Sony IR Day 2015

Game & Network Services Segment

May 27, 2015

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President and Global CEO
Sony Computer Entertainment Inc.
Group Executive in charge of Network Entertainment Business
Sony Corporation

Agenda

1. FY2014 Review

2. FY2015 Strategy

*FY2014 = Fiscal year ended on March 31, 2015
1. FY2014 Review

**FY2014 Key Achievements**

- **Drove Strong PlayStation®4 (PS4™) Platform Momentum**
  - Fastest hardware installed base growth to 20Mil units
  - Broad variety of game titles and new features

- **Delivered rapid growth of network business leveraging the strength of PS4™**
  - Expansion of PS Plus subscribers (2X from FY2013)
  - Growth of full game downloads

- **Took on new challenges for future growth**
  - Development of Project Morpheus
  - Launch of new services
    - PlayStation™Now: game streaming
    - PlayStation™Vue: new TV-viewing experience
FY2014 Operating Income Change from FY2013

(Billion yen)

**Net Sales**

<table>
<thead>
<tr>
<th>FY13 Act</th>
<th>FY14 Act</th>
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<tbody>
<tr>
<td>1,043.9</td>
<td>1,388.0</td>
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**Operating Income**

<table>
<thead>
<tr>
<th>FY13 Act</th>
<th>FY14 Act</th>
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<tr>
<td>-18.8</td>
<td>48.1</td>
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1. **Growth of PS4™ platform**
   - Increased hardware installed base
   - Expansion of physical software sales
   - Hardware cost reduction

2. **Growth in network services**
   - Increase in PS Plus subscribers
   - Overall sales expansion including non-game

3. **Decrease of PlayStation®3 (PS3™) platform sales**

4. **Increase in fixed expenses and temporary cost**
   - Fixed expenses related to network platform
   - Write-off of PlayStation®Vita and PlayStation®TV components

5. **Unfavorable impact of exchange rates**

*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2014 and comparing them with the previous fiscal year.

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FY2014 Operating Income Change from Apr. Forecast

(Billion yen)

**Net Sales**

<table>
<thead>
<tr>
<th>FY14 Apr. Forecast</th>
<th>FY14 Act</th>
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<tr>
<td>1,220</td>
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**Operating Income**

<table>
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<tr>
<th>FY14 Apr. Forecast</th>
<th>FY14 Act</th>
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<td>20</td>
<td>48.1</td>
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1. **Higher performance of PS4™ platform**

2. **Higher performance in network services**

3. **Slower than anticipated decrease of PS3™ platform**

4. **Write-off of PS Vita components and etc.**

5. **Unfavorable impact of exchange rates**

*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2014 and comparing them with the April forecast.
2. FY2015 Strategy

FY2015: Our First Step for Mid-Term Business Direction

**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
### FY2015 Strategy (1/2)

**Maintain and strengthen PS4™ competitive advantage as a game console**
- Strong support for 3rd party publishers and developers
- Continuous hardware cost reduction
- Additional features through system software updates
- Creation of innovative game experience via Project Morpheus (to be launched in CY2016.1st half)

**Enhance PS Plus user value to realize higher conversion rate and improve retention rate**
- Further expansion of online multiplayer titles
- Strengthen PlayStation original contents
- Powers:
  - Highest user-rated TV content on PlayStation™Network
  - Powers viewing correlates to higher trial to paid conversion and retention
  - Season 2 greenlit

### FY2015 Strategy (2/2)

**Acquire broader audience and increase ARPPU by enriching total content/service portfolio**
- New development and release of 1st party exclusive game titles
- Foster PlayStation™Now business growth
- Expand rollout and content lineup of PlayStation™Vue
- Enhance PlayStation™Music with Spotify

**Continue partnerships with best-in-class 3rd party services**

- Netflix
- hulu
- Amazon
- HBO
- PlayStation Vue
- MLB.TV PREMIUM
- NBA Game Time
- Spotify
**FY2015 Operating Income Change from FY2014**

**(Billion yen)**

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<th>FY14 Act</th>
<th>FY15 Apr. Forecast</th>
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<th>FY15 Apr. Forecast</th>
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1. Further expansion of PS4™ platform
2. Further improvement of network services profitability (excl. strategic investment on network platform)
3. Decrease in PS3™ platform sales and portable platform sales in US/EU
4. Decrease in fixed expenses and temporary cost such as write-off of components
5. Increase in strategic investment related to network services and platform
6. Unfavorable impact of exchange rates*1

*1: The FY2015 forecasts for the segments have been calculated using the assumed foreign currency rates of approx. 118 yen to the U.S. dollar and approx. 136 yen to the euro. *1: Forecasted impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in the FY2015 business plan and comparing them with the previous fiscal year.

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**FY2015 Investment for the Future**

- Continued network platform re-architecture
- PlayStation™Vue
- PlayStation® original contents
- Project Morpheus
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(i) the global economic environment in which Sony operates and the economic conditions in Sony’s markets, particularly levels of consumer spending;

(ii) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurring production costs, or in which Sony’s assets and liabilities are denominated;

(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;

(x) significant volatility and disruption in the global financial markets or a ratings downgrade;

(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;

(xv) Sony’s effort to anticipate and manage cybersecurity risk, including the risk of potential business disruptions or financial losses; and

(xvi) risks related to catastrophic disasters or similar events.

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