generations of the PlayStation® console. We plan to further enhance such an immersive experience on the next-generation console we are currently developing



# SONY

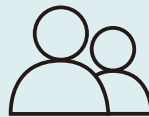
**A Creative Entertainment Company with a Solid Foundation of Technology**

**Purpose**

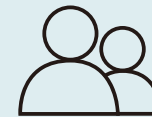
**Fill the world with emotion,  
through the power of creativity and technology**

**Corporate  
Direction**

**Getting closer to people**

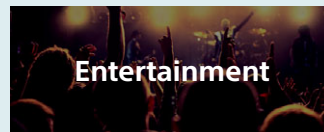


**Creators**

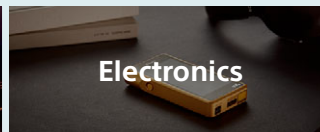


**Users**

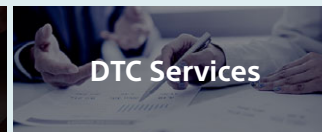
**Diverse  
Business  
Portfolio**



**Entertainment**



**Electronics**

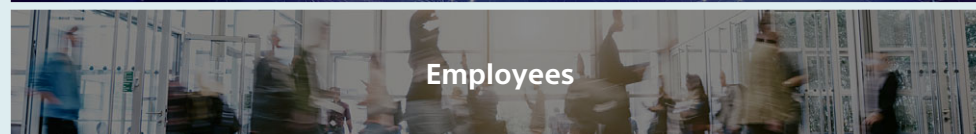


**DTC Services**

**Foundation  
for Creating  
Value**



**Technology**



**Employees**

by dramatically increasing the graphics rendering speed. Improvements in communication and network environments and mobile devices make delivering seamless experiences anywhere and anytime more of a reality than ever before. PlayStation® already delivers services that allow users stress-free access to game titles so that they can continue their play anytime and anywhere, and we will continue to evolve players' experiences on PlayStation® through advances in computing, streaming, the cloud, 5G and other technologies.

As for content IP, we have created numerous hits in games, music and pictures leveraging our IP portfolio. By making EMI Music Publishing a wholly-owned subsidiary, Sony has become the largest music publishing company in the world. To further reinforce our music content portfolio, we are working to attract and nurture artists in popular streaming genres, and we will cultivate local artists and songwriters in regions where we foresee opportunities for market growth, including China. As one of the major Hollywood studios with a history spanning nearly a century, Sony Pictures Entertainment (SPE) holds assets including an extensive content library with potential for revitalization, as well as the rights to produce movie and television content featuring more than 900 Marvel characters. In the game business, we will invest proactively to further enhance first-party game titles

and maintain and improve our relationships of trust with external game development communities, aiming to create hit titles to build upon our achievements in the fiscal year ended March 31, 2019.

The second focus area is to generate a sustainably high level of cash flow from our branded hardware business. The success of our business restructuring and shift toward higher added-value products has made the branded hardware business highly profitable. We will continue to develop products that connect creators and users in this business.

In April 2019, to further accelerate new value creation and business optimization, we integrated all of our consumer electronics businesses and professional solutions businesses into one segment named Electronics Products & Solutions (EP&S). The segment generated cash flows from operating activities and cash flows from investing activities<sup>1</sup> totaling approximately ¥90 billion, second only to the G&NS segment. The mission of EP&S is to continue to deliver products through which creators, including movie directors, photographers and music artists, can fully express their creativity, as well as consumer products that leverage professional grade technologies. Sony's evolution as the most trusted and loved brand for creators and users will continue as we provide all modes of entertainment: capture, record, watch, listen and play.

The third focus area is to maintain our global number one position in imaging applications and become the global leader in sensing applications in the area of CMOS image sensors. CMOS image sensors are not only indispensable in image capturing and content creation, but they are also key devices for the future in areas such as the Internet of Things (IoT), artificial intelligence (AI) and autonomous driving. In the fiscal year ended March 31, 2019, we maintained our number one market position in imaging applications for CMOS image sensors by delivering a stable supply to the smartphone market, which is evolving not only toward higher resolution, but also toward multiple camera lenses and larger sized sensors. In sensing applications, our products were adopted by a major automotive product manufacturer in the fiscal year ended March 31, 2019, and our technologically superior indirect Time of Flight (iToF) sensor was adopted by leading smartphone manufacturers. In addition to using the technologies we have accumulated over many years as a source of competitiveness, a key evolutionary direction and growth opportunity is to embed AI into our CMOS image sensors and realize Edge AI, or "intelligence at the edge."

1. This measure is not in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors. For more details, please refer to the "Cash Flows (CF) by segment" in the supplemental information provided with the financial results presentation for the fiscal year ended March 31, 2019.



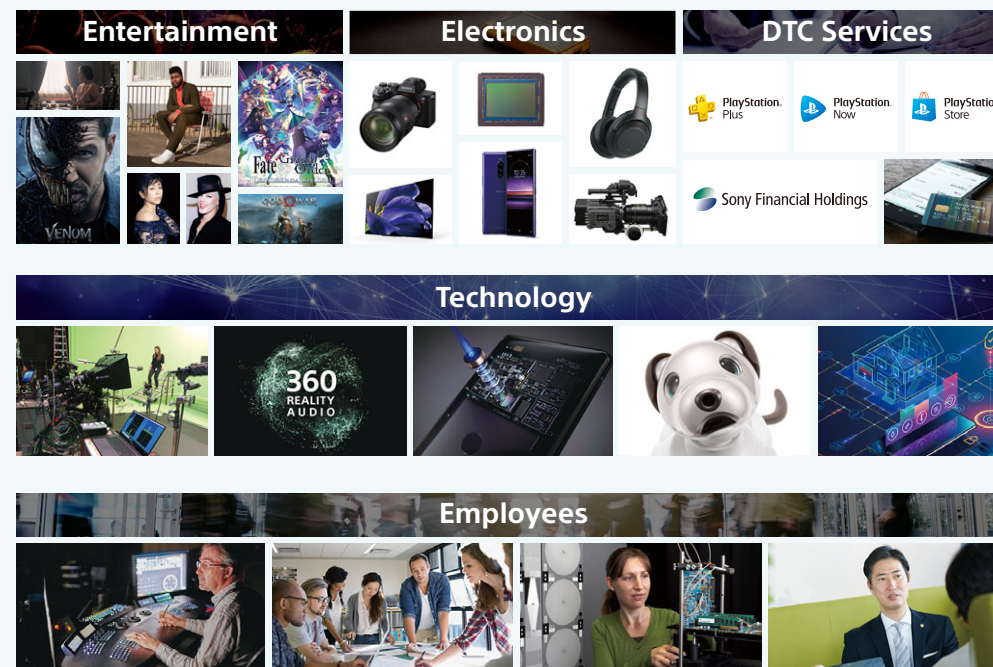
## Creating Value through Diversity

In the 73 years since its founding, Sony has evolved into a company with a wide-ranging business portfolio that includes games, music, motion pictures, electronics, semiconductors and financial services. Our source of value creation lies in the diversity of Sony's businesses, technologies and people. While our businesses continue to refine their unique advantages, Sony as a group will accelerate new value creation through greater synergy between these businesses.

Broadly speaking, our businesses can be divided into three domains: Entertainment, Electronics and DTC Services. Entertainment started with the establishment of CBS/Sony Records in 1968, and, since then, has expanded into areas including games, motion pictures and animation. In all of these businesses, Sony has supported the activities of creators in producing content that delivers emotional experiences. Electronics, which has been one of our core businesses since our founding, enables creators to produce content and delivers it to users. DTC services, which originated in 1979 with the establishment of Sony Prudential Life Insurance (currently Sony Life Insurance), now includes services such as PSN and Financial Services which connect us directly to users.

### Diverse Business Portfolio

### Foundation for Creating Value



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Technology is indispensable to all of Sony's businesses and the key component to accelerate and generate synergy among them. The crucial point here is to leverage our own technology to empower our diverse businesses. Through our technical strengths in audiovisual, image sensor, robotics and AI, we are forming links between our electronics, games, motion pictures, music and financial services businesses. In addition, I believe it is important to build a network or communities around our expertise.

We are also working to generate synergy between our businesses by "getting even closer" to both creators and users. Spider-Man is a good example of a strong content IP that we are rolling out across a wide range of media, including motion pictures and games. In addition, Sony Interactive Entertainment (SIE) has set up a new production team at SPE's studio to turn PlayStation® game IP into film and television content, and collaborations between pictures and music have begun to take shape. Competition to attract creators is intensifying, but I believe that the diverse opportunities we offer in music, video and games along with Sony's strength in technologies will expand the potential for collaboration with top creators.

## **Sony and the Planet Earth**

Following my appointment as President of Sony, I started a blog on our internal website. The title of my first post was "Sony and the Planet Earth." I wrote this based on my belief that it is essential for Sony to contribute to society, our environment and the earth.

As a citizen of both the earth and society, Sony will continue to enhance its economic value and, at the same time, contribute to the environment and to society by creating social value through its business activities.

While there are many ways to contribute to society, based on Sony's Purpose to fill the world with emotion, one of the greatest social values Sony can provide is to enrich people's hearts through its creativity and technology. Recognizing that Sony's existence depends on a healthy environment and society, we will continue to promote environmental and human rights initiatives throughout our supply chain. Moreover, I believe Sony's technologies, including imaging and sensing, can contribute to advances in medical care, education, mobility and security. We will continue to develop business in these areas with the intention of making them pillars of Sony's contributions to society in the 2020s.

Sony's Founding Prospectus states that the company was established "to create a stable work environment where engineers could realize their societal mission and work to their heart's content." Since its founding, Sony has consistently maintained a commitment to bringing new value to society through all its businesses. Sony will continue to take on the challenge of creating value by enriching people's hearts through the delivery of emotional experiences, helping creators realize their dreams, and contributing to society through the delivery of safety and reliability. At the same time, I believe it is important to build deeper relationships with our customers, employees, shareholders and other stakeholders through these efforts.

We will manage Sony from a long-term perspective so that we can continually deliver emotional experiences, and sustainably create social and economic value. Please keep looking forward to great things from Sony.




Sony has defined its Purpose & Values, its identity as a "creative entertainment company with a solid foundation of technology," and its corporate direction as "getting closer to people." Based on our purpose, identity and direction, we will harness our diversity and realize the kind of value creation that only Sony can deliver.





# A Creative Entertainment Company with a Solid Foundation of Technology



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By creating greater value under the corporate direction of “getting closer to people” as a creative entertainment company with a solid foundation of technology, Sony is enhancing its corporate value and contributing to a sustainable society.

## Sony in Numbers

**¥8.7 trillion**   **¥753.4 billion\***   **27.3%**   **114,400**

Sales and operating  
revenue

Operating cash flow  
(excluding financial services)

Return on equity  
(ROE)

Number of  
employees

Note: One-year period ended March 31, 2019. Number of employees as of March 31, 2019.

\* Operating cash flow (excluding financial services) is a non-GAAP financial measure, but Sony believes that it may be useful to investors. Please see pages 20–21 for more information.

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# A History of Creating Value through Diversity

## From the Dream of Sony's Founders

In 1946, one year after the end of World War II, Masaru Ibuka, Akio Morita and more than twenty others established Tokyo Telecommunications Engineering Corporation, the predecessor of Sony, out of a desire to use their technologies to contribute to society. The company started with radio repair, going on to develop and sell products for the mass market. The company was set up to "establish an ideal factory that stresses a spirit of freedom and open mindedness that will, through technology, contribute to Japanese culture."

In 1958, the company changed its name to the current Sony. Masaru Ibuka and Akio Morita chose a name worthy of more than just an electronics manufacturer, reflecting an ambition to take on challenges in new fields beyond electronic products and become a corporate group with a global presence.



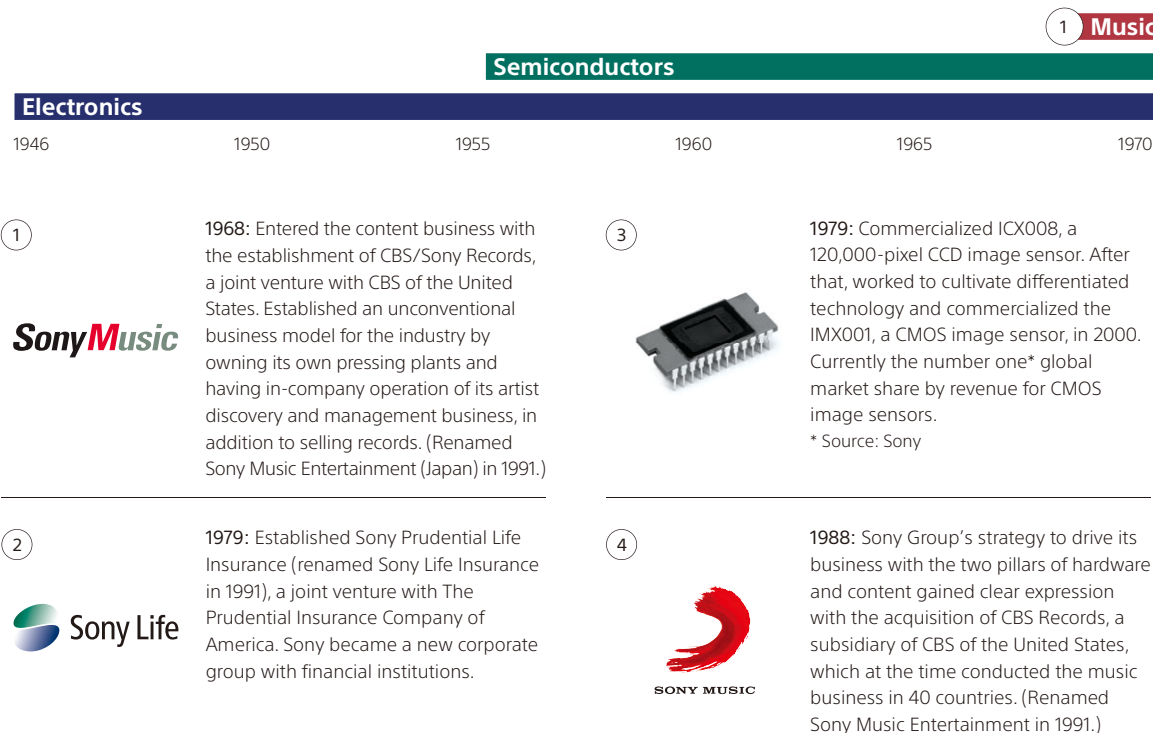
Akio Morita (left) and Masaru Ibuka (right)

### Origin of the Name "Sony"

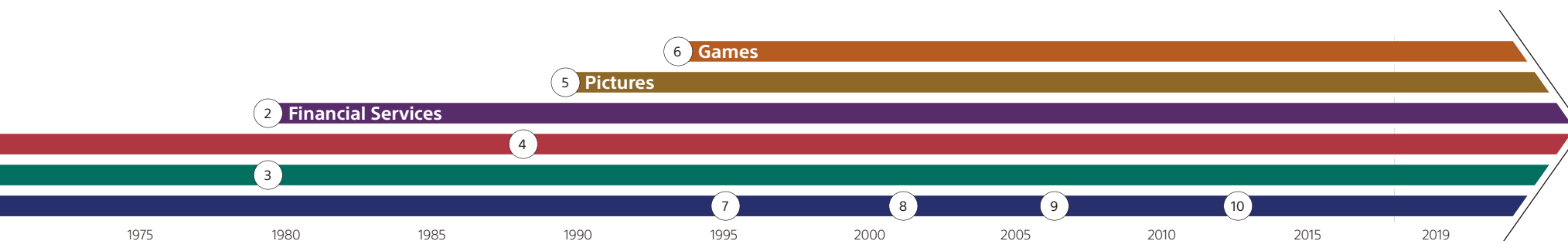
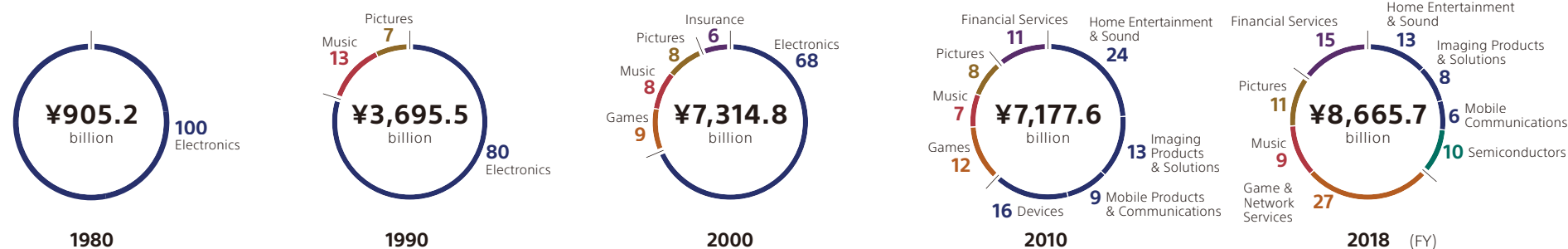
The name was coined by combining the Latin word "sonus," which is the root of the word "sonic," and "sonny," which connotes a young man or boy.

## Founding Prospectus

To establish an ideal factory that stresses a spirit of freedom and open-mindedness, and where engineers with sincere motivation can exercise their technological skills to the highest level



# Consolidated Sales and Operating Revenue / Sales Composition by Segment (%)



5



1989: Acquired U.S.-based Columbia Pictures, aiming to establish a wide-range content business that includes film and television, in addition to the music business. (Renamed Sony Pictures Entertainment in 1991.)

7



1995: Established Sony Communication Network (renamed Sony Network Communications in 2016), with equity participation by Sony Corporation, Sony Music Entertainment (Japan) and Sony Finance International. In 1996, began operating the Internet provider service So-net.

9



2006: Acquired the digital single lens reflex (DSLR) camera-related business from Konica Minolta Holdings, Inc. Thereafter, developed the α™ (Alpha™) brand, which leveraged Sony's devices and technologies to become a driver of the full-frame interchangeable-lens camera market.

6



1993: Established Sony Computer Entertainment (renamed Sony Interactive Entertainment in 2016) as a joint venture between Sony Corporation and Sony Music Entertainment (Japan). The following year, the PlayStation® home video game console was launched in Japan, marking Sony's full-scale entry into the game console business.

8



2001: Established Sony Ericsson Mobile Communications (renamed Sony Mobile Communications in 2012) as a joint venture in the mobile phone business between Sony and Ericsson of Sweden. Have since developed the Xperia series of smartphones as a core product.

10



2013: Established Sony Olympus Medical Solutions as a joint venture of Sony Corporation and Olympus Corporation to contribute to the advancement of medicine worldwide by combining Sony's cutting-edge electronics technologies with Olympus' manufacturing and R&D expertise in the area of medical products.

# Business Portfolio and Value Creation



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

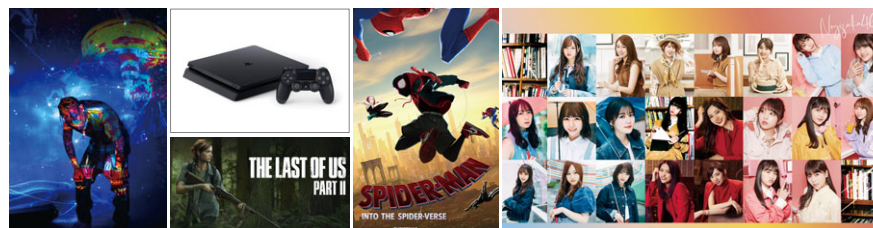
2. Source: Sony 3. Please refer to note 1 on page 6.



Sony conducts diverse businesses with the aim of sustainably creating value. These businesses may differ in their domains and models, but all of them harness the power of creativity and technology. The value they create can be roughly divided into the following three categories.

## 1 Enriching people's hearts through the delivery of emotional experiences

Sony's entertainment businesses, which include games, music and pictures, generate engaging content, create communities that bring users together, and allow users to share creative experiences. Sony's electronics businesses use proprietary technologies that offer "Reality" and "Real-Time" to create environments for enjoying high-quality content and communication. Sony's financial services business contributes to a society where people lead fuller lives by helping to build and manage asset portfolios, and promoting health.



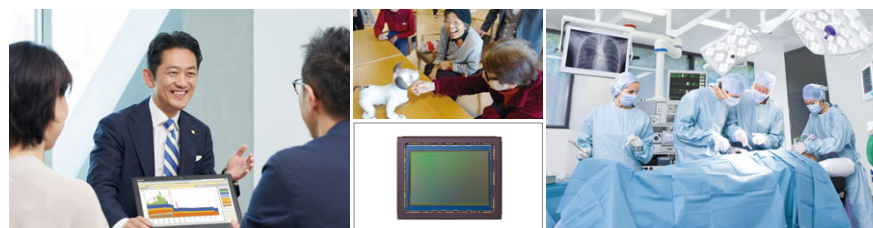
## 2 Helping creators realize their dreams

By providing platforms, technologies and know-how, and discovering, nurturing, and producing creators, Sony crafts environments where creators can fully express their creativity, and fulfill their potential. Sony delivers the resulting content to the world across a variety of domains including games, music and pictures. Through its electronics businesses, Sony provides the products, services, and spaces that enable creators to express their vision and maximize the value of their time.



## 3 Contributing to society through the delivery of safety and reliability

Sony helps to create a society where people can enjoy daily lives filled with emotion by meeting the fundamental life needs of security, safety and health. In particular, Sony aims to contribute to advances in social infrastructure and industry in fields including next-generation mobility, education, medical care, nursing and security with cutting-edge technologies related to video and sensing. In financial services, Sony supports individual lifestyles with pertinent advice, products and services that leverage a variety of information.



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## Value Creation Case Study—Business Diversity Driving the PlayStation® Business



### PlayStation® Overview (As of March 31, 2019)

PlayStation®4 (PS4™) hardware  
Cumulative units sold globally

**96.8** million units

PSN monthly active users

**More than 94** million users

PS4 software  
Units sold globally in FY2018

**257.6** million units

PlayStation®Plus (PS Plus)  
paid subscribers

**36.4** million subscribers

### Origin of the PlayStation® Business

The PlayStation® business has created significant value as one of the world's leading entertainment platforms. In addition to establishing a preeminent global position in terms of cumulative units sold, monthly active users, number of titles developed and sales revenue, PlayStation® illustrates Sony's approach of "getting closer to people." Getting closer to creators—by providing an environment that makes it easy for developers to do their job.

Getting closer to users—by harnessing a variety of data to research user motivations and providing network services that enhance user engagement. The consoles themselves, which link creators and users, incorporate leading-edge technologies that empower creative visions and enable immersive experiences.

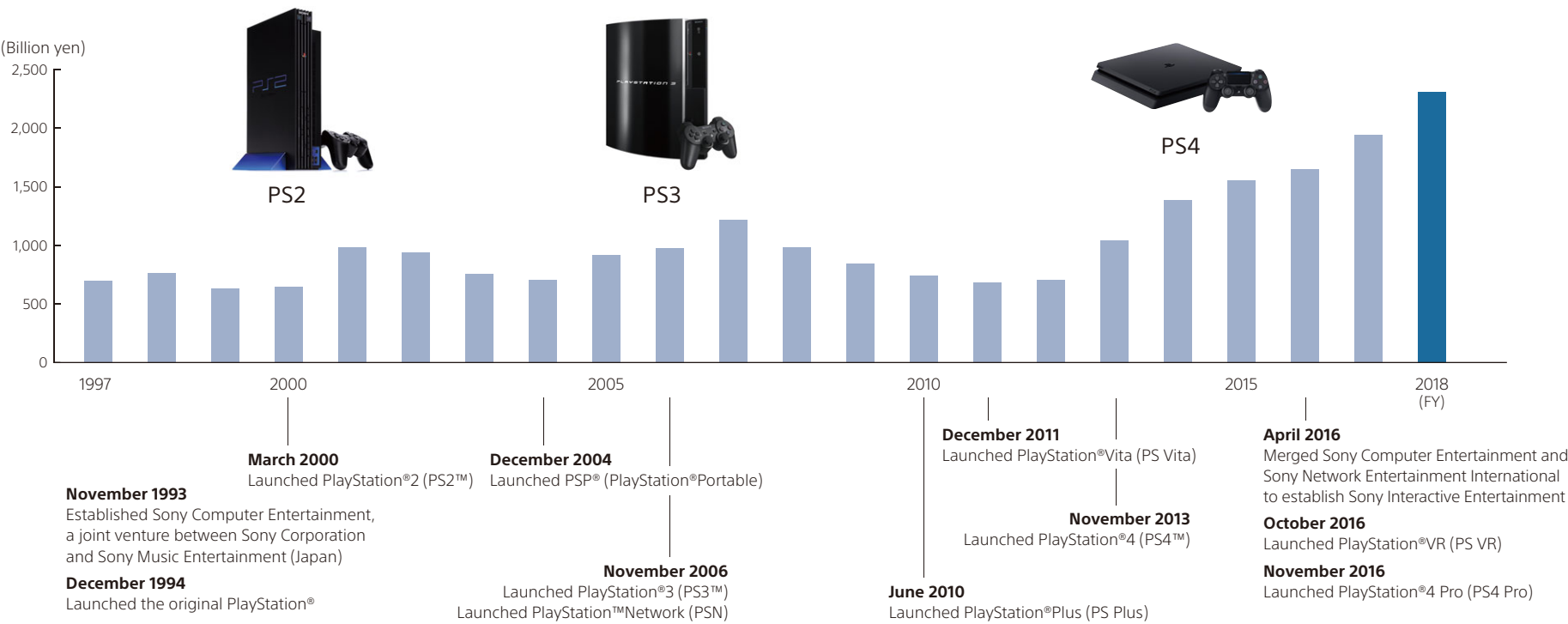
The PlayStation® business has thus become an archetypal Sony business, yet its success is a story that grew from business diversity and has involved overcoming numerous challenges and learning from them.

Taking a long-term perspective toward the game

business and related platforms, Sony Computer Entertainment (SCE; currently Sony Interactive Entertainment) was established in November 1993 as a joint venture between Sony Corporation and Sony Music Entertainment (Japan), thereby creating a new mainstay of operations.

Bringing together Sony technologies with the know-how held by SMEJ, the original PlayStation® sold more than a million units in less than six months. The second-generation PlayStation®2 (PS2™) was a major hit worldwide, with total consoles sold surpassing

Game & Network Services Sales and Operating Revenue



155 million units in March 2012. It is undoubtedly a prime example of how business diversity became a value driver.

Challenges for PlayStation®3

SCE had grown steadily with the original PlayStation® and PS2. For the next-generation model, through further innovation of the semiconductors that had given PS2 its competitive advantage, SCE aimed to build an immersive game platform capable of connecting to a global network of game consoles.

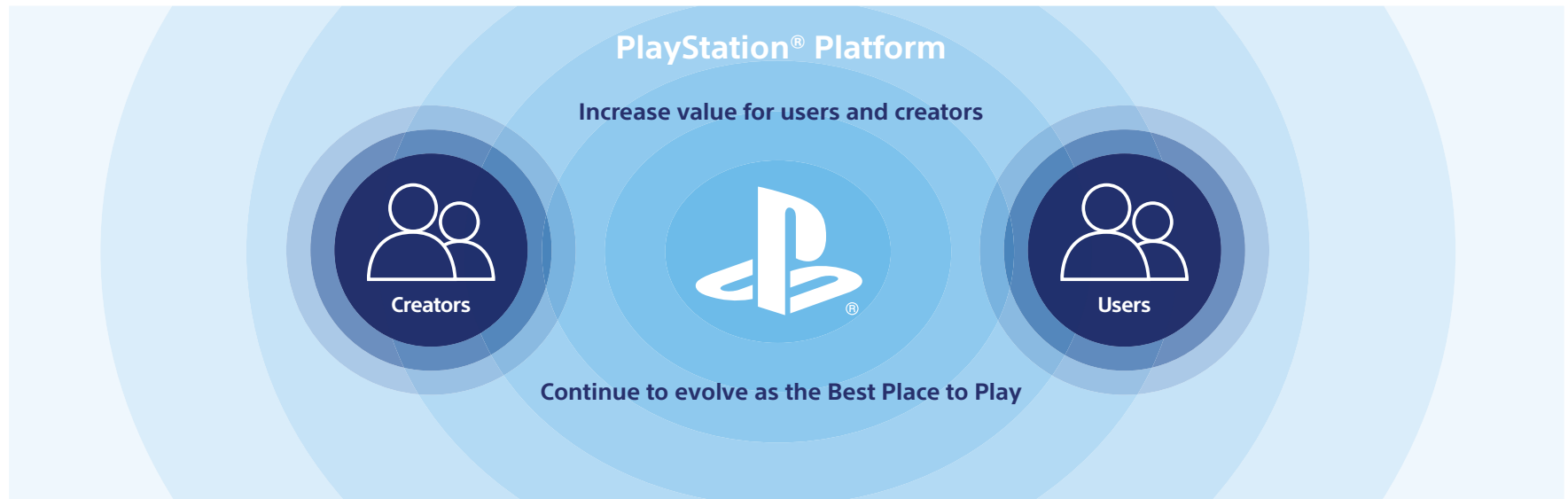
Consequently, SCE made the decision to invest heavily in building a new CPU. It was a grand undertaking, but was backed by a plan for recouping the investment over several years and a strategy for using the next-generation semiconductors developed for the game business in other electronic devices.

PlayStation®3 (PS3™), equipped with the Cell Broadband Engine™ (Cell/B.E.) processor, was launched in November 2006. Measuring computer performance in FLOPS,\* the Cell/B.E.'s capacity was 160 times that of PS2 and 40 times that of the latest

contemporary personal computers.

SCE launched another ambitious business endeavor with PlayStation™Network (PSN). Aiming to build long-term relationships with users, SCE began the sale of software and various subscription services, which became a recurring source of revenue.

PS3 came with high-performance hardware and a novel business model, but struggled in terms of business results. The initial investment ballooned beyond expectations. Moreover, although sales were steady from the start and the network services



business garnered a strong response from core fans, market penetration was slow and applications of the Cell/B.E. in other electronic devices were shelved. Sony's semiconductor strategy also reached a turning point, and cutbacks to semiconductor investment were announced in 2007.

\* FLOPS: Floating-point operations per second, a measure of computer processing power

### Lessons Learned and a Triumphant Return with PlayStation®4

Taking to heart the lessons and challenges taken on with PS3, the development theme for PlayStation®4 (PS4™) was to create a console that would earn the overwhelming support of everyone worldwide. This entailed seeking out what creators and users really

want, and reinventing PlayStation® as a platform and business with broader appeal—or, in the keywords of the current management policy, getting closer to creators and users.

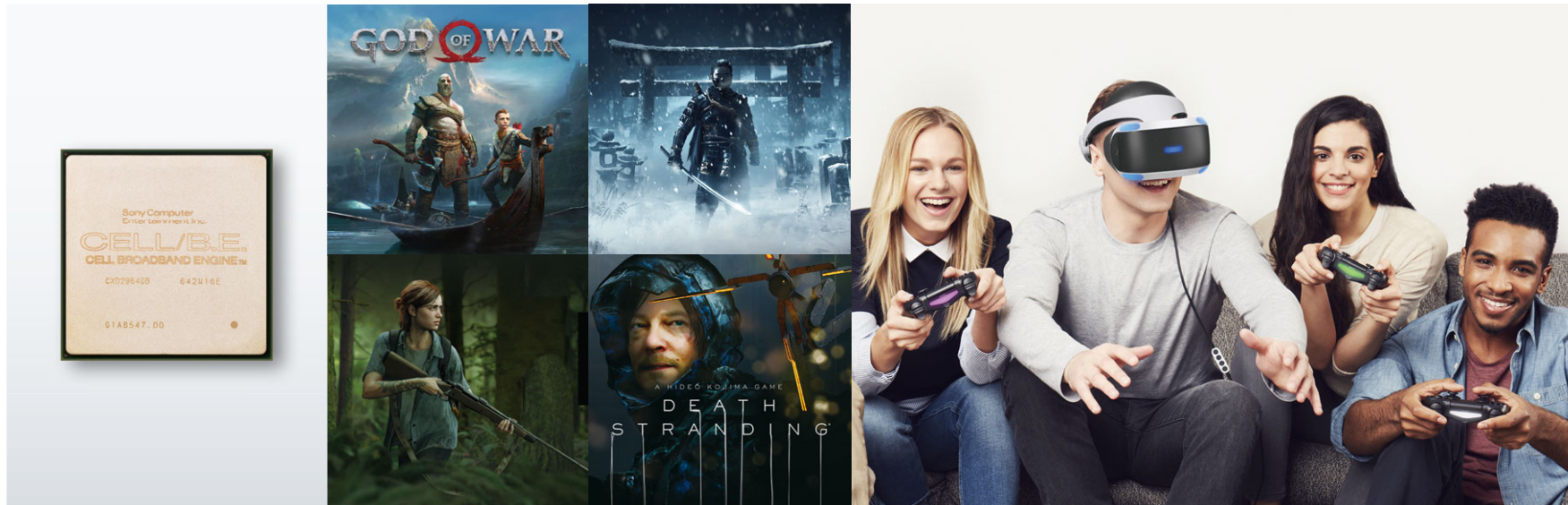
Specifically, for creators, the business focused on establishing an environment that makes it easy for game title developers to make great games. PS3 incorporated many original advanced technologies, making it a challenging platform to develop for in terms of both technology and profitability. The PS4 system architecture more closely resembles that of a personal computer, which reduces the burden on game title developers. Furthermore, an unprecedented effort was made to listen to the viewpoints of creators in its design. For users, in order to identify and analyze true needs amid rapidly changing and diversifying social movements around the world, a global

development system was set up while management resources were invested in data analysis to determine user trends and test various scenarios.

For earnings, a plan was formulated to reduce the volatility of periodic profit and loss by focusing on the recurring revenue and profit streams, soundness of cash flow structure and reducing initial investment in hardware.

Developed on this basis, PS4's release as "The Best Place to Play" has seen growth in sell-through of units reach its fastest ever pace. Ever mindful of usability and user needs, a full range of functions and services were steadily rolled out and as a result the PSN-based network services business also grew into the business it is today, with sales at the trillion-yen level. Thus, the lessons learned from PS3 are being applied to PS4 business development.





## Broader Impact of PS3

The direct impact on the success of PS4 described above is not the only case where the challenges and lessons learned from PS3 have been put to use. In-house development teams create content leveraging advanced PS3 technologies, and utilize existing content IP, as well as invest in the content IP library. This has led to a number of successful cross-media rollouts of content IP, such as the blockbuster game title *Marvel's Spider-Man*.

Moreover, the hard-earned experience from developing the Cell/B.E. at a massive investment cost led to Sony's semiconductor business capturing the world's number one position in imaging applications. Applying the advanced MOS LSI technology acquired in developing the Cell/B.E. to the development of

CMOS image sensors helped them achieve their superior position. In terms of human resources, system LSI, network and other engineers rapidly cultivated technological skills while Sony brought together hundreds of highly specialized human resources from outside the company.

In 2015, for production bases of the semiconductor business, which had undergone restructuring in 2011, Sony announced a program to strengthen development and production of image sensors. Under the third mid-range plan, announced in 2018, Sony intends to maintain its number one position in imaging and become the global leader in sensing, both in the CMOS image sensor area.

In these ways, the development of the PlayStation® business has led to growth that leveraged Sony's business diversity and generated substantial value for

other businesses. Sony will continue to take on the challenge of creating products, services and platforms that achieve even greater appeal.

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Cell Broadband Engine is a trademark of Sony Interactive Entertainment Inc.

## Financial Highlights

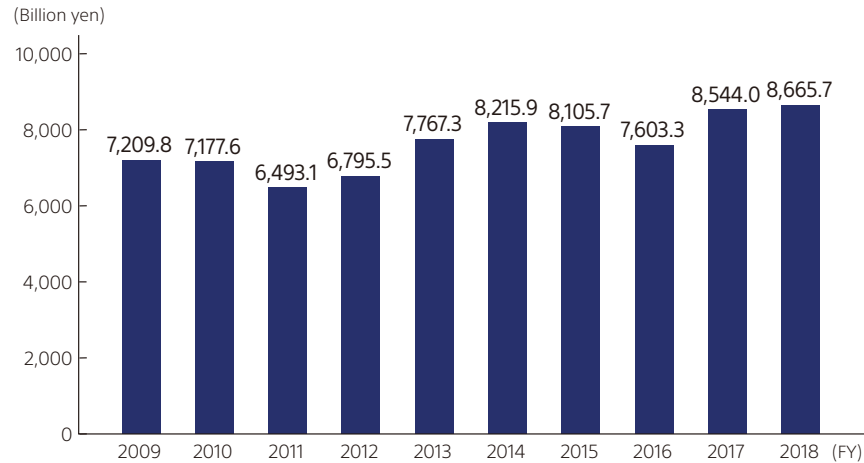
Financial information for the fiscal year ended March 31, 2015 through the fiscal year ended March 31, 2019 references the Quarterly Securities Report for the fiscal year ended March 31, 2019.

Financial information for the fiscal year ended March 31, 2010 through the fiscal year ended March 31, 2014 references the Quarterly Securities Report for the fiscal year ended March 31, 2014.

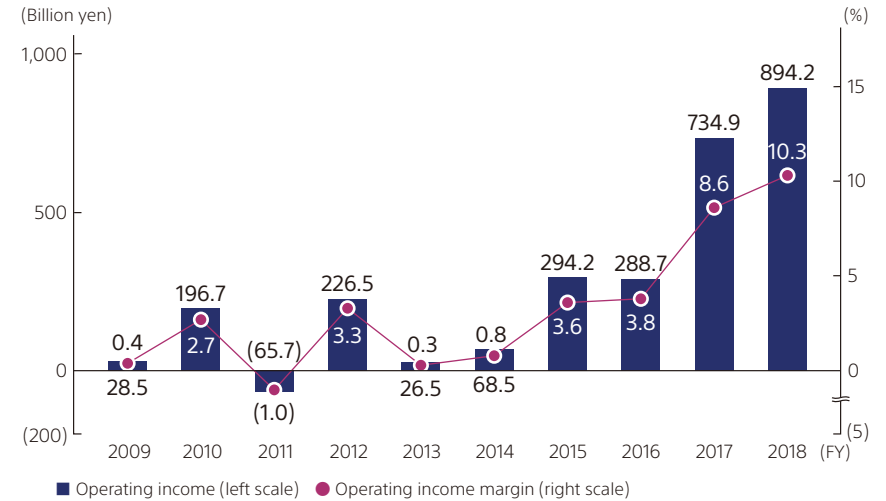
Note: Cash flow information excluding Financial Services is unaudited and does not conform with U.S. GAAP, which is used by Sony to prepare its consolidated financial statements.

However, Sony believes that it may be useful to investors.

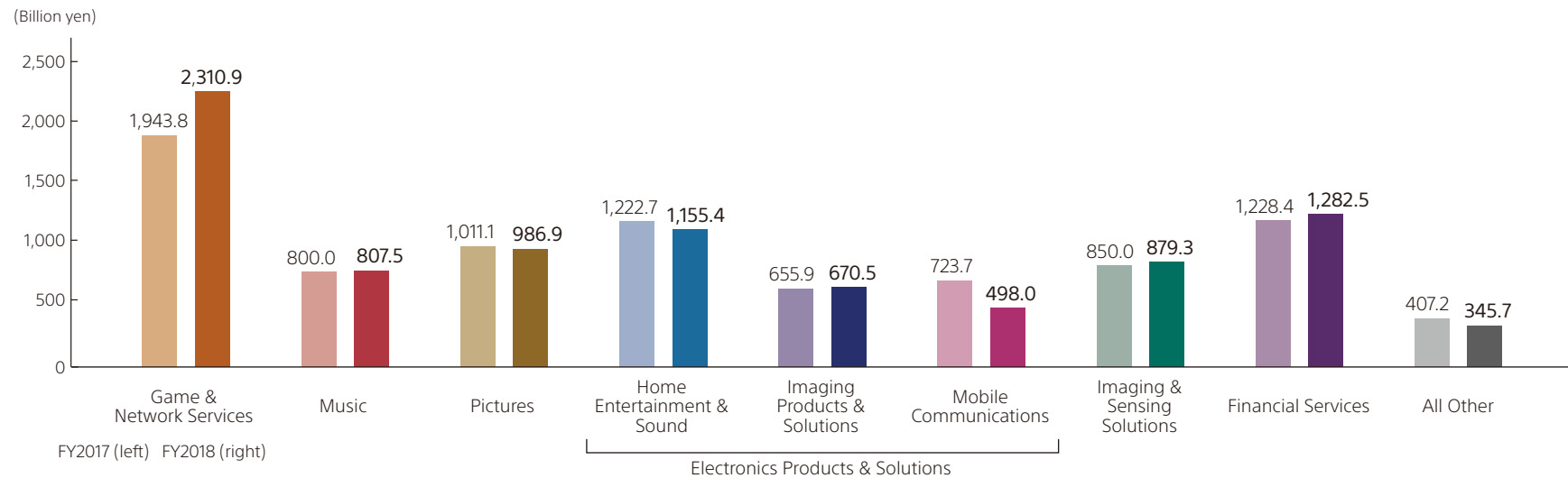
### Sales and Operating Revenue



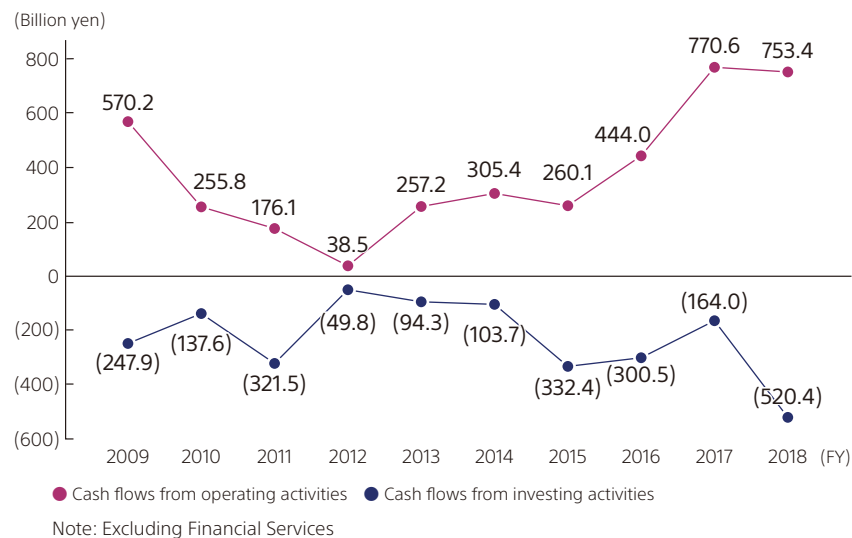
### Operating Income, Operating Income Margin



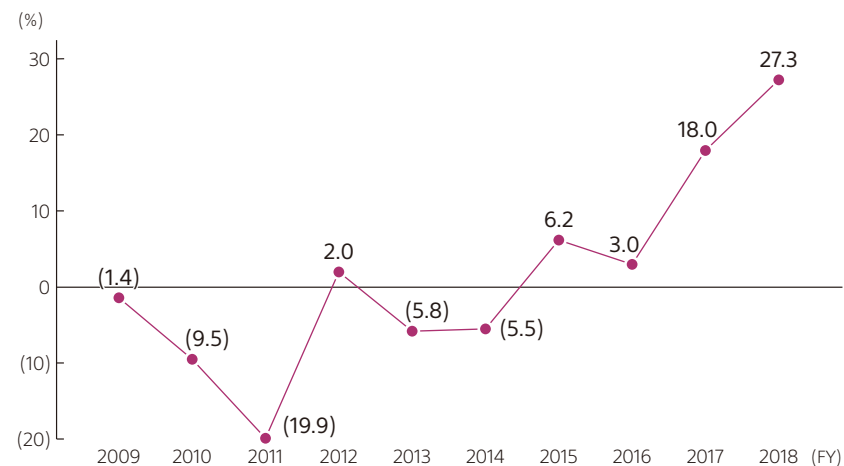
### Sales and Operating Revenue by Segment



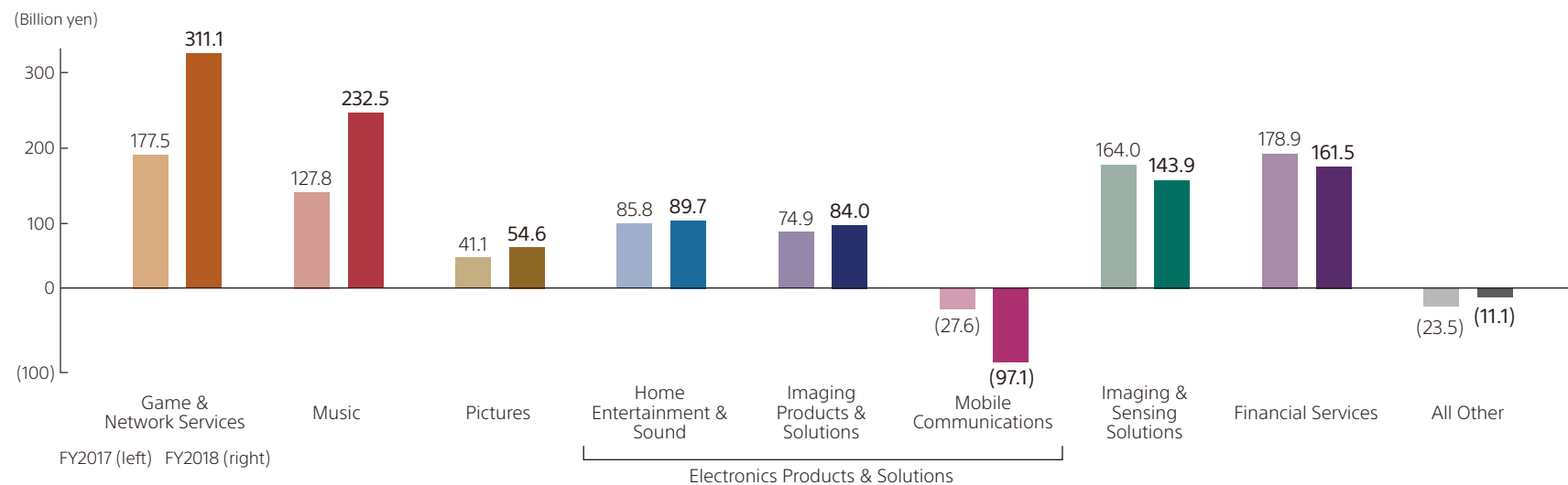
### Cash Flows from Operating Activities, Cash Flows from Investing Activities



### ROE



### Operating Income by Segment



## Previous Mid-Range Plans

In the fiscal year ended March 31, 2012, Sony recorded a consolidated net loss of ¥455.0 billion, mainly attributable to the impact of the Great East Japan Earthquake and flooding in Thailand, as well as a decline in profitability in the television business. In April 2012, taking to heart the gravity of the situation, management announced the first mid-range plan, with the theme of “Transformation of Sony.”

This plan was the origin of “One Sony,” a management approach of accelerated decision-making for the Sony Group as a whole. In essence, the plan set out to revitalize Sony by clarifying key investment areas, rebuilding electronics businesses including television, and developing and commercializing innovative products and services. However, in the fiscal year ended March 31, 2015, the final year of the plan, results were significantly below initial targets, and Sony decided not to issue a dividend. Meanwhile, Sony implemented a set of measures targeting improved future profitability, including withdrawing from the PC business, splitting out and reorganizing the television business as a separate subsidiary, and reducing corporate costs by 30% and sales company costs by 20%.

In February 2015, Sony announced its second mid-range plan, with the theme of “Profit Generation and Investment for Growth.” This plan emphasized the profitability of each business and defined ROE as the most important key performance indicator. It classified each business within Sony’s business portfolio as a “growth driver,” “stable profit generator” or an “area focusing on volatility management,” determining the management direction for each area and clarifying the path toward improved profitability and capital turnover. As a result, in the fiscal year ended March 31, 2018, the final year of the plan, Sony was able to achieve its financial targets of ¥500 billion or more in operating income and ROE of 10% or more. However, various issues remained, such as the need to improve the profit structure of the smartphone business.

### First Mid-Range Plan (FY2012–FY2014)

#### Theme

Transformation of Sony

#### Key Initiatives

- Strengthen core businesses (Digital Imaging, Game, Mobile)
- Turn around the television business
- Expand business in emerging markets
- Create new businesses and accelerate innovation
- Realign the business portfolio and optimize resources

#### Financial Targets and Final Year Results

	Financial targets	FY2014 results
Sales	¥8,500 billion	¥8,215.9 billion
Operating income margin	5% or more	0.8%
ROE	10%	–5.5%

#### Achievements and Outstanding Issues

- Built a foundation for future profitability improvement through efforts including withdrawal from the PC business and the splitting out and reorganization of the television business as a separate subsidiary, as well as a 30% reduction in corporate costs
- Built a foundation for growth through continued investment in image sensors, the acquisition of Gaikai Inc., which supplies technology necessary for streaming of cloud-based game services, and investment in, along with the establishment of a joint venture with, Olympus Corporation
- Operating income margin and ROE were significantly below targets due to an inadequate response to changes in the business environment

### Second Mid-Range Plan (FY2015–FY2017)

#### Theme

Profit Generation and Investment for Growth

#### Key Initiatives

- Classify each business in Sony Group as a “growth driver,” “stable profit generator” or “area focusing on volatility management,” and define important key performance indicators and management direction for each business area
- Strengthen recurring revenue businesses
- Reinforce the medical business as a new business area with high growth potential
- Split out business units and reorganize them as separate subsidiaries

#### Financial Targets and Final Year Results

	Financial targets	FY2017 results
Operating income	¥500 billion or more	¥734.9 billion
ROE	10% or more	18%

#### Achievements and Outstanding Issues

- Achieved operating income and ROE targets and reached new record highs by realigning the profit structure through restructuring of businesses, and by expanding recurring revenue businesses
- Split out and reorganized business units as separate subsidiaries to strengthen the accountability, sustainability and competitiveness of each business
- Made small but steady progress in the medical, automotive applications, and AI and robotics areas
- By business area, Pictures and Mobile Communications fell short of plan, and the need to improve profit structure was an outstanding issue



## Third Mid-Range Plan (FY2018–FY2020)

### Theme

# Generate Sustainable Social Value and Maintain a High Level of Profit

### Basic Principles for Executing the Plan

- Emphasize management from a long-term perspective
- Maintain continuity from the past two mid-range plans

### Overall Strategies

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**

### Financial Targets

Third Mid-Range Plan  
Financial Targets  
(FY2018–FY2020)

Cumulative three-year  
operating cash flow  
(excluding Financial Services)

**¥2.2 trillion or more**

ROE

**Maintain 10% or more**

The corporate direction of the third mid-range plan, which began in the fiscal year ended March 31, 2019, is “getting closer to people.” Sony is implementing three overall strategies to sustainably generate societal value and high profitability in each business area.

The first strategy is to reinforce user-oriented DTC services and creator-oriented content IP, and create “Communities of Interest” that bring together people who share emotional values and experiences. The second strategy is to make electronics (branded hardware) a business that can generate a sustainably high level of cash flow. The third strategy is to maintain Sony’s global number one position in imaging and become the global leader in sensing, both in the CMOS image sensor area.

Over the three years from the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2021, Sony will focus on a qualitative improvement of profits. Initiatives include increasing the proportion of recurring revenue as well as continuing to invest in content IP, DTC services and semiconductor IP, and investing from a long-term perspective in the AI and robotics area and medical area.

For its two key performance indicators, ROE and cumulative three-year operating cash flow, Sony’s targets are to maintain ROE at 10% or more and generate cumulative three-year operating cash flow of ¥2.2 trillion or more (excluding Financial Services). (The operating cash flow target was originally set at ¥2 trillion or more (excluding Financial Services) at the time of the announcement of the third mid-range plan in May 2018.)

## Management Direction by Segment

**Game & Network Services (G&NS):** Under the basic policy of reinforcing DTC services and content IP, Sony Interactive Entertainment plans to continue development of the next-generation console and evolve PlayStation® streaming services, so as to deliver immersive and seamless game experiences that can be enjoyed anytime and anywhere.

**Music:** Sony Music aims to bolster its presence in popular streaming genres and its exposure to independent labels to maximize opportunities in the subscription streaming market. It also plans to actively develop artists in emerging markets where the reach of streaming, although currently limited, is expected to grow.

**Pictures:** As the operator of an independent studio, Sony Pictures aims to achieve business growth and enhance profitability by leveraging content IP libraries in a wide range of genres for distribution via linear

channels and video on demand services. Sony Pictures intends to generate synergy through increased collaboration with the game and music businesses of Sony Group.

**Electronics Products & Solutions (EP&S):** Sony aims to generate stable cash flow by providing customers with Real-Time benefits, differentiating technologies and strengthening the solutions business. Based on a mid-to-long-term perspective, Sony plans to expand the medical business, centered on surgical imaging and life sciences, and actively cultivate new businesses that can leverage Sony's technologies.

**Imaging & Sensing Solutions (I&SS):** Sony intends to carry out proactive R&D and capital expenditure to realize the global number one position in both CMOS image sensor imaging applications and sensing applications, and extend the business beyond mobile and into the fields of automotive applications and edge AI over the long term.

**Financial Services:** Sony Financial Group plans to

deepen relationships with customers by providing high-value-added products and services that meet every customer's needs and accelerating Fintech initiatives as it aims for steady growth.

(For details please refer to Creating Value in Each Business on pages 44-55.)

## Progress in FY2018

In the fiscal year ended March 31, 2019, consolidated sales and operating revenue increased to ¥8,665.7 billion (a 1% increase year-on-year), and operating income increased to ¥894.2 billion (a 22% increase year-on-year). Both operating income and net income hit record levels for the second consecutive year, while income before income taxes was ¥1,011.6 billion, surpassing the ¥1 trillion mark for the first time.

Operating cash flow (excluding Financial Services) totaled ¥753.4 billion. By segment, the sum of operating cash flow and investing cash flow was positive in all businesses except Music, which was impacted by the acquisition of EMI Music Publishing (EMI). In particular, G&NS and EP&S made significant contributions.

Reviewing the major achievements of the fiscal year by segment, G&NS saw cumulative sales of PlayStation®4 (PS4™) hardware reach 96.8 million<sup>1</sup> units, while paid subscribers to PlayStation®Plus (PS Plus) rose to 36.4 million.<sup>1</sup> The Network Services business, a key growth driver, accounted for 62% of sales.

In Music, streaming revenues increased 16% and solid progress was made in discovery and development of artists. In November 2018, EMI became a wholly-owned subsidiary.

In Pictures, Sony's U.S. box office revenue share was 11%<sup>2</sup> in 2018.

In EP&S, as a result of promoting a shift to high-value-added products as well as restructuring, cash flows from operating activities and cash flows from

### FY2018 Results

	FY2017 <sup>1</sup>	FY2018 <sup>1</sup>	Year-on-year change
Sales and operating revenue	8,544.0	<b>8,665.7</b>	+121.7 (+1%)
Operating income	734.9	<b>894.2</b>	+159.4 (+22%)
Income before income taxes	699.0	<b>1,011.6</b>	+312.6 (+45%)
Net income attributable to Sony Corporation's stockholders	490.8	<b>916.3</b>	+425.5 (+87%)
Operating cash flow (excluding Financial Services) <sup>2</sup>	770.6	<b>753.4</b>	-17.2
Investing cash flow (excluding Financial Services) <sup>2</sup>	-164.0	<b>-520.4</b>	-356.4
Operating CF (excluding Financial Services) + Investing CF (excluding Financial Services) <sup>2</sup>	606.7	<b>233.1</b>	-373.6

1. The average exchange rate for the fiscal year ended March 31, 2018 was 1 USD = 110.9 JPY and 1 EUR = 129.7 JPY.

In the fiscal year ended March 31, 2019, 1 USD = 110.9 JPY and 1 EUR = 128.5 JPY.

2. Operating cash flow (excluding financial services) and investing cash flow (excluding financial services) are non-GAAP financial measures, but Sony believes that they may be useful to investors.

investing activities<sup>3</sup> totaled ¥89.5 billion. In April 2019, Sony integrated Home Entertainment & Sound, Imaging Products & Solutions and Mobile Communications as the EP&S segment to accelerate new value creation and business optimization.

In I&SS, Sony's share of the image sensors global market by revenue was 51%,<sup>2</sup> maintaining a firm number one position, supported by a steady supply of high-value-added products in imaging applications. In addition to making steady progress in starting new businesses based on sensing applications, Sony invested ¥128.9 billion in capital expenditure for image sensors.

In Financial Services, Sony Life's new policies achieved a record high of ¥6.15 trillion in revenue (a 16% year-on-year increase).

1. As of March 31, 2019

2. Source: Sony

3. Please refer to note 1 on page 6.

### Acquisition of EMI and the Music Publishing Business

On November 14, 2018, Sony acquired an approximately 60% equity interest in EMI Music Publishing which, combined with the approximately 40% equity interest Sony already held, made it a wholly owned subsidiary. As a result of this acquisition, Sony owns EMI Music Publishing's catalog of more than 2 million songs, in addition to songs owned by Sony/ATV Music Publishing and Sony Music Entertainment (Japan), thus becoming the world's largest music publisher. Led by Jon Platt, who was appointed Chairman and CEO of Sony/ATV Music Publishing on April 1, 2019, Sony's music publishing business aims to be the best publisher for songwriters.



Jon Platt

### FY2018 Sales by Segment and Financial Services Business Revenue

(Billion yen)

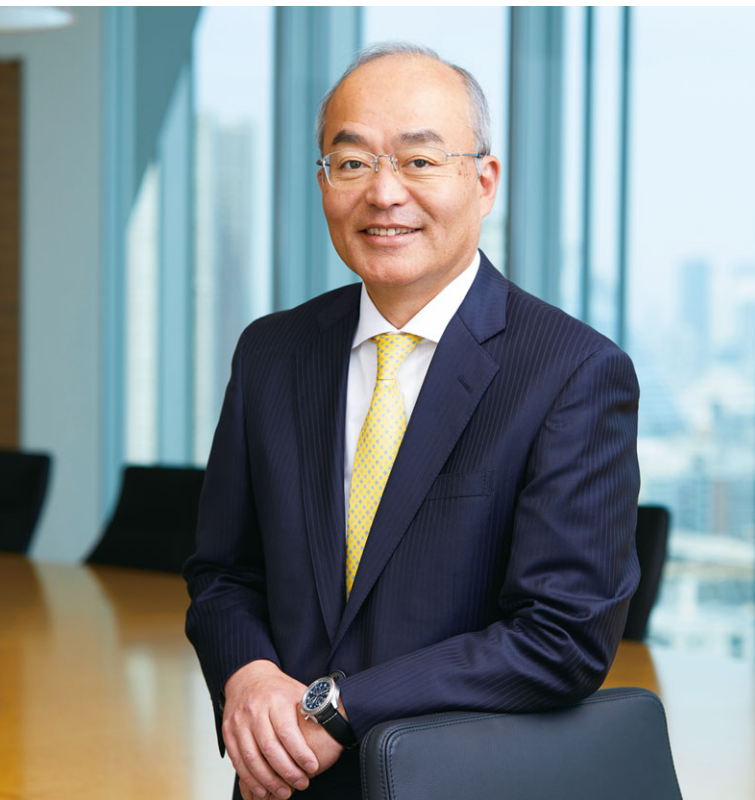
	FY2017	FY2018	Main factors
<b>Game &amp; Network Services</b>	1,943.8	<b>2,310.9</b>	(+) Increase in game software sales; increase in the number of paid subscribers (-) Decrease in PS4 hardware sales
<b>Music</b>	800.0	<b>807.5</b>	(+) Higher streaming revenues; higher sales from consolidation of EMI (-) Lower physical sales in Recorded Music
<b>Pictures</b>	1,011.1	<b>986.9</b>	(-) Lower revenue from Motion Pictures, Media Networks and Television Productions
<b>Electronics Products &amp; Solutions</b>	2,600.4	<b>2,320.6</b>	(-) Substantial decrease in smartphone unit sales (-) Decrease in television unit sales resulting from a strategic decision to focus on profitability
<b>Imaging &amp; Sensing Solutions</b>	850.0	<b>879.3</b>	(+) Substantial increase in sales of image sensors for mobile products (-) Substantial decrease in sales of camera modules
<b>Financial Services</b>	1,228.4	<b>1,282.5</b>	(+) Higher insurance premium revenue reflecting an increase in the new policy amount in force at Sony Life

### FY2018 Operating Income by Segment

(Billion yen)

	FY2017	FY2018	Main factors
<b>Game &amp; Network Services</b>	177.5	<b>311.1</b>	(+) Increase in game software sales; increase in revenue from paid membership services (-) Decrease in PS4 hardware sales
<b>Music</b>	127.8	<b>232.5</b>	(+) Remeasurement gain resulting from the consolidation of EMI (-) Deterioration of equity in net income (loss) in connection with Sony's acquisition of the remaining approximately 60% interest in EMI
<b>Pictures</b>	41.1	<b>54.6</b>	(+) Improvement in the profitability of Motion Pictures (-) Programming write-offs and severance expenses related to a review of the channel portfolio within Media Networks
<b>Electronics Products &amp; Solutions</b>	133.1	<b>76.5</b>	(-) Decrease in smartphone unit sales (-) Recorded expenses including write-down of smartphone parts inventory
<b>Imaging &amp; Sensing Solutions</b>	164.0	<b>143.9</b>	(-) Increases in research and development expenses and depreciation and amortization expenses (-) Absence of a gain resulting from the sale of equity interest in a camera module manufacturing subsidiary in FY2017
<b>Financial Services</b>	178.9	<b>161.5</b>	(-) Absence of a gain on the sale of real estate held for investment purposes recorded in FY2017 at Sony Life

## Message from the CFO



**Hiroki Totoki**

CFO, Representative Corporate Executive Officer

### Sony's Approach to Growth

Sony's corporate direction of "getting closer to people" is a roadmap for creating value. In terms of Sony's business and financial condition, it means generating long-term, stable cash flow by creating deep and enduring engagement with customers, and by acquiring and enhancing content IP. Getting closer to people is also essential for sustainably generating high profits.

In the past, the high volatility of Sony's business results was an issue for management. Consequently, since the first mid-range plan, we have focused on restructuring each business to achieve a change in the quality of profits. The aim has been to transform to a business model based on stable and sustainable profits, or recurring revenue. To raise the efficiency of invested capital for each business, we have adopted return on invested capital (ROIC)-based management and now emphasize mid-term cash flow rather than short-term income on our P&L statement.

This transformation has been particularly notable in Game & Network Services. The conventional business of selling game titles in package formats has evolved into a network services business, creating a community among network users, which leads to lasting engagement. Music, Pictures and other entertainment businesses were previously perceived as being highly volatile businesses dependent on hits,

but with the strengthening of content IP, these businesses are now able to generate stable profits from popular music rights or sequels to popular works. This business model transformation is also being applied to electronics. In the camera business, for example, customers who buy a high-performance mirrorless interchangeable lens camera will also purchase lenses that enable them to take full advantage of that camera's capabilities and shoot a broader range of photographs. In the future, they may buy a new camera body that lets them continue to use their lens collection. This virtuous cycle generates stronger and more lasting user engagement.

### Third Mid-Range Plan

The third mid-range plan announced in May 2018 set two financial targets: maintaining ROE of 10% or more, and generating cumulative three-year operating cash flow of ¥2 trillion or more (excluding Financial Services). The latter target was increased to ¥2.2 trillion or more (excluding Financial Services) at the Corporate Strategy Meeting in May 2019. These targets reflect our commitment to continually delivering returns that exceed the cost of capital and our emphasis on the ability to generate cash year after year without the influence of temporary factors or accounting methods.

## Progress during the First Year of the Third Mid-Range Plan

In the fiscal year ended March 31, 2019, Sony started working toward these targets and achieved good results. Consolidated operating cash flow remained stable, and the sum of operating cash flow and investing cash flow\* was positive in all businesses except Music, a segment that was impacted by a large-scale acquisition. Income was at a record high for the second year in a row. This sustained performance was highly meaningful for Sony, which in the past had often recorded a large decrease in income the year following a record high. As a result of our reforms to date, I believe that Sony has achieved structural improvement in its ability to generate profit.

Looking at individual businesses, Game & Network Services achieved a substantial improvement. The aforementioned recurring revenue model has been firmly established, with strong software and network sales. We will continue to focus on new initiatives, including our May 2019 memorandum of understanding with Microsoft Corporation to partner on entertainment platforms and AI solutions, with the aim of continued and strong growth.

A major topic in the fiscal year ended March 31, 2019 was the acquisition of EMI Music Publishing, one of the world's leading music publishers. The amount of

the investment makes it the second-largest acquisition in Sony's history. A music rights catalog is an extremely attractive, high-quality asset that is a compilation of content IP in which each composition has value, with high liquidity and little susceptibility to geopolitical risk and economic fluctuation. With the growth of streaming distribution in the music market, users have more opportunities to come into contact with music, increasing the value of such catalogs. With this acquisition, Sony has become the world's top music publishing company. For Sony, with its corporate direction of "getting closer to people," I consider it a highly strategic investment for future growth.

\* Please refer to note 1 on page 6.

## Capital Allocation

Based on Sony's strong performance in the fiscal year ended March 31, 2019, we now expect cumulative operating cash flow for the three-year period covered by the third mid-range plan to surpass the above-mentioned ¥2.2 trillion target. We plan to allocate between ¥1.1 trillion and ¥1.2 trillion, or roughly half, of the cash generated to capital expenditure and the remainder to strategic investments and shareholder returns.

Capital expenditure will be earmarked largely for increasing production capacity of CMOS image

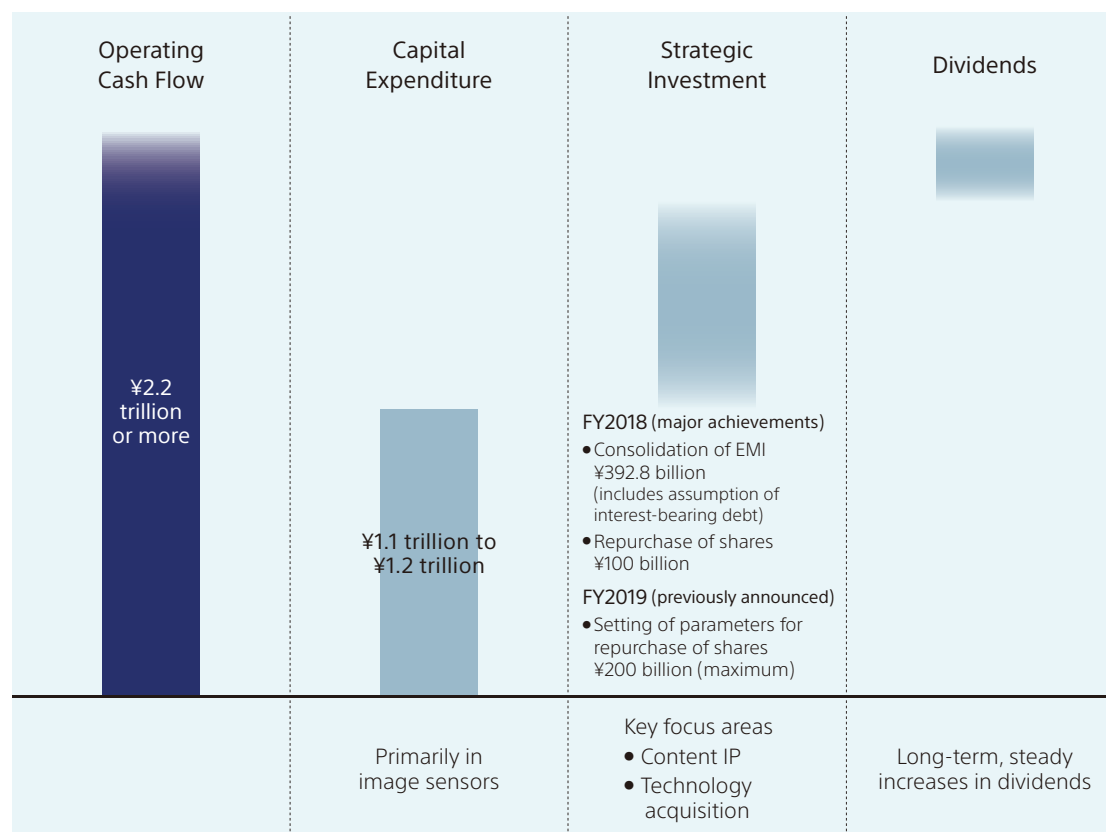
sensors. Meanwhile, a series of strategic investments centered on M&A will focus on relatively small- and medium-scale investments in external technologies and content IP that we wish to integrate. We conduct these small- and medium-scale acquisitions more frequently than large-scale M&A because we believe they are easier to control in terms of operations and cash management, and such acquisitions allow us to respond more flexibly to growth opportunities in businesses with different growth and investment cycles.

From the perspective of investment for growth, we will also focus on new business creation and incubation. Sony's initiatives include the Sony Startup Acceleration Program, which supports the creation and business operations of startups, and the Sony Innovation Fund, which supplies corporate venture capital. We have recently stepped up these activities and will continue to accelerate them further. Fostering significant growth in newly created businesses is important, but we also consider it important that such initiatives promote the growth of human resources. Creating a completely new business is a valuable experience for the employees involved. I think the experience of being deeply involved in managing a business from an early stage is very important for future management candidates.

To increase shareholder value, we are focusing on growth in earnings per share. We repurchased our own shares, for effectively the first time in our history,



Total Capital Allocation for the Three Years FY2018–FY2020 (excluding Financial Services)



in the amount of ¥100 billion in the fiscal year ended March 31, 2019, and set a maximum of ¥200 billion in repurchases for the fiscal year ending March 31, 2020. With the goal of increasing shareholder value over the long term, we intend to flexibly conduct more share repurchases in the future, after considering factors such as investment opportunities, our financial condition and our stock price. Our policy of long-term, steady increases in dividends remains unchanged.

One other stated target of our approach to capital allocation when we announced the third mid-range plan was improving the balance sheet. Now that we have achieved this objective, we have removed it from our list of targets. We will work to improve corporate value through investment for growth while maintaining this sound financial foundation.

## Business Diversity

The key point for ensuring the success of the third mid-range plan and Sony's future growth is using business diversity to enhance corporate value. Sony conducts business in a variety of areas, and until now, the main implication of this diversity was a complementary relationship between these businesses' performance—in other words, operating

multiple businesses served to mitigate risks.

However, over the course of the first and second mid-range plans, each business has become stronger and more independent as a result of the splitting out of business units into separate subsidiaries and other measures. The business structure has also become more transparent, enabling me to understand every aspect of each business, and to be hands-on in managing their progress. At last, we have reached a phase where we are harnessing our business diversity for growth, or in other words, generating synergy among our businesses. The top management teams of each business communicate actively with each other, establishing an open culture and giving rise to a series of collaborative initiatives. I have great expectations for the synergies that will be generated in the future.

## Corporate Value

Simply put, market capitalization is the product of operating cash flow and a multiple. Operating cash flow will grow as we carry out the strategy I have described, but to obtain a higher multiple we must ensure that the attractiveness and growth potential of our businesses are being properly evaluated by the

market. When the multiples fall short of levels expressing a fair valuation, it becomes the responsibility of management to make greater efforts to ensure that Sony's business is being properly understood and evaluated.

The term "conglomerate discount" has often been used in recent years to describe the tendency of the stock market to value a diversified group of businesses at less than the sum of its parts. However, if Sony's market valuation is not consistently high, I think the underlying reason is not simply because our businesses are diverse, but because the expectation of growth has not taken hold in capital markets. Tech giants, as represented by GAFA, are not single-business companies. They operate a range of businesses, similar in some ways to Sony's business portfolio, and yet their multiples are much higher than Sony's. The key point is that the capital markets have confidence in their future growth.

As CFO, I engage in dialogue with shareholders and investors together with President and CEO Kenichiro Yoshida. Because being correctly understood is of the utmost importance, we strive for communication that is timely and effective. I think that communicating appropriate information based on an understanding of the market's needs and interests is the essence of effective dialogue. Through this dialogue, I aim to



gain insights for improving management and enhancing overall quality. I feel that many comments and suggestions I have received in dialogue with shareholders and investors have led to improvement in Sony's corporate value. We will continue to place great importance on the perspectives represented by this feedback.

Sony has entered a new growth phase. To improve our corporate value, we must begin by clearly setting forth our approach and strategies for creating the value we have promised during this three-year period. Keep looking forward to great things from Sony.

# Businesses and Foundation for Creating Value

## Foundation for Creating Value

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## Approach to Creating Value and to Stakeholders

In working to fulfill its Purpose, Sony recognizes its place in society and on Earth. As the Sony Group Code of Conduct states, "It is the core corporate responsibility of Sony to society to pursue its corporate value enhancement through innovation and sound business practices and contribute to developing a sustainable society."

Sony acts with due consideration of the impact of its business activities on stakeholders, including shareholders, customers, employees, suppliers, business partners, local communities and other organizations, as well as the global environment, and focuses on building trust with stakeholders through dialogue.

## Businesses and Foundation for Creating Value

Through materiality analysis, Sony has identified "Technology" and "Employees" as the most important of all the aspects that form the foundation of its value creation.

In addition, business diversity is a value driver, and Sony's six business segments, which are underpinned by technology, employees and other aspects of its operating foundation, create the following value:

1. Enriching people's hearts through the delivery of emotional experiences
2. Helping creators realize their dreams
3. Contributing to society through the delivery of safety and reliability

Sony will continue to fulfill its Purpose by reinforcing its foundation for creating value and by harnessing its business diversity.

# Foundation for Creating Value

## Sony's Material Topics

### Materiality Assessment

Sony operates diverse businesses around the world, and recognizes that its stakeholders expect Sony to maintain a well-defined stance and take action to address the issues facing society and the global environment, in addition to delivering emotional experiences. To identify the material topics that will be the foundation of value creation for Sony Group over the long term, Sony conducted a materiality assessment that incorporated stakeholder perspectives.

### Materiality Assessment Process

#### Step 1 Identify and classify candidate topics

Based on internal and external information and documents, Sony selected candidate topics with high relevance, referencing sources such as the Global Reporting Initiative's Sustainability Reporting Standards, the ISO 26000 international standards on social responsibility and the United Nations Sustainable Development Goals (SDGs).

#### Step 2 Assess topics from the perspectives of Sony and its stakeholders

The topics identified and classified in Step 1 were assessed from the perspectives of Sony and its stakeholders with reference to the following:

- Assessment by executive officers responsible for each topic from the viewpoints of mid-to-long-term social and technological changes, and the need to further enhance measures to achieve Sony's ideal state
- Assessment of the importance of each topic from the perspective of stakeholders based on information published by NGOs, investors, ESG rating agencies, the mass media and others
- Assessment from the perspective of stakeholders through an exchange of views with investors and external CSR experts

#### Step 3 Specify material topics

Based on the results of the assessments conducted in Step 2 and having obtained the approval of management, Sony specified material topics.

As a result of this multi-faceted assessment, "Technology" and "Employees" were specified as the most important material topics. Efforts in these areas will be enhanced to create long-term value.

 Approach to Sustainability > Identifying Material Topics  
[https://www.sony.net/SonyInfo/csr\\_report/about/materiality.html](https://www.sony.net/SonyInfo/csr_report/about/materiality.html)

### Materiality Assessment Steps



## Contributing to the Sustainable Development Goals

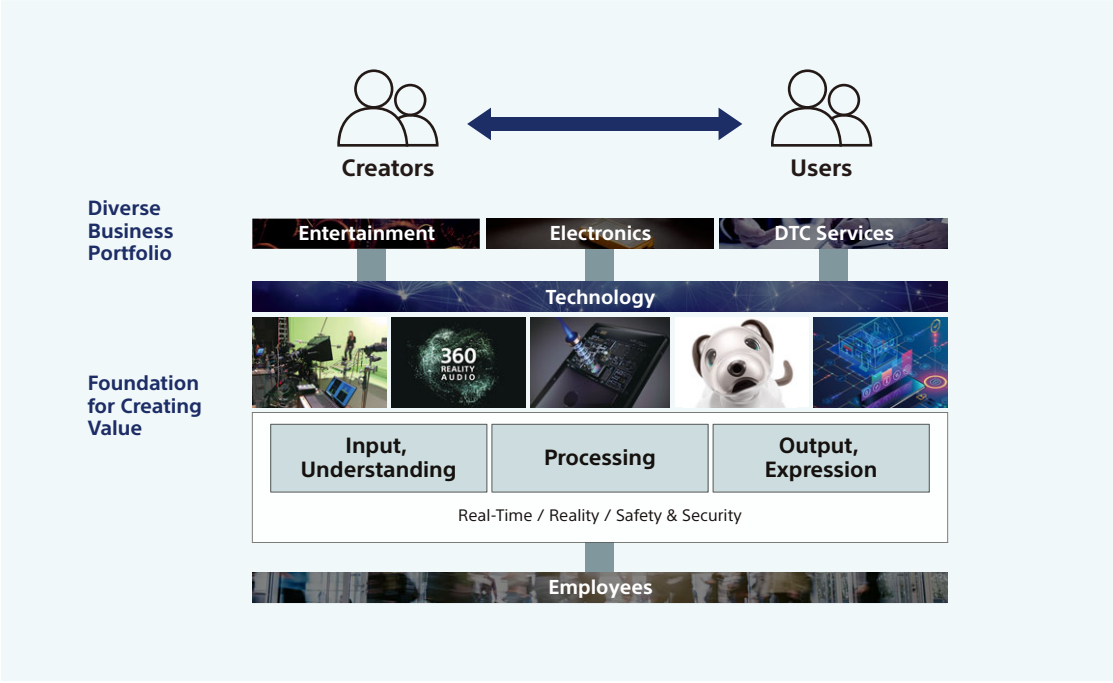
The essence of Sony's responsibility to society is to strive for innovation through products, services and content that deliver emotional experiences to customers, while conducting business in a sound manner. At the same time, based on an awareness that Sony's business is only possible in a global environment and a society where people can live in peace and security, Sony conducts ongoing environmental and human rights initiatives throughout the supply chain. This awareness and the diverse nature of Sony's businesses tie in closely to the 17 United Nations' Sustainable Development Goals, and Sony will help to achieve the SDGs in the course of its business activities. Sony also conducts ongoing assessments of the various impacts and risks that its business activities have on the global environment and society, and manages them while carrying out appropriate disclosure of information.

In addition, Sony aims to contribute to the SDGs through its technologies, products, services and content, as well as various partnerships.



# Technology

## Developing Technology That Inspires Emotion



## Focus Categories

Video technologies	Image signal processing, video codecs, image quality enhancement, 3D video, vision computing, and others
Sound technologies	Digital noise canceling, audio source separation, sound quality enhancement, and others
Communication technologies	IoT ultra-low-power wireless systems, content distribution, and others
Sensing and interaction technologies	Voice and image recognition, user interfaces, sensing, agent technologies, and others
AI and robotics technologies	Machine learning, fundamental technologies for deep learning, motion control, AI and robotics platforms, and others
Hardware and device technologies	Image sensors, augmented reality glasses, projectors (including key devices such as laser light sources and spatial light modulators), Crystal LED displays, and others
New functional materials and analysis technologies	Organic and inorganic materials, material informatics, material analysis, and others

## Technology at Sony

Sony conducts research and development based on its Purpose, which is to “fill the world with emotion, through the power of creativity and technology.” As a creative entertainment company with a solid foundation of technology, Sony’s people-oriented businesses enrich lives by getting closer to people. Based on this corporate direction, Sony researches and develops technologies by incorporating the viewpoint of getting closer to the motivations that drive people—both users and creators.

Content overall is becoming increasingly digital, and technology has become indispensable to every business. Sony creates new value by putting technology at the core of its diverse businesses: entertainment businesses, electronics businesses, and direct to consumer (DTC) services businesses such as PlayStation™Network (PSN) and financial services.

As shown on the left, Sony’s R&D can be broadly defined according to three stages: input and understanding of many forms of 3D analog information over time using sensors, and conversion into digital data; signal and information processing, transmission and recording of the collected data; and output and expression of that data in the proper time sequence and in 3D analog form.

Technology development throughout these three stages centers on the concepts of Real-Time (temporal value) and Reality (spatial value).

Sony believes that executing the stages from input and understanding to output and expression in real time has the potential to convert new information into new value and to be a point of differentiation for its technologies. Creating value through Real-Time benefits requires recognition of the issues faced by users and creators and a thorough understanding of workflows. It also requires more sophisticated technologies for obtaining low-noise data with



enough temporal and spatial resolution to achieve sufficient differentiation. Sony is focusing on both of these requirements. Meanwhile, the cloud is a repository for historical data. Using this data as the basis for machine learning, Sony can obtain insights that harness prior human endeavor to optimize systems and build efficiency. The effective application of such technologies will be crucial, and to this end, Sony will pursue open collaboration.

To deliver Reality, Sony is conducting research and development on the expression of images and music in three dimensions, thereby offering an expanded palette for creators and more immersive experiences for users. Moreover, technologies that generate heightened reality create a wide range of new value for customers. Examples include making the movements of entertainment robots more endearing, or creating materials and methodologies that facilitate new forms of expression. In combination with Real-Time technologies, technologies that deliver Reality will lead to greater safety and reliability in the mobility and medical care fields.

Based on this approach, Sony's present focus is on three strategies: "Empowering diverse businesses

through technology," "Strengthening technological advantages and creating value through new technologies" and "Accelerating external partnerships."

### Empowering Diverse Businesses through Technology

Business diversity allows a company to bring together the wide range of motivations that drive users and creators. In Sony's case, this strengthens the competitiveness of its products and businesses, thus playing an important role in future value creation. Sony's policy is to use the technologies that empower its diverse businesses to accelerate the creation of synergy among its businesses.

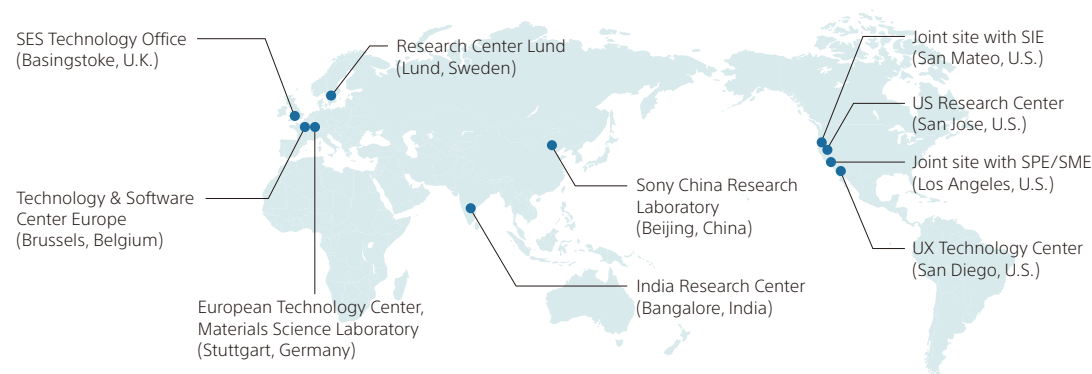
Sony has already generated substantial synergy in its electronics businesses by leveraging technology. One example is endoscopes and surgical microscopes developed in the medical care area, which apply sensing, recognition and imaging technologies cultivated in the semiconductor and camera domains. Going forward, however, Sony intends to expand its technology footprint and thereby further realize synergy between electronics and entertainment, and between electronics and financial services.

To strengthen the framework for generating synergy

through technologies, Sony reorganized its Corporate R&D organization and established a new R&D Center in Japan in April 2018. Achieving close cooperation with each operating company requires engineers at the center to gain an understanding of the needs of users and creators. To this end, Sony has a global network of R&D sites that leverages regional strengths, including motion pictures in Los Angeles, U.S., and data analysis and security technologies in Brussels, Belgium. Furthermore, Sony is enhancing its framework for exploring new customer value proposals, developing prototypes and demonstrating proof of concept.

For synergy between technology and entertainment, Sony focuses on creating environments and products through which users can enjoy movies, music and other content with greater immersion, and on enabling greater scope of self-expression for creators. One example is the use of 3D scanning technology in the Pictures business. At Sony Pictures' next-generation Sony Innovation Studios in Los Angeles, this technology is used to render 3D reproductions of studio sets. Scanning and recreating a virtual background without having to build large sets can

### Global Corporate R&D Sites



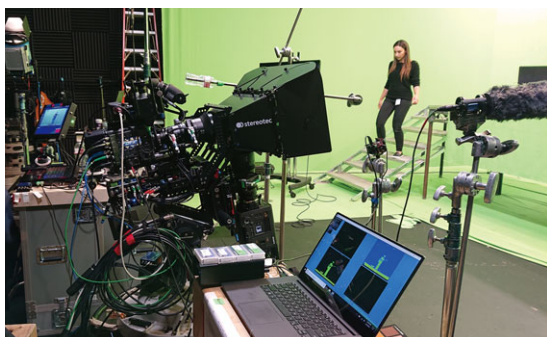
Hikaru Utada Laughter in the Dark Tour 2018 - "Hikari" & "Chikai" - VR  
©2018 U3MUSIC/Sony Music Entertainment (Japan) Inc.  
©2018 Sony Interactive Entertainment Inc.

reduce production cost and time. The use of 3D scanning to produce CG compositions and new forms of visual expression has also begun, and there are high expectations for its potential. In addition, music and game title creators, video equipment developers, and core technology researchers are collaborating on virtual reality (VR) technology development, leading to the steady production and distribution of VR video works by artists.

Synergy between technology and financial services, or Fintech, is backed by AI and data analytics. Currently, Sony is applying AI technology to support insurance proposals that meet each customer's needs and to improve customer service. In addition, Sony believes that its sophisticated encryption and security technologies can also find useful applications in its financial services businesses.

### Strengthening Technological Advantages and Creating Value through New Technologies

In its technology development, Sony focuses on preparing for the future while further leveraging existing technological assets to create greater customer value. As the hub for these preparations,



Sony Innovation Studios

the R&D Center strengthens technology development through collaboration categorized across three fields:

1) Fundamental technology research and development—the search for new technologies and the accumulation of fundamental research over the mid to long term; 2) System technology development—oversight of advance development of next-generation product and service platforms and infrastructure technologies; and 3) Integrated technology development—the integration of multiple technologies from Sony and external partners with the aim of launching businesses.

The seven focus categories in the table on page 32 describe the main areas in which Sony has a technology-based competitive advantage, and these are directly linked to value creation. Video technologies and sound technologies that deliver greater Reality, communication technologies that create Real-Time experiences, and sensing and interaction technologies that give insight into motivation, are essential for realizing the dreams of creators and delivering emotion to users. AI and robotics technologies have a crucial role to play in the digital age. Moreover, hardware and device technologies, and new functional

materials and analysis technologies will lead to the creation of products with high added value that generate emotional experiences.

Delineating technological development outcomes in the form of intellectual property rights is useful for linking results to value creation. Keeping track of technology-related intellectual property held inside and outside the Group enables Sony to anticipate technological progress, and identify areas it needs to focus on or supplement. Sony further strengthens its technological advantages by continuously reflecting the knowledge obtained through this analysis in its R&D roadmap. For areas where capabilities are underdeveloped, Sony assesses on a case-by-case basis whether to develop technology in-house or engage in open collaboration that leverages external knowledge, with the aim of efficiently and rapidly returning the fruits of technological development to society.

Moreover, Sony technology outcomes in the form of intellectual property rights have garnered high recognition from society. In recent years, inventions in digital noise canceling, CMOS image sensors and the new carbon material Triporous,\* developed for use in battery electrodes, have received awards.

### Recent Awards for Major Technologies

Technology	Award
Invention of digital noise canceling technology (Patent No. JP 4882773)	2019 Invention Prize, National Commendation for Invention, Japan Institute of Invention and Innovation
Crystal LED display system	2019 Display Industry Award for Display of the Year Award, Society for Information Display
Development of stacked CMOS image sensor with Cu-Cu direct bonding	2018 Okochi Memorial Production Prize, Okochi Memorial Foundation
Contributions to television technology and engineering	2017 Philo T. Farnsworth Corporate Achievement Award, Primetime Engineering Emmy Awards
Invention of stacked multi-functional CMOS image sensor structure (Patent No. JP 5773379)	2016 Prime Minister's Prize, National Commendation for Invention, Japan Institute of Invention and Innovation
Invention of novel plant-derived porous carbon material (Patent No. JP 4618308)	2014 21st Century Encouragement of Invention Prize, National Commendation for Invention, Japan Institute of Invention and Innovation

Furthermore, Sony personnel have given numerous presentations at academic conferences and published many papers, and its Crystal LED display system and other IP have won awards.

\* Triporous is a plant-derived carbon material capable of rapidly adsorbing a variety of substances. Sony has begun examining applications and commercialization in a wide range of areas, such as water and air purification, cosmetics and chemical agents, and is considering collaboration with other companies, with the aim of contributing to society through the delivery of safety and reliability.

### Accelerating External Partnerships

Amid advances in digitalization and networking, external partnerships are increasingly important for two purposes: bringing together the wide range of motivations that drive users and creators to develop new businesses and technologies; and expanding the scope of the creation of new products and businesses to increase customer value. Sony has created a number of new businesses through collaborative projects and joint research with other companies and organizations, and intends to further accelerate these efforts. Corporate R&D and Sony Interactive Entertainment are looking into joint development as part of Sony's

strategic partnership with Microsoft Corporation that was announced in May 2019. Moreover, Sony's global Corporate R&D sites collaborate with local universities and other institutions on various research initiatives.

In addition to initiatives by Corporate R&D, the following are further examples of partnerships with external organizations across Sony Group.

With an understanding of the direction of each business, Sony's Intellectual Property Division evaluates internal/external development progress and cooperates or liaises with external companies and organizations as necessary. For example, Sony effectively utilized externally held technologies in creating intellectual property for blockchain technology prior to full-scale internal development. As a result of cooperation between the Intellectual Property Division and each business, the use of blockchain technology began in systems for fair evaluation through management of training data, as well as for protecting the rights of creators in a world of increasingly complex digital content.

The Sony Startup Acceleration Program (SSAP), which supports the creation and business management of startups, has opened its doors to external participation.

Participants in the program include Kyocera Corporation and other public companies, startups, NPOs and the University of Tokyo. Assisted by "accelerators" (new business experts) consisting of experienced Sony employees, participants are working together with SSAP to create new businesses.

The Sony Innovation Fund (SIF), Sony's corporate venture capital arm, invests in startups active in growth areas such as robotics and AI. As of April 2019, SIF has made investments in 43 startups. From July 2019, Sony operates two funds—a Sony Corporation fund for seed and early-stage startups, and a large-scale fund with limited partner investors for middle- and late-stage startups. In addition, Sony is collaborating with Carnegie Mellon University (CMU) of the U.S. on joint research and development in AI and robotics. Current research with CMU relates to food preparation, cooking and delivery, which requires various high-level technologies. In the future, Sony plans to provide support from SSAP and SIF for new research and development programs and startups originating at CMU in the AI and robotics areas.

### Technology

<https://www.sony.net/SonyInfo/technology/>

### Sony Computer Science Laboratories (Sony CSL)

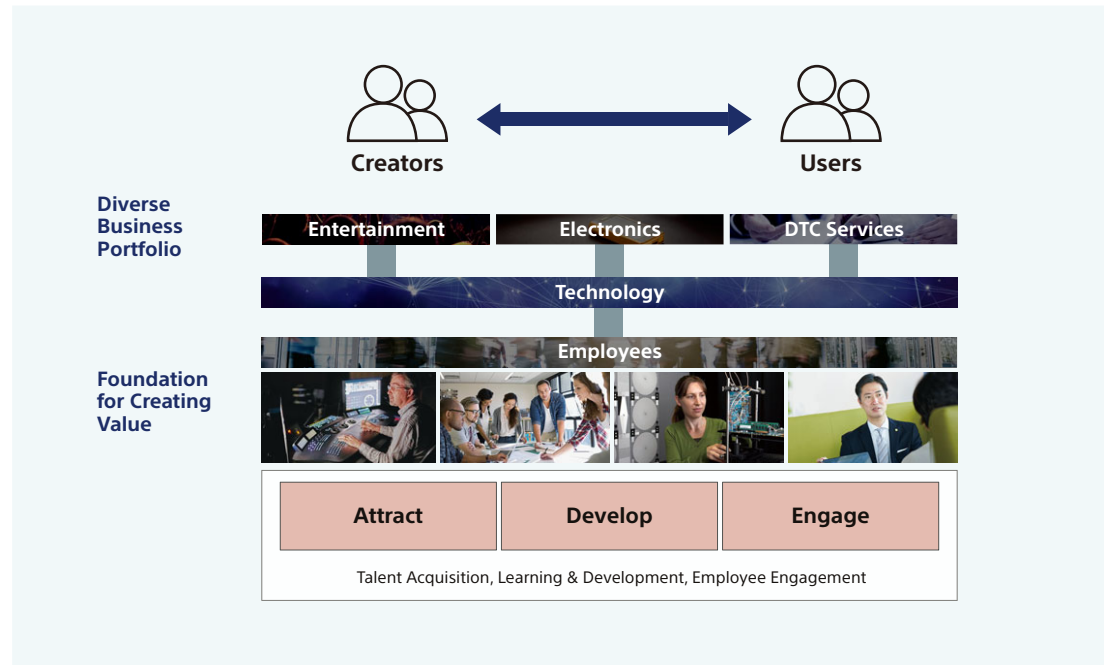
Sony CSL is a leading-edge organization that works to create new research areas and paradigms, as well as new technologies and businesses. One characteristic feature of Sony CSL is that research outcomes are published under the names of the individual researchers involved. Outcomes to date have covered themes including next-generation computer systems, systems biology, econophysics and AI. In addition to research related to social issues such as agriculture and medical care, current research topics include human augmentation/creativity and cybernetic intelligence for various industries. Examples of technologies developed at Sony CSL include new data analysis technologies used by Sony Group companies for analysis in areas including manufacturing, design, hit content and customer satisfaction, and technological services provided outside the Group in cooperation with Information Services International-Dentsu, Ltd.



Collaborative project with Carnegie Mellon University

## Employees

### HR Strategic Framework for Sustainable Growth

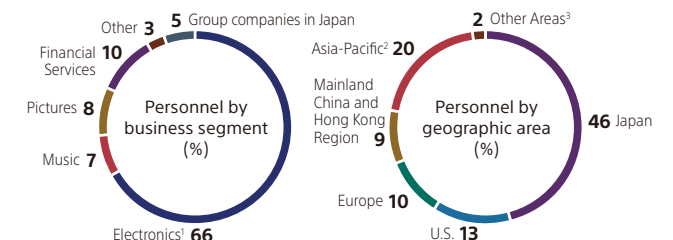


### Employees at Sony

Sony considers employees to be among its most important stakeholders and views them not as a group, but as individuals. Sony values employee engagement as the key to unleashing the full potential of individual employees with their own strong motivation, autonomy and desire to grow. Sony's Founding Prospectus states that its employees and workplaces should stress a spirit of freedom and open-mindedness and that Sony shall place emphasis on a person's ability, performance and character, so that each individual can fully exercise his or her abilities and skills. This approach has been passed down unchanged to the present day. The partnership of choice between Sony and each individual employee is defined as one where both parties are accountable for being responsive to the needs of the other. Sony believes that the growth of the individual will lead to growth of the organization and, in turn, to the growth of Sony. Sustainable growth will ensure that employees continue to have opportunities to take on new challenges and grow.

What We Offer Our People	People We Look For
<ul style="list-style-type: none"> <li>Power and reach to fill the world with emotion as a creative entertainment company with a solid foundation of technology</li> <li>Innovation-led company, partnering closely with creators and engaging with customers and communities</li> <li>Global brand with career opportunities around the world, across entertainment, electronics and direct to consumer (DTC) services</li> <li>Inclusive culture harnessing the diversity of teams, viewpoints and cultures</li> </ul>	<ul style="list-style-type: none"> <li>Inspire people by pioneering the future through dreams and curiosity</li> <li>Pursue the creation of the very best, by harnessing diversity and inclusion</li> <li>Exemplify ethics and responsibility in the interest of Sony's sustainable business and its growth</li> <li>Think originally as to how to harness opportunities across entertainment, electronics and DTC services</li> </ul>

### Basic Sony Employee Data (As of March 31, 2019)



Total 114,400 employees

1. Electronics: Electronics Products & Solutions, Game & Network Services and Imaging & Sensing Solutions
2. Asia-Pacific: Southeast Asia, India, Oceania, Taiwan Region and South Korea
3. Other Areas: Middle East, Africa, Latin America and Canada



The diversity of Sony's businesses and people is one of its strengths and a driver for creating value. Sony's history is one of business portfolio expansion and business growth from joint ventures and M&As with companies from different industries—people with differing personalities and abilities learning from and inspiring each other to create new value. Examples are numerous, including Sony's entertainment businesses, which originated from participation in a joint venture with CBS of the U.S. in 1968, or the financial services business, which overturned the conventional wisdom of the industry with the new "Lifeplanner" concept through a joint venture with The Prudential Insurance Company of America in 1979. These diverse businesses give rise to a virtuous cycle that attracts and nurtures diverse personalities and talents.

For Sony to unify these diverse businesses and employees to create value on a sustainable basis, it is essential that employees strongly sympathize with Sony's Purpose & Values. Furthermore, Sony has defined "What we offer our people" and "People we look for" to be shared throughout the Group.

## Opportunities and Risks

### Opportunities

Sony's diverse businesses around the world and strong brand as an employer generate opportunities to flexibly acquire the right talent in the right location as its business portfolio changes.

### Risks

Due to long-term contraction of the workforce, there is the risk of intensifying competition for acquiring the necessary talent in Japan, which is the main base for Electronics Products & Solutions, Imaging & Sensing Solutions and Financial Services.

## HR Strategy

Sony conducts a wide range of businesses, but maintains a common HR strategic framework. However, each business is responsible for the independent development and implementation of its own detailed strategies. The underlying idea is that enhancing the competitive advantages of each business requires the most suitable HR strategy for that business, with its different human resources, expertise and management methods for creating value. The HR department at the head office supports the HR programs of each business, while focusing on programs to make business and employee diversity a strength and to create value.

The diagram on page 36 shows Sony's shared HR strategic framework for sustainable growth.

First, "Attract" (talent acquisition) emphasizes the strategic acquisition of talent who sympathize with Sony's Purpose & Values to make the business more competitive in the future, which in turn continuously enhances Sony's ability to hire other capable people. This includes appropriate, market-competitive

compensation and fully merit-based evaluation and promotions as well as distinctive features unique to Sony's organizational culture, which offers opportunities for growth, flexible and diverse ways of working and the latitude to take on new challenges, even if they fail.

Second, "Develop" (learning and development) emphasizes programs that maximize on Sony's strength of having diverse talent. Sony provides a space where people with diverse backgrounds and skill sets learn from each other's strengths and inspire one another.

Third, "Engage" (employee engagement) is the element of Sony's HR strategy that it currently gives the greatest emphasis. For many years, Sony has regularly conducted employee surveys to enhance employee engagement and create a strong partnership in which organizations and individuals help each other grow. Based on the responses, Sony identifies priority areas for further enhancing engagement, and implements appropriate measures for each organization based on dialogue with employees.

## External Evaluations



Ranking in Universum's World's Most Attractive Employers 2018 as rated by engineering and IT students



Ratings of Sony Corporation of America, Sony Electronics and Sony Pictures Entertainment on the "Best Places to Work for LGBTQ Equality 2019" Corporate Equality Index, administered by the Human Rights Campaign Foundation

## Engagement Index in the Employee Survey

**86%** 2016   **86%** 2017   **86%** 2018

Note: Percentage of employees who did not give an unfavorable response to question related to employee engagement

Employee survey participation rate   **About 90%**  
Cumulative employee comments   **80,000**

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### **HR Programs Optimized for Diverse Businesses**

**Game & Network Services:** Sony Interactive Entertainment (SIE) is globally headquartered in Silicon Valley, where it competes in a high-velocity talent market to attract, retain and develop the best and brightest. SIE provides employees with market-benchmarked compensation, best-in-class benefits, and PlayStation® branded engagement activities, which has fueled the company's growth to USD\$20 billion. SIE is also proud of its focus on diversity and inclusion, CSR and career development, which contribute to making SIE the best place to play and work—as seen through a 9% turnover rate, which is half the Silicon Valley average. SIE HR has invested in HR technologies such as Workday, Greenhouse, PeopleFluent and E vive which meet the expectations of tech-savvy employees. SIE's white-glove HR concierge service complements the self-service technologies with a helping hand to navigate HR matters, allowing employees to focus on growing the enterprise business.

**Music:** Sony Music Entertainment (SME) is a leading global creative and content company at the intersection of music, entertainment and technology. It strives to be the most artist- and employee-friendly company. SME's people strategy, which is at the center of its overall global business strategy, focuses on differentiating SME as an exceptional place to work. This is accomplished through promoting excellence throughout all creative and commercial service capabilities. To execute on what differentiates SME in the music and creative content ecosystem, global people practices are aligned with increasing the company's value proposition and deepening artist relationships. Specifically, SME is developing a world-class modern workforce, nurturing a culture of respect,

diversity and inclusivity, investing highly in stellar creativity and continuing to provide signature development and training experiences at all levels. Furthermore, SME is developing robust talent acquisition and retention programs to grow repertoire centers and creative resources across current and future business expansion verticals.

Sony/ATV Music Publishing aspires to be the ultimate destination for the best songwriters in the world by fostering creativity and helping to build the careers of Sony artists and songwriters. Sony/ATV Music Publishing also prides itself on the extraordinary talent of its employees. Its mission is to stimulate, inspire and drive cultural excellence through initiatives that attract, retain and grow exceptional talent. In order to achieve this, the company has established three key areas of focus: 1) Developing a One Team Approach; 2) Creating a diverse and inclusive workforce to meet the evolving needs of the business; and 3) Investing in people through training and development. By creating strategic initiatives around its mission and key areas of focus, Sony/ATV Music Publishing strives to elevate its employees and increase the overall performance of its organization.

**Pictures:** At Sony Pictures Entertainment (SPE), the People & Organization team inspires and guides talent to win together. SPE strives to infuse a focus on people into everything it does by acting as a valued partner in defining the essential role people play in accelerating business strategies. SPE partners across functions to foster impactful communication and cultivate an environment that attracts, develops and retains the highest caliber talent. SPE emphasizes strategic goal-alignment; reinforces the importance of its purpose, values and principles; stresses the power of collaboration; and embraces diverse perspectives.

**Electronics Products & Solutions (EP&S):** In the EP&S segment, differentiated technology assets and platforms for images, sound and communications, as well as business optimization and efficiency throughout an integrated system for managing development, production, distribution and sales, are key. Sony acquires and develops a highly skilled workforce in each field at the most suitable locations around the world. At the same time, Sony transfers employees with extensive end-to-end knowledge of Sony's value chain to other regions for training, so as to optimize the value chain as a whole.

Employees are also actively transferred between businesses. In addition to flexible redeployments of personnel for the purposes of business restructuring, many employees take on the challenge of working in a different business and/or job family each year through an internal job posting system that respects the autonomy of individual employees.

**Imaging & Sensing Solutions (I&SS):** In the I&SS segment, strong technological capabilities, for CMOS image sensors as an example, and excellent customer bases in each application, are key. While meeting strong demand for CMOS image sensors, alignment of business expansion and workforce planning is a key driver for earnings. Consequently, Sony takes a long-term perspective in recruiting and developing a highly skilled workforce who will be a source of differentiation across development, design, production and sales.

**Financial Services:** The Sony Financial Group (SFG) has grown by differentiating itself with a business model that is unconstrained by conventional wisdom and unlike any other in the industry, designed to meet the needs and earn the trust of individual customers. Products and services include life insurance, non-life

insurance, banking and nursing care.

Continuing to pass down the customer-first approach that was its point of origin, SFG conducts activities that contribute to creating a sustainable society and where people feel a sense of enrichment. Employees are an important management resource for earning long-term customer trust while continuing to provide new value. Currently, as SFG accelerates its Fintech initiatives, developing employees that have mastery of AI, data analysis and other advanced technologies is a pressing issue. SFG conducts comprehensive HR programs in areas including recruiting, training and compensation so that employees will continue to grow together with the business over the long term.

### Creating Value by Making Business and Employee Diversity a Strength

While each business develops its own HR strategy, Group-wide HR strategies emphasize the establishment of programs and a corporate culture that create value by making business and employee diversity a strength,

and generate synergy among businesses.

To nurture future management, Sony University, now in its 18th year, develops core talent who can excel globally. It conducts various training programs under a mission to develop the people who will shape and lead Sony's management vision and strategy, perpetuate the Sony spirit and build strong personal networks that facilitate Group management.

Sony's competitiveness as a creative entertainment company stems from its outstanding technology. Sony introduced technology strategy committees in fiscal 2015 with the goal of achieving cross-organizational knowledge-sharing and continuing evolution. In each field, a technology strategy committee brings together representative specialists who are selected from across Group companies. The committees promote technical innovations and organization-specific technological cooperation. In addition, each committee conducts employee development programs, such as key technology training that transcends the boundaries between different Sony Group companies, as well as personnel

recruiting. First organized in 1973, the annual Sony Technology Exchange Fair (STEF) is an opportunity for employees from throughout the Sony Group to present R&D work to colleagues. In 2018, some 10,000 employees from Japan and around the world attended, resulting in an energetic exchange of ideas.

In November 2018, Sony opened PORT, a new training facility at its head office. In order to make greater use of Sony's business and employee diversity as a value driver, it brings together employees involved in a wide range of businesses so that they can inspire and learn from each other. Sony intends to create a virtual as well as a physical place to learn, with plans to gradually introduce mechanisms that will enable its approximately 110,000 Group employees to connect wherever they are and whenever they want, and grow together.

### Employees

[https://www.sony.net/SonyInfo/csr\\_report/employees/](https://www.sony.net/SonyInfo/csr_report/employees/)

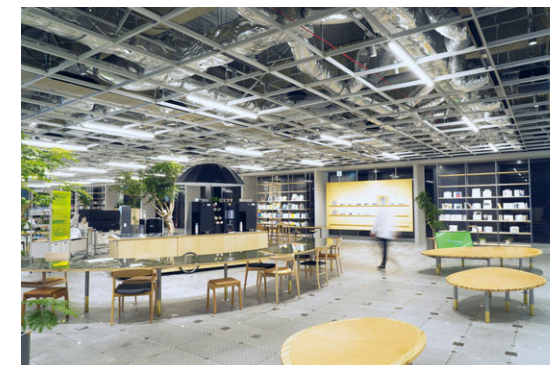
- Diversity
- Talent Development
- Engagement



Sony University program



Sony Technology Exchange Fair (STEF)



PORT

## Ethics and Compliance

### Sony Group Code of Conduct

Sony creates social value through its Group-wide commitment to ethical and responsible business conduct and delivery of emotional experiences to customers. The Sony Group Code of Conduct supports Sony's diversity and commitment to creating social value by establishing uniform standards for ethical and responsible conduct expected of all Sony Group personnel, throughout Sony's diverse business portfolio, working together to realize Sony's Purpose & Values.

The Code of Conduct is based on Sony's core ethical values of Fairness, Honesty, Integrity, Respect and Responsibility, and establishes common policies for major risk areas for the entire Group, including anti-corruption/bribery, antitrust/fair competition and privacy.

### Practicing Integrity & Sincerity

To support its Group-wide commitment to ethical and responsible business conduct, Sony's ethics and compliance program is implemented through a compliance network that spans Sony's businesses and regions. The program starts with "Tone from the Top," as the leadership continuously communicates



The Sony Group Code of Conduct

the importance of ethical business conduct and leads by example. These activities are aligned with internal business processes including policies and procedures, training, ongoing risk assessments, surveys, third-party risk management, audits and monitoring, thereby ensuring a comprehensive and robust program. Sony supports a "speak-up/listen-up" culture where employees are encouraged to raise concerns without fear of retaliation, and employees have access to a variety of channels to report problems, including the Group-wide Sony Ethics & Compliance Hotline, which is available 24 hours a day, 365 days a year.

### One of the 2019 World's Most Ethical Companies

Sony was selected as one of the "2019 World's Most Ethical Companies" by the Ethisphere Institute, a U.S.-based institute defining and advancing the global standards of ethical business practices, in recognition of Sony's initiatives in the areas of transparency, integrity, ethics and compliance. Sony will continue to actively engage in dialogue with its various stakeholders, including employees, business partners and the communities where it operates, to live up to the trust they place in the Sony brand.



"World's Most Ethical Companies" and the Ethisphere name and logo are registered trademarks of Ethisphere LLC.

📄 Ethics and Compliance > The Sony Group Code of Conduct  
[https://www.sony.net/SonyInfo/csr\\_report/compliance/code.html](https://www.sony.net/SonyInfo/csr_report/compliance/code.html)

## Respect for Human Rights

### Human Rights Policy and Risk Analysis

Sony's policy on respect for human rights is set forth in the Sony Group Code of Conduct. It states that "Sony is committed to uphold the internationally recognized human rights of all people," and that "We will use all reasonable efforts to avoid causing or contributing to adverse human rights impacts that may arise from our operations, products, services and/or business relationships and will act diligently to help remediate any impacts that may occur."

Sony regularly analyzes potential human rights risks in all its business activities. The analysis conducted in 2018 identified items already being addressed, such as human rights considerations in the electronics business supply chain, and emerging issues related to new technologies such as AI. Sony will continue to monitor and address human rights risks.

### Artificial Intelligence and Ethics

Through the power of AI, Sony aims to contribute to a peaceful and sustainable society while filling the world with emotion. At the same time, the influence of AI on society is the topic of much discussion. As a response, in September 2018, Sony formulated the Sony Group AI Ethics Guidelines. Furthermore, as an example of working with external organizations, in May 2017 Sony became the first Japanese company to join the Partnership on AI to Benefit People and Society, a non-profit organization that advances understanding of AI. Sony also participates in drafting principles and policies issued by various organizations with the aim of achieving better integration of AI in society, including the Japanese Business Federation's AI Utilization Strategy and the Japanese Cabinet Office's Social Principles of Human-centric AI.

📄 Respect for Human Rights  
[https://www.sony.net/SonyInfo/csr\\_report/humanrights/](https://www.sony.net/SonyInfo/csr_report/humanrights/)



## Privacy and Personal Information Management

Sony has entered a new digital age, where the global privacy landscape is changing at a faster pace than ever before. Along with rapidly evolving big data and transformative technology such as AI, and in the wake of the European Union's General Data Protection Regulation (GDPR), new global privacy laws have emerged, continuing to raise the bar for privacy compliance around the world. To be able to respond to these changes and continue to earn the trust of customers, Sony continually enhances its global programs for privacy and personal information management under a basic policy of conducting business activities that respect the privacy of stakeholders, including customers and employees.

Led by the Corporate Executive in charge of Privacy, Sony has a governance structure for privacy and personal information management that covers the entire Sony Group. It works in close cooperation with the information security team led by the Chief Information Security Officer (CISO).

Sony develops and implements privacy and personal information management programs, which are based on applicable laws and regulations, incident case studies, best practices and other considerations. Sony routinely reviews and revises these programs to address related new risks and complications that arise.

Sony also believes every employee has a role to play in safeguarding privacy and requires all employees to receive training on this topic.

 **Ethics and Compliance > Privacy and Personal Information Management**  
[https://www.sony.net/SonyInfo/csr\\_report/compliance/privacy.html](https://www.sony.net/SonyInfo/csr_report/compliance/privacy.html)

## Information Security

In recent years, server attacks targeting information held by global companies have not only increased in number, but have become more skillful, complex and persistent.


Sony ensures a stable management base and maintains stakeholder trust by responding to these changing conditions through the continuous enhancement of its information security measures under a basic policy of protecting its information assets and systems from risks such as unauthorized access, leaks, tampering, loss and damage.

Under the direction of the CISO, Sony has established a Group-wide information security system in cooperation with information security officers at each Group company.

Overall information security management is conducted in accordance with rules and standards that are based on industry best practices and regularly updated to address changes in the risk environment and other factors.

Furthermore, Sony operates a Global Security Operations Center equipped with advanced technical capabilities for preventing and managing third-party attacks. A dedicated incident response team defends Sony's network 24 hours a day, 365 days a year through threat intelligence and analysis, monitoring and detection of malicious activity, and development of countermeasures. In addition, regular employee training raises awareness of various security risks.

Led by the Corporate Executive in charge of Quality, Sony is also enhancing efforts to address security risks resulting from products. These efforts include the introduction of a framework for security measures throughout the entire product lifecycle from planning and shipping to disposal.

 **Corporate Governance > Internal Control and Governance Framework > Information Security Management**  
[https://www.sony.net/SonyInfo/csr\\_report/governance/internal\\_control/information\\_security.html](https://www.sony.net/SonyInfo/csr_report/governance/internal_control/information_security.html)

## Product Quality and Customer Service

Since the start of its operations, Sony has been firmly committed across all its businesses to providing customer-oriented, high-quality products and services. The Sony Group Code of Conduct states that Sony continuously strives to comply with or exceed legally mandated standards to ensure the safety of its products and services. Sony has established the "Sony Pledge of Quality," which lays out its basic policy on product quality and customer service. This is aimed at reinforcing awareness of Sony's commitment to ensuring that the quality of its products and services exceeds the expectations of its customers.

Sony also undertakes product design and development with the view that accessibility and usability are essential aspects of quality. Sony aims to create products and services that people worldwide can use with ease—independent of age or disability.

At Sony, activities from product quality through to customer service are overseen by the Corporate Executive in charge of Quality and conducted in cooperation with the related departments at headquarters, business divisions and related companies. Sony constantly strives to provide products and services that can be used with ease and comfort, while incorporating newly established technology and advances in user interfaces. In addition, to deliver a superior user experience, Sony incorporates human-centered design concepts in product planning, design and testing.

 **Quality and Services**  
[https://www.sony.net/SonyInfo/csr\\_report/quality/](https://www.sony.net/SonyInfo/csr_report/quality/)

## Environment

### Road to Zero

As Sony's business is only possible in a sustainable global environment and in a society where people can live with peace of mind, Sony conducts ongoing environmental and social initiatives throughout the value chain. Sony has established a global environmental management system through which activities can be rolled out Group-wide. Based on this global environmental management system, Sony implements the "Road to Zero" long-term environmental plan that aims to achieve a zero environmental footprint throughout Sony Group's business activities and the lifecycles of its products by 2050. Sony also sets mid-term targets by calculating backward from 2050 to determine measures to be taken over each five-year period. Under Green Management 2020, the mid-term targets for the fiscal year ending March 31, 2021, specific goals are detailed for each stage of the product lifecycle from the four core perspectives of climate change, resources, chemical substances, and biodiversity. Activities to achieve those targets began in the fiscal year ended March 31, 2017.

Sony was the first company in Japan to have its climate change targets approved as Science Based Targets.\*

Sony's environmental activities based on these mid- and long-term targets have received recognition from external organizations. For example, CDP is an



international nonprofit organization that promotes corporate disclosure of environmental information and was established in response to requests from investors. In CDP surveys on climate change, Sony has been included in the A List, the highest rating, for four consecutive years since 2015.

\* Science Based Targets: Greenhouse gas reduction targets set by a company in line with what the latest climate science says is necessary to limit global warming to less than 2°C above pre-industrial levels




### Risks and Opportunities

The international community is rapidly changing its course toward decarbonization, as exemplified by the Paris Agreement on climate change. Moreover, as outlined in the European Union's Circular Economy strategy, achieving a recycling-oriented society has also become a mid-to-long-term management issue for corporations.

Addressing environmental issues is part of Sony's social responsibility for achieving a sustainable society and, at the same time, it is important for the continuity of its businesses. As Sony ramps up production of products and the scale of services, its environmental impact increases. If it does not take appropriate measures, there may be substantial social and financial repercussions for Sony, thus increasing management risks. Examples of potential risks include legal risks such as carbon taxation and stricter standards for energy efficiency, physical risks such as

having to deal with extreme weather events due to climate change, and market fluctuations caused by changes in awareness of environmental issues among users. Sony understands these risks and has put systems in place to address them. For developments in laws and regulations, for example, Sony has established a framework for promptly collecting relevant information from around the world and a system for ensuring compliance.

On the other hand, addressing environmental issues can also give Sony a greater competitive edge and create opportunities for new businesses. Promoting energy efficiency, decarbonization and resource conservation in all Sony operations will lead to improved cost efficiency at its sites. Moreover, with growing concern about climate change, energy efficiency is likely to become a more important product selection criterion for users. Sony has been promoting energy efficiency in a wide range of its products for some time, and this social trend can be expected to enhance the competitive advantages of Sony products. Furthermore, the optimized mobility that will result from the advent of an autonomous driving society is forecast to reduce the environmental impact of mobility as a whole. Sony believes that its CMOS image sensors for automotive applications can contribute significantly in such an era.

 **Environment > Environmental Policies and Targets > Sony Group Environmental Vision**  
[https://www.sony.net/SonyInfo/csr\\_report/environment/management/vision.html](https://www.sony.net/SonyInfo/csr_report/environment/management/vision.html)

**Environment > Environmental Policies and Targets > Environmental Plan and Mid-Term Environmental Targets**  
[https://www.sony.net/SonyInfo/csr\\_report/environment/management/plan.html](https://www.sony.net/SonyInfo/csr_report/environment/management/plan.html)

## Climate Change

Sony addresses climate change throughout its business activities and product lifecycles. Improving energy efficiency and transitioning to forms of energy with fewer greenhouse gas emissions are top priorities at its sites. Sony plans to accelerate the introduction of renewable energy going forward. In September 2018, Sony announced that it has joined RE100\* and declared its commitment to use 100% renewable electricity at all global sites by 2040.

In addition to emissions from its own operations, Sony is actively working to reduce indirect greenhouse



Solar power generation equipment (Kumamoto Technology Center, Sony Semiconductor Manufacturing), which began operation in 2019

gas emissions categorized as Scope 3 emissions. For products, for example, Sony is working to reduce the power consumption of AC-powered devices by 30% by 2020 (compared with levels for the fiscal year ended March 31, 2014) and achieved a decrease of 50.8% in the fiscal year ended March 31, 2019. In the supply chain, Sony encourages parts suppliers and manufacturing subcontractors to set voluntary targets for conserving energy.

Sony also recognizes the importance of disclosing information on its environmental activities, and has been issuing environmental reports since 1994 to communicate the progress of its environmental activities broadly among stakeholders. Regarding measures for climate change, a topic of growing interest, Sony will conduct disclosure in a framework that is in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures.

\* RE100: A global initiative led by the non-profit The Climate Group in partnership with CDP in which participating companies set a target of procuring 100% renewable electricity for power used in their business operations



## Resources

Sony is working to minimize resource inputs and maximize recycling throughout its business activities and product lifecycles. For items Sony has defined as key resources, it also aims to achieve zero usage of virgin materials.

Sony is making its products and packaging smaller and lighter and introducing recycled materials in a wide range of categories. One specific example is SORPLAS™ flame-retardant recycled plastic, which Sony developed in-house in 2011. Sony has also used a total of approximately 180,000 tons of recycled plastic\* from the fiscal year ended March 31, 2009 to the fiscal year ended March 31, 2019.

Sony is also working to extend product life through measures to improve quality and durability. Furthermore, in addition to adopting product design that makes recycling easier, Sony is promoting recycling of end-of-life products in cooperation with recyclers in many countries and regions, including Japan, Europe, North America and Asia.

In addition to increasing resource efficiency during production, sites are working to minimize waste through measures such as using returnable containers for parts supply with the aim of achieving less than 1% final disposal in landfills by the fiscal year ending March 31, 2021. The landfilled waste rate for all Sony Group sites was 3.1% in the fiscal year ended March 31, 2019.

\* Consumption of recycled plastic is based on the gross value including virgin plastic and additives that are mixed with recycled materials.

🖥️ Environment > Sites > Environmental Mid-Term Targets for Operations

[https://www.sony.net/SonyInfo/csr\\_report/environment/site/performance.html](https://www.sony.net/SonyInfo/csr_report/environment/site/performance.html)

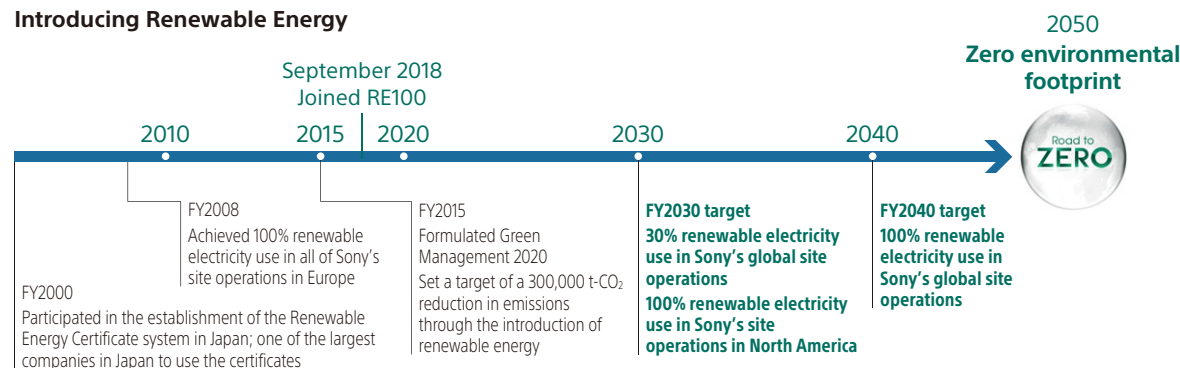
Environment > Products and Services > Environmental Mid-Term Targets for Products and Services

[https://www.sony.net/SonyInfo/csr\\_report/environment/products/performance.html](https://www.sony.net/SonyInfo/csr_report/environment/products/performance.html)

Environment > Product Recycling > Product Recycling Policy and Performance

[https://www.sony.net/SonyInfo/csr\\_report/environment/recycle/performance.html](https://www.sony.net/SonyInfo/csr_report/environment/recycle/performance.html)

### Introducing Renewable Energy



# Creating Value in Each Business

## Game & Network Services



Planning, development and sales for the following products and services:

- PlayStation® hardware, software, content and network services
- The toio™ platform and related software and content

### Main Operating Companies

Sony Interactive Entertainment LLC  
Sony Interactive Entertainment Inc.  
Sony Interactive Entertainment Europe Limited

## Business Vision

To Be “The Best Place to Play”

### Value Created

- 1 **Enriching people’s hearts through the delivery of emotional experiences**

Providing “The Best Place to Play,” where new, fulfilling experiences and diverse forms of communication become possible. Creating fields where users and creators can connect and interact.

- 2 **Helping creators realize their dreams**

Platforms that provide creators with an environment that enables them to fully share their creative vision and innovation with the world.

### Business Strengths

- 25 years of steady investment and company acquisitions has led to a portfolio of leading global studios and flagship franchises that consistently delivers original content IP to users around the world
- The brand power of PlayStation® cultivated through the accumulation of user trust and the sharing of technology and know-how with creators
- Establishment of loyal game communities that connect users and creators
- End-to-end planning and development capabilities that bring together devices, technologies and business models, and global sales capabilities

### Notable Social and Technological Changes

- Increasing demand for never-before-seen content and innovation in how people connect through networks
- Diversification in how games are enjoyed and content is accessed
- Evolution of hardware and the spread of open innovation
- Competition with players from other industries in building ecosystems and establishing platforms
- Growing amount of data and evolution of data analytics

## Strategic Key Points

### Background to Strategies

The Game & Network Services segment is representative of Sony's corporate direction of "getting closer to people," specifically users and creators. The PlayStation® platform provides a development library and know-how that enable creators to achieve the speedy and cutting-edge expression of their creative vision. In addition to enhancing direct to consumer (DTC) services, Sony Interactive Entertainment (SIE) harnesses game play data and network service usage trends to get closer to what motivates users.

PlayStation®4 (PS4™) has sold 96.8 million cumulative units,\* while PlayStation™Network (PSN) has over 94.0 million monthly active users.\* PlayStation®Plus (PS Plus), a paid subscription service, has steadily acquired users since the release of PS4, surpassing 36.4 million paid subscribers.\* These numbers reflect that PlayStation® is one of the world's leading game ecosystems and network platforms. Making the fullest use of this foundation is crucial for next-stage growth.

Competition from online PC games and players from other industries is expected to continue to intensify. The fundamental growth strategy will be to innovate and evolve the PlayStation® platform. To this end, SIE will make proactive investments to reinforce content IP, and work to raise brand value, foster communities and user engagement, and enhance DTC services that get closer to users.

\* As of March 31, 2019

### Strategic Direction

To reinforce content IP, SIE will accelerate the enhancement and rollout of its portfolio of exclusive

PlayStation® titles. As a result of cooperation with in-house development and partner companies, sell-through of PS4 software titles continues to grow, and the intention is to further enhance the lineup with compelling content. While continuing to increase console sales, SIE will leverage the asset that is its existing user base as the key to expanding profit opportunities. Further growth in recurring income will be achieved through various network service enhancements. In executing these strategies, greater emphasis will be placed on user engagement. SIE will provide content for a variety of game genres and formats, and make advances in unique and immersive interactive experiences such as VR. At the same time, SIE will create a better user experience, improve usability, and strengthen its use of data analysis. Making the best use of new and existing partnerships while driving growth will be important for achieving further expansions in scale.

SIE aims to achieve robust revenue growth by accelerating the virtuous cycle that has been established for the PlayStation® platform. This entails increasing active users and play time, enhancing network services and reinforcing content IP so that consumers select PlayStation® as their platform of choice. Targeted outcomes include growth in active users, stronger retention and a shorter cash conversion cycle, from which expanded cash flow can be expected.

In the past, development of each new generation of PlayStation® has required substantial investment. Moving forward, SIE plans to stabilize the profit structure by greatly reducing the range of profit fluctuation at that juncture of the console lifecycle.

## FY2018 Achievements

PS4 cumulative units sold **96.8 million<sup>1</sup>**

PSN monthly active users **Over 94.0 million<sup>1</sup>**

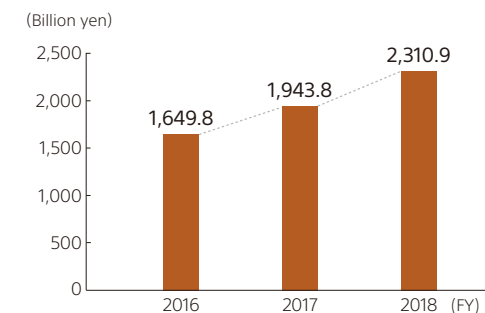
Consumer spend through the PS4 ecosystem **Over \$20 billion<sup>2</sup>**

PS Plus paid subscribers **36.4 million<sup>1</sup>**

1. As of March 31, 2019

2. Fiscal year ended March 31, 2019. Total amount spent through the PS4 console, including software and peripherals.

### Sales and Operating Revenue



### One Sony Collaboration

- Collaborating with Sony Music to develop original music for first-party game releases and produce VR content featuring Sony artists
- With Sony Pictures, collaboration to capitalize on content IP through PlayStation Productions and joint marketing for cross-media IP



## Music



In recorded music, sale of music content and development of revenue streams in related areas such as artist services. In music publishing, management and licensing of song lyrics and music on behalf of Sony Music artists and songwriters. In visual media and platform, production of video and animation content, game apps, events and other products in addition to recorded music, and provision of related services.

### Main Operating Companies

Sony Music Entertainment (Japan) Inc.  
Sony Music Entertainment  
Sony/ATV Music Publishing LLC

## Business Vision

- In recorded music, aim to be an artist-friendly, employee-friendly company, focused on offering a 360-degree service structure that flexibly meets the diverse needs of artists and songwriters, while building fan engagement.
- In the Music segment, remain the best service company in the industry for the benefit of artists and songwriters by focusing on new career development, artist and songwriter revenue optimization for digital streaming and commercial licensing opportunities, as well as maintaining a high degree of royalty transparency through real-time access to artist and songwriter accounts.
- Strengthen collaboration with the rest of Sony Group to create high-quality, technology-driven multiplatform entertainment unique to Sony.

## Value Created

1

**Enriching people's hearts through the delivery of emotional experiences**

Together with artists and songwriters, generating engaging content that inspires excitement, passion, euphoria, relaxation and other emotions, and creating quality spaces for sharing worldviews, experiences, and opinions across linguistic, national and cultural boundaries.

2

**Helping creators realize their dreams**

Discovering and developing artists and songwriters from a long-term, global viewpoint and giving them opportunities to produce works across diverse fields, media and platforms. Protecting the rights of artists and songwriters, and ensuring that they can earn the recognition that they deserve.

## Business Strengths

- Extensive expertise in data analysis technologies, marketing and A&R to drive growth and expansion of creative content (number two worldwide based on calendar 2018 market share\*)
- Extensive content IP (number one global music company based on revenue\*)
- Synergy with Group companies engaged in entertainment businesses
- New talent discovery and songwriter development through A&R; copyright exploitation through commercial licensing; scalable global administration and royalty infrastructure; depth and breadth of catalog covering every genre and decade of music

\* Source: Sony

## Notable Social and Technological Changes

- A society full of diverse content that crosses linguistic, genre, and national boundaries
- Growing interest in discovering and enjoying content that matches ever-changing tastes
- Changes in delivery methods due to digital transformation and the increasing necessity of copyright management reform
- Lower barriers to entry, changing industry players and intensifying competition

## Strategic Key Points

### Background to Strategies

Music is one of the forms of entertainment that people feel closest to. Music not only reflects world trends and social conditions, it plays a role in steering social movements. The desire to enjoy good music is intrinsic to humankind and as lifestyles diversify, music content is set to become increasingly important.

Methods of accessing and enjoying content are in constant flux. Although distribution has been shifting from CDs, other packaged media and downloads to streaming formats, the value of the content remains unchanged. Moreover, now that the platform for individual content or a single artist extends beyond a single field to encompass music, video, game and other media, the world has entered an age when the importance of content IP is increasing all the more. From the viewpoint of artists and songwriters, more sophisticated content management and protection of rights are urgent issues.

Under these circumstances, music is a field that will remain important for Sony, with its domains of recorded music, music publishing and visual media and platform (animation, video, mobile games and others). Sony Music intends to leverage Group synergy and technologies to get closer to artists, songwriters and users, strengthen content IP and accelerate growth.

### Strategic Direction

In recorded music, Sony Music's strategies for creative content in the streaming era will be to bolster its artist portfolio in genres that are popularly streamed and to step up discovery of local artists. While reinforcing operations in emerging markets, Sony Music will enhance its approach to independent labels and artists through The Orchard, which became a wholly

owned subsidiary in 2015. To add more value to content IP, Sony Music will strengthen solutions-based services for artists and expand peripheral businesses through M&A and other means.

In music publishing, the number-one strategy is to remain the ultimate destination for artists and songwriters by continuing to offer an unrivaled level of service. The goal is to attract and retain the very best talent based on A&R expertise working with artists and songwriters and building their careers. With a focus on service, Sony Music will also leverage its world-class licensing organization to maximize licensing fees for its song catalog. It will further differentiate itself by developing proprietary technology that will provide a superior level of service to Sony Music artists and songwriters including enhancements to the SCORE state-of-the-art client royalty portal and app, which will continue to give artists and songwriters comprehensive, transparent and real-time access to their current royalty account. Strategy and focus will also include expanding presence in emerging markets such as China, India and Latin America, which will entail local partnerships and gaining access to local talent. Lastly, Sony Music will further develop relationships with other divisions in order to expand the One Sony initiative.

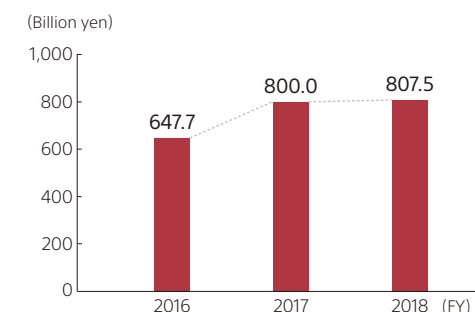
In visual media and platform, Sony Music will accelerate the multifaceted rollout of content IP while enhancing music and animation content IP to create and maximize the success of hits. It will build its content portfolio by strengthening diverse strategies across user touchpoints such as mobile games, animated TV broadcasts, movies, video packages, and live events, as illustrated by the major hit *Fate* series. Rollouts to markets outside Asia will also be enhanced.

## FY2018 Achievements

Total streaming sales growth of recorded music/music publishing **+16%\***  
(Compared with previous year)

\* Including EMI, year-round basis

### Sales and Operating Revenue



### One Sony Collaboration

- The Lost In Music campaign launched its third installment last November with a four-month residency in New York City. Visitors had the chance to try out cutting-edge music technology and catch intimate live performances from top Sony Music artists.
- Working with Sony Interactive Entertainment to develop original music for first-party game releases.
- Collaboration among music divisions to drive efficiencies across operations and create incremental revenue opportunities, including joint talent signing and synch opportunities for artists and songwriters. Working jointly to increase the effectiveness of relationships with digital partners.

## Pictures



Based in Culver City, California, Sony Pictures Entertainment's global operations encompass motion picture production, acquisition, and distribution; television production, acquisition and distribution; television networks; digital content creation and distribution; operation of studio facilities; and development of new entertainment products, services and technologies.

**Main Operating Companies**  
Sony Pictures Entertainment Inc.

### Business Vision

**Produce and distribute world-class movie, television, video and mobile game entertainment to consumers globally around Sony IP.**

#### Value Created

**1 Enriching people's hearts through the delivery of emotional experiences**

By getting closer to creators and people, Sony Pictures values global audiences, delivering relevant and high-quality content to elevate entertainment and help spark shared emotional experiences through movie, television production and networks businesses.

**2 Helping creators realize their dreams**

Sony Pictures is uniquely positioned to be the best place for creators to create. The studio's independence as a producer of scale, enables it to make quality content with top talent for *any* audience around the world, and showcase that content on *any* platform to create the greatest impact.

#### Business Strengths

- Ecosystem for creators to develop visual content and reach viewers: access to talent, music, data analytics, studio facilities, marketing, distribution and existing IP to build upon
- Strong IP: Marvel characters to which Sony Pictures Entertainment holds the rights, extensive library of proprietary IP, increased focus on materials and franchises based on familiar IP
- Independence as a producer of scale

#### Notable Social and Technological Changes

- Large-scale vertical consolidation in the industry
- The combination of high-speed connectivity, machine learning and hardware advances is popularizing immersive reality experiences
- AI, connectivity and the ubiquity of screens are creating easier access and better personalization of content to meet increasingly diverse tastes
- Methods to view, access and experience content will continue to multiply, thereby increasing the importance of story, IP ownership (characters) and relationships with creators

## Strategic Key Points

### Background to Strategies

The entertainment industry is undergoing rapid and fundamental change never seen before. The tech giants continue to increase their own content offerings by leveraging their capital and resources, and to compete with them traditional players are rapidly consolidating to achieve scale, with each of them creating proprietary ecosystems.

To better position Sony Pictures to take advantage of new opportunities in an evolving marketplace, significant changes have been made to the organization's overall business structure to make it stronger and more agile. Furthermore, strong financial discipline is maintained by controlling costs and managing risks. The strategy of remaining independent, talent-friendly and a seller of product to all large players allows Sony Pictures to maximize the creative freedom that leading industry creators seek and the value derived from unique content and IP.

### Strategic Direction

In this new environment, Sony Pictures' growth strategy is based on four pillars:

1. Strong IP
2. Strength as an independent studio
3. A rich library of content
4. One Sony collaboration

First, leverage sustainable IP that lends itself to 360-degree monetization across all platforms. In addition to key film franchises and key television IP, assets include more than 900 Spider-Man related Marvel characters to which Sony Pictures

Entertainment holds the rights, which can be exploited and expanded across various platforms. Second, independence as a producer of scale enables Sony Pictures to produce quality content with top talent for audiences around the world, and showcase that content on any platform to create the greatest impact, because it is not locked into a co-owned subscription video on demand service or network platform. Third, the merging of studios and their efforts to establish their own streaming services is generating increased demand for premium content and presents a huge opportunity to monetize Sony Pictures' extensive content library of movies and television shows. Fourth, Sony Pictures has tremendous advantages by virtue of its place within the broader Sony Group alongside music, games, electronics and technology. A new emphasis and momentum will be devoted to cross-company collaboration.



## FY2018 Achievements

U.S. box office revenue share in 2018

**11%\***

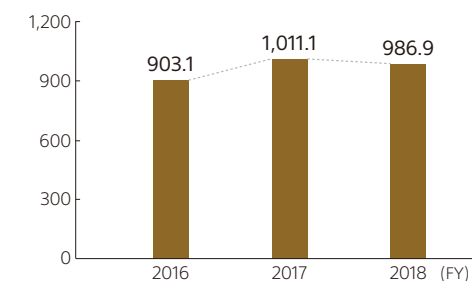
Reduced costs resulting from a business efficiency improvement program "Reimagine SPE"

**¥15.0 billion/year**

\* Source: Sony

### Sales and Operating Revenue

(Billion yen)



### One Sony Collaboration

- Music-oriented retelling of Cinderella with Sony Music artist, Camila Cabello
- Sony Interactive Entertainment has established a new production team (PlayStation Productions) on the Sony Pictures Entertainment lot to develop film and television projects based on game IP



## Electronics Products & Solutions



Electronics Products & Solutions (EP&S) designs, develops, manufactures and sells products and services, and conducts related or peripheral businesses.

Imaging Products & Solutions (IP&S): Consumer cameras, professional products, medical devices and related solutions

Home Entertainment & Sound (HE&S): TV, audio and video equipment and other products

Mobile Communication (MC): Mobile phones and Internet service

### Main Operating Companies

Sony Imaging Products & Solutions Inc.

Sony Home Entertainment & Sound Products Inc.

Sony Mobile Communications Inc.

Sony Network Communications Inc.

## Business Vision

- Inspire new lifestyles and culture by exciting customers, society and ourselves.
- Deliver immersive experiences through the power of creativity and technology, and realize a rich, emotional world of sound and vision.
- Provide experiences beyond imagination so that people can fully explore their passions.

## Value Created

### 1 Enriching people's hearts through the delivery of emotional experiences

Connecting users and creators through communication technologies, and high-definition video and high-fidelity sound that convey Reality. Creating environments that enable users to enjoy high-quality content and experience, immerse themselves in, and share diverse new worlds.

### 2 Helping creators realize their dreams

Supporting creators in finding their creative voice and fulfilling their potential by providing the products, services, and spaces they need to express their vision and maximize the value of their time.

### 3 Contributing to society through the delivery of safety and reliability

Contributing to advances in social infrastructure and industry in the fields of medical care and security, and by extension, to a society where people can enjoy healthy lives filled with peace of mind and emotion.

## Business Strengths

- Differentiated technology assets and platforms for images, sound and communications (including core "Light to Display" technology that covers all stages from the light source to the display)
- A creator-oriented product design and development infrastructure operated in cooperation with the Group's entertainment businesses
- An integrated system for managing development, production, distribution and sales among Group operating companies

## Notable Social and Technological Changes

- More sophisticated and diversified value expected from video and sounds (high-end, Real-Time, Reality)
- Democratization of content creation and growing needs in the sharing of content and emotional experiences
- Changes in added value of products and user value as a result of advances in IoT and communication technologies
- Increasing speed of obsolescence and commoditization of technologies and products



## Strategic Key Points

### Background to Strategies

In electronics, Sony has been concentrating in recent years on its strength—video and sound capable of delivering emotional experiences—while developing operations in communications, a field where it can leverage that strength. Under the previous two mid-range plans, profitability was enhanced and high added value achieved by splitting out each business unit and conducting other structural reforms, and then positioning the units as a stable revenue base for Sony Group.

It is a fundamental desire to want to enjoy sounds and images, and the expression of this desire is becoming increasingly diverse and sophisticated. Under these conditions, EP&S aims to grow steadily with an emphasis on Reality and Real-Time so as to elicit greater emotion, using its differentiated technology assets for sounds and images.

### Strategic Direction

In April 2019, Sony integrated its operations in Imaging Products & Solutions (IP&S), Home Entertainment & Sound (HE&S), and Mobile Communications (MC) as Electronics Products & Solutions (EP&S), establishing a unified management structure. Though the businesses are integrated, each is expected to maintain independent financial discipline and accountability. They will leverage technology to create new customer value that transcends the confines of each business, and work to eliminate failures and maximize potential through their operations. Strategies by business are as follows.

IP&S will offer customers Real-Time benefits through product differentiation based on the Light to

Display technology platform. For example, the camera business will continue to target the number one position in the full-frame interchangeable lens camera market, and enhance its strong product lineup for broadcast stations and other customers in the B2B business. The medical business will proceed to expand into the surgical imaging and life science fields over the mid to long term.

In HE&S, the television business will continue to develop products oriented toward the highest levels of image quality, sound quality, design and ease of use as it achieves an average inch size that outpaces industry trends and drives the premium 4K market. The video and sound business will enhance product capabilities and increase sales in growth areas such as headphones and home speakers, and create new musical experiences with the release of the 360 Reality Audio format.

MC will steadily carry out structural reforms in the smartphone business while leveraging leading technology from Sony Group to strengthen product competitiveness. The telecommunications business, which enjoys a stable customer base and revenue, will enhance its service platform for 5G and evolve into IoT services.

During the third mid-range plan, the role of EP&S will be to produce stable earnings. It intends to generate stable, continuous cash flow by enhancing product competitiveness centered on high added value, by focusing on growth areas and by strengthening integrated operations. In terms of investment, resources will be focused on areas relating to Reality, Real-Time, and “getting closer to people.”

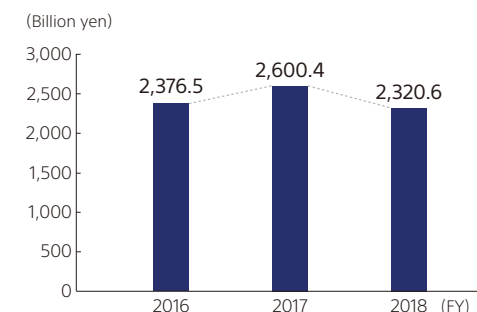
## FY2018 Achievements

Operating CF + Investing CF\* **¥89.5 billion**

Reduction in operating costs in mobile business **Approx. 17%**  
(Compared with previous year)

\* Please refer to note 1 on page 6.

### Sales and Operating Revenue



Note: Figures are provided for reference only.

### One Sony Collaboration

- Large Display Solutions: Providing a new visual experience with large displays, from consumer to B2B
- Personal Entertainment Solutions: Merging sound and communication technologies to create new customer value
- 5G Solutions: Pursuing Real-Time benefits in various applications
- xR Solutions: Creating new visual experiences and VR content by leveraging Sony Group's combined strengths

## Imaging & Sensing Solutions



Conducts the semiconductor device business, which includes CMOS image sensors, large-scale integrated circuits (LSIs), lasers, and display devices, meeting diverse needs through integrated development, design and manufacturing.

### Main Operating Companies

Sony Semiconductor Solutions Corporation  
Sony Semiconductor Manufacturing Corporation  
Sony LSI Design Inc.

## Business Vision

With the world's foremost imaging and sensing technologies and leading development and manufacturing operations, this business aims to significantly enhance human and machine visual and recognition functionality, develop a broad range of solutions, and contribute to society through the delivery of safety and reliability.

### Value Created

- 1 Enriching people's hearts through the delivery of emotional experiences**  
Cutting-edge 2D and 3D imaging technology enables Reality and Real-Time communication, and generates comfort and excitement in life. Users gain opportunities to experience emotion and share joy.
- 2 Helping creators realize their dreams**  
The provision of imaging and sensing data supports and drives the creation of new use cases and ecosystems in various industries.
- 3 Contributing to society through the delivery of safety and reliability**  
Functionality that surpasses human visual and cognitive ability enhances danger prediction, risk measurement and efficiency, contributing to a safer, more secure society that can serve as the basis for people's fulfillment.

### Business Strengths

- Strong technological capabilities for CMOS image sensors that help realize high-precision, high-sensitivity, multi-pixel and high-speed imaging (number one share on a revenue basis in the fiscal year ended March 31, 2019\*)
- Excellent customer base in each application
- Opportunities for collaboration and synergy with Sony Group businesses that have strengths in high-end products

\* Source: Sony

### Notable Social and Technological Changes

- Needs for greater amenity, comfort and efficiency
- Increasing importance of advanced recognition technology backed by the evolution of AI and IoT
- Industry advances in smart and real-time operations due to shifts toward automation and autonomous devices
- Intensifying competition, reorganization of major players, and diversification and expansion of use cases in the semiconductor industry

## Strategic Key Points

### Background to Strategies

Imaging and sensing technologies embody “getting closer to people” as an essential tool for capturing emotions in images and video, and for understanding and analyzing user motivations.

The image sensor market is growing, with expansion in the market-driving mobile area centered on multiple camera lenses, larger sized sensors and sensing functions, and growth in the AV area in the high-value-added market. With advances in AI and IoT, the market continues to expand in new areas such as automotive applications, factory automation and security. Although the growth rate for image sensors is likely to slow in the short term as the smartphone market matures, their importance to industry and society is expected to continue to increase.

### Strategic Direction

Under these circumstances, Sony’s Imaging & Sensing Solutions segment will remain focused on image sensors. The basic strategy is to further advance Sony’s superior imaging and sensing technologies, achieve growth in each area, and create new use cases through collaboration with players in various industries and through M&A.

In specific terms, the aim is to achieve growth in both hardware and software.

For hardware, make proactive investments over the mid term to meet strong demand for CMOS image sensors. While maintaining the world’s number one position in imaging applications for CMOS image sensors, aim to capture the world’s number one position in sensing applications.

For software, work toward edge AI implementations that can be combined with sensor hardware to build a recurring revenue business model. To do so, first pursue a partner strategy in the software space in the immediate future.

The combination of CMOS image sensors and AI offers numerous possibilities. Combining imaging and AI will make better picture quality possible. Combining sensing and AI will have unlimited possibilities such as application-side recognition and machine vision that could not be achieved previously.

Sony has established various technologies for incorporating edge AI in CMOS image sensor hardware, securing a strong position for the development of real-time and intelligent CMOS image sensors. Sony’s technology for a stacked structure with Cu-Cu (copper-to-copper) connections allows greater freedom in integrating pixel arrays and logic circuits, thus expanding the potential of CMOS image sensors.

Imaging & Sensing Solutions will maximize earnings by better responding to environmental changes in the mobile area, which continues to be a revenue driver. At the same time, it will invest resources in the development of new products and technologies in new areas such as sensing and automotive applications, with the aim of contributing to earnings. In addition, it will conduct ongoing investments in research and development and capital expenditure to maintain and enhance the technological superiority of the image sensor business.

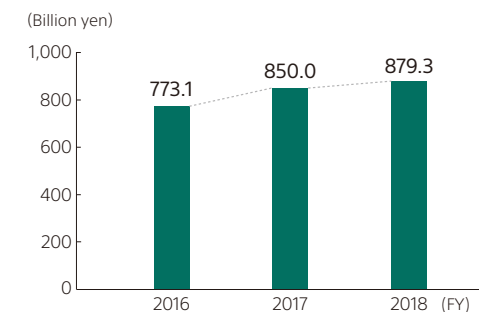
## FY2018 Achievements

Image sensors global market share by revenue **51%\***

Image sensors capital expenditure **¥128.9 billion**

\* Source: Sony

### Sales and Operating Revenue



Note: Figures are provided for reference only.

### One Sony Collaboration

- Proactive collaboration within Sony Group from the product development stage for digital interchangeable-lens cameras, mobile devices, robotics and other products, and development and provision of advanced image sensors
- Investigation of a new film production method using a depth sensing image sensor with the Sony Innovation Studio of Sony Pictures Entertainment

## Financial Services



Operation of life and non-life insurance, banking and nursing care businesses mainly for the Japanese market, and provision of high-value-added products and services tailored to each customer.

### Main Operating Companies

Sony Life Insurance Co., Ltd.  
Sony Assurance Inc.  
Sony Bank Inc.

## Business Vision

Become the most trusted financial services group by invoking emotion through the power of technology and high-value-added products and services that meet every customer's needs.

### Value Created

- 1 Enriching people's hearts through the delivery of emotional experiences**  
 Contributing to a society where people lead fuller lives by providing financial security, helping to build and manage asset portfolios, and promoting health. Making life planning more convenient by improving access to financial services and driving financial innovation.
- 2 Helping creators realize their dreams**  
 Supporting the financial foundations that help individual customers realize their dreams and corporate customers create value.
- 3 Contributing to society through the delivery of safety and reliability**  
 Deploying a wide range of information to offer pertinent advice, products and services that support individuals' lives. Offering customer-friendly contract procedures and accident response services that bring peace of mind, while contributing to the safety of the next-generation mobility society.

### Business Strengths

- Direct communication with customers to offer advice, products and services tailored to each person
- A business infrastructure that can provide high-quality products and services at reasonable prices (Sony Life policy amount in force: ¥49.5 trillion<sup>1</sup>; Sony Assurance direct premiums written: ¥112.1 billion<sup>2</sup>; Sony Bank retail balance: ¥4.2 trillion<sup>3</sup>)
- Utilization of technology and data, including through One Sony collaboration, to develop products and provide services that satisfy customers

### Notable Social and Technological Changes

- Trends and changes in Japan's financial environment including low interest rates, financial regulation, "customer-first" business operations and the spread of the cashless society
- Structural changes in consumption including a shift from goods to services and other intangibles, and the sharing economy
- Evolution of Fintech and distributed ledger technologies, advent of the AI/data society
- Advances in automobile safety equipment and automated driving

1. Sum of individual life insurance and individual annuities, as of March 31, 2019    2. Fiscal year ended March 31, 2019

3. Sum of yen deposits, foreign currency deposits, investment trusts, financial products intermediary services, mediated discretionary investment contracts and personal loans, as of March 31, 2019

## Strategic Key Points

### Background to Strategies

Over the mid-to-long term, market contraction, smaller profit margins and intensifying competition are forecast for Japan's financial services market due to factors including a declining population, low birth rate and aging population, and persistently low interest rates. Moreover, with technological innovations such as rapid advances in Fintech and the spread of AI, players from other industries are entering the financial industry. In addition, greater emphasis is being placed on the proper execution of fiduciary duty<sup>4</sup> in the management of financial institutions.

Since its inception, Sony Financial Group (SFG) has pursued a business model unlike traditional financial institutions with the goal of providing high-value-added products and services from differentiated businesses that meet individual needs. In contributing to society through the delivery of safety and reliability, SFG recognizes the importance of further strengthening cooperation among its companies to advance proposals tailored to each customer. SFG will continue to grow sustainably by utilizing the strengths of each company while generating synergies among them and expanding its business domains.

4. The obligation of one party to act in the best interest of another

### Strategic Direction

Under the theme of taking on the challenge of new growth, the term of SFG's current medium-term business plan will be a time for making strategic moves from a long-term perspective. In addition to targeting organic growth from existing business models, the plan will lay the groundwork for further

growth that takes full advantage of changes set to occur 10 years or more in the future.

Key strategies for organic growth based on "customer-first" business operations are: 1) Further enhance consulting-based sales and follow-up by "Lifeplanner" sales employees, and raise customer satisfaction; 2) Achieve sustainable growth in automobile insurance and diversify non-life insurance portfolio; 3) Strengthen foreign currency deposits and mortgage loans; and 4) Ensure steady post-startup progress of the nursing care business.

One new initiative for further growth entails accelerating the use of Fintech at each SFG company, centering on AI technology and internal and external collaboration. Another is to use the venture capital investment subsidiary established in 2018 to obtain financial returns and create new businesses, while strengthening One Sony collaboration and promoting M&A and alliances.

The above initiatives are expected to lead to continued expansion in all three of SFG's core businesses. New growth will require the generation of synergy among operating companies and strengthening SFG's core competency of providing products and services tailored to each customer. SFG will speed up the generation of synergy with other Sony Group companies through strategies that concentrate on a customer-first approach and responsiveness to change. SFG will support its customers' total financial needs with appealing, high-value-added products and services that conventional financial institutions cannot provide.

## FY2018 Achievements

Operating income **¥161.5 billion**

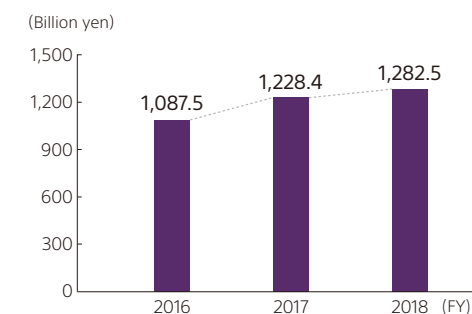
Sony Life:  
New policy amount **¥6.15 trillion**  
(16% increase from previous year)

Sony Assurance:  
First direct automobile  
insurance company  
in Japan to exceed **2 million contracts**<sup>1</sup>

Sony Bank: Home loan  
customer satisfaction ranking **No. 1**<sup>2</sup>  
(9 consecutive years)

1. As of March 31, 2019  
2. ORICON Customer Satisfaction Ranking 2019

### Sales and Operating Revenue



### One Sony Collaboration

- Collaboration with the R&D Center on new PHYD\* telematics insurance using AI analytics technology under development by Sony Assurance
- Sony Payment Service, a subsidiary of Sony Bank, provides payment handling services for the taxi dispatch service of Minnano Taxi Corporation, a Sony Group company

\* Pay How You Drive: Insurance policy linked to driver behavior



## Governance at Sony

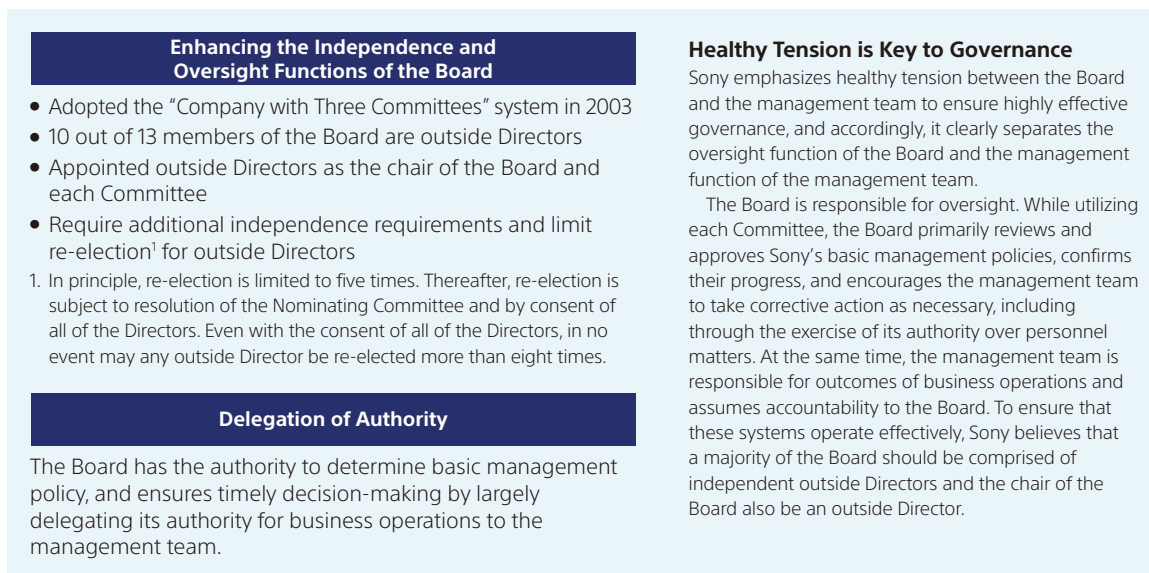
Historically, Sony has consistently focused on effective Group management by evolving its governance while diversifying its businesses, the regions it serves and its capital procurement methods. Sony therefore sees corporate governance as the basis for management that improves corporate value over the mid and long term as highly important, not simply as a response to legal requirements or social trends.

To realize Sony's Purpose and achieve sustainable corporate growth, Sony continuously strives to operate Sony Group effectively by maintaining objective, transparent and sound management and realizing timely and efficient decision-making.

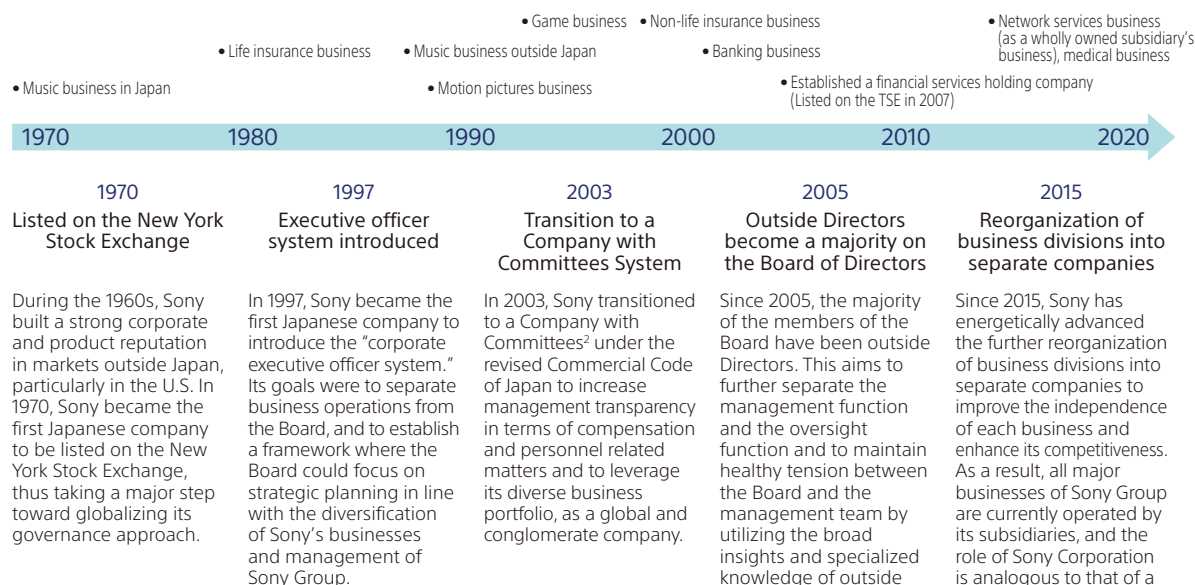
Sony clearly separates its management function and oversight function. It enhances the independence of the Board of Directors ("the Board") and its functions as an oversight organization to ensure objective, transparent and sound management. In addition, Sony enables timely and efficient decision-making by largely delegating authority for conducting Sony's business operations from the Board to the management team.

An outstanding governance system is increasingly important for earning greater trust from stakeholders. Sony will therefore work to further enhance its governance system.

## Sony's Governance System (Monitoring Model): Separation of Management and Oversight



## Evolution of Governance along with Diversification of Businesses and Capital Procurement



2. The amended Companies Act of Japan enforced in 2015 changed the nomenclature to "Company with Three Committees"

## Interview with the Chairman of the Board



**Shuzo Sumi**

Chairman of the Board  
Chair of the Nominating Committee  
Senior Executive Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd.  
Former Chairman of the Board,  
Tokio Marine Holdings, Inc.

### **Q1 | You were appointed Chairman of the Board in June 2019 after previously serving as Vice Chairman. What is your opinion of Sony's governance?**

To begin with, I can see that Sony has been working seriously for a long time to implement a comprehensive governance system that best serves its needs. Separating management and oversight is important. Sony has adopted the "Company with Three Committees" system, and a majority of the Board of Directors as well as the Chairman of the Board are outside Directors. With the help of Sony's Directors and management team, the current structure has evolved through steady refinement over more than half a century as the company's businesses have become more diverse and grown globally, and through contact with a wide range of stakeholders.

Effective oversight by outside Directors is critical to the functioning of this system. Sony's Directors and the management team are committed to making Sony a better company, and I believe that the relationships they have built with each other are working effectively. For example, in their dealings with the Board of Directors, CEO Kenichiro Yoshida and other members of the management team are always conscious of transparency, including the sharing of management issues. This is the foundation for open discussion. Conversely, outside Directors must conduct oversight based on a relationship of healthy tension with the executive side, while at the same time sharing the goal of enhancing corporate value over the mid to long term from the shareholders' perspective. Moreover, ample time is set aside at Board of Directors meetings for discussions with the management team on management policies, financial strategies and other matters, as well as review of business and confirmation of progress. I feel that this culture enhances the effectiveness of governance.

### **Q2 | What qualities do you consider essential for Sony's outside Directors?**

I think that a broad perspective and wide-ranging experience in corporate management are important for overseeing the management of Sony, which is a global company with a diverse business portfolio. Knowledge of related industries and technologies, as well as matters such as finance, accounting and risk management is also essential. However, it is difficult for one person to encompass all of these qualities, so the Board of Directors as a collective must contribute the necessary knowledge and experience.

From this standpoint, we added three new outside Directors in the fiscal year ending March 31, 2020. We are conscious of gender and regional diversity, as well as diversity in terms of business experience and qualities. As chair of the Nominating Committee, I will continue to work to enhance the composition of the Board of Directors.

### **Q3 | How do you view your role as Chairman of the Board of Sony?**

In terms of Sony's governance, I must bear in mind that the opinions of outside Directors will have a significant impact on Sony's overall direction. Discussions of various issues by diverse outside Directors are important, but if each of them simply expresses his or her third-party opinion, there is a risk of clouding rather than clarifying management. To achieve the goal of improving corporate value over the mid to long term, I believe a key role of the Chairman of the Board is to bring together the opinions of the outside Directors and lead the Board of Directors so that it can fulfill its oversight function. That is not an easy task, and I consider it a job that comes with great responsibility. I will do my best to maintain an open atmosphere and to enhance Sony's corporate value.

## Board of Directors

Note: Blue shading indicates outside Directors and non-executive Directors  
As of July 31, 2019

Name	Position / Principal Activities Outside Sony	Years as Director	Committee Membership / Assignment
1 Kenichiro Yoshida	President and Chief Executive Officer, Representative Corporate Executive Officer	5	Nominating Committee
2 Hiroki Totoki	Chief Financial Officer, Representative Corporate Executive Officer	Newly appointed	—
3 Shuzo Sumi* (Chairman of the Board)	Senior Executive Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd. Former Chairman of the Board, Tokio Marine Holdings, Inc.	2	Nominating Committee (Chair)
4 Kazuo Matsunaga* (Vice Chairman of the Board)	Chairman of the Board, Mitsubishi Fuso Truck and Bus Corporation Former Vice-Minister of Economy, Trade and Industry	5	Audit Committee (Chair)
5 Tim Schaaff (Non-executive Director)	Chief Product Officer, Intertrust Technologies Corporation Former President, Sony Network Entertainment International LLC	6	Director in charge of Information Security
6 Koichi Miyata*	Chairman of the Board, Sumitomo Mitsui Banking Corporation	5	Nominating Committee, Compensation Committee
7 John V. Roos*	Former United States Ambassador to Japan Founding Partner, Geodesic Capital	5	Nominating Committee
8 Eriko Sakurai*	Chairman and CEO, Representative Director, Dow Toray Co., Ltd.	5	Compensation Committee (Chair)
9 Kunihiro Minakawa*	Former Audit & Supervisory Board Member, Ricoh Company, Ltd.	2	Audit Committee
10 Toshiko Oka*	CEO, Oka & Company Ltd.	1	Audit Committee
11 Sakie Akiyama*	Founder, Saki Corporation	Newly appointed	Audit Committee
12 Wendy Becker*	Non-Executive Director, Logitech International S.A. Non-Executive Director, Great Portland Estates plc	Newly appointed	Compensation Committee
13 Yoshihiko Hatanaka*	Representative Director, Chairman of the Board, Astellas Pharma Inc.	Newly appointed	Nominating Committee

\* An outside Director who satisfies the requirements under Item 15, Article 2 of Japan's Companies Act



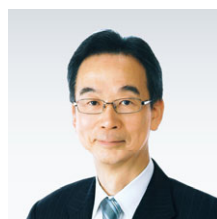
1 Kenichiro Yoshida



2 Hiroki Totoki



3 Shuzo Sumi



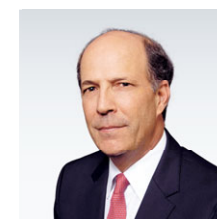
4 Kazuo Matsunaga



5 Tim Schaaff



6 Koichi Miyata



7 John V. Roos



8 Eriko Sakurai



9 Kunihito Minakawa



10 Toshiko Oka



11 Sakie Akiyama



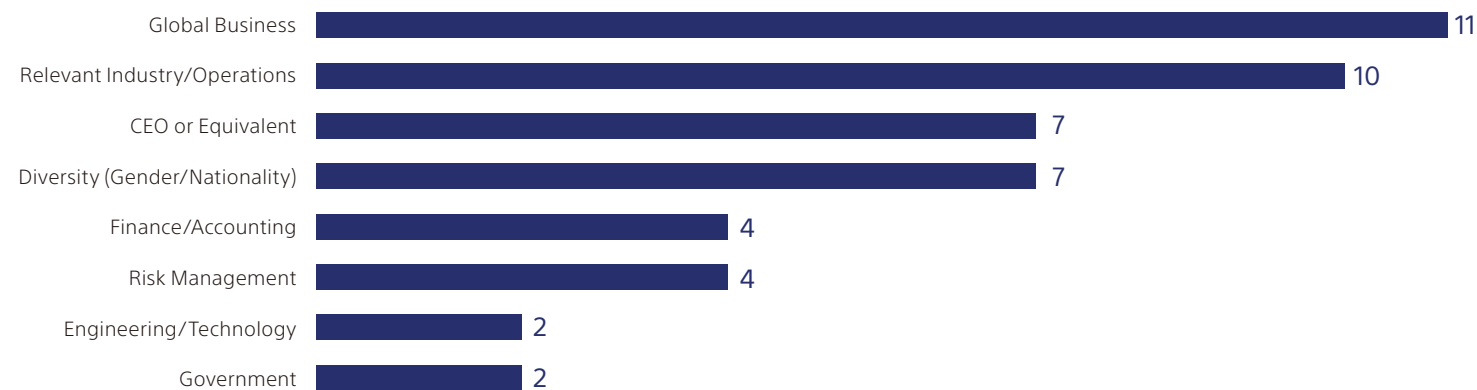
12 Wendy Becker



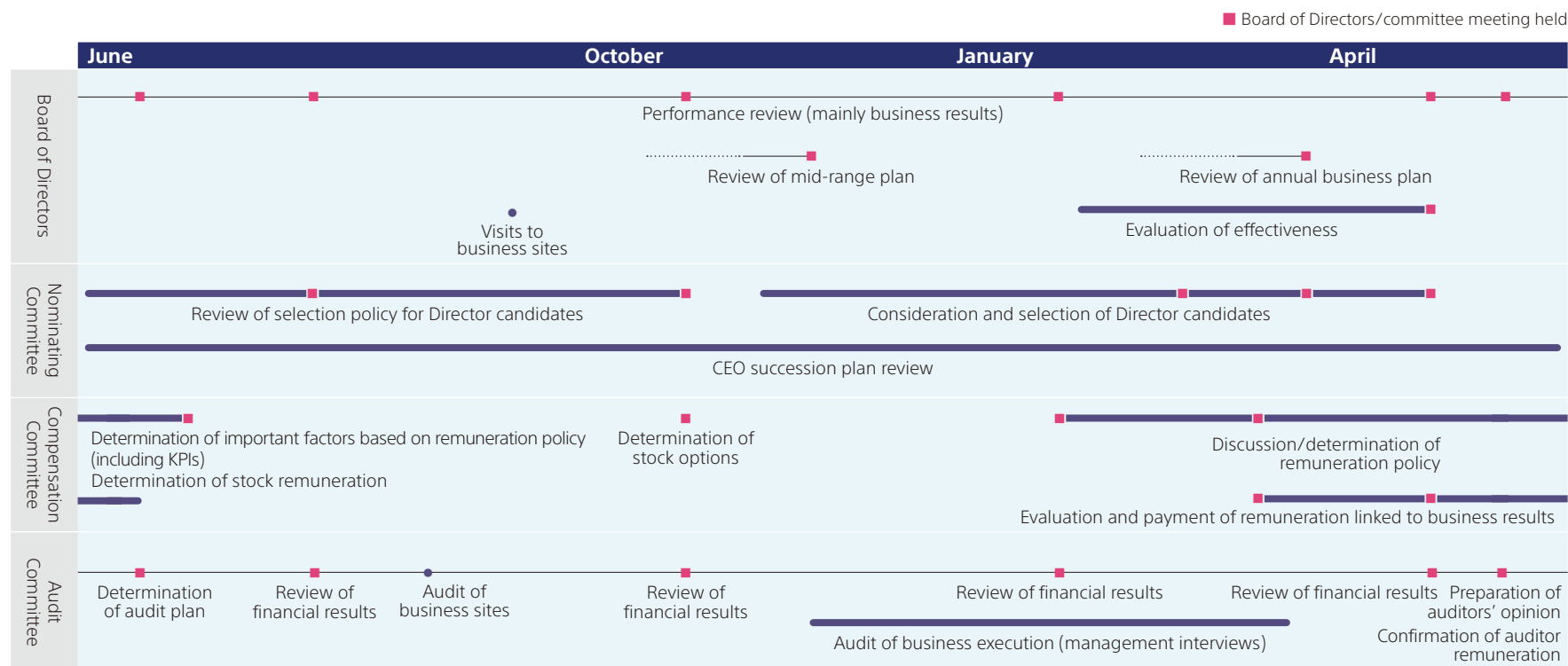
13 Yoshihiko Hatanaka

## Board Attributes & Skill Set (Outside & Non-Executive Directors)

(Persons)



## Overview of Annual Activity Cycle of the Board of Directors and Committees



## Continuously Improving Governance

Sony's governance is a continuously evolving management system. To improve the governance system, Sony has conducted evaluations of the effectiveness of the Board and each Committee ("Evaluation") annually since 2015.

From February through April 2019, the Board conducted the Evaluation in respect of the Board and Committee activities in the fiscal year ended March 31, 2019. To ensure transparency and objectivity and to obtain professional advice, the recent Evaluation was conducted with the support of a third-party evaluation

by an outside counsel having expertise in Japanese and global corporate governance practices ("Outside Counsel"). The Outside Counsel reported that the Board is established and operated in a manner sufficient to be highly appreciated, based on various points, including the self-evaluation results of the Directors and comparison with benchmarked companies in Japan, the United States and Europe. Following discussion and analysis based on the Outside Counsel's report, the Board re-affirmed that the Board and each Committee were functioning effectively.

The Outside Counsel also provided examples of potential options, based on other companies' practices, to help further improve effectiveness of the Board and Committees.

In order to increase corporate value, Sony will take appropriate actions to further enhance functions of the Board and the Committees in response to the results of the Evaluation, as well as various comments and opinions given by Directors and the Outside Counsel during the Evaluation process.



## Ensuring Transparent Compensation That Incentivizes Sound Management

Sony's Compensation Committee sets the policy on the content of individual compensation for Directors, Senior Executives and other officers, and determines the amount and content of individual compensation of Directors and Senior Executives in accordance with the policy. The Compensation Committee currently consists of three Directors, all of whom are outside Directors.

### Basic Policy regarding Director Remuneration

The basic policy for Director remuneration is to improve the oversight function over the business operations of Sony Group. Based on this policy, remuneration of Directors consists of fixed remuneration, remuneration linked to share price, and the Phantom Restricted Stock Plan. No compensation is linked to short-term performance.

Regarding remuneration linked to share price, restricted stock is used to further promote shared values between the shareholders and Directors, and incentivize Directors to develop and maintain a sound and

transparent management system. Appropriate restrictions and conditions are set in order to ensure the effectiveness of incentives.

Regarding the Phantom Restricted Stock Plan, in order to link remuneration to the mid- and long-term creation of corporate value, points determined by the Compensation Committee are granted to Directors every year during their tenure, and at the time of retirement, the remuneration amount is calculated by multiplying the common stock price by the individual's accumulated points.

### Basic Policy regarding Senior Executive Remuneration

The basic policy of Senior Executive remuneration is to provide effective incentives to improve business results on a short-, mid- and long- term basis in order to further improve corporate performance as a whole. Based on this policy, remuneration of Senior Executives consists of fixed remuneration, remuneration linked to business results, remuneration linked to share price, and the Phantom Restricted Stock Plan. The amount of each component and its percentage of total compensation are determined in accordance with the above basic policy and the individual's level of responsibility and based on research conducted by a third party regarding remuneration of management of both domestic and foreign companies, with an emphasis on linking remuneration to business results and shareholder value.

Remuneration linked to business results is determined based on the level of achievement of the targets of 1) certain key performance indicators linked to consolidated or individual business results of Sony of the corresponding fiscal year, such as return on equity, net income attributable to Sony Corporation's stockholders and operating cash flow, which indicators are selected based on the areas of responsibility of the relevant Senior Executive; and

2) the individual performance of the area(s) for which the relevant Senior Executive is responsible. The amount to be paid to Senior Executives fluctuates, in principle, within the range from 0 percent to 200 percent of the standard payment amount ("Business Results Linked Standard Payment Amount") based on the achievement of the above-mentioned targets. The Business Results Linked Standard Payment Amount is determined so that such amount is within a certain percentage of the cash remuneration (total of the fixed remuneration and the remuneration linked to business results), which percentage is determined in accordance with each individual's level of responsibility.


Remuneration linked to share price, such as stock options and restricted stock, is used to incentivize Senior Executives to increase mid- to long-term shareholder value. Appropriate restrictions and conditions are set in order to enhance the effectiveness of this program. The amount of remuneration linked to share price is determined, so that the amount is within a certain percentage of the total cash remuneration and remuneration linked to share price. The Phantom Restricted Stock Plan is similarly structured to that for Directors.

## Risk Management

Each business unit, subsidiary, affiliated company and corporate division of Sony Group periodically reviews and evaluates risks in its respective area of responsibility and works to find, report, evaluate and respond to risks that may cause losses.

Senior Executives, including the Corporate Executive Officers, have the authority and responsibility to establish and maintain a system to identify and control risks that may cause losses to Sony Group in their respective areas of responsibility, and set up and operate such risk management systems. The Corporate Executive Officer in charge of group risk control comprehensively promotes and manages the establishment and enhancement of the system through the activities with related departments.

Examples of risks that may significantly impact investor judgments include reduced market relevance and profitability due to intensifying competition from competitors; newly incurred costs to comply with laws and regulations in countries and regions where Sony operates; impairment of long-lived assets; and changes in consumption behavior caused by the increasing prevalence of new technologies and distribution platforms.

 Additional details regarding Sony's risk are available in *Annual Report under the Form 20-F for the fiscal year ended March 31, 2019*.

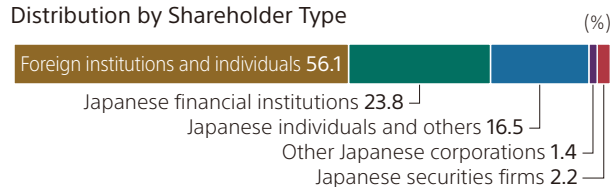
About Sony > Investor Relations > IR Library > SEC Filings  
<https://www.sony.net/SonyInfo/IR/library/sec.html>

# Group Information

## Corporate Data (As of March 31, 2019)

Company name	Sony Corporation
Founded	May 7, 1946
Headquarters	1-7-1 Konan, Minato-ku, Tokyo 108-0075, Japan
Common stock	¥874.2 billion
Subsidiaries	1,588 Consolidated subsidiaries: 1,556 (including variable interest entities) Equity-method affiliates: 133 Affiliated companies: 145
Headcount (consolidated)	114,400
Listed stock exchanges	Tokyo Stock Exchange (Japan) New York Stock Exchange (outside Japan)
Shares per unit	100
Fiscal year-end	March
Ordinary general meeting of shareholders	June
Number of shares issued	1,271,230,341
Number of shareholders	477,624

### Distribution by Shareholder Type



## Selection for ESG Indices



2019 Constituent  
MSCI ESG  
Leaders Indexes



MSCI Japan ESG  
Select Leaders Index



MSCI Japan Empower  
Women Index (WIN)

THE INCLUSION OF SONY CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF SONY CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

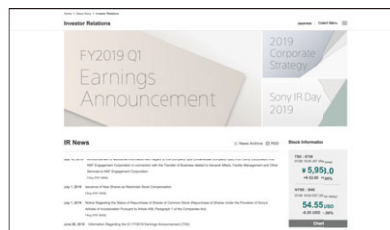
## Online Disclosure Policy

Sony ensures that disclosed information can be promptly updated in response to changes in business activities, the rapidly evolving environment, and social conditions by making disclosures primarily online.

Information is disclosed via the Investor Relations section of the website, which provides information on operating and financial status, and the CSR / Environment section of the website, which provides non-financial information including information relating to sustainability and corporate social responsibility.

### Investor Relations

<https://www.sony.net/IR/>



### Briefings for Investors

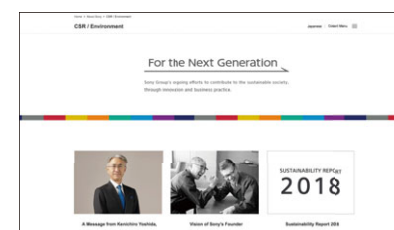
- Corporate Strategy Meeting
- IR Day
- ESG Briefing

### Financial Reports

- Securities Report (Japanese only)
  - SEC Filings
  - Sony Financial Holdings Annual Report
- [https://www.sonyfh.co.jp/en/financial\\_info/annualreport/](https://www.sonyfh.co.jp/en/financial_info/annualreport/)

### CSR / Environment

<https://www.sony.net/csr/>



- Sustainability Report
- Environment
- Community Engagement
- Accessibility and Usability
- Diversity & Inclusion

## Cautionary Statement

Statements made in this report 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 without Financial Services

Financial information without Financial Services presented in this report 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.

## Editorial Policy

Sony's *Corporate Report 2019* is an integrated report that covers the worldwide business activities of Sony Group on a consolidated basis. The report's purpose is to comprehensively communicate financial information, including business results, policies for mid-to-long-term value creation and business strategies, and non-financial information to Sony's stakeholders.

## Reporting Scope

**Scope:** Sony Corporation, consolidated subsidiaries and other companies within the scope of consolidation

**Period:** FY2018 (April 1, 2018–March 31, 2019)  
Certain subsequent information up to July 31, 2019 is also included.

Note: In this report, "Sony Group," "Sony" and "the Group," refer to Sony Corporation (the parent company operating in Japan) and all consolidated subsidiaries in which Sony Corporation holds a capital stake of more than 50%. For a list of consolidated subsidiaries please see Affiliated Companies (Consolidated Subsidiaries) on Sony's website.

## Affiliated Companies (Consolidated Subsidiaries)

### Japan

<https://www.sony.net/SonyInfo/CorporateInfo/Subsidiaries/>

### Outside Japan

<https://www.sony.net/SonyInfo/CorporateInfo/Subsidiaries/outside.html>

## Links to Websites of Sony Group Companies

<https://www.sony.co.jp/grouplink/> (Japanese only)

## Guidelines Referenced

*Integrated Reporting*, International Integrated Reporting Council  
*Guidance for Collaborative Value Creation*, Ministry of Economy, Trade and Industry, Government of Japan  
*Environmental Reporting Guidelines 2018*, Ministry of the Environment, Government of Japan  
*GRI Standards* (2016), Global Reporting Initiative

## Inquiries

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Tel.: +81 (0)3-6748-2111

**SONY**