

May 14, 2013

Mr. Kazuo Hirai
President and CEO
Sony Corporation
7-1, Konan 1-Chome, Minato-ku,
Tokyo 108-0075 Japan

Dear Mr. Hirai:

Thank you for agreeing to meet with us. Third Point LLC (“Third Point”), through entities it manages, is now the largest owner of Sony Corporation (“Sony” or the “Company”), with exposure to approximately 64 million shares valued at over ¥115 billion (\$1.1 billion) through ¥71 billion (\$700 million) of direct ownership and ¥44 billion (\$440 million) of cash-settled swaps. We have made a Hart-Scott-Rodino filing with the United States Federal Trade Commission and have the right to increase our direct ownership. We hope the recommendations shared with you in this letter will be considered by your Board and adopted as a thoughtful approach to strengthening Sony.

Since taking the helm as Chief Executive Officer in 2012, your stated commitment to reinvigorating the Company has given us hope that Sony is entering a new era. We applaud your frequent statements that “**Sony Will Change**”. We similarly support your statements that you are “fully committed to transforming this company” and that the Company “cannot afford to waste time” in making the necessary changes required to improve.

Sony stands at the crossroads of compelling corporate opportunity and massive Japanese economic reform. Under Prime Minister Abe’s leadership, Japan can regain its position as one of the world’s preeminent economic powerhouses and manufacturing engines. The most critical of Prime Minister Abe’s “Three Arrows” approach will be unveiled next month: initiatives to create more economic growth in Japan through deregulation and structural reform. Leading businesses like Sony with leaders like you, Mr. Hirai, can spearhead this important growth.

So while Third Point supports your agenda for change, we also believe that to succeed, **Sony Must Focus**. In a spirit of partnership, we offer our timely plan to strengthen Sony.

Our Proposal

Sony has stood for innovative engineering and consumer satisfaction for decades. From televisions to gaming consoles to handsets, Sony epitomizes the proud legacy of Japanese

manufacturing ingenuity, superior product design, and excellent user experience. However, many casual observers would be surprised to learn that while Sony *is* electronics, much of its current value is derived from a hidden gem – Sony’s Entertainment division. Like many conglomerates we have invested in previously, Sony has two strong businesses facing different challenges side by side, each obscuring the other’s true worth.

To maximize Sony’s overall success, we believe the Company should change the structure of its ownership of Sony Entertainment. Doing so will strengthen Sony by reducing its burdensome debt, thereby providing additional resources and capital to **Focus** on revitalizing the resurgent Sony Electronics.

Step 1: Take Public a 15—20% Stake in Sony Entertainment, Allowing It to Thrive Independently with the Support of the Sony Parent Company While Increasing Capital to Revitalize Sony Electronics

Sony Entertainment is one of the most prestigious entertainment businesses in the world, with coveted assets in television and motion picture production, an iconic library of movies and television programming, the leading music publishing business, and an exciting array of international cable networks. By our estimates, these assets today comprise over 40% of Sony’s enterprise value. While the Entertainment businesses are top performers within Sony, profit margins fall short when benchmarked versus their US-listed competitors despite superior scale and leading market positions. We believe the underperformance would be remedied by a more disciplined management approach to Sony Entertainment. If a minority stake of Sony Entertainment were listed, it could be used to reward management through the growth of an equity security specifically tied to a company they control. To give a glimpse of the hidden value attainable, if Sony Entertainment simply achieved peer group margins, EBITDA would increase by as much as 50%. In our view, such an increase, at a modest valuation of 9x EBITDA, would contribute an incremental ¥625 billion in market valuation or ¥540 per Sony share.

We believe existing Sony shareholders should be given priority to participate in the direct ownership of Sony Entertainment. **Therefore, we recommend that rather than conducting a standard public offering, spin-off, or dividend, the Company offer subscription rights to current shareholders.** This approach ensures that Sony shareholders’ economic interests are protected: they will have the opportunity to benefit from the division’s latent value while providing the Company with a significant infusion of capital. To ensure the success of the subscription rights offering, Third Point, which currently manages over \$13 billion, is prepared to “backstop” the initial public offering up to ¥150 – 200 billion (\$1.5 – 2 billion), assuming a stake of 15 – 20% is taken public, and will request no fees for this financial guarantee.

Importantly, by issuing rights for cash and partially spinning off Sony Entertainment, the parent company would not only receive meaningful liquidity to inject into Sony Electronics

while maintaining control of the spun-off entity (as it has done successfully in the past with Sony Financial), but also should be able to push down a meaningful but sustainable portion of its debt onto Sony Entertainment's newly-created entity. These transactions would reduce leverage at the parent company and provide much needed growth capital for Sony Electronics.

Step Two: Focus on Industry-Leading Businesses to Bring Growth to Sony Electronics

Sony Electronics has suffered frustrating results for the past decade, brought about by low margins, persistent losses, and weak returns on capital. While it is true that Sony has excellent products, such as the PlayStation, Xperia smartphones, and mirror-less cameras, several of Sony's product lines— *e.g.*, personal computers and DVD recorders – lack scale and provide commoditized products at high costs to secularly challenged markets. Of particular regret is Sony's venerable TV business which has sadly languished as a loss leader for the Company for nearly a decade, but now appears poised to return to profitability in coming quarters. **Despite its challenges, we believe Sony Electronics is a source of considerable and underappreciated value.**

At current levels, Sony Electronics is valued at ¥800 billion (\$8.0 billion) or roughly 8.0x management's FY13 EBIT guidance of ¥100 billion. When considering Sony's strong operating profit recovery, favorable product cycles, export orientation, and relative balance sheet strength, we see a strong re-rating potential to multiples of consumer electronics peers like Sharp and Panasonic. Indeed, peer multiples suggest there is over ¥525 of value per share not currently reflected in Sony shares, and potentially another ¥200 as the movement in the EUR/JPY relationship begins to be reflected in analyst estimates. By simply focusing on this discrepancy in market perception, Sony can significantly increase shareholder value before realizing the benefits of additional structural change.

Sony Electronics' many strong businesses, led by dedicated employees, are similarly obscured today by a lack of **Focus**. For example, Sony's Image Sensor business is large, rapidly growing, and profitable, but its contribution is masked by loss-making legacy semiconductor businesses. We see clear paths to increasing Sony Electronics' value if investors turn their attention to its profitable franchises and product cycles as management continues to streamline Sony's product offerings to improve profitability. These initiatives will benefit from the capital investment made possible by our proposed Sony Entertainment transaction.

The Path to a More Valuable Sony

We believe our straightforward plan to strengthen Sony serves all of its stakeholders – employees, management, and fellow owners. This plan will reduce debt, increase profitability, and create significant shareholder value.

Leading Japanese equity research analysts at firms including Bank of America Merrill Lynch, Daiwa, Macquarie and CLSA all agree on Sony's exceptional upside potential if the Company succeeds in its structural reforms, targeting an average price increase of ~25% for the shares. Unfortunately, the financial analyst community that follows Sony focuses almost exclusively on the opportunities and challenges Sony faces in its Electronics businesses, ignoring the value of Sony Entertainment. Our plan shifts that paradigm and we believe, if managed properly, it could result in as much as 60% upside to Sony's share price.

We see other promising opportunities to increase Sony's prospects. In addition to those we have highlighted above, Sony has a wealth of other underappreciated assets, including stakes in Sony Financial, M3, Olympus, and Japan Display. The Company could also review its world-renowned intellectual property catalog to determine whether any of its patents might be monetized without harming business prospects (for example, surely the InterTrust patents could provide significant value in today's market). Sony also benefits from over ¥1.2 trillion (\$11.5 billion) of gross deferred tax assets, possibly offering a meaningful increase to Sony's book value as the Company returns to profitability. Perhaps most importantly, Sony remains a leading global brand, signifying quality and innovation, which by itself carries an estimated ¥910 billion (\$9.1 billion) of value (Interbrand, 2012). According to Gartner, Sony's brand remains one of the top four IT brands consumers are likely to recommend, joining esteemed peers Google, Samsung and Microsoft.

Beyond Third Point's willingness to help facilitate a public offering for Sony Entertainment, we offer our assistance to implement our proposal and would gladly accept a seat on Sony's Board of Directors. We believe Sony and its stakeholders can benefit from our experience, "owner's" perspective, and sound advice on strategy and capital allocation, which we have brought to numerous public companies in the past. As Finance Minister Taro Aso recently wrote, "in many big Japanese companies, success in the past led to inflexibility and risk aversion. Strengthened corporate governance may be needed to change the way they do business and facilitate open innovation."

Third Point would not have made this substantial investment if we did not believe in a bright future for Sony's global brand, superior technology, and dedicated employees. We are confident that by acting as partners, Sony will grow stronger. ***For Sony to Change, Sony Must Focus.***

Sincerely,



Daniel S. Loeb
Chief Executive Officer
Third Point LLC