

SONY

Company Factbook

Business Intelligence Partners, July 2004

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A. Overview, key figures and recent developments

Overview and key figures – Sony Corp.

At a glance

Head-quarter: 6-7-35 KITA-SHINAGAWA
TOKYO 141-0001
Japan
Tel.: +81 3 5448 2111
Internet: www.sony.net

Representative CEOs: **Nobuyuki Idei** (Chairman and Group CEO)
Kunitake Ando (Global Hub President)

Board of Directors: **Howard Stringer** (EVP Entertainment)
Ken Kutaragi (EVP Games)

Shareholders: 12.5% JP Morgan Chase
5.3% Japan Trustee Services
Rest: Common stock

Key figures

	2002	2003	% change
Sales [EUR bn]	57.8	58.3	+0.9
Op.Income [EUR bn]	1.4	0.8	-42.9
Employees [000]	161	162	+0.6

Business description

Sony is engaged in the development, design, manufacture and sale of **various kinds of electronic equipment**, instruments and devices for consumer and industrial markets. The Company develops, produces, manufactures and markets home-use **game consoles** and software, **recorded music** in all commercial formats and musical genres, **image-based software**, including film, video and television. Further, it is engaged in various **financial service businesses** including insurance operations, banking operations and leasing and credit financing operations in Japan. In addition, the Company is engaged in Internet-related businesses and an **advertising agency business** in Japan.

History – Sony Corp

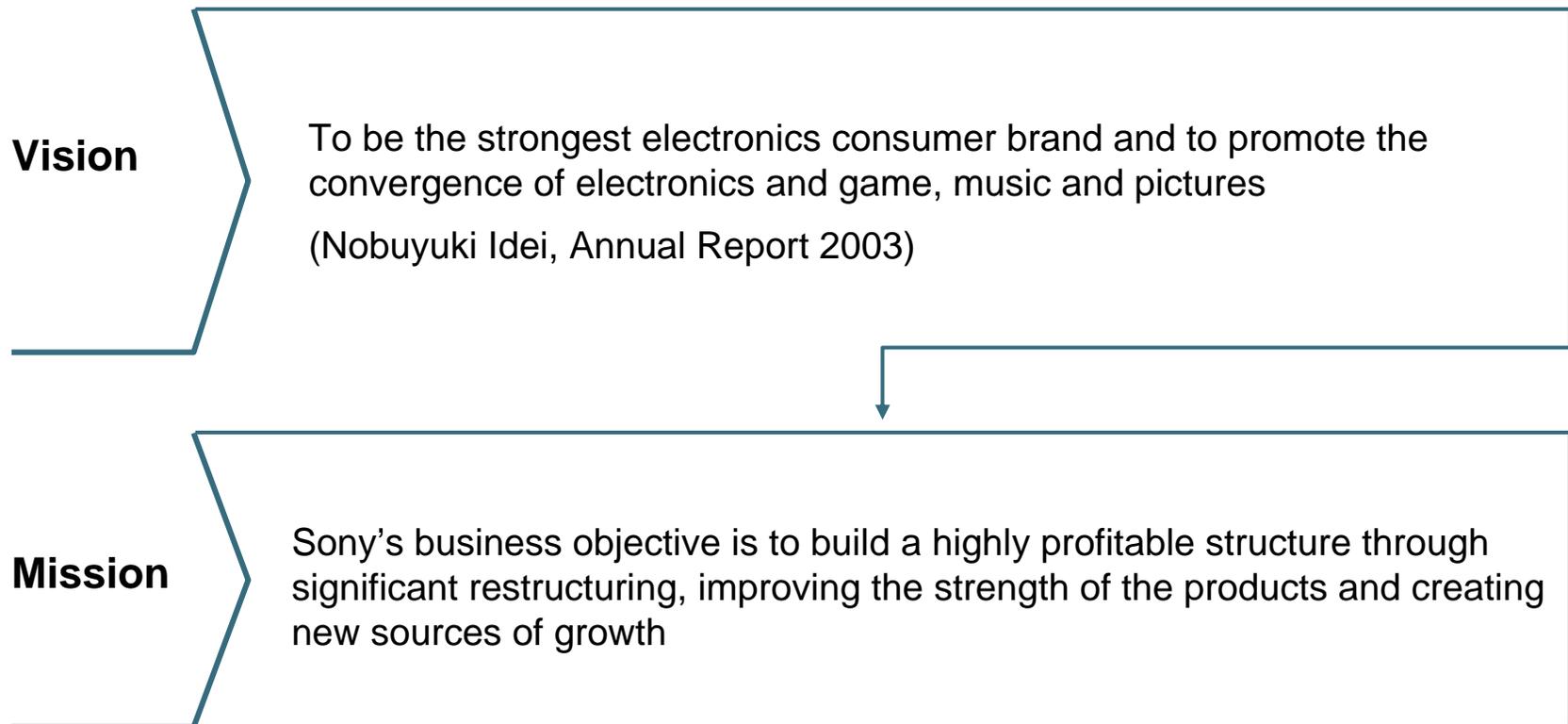
1946	Founded in Tokyo in 1946 , Sony was the brainchild of two men. Masaru Ibuka, an Engineer and Akio Morita, a Physicist invested the equivalent of Yen 190,000 to start a company with 20 employees.
1954	Sony wins a license to make transistors and launched Japan's first transistor and the first all-transistor radio the following year.
1960	Sony Corporation of America was formed
1975 - today	Since then few companies have matched Sony's track record for invention and innovation . Significant developments include the first Trinitron Color Television in 1968, the color video-cassette in 1971, the Betamax VCR in 1975, the Walkman in 1979, the 3.5 inch micro floppy disk in 1989, an electronic camera in 1981, the world's first CD player in 1982, and the first consumer camcorder in 1983, 8mm video in 1988, the first digital VTR in 1985 and so on, through to the present day.
2002	Acquisition of Aiwa

History – Sony Europe

1960	Sony arrives in Europe - and has since spread right across the continent, with both retail and manufacturing bases growing through consistent investment. Nine factories plus Research & Development and Product Design & Development sites have since been set up.
1968 - 73	1968 - Sony U.K. Ltd (London) 1970 - Sony GmbH (Cologne) – later Sony Deutschland GmbH 1973 - Sony France S.A.(Paris)
1974	First manufacturing facility established in Western Europe: 1974 - Bridgend plant (Wales, UK)
1978	Established European Headquarters for Broadcast & Professional business 1978 - Sony Broadcast Ltd (Basingstoke, UK)
1986	<ul style="list-style-type: none">Established first European Technology Center: 1986 - Sony Technology Center (Stuttgart)Established first Pan-European Headquarters for electronics business: 1986 - Sony Europe GmbH (Cologne)
2000	Sony Europe GmbH transferred its headquarters to the Sony Center am Potsdamer Platz in Berlin. The landmark Sony Center, built at the heart of a rejuvenated Berlin, was officially inaugurated in 2000.

Today - transforming the company into a 21st century enterprise

Sony Corp – company vision and mission



Sony does not stop to launch new products and services

Sony Corp – most recent developments

July

- European launch of Connect, Sony's online music store
- Roll-out of new products: 20-GB Walkman, Network Walkman, Vaio Pocket Player
- Opening of new Sony Style Stores in the US
- 25th birthday of the Walkman music player

June

- Launch of new "Blu-ray" DVD recorder
- "Spider-Man 2" is an opening-day record at the box office
- Cost cuts from restructuring measures take effect in fiscal year 2004/05
- New VAIO Notebook PC
- JV with Samsung for production of LCD panels

May

- Presentation of a black projection screen – latest in projector technology
- Additional investment of US\$200 million in China business
- Sony top at brand perception ranking from Nikkei Research
- Qrio humanoid robot with supercomputer capabilities
- Planned merger of Sony and BMG shakes the music industry

April

- Sony is bidding for MGM

B. Executive summary

Executive summary - Sony Corp.

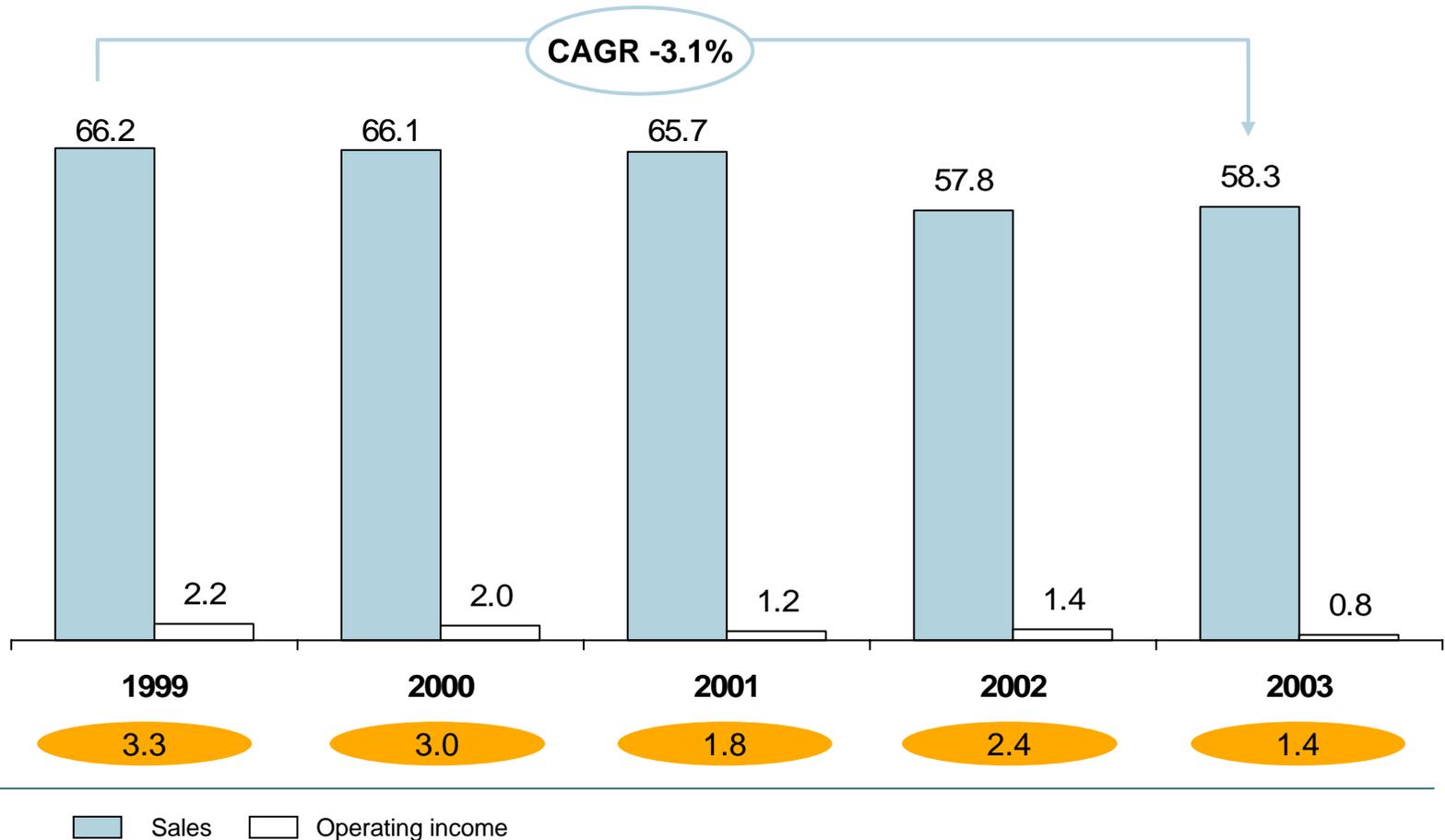
- ❑ With sales of EUR 58.3 bn and approx. 161,000 employees, Sony Corp is a **major global consumer electronics company**
- ❑ Sony is world leader in game consoles and Walkman devices
- ❑ Globally, Sony is active in the segments **consumer electronics, game, music and pictures business**
- ❑ Sony's worldwide strategy focuses on internal growth and product convergence
- ❑ The company is **constantly struggling** and needs more innovative products and faster time-to-market innovation cycles to recover market share
- ❑ A **global process optimization program** – the “Transformation 60” is the centerpiece of Sony's cost saving efforts which improves profitability of its struggling business units
- ❑ Manufacturing facilities are **constantly closed down** or shifted to China
- ❑ **Strong marketing measures in Europe** are supporting the restructuring efforts
- ❑ Distribution channels retail, online and stores guarantee an allover market presence

C. Business development

C.1 Development of sales and profits

The company is struggling and constantly loosing money

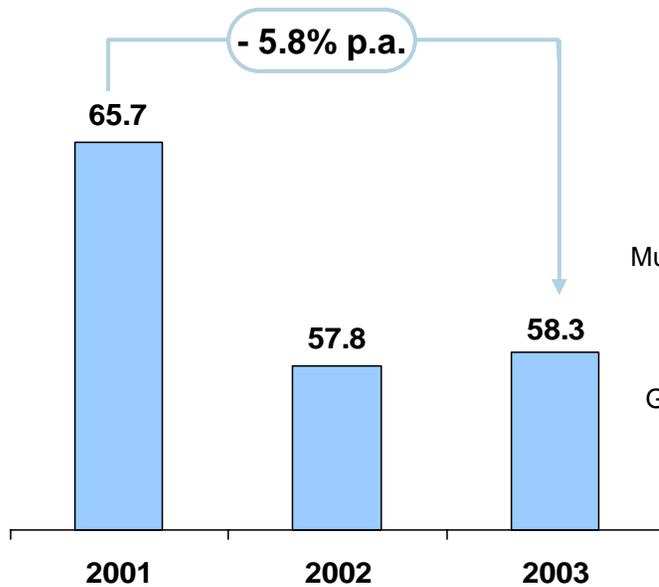
Sony Corp – sales revenue and operating income [EUR bn]



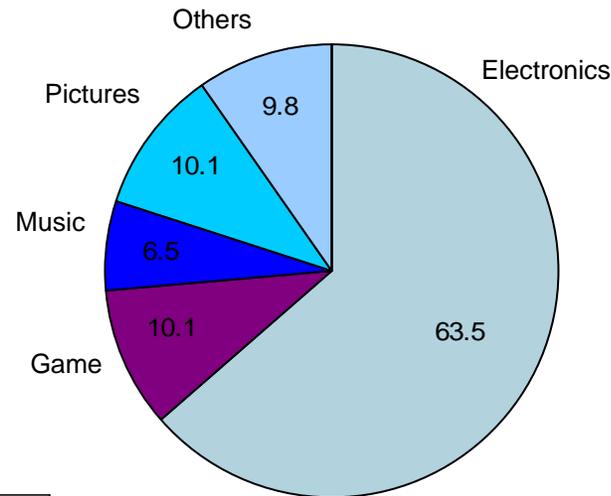
The electronic segment remains the main business at Sony

Sony Corp sales revenue 2001 - 2003 and split 2003

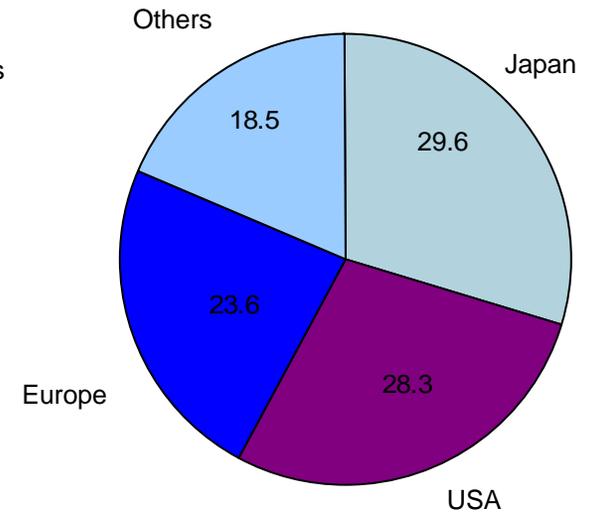
Net sales [EUR bn]



Segment split 2003 [%]



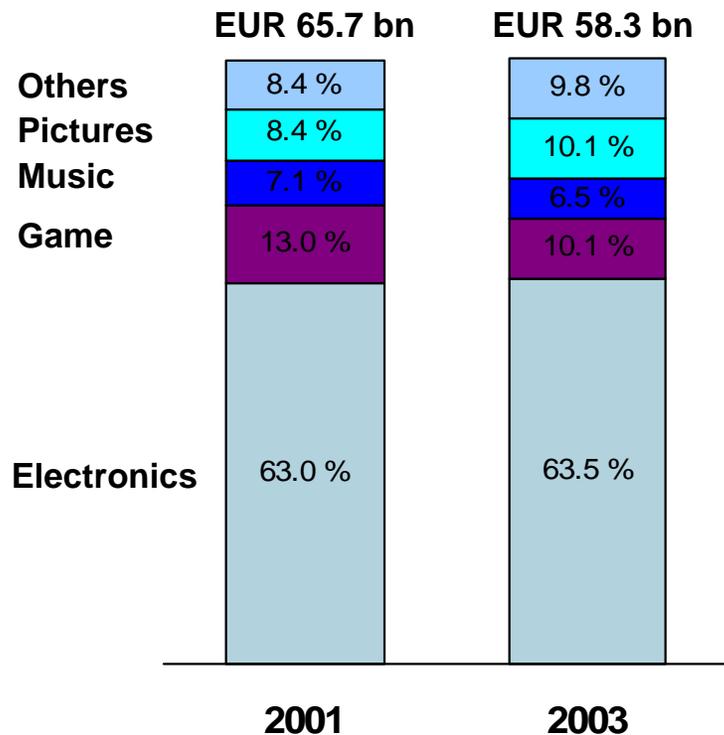
Regional split 2003 [%]



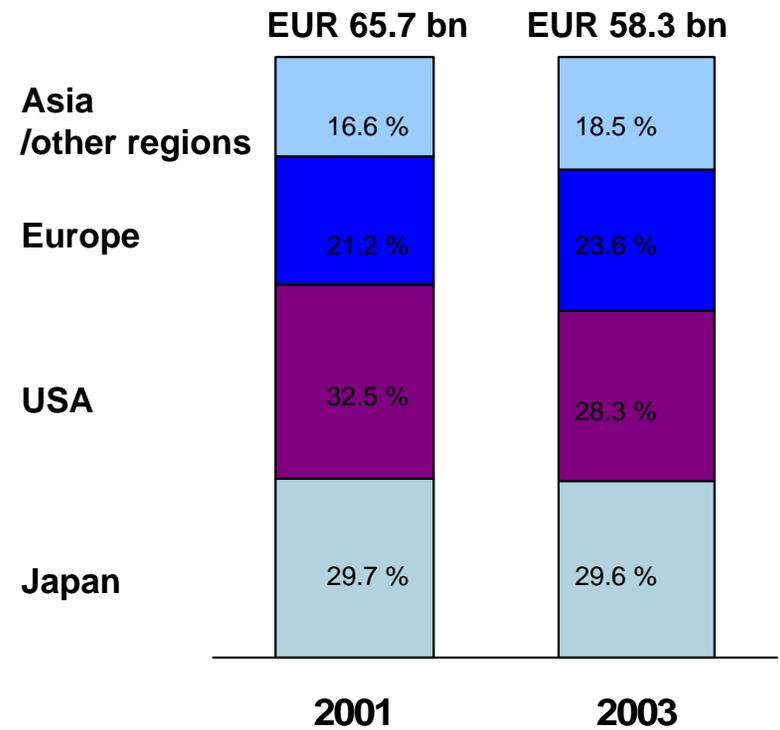
Increased sales share of the pictures segment – USA is the region which lost sales share in 2003

Sony Corp – sales split 2001-2003

By business segment



By region



C.2 Business segments

Overview of business segments (1)

	Electronics	Game	Music
Product categories	<ul style="list-style-type: none"> • Audio • Video • Television • Semiconductors • Information&Communication • Components 	Home-use entertainment hardware and related software	Recorded music in a variety of commercial formats and across all musical genres
Main brands	Clíé Handhelds, VAIO Note-books	<ul style="list-style-type: none"> • PlayStation, PS one, PlayStation 2 	<ul style="list-style-type: none"> • Sony Music, Sony Classical, Connect
2004 Strategy	<ul style="list-style-type: none"> • Increased emphasis on innovation • Restructuring production facilities • Investment in manufacturing equipment 	<ul style="list-style-type: none"> • Increased investments in R&D of microprocessors • Planned introduction of Play Station Portable (PSP) 	<ul style="list-style-type: none"> • Merger underway with BMG to Sony BMG
2003 Sales [EUR m]	37,004 (63.5% of total sales)	5,862 (10.1% of total sales)	3,791 (6.5% of total sales)

Overview of business segments (2)

	Pictures	Financial Services	Other
Product categories	Image-based software, including film, video, television and new digital entertainment technologies	<ul style="list-style-type: none"> • Insurance operations • Leasing and credit financing business • Internet-based banking business 	<ul style="list-style-type: none"> • In-house information systems • Integrated circuit (IC) card business • Advertising agency
Main brands	<ul style="list-style-type: none"> • Columbia TriStar, Sony Pictures 	n.a.	n.a.
2004 Strategy	<ul style="list-style-type: none"> • Expanding DVD home entertainment market • Developing broadband network strategies 	New financial holding company established to increase synergies	n.a.
2003 Sales [EUR m]	5,882 (10.1% of total sales)	4,400 (7.5% of total sales)	1,358 (2.3% of total sales)

1. Game

Game segment information

Business

In the game segment, the Company develops, produces, manufactures, markets, distributes, licenses and publishes **home-use entertainment hardware and related software**.

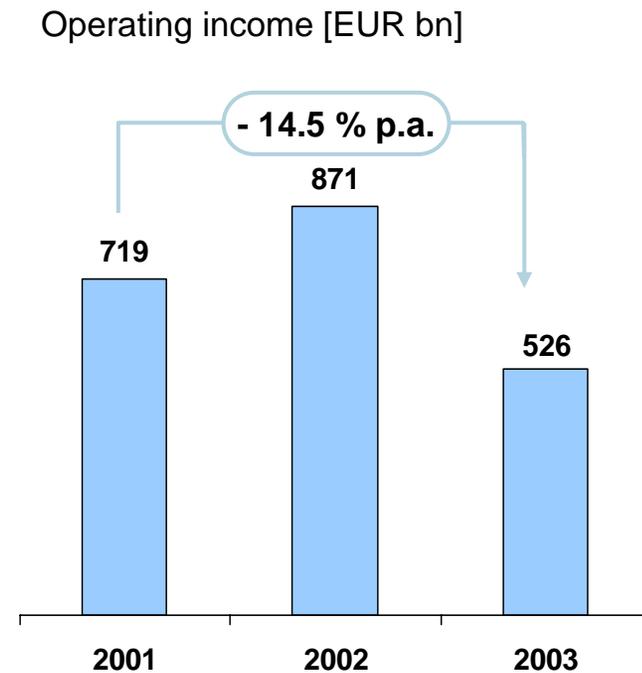
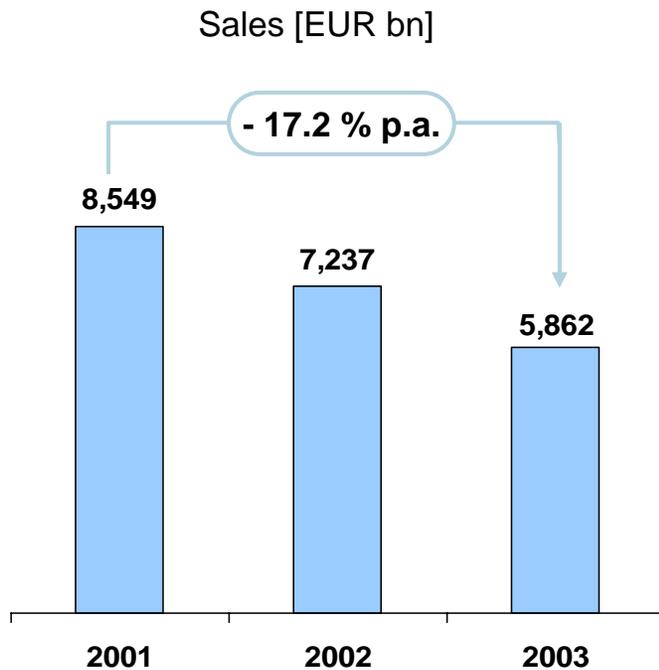
SCEI, SCEA and SCEE develop, produce, manufacture, market and distribute PlayStation, PS one, PlayStation 2 and next-generation entertainment hardware and related software, primarily in Japan, the United States and Europe, and enter into licenses with third-party software developers.

Major companies

This business is principally conducted through Sony Computer Entertainment Inc. (SCEI) in Japan. Sony Computer Entertainment America Inc. (SCEA) in the United States and Sony Computer Entertainment Europe Limited (SCEE) in Europe are both wholly owned subsidiaries of SCEI.

The game segment has experienced heavy losses

Game sales revenue and operating income 2001 - 2003



Game – Highlights (1)

- ❑ **Sales and profitability both decreased** strongly compared to the previous year
- ❑ In Japan, hardware sales declined due to a price reduction. Software sales decreased due to lower unit sales
- ❑ In the US, sales declined due to a decrease in unit sales and price reduction of PlayStation hardware. Software unit sales also declined
- ❑ Hardware unit sales increased, but price reduction caused a decrease. Software sales increased.

Total worldwide production shipments of hardware and software were as follows:

	Year Ended March 31		Cumulative as of March 31, 2004
	2003	2004	
	(Million units)		
Total Production Shipments of Hardware			
PlayStation + PS one	6.78	3.31	99.72
PlayStation 2	22.52	20.10	71.30
Total Production Shipments of Software*			
PlayStation	61.00	32.00	949.00
PlayStation 2	189.90	222.00	572.00

Game – Highlights (2)

- ❑ PlayStation 2 has a **high share of the global game console market**
- ❑ Sony is **investing heavily in R&D** of cutting-edge microprocessors and other LSIs for the next generation computer entertainment system
- ❑ 2004 introduction of PlayStation Portable (PSP), a new handheld game system for a variety of content

Contact

Business Intelligence Partners S.L.
C/ Castillo 36, 3º
29640 Fuengirola (Málaga), Spain

[www.business- - intelligence.com](http://www.business--intelligence.com)



Martina J. Reich
Director Business Intelligence Partners

☎ **+34- 952 466587**

📠 **+34- 675 088 152**

📧 **reich@business--intelligence.com**