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# SONY PLAYSTATION: SECURITY BREACH<sup>1</sup>

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*Paul Bigus wrote this case under the supervision of Jana Seijts solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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On Monday, April 25, 2011, Patrick Seybold, senior director of corporate communications and social media at Sony Computer Entertainment America (SCEA) was challenged by an unprecedented situation of monumental proportions. A week earlier, Sony had discovered that between Sunday, April 17 and Tuesday, April 19, 2011, PlayStation and Qriocity user account information had been compromised as the result of an illegal and unauthorized intrusion into the company network. In response to the security threat, Sony had turned off both its PlayStation Network and Qriocity services while obtaining the support of an external security firm to help conduct a full and complete investigation.<sup>2</sup> Over the duration of the following week, Seybold released a series of brief statements on a Sony PlayStation blog site.<sup>3</sup> However, Sony had not yet publicly disclosed the full extent of the security breach or when network services might return to normal, leaving many people speculating if personal or financial information had been illegally obtained. Public outrage quickly escalated, with more than 70 million PlayStation Network and Qriocity service users worldwide looking for Sony to provide them with answers as to what happened and what the company intended to do to improve the situation for their stakeholders.<sup>4</sup>

## HISTORY<sup>5</sup>

The origins of the Sony Corporation (Sony) dated back to the end of World War II in 1945, when Masaru Ibuka returned to Tokyo, Japan to begin work in the war-damaged capital. Obtaining space in the small office of a bomb-damaged department store, Ibuka assembled a small team, using his own savings to

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<sup>1</sup> This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are necessarily those of Sony Computer Entertainment America or any of its employees.

<sup>2</sup> Patrick Seybold, "Update on PlayStation Network and Qriocity," *PlayStation.Blog*, April 26, 2011, <http://blog.us.playstation.com/2011/04/26/update-on-playstation-network-and-qriocity/>, accessed September 30, 2012.

<sup>3</sup> Martyn Williams, "PlayStation Network Hack Timeline," *IDG News Service*, May 1, 2011, [http://www.pcworld.com/article/226802/playstation\\_network\\_hack\\_timeline.html](http://www.pcworld.com/article/226802/playstation_network_hack_timeline.html), accessed September 30, 2012.

<sup>4</sup> Keir Thomas, "Sony Makes it Official: PlayStation Network Hacked," *PCWorld*, April 23, 2011, [http://www.pcworld.com/article/226128/sony\\_makes\\_it\\_official\\_playstation\\_network\\_hacked.html](http://www.pcworld.com/article/226128/sony_makes_it_official_playstation_network_hacked.html), accessed September 30, 2012.

<sup>5</sup> Unless otherwise indicated, the information in this section comes from Sony, "Chapter 1 Rebuilding from the Ashes," <http://www.sony.net/SonyInfo/CorporateInfo/History/SonyHistory/1-01.html>, accessed September 30, 2012 and from Sony, "Corporate History," <http://www.sony.net/SonyInfo/CorporateInfo/History/history.html>, accessed September 30, 2012

operate an electronics workshop. Shortly after, Ibuka and his group established a new facility operating under the company name Tokyo Tsushin Kogyo K.K. (Tokyo Telecommunications Engineering Corporation), also known as Totsuko. Although everyone in the small company was eager to work and help contribute to the rebuilding of post-war Japan, no one knew what to do first. With the end of the war, there was a high demand in Japan for news from around the world. However, the majority of radios had been war-damaged or previously disconnected by the military police to prevent civilians from tuning into enemy propaganda. Recognizing the opportunity, Ibuka's factory repaired radios and made shortwave converters or adapters that could make medium-wave radios into all-wave receivers. In 1946, the company expanded operations to include the research and manufacturing of telecommunications and measuring equipment.

Totsuko achieved a significant accomplishment in 1950 with the creation and launch of Japan's first magnetite-coated, paper-based recording tape, called "Soni-Tape," and magnetic tape recorder, called the G-Type. The dedication to innovation and product development continued, as a few years later in 1955 Totsuko introduced Japan's first transistor radio, the TR-55. As the company conducted market surveys and business discussions in North America for future expansion, a significant problem remained. It was often difficult for people in North America to properly pronounce the company name Tokyo Tsushin Kogyo or Totsuko. Company management recognized that there was no point in launching a product with an unpronounceable name, thus realizing the importance of changing the company name to something that was simple and easy to read, as well as remember and pronounce in any language. By combining the Latin word sonus, from which "sound" and "sonic" were derived, with the English term "sonny," denoting small size, or a youthful boy, the iconic Sony name was created.<sup>6</sup> In 1958, Totsuko officially changed its name to the Sony Corporation, the same year in which the company was listed on the Tokyo Stock Exchange (TSE).

In the decades to follow, Sony experienced significant global growth in both the products they offered to consumers and the countries in which they operated (see Exhibit 1). By 2010, the company had expanded business operations to employ over 167,000 people in 57 manufacturing facilities located around the globe.<sup>7</sup> Overall, the Sony Corporation consisted of five major business segments (see Exhibits 2 and 3), which combined to provide a total sales and operating revenue of ¥7,730 billion, yet resulting in a net loss of ¥98.9 billion (see Exhibits 4 and 5). Some of the major factors cited as contributing to Sony's income deterioration included the appreciation of the yen against the U.S. dollar and the euro, a significant decline in the Japanese stock market, weakened operating results in the financial services segment and restructuring charges recorded as operating expenses. Moving forward, Sony maintained the mission to become a leading global provider of networked consumer electronics, entertainment and services.<sup>8</sup>

## SONY PLAYSTATION<sup>9</sup>

Initially taking four years to develop, the Sony PlayStation video game console was first released in 1995 amid high public anticipation. More than 100,000 PlayStation units were sold during the first weekend of availability, with sales quickly reaching over one million units within six months. In the years following

<sup>6</sup> Sony, "Chapter 6 Transistor's Number Used The Suffix Seki,"

<http://www.sony.net/SonyInfo/CorporateInfo/History/SonyHistory/1-06.html>, accessed September 30, 2012.

<sup>7</sup> Sony, "Employee Data," [http://www.sony.net/SonyInfo/csr\\_report/employees/info/index.html](http://www.sony.net/SonyInfo/csr_report/employees/info/index.html), accessed September 30, 2012.

<sup>8</sup> Sony, "Annual Report 2009," <http://www.sony.net/SonyInfo/IR/financial/ar/8ido180000023g2o-att/SonyAR09-E.pdf>, accessed September 30, 2012.

<sup>9</sup> PlayStation, "PlayStation Story," <http://us.playstation.com/corporate/about/theplaystationstory/>, accessed September 30, 2012.

the success of the original PlayStation console, Sony set its sights on developing a successor. Launched to consumers in 2000, the PlayStation 2 offered users the ability to play video games in addition to using the console to operate both music CDs and DVDs. The PlayStation 2 also represented a significant improvement in the quality of graphics, animation and ultimately the gameplay that video games could provide. Over a 10-year timespan (2000 to 2010), over 50 million units of PlayStation 2 were sold in North America to one in three homes across the United States.

With the success of the PlayStation consoles, Sony developed the PlayStation Portable (PSP) in 2005, offering a unique gaming experience in a handheld platform. The evolution of the brand continued in 2006, when Sony launched the PlayStation 3 console. It offered consumers an improved processor, Blu-ray player and pre-installed hard disk drive. The PlayStation 3 also supported a broad range of displays from conventional standard TVs to full high definition, flat panel displays. Designed by Sony to be an “entertainment hub” for the living room and the leading video game console for gamers, the PlayStation 3 provided a built in Wi-Fi and Internet browser, enabling access to the PlayStation Network. Launched in 2006, the PlayStation Network offered online gaming and entertainment across multiple platforms and devices. Available on both the PlayStation 3 and the PlayStation Portable, subscription holders could access TV shows, movies, sports, music and games. In 2011, research data indicated that the Sony PlayStation 3 had sold over 43.5 million consoles worldwide, maintaining a small lead over the rival Microsoft Xbox 360 with 42.9 million consoles. However, both the PlayStation and Xbox 360 remained behind the Nintendo Wii, which had worldwide console sales of 75.5 million.<sup>10</sup> Competition remained fierce, as the global video game industry was estimated to be worth over US\$74 billion in 2011 and was projected to reach US\$115 billion by 2015.<sup>11</sup>

## QRIOCITY<sup>12</sup>

Launched by Sony in 2010, Qriocity provided a cloud-based digital video and music service to consumers. Through Qriocity, users could access a wide variety of entertainment content on Internet-connected Sony devices including the network-enabled BRAVIA TV, Blu-ray Disc player, Blu-ray Disc Home Theater system and the PlayStation 3 console, as well as VAIO and other personal computers. Although no mobile app existed for any smartphones, Sony intended to expand Qriocity to a wide range of its portable devices, as well as to Android-based mobile devices. Operated as a subscription service, Qriocity users set up an online account and paid a fee to access content. For Sony, Qriocity represented an opportunity to better integrate the company’s consumer electronics with online music, movies and games. However, the market for online content was fiercely competitive and dominated by companies including Apple (iTunes) and Netflix.<sup>13</sup> Nevertheless, in 2011, Sony had over 350 million Internet-connected devices in use around the world, providing the company with a significant market of potential Qriocity customers.<sup>14</sup>

<sup>10</sup> Keith Stuart, “PS3 overtakes Xbox 360. Or does it? And will this trigger the next console war anyway?,” *The Guardian*, April 5, 2011, <http://www.guardian.co.uk/technology/gamesblog/2011/apr/05/ps3-overtakes-xbox360>, accessed September 30, 2012.

<sup>11</sup> David Hinkle, “Report: Game Industry Worth \$74 Billion in 2011,” *Joystiq*, July 5, 2011, <http://www.joystiq.com/2011/07/05/report-game-industry-worth-74-billion-in-2011/>, accessed September 30, 2012.

<sup>12</sup> Sony Electronics News and Information, “Sony Debuts ‘Music Unlimited Powered by Qriocity,’” December 22, 2010, [https://news.sel.sony.com/en/press\\_room/corporate\\_news/release/59047.html](https://news.sel.sony.com/en/press_room/corporate_news/release/59047.html), accessed September 30, 2012.

<sup>13</sup> Tomoko Hosaka, “Qriocity, Sony’s Music Streaming Service, Launches,” *The Huffington Post*, December 22, 2010, [http://www.huffingtonpost.com/2010/12/22/qriocity-sonys-music-stre\\_n\\_800097.html](http://www.huffingtonpost.com/2010/12/22/qriocity-sonys-music-stre_n_800097.html), accessed September 30, 2012.

<sup>14</sup> Greg Sandoval, “Sony’s Qriocity Aims to Put Connect, iTunes Behind,” *CNET*, February 17, 2011, [http://news.cnet.com/8301-31001\\_3-20032854-261.html](http://news.cnet.com/8301-31001_3-20032854-261.html), accessed September 30, 2012.

## SONY NETWORK INTRUSTION

On Wednesday, April 20, 2011, without warning, both of Sony's PlayStation and Qriocity networks were shut down.<sup>15</sup> In total, more than 70 million Sony user accounts were unexpectedly disconnected worldwide.<sup>16</sup> The only communication response released to the public was a statement posted by Seybold on the PlayStation blog reading, "We're aware certain functions of PlayStation Network are down. We will report back here as soon as we can with more information. Thank you for your patience."<sup>17</sup> A day later, Sony indicated to the public that it was still investigating the cause of the outages and that it would be a few more days before everything was back to normal. However, a posting on Sony Europe's PlayStation blog suggested that the networks had in fact been attacked. The posting in question was quickly removed, but not before numerous gaming news outlets reported it as saying, "Our support teams are investigating the cause of the problem, including the possibility of targeted behavior by an outside party."<sup>18</sup> As time continued to pass without clarity or detailed answers from Sony, public speculation grew surrounding the possibility of a legitimate system hack as the sole cause of the network outages.

On Friday, April 22, 2011, Sony revealed to the public for the first time the cause of the PlayStation and Qriocity network problems, with Seybold stating on the PlayStation blog site:

An external intrusion on our system has affected our PlayStation Network and Qriocity services. In order to conduct a thorough investigation and to verify the smooth and secure operation of our network services going forward, we turned off PlayStation Network and Qriocity services on the evening of Wednesday, April 20th. Providing quality entertainment services to our customers and partners is our utmost priority. We are doing all we can to resolve this situation quickly, and we once again thank you for your patience. We will continue to update you promptly as we have additional information to share.<sup>19</sup>

Unfortunately, to the disappointment of millions of users, Sony did not specify when it expected network services would return to normal. One of the biggest impacts on Sony customers was the inability to play online games in which gamers collaborated with others in real-time battles, challenges and quests.

Adding to the mounting speculation surrounding a system intrusion was the recent attack of the PlayStation.com website a month earlier by the hacking group Anonymous.<sup>20</sup> The attack by Anonymous was in response to Sony suing two owners of PlayStation 3 consoles who had developed and released codes that allowed third-party software to be run on the system platform. Sony argued that the actions violated the licensing agreements of the PlayStation 3. Anonymous regarded Sony's actions as censoring how consumers used the company's products, expressing their outrage on the anonnews.org website, stating, "Your corrupt business practices are indicative of a corporate philosophy that would deny consumers the right to use products they have paid for, and rightfully own, in the manner of their

<sup>15</sup> Martyn Williams, "PlayStation Network Hack Timeline," *IDG News Service*, May 1, 2011, [http://www.pcworld.com/article/226802/playstation\\_network\\_hack\\_timeline.html](http://www.pcworld.com/article/226802/playstation_network_hack_timeline.html), accessed September 30, 2012.

<sup>16</sup> Keir Thomas, "Sony Makes it Official: PlayStation Network Hacked," *PCWorld*, April 23, 2011, [http://www.pcworld.com/article/226128/sony\\_makes\\_it\\_official\\_playstation\\_network\\_hacked.html](http://www.pcworld.com/article/226128/sony_makes_it_official_playstation_network_hacked.html), accessed September 30, 2012.

<sup>17</sup> Patrick Seybold, "Update on PSN Service Outages," *PlayStation Blog*, April 20, 2011, <http://blog.us.playstation.com/2011/04/20/update-on-psn-service-outages-2/>, accessed September 30, 2012.

<sup>18</sup> Martyn Williams, "PlayStation Network Hack Timeline," *IDG News Service*, May 1, 2011, [http://www.pcworld.com/article/226802/playstation\\_network\\_hack\\_timeline.html](http://www.pcworld.com/article/226802/playstation_network_hack_timeline.html), accessed September 30, 2012.

<sup>19</sup> Patrick Seybold, "Update on PlayStation Network and Qriocity," *PlayStation Blog*, April 26, 2011, <http://blog.us.playstation.com/2011/04/26/update-on-playstation-network-and-qriocity/>, accessed September 30, 2012.

<sup>20</sup> Martyn Williams, "PlayStation Network Enters Third Day of Outage," *IDG News Service*, April 23, 2011, [http://www.pcworld.com/article/226134/playstation\\_network\\_enters\\_third\\_day\\_of\\_outage.html?tk=rel\\_news](http://www.pcworld.com/article/226134/playstation_network_enters_third_day_of_outage.html?tk=rel_news), accessed September 30, 2012.

choosing.”<sup>21</sup> Although the Anonymous organization had denied any involvement with Sony’s network problems, it left open the possibility of retaliatory actions from individuals within the group when it posted, “While it could be the case that other Anons have acted by themselves AnonOps was not related to this incident and takes no responsibility for it.”<sup>22</sup>

On Saturday, April 23, 2011, as both the PlayStation Network and Qriocity services remained inoperative for a third consecutive day, Sony provided additional public details into the magnitude of the network problems, as Seybold released another posting on the PlayStation blog:

We sincerely regret that PlayStation Network and Qriocity services have been suspended, and we are working around the clock to bring them both back online. Our efforts to resolve this matter involve re-building our system to further strengthen our network infrastructure. Though this task is time-consuming, we decided it was worth the time necessary to provide the system with additional security. We thank you for your patience to date and ask for a little more while we move towards completion of this project. We will continue to give you updates as they become available.<sup>23</sup>

Frustration and outrage continued to build around the world as Sunday, April 24, 2011 represented the fourth day of the network outage and the first full day that Sony remained silent, failing to provide the public with any new information.<sup>24</sup> Breaking the silence a day later on Monday, April 25, 2011, Satoshi Fukuoka, a spokesperson for Sony Computer Entertainment in Tokyo, Japan, indicated that the company had yet to determine the full scope of the attack. Fukuoka also acknowledged the worst fear of many network users, when stating that Sony had not yet determined if the personal information or credit card numbers of account holders had been compromised.<sup>25</sup>

## IDENTITY THEFT AND FRAUD

As identified by the U.S. Department of Justice, identity theft and identity fraud were terms used to refer to all types of crime in which someone wrongfully obtained and used another person's personal data in some way that involved fraud or deception, typically for economic gain.<sup>26</sup> Personal data could include a person’s full name, address, date of birth, Social Security Number, driver’s license number, bank account number, credit card number, passport number and personal identification numbers, in addition to a wide range of usernames and passwords. Each year, in many countries around the world, the successful acquisition of personal data through criminal activity resulted in unsuspecting individuals discovering unauthorized funds being withdrawn from bank accounts, debts run on credit cards, the creation of falsified accounts and in extreme cases the taking over of a victim’s identity altogether. In addition to the monetary losses that were not always covered by a financial institution, a victim of identity theft or fraud often had to spend

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<sup>21</sup> Tim Greene, “Sony’s ‘In for a Hell of a Wake-up Call,’ Anonymous Says,” *Network World*, April 6, 2011, <http://www.networkworld.com/news/2011/040611-sony-anonymous.html>, accessed September 30, 2012.

<sup>22</sup> Martyn Williams, “PlayStation Network Enters Third Day of Outage,” *IDG News Service*, April 23, 2011, [http://www.pcworld.com/article/226134/playstation\\_network\\_enters\\_third\\_day\\_of\\_outage.html?tk=rel\\_news](http://www.pcworld.com/article/226134/playstation_network_enters_third_day_of_outage.html?tk=rel_news), accessed September 30, 2012.

<sup>23</sup> Patrick Seybold, “Latest Update for PSN/Qriocity Services,” *PlayStation Blog*, April 23, 2011, <http://blog.us.playstation.com/2011/04/23/latest-update-for-psnqriocity-services/>, accessed September 30, 2012.

<sup>24</sup> Martyn Williams, “PlayStation Network Hack Timeline,” *IDG News Service*, May 1, 2011, [http://www.pcworld.com/article/226802/playstation\\_network\\_hack\\_timeline.html](http://www.pcworld.com/article/226802/playstation_network_hack_timeline.html), accessed September 30, 2012.

<sup>25</sup> Martyn Williams, “Sony Yet to Determine Scope of PlayStation Network Attack,” *IDG News Service*, April 25, 2011, [http://www.pcworld.com/article/226162/Sony\\_Yet\\_to\\_Determine\\_Scope\\_of\\_PlayStation\\_Network\\_Attack.html](http://www.pcworld.com/article/226162/Sony_Yet_to_Determine_Scope_of_PlayStation_Network_Attack.html), accessed September 30, 2012.

<sup>26</sup> The United States Department of Justice, “Identity Theft and Identity Fraud,” <http://www.justice.gov/criminal/fraud/websites/idtheft.html>, accessed September 30, 2012.

significant time, effort and finances to remove fraudulent information and to restore their financial status and personal reputation.

In 2010, it was estimated that over 8.6 million households in the United States had at least one person aged 12 or older who experienced identity theft victimization. This represented a significant increase over the 6.4 million households that experienced identity theft in 2005. In total, the combined financial loss from all U.S. households that experienced identity theft in 2010 represented US\$13.3 billion, with an average loss per individual of US\$2,200. However, the average loss per individual significantly increased to US\$13,200 when the fraudulent use of personal information was used to open a new financial account. Overall, more than 76 per cent of all identity theft victims in the United States suffered some form of direct financial loss in 2010.<sup>27</sup>

## DECISION

On Monday, April 25, 2011, after five consecutive days of PlayStation Network and Qriocity service interruption, Sony prepared to release its most detailed public statement regarding the system blackout. This was a critical time for the company as it had also scheduled a news conference in Tokyo, Japan for Tuesday, April 26, 2011 to unveil the launch of the first Sony tablet computers. Sales of tablet devices were expected to quadruple to over 294 million units worldwide between 2011 and 2015, representing a significant opportunity for Sony to obtain a market presence and increase revenues.<sup>28</sup> Over the past decade, Sony had seen its share price drop significantly as competition increased in many areas of the consumer electronics market from companies including Apple, Samsung and Microsoft (see Exhibit 6).

With the public statement, Sony intended to communicate key points of information regarding the network interruption. Thus, it was vital that Sony created a communication that effectively provided the public with explanations and solutions. With more than 70 million PlayStation Network and Qriocity service user accounts worldwide, customers, industry analysts, investors, consumer protection groups and government officials were all waiting for answers. Failure to provide them would unquestionably result in many current and potential customers remaining “turned off” from the Sony brand, even when the network was turned back on.

<sup>27</sup> Office of Justice Programs, “Identity Theft Reported by Households Rose 33 Percent from 2005 to 2010,” November 30, 2011, <http://bjs.ojp.usdoj.gov/content/pub/press/itrh0510pr.cfm>, accessed September 30, 2012.

<sup>28</sup> Isabel Reynolds, “Sony Chases Apple with Launch of Android Tablet,” *Reuters*, April 26, 2011, <http://www.reuters.com/article/2011/04/26/us-sony-idUSTRE73P0MJ20110426>, accessed September 30, 2012.

## Exhibit 1

### SONY CORPORATION TIMELINE

- 1960: Sony Corporation of America (SONAM) is established in the United States, and Sony Overseas S.A. is established near Zurich, Switzerland. During the same year, Sony introduces the world's first direct-view portable TV.
- 1964: Sales launch of the "Sony-O-Matic" TC-357, a tape recorder featuring automatic recording adjustment.
- 1965: Sales launch of the Chromatron-type 19-inch color TV, 19C-70.
- 1966: Sony introduces the company's first cassette tape recorder, the "Magazine-matic 100" TC-100.
- 1968: CBS/Sony Records Incorporated is created as a 50-50 joint venture with CBS Incorporated of the United States. During the same year Sony (U.K.) Ltd. is established in the United Kingdom.
- 1970: Sony shares are listed on the New York Stock Exchange.
- 1973: Sony receives the first Emmy ever awarded to a Japanese company for developing the Trinitron color TV system.
- 1979: Sony Prudential Life Insurance Co. Ltd is created as a 50-50 joint venture with Prudential Insurance Co. of America.
- 1982: Sony launches the world's first CD player, the CDP-101.
- 1984: Sony introduces a portable CD player, later called the "Discman."
- 1988: Sony acquires CBS Records Incorporated, renamed Sony Music Entertainment Incorporated in 1991.
- 1989: Sony acquires Columbia Pictures Entertainment Incorporated, renamed Sony Pictures Entertainment Incorporated in 1991.
- 1993: Sony Computer Entertainment Incorporated is established.
- 1995: Sony introduces the "Digital Handycam," the first consumer digital video camcorder, as well as establishing the basic specifications for a new high density optical disc, including the format name, "DVD."
- 1996: Sony launches sales of the digital still camera "Cybershot."
- 1997: Sony introduces the home-use personal computer "VAIO" series.
- 2001: The Sony Bank is established in Japan, and Sony Ericsson Mobile Communications is launched.
- 2003: Sony launches sales of the world's first next-generation high capacity optical "Blu-ray Disc" recorder.
- 2005: Sony introduces the "BRAVIA" brand HDTV-compatible flat-screen TVs.
- 2007: Sony relocates company headquarters to a new building called "Sony City."
- 2010: Sony launches a new digital music service — "Music Unlimited Powered by Qriocity™"

Source: Sony, "Corporate History," <http://www.sony.net/SonyInfo/CorporateInfo/History/history.html>, accessed September 16, 2012.

## **Exhibit 2**

### **SONY CORPORATION MAJOR BUSINESS SEGMENTS**

#### **Electronics**

The Electronics business comprised audio, video, televisions, information and communications, semiconductors, components and other products.

#### **Game**

Sony's Game business consisted of game consoles and software offered by Sony Computer Entertainment (SCE).

#### **Pictures**

The Pictures business centered on motion pictures and television programming distributed by Sony Pictures Entertainment (SPE).

#### **Financial Services**

Sony's Financial Services business comprised of Sony Financial Holdings Incorporated and its consolidated subsidiaries: Sony Life Insurance, Sony Assurance Incorporated, Sony Bank Incorporated and Sony Finance International Incorporated.

#### **All Other**

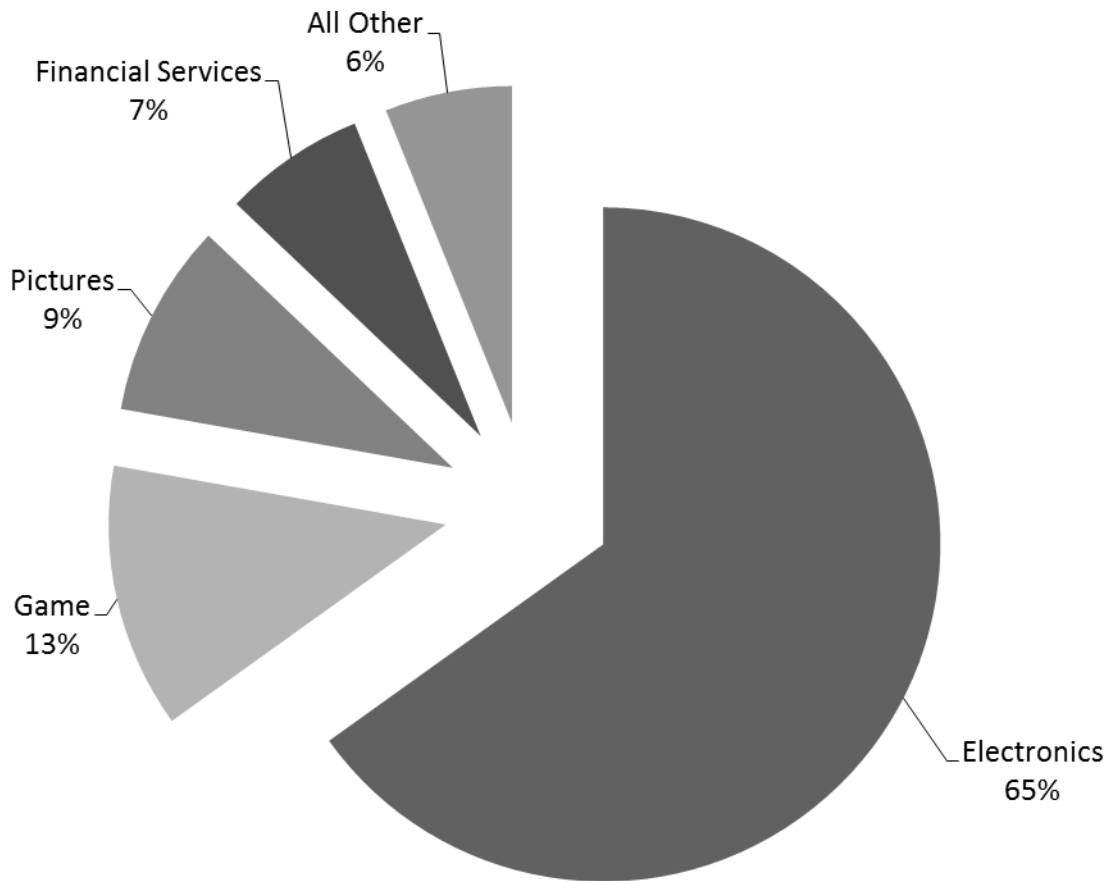
This category encompassed the music recording businesses of Sony Music Entertainment Incorporated, Sony Music Entertainment (Japan) Incorporated and the network services-related business So-net Entertainment Corporation.

*Source: Sony, "Annual Report 2009," <http://www.sony.net/SonyInfo/IR/financial/ar/8ido180000023g2o-att/SonyAR09-E.pdf>, accessed September 17, 2012.*



Exhibit 3

**SONY CORPORATION PROPORTION OF SALES BY BUSINESS SEGMENTS**  
**For the Fiscal Year Ending March 31, 2010**



Source: Created by case writer from data in: Sony, "Annual Report 2009,"  
<http://www.sony.net/SonyInfo/IR/financial/ar/8ido180000023g2o-att/SonyAR09-E.pdf>, accessed September 17, 2012.

## Exhibit 4

**SONY CORPORATION STATEMENT OF FINANCIAL ACTIVITIES — SALES AND OPERATING  
REVENUE BY BUSINESS SEGMENT  
For the Fiscal Year Ending March 31, 2010**

	2007	2008	2009
Electronics			
Customers	5,443,336	5,931,708	5,032,920
Intersegment	<u>629,042</u>	<u>682,102</u>	<u>455,035</u>
Total	<u>6,072,378</u>	<u>6,613,810</u>	<u>5,487,955</u>
Game			
Customers	974,218	1,219,004	984,855
Intersegment	<u>42,571</u>	<u>65,239</u>	<u>68,291</u>
Total	<u>1,016,789</u>	<u>1,284,243</u>	<u>1,053,146</u>
Pictures			
Customers	966,260	855,482	717,513
Intersegment		<u>2,452</u>	
Total	<u>966,260</u>	<u>857,934</u>	<u>717,513</u>
Financial Services			
Customers	624,282	553,216	523,307
Intersegment	<u>25,059</u>	<u>27,905</u>	<u>14,899</u>
Total	<u>649,341</u>	<u>581,121</u>	<u>538,206</u>
All Other			
Customers	287,599	312,004	471,398
Intersegment	<u>67,525</u>	<u>70,194</u>	<u>68,205</u>
Total	<u>355,124</u>	<u>382,198</u>	<u>539,603</u>
Elimination	<u>(764,197)</u>	<u>(847,892)</u>	<u>(606,430)</u>
Consolidated Total	<u>8,295,695</u>	<u>8,871,414</u>	<u>7,729,993</u>

*Note: Electronics intersegment amounts primarily consist of transactions with Game segment, Pictures segment and All Other segment. Game intersegment amounts primarily consist of transactions with the Electronics segment. All Other intersegment amounts primarily consist of transactions with the Electronics, Game and Picture segments.*

*Source: Sony, "Annual Report 2009," <http://www.sony.net/SonyInfo/IR/financial/ar/8ido180000023g2o-att/SonyAR09-E.pdf>, accessed September 17, 2012.*

## Exhibit 5

**SONY CORPORATION STATEMENT OF FINANCIAL ACTIVITIES — CONSOLIDATED STATEMENTS  
OF INCOME**  
**For the Fiscal Year Ending March 31, 2010**

	2007	2008	2009
Sales and operating revenue:			
Net sales	7,567,359	8,201,839	7,110,053
Financial service revenue	624,282	553,216	523,307
Other operating revenue	104,054	116,359	96,633
	<u>8,295,695</u>	<u>8,871,414</u>	<u>7,729,993</u>
Cost and expenses:			
Cost of sales	5,889,601	6,290,022	5,660,504
Selling, general and administrative	1,788,427	1,714,445	1,686,030
Financial service expenses	540,097	530,306	547,825
(Gain) loss on sale, disposal or impairment of assets, net	5,820	(37,841)	38,308
	<u>8,223,945</u>	<u>8,496,932</u>	<u>7,932,667</u>
Equity in net income (loss) of affiliated companies	<u>78,654</u>	<u>100,817</u>	<u>(25,109)</u>
Operating income (loss)	<u>150,404</u>	<u>475,299</u>	<u>(227,783)</u>
Other income:			
Interest and dividends	28,240	34,272	22,317
Foreign exchange gain, net		5,571	48,568
Gain on sale of securities investments, net	14,695	5,504	1,281
Gain on change in interest in subsidiaries and equity investees	31,509	82,055	1,882
Other	20,738	22,045	24,777
	<u>95,182</u>	<u>149,447</u>	<u>98,825</u>
Other expenses:			
Interest	27,278	22,931	24,376
Loss on devaluation of securities investments	1,308	13,087	4,427
Foreign exchange loss, net	18,835		
Other	17,474	21,594	17,194
	<u>64,895</u>	<u>57,612</u>	<u>45,997</u>
Income (loss) before income taxes and minority interest	<u>180,691</u>	<u>567,134</u>	<u>(174,955)</u>
Income taxes:			
Current	67,081	183,438	80,521
Deferred	(13,193)	20,040	(153,262)
	<u>53,888</u>	<u>203,478</u>	<u>(72,741)</u>
Income (loss) before minority interest	<u>126,803</u>	<u>363,656</u>	<u>(102,214)</u>
Minority interest in income (loss) of consolidated subsidiaries	475	(5,779)	(3,276)
Net income (loss)	<u>126,328</u>	<u>369,435</u>	<u>(98,938)</u>

Source: Sony, "Annual Report 2009," <http://www.sony.net/SonyInfo/IR/financial/ar/8ido180000023g2o-att/SonyAR09-E.pdf>, accessed September 17, 2012.

Exhibit 6

SONY CORPORATION HISTORICAL STOCK PRICE



Source : Created by case writer from data in: Google Finance, "Sony Corporation," <http://www.google.ca/finance/historical?cid=33095&startdate=Apr+25%2C+2008&enddate=Apr+25%2C+2011&num=30&ei=IOJcUOjIFIWt0AHcXw>, accessed September 17, 2012.