

SONY®

THE MARKET

Over the last decade television, video and sophisticated audio equipment have become an integral part of our lives rather than a luxury. However, the world is braced for a revolution...

As Nobuyuki Idei, the Chairman and CEO of Sony Corporation, told Fortune Magazine in May 2000: "Sony can be the No. 1 company in the broadband network society. That will be a much bigger role than Sony has ever had. But we can't just wait until broadband arrives. And we can't merely follow the dot-com companies or Microsoft or anybody else. We have to take advantage of everything the technology and the new economy provide. We have to prepare while we still have time."

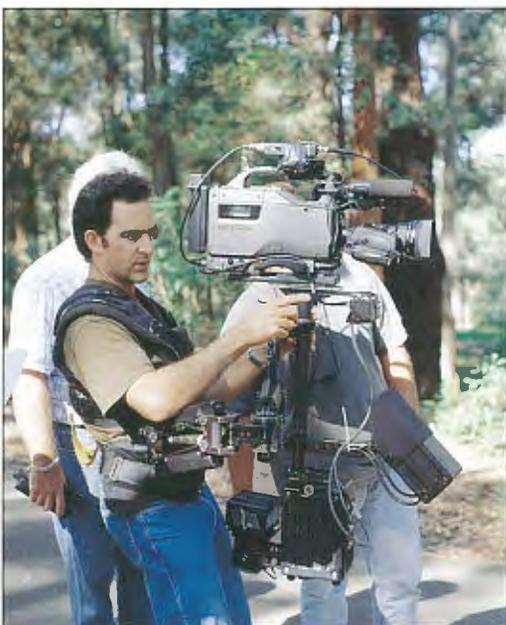
Sony's entry into the broadband era and the product and services, which will harness this era, is what will define the corporation in the coming years.

ACHIEVEMENTS

At the cutting edge of technology since it was founded in 1946, Sony celebrated its 55th anniversary worldwide recently. Its 25th anniversary in Australia followed in 2002.

The key to the success of the brand is how it meets the challenges of change. For over fifty years Sony has led the market in terms of innovation.

Sony has developed a wide range of products, which have now become part of the mainstream. It invented Japan's first magnetic tape and tape recorder in 1950; the transistor radio in 1955; the world's first all-transistor television set in 1960; the world's first colour video-cassette recorder in



1971; the Walkman in 1979, which has become a way of life for a generation; co-invented the compact disc, invented the first 8mm Camcorder; the MiniDisc in 1992; and in 1998, Sony launched both DVD and its digital capture and exchange product Memory Stick.

HISTORY

Sony was born out of the chaos in Japan at the end of the Second World War. Fired with a vision for a new future and with an abundance of talent and marketing skill – but with a market capitalisation the equivalent of US\$1500, 20 employees and no machinery – Akio Morita and Masaru Ibuka founded Tokyo Tsushin Kogyo (Tokyo Telecommunications Engineering Corporation), in 1946.

Their declared aim was to: "Avoid the problems which befall large corporations while we create and introduce technologies which large corporations cannot match." They believed the reconstruction of Japan depended on the development of dynamic technologies. By developing innovative high-tech electronics products, Sony was able to expand its operations outside Japan into the United States, Europe, Asia and other regions.

Sony's most famous product – and one which created a whole sector – was the Walkman personal stereo. The prototype Sony Walkman was produced in 1978. Its chief attraction was its size – with a set of lightweight headphones it could be used anywhere. Although 80 percent of retailers were sceptical about its future when it was launched, during 1980 the Walkman was hailed as

one of the most popular new fashion products and young consumers adopted it as an essential part of their lifestyles. In its first two years on the market, Sony sold 1.5 million Walkman units.

Walkman sales have now topped 170 million worldwide and it has become the single best selling consumer electronics product ever produced.

Sony's ability to innovate and its constant drive for self-improvement earned Sony worldwide sales exceeding US\$56 billion in 1999. The company now employs over 177,000 staff.

THE PRODUCT

Sony is no longer just a market leader in consumer electronics. Operating in the entertainment, IT and professional markets, it has also made considerable inroads into the worlds of professional and broadcasting, moving pictures, music, games, telecommunications, PC technology and, more recently, the internet and the broadband era.

It manufactures video equipment including digital video and still cameras; televisions, announcing in 1997 'Wega' - the first completely flat television screen; video cassette recorders and DVD players; hifi systems, components and speakers; portable audio products such as Discman and Walkman; car audio systems and components; computer monitors; data storage devices; and cellular and home telephones as well as recording media and batteries.

Sony has always been involved in the development and production of recording media. This precipitated Sony's acquisition of CBS Records in 1988, and Columbia Pictures Entertainment in 1989, which today form Sony Music Entertainment and Sony Pictures Entertainment.





Sony Music Entertainment has produced a string of best-selling albums from artists such as Michael Jackson, Pink Floyd, Mariah Carey, Pearl Jam, Jennifer Lopez and Tina Arena.

The Picture Group has achieved outstanding success around the world, propelled by a number of hit films, which have included *Sleepless in Seattle*, *Philadelphia*, *Charlie's Angels*, *Men in Black* and *Erin Brockovich*.

The fruits of Sony's research are not only limited to the enjoyment of the average consumer: Sony's broadcast and professional product ranges are used for a variety of applications by broadcast stations, production houses, educational organisations, research facilities, and medical institutions.

RECENT DEVELOPMENTS

The convergence of technologies – PC, telecommunications, consumer electronics, entertainment and PC software - is now a reality and products are no longer being developed with just hardware in mind.

Sony continues to be at the forefront of new product developments:

The Sony MiniDisc, launched in 1992, is pegged to be the replacement for the compact cassette. With a diameter of just 6.4cm, MiniDiscs are available in two formats – recordable blanks and pre-recorded.

Sony developed its own games console. The Sony PlayStation, which offers real-time 3D graphics to ensure an arcade games-playing experience in the home, was launched in Japan in 1994 before a worldwide roll-out in 1995. To date, an estimated 50 million units have been sold.

1998 was one of the most exciting years in the world of technology with the launch of both DVD and Memory Stick. The combination of the digital age and the ability to transfer data via Memory



Stick means that products in both the home and the work environment will, for the first time, be truly networkable.

Sony continues to strengthen its leading position as the total consumer entertainment company offering exciting developments in electronics, music, games and movies. Entering one of the most exciting eras in multimedia technology, few companies are better placed to drive the digital age into homes and businesses around the world over the next 50 years and beyond.



PROMOTION

Sony has developed a reputation for quality and innovation through the consistent implementation of clever product development and unique marketing. As Mr Idei said in 1995: "Marketing is not just a function within Sony – it is a cornerstone of our business philosophy. We are dedicated to a process of constant technological innovation, and marketing plays a vital role in this process."

Sony's Australian advertising program employs a strategy of utilising the television medium to promote the leadership and innovation values of the Sony brand. Complementing the umbrella of brand image advertising is a range of specific activities that communicate the consumer benefits of the individual product features.

During 2000/2001 an exciting corporate campaign was developed that positioned Sony as the leading brand in all consumer electronics products, both audio and visual. A fourth television commercial "The Chant" was introduced in 2000 with connectability as the core concept. It complemented the three previous executions "Fishing", "Tomatoes" and "Sirens" and reinforced Sony's brand values.

However Sony doesn't just rely on advertising campaigns to secure public attention. Sony also utilises clever PR and promotional strategies to ensure high profile publicity. For example, when the Walkman was introduced, Sony encouraged famous Japanese singers and young Sony employees to sport a Walkman while out and about, exciting both media attention and curious glances from the general public. By the time of the official roll out, Japan was in a state of high excitement. Within three months, the entire stock of 30,000 units had been sold. Production couldn't match demand. The Walkman had

arrived.

In a world where technology is moving forward quickly, Sony puts its marketing prowess into explaining the benefits and features of its products and into strengthening its brand image. The message is pitched in a way, which disarms technology, making it uplifting and relevant to everyday life and humanity.

BRAND VALUES

Sony is one of the most respected companies worldwide.

Few companies can claim a commitment to the future as strong as that which Sony has demonstrated through the years. Sony signifies 'continuous improvement', known in Japanese as 'kaizen'. Its considerable investment in research and development bears witness to this.

The Sony Brand Concept is devoted to the celebration of life.

"We create things for every kind of imagination.

Products that stimulate the senses and refresh the spirit.

Ideas that always surprise, and never disappoint.

Innovations that are easy to love, and effortless to use.

Things that are not essential, but hard to live without.

We are not here to be logical. Or predictable.

We're here to pursue infinite possibilities.

We allow the brightest minds to interact freely, so the unexpected can emerge

We invite new thinking, so even more fantastic ideas can evolve.

Creativity is our essence.

We take chances. We exceed expectations.

We help dreamers dream."

Sony 'Walkman', 'MiniDisc' and 'Memory Stick' are trademarks of the Sony Corporation, Japan. 'PlayStation' is a registered trademark of Sony Computer Entertainment Inc.

THINGS YOU DIDN'T KNOW ABOUT SONY

- The Sony brand name originated from a combination of the Latin word 'sonus', which means 'sound', and a Japanese slang term 'sonny-boys' which was applied to bright, young boys of the 1950s.
- Sony's first product was a rice cooker.
- Amidst initial concerns that the Walkman would flop because it didn't feature a recording mechanism, Akio Morita had such faith in the product he declared: "If it doesn't sell well, I'll resign as Chairman".
- Before the Walkman became a worldwide brand name, it was introduced under a variety of names which included Freestyle in Australia, Soundabout in the United States and Stowaway in the UK.
- In 1986, Walkman was included in the Oxford English Dictionary.
- Sony created the TC-50 tape recorder used in the historic Apollo 10 space flight.