

SONY

Sony IR Day 2014

Game & Network Services Segment

November 25, 2014

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Agenda

Game & Network Services Segment

- **Game & Network Services Segment**
- 1. **Business Overview**
- 2. **Mid-term Business Direction**
- 3. **Financial Targets**
- 4. **Summary**

1-1. Business Overview

Game & Network Services Segment

Sony Computer Entertainment

Research, development and sales of hardware and software for PlayStation®4 (PS4™), PlayStation®3 (PS3™), PlayStation®Vita (PS Vita), and PSP® (PlayStation®Portable)

Sony Network Entertainment

Provide content and services for games, music and movies through Sony Entertainment Network for PlayStation®, Android, iOS based devices



PlayStation.

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1-1. Business Overview

Game & Network Services Segment

The History of Introduction of Platforms and Services

1993: Sony Computer Entertainment Inc. founded	
1994: Introduction of original PlayStation®	Introduction of CD-ROM as a major format
2000: Introduction of PlayStation®2	DVD-ROM adaption
2004: Introduction of PSP® (PlayStation®Portable)	First portable entertainment system developed by SCE
2006: Introduction of PlayStation®3	BD-ROM adaption
Launch of PlayStation®Network (PSN SM)	Global launch of network service
PlayStation®Store (PS Store) Open	Enabling digital content distribution
2008: Video delivery service launch on PS Store	First service for purchase and rental of video content for PlayStation® platform
2009: Offer 3 rd party video services	Netflix support on PS3™
2010: Sony Network Entertainment International LLC founded	
Introduction of Video Unlimited/Music Unlimited	Expansion of service offerings to non PlayStation® platforms
2011: Introduction of PlayStation®Vita	Realized ultimate portable entertainment system
2013: Introduction of PlayStation®4	Fastest 10 million units sales in PlayStation® history



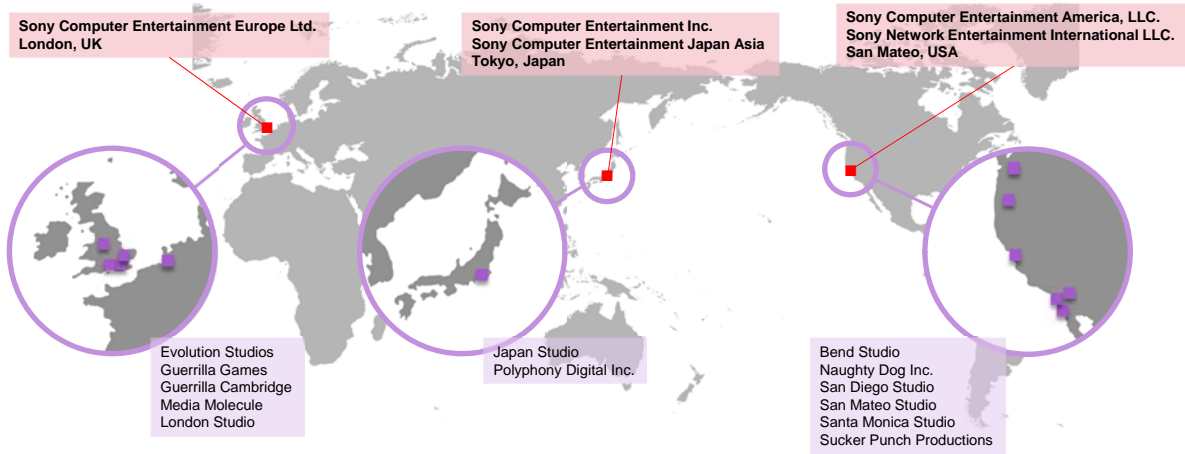
PlayStation.

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1-2. Regional Headquarters & SCE Worldwide Studios

Game & Network Services Segment

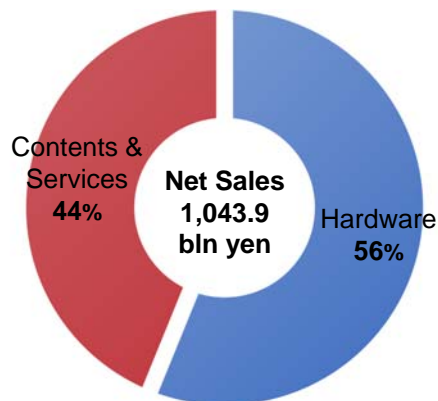
- Regional Headquarters
- SCE Worldwide Studios



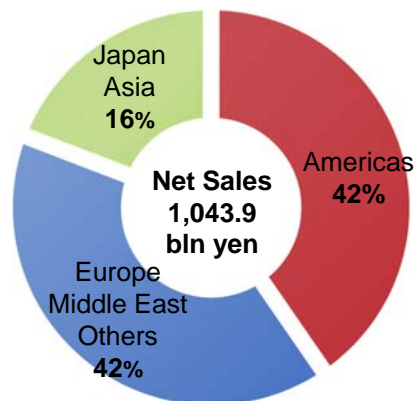
1-3. Sales by Product/Region

Game & Network Services Segment

■ FY2013 Product Sales Ratio



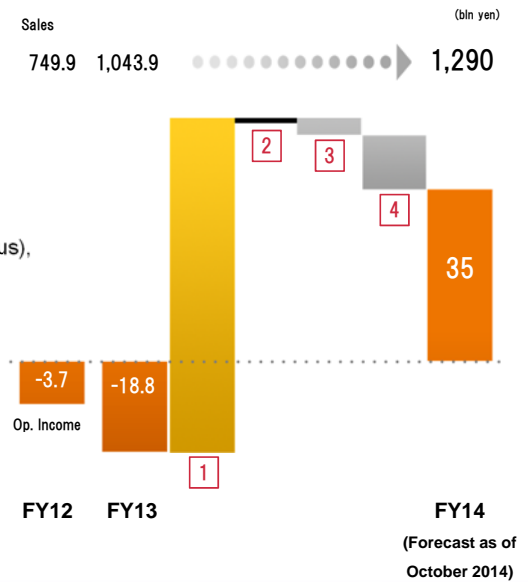
■ FY2013 Area Sales Ratio



1-4. Financial Performance: FY2014 Op. Income increase/decrease factors

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- 1 Profit improvement in HW
 - PS4™: Profit improvement due to higher sales
 - PS3™: Profit reduction due to lower sales despite cost reduction
 - PS Vita: Profit increase due to new model launch
- 2 Contents & Services
 - Game SW: Profit reduction due to reduced number of major titles
 - Network: Profit increase due to growth of PlayStation®Plus (PS Plus), game content revenue, video and music services
- 3 Profit reduction due to increased operating expenses
 - Decrease in marketing cost related to HW
 - Increase in network infrastructure related costs
- 4 Negative impact of the appreciation of the USD



2. Mid-term Business Direction

Game & Network Services Segment

**Expand the PlayStation® Ecosystem
by delivering evolved and integrated game & network services**

- **Strategy I : Retain and expand engaged PlayStation® users**
- **Strategy II : Increase ARPPU and drive ancillary revenue**

ARPPU = Average Revenue Per Paying User

2. Mid-term Business Direction

Game & Network Services Segment



2. Mid-term Business Direction

Game & Network Services Segment

Retain and expand engaged PlayStation® users

Continuous enhancement of PS4™ game features to maintain and strengthen competitive advantage



2. Mid-term Business Direction

Game & Network Services Segment

Retain and increase engaged PlayStation® users

Acquire casual users while further strengthening the engagement of core gamers through relevant title offerings



PlayStation.

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2. Mid-term Business Direction

Game & Network Services Segment

Retain and increase engaged PlayStation® users

Expand customer base through innovative network services like cloud TV and streaming games

Remove constraints of console and waiting time with PS Now

PlayStation Now



PlayStation.

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2. Mid-term Business Direction

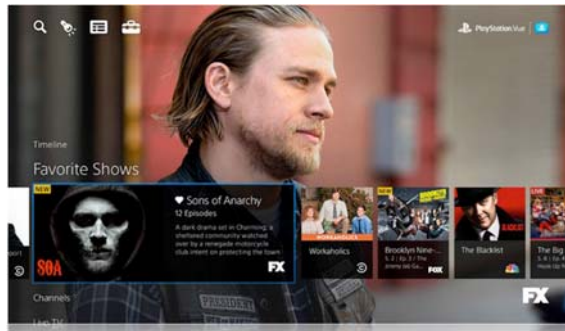
Game & Network Services Segment

Retain and increase engaged PlayStation® users

Expand customer base through innovative network services like cloud TV and streaming games

Provide innovative live + DVR experience through the cloud TV service

PlayStation.Vue



PlayStation™Vue transforms the TV experience by putting the customer in control and enabling them to experience TV in a more personalized and interactive way

PlayStation.

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2. Mid-term Business Direction

Game & Network Services Segment

Retain and increase engaged PlayStation® users

Addressing growth opportunities in markets with economic development and cultural transitions

Markets with future growth potential including
China and Latin America

Gaming culture transition, e.g. in Germany and the Middle East

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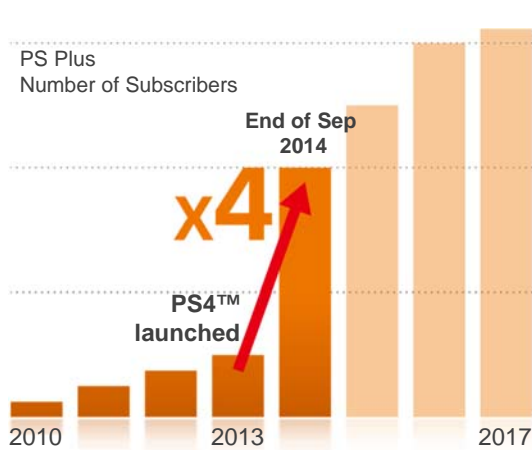
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2. Mid-term Business Direction

Game & Network Services Segment

Increase ARPPU and drive ancillary revenue

Realize higher conversion rate and improve retention rate of PS Plus by enhancing its user value



Strong online multiplayer titles



Selection of relevant complementary titles
Prioritized invitation for a/b testing

2. Mid-term Business Direction

Game & Network Services Segment

Increase ARPPU and drive ancillary revenue

Create more demand via personalized TV, Video and Music distribution services
Increase revenue through partnerships with best-in-class services, leveraging an attractive user base



“Just for you” curation for PlayStation® gamers

Original content programming

Offer 3rd party video services to increase frequency of console usage

2. Mid-term Business Direction

Game & Network Services Segment

Expand the PlayStation® Ecosystem by delivering evolved and integrated game & network services

■ Strategy I : Retain and expand engaged PlayStation® users

- Continuous enhancement of PS4™ game features to maintain and strengthen competitive advantage
- Acquire casual users while further strengthening the engagement of core gamers through relevant title offerings
- Expand customer base by innovative network services like Cloud TV service and Streaming game service
- Addressing growth opportunities in markets with economic development and cultural transitions

■ Strategy II : Increase ARPPU and drive ancillary revenue

- Realize higher conversion rate and improve retention rate of PS Plus by enhancing its user value
- Create more demand via personalized TV, Video and Music distribution services
- Increase revenue through partnerships with best-in-class services by leveraging attractive user base

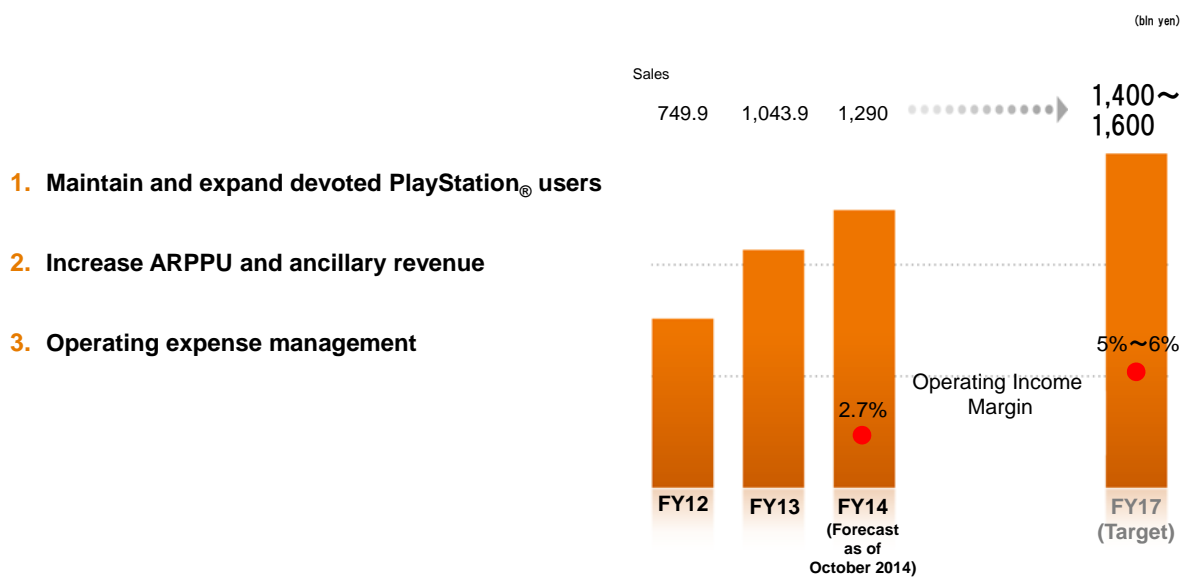
ARPPU = Average Revenue Per Paying User



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3. Initiatives to Improve Profitability (FY2014 to FY2017)

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FY2017 Financial Targets

- Sales **1,400 ~ 1,600 billion yen**
- Operating Income Margin **5% ~ 6%**

Increase sales and profit through expansion of PlayStation® users, providing compelling and cutting edge game/network experiences

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- (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 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;
- (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;
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- (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 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; and
- (xv) risks related to catastrophic disasters or similar events.

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