

Semiconductor Business Meeting

Wednesday, December 14th, 2005

**Kenshi Manabe Unit President
Semiconductor Business Unit
Sony Corporation**

Semiconductor Business Unit "Mission"

- 1. Utilize the highest level of technology and manufacturing within the industry to enhance Sony product differentiation and contribute to greater competitiveness**
- 2. Secure profit through external sales
Contribute to raising Sony's corporate value**

Sony Semiconductor Business Unit Organization

Semiconductor Business Unit

President K. Manabe
Deputy President T. Saito

Imaging Device Business Group

President T. Suzuki

System LSI Business Group

President T. Shimizu

Semiconductor Technology Development Group

President Y. Okamoto

Research & Development Group

President N. Shirota

Sony Semiconductor Kyushu Corp.

President K. Okubo

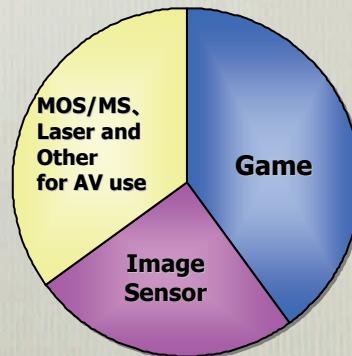
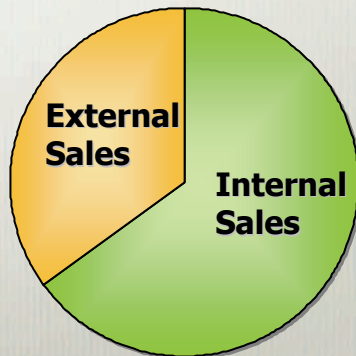
Sony LSI Design Inc.

President K. Manabe

As of Dec 1, 2005

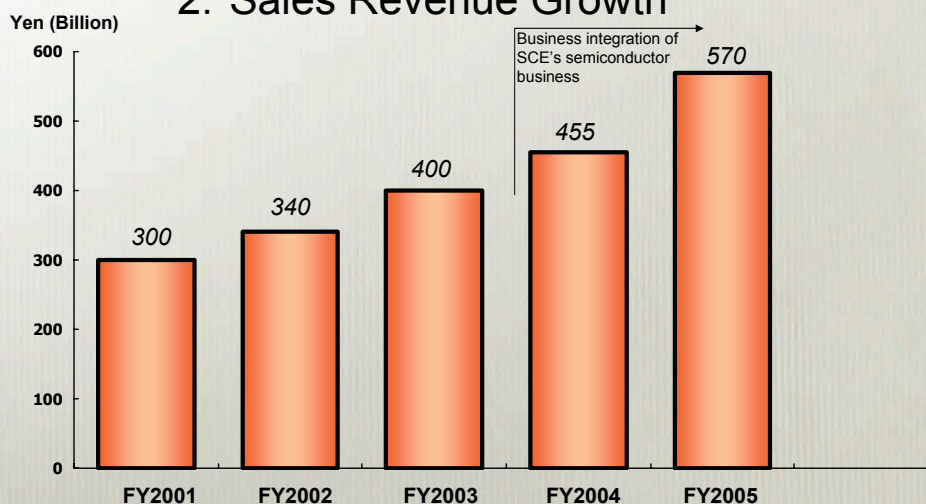
Sony's Semiconductor Business: Overview

1. Sales Composition (based on FY2005 forecasts)



Sony's Semiconductor Business: Overview

2. Sales Revenue Growth



Semiconductor Business Unit "Focus Areas"

<Focus Area>

<Differentiated Devices>

Game



- LSI (Cell/RX etc) for use in "PS3"
- LSI for use in "PSP"

Mobile



- CCD/CMOS sensor
- Audio Codec (Low Power Consumption)

TV



- LCD TV Driver
- Tuner (UFE)
- TV Processor
- Graphics

Game Business

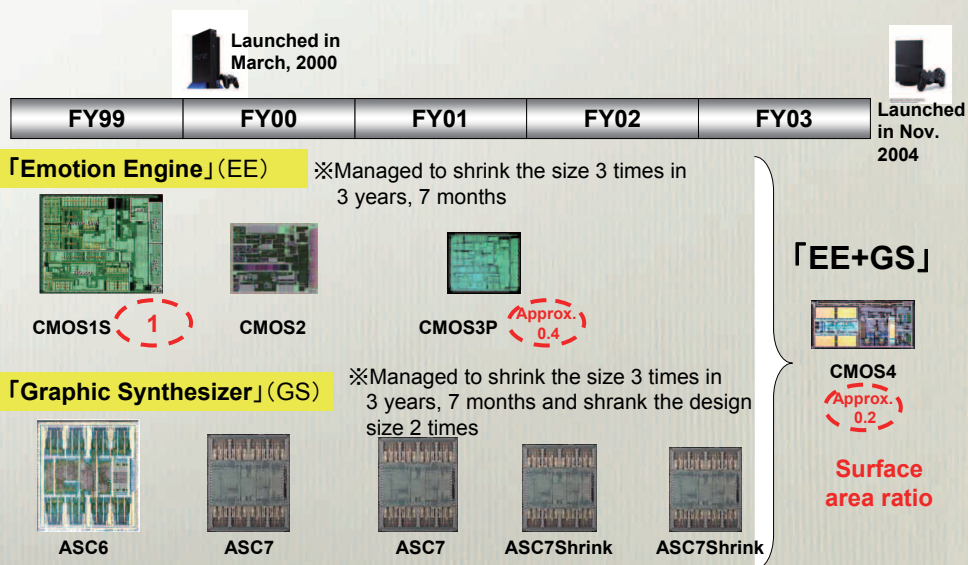
Key Factors

- Supply of Core Chip based on most advanced technology
- Achieve cost reductions through shrinking chip size and adoption of cutting-edge technology
- Reduce costs by maintaining high levels of utilization

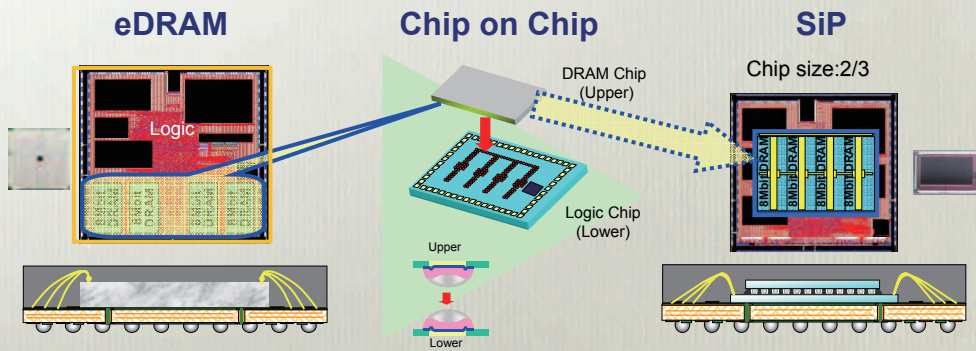


Support high profitability in the Game Business

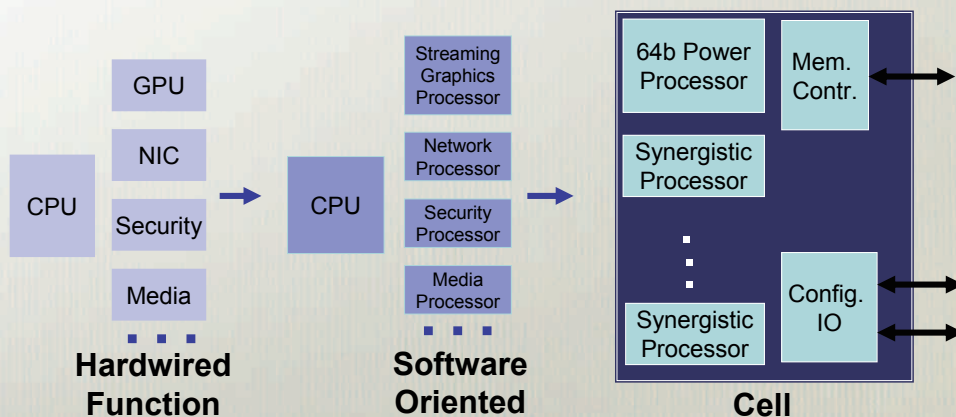
Evolution of the main chips in “PS2”



Initiatives to Reduce Costs ~System in Package~



Microprocessor Architecture Trends



From material announced on February, 2005 at ISSCC

Plans for the utilization of “Cell”

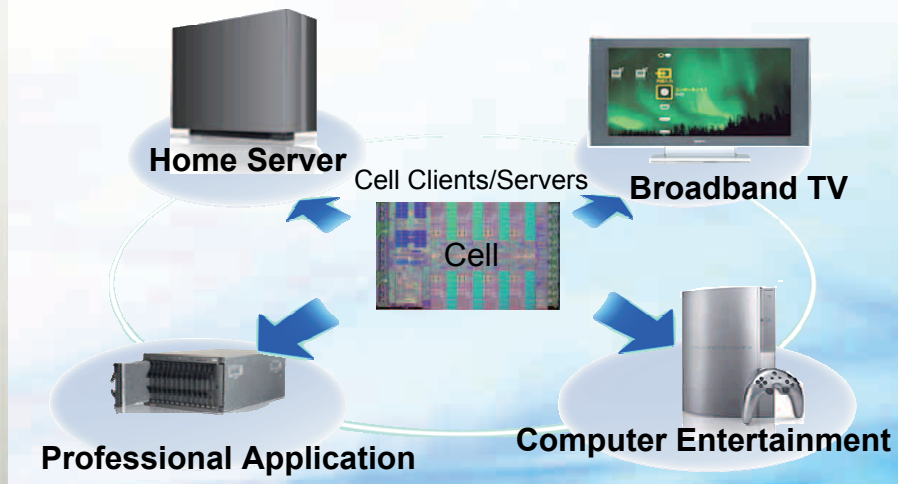


Image Sensor Business

Key Factors

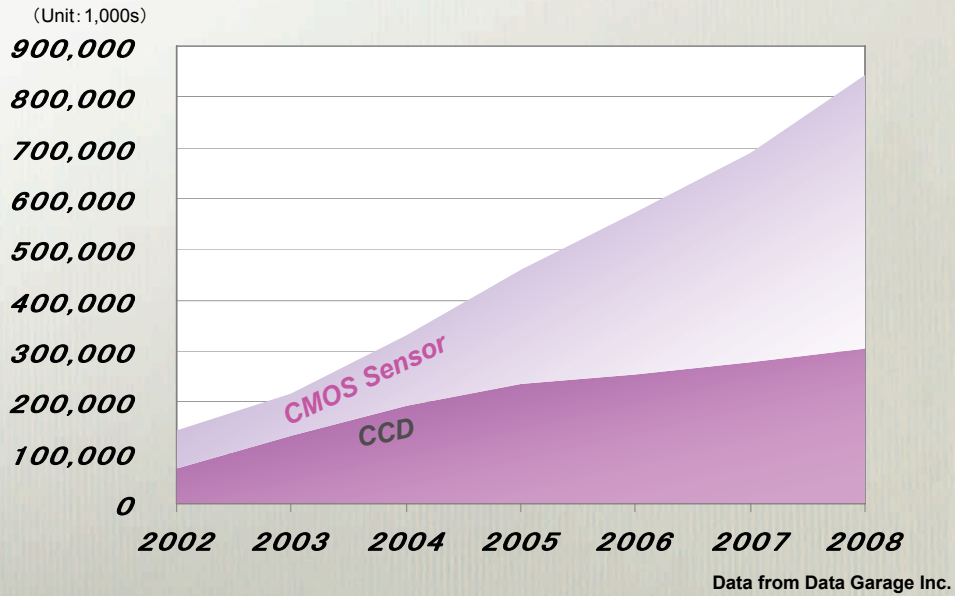
- Maintain profitability in the expanding market for security systems, in-vehicle systems and Digital cameras where the CCD excels
- Secure #1 in the market for CMOS sensors, where rapid growth is anticipated
- Meet market demand with increased capacity



Support the high profitability of digital imaging products

Secure profit through external sales

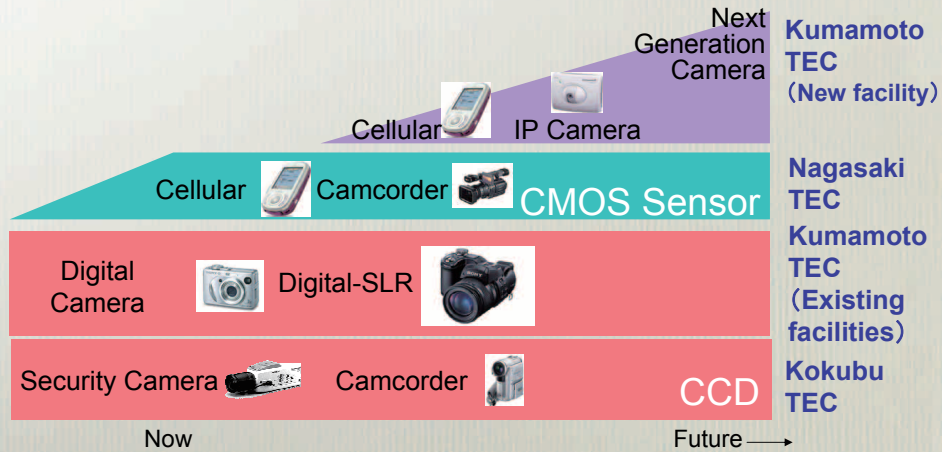
Size of the Image Sensor Market



Sony's Image Sensor



CCD、CMOS Sensor Capacity Plan



Sony Semiconductor Kyushu Corp. Kumamoto TEC new facility

(Construction scheduled to be completed in May, 2006)



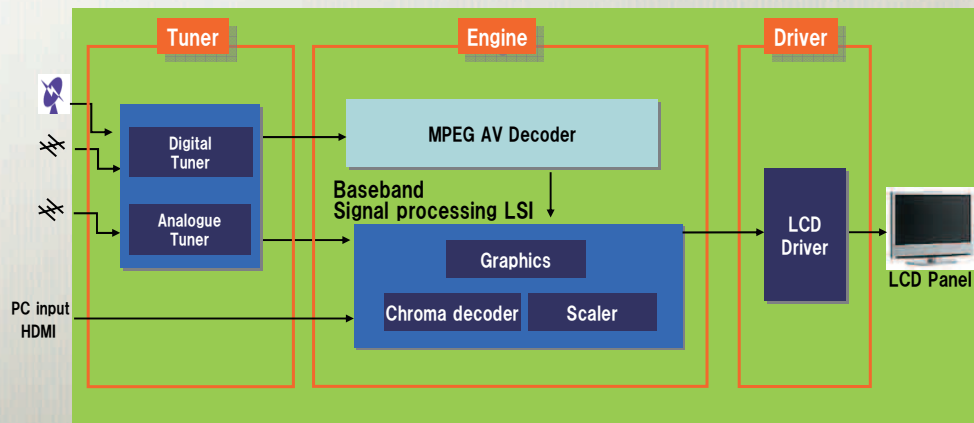
Overview of New Facility

■ Production Facility	62,000m ²
Clean Room	10,000m ² × 2 floors

Picture taken at end of November, 2005

About Digital TV Business

From Tuner to Driver, Develop Business as a Complete System (for internal & external sales)



Capital Expenditures Plan

- In the 3 years from FY05-07,
Approx 500 bln yen of Capex planned
- Key investment areas include,
CMOS Image Sensor
Advanced MOS (300mm wafer, 90-65nm
process)

*Other areas for investment include mixed signal, advanced package etc.

Return on Investment: Fundamental Concepts

1. Utilizing the Game business, as a stimulus for technology development, to maintain demand for cutting-edge process technology
2. Utilize depreciated Fabs for image sensors, mixed signal processors etc.
(“Waterfall” strategy)
3. Utilize Foundries and internal demand to minimize risk
(Aim to achieve full capacity at all times)

Investment in Advanced Process Technologies: Model

