Agenda

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

**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

### 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
  - Launch of PlayStation®Network (PSN®)
  - Global launch of network service
  - PlayStation®Store (PS Store) Open
  - Enabling digital content distribution
- **2006:** Introduction of PlayStation®3
  - BD-ROM adaption
  - PlayStation®Network (PSN®)
  - 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 3rd party video services
  - Netflix support on PS3®
- **2010:** Sony Network Entertainment International LLC founded
  - 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
1-2. Regional Headquarters & SCE Worldwide Studios

- Regional Headquarters
- SCE Worldwide Studios

Sony Computer Entertainment Europe Ltd.
London, UK

Sony Computer Entertainment Inc.
Tokyo, Japan

Sony Computer Entertainment America, LLC.
San Mateo, USA

Sony Network Entertainment International LLC.

1-3. Sales by Product/Region

- FY2013 Product Sales Ratio
  - Contents & Services: 44%
  - Hardware: 56%
  - Net Sales: 1,043.9 bln yen

- FY2013 Area Sales Ratio
  - Japan: 16%
  - Asia: 16%
  - Americas: 42%
  - Europe: 16%
  - Middle East: 42%
  - Others: 42%
  - Net Sales: 1,043.9 bln yen

**Game & Network Services Segment**

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**

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**Sales**

<table>
<thead>
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<th>FY12</th>
<th>FY13</th>
<th>FY14 (bln yen)</th>
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<td>Sales</td>
<td>749.9</td>
<td>1,043.9</td>
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<td>Op. Income</td>
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<td>-18.8</td>
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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

PlayStation® Ecosystem

PlayStation® Users
50M+ MAU

PS4™/PS Vita/PSN™

Contents & Services

MAU = Monthly Active Users

Retain and expand engaged PlayStation® users
Continuous enhancement of PS4™ game features to maintain and strengthen competitive advantage

Deliver new experiences, enhance functions and usability

Relentless efforts on hardware cost reduction
2. Mid-term Business Direction

Retain and increase engaged PlayStation® users
Acquire casual users while further strengthening the engagement of core gamers through relevant title offerings

Additional game title introduction for core user segment
Enrich games, video and music services for casual user segment

Remove constraints of console and waiting time with PS Now
2. Mid-term Business Direction

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

Markets with future growth potential including China and Latin America

Gaming culture transition, e.g. in Germany and the Middle East
2. Mid-term Business Direction

**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**

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**Game & Network Services Segment**

- **End of Sep 2014**: PS Plus launched
- **x4**: Number of Subscribers
- **PS4™ launched**

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2. Mid-term Business Direction

**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

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

3. Initiatives to Improve Profitability (FY2014 to FY2017)

1. Maintain and expand devoted PlayStation® users
2. Increase ARPPU and ancillary revenue
3. Operating expense management

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Operating Income Margin</th>
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<tr>
<td>FY12</td>
<td>749.9</td>
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<td>FY13</td>
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<td>FY14</td>
<td>1,290</td>
<td>(Forecast as of October 2014)</td>
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<td>FY17</td>
<td>1,400~1,600</td>
<td>5%~6%</td>
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Sony IR Day 2014
4. Summary

**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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1. The global economic environment in which Sony operates and the economic conditions in Sony’s markets, particularly levels of consumer spending;
2. Foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony’s assets and liabilities are denominated;
3. 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;
4. Sony’s ability and timing to recoup large-scale investments required for technology development and production capacity;
5. Sony’s ability to implement successful business restructuring and transformation efforts under changing market conditions;
6. 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;
7. 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);
8. Sony’s ability to maintain product quality;
9. 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;
10. Sony’s ability to forecast demands, manage timely procurement and control inventories;
11. The outcome of pending and/or future legal and/or regulatory proceedings;
12. The outcome 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
13. Risks related to catastrophic disasters or similar events. Risks and uncertainties also include the impact of any future events with material adverse impact.