Sony IR Day 2018

Game & Network Services Segment

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Agenda

1. FY2017 Review

2. Strategy from FY2018
1. FY2017 Review

FY2017 Key Achievements

- **Further expand PlayStation® user base**
  - PlayStation®4
    - 79M units cumulative sales as of Mar 31 2018
  - PlayStation™Network
    - 80M+ MAU As of Mar 31 2018
  - PS4 Game Play
    - 800M hrs+/week As of final week of Dec 2017

- **Enhance game line-up**
  - 246M games sold FY2017 PS4 software unit sales

- **Grow PlayStation®Plus paid subscribers**
  - 34.2M FY2017
  - 26.4M FY2016
  - 20.8M FY2015

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PlayStation
## Challenges and improvements

### Game & Network Services Segment

<table>
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<tr>
<th>Business</th>
<th>Description</th>
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<tr>
<td>PlayStation®VR</td>
<td>VR market growth below expectation</td>
</tr>
<tr>
<td>PlayStation™Vue</td>
<td>Market &amp; future business model remains uncertain</td>
</tr>
<tr>
<td>ForwardWorks</td>
<td>Delays in title development Still in investment phase</td>
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**Improvements required in spite of steady growth** Utilizing these businesses to strengthen user engagement is key.

### FY2017 Operating Profit Variation from FY2016

- Sales revenue: 1,649.8 → 1,943.8 (+18%)

- Operating income: 135.6 → 177.5

1. Profit improvement from hardware cost down etc.
2. Profit growth from software sales and add-on contents including network
3. Network services growth mainly with PS Plus paid subscribers
4. Increase in SGA to support network sales growth and R&D
5. Impact of exchange rates*1

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*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2017 and comparing them with the previous fiscal year.
2. Strategy from FY2018

- Enrich and utilize exclusive titles
- Leverage install base and active user
- Grow and improve recurring revenue

FY13 FY14 FY15 FY16 FY17

PS4 cumulative install base
Strengthen user engagement

User engagement

- Balanced game portfolio
- Variety of game models
- IP Franchise

Improve user experience

Enhance data analytics

eSports

PS VR

PS Vue

The virtuous cycle of PlayStation

Strengthen IP

Exclusivity

Utilize catalog

PS Plus

Enrich membership

Grow revenue

Platform of Choice

Rich features

Attractive services

Improve Ecosystem

Expand user base

Increase playtime

OUTCOME

MAU

Retention

Cash Conversion Cycle

Cash Flow
Mitigate the impact of platform lifecycle

- Aim to mitigate the impact of platform lifecycle compared to the past cycle and stabilize profit structure.
- Generate cash flow by effectively utilizing 1 trillion yen network business.

O.P. trend (FY1993~2018)

Free Cash flow trend (FY2013~2017)

5 years cumulative 700 Bil-yen+

FY2018 Operating Profit Variation from FY2017

1. Hardware unit sales decline and cost increase
2. Profit growth from game software sales and add-on contents growth including network
3. Network services growth mainly with PS Plus paid subscribers
4. Increase in R&D and SGA etc.
5. Impact of exchange rates*1

*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2018 and comparing them with the previous fiscal year.
FY2020 Target

- Sales revenue (For Reference) 1,800 Bil-yen
- Operating Profit 130〜170 Bil-yen

O.P trend (FY1993〜2018, FY2020 Target)

1994 We were aiming 1M units.
From now We are aiming 100M MAU.
SONY