SONY

Q2 FY2016 Consolidated Financial Results

(Three months ended September 30, 2016)

November 1, 2016

Sony Corporation

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

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I'm CFO Kenichiro Yoshida.

First, I would like to talk about the wrongful conduct that occurred at Sony LSI Design Inc. ("SLSI"), which we announced on Friday of last week. As we announced, we have discovered that certain former executives and employees of, a Sony affiliate company, illegally paid out company money and misappropriated part of it for themselves. At this point in time, we estimate that 900 million yen in damages were incurred by SLSI due to this wrongful conduct, which was repeated over a period of approximately four and a half years. Sony is considering lodging criminal charges and pursuing civil liability claims against those individuals responsible for perpetrating this misconduct. It is immensely regretful that this occurred, and I would like to profoundly apologize to all the parties concerned. We are working to further enhance our internal supervisory systems so as to prevent recurrence of such an incident.

■ Q2 FY2016 Consolidated Results and FY2016 Consolidated Forecast

■ Segments Outlook

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

Q2 FY2016 Loss Related to the Transfer of The Battery Business

(Bln Yen)

Operating Loss	Income Tax Expense
-32.8	-4.5

FY2016 Consolidated Results Forecast

(Bln Yen)

	FY16 July FCT	FY16 November FCT	Change from July FCT
Operating income	300	**270**	-30
Net income attributable to Sony Corporation's stockholders	80	**60**	-20

As we announced yesterday, we signed a definitive agreement with Murata Manufacturing Co., Ltd. related to the transfer of our battery business. Due to the recording of a loss related to the transfer of this business, we have downwardly revised our consolidated results forecast for the fiscal year. In the second quarter ended September 30, 2016, we recorded a 32.8 billion yen operating loss and 4.5 billion yen of income tax expense related to the transfer of the business. At this point in time, we expect these amounts will constitute essentially all of the losses we will incur as a result of this business transfer. Primarily due to the incorporation of these losses related to the business transfer, we have revised our forecast for consolidated operating income downward by 30 billion yen and our forecast for net income attributable to Sony Corporation's stockholders downward by 20 billion yen. Now, I will explain the second quarter results.

Q2 FY2016 Consolidated Results

(Bln Yen)

	Q2 FY15	Q2 FY16	Change
Sales & operating revenue	1,892.7	**1,688.9**	-10.8%
Operating income	88.0	**45.7**	-48.0%
Income before income taxes	72.2	**40.5**	-43.9%
Net income attributable to Sony Corporation's stockholders	33.6	**4.8**	-85.6%
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	26.10 yen	**3.76** yen	-85.6%
Restructuring charges[*1]	5.6	**32.6**	+481.2%
Additions to long-lived assets[*2]	115.8	**69.3**	-40.2%
Depreciation and amortization[*3]	97.0	**87.5**	-9.8%
Research and development expenses	114.3	**106.2**	-7.1%
Average rate			
1 US dollar	122.2 yen	**102.4** yen	
1 Euro	135.9 yen	**114.3** yen	

*1 Restructuring charges are included in operating income as operating expenses (applies to all following pages)
*2 Does not include the increase in intangible assets resulting from acquisitions (applies to all following pages)
*3 Includes amortization expenses for intangible assets and for deferred insurance acquisition costs (applies to all following pages)

Consolidated sales for the second quarter ended September 30, 2016 decreased 11% year-on-year to 1 trillion 688.9 billion yen. Consolidated operating income decreased 48% year-on-year to 45.7 billion yen. We estimate that the negative impact from the April 2016 Kumamoto Earthquakes (the "Kumamoto Earthquakes" or "Earthquakes") on the operating income of the second quarter ended September 30, 2016 was approximately 13.7 billion yen, including opportunity losses. Net income attributable to Sony Corporation's stockholders decreased 86% year-on-year to 4.8 billion yen.

1H FY2016 Consolidated Results

(Bln Yen)

	1H FY15	1H FY16	Change
Sales & operating revenue	3,700.8	**3,302.1**	-10.8%
Operating income	184.9	**101.9**	-44.9%
Income before income taxes	210.9	**97.5**	-53.8%
Net income attributable to Sony Corporation's stockholders	116.0	**26.0**	-77.6%
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	94.41 yen	**20.20** yen	-78.6%
Restructuring charges	15.7	**34.3**	+118.1%
Additions to long-lived assets	209.6	**135.3**	-35.4%
Depreciation and amortization	184.1	**181.1**	-1.6%
Research and development expenses	225.6	**216.3**	-4.1%
Average rate			
1 US dollar	121.8 yen	**105.3** yen	
1 Euro	135.0 yen	**118.2** yen	

This chart shows the consolidated results for the first half of FY16.

Q2 FY2016 Results by Segment [Reclassified]

(Bln Yen)

		Q2 FY15	Q2 FY16	Change	FX Impact
Mobile Communications (MC)	Sales	279.2	**168.8**	-39.6%	-5%
	Operating income	-20.6	**3.7**	+24.3 bln yen	+5.4 bln yen
Game & Network Services (G&NS)	Sales	360.7	**319.9**	-11.3%	-13%
	Operating income	23.9	**19.0**	-4.9 bln yen	-0.9 bln yen
Imaging Products & Solutions (IP&S)	Sales	180.9	**135.4**	-25.2%	-11%
	Operating income	23.1	**14.9**	-8.2 bln yen	-9.5 bln yen
Home Entertainment & Sound (HE&S)	Sales	289.1	**234.9**	-18.7%	-14%
	Operating income	15.8	**17.6**	+1.8 bln yen	-6.0 bln yen
Semiconductors	Sales	203.9	**193.7**	-5.0%	-17%
	Operating income	34.1	**-4.2**	-38.2 bln yen	-19.7 bln yen
Components	Sales	61.2	**46.7**	-23.7%	-13%
	Operating income	-1.5	**-36.6**	-35.1 bln yen	-1.6 bln yen
Pictures	Sales	183.7	**192.1**	+4.6%	-20%
	Operating income	-22.5	**3.2**	+25.7 bln yen	
Music	Sales	139.1	**150.2**	+8.0%	-11%
	Operating income	14.3	**16.5**	+2.3 bln yen	
Financial Services	Revenue	210.7	**260.5**	+23.6%	
	Operating income	41.2	**33.6**	-7.6 bln yen	
All Other	Sales	84.3	**58.7**	-30.4%	
	Operating income	3.1	**4.2**	+1.2 bln yen	
Corporate and elimination	Sales	-100.0	**-71.9**	-	
	Operating income	-22.7	**-26.1**	-3.3 bln yen	
Consolidated total	Sales	1,892.7	**1,688.9**	-10.8%	
	Operating income	88.0	**45.7**	-42.3 bln yen	

· Due to Sony's modification to its organizational structure in FY2016, certain figures in past fiscal years have been reclassified to conform to the presentation of FY2016 (applies to all following pages)
· Sales and Revenue in each business segment represents sales and revenue recorded before intersegment transactions are eliminated. Operating income in each business segment represents operating income reported before intersegment transactions are eliminated and excludes unallocated corporate expenses (applies to all following pages)
· Both Sales and Revenue include operating revenue and intersegment sales (applies to all following pages)
· For definition of FX Impact, please see P.10 of "Consolidated Financial Results for the Second Quarter Ended September 30, 2016" (applies to all following pages)

This chart shows the results of each segment for the second quarter. The operating results of the Semiconductor segment and the Components segment, including the battery business, significantly deteriorated year-on-year. On the other hand, the Pictures and MC segments, which recorded losses in the same quarter of the previous fiscal year, had a significant improvement in operating results.

1H FY2016 Results by Segment [Reclassified]

(Bln Yen)

		1H FY15	1H FY16	Change	FX Impact
Mobile Communications (MC)	Sales	559.7	**354.7**	-36.6%	-4%
	Operating income	-43.5	**4.1**	+47.6 bln yen	+9.8 bln yen
Game & Network Services (G&NS)	Sales	649.3	**650.3**	+0.2%	-12%
	Operating income	43.4	**63.0**	+19.6 bln yen	-2.2 bln yen
Imaging Products & Solutions (IP&S)	Sales	345.7	**257.6**	-25.5%	-10%
	Operating income	40.8	**22.4**	-18.5 bln yen	-15.2 bln yen
Home Entertainment & Sound (HE&S)	Sales	542.2	**470.8**	-13.2%	-13%
	Operating income	26.7	**37.8**	+11.1 bln yen	-8.5 bln yen
Semiconductors	Sales	391.2	**338.2**	-13.6%	-13%
	Operating income	66.8	**-47.7**	-114.5 bln yen	-28.0 bln yen
Components	Sales	118.2	**90.8**	-23.2%	-11%
	Operating income	-3.8	**-41.4**	-37.6 bln yen	-2.8 bln yen
Pictures	Sales	355.3	**375.4**	+5.7%	-17%
	Operating income	-34.2	**-7.4**	+26.7 bln yen	
Music	Sales	269.6	**292.1**	+8.4%	-10%
	Operating income	45.9	**32.4**	-13.5 bln yen	
Financial Services	Revenue	490.1	**493.2**	+0.6%	
	Operating income	87.1	**82.1**	-5.0 bln yen	
All Other	Sales	161.5	**118.9**	-26.4%	
	Operating income	1.1	**2.2**	+1.1 bln yen	
Corporate and elimination	Sales	-182.1	**-139.8**	-	
	Operating income	-45.4	**-45.6**	-0.2 bln yen	
Consolidated total	Sales	3,700.8	**3,302.1**	-10.8%	
	Operating income	184.9	**101.9**	-83.0 bln yen	

This chart shows the results for the first half of FY16 by segment.

FY2016 Consolidated Results Forecast

(Bln Yen)

	FY15	FY16 July Forecast	FY16 November Forecast	Change from July Forecast
Sales & operating revenue	8,105.7	7,400	**7,400**	-
Operating income	294.2	300	**270**	-10.0%
Income before income taxes	304.5	270	**250**	-7.4%
Net income attributable to Sony Corporation's stockholders	147.8	80	**60**	-25.0%
Restructuring charges	38.3	12	**42**	+250.0%
Additions to long-lived assets	468.9	345	**335**	-2.9%
Depreciation & amortization	397.1	385	**385**	-
Research & development expenses	468.2	450	**450**	-
Foreign exchange rates	Actual	Assumption (Q2-Q4 FY16)	**Assumption (2H FY16)**	
1 US dollar	120.1 yen	Approx. 103 yen	Approx. **101 yen**	
1 Euro	132.6 yen	Approx. 114 yen	Approx. **113 yen**	

Next is the consolidated results forecast for the current fiscal year, which I mentioned before. Sales remain unchanged from the forecast we announced in July. Operating income was downwardly revised by 30 billion yen to 270 billion yen, primarily due to the incorporation of the loss related to the transfer of the battery business. Net income attributable to Sony's stockholders was downwardly revised by 20 billion yen to 60 billion yen primarily due to an improvement in other income. Our foreign exchange rate assumptions for the second half of the current fiscal year are 101 yen to the U.S. dollar and 113 yen to the euro, as is shown here.

Estimated Impact of the 2016 Kumamoto Earthquakes on Operating Income

(Bln yen)

		July FCT	Nov FCT	Change from July FCT	Estimated Impact on Q1	Estimated Impact on Q2	Estimated Impact on 1H
Imaging Products & Solutions (IP&S)	**Earthquake Impact** (Opportunity losses only)	-26	**-10.5**	+15.5	-7.0	**-3.0**	**-10.0**
Semiconductors	**Total Earthquake Impact**	-48	**-39.5**	+8.5	-24.7	**-9.9**	**-34.6**
	Physical Damage	-18	-16.5	+1.5	-6.8	-7.2	-14.0
	Recovery expenses and others	-4	-2.7	+1.3	-1.3	-0.3	-1.6
	Opportunity Losses	-26	-20.3	+5.7	-16.6	-2.4	-19.0
Corporate	**Earthquake Impact** (Opportunity losses only)	-6	**-3.5**	+2.5	-2.5	**0.8**	**-3.3**
Consolidated total	**Total Earthquake Impact**	-80	**-53.5**	+26.5	-34.2	**-13.7**	**-47.9**
	Physical Damage	-18	-16.5	+1.5	-6.8	-7.2	-14.0
	Recovery expenses and others	-4	-2.7	+1.3	-1.3	-0.3	-1.6
	Opportunity Losses	-58	-34.3	+23.7	-26.1	-6.2	-32.3

- Figures shown above do not include expected insurance recoveries
- Opportunity losses include idle facility costs at manufacturing sites and lost profit from missed sales opportunities
- Opportunity losses in Corporate are fixed costs that were scheduled to be allocated to the IP&S and Semiconductors segments based on sales, but are no longer expected to be allocated , because the sales of the two segments are expected to be lower than originally expected.

As is shown in this slide, the negative impact of the Kumamoto Earthquakes on our annual operating income is expected to decrease to approximately 53.5 billion yen from the 80 billion yen we announced in July, due to quicker-than-expected rehabilitation of our Kumamoto factory.

FY2016 Results Forecast by Segment [Reclassified]

(Bln Yen)

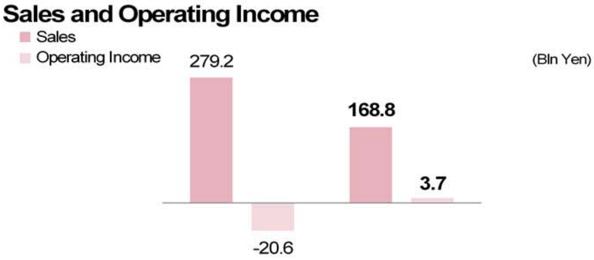
		FY15	FY16 July FCT	FY16 November FCT	Change from July FCT
Mobile Communications (MC)	Sales	1,127.5	840	**780**	-7.1%
	Operating income	-61.4	5	**5**	-
Game & Network Services (G&NS)	Sales	1,551.9	1,590	**1,590**	-
	Operating income	88.7	135	**135**	-
Imaging Products & Solutions (IP&S)	Sales	684.0	540	**560**	+3.7%
	Operating income	69.3	22	**34**	+12.0 bln yen
Home Entertainment & Sound (HE&S)	Sales	1,159.0	1,000	**1,010**	+1.0%
	Operating income	50.6	41	**47**	+6.0 bln yen
Semiconductors	Sales	739.1	700	**710**	+1.4%
	Operating income	14.5	-64	**-53**	+11.0 bln yen
Components	Sales	224.6	200	**190**	-5.0%
	Operating income	-42.9	-12	**-48**	-36.0 bln yen
Pictures	Sales	938.1	920	**910**	-1.1%
	Operating income	38.5	38	**29**	-9.0 bln yen
Music	Sales	619.2	550	**550**	-
	Operating income	86.5	63	**63**	-
Financial Services	Revenue	1,073.1	1,140	**1,140**	-
	Operating income	156.5	150	**150**	-
All Other, Corporate and elimination	Operating income	-106.1	-78	**-92**	-14.0 bln yen
Consolidated total	Sales	8,105.7	7,400	**7,400**	-
	Operating income	294.2	300	**270**	-30.0 bln yen

Segment Forecast Rate Assumption (2H FY16)	
1 US dollar	101 yen
1 Euro	113 yen

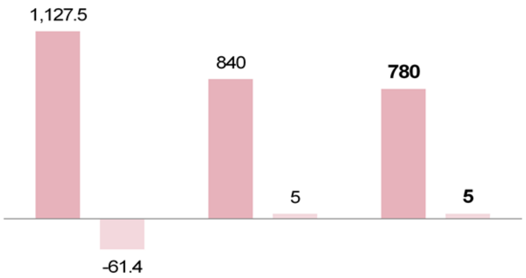
Here you can see the current fiscal year forecast by segment. We downwardly revised the operating income forecasts in the Components segment, including the battery business, and the Pictures segment compared with the July forecast. On the other hand, we upwardly revised the operating income forecast in the Imaging Products & Solutions, Semiconductors and Home Entertainment & Sound segments. I will now explain the current situation in each segment.

Mobile Communications Segment

Sales and Operating Income



(Mln Units)	Q2 FY15	**Q2 FY16**
Smartphones	6.7	**3.5**



(Mln Units)	FY15	FY16 July FCT	**FY16 Nov FCT**
Smartphones	24.9	19	**17**

Q2 FY2016 (year-on-year)

- Sales: 39.6% decrease (FX Impact: -5%)
  - (–) Significant decrease in smartphone unit sales
    - (–) Reduction in mid-range smartphone unit sales
    - (–) Reduction in smartphone unit sales in unprofitable regions where downsizing measures were implemented during FY15
  - (+) Improvement in product mix of smartphones as a result of a concentration on high value-added models
- OI: 24.3 bln yen profitability improvement (FX Impact: +5.4 bln yen)
  - (+) Cost reductions mainly resulting from the benefit of restructuring initiatives
  - (+) Improvement in product mix as a result of a concentration on high value-added models
  - (+) Positive impact of foreign exchange rates
  - (+) Decrease in restructuring charges
  - (–) Decrease in sales

FY2016 Forecast (change from July forecast)

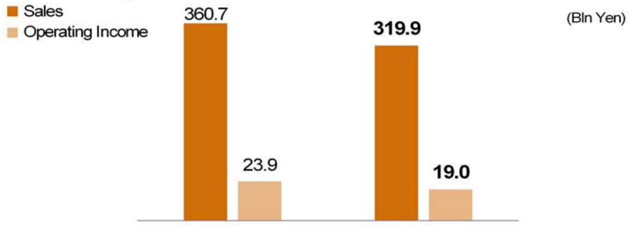
- Sales: 7.1% downward revision
  - (–) Expected decrease in smartphone unit sales
- OI: Unchanged from July forecast
  - (+) Better-than-expected improvement in product mix as a result of a concentration on high value-added models
  - (+) Impact of cost reductions
  - (–) Decrease in sales

First I will explain the Mobile Communications segment. This fiscal year, we are reducing mid-range smartphone model unit sales and downsizing the scale of the business in unprofitable regions. Sales for the quarter decreased 40% year-on-year due to these initiatives and an underperformance of sales in Europe, where we have a large number of unit sales. The primary reason for the sales underperformance was that our product lineup launched this spring did not meet the needs of the market. Operating results improved 24.3 billion yen year-on-year and 3.7 billion yen in operating income was recorded due to the improvement in the profitability of the business, mainly resulting from cost reductions.

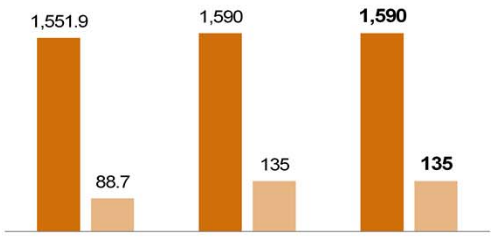
We have downwardly revised our sales forecast for the fiscal year by 60 billion yen, due to a downward revision of our annual smartphone unit sales forecast by 2 million units to 17 million units, primarily resulting from the underperformance in Europe that I mentioned earlier. Our operating income forecast for this fiscal year remains unchanged. This is primarily because the impact of the lower sales is expected to be offset by our ability to ship our flagship model in line with expectations, fixed cost reductions and a positive impact from exchange rates. Although we recorded operating profit in the first half, the business is subject to significant risks, such as market environment volatility, and recent underperformance in Europe. Thus, we are conservatively forecasting our performance in the second half. We aim to achieve operating profit for this fiscal year.

Game & Network Services Segment

Sales and Operating Income



(Mln Units)	Q2 FY15	**Q2 FY16**
PS4	4.0	**3.9**



(Mln Units)	FY15	FY16 July FCT	**FY16 Nov FCT**
PS4	17.7	20	**20**

Q2 FY2016 (year-on-year)

- Sales: 11.3% decrease (FX Impact: -13%)
  - ·(–) Impact of foreign exchange rates
  - ·(–) Impact of price reduction for PS4 hardware
  - ·(+) Increase in PS4 software sales including sales through the network
- OI: 4.9 bln yen decrease (FX Impact: -0.9 bln yen)
  - ·(–) Effects of price reduction for PS4 hardware
  - ·(–) Decrease in PS3 software sales
  - ·(+) PS4 hardware cost reductions
  - ·(+) Increase in PS4 software sales including sales through the network

FY2016 Forecast (change from July forecast)

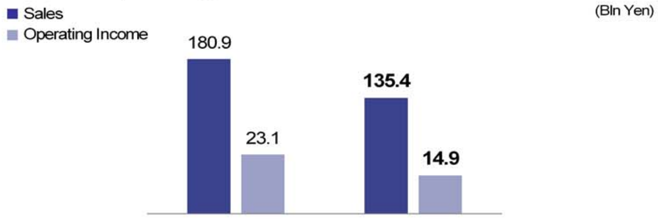
- Sales: Remains unchanged from the July forecast
- OI: Remains unchanged from the July forecast
  - ·(+) Increase in network sales
  - ·(–) Impact of a change in launch dates of certain software titles

Next I will explain the Game & Network Services segment. Sales and operating income for the current quarter decreased year-on-year, and 19.0 billion yen of operating income was recorded. The year-on-year decrease in sales was mainly due to the appreciation of the yen. The current quarter was a period during which our hardware was changing due to the launch of a new model of PS4 in September. The year-on-year decrease in operating income was primarily due to the price cut of the new PS4 model. The negative impact on operating income of the price cut was partially offset by continued cost reductions, but operating income for the segment decreased due to the residual impact of decreased PS3 software sales. However, the strong momentum of the business continues, as is shown in the 31% year-on-year increase in network revenues. The sales of PS VR, which was launched in October, are on track. Furthermore, this month, we plan to launch the PS4 Pro, a high value-added model.

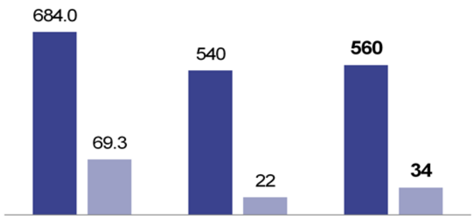
Our operating income forecast for this fiscal year remains unchanged.

Imaging Products & Solutions Segment

Sales and Operating Income



(Mln Units)	Q2 FY15	**Q2 FY16**
Digital Cameras*	1.6	**0.8**



(Mln Units)	FY15	FY16 July FCT	**FY16 Nov FCT**
Digital Cameras*	6.1	3.4	**3.8**

Q2 FY2016 (year-on-year)

- Sales: 25.2% decrease (FX Impact: -11%)
  - ·(–) Lower sales of Still and Video Cameras primarily reflecting a contraction of the market and the difficulty of procuring components due to the 2016 Kumamoto Earthquakes
  - ·(–) Impact of foreign exchange rates
  - ·(+) Improvement in the product mix of Still and Video Cameras reflecting a shift to high value-added models
- OI: 8.2 bln yen decrease (FX Impact: - 9.5 bln yen)
  - ·(–) Decrease in sales
  - ·(–) Negative impact of foreign exchange rates
  - ·(+) Improvement in Still and Video Cameras product mix
  - ·(+) Reduction of fixed costs

FY2016 Forecast (change from July forecast)

- Sales: 3.7% upward revision
  - ·(+) Faster-than-expected recovery in supply of components of Still and Video Cameras which were impacted by the 2016 Kumamoto Earthquakes
  - ·(+) Faster-than-expected recovery in shipments of Still and Video Cameras
  - ·(+) A shift to high value-added models
- OI: 12.0 bln yen upward revision
  - ·(+) Increase in sales

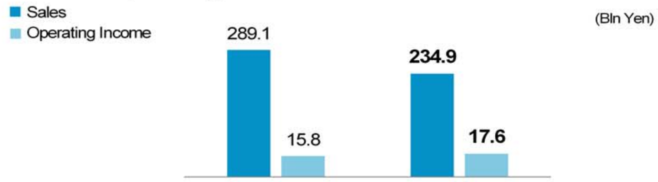
* Includes compact digital cameras and interchangeable single-lens cameras / Excludes interchangeable lenses (applies to all following pages)

Next I will explain the Imaging Products & Solutions segment. Sales for the quarter decreased 25% year-on-year. Although the impact of the decrease in sales was partially offset by an improvement in product mix, cost reduction and other factors, operating income decreased 8.2 billion yen year-on-year to 14.9 billion yen, mainly due to the negative impact of the appreciation of the yen. The negative impact on operating income from the Kumamoto Earthquakes is estimated to have been approximately 3 billion yen for the quarter.

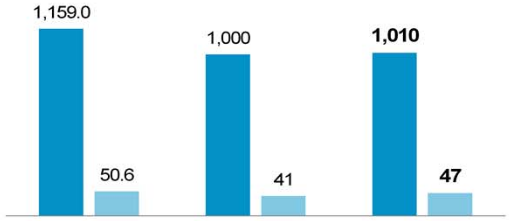
We have upwardly revised our operating income forecast by 12 billion yen to 34 billion yen from the July forecast. The revision was primarily due to an increase in the supply of image sensors due to a quicker-than-expected recovery from the Earthquakes. We are working to maximize profitability by allocating the additional image sensors to high value-added products.

Home Entertainment & Sound Segment

Sales and Operating Income



(Mln Units)	Q2 FY15	**Q2 FY16**
LCD TVs	3.0	**3.1**



(Mln Units)	FY15	FY16 July FCT	**FY16 Nov FCT**
LCD TVs	12.2	12	**12**

Q2 FY2016 (year-on-year)

- Sales: 18.7% decrease (FX Impact: -14%)
  - ·(–) Impact of foreign exchange rates
  - ·(–) Decrease in home audio and video unit sales reflecting a contraction of the market
- OI: 1.8 bln yen increase (FX Impact: -6.0 bln yen)
  - ·(+) Improvement in product mix reflecting a shift to high value-added models
  - ·(+) Cost reductions
  - ·(–) Negative impact of foreign exchange rates
  - ·(–) Decrease in sales

FY2016 Forecast (change from July forecast)

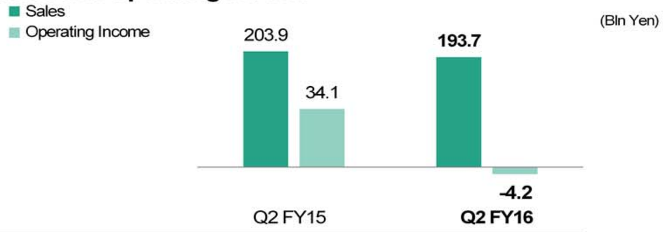
- Sales: 1.0% upward revision
  - ·(+) Strong performance of LCD televisions
- OI: 6 bln yen upward revision
  - ·(+) Increase in sales

Next I will explain the Home Entertainment & Sound segment. Although sales decreased 19% year-on-year, operating income increased 1.8 billion yen to 17.6 billion yen. Despite the decrease in sales from the negative impact of the appreciation of the yen, we were able to continue to achieve an increase in operating income due to a shift to higher value-added products and cost reductions.

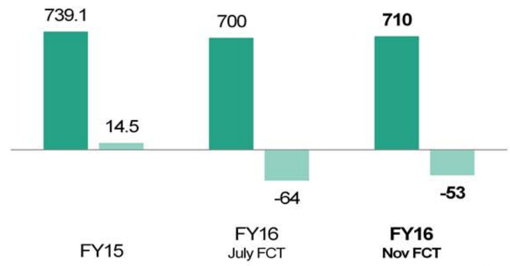
Fiscal year operating income has been revised upward by 6 billion yen, compared with the July forecast, to 47 billion yen, primarily due to the strong performance of the television business in the first half of the fiscal year.

Semiconductors Segment

Sales and Operating Income



	Q2 FY15	**Q2 FY16**
Image Sensors Sales	140.9	**133.2**



	FY15	FY16 July FCT	**FY16 Nov FCT**
Image Sensors Sales	477.6	480	**490**
Additions to long-lived assets for Semiconductors Segment	260.0	110	**100**
for Image Sensors (included above)	206.0	60	**50**

Q2 FY2016 (year-on-year)

- Sales: 5.0% decrease (FX Impact: -17%)
  - ·(–) Decrease in sales of image sensors
    - ·(–) Impact of foreign exchange rates
    - ·(+) Increase in unit sales of image sensors for mobile products
- OI: 38.2 bln yen deterioration (FX Impact: -19.7 bln yen)
  - ·(–) Negative impact of foreign exchange rates
  - ·(–) 9.4 bln yen in inventory write-downs of certain image sensors for mobile products
  - ·(–) Net expenses of 1.2 bln yen resulting from the 2016 Kumamoto Earthquakes*
  - ·(+) Increase in unit sales of image sensors for mobile products

FY2016 Forecast (change from July forecast)

- Sales: 1.4% upward revision
  - ·(+) Increase in sales of image sensors
    - ·(+) Stronger-than-expected increase in demand for image sensors for mobile products
    - ·(+) Shorter-than-expected delay in production from the 2016 Kumamoto Earthquakes
- OI: 11 bln yen upward revision
  - ·(+) Increase in sales

* Includes repair costs of certain fixed assets and a loss on disposal of inventories directly damaged by the earthquakes (net of probable insurance recoveries) as well as idle facility costs at manufacturing sites affected by the earthquakes. Does not include lost profit from missed sales opportunities.

Next I will explain the Semiconductors segment. Sales for the quarter decreased 5% year-on-year and an operating loss of 4.2 billion yen was recorded, a deterioration of 38.2 billion yen year-on-year. The significant decrease in operating income was primarily due to a 19.7 billion yen negative impact from the appreciation of the yen and 9.4 billion yen of inventory write-downs on certain image sensor models.

The write-down was on inventory of certain models we decided to stockpile last fiscal year, and approximately 20 billion yen remains, but we think we can liquidate that inventory going forward.

We are forecasting a loss of 53 billion yen, a reduction in loss of 11 billion yen compared with the July forecast, primarily due to strong demand from Chinese manufacturers and a smaller negative impact from the Kumamoto Earthquakes than had been anticipated.

Semiconductors Segment (image sensors)

- **View of the Operating Environment**
  - **For smartphones**
  - **For AV and surveillance cameras**
  - **For automotive**

- **Issues for Management Leading Into Next Fiscal Year**

I will now briefly explain my view of the operating environment in the semiconductor business. First, in regards to image sensors for mobile use, which is our core business, some of the product we had expected to ship slipped into the third quarter, but demand recently has been quite strong, including from Chinese makers. Price on a dollar basis is stable. On the whole, orders going into next year are strong. In addition, we expect the proportion of dual-lens cameras to increase above the level we expected at the beginning of this fiscal year. However, since the market for smartphone sensors changes quickly, we continue to monitor market trends. In the first half of the fiscal year, image sensors for applications other than smartphones, like AV and surveillance cameras, were significantly impacted by the Earthquakes. Going forward, we are working to improve our profitability by focusing on the high value-added part of the market. Growth continues to be strong in the surveillance and drone segment. As for automotive, Denso Corporation announced the other day that it would use our automotive sensor, but we think that it will take time for the market to expand meaningfully.

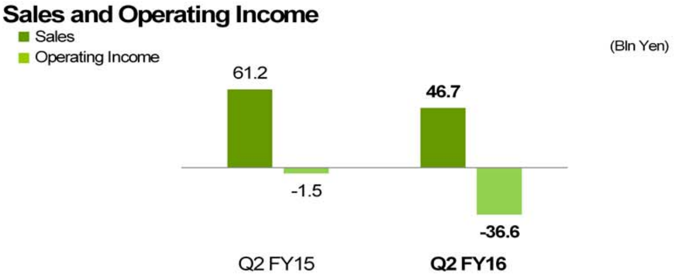
Semiconductors Segment (image sensors)

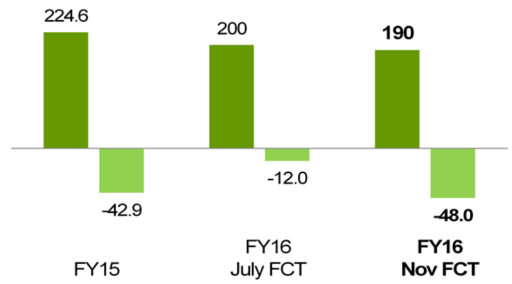
- **View of the Operating Environment**
  - **For smartphones**
  - **For AV and surveillance cameras**
  - **For automotive**
- **Issues for Management Leading Into Next Fiscal Year**

Next I will discuss the issues facing management. This fiscal year, there are several factors that are negatively impacting results, such as approximately 30 billion yen in impact from the Earthquakes (net of insurance recoveries), approximately 30 billion yen in expenses related to the exit from high-functionality camera modules, and the inventory write-downs on certain models I mentioned previously. However, the biggest challenge that will continue into next fiscal year is how to respond to the appreciation of the yen, which is expected to have an approximately 63 billion yen negative impact on operating income this fiscal year compared to the previous fiscal year. What we can do on the sales front is increase the proportion of high-unit price custom products for smartphones and increase sales of relatively higher margin sensors for AV and surveillance applications. What we can do on the cost front is internalize the manufacturing of a portion of logic process and cut other costs across the entire semiconductor company, including the reduction of research and development expenses. These are the challenges management needs to overcome to improve the profitability of Sony Semiconductor Solutions, which began its operation as a separate subsidiary in April of this year.

Components Segment

Sales and Operating Income





Q2 FY2016 (year-on-year)

- Sales: 23.7% decrease (FX Impact: -13%)
  - ·(–) Impact of foreign exchange rates
  - ·(–) Decrease in sales in the battery business due to increasingly competitive markets
- OI: 35.1 bln yen deterioration (FX Impact: -1.6 bln yen)
  - ·(–) Impairment charge related to the planned transfer of the battery business

FY2016 Forecast (change from July forecast)

- Sales: 5.0% downward revision
  - ·(–) Lower-than-expected sales in the battery business
  - ·(–) Lower-than-expected sales of recording media
- OI: 36 bln yen downward revision
  - ·(–) Impairment charges related to the planned transfer of the battery business
  - ·(–) Decrease in sales

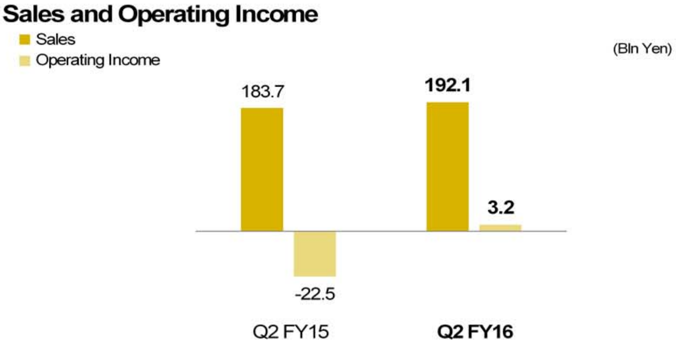
Next I will explain the Components segment. Sales for the quarter decreased 24% year-on-year due to the impact of the appreciation of the yen and a decrease in sales in the battery business. A 32.8 billion yen operating loss related to the transfer of the battery business was recorded, as I mentioned earlier. As a result, a 36.6 billion yen operating loss was recorded for the segment.

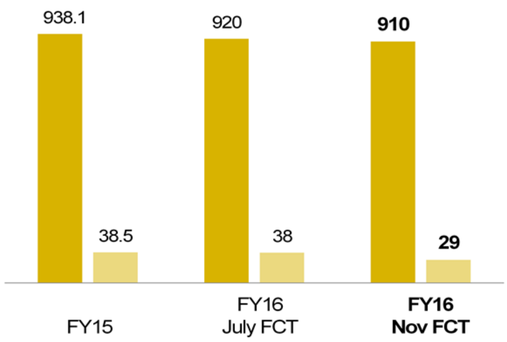
The fiscal year forecast for operating results has been revised downward by 36 billion yen to an operating loss of 48 billion yen, due to the loss related to the transfer of the battery business and a downward revision in forecasted sales.

We plan to complete the transfer of the battery business in the beginning of April 2017. We aim to transfer the business smoothly through close cooperation between both companies.

Pictures Segment

Sales and Operating Income





Q2 FY2016 (year-on-year)

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

- Sales: 4.6% increase (U.S. dollar basis: +25%)
  - (+) Significantly higher sales of Motion Pictures
    - (+) Higher theatrical revenues from films released in the current quarter including *Ghostbusters*, *Sausage Party* and *Don't Breathe*
  - (+) Significantly higher sales of Television Productions
    - (+) Higher subscription video-on-demand licensing revenues for *The Crown* and *The Get Down*.
  - (+) Higher sales of Media Networks
    - (+) Higher advertising and subscription revenues in India, Europe and Latin America
- OI: 25.7 bln yen improvement (+215 million U.S. dollar)
  - (+) Increase in sales

FY2016 Forecast (change from July forecast)

- Sales: 1.1% downward revision
  - (–) Decrease in Media Networks revenues
  - (–) Negative impact of the appreciation of the yen against the U.S. dollar
  - (+) Increase in Motion Pictures revenues
    - (+) Higher-than-expected home entertainment revenues
    - (+) Higher-than-expected TV license revenues
    - (–) Lower-than-expected theatrical revenues
- OI: 9 bln yen downward revision
  - (–) Lower-than-expected theatrical revenues in Motion Pictures
  - (–) Decrease in Media Networks revenues

Next I will explain the Pictures segment. Sales for the quarter increased 5% year-on-year mainly due to an increase in theatrical revenues of motion picture titles. Operating income of 3.2 billion yen was recorded, compared with a 22.5 billion yen loss in the same quarter of the previous fiscal year, due to the impact of the increase in sales.

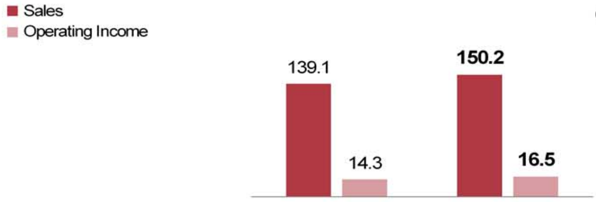
The fiscal year forecast for operating income has been revised downward by 9 billion yen to 29 billion yen. This was primarily due to lower-than-expected theatrical revenue and lower-than-expected Media Networks revenue compared to the level of the July forecast.

The turnaround of Motion Pictures, the most challenging of the three business categories in the Pictures segment, is progressing, but it takes time for the benefit to be realized, and we believe there is a possibility that we may not meet the operating income target we gave for next fiscal year at the IR Day in June. While continuing to strengthen our marketing outside of the U.S. and augmenting IP, we plan to work with the new CFO of Sony Pictures Entertainment, who joined in July, to further enhance financial discipline.

Music Segment

Sales and Operating Income

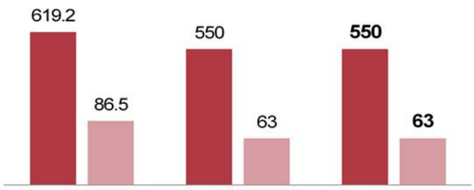
(Bln Yen)



	Q2 FY15	**Q2 FY16**
Recorded Music Category Revenue	90.6	**89.8**
Streaming* Revenue (included above)	24.9	**31.5**

Q2 FY2016 (year-on-year)

- Sales: 8.0% increase (FX Impact: -11%)
  - ·(+) Increase in sales of Visual Media and Platform due to strong performance of *Fate/Grand Order*, a game application for mobile devices
  - ·(+) Increase in sales of Recorded Music due to increase in digital streaming revenues
  - ·(–) Impact of the appreciation of the yen against the U.S. dollar
- OI: 2.3 bln yen increase
  - ·(+) Higher sales of Recorded Music
  - ·(+) Higher sales of Visual Media and Platform
  - ·(–) Negative impact of the appreciation of the yen against the U.S. dollar



	FY15	FY16 July FCT	**FY16 Nov FCT**
Recorded Music Category Revenue	412.7	-	**-**
Streaming* Revenue (included above)	110.2	-	**-**

FY2016 Forecast

- Sales / OI: Remain unchanged from July forecast

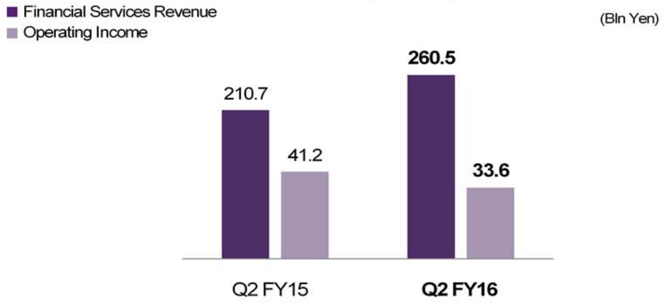
*Streaming includes digital audio, digital video and digital radio, and includes revenue from both subscription and ad-supported services

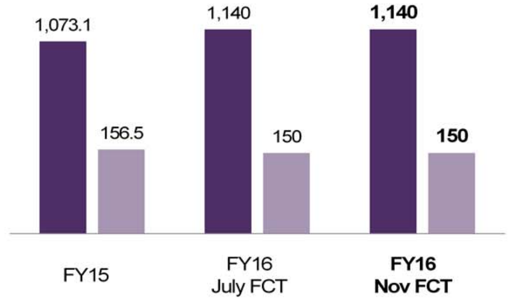
Next I will explain the Music segment. Sales and operating income increased year-on-year, and 16.5 billion yen of operating income was recorded. The performance of Fate/Grand Order, a mobile game application, and of Recorded Music continued to be strong.

There is no change to our sales and operating income forecasts for the fiscal year.

Financial Services Segment

Financial Services Revenue and Operating Income





Q2 FY2016 (year-on-year)

- Revenue: 23.6% increase
  - ·(+) Significant increase in revenue at Sony Life (29.9% increase, revenue: 230.8 bln yen)
    - ·(+) Improvement in investment performance in the separate account due to a rise in the Japanese stock market during the current quarter
- OI: 7.6 bln yen decrease
  - ·(-) Foreign exchange loss incurred at Sony Bank on foreign-currency denominated customer deposits compared to a gain in the same quarter of FY15 (Operating income at Sony Life decreased by 3.7 bln yen to 31.0 bln yen)

FY2016 Forecast

- Revenue / OI : Remain unchanged from July forecast

Lastly, I will explain the Financial Services segment. Revenues increased, but operating income decreased year-on-year and 33.6 billion yen of operating income was recorded. Revenue increased due to the improvement of investment performance in the separate account at Sony Life, primarily reflecting a rise in the Japanese stock market in the current quarter, compared to a decline in the same quarter of the previous fiscal year. However, the impact of the improved investment performance has a limited positive impact on operating income because the improvement in investment performance is attributable to policy holders. Operating income decreased year-on-year primarily due to the absence of large foreign exchange gains on foreign currency-denominated customer deposits at Sony Bank since foreign exchange rates were essentially unchanged from the beginning to end of the current quarter, while foreign exchange gains were recorded in the same quarter of the previous fiscal year resulting from the appreciation of the yen.

There is no change to the forecast for the fiscal year.

FY2016 Results Forecast by Segment [Reclassified]

(Bln Yen)

Segment		FY15	FY16 July FCT	FY16 November FCT	Change from July FCT
Mobile Communications (MC)	Sales	1,127.5	840	**780**	-7.1%
	Operating income	-61.4	5	**5**	-
Game & Network Services (G&NS)	Sales	1,551.9	1,590	**1,590**	-
	Operating income	88.7	135	**135**	-
Imaging Products & Solutions (IP&S)	Sales	684.0	540	**560**	+3.7%
	Operating income	69.3	22	**34**	+12.0 bln yen
Home Entertainment & Sound (HE&S)	Sales	1,159.0	1,000	**1,010**	+1.0%
	Operating income	50.6	41	**47**	+6.0 bln yen
Semiconductors	Sales	739.1	700	**710**	+1.4%
	Operating income	14.5	-64	**-53**	+11.0 bln yen
Components	Sales	224.6	200	**190**	-5.0%
	Operating income	-42.9	-12	**-48**	-36.0 bln yen
Pictures	Sales	938.1	920	**910**	-1.1%
	Operating income	38.5	38	**29**	-9.0 bln yen
Music	Sales	619.2	550	**550**	-
	Operating income	86.5	63	**63**	-
Financial Services	Revenue	1,073.1	1,140	**1,140**	-
	Operating income	156.5	150	**150**	-
All Other, Corporate and elimination	Operating income	-106.1	-78	**-92**	-14.0 bln yen
Consolidated total	Sales	8,105.7	7,400	**7,400**	-
	Operating income	294.2	300	**270**	-30.0 bln yen

Segment Forecast Rate Assumption (2H FY16)	
1 US dollar	101 yen
1 Euro	113 yen

In conclusion, I will show the results forecast for each of our business segments.
This concludes my explanation.

SONY

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(ii) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony's assets and liabilities are denominated;
(iii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including televisions, game and network platforms and smartphones, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing consumer preferences;
(iv) Sony's ability and timing to recoup large-scale investments required for technology development and production capacity;
(v) Sony's ability to implement successful business restructuring and transformation efforts under changing market conditions;
(vi) Sony's ability to implement successful hardware, software, and content integration strategies for all segments excluding the Financial Services segment, and to develop and implement successful sales and distribution strategies in light of the Internet and other technological developments;
(vii) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to prioritize investments correctly (particularly in the electronics businesses);
(viii) Sony's ability to maintain product quality and customers' satisfaction with its existing products and services;
(ix) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures and other strategic investments;
(x) significant volatility and disruption in the global financial markets or a ratings downgrade;
(xi) Sony's ability to forecast demands, manage timely procurement and control inventories;
(xii) the outcome of pending and/or future legal and/or regulatory proceedings;
(xiii) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment;
(xiv) the impact of changes in interest rates and unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;
(xv) Sony's ability to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information, potential business disruptions or financial losses; and
(xvi) risks related to catastrophic disasters or similar events.

Risks and uncertainties also include the impact of any future events with material adverse impact.