

# SONY

## THE MARKET

Sony Corporation is a leading manufacturer of audio, video, communications, and information technology products for the consumer and professional markets. Additionally, the company's music, motion picture, television-production, game, and online businesses make Sony one of the most comprehensive entertainment companies in the world.

## ACHIEVEMENTS

Today, Sony employs almost 170,000 people worldwide, with almost 22,000 working in the United States. For fiscal year 2001, Sony Corporation had total sales of more than \$56.9 billion, with the electronics segment making up more than two-thirds of the revenues.

Sony Electronics Inc. (SEL), formerly known as Sony Corporation of America, was established in 1960 to oversee Sony's sales and marketing activities in the United States. Today, Sony's U.S. operations include research and development, design, engineering, manufacturing, sales, marketing, distribution, and customer service.

Sony has become not just the market leader in consumer electronics but through research and development it has made considerable inroads in the areas of professional broadcasting, mobile communications, personal computers, storage, media, and now, the Internet.

As a corporation, Sony has convergence at its very heart. Driven by an integrated business model, the company is positioned to bring new benefits to consumers by combining hardware, software, content, and services.

## HISTORY

Sony founders Masaru Ibuka and Akio Morita complemented each other with a unique blend of product innovation and marketing savvy.

In 1950, in postwar Japan, Ibuka and Morita created Sony's first hardware device: a tape player/recorder called the G-TYPE recorder. Materials were so scarce that the first tapes were made of paper with hand-painted magnetic material.

Ibuka was a practical visionary who could foretell what products and technologies could be applied to everyday life. He inspired a spirit of innovation in his engineers and fostered an exciting working atmosphere and an open corporate culture.



Through Ibuka's persistence, the magnetic tape recorder evolved into the Model P (for "Portable"), which became the company's first profitable product.

When the company obtained licensing rights to the transistor from Western Electric in 1953, Ibuka urged his engineers to improve production methods with the goal of creating a transistor radio. The introduction of the TR-55, Japan's first transistor radio, in 1955 led to Sony's 1957 launch of the world's first pocket transistor radio, establishing a market leadership position for the company.

Akio Morita was a true marketing pioneer who was instrumental not only in making Sony a global brand but also in creating the name itself. With the firm establishing itself in the United States and other foreign markets, he suggested to Ibuka that the original name of Tokyo Tsushin Kogyo be changed to one that was easily pronounceable and recognized. "Sony" was created to evoke simultaneously the concepts of the Latin *sonus*, "sonic," and "sonny," meaning little son. The combination conveyed the reality of Sony as

a very small group of young people with the energy and passion for unlimited creation.

This passion and creativity eventually led to the development of Sony's Trinitron TV in 1968, which set the world standard for high quality in home theater products.

As a proponent of global operations based on a local presence, Morita set up manufacturing plants all over the world. Its Trinitron® color television assembly plant in San Diego, California, built in 1972, was the first consumer electronics manufacturing facility built in the United States by a Japanese-based company.

Morita's deep confidence in another legendary Sony product, the Walkman personal stereo, was the key factor in its ultimate success. While retailers were initially resistant, the Walkman stereo's compact size and excellent sound quality attracted consumers, ultimately igniting the personal audio revolution.

Kazuo Iwama was a detail-oriented person, admired for his scientific knowledge and discipline. He was made president of Sony in 1976, and became thoroughly involved in developing the "charged coupled device" or CCD, which paved the way for the camcorder and digital still camera. While he was president, Sony launched the Betamax® video cassette recorder and the compact disc player, another Sony innovation that changed the way people listened to music.



## THE PRODUCT

Throughout its history, Sony has demonstrated an ability to capture people's imaginations and enhance their lives. The company has been at the cutting edge of technology for more than 50 years, positively impacting the way we live. Further, few companies are as well positioned to drive the digital age into homes and businesses around the world for the next 50 years and beyond.

Sony innovations have become part of mainstream culture. Today, Sony continues to fuel industry growth with the sale of innovative products, as well as through the company's convergence strategy.

Sony's approach is to make it possible for consumers to enjoy various forms of content — both on "home networks," consisting of connected electronic devices, and "mobile networks" that are accessible through mobile terminals.

Sony's vision is to give consumers easy, ubiquitous access to entertainment and information anytime, anywhere. The concept of seamless connectivity and interaction between products and the network has been termed as the "Ubiquitous Value Network." This technology platform aims to offer customers content and services that match their unique lifestyles and values.

In the future, look for Sony to create entirely new forms of entertainment, blending movies, computer-generated worlds, games, and music. Sony has the vision, technology, and content to forge a direction in consumer entertainment that no other company can match.

## RECENT DEVELOPMENTS

Norio Ohga was responsible for bringing Sony into the modern age and injecting it with a unique sense of style through product planning, stylish product design, and innovative marketing. During his tenure as president from 1982 to 1995, Sony was transformed from an electronics company into a total entertainment company through the establishment of the music, pictures, and gaming business.

Sony acquired CBS Records in 1988 and Columbia Pictures in 1989, which today are Sony Music Entertainment (SME) and Sony Pictures Entertainment (SPE), two of the world's largest content producers.

Through Ohga's persistence, the Sony PlayStation game console was launched in Japan in 1994 and worldwide in 1995 in a market dominated by Nintendo and Sega game systems. With the PlayStation game console and, more recently, PlayStation2, Sony has become the most successful game manufacturer ever.

Nobuyuki Idei, current chairman and CEO, played a key role in moving Sony into the digital network era by emphasizing the integration of audiovisual and information technology. He



was responsible for Sony's image campaign, "Do you dream in Sony?" and helped coin the term "digital dream kids." The premise of the campaign was to provide shareholders, customers, employees, and business partners who come into contact with Sony with the opportunities to create and fulfill their dreams.

Sony has also given consumers reasons to visit the Internet with *SonyStyle.com*, a one-stop-Sony consumer product shop within a unique, world-class Sony shopping experience.

## PROMOTION

In 2002, Sony Electronics launched an innovative marketing strategy

designed to educate consumers about Sony products by analyzing their purchasing preferences. After extensive research, Sony is focusing on the following consumer segments: Affluents, Alphas or early adopters, Gen Y, Young Professionals (Gen X), Families, "Zoomers" (empty-nester baby boomers 55 years and older), and SOHO (small office, home office). Based on these target segments, products were grouped together to reach consumers more efficiently as they explore their passions and hobbies.

The quick evolution of digital technology has made it difficult to maintain product differentiation in the market.

As Sony Electronics President and COO Fujio Nishida stated, "Times are changing and we need to change with them. We need to combine our power of technology with the power of marketing, to make Sony a company that stands apart from the competition." The market segment approach will shift efforts from product-centric to consumer-centric.

Sony will utilize a more "U(ser)-centric" marketing strategy by developing innovative products that meet the needs of consumers in each segment.

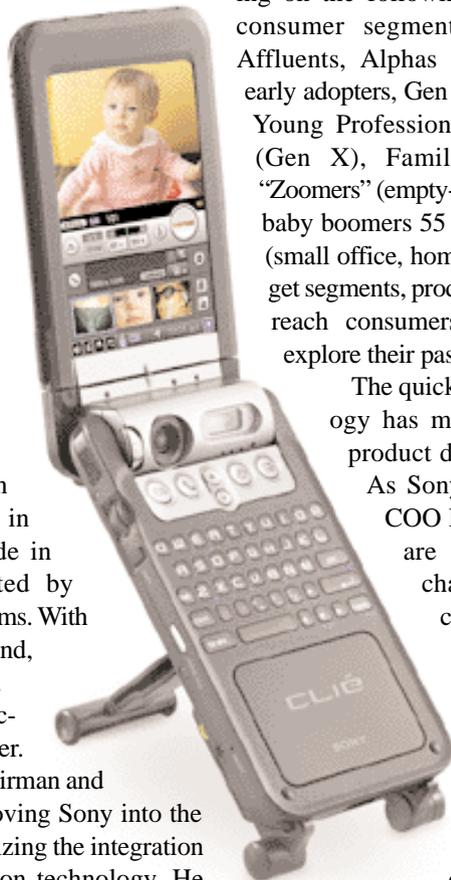
Using an unprecedented approach to Sony Electronics advertising, each segment created an ad campaign targeted to their audience. Through print ads, television commercials, direct mail, and the Internet, Sony educates consumers on how to integrate technology into their everyday lives.

## BRAND VALUES

In the company's annual welcoming ceremony for new employees, Chairman of the Board Norio Ohga cited Sony's strength in these words: "We have many marvelous assets here. The most valuable asset of all are the four letters, S-O-N-Y. Make sure the basis of your actions is increasing the value of these four letters. In other words, when you consider doing something, you must consider whether your action will increase the value of Sony, or lower its value."

Sony's brand equity is rooted in product innovation. To ensure the future of the brand, part of the company's role is to foster a common understanding of the Sony brand among employees, retailers, and consumers. A well-known phrase among Sony employees is: "The Sony brand is central to everything we are and everything we do."

The company's desire is to establish a new Sony — a customer-centric entity centered around broadband entertainment, yet driven by the venture of Sony's founding days.



## THINGS YOU DIDN'T KNOW ABOUT SONY

- Sony's first product was a rice cooker.
- Sony established its first major overseas operation in New York City (514 Broadway) in 1960 with a capital investment of \$500,000.
- Sony became the first Japanese company in the United States to make a public offering of 2 million shares of common stock in the form of American Depository Receipts (ADRs) in 1961.
- Before the Walkman personal stereo became a worldwide brand name, it was introduced under a variety of names, including the Soundabout in the United States, the Stowaway in the United Kingdom, and the Freestyle in Australia.