Game & Network Services Segment
Sony Interactive Entertainment

Senior Vice President
Sony Corporation

President & CEO
Sony Interactive Entertainment

Jim Ryan

Today
- PlayStation® Assets
- Platform Strategy - The Role of Next Gen
- Content Distribution Strategy - The Role of Cloud and Streaming
  - Today
  - Medium Term
  - Longer Term
- Questions we want to respond to
- One Sony Collaboration
PlayStation Assets

OWNED IP

BRAND

COMMUNITY
**Owned IP**

**Distinguished Game Studios**

13 Studios Worldwide

- US
- Japan
- Europe

**Franchise Strength Increasing**

Lifetime unit image by title and platform

**Improving Competence in 'Game as a Service' Revenue**

Highest paying user spend of any Sports title on the US Store

**MLB® The Show™ 19**

* Comparison in PlayStation Store 6 weeks after launch

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**Our Brand Is Our Greatest Strength**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand (UK)</th>
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<tbody>
<tr>
<td>1</td>
<td>Apple</td>
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<td>2</td>
<td>Amazon</td>
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<td>3</td>
<td>Netflix</td>
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<td>Google</td>
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<td>Spotify</td>
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*Prophet brand relevance index Sep-18*
Community

**Engagement**
- 94M+* PlayStation™ Network monthly active users
- Over 90% of all consoles ever seen have connected over the last 12 months
- Player used PS4 for over 21 hrs per week on average in FY18

**Spend**
- Consumer spend through the PS4 ecosystem estimated at over $20bn for the first time in FY18
- Average lifetime device spend exceeds $700
- Average launch year lifetime device spend exceeds $1,600

PlayStation® Plus subscriber base exceeds 36 million *

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Platform Strategy

– The Role of Next Gen
Generational Transformation

We will harness the power of new technology to offer completely transformative and immersive gaming experiences.

We will leverage Backwards Compatibility to transition our community to Next Gen faster and more seamlessly than ever before.

We provide stability of environment for content creators.
Next Gen

What we have said so far

- All New CPU, GPU
- SSD
- Backwards Compatibility
- Ray Tracing
- 8K
- Disc Support
- 3D Audio

What we have not spoken about yet

- Date
- Price
- Games
- User Experience
- Country Rollout

The Critical Role of PS4

- Will remain the engine of engagement and profitability for the next three years
- Will provide the fertile early adopter gamer base critical for Next Gen success
- Outstanding roster of exclusive AAA games still to come
Content Distribution Strategy
– The Role of Cloud and Streaming

Today
**PS4 Remote Play Offers Seamless Multi-Device Streaming Today**

- iOS
- PC/Mac
- Android

5.6 Million active users, 71M+ hours of gameplay

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**PlayStation™Now – the History**

<table>
<thead>
<tr>
<th>Current area coverage &gt; 70% PS4 base</th>
<th>Our experience in game streaming</th>
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<tbody>
<tr>
<td>2012 Acquisition of GAIAK</td>
<td>Rich IP Portfolio</td>
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<td>2014 PS Now rental service launch</td>
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<tr>
<td>2015 Acquisition of OnLive IP</td>
<td>Sony BRAVIA, Blu-Ray, Samsung TVs support</td>
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<tr>
<td>2016 PS Now subscription service launch</td>
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</table>

700k Subscribers : 40% CAGR

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*1 FY18 yearly figure
*2 Xperia only as of today

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PlayStation™Now – Today

- 15 Data Centers
- 37 Network POPs
- 780 games
- No developer effort required
- 19 Countries
- Streaming + Download
- PS4/PC Client
- 170 Publishers Supporting

* As of end of Mar, 2019

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PlayStation™Now and its technology

Ultra Low latency with only 5Mbps bandwidth required

Server
- Dynamic Adaptive Streaming
- Stream Shaping

Network
- Congestion Control
- Network Protocol

Client
- Low Latency Client
- Packet Loss Concealment

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**Medium Term**

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**PlayStation™ Now – Our Plans**

- **Support 1080p and beyond**
- **Improve Quality of Content**
- **Maximize Off-console Opportunity**
- **Leverage Existing Capacity**
- **Strengthen Marketing Support**

**Increase CAGR to over 50%**

*Existing capacity investments support 5 mil subscriber base*
Longer Term

SIE Believes in Gamer Choice

Mainstream Business Model

Generation

Next Gen

CD/DVD

Blu-ray

Download

Blu-ray

Download

Streaming

PlayStation®, PlayStation®2, PlayStation®3, PlayStation®4
Role of Streaming in Next Gen

Our Vision
A massively enhanced PlayStation community where enriched and shared PlayStation experiences can be seamlessly enjoyed independent of time and place – with or without a console.

Engines of Growth
- Portable Client devices
- Static Client devices
- New Entitlement models
- Next Gen Hardware
- Next Gen Games
- Evolved services

Using Partnership to Achieve Scale

- We will leverage existing and new partnerships to achieve growth and scale faster than ever before
- This follows the model successfully followed in growing our PSN business
Questions we want to respond to

Console promotional activity has been proportionate and has positive ROI

2018 Black Friday – $199 promotional pricing self-financed during FY18

All FY19 promotions will self-finance this year
The 99, Not the 1

Cost Management

We recognize the need for a more stringent approach to the management of our cost base.

PlayStation™Vue will not negatively impact our P&L from FY20 onward.
One Sony Collaboration

- Original music for 1st party games
- VR content with Sony artists
- Collaboration on Contents IP
FY2018 Operating Profit Variation from FY2017

1) Sales growth of both 1st and 3rd party game software and add-on contents
2) Sales growth of network services mainly in PS Plus
3) Unit decrease due to lifecycle and higher console cost in hardware and peripherals
4) Increase of SGA in enhancement and expansion of network business, 1st party game software development and R&D cost of next generation
5) Negative impact of exchange rate etc.

*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.
**Game & Network Services Segment**

**FY2019 Operating Profit Variation from FY2018**

1. **Sales Revenue**
   - FY2018: 2,310.9 (Bil yen)
   - FY2019: 2,300 (Bil yen)
   - Change: -0.5%

2. **Operating Profit**
   - FY2018: 311.1
   - FY2019: 280

3. **FY2019 Operating Profit Variation from FY2018**
   - 1) Continuous sales growth of network services mainly in PS Plus
   - 2) Cost improvement more than unit decrease due to lifecycle in hardware and peripherals
   - 3) Sales decrease of 1st party game software that had big hit titles in FY2018
   - 4) Increase of SGA in acceleration of next generation development activities
   - 5) Negative impact of exchange rate*1 etc.

*1: Impact of foreign exchange fluctuations is calculated using the sales and costs denominated in each currency in FY2019 and comparing them with the previous fiscal year.

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* Sony Corporation