

SONY

## Sony IR Day 2016

### 音楽分野

2016年6月29日

ソニー株式会社 執行役 EVP  
映画・音楽事業担当

Sony Entertainment Inc. CEO  
Sony Pictures Entertainment Inc. Chairman & CEO  
Sony Corporation of America CEO

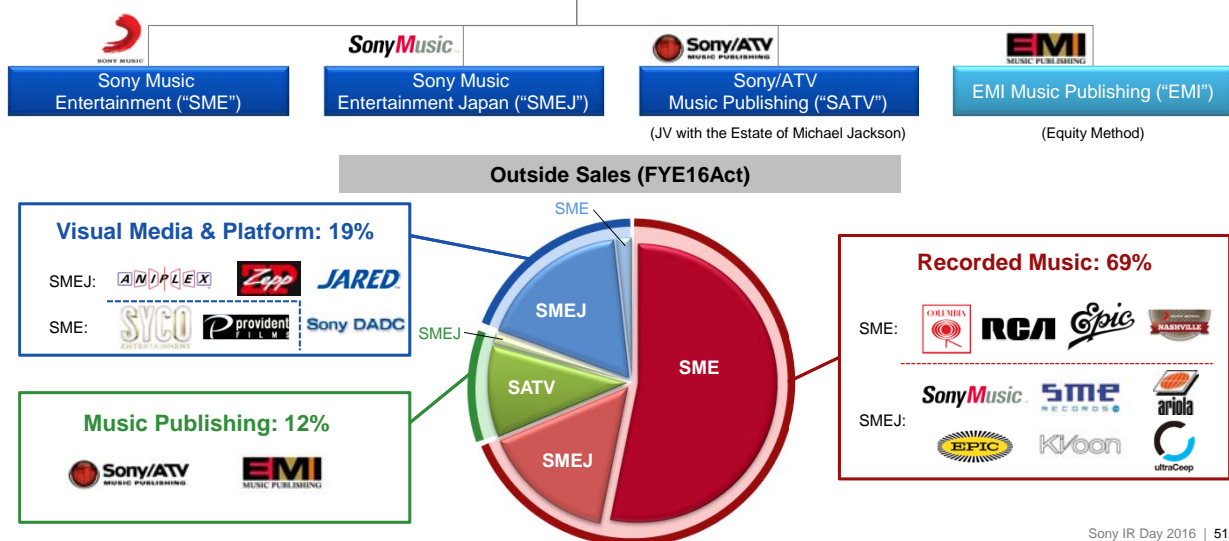
マイケル・リントン

Sony Music Entertainment  
Executive Vice President and CFO

ケビン・ケラハー

## Sony Music Business Overview

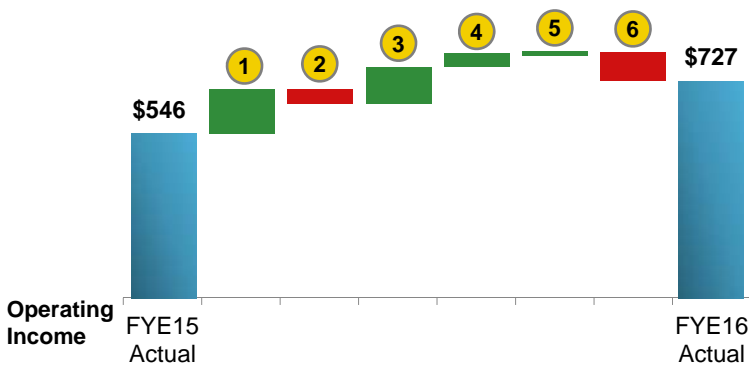
SONY



# FYE16 Operating Income Change from FYE15

(\$ in millions)

Sales **\$5,063** FLAT **\$5,156**



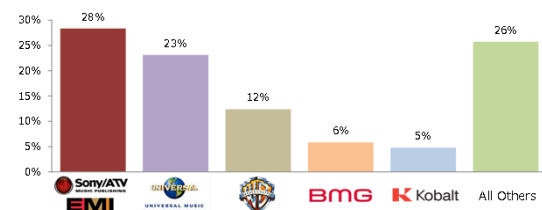
## Factors impacting performance:

- 1 The Orchard Step up gain
- 2 Physical & Download
- 3 Streaming
- 4 Visual Media & Platform
- 5 Publishing
- 6 FX & Others

**Strong year → Achieved growth in operating profit (excluding Orchard gain) despite significant negative foreign currency impact**

# Sony/ATV FYE16 Achievements/Highlights

## Sony/ATV Remains the #1 Music Publisher <sup>(1)</sup>



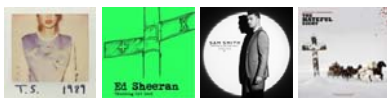
## Announced Acquisition of Remaining 50% of Sony/ATV

- Total payments of \$750M (purchase price of \$733M, plus \$17M of previously committed distributions)
- Immediate financial benefits (eliminates JV profit share / cash dividend; reduced administration; tax benefits)
- Demonstrates Sony's commitment to Music Publishing as a stable, long-term investment



## Awards and Highlights

- Sony/ATV writers were represented on more than 30 Grammy Award winners, including:
  - Taylor Swift (Album of the Year)
  - Ed Sheeran (Song of the Year)
- Sony/ATV songwriters won several awards at the 88th Academy Awards
  - Sam Smith's "Writing's On The Wall" won for Best Song
  - Ennio Morricone's score for The Hateful Eight won for Best Score



## Highly Diverse Catalog of Iconic Songs and Hit-Making Songwriters

- **Catalog:**
- **Current:**

(1) Music & Copyright, April 2016. Based on worldwide revenue for calendar year 2015.

## Sony/ATV Key Strategic Priorities

1

Continuously Pursue Talent

2

Maximize Synch Opportunities Worldwide

3

Optimize Value of Digital Rights through Direct Licensing Deals

4

Proactive Catalog Approach



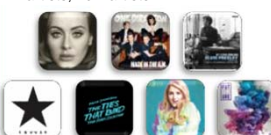
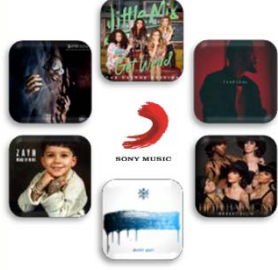


**Sony/ATV**  
MUSIC PUBLISHING



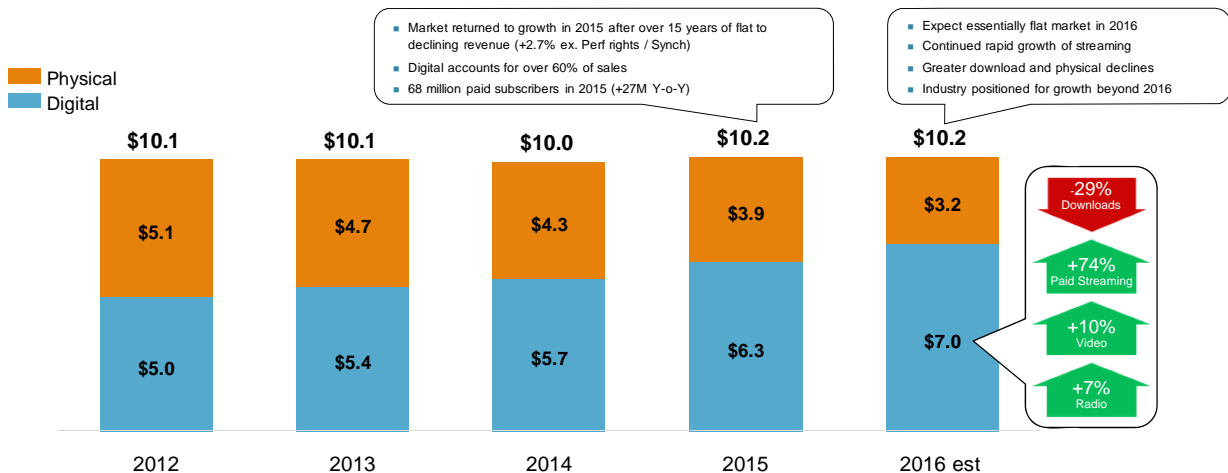
**SONY MUSIC**

# SME FYE16 Achievements/Highlights

<p><b>Completed acquisition of the remaining 49% of The Orchard</b></p> <ul style="list-style-type: none"> <li>• Full ownership of the premiere independent digital music, film and television content distribution services company in the world</li> <li>• Leverage Orchard's technology and infrastructure to complement existing indie physical / digital supply chain</li> <li>• Immediately EBIT accretive on a consolidated basis</li> </ul> 	<p><b>Rapid growth of paid subscription revenue offsetting decline in physical and download businesses</b></p> <ul style="list-style-type: none"> <li>• Spotify more than doubled its paid subscriber base in calendar 2015 (+15M)</li> <li>• Encouraging early results from June 2015 launch of Apple Music streaming service</li> <li>• Accelerating decline of digital downloads (-11% in calendar 2015; -22% from January to March 2016) and continued decline of physical (-7% in calendar 2015)</li> </ul> 	<p><b>Success from multiple repertoire centers</b></p> <ul style="list-style-type: none"> <li>• Tremendous success of Adele '25' in the US and Latin America             <ul style="list-style-type: none"> <li>— Record shattering 3.4M week one sales in the US</li> <li>— 9M album units and \$90M in revenue in 5 months</li> </ul> </li> <li>• 2 of the Top 5 on the IFPI 2015 Global Artist chart</li> <li>• FYE16 top sellers include international superstars, Catalog artists, new artists</li> </ul> 	<p><b>Breaking new talent to create future superstars and augment catalog value</b></p> <ul style="list-style-type: none"> <li>• Broke Maître Gims, Little Mix, ZAYN, Kygo, Fifth Harmony, Travis Scott, Bryson Tiller in FYE16</li> </ul> 
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**Successful, profitable year for Sony Music On Multiple Fronts**

## Recorded Music Market Profile (\$ in billions; excludes Japan)



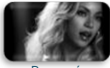
**Industry stabilizing with paid subscription growth offsetting physical / download decline**

# SME Key Strategic Priorities

1

## Maximize Talent Development and Grow Market Share

- Deliver on key strategic releases



Beyoncé



Meghan Trainor



Justin Timberlake

- Maximize value of catalog



AC/DC



Bruce Springsteen



Michael Jackson

- Break developing artists globally



G-Eazy



Zara Larsson



Maren Morris

Close market share gap with Universal

2

## Expand and Grow Digital Revenue

- Working with partners to market and promote services to drive paid streaming subscription growth
- Support new paid streaming players entering the market (Amazon, Pandora, SoundCloud, iHeartMedia)



- Manage decline of downloads through new offers / windowing

- Maximize investments in The Orchard and VEVO



Close value gap between ad-supported model and paid subscription

# SME Key Strategic Priorities (cont'd)

3

## International Growth and Expansion In Emerging Markets

- Focus on breaking artists with regional / global potential
- Aggressively pursue acquisitions / joint ventures to increase repertoire base (e.g. Essential, Century Media)
- Grow market share in emerging markets (China, India, Africa, Latin America)

Rank	Country/Region
#3	China
#2	India
#1	Africa
#1	Latin America



Maximize results across all our international territories

4

## Redefine Our Organizational Blueprint

- Continue to re-evaluate organizational structure as the market transitions to digital
  - ✓ Analytics based decision making
  - ✓ Leverage new marketing and promotion channels/ tools
  - ✓ Strengthen IT security and compliance
  - ✓ Increase transparency to artists on sales and royalties



Invest in analytics and IT platforms and resources

## SME Key Strategic Priorities (cont'd)

5

### Expand Ancillary Income Streams and Invest in Growth Opportunities

- Create and expand global brands through the recently extended Syco JV deal with Simon Cowell (X Factor, Got Talent, La Banda)



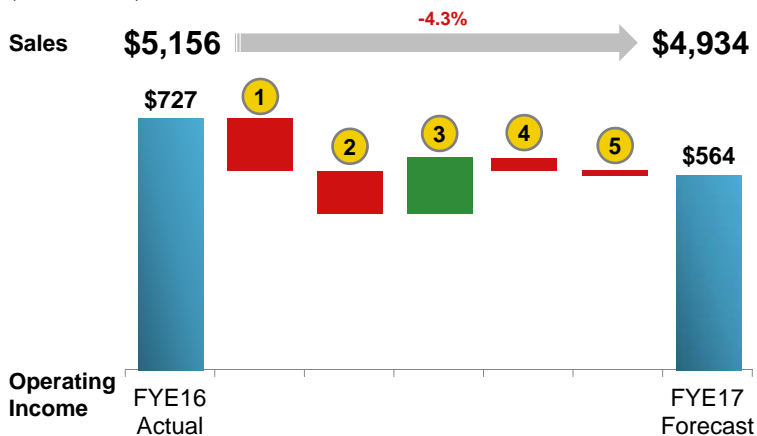
- Capture and exploit broader rights from new artist signings
- Further develop new business ventures (Astronauts Wanted, Provident, Sony Music Originals)



Create Global Brands Through World Leading Music and Entertainment Content

## FYE17 Operating Income Change from FYE16

(\$ in millions)



### Factors impacting performance:

- 1 The Orchard Step up gain
- 2 Physical & Download
- 3 Streaming
- 4 FX & Others
- 5 HQ Fee

Slightly lower profitability due to increased cost allocations from Corporate and unfavorable impact of foreign exchange rates

## Music Segment Guidance for FYE18

	Previous Guidance	Current Guidance
Revenue	\$4.9-5.3B	\$5.1-5.5B
Operating Profit Margin	10.5-11.5%	11-12%

On track to exceed targets

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## Appendix

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## Footnotes to the U.S. dollar financial results, targets and forecasts

### Pictures

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

### Music

- The U.S. dollar results in the Music segment are derived by converting Sony Music Entertainment Japan's ("SMEJ") monthly operating results translated from JPY into U.S. dollars using the average exchange rate for the month and adding the product to Sony Music Entertainment ("SMEI") and Sony/ATV Music Publishing's ("Sony/ATV") U.S. dollar results.
- The U.S. dollar targets and forecasts are derived by converting SMEJ's yen target and forecast into U.S. dollars at the rate assumptions below and adding the product to SMEI and Sony/ATV's U.S. dollar targets and forecasts.
  - The rate assumption for the previous guidance was  $\text{¥}110 = \text{U.S. } \$1$ , which was the assumed foreign currency exchange rate for the second half of the fiscal year ending March 31, 2015 at the time when we announced the guidance.
  - The rate assumption for the current guidance and forecast is  $\text{¥}113 = \text{U.S. } \$1$ , which is the assumed foreign currency exchange rate for the fiscal year ending March 31, 2017.

## 将来に関する記述等についてのご注意

このスライドに記載されている、ソニーの現在の計画、見通し、戦略、確信などのうち、歴史的事実でないものは、将来の業績に関する見通しです。将来の業績に関する見通しは、将来の営業活動や業績、出来事・状況に関する説明における「確信」、「期待」、「計画」、「戦略」、「見込み」、「想定」、「予測」、「予想」、「目的」、「意図」、「可能性」やその類義語を用いたものには限定されません。口頭又は書面による見通し情報は、広く一般に開示される他の媒体にも度々含まれる可能性があります。これらの情報は、現在入手可能な情報から得られたソニーの経営陣の仮定、決定ならびに判断にもとじています。実際の業績は、多くの重要なリスクや不確実な要素により、これら業績見通しと大きく異なる結果となりうるため、これら業績見通しのみで全面的に依拠することは控えるようお願いいたします。また、新たな情報、将来の事象、その他の結果にかかわらず、常にソニーが将来の見通しを見直し改訂するとは限りません。ソニーはそのような義務を負いません。実際の業績に影響を与えるリスクや不確実な要素には、以下のようなものが含まれます。

- (1) ソニーの事業領域を取り巻くグローバルな経済情勢、特に消費動向
- (2) 為替レート、特にソニーが極めて大きな売上、生産コスト、又は資産・負債を有する米ドル、ユーロ又はその他の通貨と円との為替レート
- (3) 激しい価格競争、継続的な新製品や新サービスの導入、急速な技術革新、ならびに主観的で変わりやすい顧客嗜好などを特徴とする激しい市場競争の中で、十分なコスト削減を達成しつつ顧客に受け入れられる製品やサービス（テレビ、ゲーム事業及びネットワーク事業のプラットフォーム、ならびにスマートフォンを含む）をソニーが設計・開発し続けていく能力
- (4) 技術開発や生産能力増強のために行う多額の投資を回収できる能力及びその時期
- (5) 市場環境が変化する中でソニーが事業構造の改革・移行を成功させられること
- (6) ソニーが金融を除く全分野でハードウェア、ソフトウェア及びコンテンツの融合戦略を成功させられること、インターネットやその他の技術開発を考慮に入れた販売戦略を立案し遂行できること
- (7) ソニーが継続的に、研究開発に十分な資源を投入し、設備投資については特にエレクトロニクス事業において投資の優先順位を正しくつけて行うことができること
- (8) ソニーが製品品質を維持し、既存の製品及びサービスについて顧客満足度を維持できること
- (9) ソニーと他社との買収、合併、その他戦略的出資の成否を含む（ただし必ずしもこれらに限定されない）ソニーの戦略及びその実行の効果
- (10) 国際金融市場における深刻かつ不安定な混乱状況や格付けの低下
- (11) ソニーが、需要を予測し、適切な調達及び在庫管理ができること
- (12) 係争中又は将来発生しうる法的手続き又は行政手続きの結果
- (13) 生命保険など金融商品における顧客需要の変化、及び金融分野における適切なアセット・ライアビリティ・マネージメント遂行の成否
- (14) 金利の変動及び日本の株式市場における好ましくない状況や動向（市場の変動又はボラティリティを含む）が金融分野の収入及び営業利益に与える悪影響
- (15) ソニーがサイバーセキュリティに関するリスク（ソニーのビジネス情報への不正なアクセスや事業活動の混乱、財務上の損失の発生を含む）を予測・管理できること
- (16) 大規模な災害などに関するリスク

ただし、業績に不利な影響を与える要素はこれらに限定されるものではありません。