Sony (6758)

Upgrading to Buy: Weak yen to change strategy

- **Weak yen shows up in interesting ways** — Yen weakness is prompting changes to management strategy, and we expect it to improve earnings in consumer electronics. As the weaker yen allows Sony to be more risk-tolerant, we think changes will go beyond OP sensitivity to yen depreciation. See our January 4 note **Sony (6758) - Benefits of yen weakening could lift evaluations**
- **¥1,600 target price** — We expect weak H2 earnings, so we see investment opportunities coming after Q3 results. Our target price is the roughly the midpoint of PER-and PBR-derived fair value of ¥1,260 and ¥1,860, respectively. With the rolling forward of our base year to FY3/15 also a factor, this represents a 10% or so increase from our previous fair valuation level.
- **Changes** — We adjust our forex assumptions (to ¥115/€ from ¥110/€), and factor in an increased market share for mainstay products on yen weakness and an impact from new smartphone and game products, reflecting progressive yen weakening against the dollar, euro, and won. We have removed the 15% discount we previously applied in setting our target price, as we think yen weakness has reduced asset impairment risk.
- **What the weak yen really changes** — Yen weakening importantly allows Sony to be less risk averse in consumer electronics, where the strong yen had forced it to abandon or downsize operations. We factor about half the expected profit increase resulting from yen weakening into revised assumptions of working capital, a wider product lineup, increased R&D investment, and the potential to increase leverage. Marketing strength has been an issue, but we think investments in human resources have been sufficient and that the budget will continue to decline. We expect Sony's share of (admittedly shrinking) markets such as digital cameras, video cameras, mobile phones, and TVs to increase to some extent.
- **Forecasts** — We raise our estimate of FY3/14 sales growth to +4.8% YoY from +3.0%, and of OP to ¥229.6bn from ¥172.3bn. For FY3/15, we raise the figures to +3.1% from -2.5% and to ¥252.4bn from ¥184.0bn. We extend our forecasts out to FY3/16 (operating margin 3.9%, RoE 5.4%). We look for strong sales of new smartphones as carriers call for a third hardware player. In game consoles, we assume the release of the PlayStation 4 is brought forward to FY3/14 from FY3/15.

Consol.	Sales		OP			Pretax Profit		NP		EPS	PE
	¥M	YOY (%)	¥M	YOY (%)	OPM(%)	¥M	YOY (%)	¥M	YOY (%)	¥	X
3/11A	7,181,273	-0.5	199,821	528.9	2.8	205,013	661.8	-259,585	nm	-258	nm
3/12A	6,493,212	-9.6	-67,275	nm	nm	-83,186	nm	-456,660	nm	-454	nm
3/13CE	6,600,000	1.6	130,000	nm	2.0	150,000	nm	20,000	nm	20	64.8
3/13E	6,663,000	2.6	120,000	nm	1.8	135,700	nm	15,500	nm	14	90.2
3/13RE	6,645,000	2.3	142,000	nm	2.1	157,700	nm	19,200	nm	18	72.8
3/14E	6,864,000	3.0	172,300	43.6	2.5	162,600	19.8	45,800	195.5	39	32.7
3/14RE	6,967,000	4.8	229,600	61.7	3.3	220,400	39.8	79,700	315.1	69	18.8
3/15E	6,689,000	-2.5	184,000	6.8	2.8	176,600	8.6	55,400	21.0	48	27.1
3/15RE	7,183,000	3.1	252,400	9.9	3.5	245,700	11.5	96,500	21.1	83	15.5

A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

- Company Update
- Rating Change
- Target Price Change
- Estimate Change

Buy	**1**
from Neutral	
Price (25 Jan 13)	¥1,290
Target price	¥1,600
from ¥1,030	
Expected share price return	24.0%
Expected dividend yield	1.9%
Expected total return	**26.0%**
Market Cap	¥1,304,064M
	US$14,436M

Price Performance
(RIC: 6758.T, BB: 6758 JP)

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6758.T: Fiscal year end 31-Mar					
Profit & Loss (¥m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue	7,181,273	6,493,212	6,645,000	6,967,000	7,183,000
Cost of sales	-4,831,363	-4,386,447	-4,409,000	-4,706,200	-4,914,400
Gross profit	2,349,910	2,106,765	2,236,000	2,260,800	2,268,600
Gross Margin (%)	32.7	32.4	33.6	32.5	31.6
EBITDA (Adj)	**525,187**	**252,319**	**467,000**	**549,600**	**562,400**
EBITDA Margin (Adj) (%)	7.3	3.9	7.0	7.9	7.8
Depreciation	-325,366	-319,594	-325,000	-320,000	-310,000
Amortisation	0	0	0	0	0
EBIT (Adj)	**199,821**	**-67,275**	**142,000**	**229,600**	**252,400**
EBIT Margin (Adj) (%)	2.8	-1.0	2.1	3.3	3.5
Net interest	-12,126	-8,331	-10,600	-7,200	-4,700
Non-op/Except	17,318	-7,580	26,300	-2,000	-2,000
PreTax Profit	**205,013**	**-83,186**	**157,700**	**220,400**	**245,700**
Tax	-425,339	-315,239	-83,100	-84,500	-92,400
Extraord./Min.Int./Pref.div.	-39,259	-58,235	-55,400	-56,200	-56,800
Reported net profit	**-259,585**	**-456,660**	**19,200**	**79,700**	**96,500**
Net Margin (%)	-3.6	-7.0	0.3	1.1	1.3
Core NPAT	-259,585	-456,660	19,200	79,700	96,500
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS (¥)	-258	-454	18	69	83
Core EPS (¥)	-258	-454	18	69	83
EPS* (¥)	-240	-422	18	74	89
DPS (¥)	25	25	25	25	25
CFPS (¥)	614	517	214	485	489
FCFPS (¥)	380	159	29	304	291
BVPS (¥)	2,539	2,022	2,013	2,067	2,138
Wtd avg ord shares (m)	1,004	1,004	1,005	1,005	1,005
Wtd avg diluted shares (m)	1,004	1,005	1,083	1,162	1,162
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	-0.5	-9.6	2.3	4.8	3.1
EBIT (Adj) (%)	528.9	nm	nm	61.7	9.9
Core NPAT (%)	nm	nm	nm	315.1	21.1
Core EPS (%)	nm	nm	nm	287.1	21.1
Balance Sheet (¥m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	1,660,583	1,575,489	1,598,000	1,616,000	1,565,000
Accounts receivables	834,221	840,924	860,000	875,000	893,000
Inventory	704,043	707,052	760,000	796,000	821,000
Net fixed & other tangibles	1,014,583	930,998	991,000	932,000	957,000
Goodwill & intangibles	7,754,122	8,500,231	8,793,000	9,068,000	9,213,000
Financial & other assets	943,570	740,973	739,000	739,000	739,000
Total assets	**12,911,122**	**13,295,667**	**13,741,000**	**14,026,000**	**14,188,000**
Accounts payable	793,275	758,680	699,000	733,000	756,000
Short-term debt	163,351	410,356	405,000	405,000	405,000
Long-term debt	812,235	762,226	1,021,000	876,000	692,000
Provisions & other liab	8,186,349	8,854,284	9,057,000	9,342,000	9,537,000
Total liabilities	**9,955,210**	**10,785,546**	**11,182,000**	**11,356,000**	**11,390,000**
Shareholders' equity	2,547,987	2,028,891	2,022,000	2,077,000	2,148,000
Minority interests	407,915	481,230	537,000	593,000	650,000
Total equity	**2,955,902**	**2,510,121**	**2,559,000**	**2,670,000**	**2,798,000**
Net debt	**-684,997**	**-402,907**	**-172,000**	**-335,000**	**-468,000**
Net debt to equity (%)	-23.2	-16.1	-6.7	-12.5	-16.7

Note: Consolidated data. * EPS: NP/Est Shares OS.

Price: ¥1,290; TP: ¥1,600; Market Cap: ¥1,304,064m; Recomm: Buy

Valuation ratios	**2011**	**2012**	**2013E**	**2014E**	**2015E**
PE (x)	-5.0	-2.8	72.8	18.8	15.5
PB (x)	0.5	0.6	0.6	0.6	0.6
EV/EBITDA (x)	1.4	3.9	3.0	2.7	2.5
FCF yield (%)	29.4	12.3	2.3	23.6	22.6
Dividend yield (%)	1.9	1.9	1.9	1.9	1.9
Payout ratio (%)	-10	-6	141	36	30
ROE (%)	-9.4	-20.0	0.9	3.9	4.6
Cashflow (¥m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	525,187	252,319	467,000	549,600	562,400
Working capital	-269,800	-211,988	-318,700	-204,000	-207,000
Other	360,858	479,208	83,200	218,100	213,100
Operating cashflow	**616,245**	**519,539**	**231,500**	**563,700**	**568,500**
Capex	-234,945	-359,888	-200,000	-210,000	-230,000
Net acq/disposals	0	0	0	0	0
Other	-479,494	-522,998	-271,600	-363,300	-340,000
Investing cashflow	**-714,439**	**-882,886**	**-471,600**	**-573,300**	**-570,000**
Dividends paid	-25,098	-25,078	-25,100	-25,100	-25,100
Financing cashflow	**-10,112**	**257,336**	**371,900**	**62,000**	**-67,000**
Net change in cash	**-177,196**	**-119,836**	**69,100**	**17,600**	**-51,600**
Free cashflow to s/holders	**381,300**	**159,651**	**31,500**	**353,700**	**338,500**

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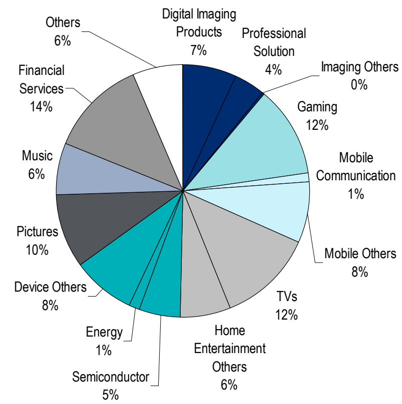
Sony (6758) Investment Dashboard

Reasons to Buy

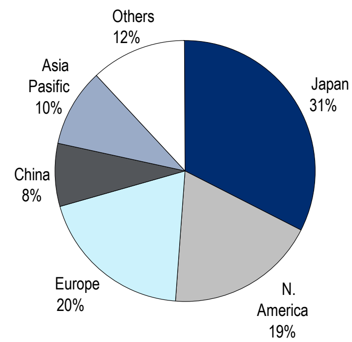
- The shares do not look especially undervalued on an FY3/15E PER of 14.4x but the PBR of 0.6x looks very low. While the market remains skeptical of Sony's balance sheet, we think risk has diminished
- We look for a period of renewed expansion supported by smartphone growth and yen weakening. We now see concrete drivers for improvement in earnings, which had looked seriously stalled

Sales breakdown (FY3/12)

By product

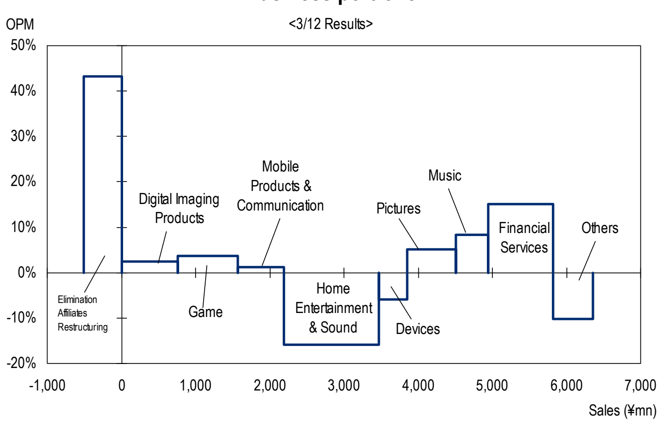


By final destination



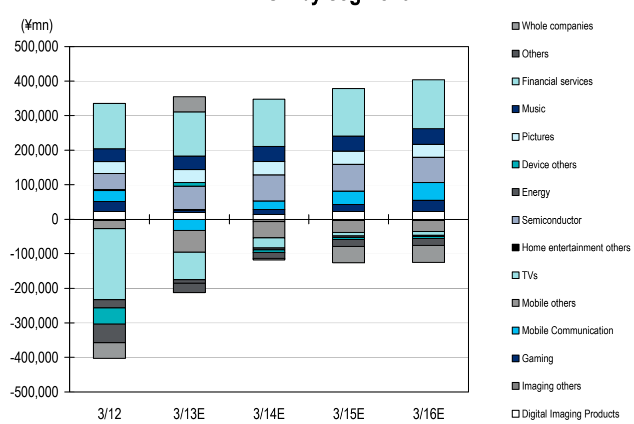
Source: Company data.

Business portfolio



Source: Company data.

OP by segment

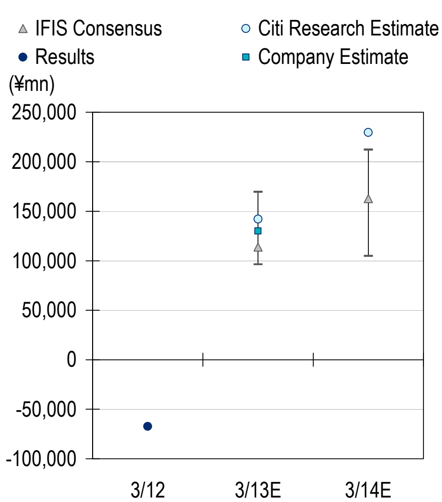


Source: Company data, Citi Research.

Alternate scenario: A more bullish case

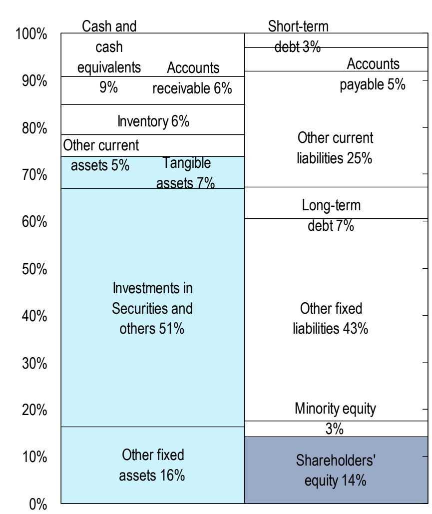
- If weak yen benefits exceed our expectations, fair-value valuations and earnings could both rise further
- In that case, EPS could rise to ¥122 (on OP around ¥320bn) in FY3/15, suggesting a fair value PBR of 1.27x on rising RoE, versus 1.01x presently, and a theoretical share price of ¥2,000, up from ¥1,600

OP forecast comparison



Source: Company data, IFIS (January 21), Citi Research.

Balance sheet (end-FY3/12 H1)



Source: Company data.

Share price drivers	Company description
■ A strong yen and weak euro and won tends to lower the share price ■ The share price tends to rise when NASDAQ rises ■ Rises and falls in the foreign investor ownership ratio tend to correlate with rises and falls in the share price ■ The shares tend to react positively and/or negatively to news about earnings in the TV and games businesses	Sony is an integrated consumer electronics manufacturer, with TV, digicam, and games operations at its core. It was founded in 1946 in Tokyo as a producer of electrical communications equipment and measuring devices. Hit products such as the 1955 transistor radio, the 1979 Walkman, and subsequently in digicams, digital video recorders, and games with the PlayStation helped to grow earnings and establish the company's brand image. Sony diversified into movies, music, and finance in the late 1980s. The business model, which brought together hardware and software, went through a long spell of negative synergies but from 2009, 3D and network operations started to generate synergies. After the current restructuring comes to a stop, we are hopeful that a new growth strategy will emerge to drive the business.

Valuations

		Rating		Price	Mkt	FY1E=	EPS		PER (x)		PBR (x)	OPM		EV/EBITDA (x)		RoE	
Code	Company				Cap		FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY2E	FY1E	FY2E	FY1E	FY2E
Consumer electronics					($ bn)												
6752.T	Panasonic	1	JPY	588.00	15.0	3/13	-348.6	57.8	nm	10.2	1.2	1.8%	3.8%	4.9	5.0	-53.4%	11.5%
6753.T	Sharp	3	JPY	327.00	4.1	3/13	-425.7	-8.7	nm	nm	2.7	-7.4%	1.3%	nm	5.1	-125.1%	-7.7%
6758.T	Sony	1	JPY	1,189.00	13.3	3/13	17.7	68.6	nm	17.3	0.6	2.1%	3.3%	2.8	2.5	0.9%	3.9%
6773.T	Pioneer	2	JPY	203.00	0.7	3/13	-10.4	19.6	nm	10.3	0.8	2.2%	3.0%	2.0	1.8	-4.2%	7.9%
6839.OS	Funai	2	JPY	1,025.00	0.4	3/13	-184.6	73.3	nm	14.0	0.3	-1.6%	1.8%	nm	nm	-5.3%	2.2%
6952.T	Casio	2	JPY	784.00	2.3	3/13	38.2	41.6	20.5	18.8	1.4	7.1%	7.6%	6.0	5.6	7.3%	7.6%
005930.KS	Samsung Elec	1	KRW	1,453,000.00	200.2	12/12	161,968.7	212,527.9	9.0	6.8	1.8	14.7%	17.0%	4.1	3.2	21.9%	23.2%
066570.KS	LG Elec	2	KRW	73,600.00	11.3	12/12	2,117.5	7,052.0	34.8	10.4	0.9	2.2%	2.4%	4.5	3.9	2.7%	8.3%
AAPL.O	Apple	2	USD	450.50	423.0	9/13	42.1	48.7	10.7	9.3	3.0	30.2%	30.9%	5.0	4.0	30.7%	29.2%
ELUXb.ST	Electrolux	3	SEK	164.40	7.8	12/12	11.8	15.7	14.0	10.5	2.9	4.0%	5.3%	8.3	7.1	15.0%	23.3%
ARCLK.IS	Arcelik	2	TRY	12.35	4.7	12/12	0.9	1.0	13.8	11.8	2.2	7.6%	8.3%	9.0	7.8	16.5%	17.6%
Telecom equipment																	
NOK1V.HE	Nokia	2H	EUR	3.30	16.5	12/13	0.1	0.4	32.7	9.1	1.5	1.9%	7.7%	5.2	2.1	1.5%	13.9%
ERICb.ST	Ericsson	1	SEK	68.65	34.9	12/12	3.9	4.8	17.7	14.3	1.5	6.4%	7.9%	8.6	7.7	5.3%	8.5%
MSI.N	Motorola Solutions	2	USD	58.80	16.5	12/13	3.7	4.4	16.1	13.5	nm	15.7%	16.7%	8.8	8.0	33.0%	37.4%
RIMM.O	Rsch In Motion	3H	USD	17.74	9.3	2/13	-1.0	-0.8	nm	nm	1.0	-7.5%	-5.2%	6.1	8.5	-8.7%	-4.9%
2498.TW	HTC	3	TWD	281.00	8.2	12/12	19.2	18.9	14.6	14.9	3.0	6.6%	6.3%	5.7	6.1	18.1%	19.5%
EMS/OEM/ODM																	
SAPG.DE	SAP AG	2	EUR	58.90	96.8	12/13	3.5	3.9	16.7	15.0	4.4	26.6%	27.9%	13.2	11.3	22.5%	22.0%
2357.TW	ASUSTeK Computer	2	TWD	335.00	8.7	12/12	29.5	28.0	11.4	12.0	2.2	4.9%	4.7%	7.3	7.5	19.1%	17.4%
2317.TW	Hon Hai Precision	1	TWD	82.50	33.5	12/12	8.0	9.2	10.3	9.0	1.3	2.7%	3.2%	5.0	3.3	14.1%	14.2%
FLEX.O	Flextronics Intl	2	USD	6.72	4.5	3/13	0.8	0.8	8.0	8.4	1.8	2.6%	2.6%	3.9	3.0	17.5%	18.0%
2354.TW	Foxconn Tech	3	TWD	83.70	3.6	12/12	6.1	6.5	13.6	13.0	1.7	6.7%	7.8%	6.5	5.5	13.3%	12.7%
3231.TW	Wistron	3	TWD	34.20	2.6	12/12	3.0	3.2	11.4	10.8	1.2	1.2%	1.2%	5.1	4.6	10.6%	10.7%
LCD panels																	
034220.KS	LG Display	2	KRW	28,550.00	9.6	12/12	659.6	2,335.7	43.3	12.2	1.0	3.1%	3.9%	2.2	2.1	2.3%	7.8%
GLW.N	Corning Inc	2	USD	12.16	18.0	12/12	1.3	1.4	9.7	9.0	0.8	17.7%	19.5%	4.3	3.9	8.8%	9.0%
Electronic components																	
JBL.N	Jabil Circuit	2	USD	20.00	4.0	8/13	2.4	2.7	8.3	7.5	1.7	4.2%	4.2%	3.6	3.0	21.8%	20.6%
009150.KS	Samsung Elec-Mec	2	KRW	95,700.00	6.7	12/12	5,829.9	5,931.0	16.4	16.1	1.9	8.2%	8.0%	4.5	3.9	11.9%	11.2%
MOLX.O	Molex	2	USD	27.17	4.4	6/13	1.5	1.8	17.6	15.3	1.9	11.1%	12.1%	5.8	5.1	11.0%	12.0%
AVX.N	AVX	2	USD	10.89	1.8	3/13	0.6	0.8	18.0	14.2	1.0	10.6%	11.3%	3.9	3.7	-3.1%	7.1%
APH.N	Amphenol Corp	1	USD	67.75	10.9	12/13	3.8	4.2	17.8	16.1	3.6	19.6%	19.0%	10.8	9.5	22.8%	20.8%
VSH.N	Vishay Intertech	2	USD	11.02	1.6	12/12	0.7	0.6	16.6	17.2	1.0	7.9%	6.5%	2.2	2.4	6.4%	5.7%
TEL.N	TE Connectivity	1	USD	39.30	16.5	9/13	3.2	3.8	12.5	10.5	2.0	13.5%	14.1%	7.2	6.6	17.9%	17.4%
051910.KS	LG Chem	1	KRW	310,500.00	19.2	12/12	23,791.7	29,490.9	13.1	10.5	1.9	8.9%	10.6%	7.3	5.9	15.4%	16.7%
Tech conglomerates																	
SIEGn.DE	Siemens	1	EUR	81.26	95.8	9/13	7.0	8.4	11.7	9.7	2.2	8.8%	11.5%	7.8	6.0	15.6%	18.9%
PHG.AS	Philips	3	EUR	22.14	28.3	12/12	1.4	1.6	15.6	13.5	1.7	6.0%	7.9%	6.6	5.5	4.9%	9.5%

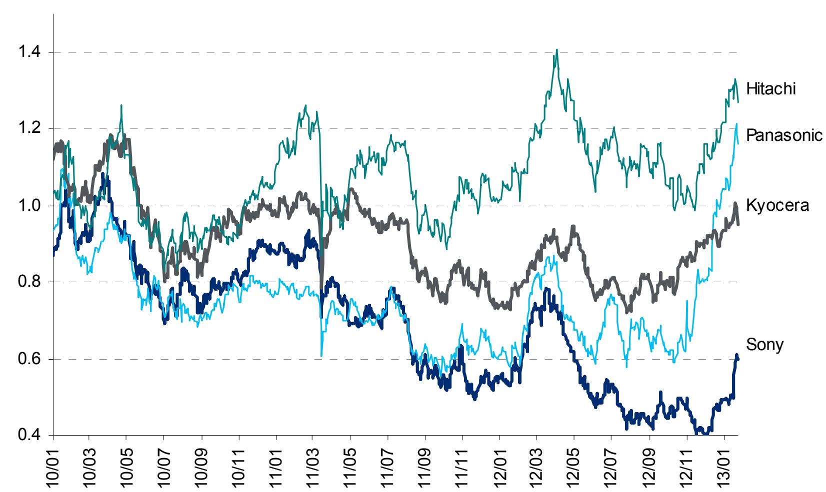
Note: Share prices as of the January 24 close.
Source: Citi Research.

Weak yen may change strategies

Responses to yen weakening from both the equities market and Sony itself are still emerging

The equity market has already responded to some extent to yen depreciation of 20% or more versus major currencies, with Sony shares having risen 48% off the recent bottom at ¥789 on December 5. However, Sony's recent end-FY3/14E PBR of c0.6x is lower than peers and the shares continue to look undervalued on an asset basis (among other major exporters, Panasonic is trading on a PBR of 1.2x, Sharp at 2.3x, Kyocera at 1.0x, Hitachi at 1.3x, Nintendo at 1.0x, and Toyota at 1.1x). We do not believe the equity market has been factoring in the impact of yen weakness for Sony. Also the Sony management team has said that it would be premature to debate earnings on the assumption of yen weakness, which suggest that management, too, has not begun to address the weak yen.

Figure 1. Selected major exporters: Consensus forward PBRs

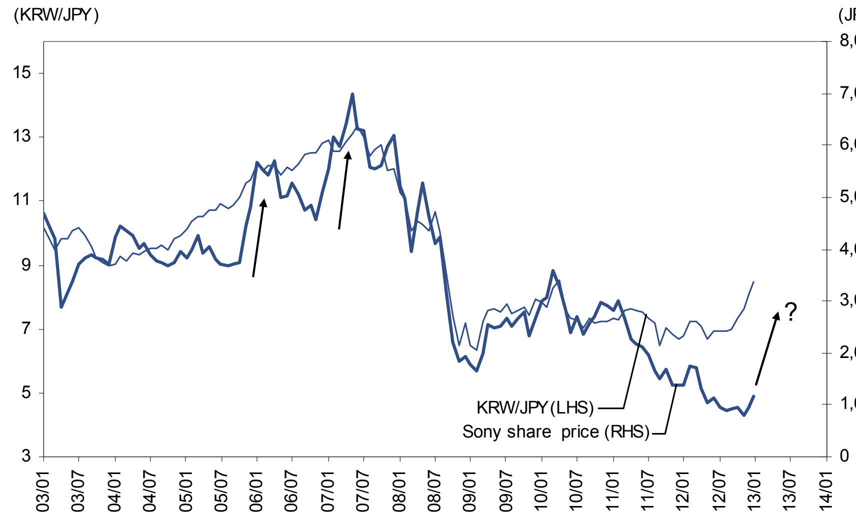


Source: Bloomberg, Citi Research.

Anticipating strategic changes due to yen weakening, raising our forecasts

We have previously discussed our view that yen weakness could lead to changes in management strategy. See our memos of January 4 (Sony (6758) - Benefits of yen weakening could lift evaluations) and January 8 (Consumer electronics: Q3 preview - Earnings concern still abounds, but weak yen-driven strategy change offers promise) for further details. We now raise our forecasts in light of recent rapid yen depreciation, particularly against the euro, given the direct impact on Sony's earnings, and against the Korean won, given the implications for competitive strategies. We think the big change in the yen/won rate has yet to have the deserved impact on the share price (Figure 2).

Figure 2. Sony share price and the yen/won rate



Source: Bloomberg, Citi Research.

Our revisions take into account more than just Sony's direct OP sensitivity to each ¥1 change in forex rates in terms of conversion amounts. The biggest factor behind the changes to our forecasts is the result of our factoring about half the anticipated profit boost from yen weakening into investments in strategic businesses, leading to greater returns. In particular, we think investments in operating assets and working capital will help Sony boost market share without sacrificing profitability.

Our new calculations suggest weak yen benefits for Sony greater than the market realizes

It is generally recognized across the equity market that the ¥/$ rate has little impact on Sony's earnings, while each ¥1 change in the ¥/€ rate has an impact of about ¥6bn on annual OP. We now estimate that the **euro** impact will shrink to ¥5bn in FY3/14, and that about half of the impact (¥2.5bn) will be recorded as additional profit while the other half will be reinvested. We think that on a consolidated basis yen weakness versus the **dollar** will be a net positive to an extent, because of 1) the relatively large sales declines in businesses like TVs and notebook PCs where yen weakening is profit negative and 2) the expected growth of smartphones in China, India, and the US. The weakening of the yen against the **Korean won** should support sales of TVs and smartphones and stimulate investment in development in them, so we expect positive impacts on both market share and profit margins.

Looking at our forex assumptions, our ¥/$ assumption of ¥85/$ is unchanged from the revisions we made January 4 (compared with our November 13 assumption of ¥80/$, with estimated OP sensitivity to each ¥1 movement increasing to ¥2bn from zero). Our ¥/€ assumption is ¥115/€ (compared to ¥110/€ on January 4 and ¥100/€ on November 13, with estimated OP sensitivity to each ¥1 movement of ¥6bn). Our ¥/KRW assumption is ¥12/KRW; we previously did not factor in yen/won rate assumptions. Our back-of-the envelope calculations of profit impact suggest a profit boost ¥25bn greater than implied by our January 4 assumptions (¥5bn x ¥5/€) and ¥75bn greater than implied by our November 13 assumptions. However, we assume that ¥35bn of the ¥/€ effect will be reinvested, and that gains on yen depreciation against the dollar, won, and other currencies will also be used. We estimate additional returns of ¥15bn in FY3/14, ¥10bn in FY3/15, and ¥20bn in FY3/16. Thus, we anticipate a profit boost of ¥45bn over three years (¥15bn + ¥10bn + ¥20bn). There could be additional increases to profit if yen weakening continues.

Figure 3. Sony: Weak yen benefit to be boosted by partial reinvestment (¥, ¥bn)

	Forex assumption (¥)			Fx impact	Total Fx benefit	Reinvestment	Return on reinvestment	Total profit impact
	Previous	New	Gap	(¥bn)				
	(a)	(b)	(c)=(b)-(a)	(d)	(e)=(c)x(d)	(f)	(g)	(h)=(g)+((e)-(f))
USD	80	85	5	0	0			
EUR	100	115	15	5	75	35	45	85

Source: Citi Research.

Not only were profits eroded by the losses resulting from yen strength, but Sony's competitiveness was reduced, leading to a negative vortex. Given this, we would expect the reverse—positive synergies—from yen weakening. Sony's FY3/14 plan (likely to be factored into the share price between February and May) may partly reflect such effects, but we think the management team will reach agreement on real changes to strategies between June and September, as plans for the year-end shopping season are firmed up.

Xperia growth opportunities rising

Smartphones a growth business

The idea that Sony's growth prospects have fallen apart has taken hold in the market, but we think there are signs of growth in smartphones. We feel the new Xperia Z smartphone line announced on January 7 and to be rolled out going forward could trigger volume growth. We estimate FY3/13 smartphone sales at 34.3mn units and expect 23% growth to 42.1mn units in FY3/14, compared to our previous assumption of 41.5mn units.

Figure 4. Sony: Xperia Z smartphone

Source: Company data.

Third force opportunities; yen weakening could lead to renewed advance in US, too

Looking forward, we anticipate further launches of new products with potential to secure market share throughout 2013. Growth at industry giant Apple has started to slow, too, and we think this could offer Sony a chance to expand. Telecom operators are also looking for a third major force to complement Apple and Samsung, and this could boost opportunities for second-tier players as well.

Of the second-tier players, Sony could steal the prize, thanks to its global reach, the depth and prospects of its hardware features and functions, and its lineup of smartphone-related products. Sony of course also has the strong commitment of the parent; we envisage aggressive investment in promotions and advertising and think Sony can leverage its distribution network for existing products in developing countries, leading to differentiation.

There is potential for Sony to win market share in the US in FY3/15 as well. At present, Sony's market share is less than 1% and this looks unlikely to change much in FY3/14. This is because maker shipment prices are lowest in the US market, so profit margins in the smartphone business are slim, not just for Sony, but in most cases. With a weaker yen, pricing conditions will probably improve to an extent, opening up opportunities in the US, and we think 26% YoY volume growth in FY3/15 is possible.

We estimate the incremental profit rate on Sony's smartphone business at about 20%, but there are significant gaps among different models and regions. Future volume growth could support margins higher than past averages, but taking into account regional diversification and other risks, we apply an incremental profit rate of about 20%. We forecast a segment loss of ¥32.0bn in FY3/13, followed by OP of

¥24.2bn in FY3/14 and ¥39.4bn in FY3/15. We think the business could be the biggest driver of consolidated OP over the next three years.

Figure 5. Sony: Mobile phone business earnings

	07/3	08/3	09/3	10/3	11/3	12/3	13/3E	14/3E	15/3E	16/3E
Units (thousands)	**83,300**	**101,419**	**88,800**	**53,000**	**40,700**	**32,300**	**34,300**	**42,100**	**53,100**	**60,000**
YoY	51.5%	21.8%	-12.4%	-40.3%	-23.2%	-20.6%	6.2%	22.7%	26.1%	13.0%
as of smartphone	NA	NA	NA	NA	8,600	22,500	34,300	42,100	53,100	60,000
Japan	NA	NA	2,400	2,000	2,700	3,700	3,600	3,600	3,900	4,000
Europe	NA	NA	33,300	22,600	16,400	10,900	11,000	13,700	16,200	17,100
North America	NA	NA	4,700	2,300	1,300	700	400	2,500	6,100	7,800
MEA, APAC, Others	NA	NA	48,400	26,100	20,300	17,000	19,300	22,300	26,900	31,100
ASP (¥)	**21,271**	**20,026**	**16,436**	**15,804**	**16,524**	**17,599**	**22,300**	**24,200**	**22,100**	**20,100**
YoY	7.7%	-5.9%	-17.9%	-3.8%	4.6%	6.5%	26.7%	8.5%	-8.7%	-9.0%
JPYUSD	116	113	100	92	85	78	82	85	85	85
JPYEUR	149	160	142	130	111	108	106	115	115	115
Y/$ YoY	3.3%	-2.6%	-11.9%	-7.7%	-7.3%	-8.3%	4.5%	4.2%	0.0%	0.0%
Y/€ YoY	9.3%	7.4%	-11.3%	-8.7%	-14.1%	-3.6%	-1.3%	8.4%	0.0%	0.0%
Sales (¥mn)	**1,771,908**	**2,030,960**	**1,459,476**	**837,603**	**672,529**	**568,451**	**766,000**	**1,016,000**	**1,174,000**	**1,206,000**
YoY	63.1%	14.6%	-28.1%	-42.6%	-19.7%	-15.5%	34.6%	32.9%	15.3%	2.9%
GP (¥mn)	528,503	617,680	263,041	167,443	201,324	145,299	142,600	217,300	246,400	256,200
GM	29.8%	30.4%	18.0%	20.0%	29.9%	25.6%	18.6%	21.4%	21.0%	21.2%
SGA, R&D (¥mn)	310,963	397,280	357,741	248,765	183,822	202,919	174,600	193,200	207,000	204,700
OP (¥mn)	**217,540**	**220,400**	**-94,700**	**-81,322**	**17,502**	**-57,620**	**-32,000**	**24,200**	**39,400**	**51,500**
OPM	12.3%	10.9%	-6.5%	-9.7%	2.6%	-10.1%	-4.2%	2.4%	3.4%	4.3%

Note: Numbers for FY3/12 and earlier are our estimates, referencing the parent earnings disclosures of Sony Ericsson. Results and forecasts are all our estimates.
Source: Company data, Citi Research.

Sony was once in the leading global group of mobile phone makers, thanks to the Cyber-shot mobiles

Sony's mobile phone business (Sony Mobile, SOMC) generated over ¥200bn in OP in FY3/08, thanks to the rapid advance of 2G and 2.5G low-end feature phones in emerging markets. (At that time, it was a JV with Ericsson known as Sony Ericsson and an equity-method affiliate for Sony). The JV, which had been described by some as a marriage of weaklings when it started out, brought together Sony's strengths in digital consumer electronics, as seen in the Walkman mobile and the Cyber-shot mobile, and Ericsson's GSM-related technologies and patents, and for a spell the JV was among the global leading mobile phone companies.

Trading on past glories, Sony Ericsson was late to ride the industry shift to smartphones

The mobile phone industry entered the era of the smartphone when the first-generation iPhone was launched in June 2007. Behind the curve Sony Ericsson found its high-end mobiles no longer selling, and earnings deteriorated swiftly. It then repeatedly cut costs and restructured. Ultimately Sony chose to focus again on mobile phones and in February 2012 made the JV a wholly owned subsidiary.

Following the restructuring, preparations for a comeback have been made

Around the time that the JV was turned into a wholly owned subsidiary, Sony and Ericsson both took on the burden of the largest restructuring hitherto, significantly consolidating development and production facilities and cutting headcount by 1,000 people, 15% of the staff. Then at the end of 2012, the headquarters was moved from Lund in Sweden to Tokyo and integrated with group management.

In tandem with the making of the JV a wholly owned subsidiary and the large-scale restructuring, Sony focused its product strategy on Android smartphones and in the course of FY3/12 and FY3/13 shifted the business structure to smartphones. In FY3/13, the mainstay Xperia series won praise for design and performance and became a hit product, with ASP hikes progressing in leaps. However, the business posted an operating loss of ¥57.6bn in FY3/12 and we expect another one, of

¥32bn, in FY3/13 (our estimates), restructuring expenses, development costs for Android smartphones, and the fixed cost burden resulting from sales volumes being far inferior to leading names such as Apple and Samsung.

What lies behind the revival scenario for FY3/14?

We forecast an earnings turnaround for FY3/14 because we think Sony is overcoming the various issues outlined above. SOMC's restructuring looks to have eased off and the development expenses for Android-related software and cutting-edge smartphone features such as cameras and touchscreens also look to have subsided. We do not expect them to surge from here on.

CoGS structure improvement at big inflection point

We feel the biggest inflection point is that Sony has improved the cost structure so much that it is in our view on par with the industry majors, who ship twice or more as many phones. Sony has bolstered the adoption of several key electronic components and modules made in-house rather than externally, pushing the capture of value-added and the incorporation of the latest features and improving the cost structure. We also think that in the external ordering of items such as memory and application processors, Sony has exploited the buying power of its wide-ranging digital consumer electronics operations and been able to win volume discounts on par with the top smartphone companies.

We expect smartphones that deliver this new earnings structure to be produced from 2013 and forecast that profit will improve as volumes grow.

Apple's loss of steam may be an unexpected blessing

The growth slowdown at industry leader Apple also raises the possibility of expansion for Sony's smartphones in 2013. We had thought that a slight production correction at Apple would only benefit the other industry titan, Samsung, but the Apple correction has been bigger than we had envisaged and opportunities to expand for Sony and other tier-two players may have opened up.

Since last year, we have been recommending Panasonic (6752.T; ¥604; 1), Fujitsu (6702.T; ¥357; 1), and Ricoh (7752.T; ¥1,047; 1), among others, as alternative investments to Apple and Samsung, on the grounds that the Japanese electronics industry was restructuring. We think that since the start of January, opportunities have grown to invest in tier-two smartphone makers such as Sony in Japan that can capture market share that Apple has lost.

Electronics strategies under a weak yen

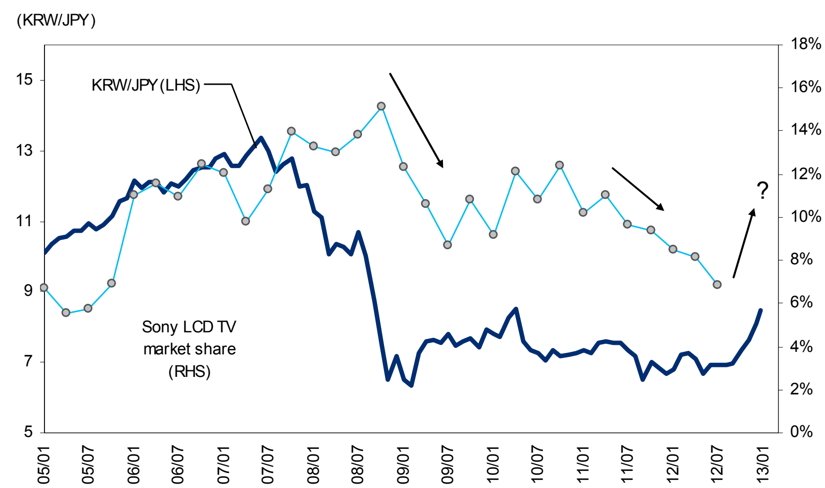
Structural reforms in progress

We have previously discussed our view that the situation for Sony's electronics business is critical and that radical reforms are needed (see our report of September 10, 2012, Japanese Consumer Electronics in a Global Context - A drama of collapse—and revival?). Sony has taken a number of steps, transforming its mobile phone business into a wholly owned subsidiary and reducing associated costs and headcount, selling off its chemicals business, offering early retirement packages to 2,000 employees in Japan, and offloading its real estate business. We think further sales of marketable securities and the sale of the battery or other businesses are possible; we also think a number of non-core businesses could go. Structural reforms are in progress, and we think low growth resulting from market saturation is another issue facing Sony that has nothing to do with yen weakening.

Yen weakening may partly relieve structural issues

However, yen weakening can make a difference in terms of competitive position. In particular, Sony's competitiveness against Samsung in both TVs and smartphones has been weak, but a weaker yen would allow the company to raise marketing spending, boost advertising, increase inventories, flesh out its product lineup, and take other steps that could help it to win back market share. We expect Sony to enjoy the fruits of yen weakness in other consumer electronics areas as well. Yen weakness might not provide a simple shot in the arm, but could help to actually resolve certain structural issues.

Figure 6. Sony: LCD TV market share and the yen/won rate



Source: Bloomberg, DisplaySearch, Citi Research.

Recovery in TV business one key to strategies

In terms of strategy, one other important key apart from yen weakening is the TV business, where Sony is committed to turning profitable in FY3/14. We think this business is a considerable drain on head office and marketing budgets, and that profitability will not be easy to achieve, but yen weakening could provide a real turn for the better. We expect a continued loss on TV operations in FY3/14 after adjusting for restructuring charges (–¥14.7bn; –¥29.7bn if the charges are included). We do not think they will be able to return to a profitable structure on yen weakness alone.

Because of the continued importance of the TV business internally, a return to profitability could be interpreted by management as a something of a milestone for restructuring, and could prompt Sony to return to a more proactive strategy. Yen weakening makes this more likely, in our view. However, we see the biggest risk for

Sony as a beneficiary of yen weakness is the possibility that it may ease off on restructuring, restructuring that we have long considered vital.

If Sony falls misses its goal to make the TV business profitable, or if visibility remains poor, we think Sony is likely to continue to streamline the consumer electronics business in general, including TVs, even if the yen is weak. Other areas besides TVs that might be candidates for disposal or downsizing include digital SLR cameras, video cameras, low-end compact digital cameras, notebook PCs, and batteries.

So we think that there is a risk that, if the TV operations do move into the black, Sony will ease off on restructuring and that, if losses persist, it will maintain its sense of crisis and push rethinks of the business structure. While the possibility of a further rerating exists, so do concerns that investors will be even more dismissive toward Sony.

Mix of pros, cons, but we hike our numbers

Expecting October–December earnings to be weak

We forecast October–December (Q3) OP of ¥52.8bn. The H2 company target is just under ¥100bn and given that Sony is vulnerable to falling into the red at the operating line in January–March (Q4), we think that if Q3 OP is not close to the ¥100bn mark, it could easily be seen as a negative. In FY3/13, asset sales will push up OP in Q4, so it is by no means assured that a weak Q3 will mean a plan miss. While there will probably be no surprises, we expect Q3 numbers to make it clear how tough conditions are across digital consumer electronics, how Sony is not yet benefiting from yen weakness, and how the smartphones ramp is still further up the road, so the numbers could be viewed negatively for a while.

We expect Sony to achieve FY3/13 guidance

We forecast 2.3% sales growth and OP of ¥142bn for Sony in FY3/13. We also forecast FY3/13 NP of ¥19.2bn, for the first positive NP result since FY3/08.

We gather that business during the 2012 year-end shopping season was sluggish, and we estimate that sales fell short of target. We think TVs and notebook PCs were especially weak. Sony has revised guidance down twice this year, after Q1 and Q2 results, and if sales undershoot plan further, this would convey the seriousness of the situation. We think factors particularly dragging on earnings include TV price competition in the US, low levels of demand for game consoles and notebook PCs around the world, and the negative impact of smartphone penetration on low-end digicams.

January–March is normally an off-peak demand period, and a consolidated operating loss is not uncommon for Sony. We would have expected the company to post a loss this year as well, but with about ¥62bn from the sale of its New York building, we think it can secure positive OP on a consolidated basis. We therefore expect Sony to achieve FY3/13 full-year guidance, with OP of ¥142bn.

We expect the earnings impact of yen weakness will mainly be visible from March, due to forex hedging. Contributions to FY3/13 earnings will probably be modest. On the other hand, we expect that improvement in the forex adjustment account on the balance sheet reflecting year-end rates will lift shareholders' equity. Definite calculations are difficult, but we think an improvement of about ¥100bn could emerge in two stages, at end-December and end-March (resulting in an improvement of as much as 5% in BPS).

Raising our FY3/14 forecasts for smartphones despite economic weakness

We forecast sales growth of 4.8% YoY in FY3/14, with OP of ¥229.6bn (+62% YoY, operating margin 3.3%). We look for consolidated sales growth on the back of higher smartphone sales. We envisage the new PlayStation 4 game console release coming in November and it will probably contribute to sales growth as well. TVs and smartphones are likely to drive OP, but we expect lower earnings from compact digicams and video cameras and a loss on notebook PCs. We anticipate stable growth in the pictures, music, and finance businesses. While there has been no official announcement yet, we understand the company's building in Osaki, Tokyo, could be sold, which would add about ¥41.1bn to OP. We forecast consolidated EPS of ¥68.6 and BPS of ¥1,788 at year-end (after dilution).

We expect smartphone shipments to increase 23% YoY in FY3/14 to 42.1mn units, from 34.3mn units in FY3/13. We previously estimated 41.5mn units. We think the new Xperia Z smartphone line, announced in early January and to be rolled out going forward, could trigger volume growth. Looking forward, we anticipate further launches of new products with potential to secure market share in 2013. Growth at industry giant Apple has started to slow, too, and we think this could offer a chance for Sony to expand. We forecast a segment operating loss of ¥32.0bn in FY3/13, followed by a move into the black with OP of ¥24.2bn in FY3/14.

We think prospects for sales volume growth in LCD TVs have already faded, both for Sony and for the market as a whole, but we raise our assumption of FY3/14 shipments slightly, to 15.0mn units from 14.9mn units, as we think weak-yen benefits are likely to boost market share a bit. Assuming no special measures are taken to ensure profitability for the single year, we expect an operating loss of ¥29.7bn. Of this, ¥15.0bn reflects costs associated with the continuing need for restructuring in the TV business.

Strategic changes resulting from yen weakening could make real contributions in FY3/15

We forecast FY3/15 sales growth of 3.1% YoY, with OP of ¥252.4bn (+ 10% YoY, operating margin 3.5%). We expect EPS of ¥83.1 and BPS of ¥1,849 (after dilution) at year-end. As we have not factored in asset sales or other special items, we consider this a normalized earnings level.

In cameras, we expect the trends of decline in low-end compact cameras and sluggishness in SLR cameras to continue, but as the business is entering a period of cost cuts we still expect a certain amount of profit growth (we forecast about +¥8bn for the camera business). In games, we look for a period of gradually increasing contributions from the PlayStation 4 (as software offerings expand), and thus forecast segment OP growth of about ¥5bn. We expect smartphone business to expand in the US, supporting electronics OP growth of about ¥15bn YoY, to ¥39.4bn. Amid a weak yen environment, we think aggressive business development will bear fruit. While we still expect a loss of about ¥10bn in TVs, the expected loss is about half our forecast loss for FY3/14, as we do not anticipate further restructuring expenses. We expect flat semiconductor earnings due to saturation in the smartphone market.

Entertainment reports in dollars

In the pictures and music segments, the biggest group companies are in the US and report in US dollars, so there is little structural benefit from yen weakness, but we think sales and profit are likely to increase on dollar-to-yen conversion differences at results time.

Forecasting pictures sales and OP more or less flat

In the pictures segment, the outlook for blockbuster movies is not all that bright, so we forecast flat sales and profit. We doubt DVD sales will rise, either, as the shift to downloading and streaming is gathering pace. Earnings are also highly dependent on TV operations (program making and broadcasting) in the US, India, and elsewhere; we expect them to be more or less flat. On a local currency basis, sales are slightly undershooting our previous forecasts but we keep our forecasts flat in view of forex conversion benefits.

We expect profit to rise in music with the partial acquisition of EMI

Sony is growing the music segment via M&A and we expect profit to grow. Also, online music sales are reaching the point at which they are overtaking CD sales, and we think that the decline in overall sales will moderate from now on. Sony is widely praised for its cost management and, as in the pictures business, we expect profits to be stable.

Forecasting finance business OP of ¥130bn-¥140bn on stable expansion

Stable expansion in the finance segment is still ongoing. While profit in any given period is influenced by trends in the financial market, we forecast that the segment will be able to post OP in the ¥130bn-¥140bn range.

Undervaluation poised for correction

We value the shares using FY3/15 forecasts of EPS and BPS

We set our ¥1,600 target price using the midpoint of the theoretical values derived by applying a multiple of 15.2x to our FY3/15 EPS forecast of ¥83.1 and multiple of 1.01x to our end-FY3/15 after-dilution BPS forecast of ¥1,849. We previously used our FY3/14 forecasts as the basis for our target price, but in the wake of the FY3/13 Christmas sales season we expect the market's focus to shift to FY3/15 earnings. Our target PER is weighted 20% to Sony's historical average multiple and 80% to a theoretical fair-value multiple based on the current average for the consumer electronics sector. The theoretical fair-value PBR is based on the current market average and takes into account Sony's historical deviation from the market average. We previously assigned a 15% discount to our fair-value valuation due to a lack of visibility on the balance sheet, but we think the associated risk has diminished as a result of steps such as asset sales and thus eliminate the discount.

Shareholders' equity sufficient

The shareholders' equity ratio is only 14% so some in the equity market are probably worried about an equity finance deal but Sony recently issued a ¥150bn CB and has thus just completed some shoring up of the balance sheet, so we think there is only limited risk. Exclude the finance business, and the shareholders' equity is currently 27%.

Figure 7. Sony: Earnings model

(FY ending; ¥mn)	10/3	11/3	12/3	13/3E	14/3E	15/3E	13/3RE	14/3RE	15/3RE	16/3RE
Sales	**7,213,998**	**7,181,273**	**6,493,212**	**6,663,000**	**6,864,000**	**6,689,000**	**6,645,000**	**6,967,000**	**7,183,000**	**7,129,000**
YoY (%)	-6.7%	-0.5%	-9.6%	2.6%	3.0%	-2.5%	2.3%	4.8%	3.1%	-0.8%
Cost of sales	4,892,563	4,831,363	4,386,447	4,449,000	4,663,500	4,488,800	4,409,000	4,706,200	4,914,400	4,828,600
YoY (%)	-13.6%	-1.3%	-9.2%	1.4%	4.8%	-3.7%	0.5%	6.7%	4.4%	-1.7%
% of total sales	67.8%	67.3%	67.6%	66.8%	67.9%	67.1%	66.4%	67.5%	68.4%	67.7%
Gross profit	2,321,435	2,349,910	2,106,765	2,214,000	2,200,500	2,200,200	2,236,000	2,260,800	2,268,600	2,300,400
YoY (%)	12.2%	1.2%	-10.3%	5.1%	-0.6%	-0.0%	6.1%	1.1%	0.3%	1.4%
% of total sales	32.2%	32.7%	32.4%	33.2%	32.1%	32.9%	33.6%	32.5%	31.6%	32.3%
SG&A expenses	2,259,428	2,164,151	2,052,343	2,086,900	2,023,200	2,012,200	2,086,900	2,026,200	2,012,200	2,018,200
YoY (%)	-0.6%	-4.2%	-5.2%	1.7%	-3.1%	-0.5%	1.7%	-2.9%	-0.7%	0.3%
% of total sales	31.3%	30.1%	31.6%	31.3%	29.5%	30.1%	31.4%	29.1%	28.0%	28.3%
Affiliates profit	-30,235	14,062	-121,697	-7,100	-5,000	-4,000	-7,100	-5,000	-4,000	-3,000
Operating income	**31,772**	**199,821**	**-67,275**	**120,000**	**172,300**	**184,000**	**142,000**	**229,600**	**252,400**	**279,200**
YoY (%)	NM	528.9%	NM	NM	43.6%	6.8%	NM	61.7%	9.9%	10.6%
% of total sales	0.4%	2.8%	-1.0%	1.8%	2.5%	2.8%	2.1%	3.3%	3.5%	3.9%
Other income	43,834	44,966	23,478	52,100	24,700	24,000	52,100	25,200	23,500	23,500
Interest income	13,191	11,783	15,101	17,900	20,700	20,000	17,900	21,200	19,500	19,500
Others	30,643	33,183	8,377	34,200	4,000	4,000	34,200	4,000	4,000	4,000
Other expenses	48,694	39,774	39,389	36,400	34,400	31,400	36,400	34,400	30,200	27,900
Interest expense	22,505	23,909	23,432	28,500	28,400	25,400	28,500	28,400	24,200	21,900
Others	26,189	15,865	15,957	7,900	6,000	6,000	7,900	6,000	6,000	6,000
Net financial income	-9,314	-12,126	-8,331	-10,600	-7,700	-5,400	-10,600	-7,200	-4,700	-2,400
Non-operating income and expenses	-4,860	5,192	-15,911	15,700	-9,700	-7,400	15,700	-9,200	-6,700	-4,400
Income before tax	**26,912**	**205,013**	**-83,186**	**135,700**	**162,600**	**176,600**	**157,700**	**220,400**	**245,700**	**274,800**
YoY (%)	NM	661.8%	NM	NM	19.8%	8.6%	NM	39.8%	11.5%	11.8%
% of total sales	0.4%	2.9%	-1.3%	2.0%	2.4%	2.6%	2.4%	3.2%	3.4%	3.9%
Income taxes	13,958	425,339	315,239	64,800	60,600	64,400	83,100	84,500	92,400	98,900
Effective income tax rate (%)	52%	207%	-379%	48%	37%	36%	53%	38%	38%	36%
Minority interest	53,756	39,259	58,235	55,400	56,200	56,800	55,400	56,200	56,800	58,000
Net income	**-40,802**	**-259,585**	**-456,660**	**15,500**	**45,800**	**55,400**	**19,200**	**79,700**	**96,500**	**117,900**
YoY (%)	NM	NM	NM	NM	195.5%	21.0%	NMNM	315.1%	21.1%	22.2%
% of total sales	-0.6%	-3.6%	-7.0%	0.2%	0.7%	0.8%	0.3%	1.1%	1.3%	1.7%
R&D expenses	432,001	426,814	433,477	470,000	470,000	460,000	470,000	480,000	520,000	520,000
(as % of sales)	6.0%	5.9%	6.7%	7.1%	6.8%	6.9%	7.1%	6.9%	7.2%	7.3%
Depreciation	371,004	325,366	319,594	325,000	320,000	310,000	325,000	320,000	310,000	310,000
Capex	192,724	204,862	295,139	200,000	200,000	200,000	200,000	210,000	230,000	240,000

Note: NM: Not meaningful.
Source: Company data, Citi Research.

Figure 8. Sony: Balance sheet and cash flow statement

(FY ending; ¥mn)	10/3	11/3	12/3	13/3E	14/3E	15/3E	13/3RE	14/3RE	15/3RE	16/3RE
Balance Sheet										
Current assets	**4,132,872**	**3,830,180**	**3,754,962**	**3,805,000**	**3,788,000**	**3,687,000**	**3,837,000**	**3,906,000**	**3,898,000**	**3,879,000**
Cash	1,304,189	1,014,412	894,576	926,000	888,000	837,000	962,000	980,000	929,000	932,000
Marketable securities	466,912	646,171	680,913	636,000	636,000	636,000	636,000	636,000	636,000	636,000
Trade receivables	996,100	834,221	840,924	862,000	861,000	831,000	860,000	875,000	893,000	877,000
Inventories	645,455	704,043	707,052	762,000	784,000	764,000	760,000	796,000	821,000	815,000
Others	720,216	631,333	631,497	619,000	619,000	619,000	619,000	619,000	619,000	619,000
Fixed assets	**1,340,219**	**1,326,820**	**1,040,474**	**1,011,000**	**991,000**	**986,000**	**1,111,000**	**1,052,000**	**1,077,000**	**1,112,000**
Tangible assets	1,007,951	1,014,583	930,998	891,000	871,000	866,000	991,000	932,000	957,000	992,000
Other assets	332,268	312,237	109,476	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Others	7,393,023	7,754,122	8,500,231	8,823,000	9,098,000	9,343,000	8,793,000	9,068,000	9,213,000	9,438,000
Total assets	**12,866,114**	**12,911,122**	**13,295,667**	**13,639,000**	**13,877,000**	**14,016,000**	**13,741,000**	**14,026,000**	**14,188,000**	**14,429,000**
Current liabilities	**3,849,069**	**4,135,299**	**4,529,981**	**4,467,000**	**4,488,000**	**4,470,000**	**4,465,000**	**4,499,000**	**4,522,000**	**4,516,000**
Trade payables	817,118	793,275	758,680	701,000	722,000	704,000	699,000	733,000	756,000	750,000
Short-term debt	284,607	163,351	410,356	405,000	405,000	405,000	405,000	405,000	405,000	405,000
Others	2,747,344	3,178,673	3,360,945	*3,361,000*	*3,361,000*	*3,361,000*	*3,361,000*	*3,361,000*	*3,361,000*	*3,361,000*
Fixed liabilities	**5,731,490**	**5,819,911**	**6,255,565**	**6,717,000**	**6,857,000**	**6,927,000**	**6,717,000**	**6,857,000**	**6,868,000**	**6,964,000**
Long-term debt	924,207	812,235	762,226	1,021,000	876,000	751,000	1,021,000	876,000	692,000	593,000
Others	4,807,283	5,007,676	5,493,339	5,696,000	5,981,000	6,176,000	5,696,000	5,981,000	6,176,000	6,371,000
Minority interests	**319,650**	**407,915**	**481,230**	**537,000**	**593,000**	**650,000**	**537,000**	**593,000**	**650,000**	**708,000**
Stockholders' equity	**2,965,905**	**2,547,987**	**2,028,891**	**1,918,000**	**1,939,000**	**1,969,000**	**2,022,000**	**2,077,000**	**2,148,000**	**2,241,000**
Capital & legal reserve	1,788,634	1,790,587	1,791,159	1,758,000	1,758,000	1,758,000	1,758,000	1,758,000	1,758,000	1,758,000
Retained earnings	1,851,004	1,566,274	1,084,462	1,075,000	1,096,000	1,126,000	1,079,000	1,134,000	1,205,000	1,298,000
Others	-673,733	-808,874	-846,730	-915,000	-915,000	-915,000	-815,000	-815,000	-815,000	-815,000
Liabilities, minority interests & equity	**12,866,114**	**12,911,112**	**13,295,667**	**13,639,000**	**13,877,000**	**14,016,000**	**13,741,000**	**14,026,000**	**14,188,000**	**14,429,000**
Statement of cash flows - summary										
Cash flows from operating activities	**912,907**	**616,245**	**519,539**	**155,600**	**546,800**	**579,400**	**231,500**	**563,700**	**568,500**	**626,900**
Net Income	-40,802	-259,585	-456,660	15,500	45,800	55,400	19,200	79,700	96,500	117,900
Depreciation, amortization and other	371,004	325,366	319,594	325,000	320,000	310,000	325,000	320,000	310,000	310,000
Change in working capital	391,673	-269,800	-211,988	-320,700	-187,000	-155,000	-318,700	-204,000	-207,000	-171,000
Others	191,032	820,264	868,593	135,800	368,000	369,000	206,000	368,000	369,000	370,000
Cash flows from investing activities	**-746,004**	**-714,439**	**-882,886**	**-511,400**	**-658,300**	**-640,000**	**-471,600**	**-573,300**	**-570,000**	**-530,000**
Increase of Fixed Assets before Depreciation	-322,379	-234,945	-359,888	-109,800	-200,000	-200,000	-200,000	-210,000	-230,000	-240,000
Others	-423,625	-479,494	-522,998	-401,600	-458,300	-440,000	-271,600	-363,300	-340,000	-290,000
Cash flows from financing activities	**365,014**	**-10,112**	**257,336**	**411,900**	**62,000**	**-8,000**	**371,900**	**62,000**	**-67,000**	**18,000**
Change in Interest-bearing debt	97,512	-233,228	196,996	253,400	-145,000	-125,000	253,400	-145,000	-184,000	-99,000
Change in Capital & Legal Reserve	2,835	1,953	572	-33,200	0	0	-33,200	0	0	0
Dividends paid	-25,088	-25,098	-25,078	-25,100	-25,100	-25,100	-25,100	-25,100	-25,100	-25,100
Others	289,755	246,261	84,846	216,800	232,100	142,100	176,800	232,100	142,100	142,100
Exchange difference of cash & cash equivalents	-1,098	-68,890	-13,825	-23,700	11,200	17,900	-62,700	-34,800	16,900	-112,100
Net change in cash & cash equivalents	**530,819**	**-177,196**	**-119,836**	**32,400**	**-38,300**	**-50,700**	**69,100**	**17,600**	**-51,600**	**2,800**
Balance at beginning of year	**660,789**	**1,191,608**	**1,014,412**	**894,600**	**927,000**	**888,700**	**894,600**	**963,700**	**981,300**	**929,700**
Balance at end of year	**1,191,608**	**1,014,412**	**894,576**	**927,000**	**888,700**	**838,000**	**963,700**	**981,300**	**929,700**	**932,500**

NM: Not meaningful.
Source: Company data, Citi Research.

Figure 9. Sony: Segment data

(FY ending; ¥mn)	11/3	12/3	13/3E	14/3E	15/3E	13/3RE	14/3RE	15/3RE	16/3RE
Sales									
Imaging Products & Solution		**761,317**	**814,000**	**823,000**	**803,000**	**815,000**	**816,000**	**805,000**	**795,000**
Digital Imaging Products		489,526	496,000	498,000	478,000	497,000	487,000	472,000	461,000
Professional Solution		256,871	280,000	285,000	285,000	280,000	289,000	293,000	294,000
Others		14,920	38,000	40,000	40,000	38,000	40,000	40,000	40,000
Gaming		**804,966**	**675,000**	**654,000**	**525,000**	**660,000**	**662,000**	**727,000**	**695,000**
Mobile Products & Communication		**622,677**	**1,269,000**	**1,357,000**	**1,313,000**	**1,262,000**	**1,493,000**	**1,624,000**	**1,629,000**
Mobile Communication		77,732	774,000	876,000	863,000	766,000	1,016,000	1,174,000	1,206,000
Others		544,945	495,000	481,000	450,000	496,000	477,000	450,000	423,000
Home Entertainment & Sound		**1,283,156**	**966,000**	**1,000,000**	**964,000**	**969,000**	**1,006,000**	**1,040,000**	**1,027,000**
TVs		840,359	562,000	602,000	570,000	564,000	604,000	642,000	629,000
Others		442,797	404,000	398,000	394,000	405,000	402,000	398,000	398,000
Devices		**1,026,568**	**910,000**	**953,000**	**978,000**	**910,000**	**941,000**	**956,000**	**946,000**
Semiconductor		375,891	296,000	356,000	372,000	296,000	355,000	370,000	361,000
Energy		85,224	88,009	105,000	114,000	88,009	94,000	94,000	93,000
Others		565,453	525,991	492,000	492,000	525,991	492,000	492,000	492,000
Pictures		**657,721**	**710,000**	**701,000**	**711,000**	**710,000**	**701,000**	**711,000**	**711,000**
Music		**442,789**	**458,000**	**476,000**	**470,000**	**458,000**	**476,000**	**470,000**	**470,000**
Financial Services		**871,895**	**877,000**	**848,000**	**852,000**	**877,000**	**848,000**	**852,000**	**862,000**
Others		**530,343**	**526,000**	**538,000**	**538,000**	**526,000**	**538,000**	**538,000**	**538,000**
Elimination		**-508,220**	**-543,000**	**-486,000**	**-464,000**	**-543,000**	**-515,000**	**-540,000**	**-545,000**
Total	**7,181,273**	**6,493,212**	**6,663,000**	**6,864,000**	**6,689,000**	**6,645,000**	**6,966,000**	**7,182,000**	**7,127,000**
Operating profit									
Imaging Products & Solution		**18,592**	**20,000**	**16,100**	**19,500**	**20,000**	**8,100**	**19,500**	**18,400**
Digital Imaging Products		22,000	19,500	22,900	23,200	19,500	14,900	23,200	22,100
Others, restructuring etc		-3,408	500	-6,800	-3,700	500	-6,800	-3,700	-3,700
Gaming		**29,302**	**4,000**	**34,700**	**15,600**	**7,000**	**13,800**	**19,200**	**33,200**
Mobile Products & Communication		**7,246**	**-91,000**	**-49,000**	**-37,300**	**-95,000**	**-22,900**	**5,300**	**19,400**
Mobile Communication		31,407	-28,100	-2,900	-1,700	-32,000	24,200	39,400	51,500
Others, restructuring etc		-24,161	-62,900	-46,100	-35,600	-63,000	-47,100	-34,100	-32,100
Home Entertainment & Sound		**-203,211**	**-78,000**	**-45,600**	**-30,800**	**-78,000**	**-29,200**	**-11,100**	**-10,200**
TVs		-205,700	-80,100	-46,100	-30,800	-79,900	-29,700	-11,100	-10,200
Others, restructuring etc		2,489	2,100	500	0	1,900	500	0	0
Devices		**-22,126**	**68,000**	**59,400**	**64,200**	**68,000**	**62,900**	**67,100**	**62,600**
Semiconductor		47,950	67,000	79,900	78,700	67,000	75,400	77,600	73,100
Energy		-23,000	-10,000	-5,000	-4,000	-10,000	-5,000	-4,000	-4,000
Others, restructuring etc		-47,076	11,000	-15,500	-10,500	11,000	-7,500	-6,500	-6,500
Pictures		34,130	37,000	39,200	37,400	37,000	39,200	37,400	37,400
Music		36,887	39,000	44,600	44,400	39,000	43,600	44,000	44,400
Financial Services		131,421	128,000	136,000	138,000	128,000	136,000	138,000	142,000
Others		-54,082	-28,000	-17,000	-19,000	-28,000	-17,000	-19,000	-19,000
Elimination		-45,434	22,000	-46,000	-48,000	44,000	-4,900	-48,000	-49,000
(Affiliates)		-121,697	-7,100	-5,000	-4,000	-7,100	-5,000	-4,000	-3,000
(Restructuring)		-52,645	-70,500	-28,000	-9,000	-70,500	-18,000	0	0
Total	**199,821**	**-67,275**	**120,000**	**172,400**	**184,000**	**141,000**	**229,600**	**252,400**	**279,200**
Operating Margin									
Imaging Products & Solution		2.4%	2.5%	2.0%	2.4%	2.5%	1.0%	2.4%	2.3%
Gaming		3.6%	0.6%	5.3%	3.0%	1.1%	2.1%	2.6%	4.8%
Mobile Products & Communication		1.2%	-7.2%	-3.6%	-2.8%	-7.5%	-1.5%	0.3%	1.2%
Home Entertainment & Sound		-15.8%	-8.1%	-4.6%	-3.2%	-8.0%	-2.9%	-1.1%	-1.0%
Devices		-2.2%	7.5%	6.2%	6.6%	7.5%	6.7%	7.0%	6.6%
Pictures		5.2%	5.2%	5.6%	5.3%	5.2%	5.6%	5.3%	5.3%
Music		8.3%	8.5%	9.4%	9.4%	8.5%	9.2%	9.4%	9.4%
Financial Services		15.1%	14.6%	16.0%	16.2%	14.6%	16.0%	16.2%	16.5%
Others		-10.2%	-5.3%	-3.2%	-3.5%	-5.3%	-3.2%	-3.5%	-3.5%
Total	**2.8%**	**-1.0%**	**1.8%**	**2.5%**	**2.8%**	**2.1%**	**3.3%**	**3.5%**	**3.9%**

Source: Company data, Citi Research.

Figure 10. Sony: Quarterly earnings model

(FY ending; ¥mn)	12/3 Q1	Q2	Q3	Q4	13/3 Q1	Q2	Q3E	Q4E
Sales	**1,494,921**	**1,574,989**	**1,822,876**	**1,600,426**	**1,515,183**	**1,604,659**	**1,932,818**	**1,592,340**
YoY (%)	-10.0%	-9.1%	-17.4%	1.2%	1.4%	1.9%	6.0%	-0.5%
Cost of sales	973,569	1,041,977	1,262,557	1,108,344	1,006,413	1,044,996	1,344,711	1,012,880
YoY (%)	-12.2%	-7.6%	-15.4%	0.6%	3.4%	0.3%	6.5%	-8.6%
% of total sales	65.1%	66.2%	69.3%	69.3%	66.4%	65.1%	69.6%	63.6%
Gross profit	521,352	533,012	560,319	492,082	508,770	559,663	588,107	579,460
YoY (%)	-5.5%	-12.0%	-21.5%	2.8%	-2.4%	5.0%	5.0%	17.8%
% of total sales	34.9%	33.8%	30.7%	30.7%	33.6%	34.9%	30.4%	36.4%
SG&A expenses	489,017	535,769	543,250	484,307	502,216	526,286	534,300	524,098
YoY (%)	-0.5%	-1.1%	-6.2%	-12.2%	-48.4%	-50.9%	-55.4%	-52.1%
% of total sales	32.7%	34.0%	29.8%	30.3%	33.1%	32.8%	27.6%	32.9%
Affiliates profit	-4,835	1,122	-108,797	-9,187	-279	-3,126	-1,000	-2,695
Operating income	**27,500**	**-1,635**	**-91,728**	**-1,412**	**6,275**	**30,251**	**52,807**	**52,667**
YoY (%)	-59.0%	NM	NM	NM	-77.2%	NM	NM	NM
% of total sales	1.8%	-0.1%	-5.0%	-0.1%	0.4%	1.9%	2.7%	3.3%
Other income	7,011	7,146	2,455	6,866	12,329	-1,271	5,300	35,742
Interest income	4,274	2,341	2,469	6,017	5,710	3,198	4,300	4,700
Others	2,737	4,805	-14	849	6,619	-4,469	1,000	31,042
Other expenses	11,392	5,416	16,641	5,940	9,191	9,330	9,000	8,879
Interest expense	6,112	6,449	4,983	5,888	7,563	5,912	7,500	7,500
Others	5,280	-1,033	11,658	52	1,628	3,418	1,500	1,379
Net financial income	-1,838	-4,108	-2,514	129	-1,853	-2,714	-3,200	-2,800
Non-operating income and expenses	-4,381	1,730	-14,186	926	3,138	-10,601	-3,700	26,863
Income before tax	**23,119**	**95**	**-105,914**	**-486**	**9,413**	**19,650**	**49,107**	**79,530**
YoY (%)	-70.7%	NM	NM	NM	59.3	NM	NM	NM
% of total sales	1.5%	0.0%	-5.8%	-0.0%	0.6%	1.2%	2.5%	5.0%
Income taxes	27,534	18,358	28,916	240,431	20,002	22,008	21,100	19,990
Effective income tax rate (%)	119%	19324%	-27%	-49471%	212%	112%	43%	25%
Minority interest	11,087	8,714	24,138	14,296	14,052	13,112	15,700	12,600
Net income	**-15,502**	**-26,977**	**-158,968**	**-255,213**	**-24,641**	**-15,470**	**12,307**	**47,004**
YoY (%)	NM	NM	NM	NM	NM	NM	NM	NM
% of total sales	-1.0%	-1.7%	-8.7%	-15.9%	-1.6%	-1.0%	0.6%	3.0%
R&D expenses	90,000	114,267	100,587	128,623	110,336	126,220	120,000	113,444
(as % of sales)	6.0%	7.3%	5.5%	8.0%	7.3%	7.9%	6.2%	7.1%
Depreciation	78,194	83,372	82,717	75,311	85,051	78,470	80,000	81,479
Capex	60,000	101,566	62,217	232,883	55,013	44,585	50,000	50,402

Source: Company data, Citi Research.

Figure 11. Sony: Quarterly segment data

	12/3				13/3			
(FY ending; ¥mn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3E	Q4E
Sales								
Imaging Products & Solution	**180,105**	**219,132**	**189,356**	**172,724**	**193,768**	**182,573**	**232,500**	**206,159**
Digital Imaging Products	128,870	141,432	116,619	102,605	122,916	108,570	150,500	115,014
Professional Solution	48,036	73,437	69,187	66,212	60,807	66,184	72,500	80,509
Others	3,199	4,263	3,550	3,907	10,045	7,819	9,500	10,636
Gaming	**137,945**	**176,017**	**316,086**	**174,918**	**117,981**	**148,153**	**252,791**	**141,075**
Mobile Products & Communication	**122,647**	**141,650**	**163,996**	**194,384**	**285,621**	**300,373**	**368,055**	**307,951**
Mobile Communication	0	0	0	77,732	171,104	181,045	225,000	188,851
Others	122,647	141,650	163,996	116,652	114,517	119,328	143,055	119,100
Home Entertainment & Sound	**341,153**	**314,800**	**394,308**	**232,896**	**251,788**	**236,005**	**271,000**	**210,207**
TVs	241,736	214,038	238,194	146,391	157,016	146,682	140,000	120,302
Others	99,417	100,762	156,114	86,505	94,772	89,323	131,000	89,905
Devices	**253,906**	**299,742**	**233,218**	**239,702**	**217,285**	**249,874**	**233,000**	**209,841**
Semiconductor	91,119	102,849	89,054	92,869	69,485	75,779	79,000	71,736
Energy	21,367	38,633	7,179	18,044	19,079	27,909	21,000	20,021
Others	141,420	158,260	136,985	128,789	128,721	146,186	133,000	118,084
Pictures	144,399	169,331	160,553	183,438	153,387	162,992	198,000	195,621
Music	109,618	103,638	123,418	106,115	98,842	99,232	132,000	127,926
Financial Services	201,638	184,099	220,096	266,062	194,495	230,921	231,000	220,584
Others	114,794	124,506	149,550	141,493	124,329	134,257	149,000	118,414
Elimination	-111,284	-157,926	-127,705	-111,306	-122,313	-140,925	-134,528	-144,234
Total	**1,494,921**	**1,574,989**	**1,822,876**	**1,600,426**	**1,515,183**	**1,603,455**	**1,932,818**	**1,593,544**
Operating profit								
Imaging Products & Solution	**12,484**	**15,809**	**-6,728**	**-2,973**	**12,609**	**2,593**	**9,200**	**-4,402**
Digital Imaging Products	14,600	19,100	-5,700	-6,000	12,000	3,500	9,000	-5,000
Others, restructuring etc	-2,116	-3,291	-1,028	3,027	609	-907	200	598
Gaming	**4,064**	**2,989**	**33,777**	**-11,528**	**-3,549**	**2,279**	**7,987**	**283**
Mobile Products & Communication	**1,556**	**-6,057**	**-48,423**	**60,170**	**-28,139**	**-23,098**	**-16,000**	**-27,763**
Mobile Communication	-3,056	-25	-43,100	77,588	-13,100	-8,700	-2,700	-7,500
Others, restructuring etc	4,612	-6,032	-5,323	-17,418	-15,039	-14,398	-13,300	-20,263
Home Entertainment & Sound	**-13,629**	**-41,763**	**-89,815**	**-58,004**	**-9,986**	**-15,812**	**-22,300**	**-29,902**
TVs	-14,700	-41,000	-101,000	-49,000	-6,600	-17,500	-29,300	-26,500
Others, restructuring etc	1,071	-763	11,185	-9,004	-3,386	1,688	7,000	-3,402
Devices	**5,303**	**-18,409**	**-15,556**	**6,536**	**15,946**	**29,775**	**19,500**	**2,779**
Semiconductor	9,850	16,600	-2,500	24,000	16,000	18,000	24,000	9,000
Energy	-3,000	-6,000	-897	-13,103	-3,000	-4,000	-1,000	-2,000
Others, restructuring etc	-1,547	-29,009	-12,159	-4,361	2,946	15,775	-3,500	-4,221
Pictures	4,302	20,604	715	8,509	-4,872	7,877	16,520	17,475
Music	12,094	6,326	15,260	3,207	7,275	7,850	11,900	11,975
Financial Services	28,696	24,478	32,590	45,657	27,585	31,207	35,000	34,208
Others	-14,981	-8,187	-7,655	-23,259	-9,103	-5,912	-4,000	-8,985
Elimination	-12,389	2,575	-5,893	-29,727	-1,491	-6,508	-5,000	55,999
(Affiliates)	-4,835	1,122	-108,797	-9,187	-279	-3,126	-1,000	-2,695
(Restructuring)	-1,800	-28,800	-4,500	-17,545	-11,300	-11,500	-27,700	-20,000
Total	**27,500**	**-1,635**	**-91,728**	**-1,412**	**6,275**	**30,251**	**52,807**	**51,667**
Operating Margin								
Imaging Products & Solution	6.9%	7.2%	-3.6%	-1.7%	6.5%	1.4%	4.0%	-2.1%
Gaming	2.9%	1.7%	10.7%	-6.6%	-3.0%	1.5%	3.2%	0.2%
Mobile Products & Communication	1.3%	-4.3%	-29.5%	31.0%	-9.9%	-7.7%	-4.3%	-9.0%
Home Entertainment & Sound	-4.0%	-13.3%	-22.8%	-24.9%	-4.0%	-6.7%	-8.2%	-14.2%
Devices	2.1%	-6.1%	-6.7%	2.7%	7.3%	11.9%	8.4%	1.3%
Pictures	3.0%	12.2%	0.4%	4.6%	-3.2%	4.8%	8.3%	8.9%
Music	11.0%	6.1%	12.4%	3.0%	7.4%	7.9%	9.0%	9.4%
Financial Services	14.2%	13.3%	14.8%	17.2%	14.2%	13.5%	15.2%	15.5%
Others	-13.1%	-6.6%	-5.1%	-16.4%	-7.3%	-4.4%	-2.7%	-7.6%
Total	**1.8%**	**-0.1%**	**-5.0%**	**-0.1%**	**0.4%**	**1.9%**	**2.7%**	**3.2%**

Note: Segments were changed in FY3/13 Q1. Some actuals are our estimates.
Source: Company data, Citi Research.

Sony

Investment strategy

We rate the shares of Sony Buy (1), with a ¥1,600 target price. Sony continues to be affected by the growth slowdown in digital consumer electronics but we expect management to take more proactive strategies with the weakening yen. We also forecast that Sony can take back some market share. We see margins rising even if sales are flattish thanks to cost structure improvement.

We forecast a new growth phase for the smartphone business. The rollout of new products is going smoothly and client telecom operators are also eager to market them, so we expect expansion in both regional breadth and depth.

Sony is progressing with the restructuring we think is necessary. We do not think it is in the final stages yet, but it has set to work on business selection and disposal and is also pushing asset restructuring. The sort of balance sheet risk represented by a share price far below book has already receded, in our view.

The impressive reputation Sony has for its brand power and marketing muscle is not dead yet. The management team are also equipped with leadership abilities and speed in decision-making. We also think that the globalized corporate culture gives Sony international competitiveness. If Sony were to announce additional restructuring focused on the balance sheet and SG&A expenses, earnings could rise further and the market's take on the shares enter a new phase.

Valuation

We base our target price on the average of theoretical fair-value figures derived based on PBR and on PER.

For the former, we reference the 10-year historical average and an adjusted fair-value FY3/15E PBR that reflects the historical divergence between the company PBR and the sector average. The current sector average is 1.06x and the average divergence from this is -5.1%, so we derive a theoretical fair-value multiple of 1.01x (10.6 x 0.949). Applied to our end-FY3/15 BPS estimate of ¥1,849 (after dilution), this gives us a PBR-based fair value of ¥1,860.

For the PER-based fair value, we similarly take into account the divergence of Sony's average from the sector average. However, we use a weighted average multiple, according 80% for the figure derived from the sector average and 20% for Sony's historical average PER. The sector average is 12.5x (FY3/15), Sony's historical average divergence is +6.1%, and Sony's historical average PER is 22.8x. These figures give us a weighted average target PER of 15.2x ((12.5 x (1 + 6.1%) x 80% + 22.8 x 20%) x (1 - 15%)). Applying this multiple to our FY3/15 EPS forecast of ¥83.1 gives us a PER-based fair value of ¥1,260.

We set our target price at ¥1,600, roughly the average of our PBR-based and PER-based theoretical fair value figures.

Risks

Risks to our target price include 1) rapid swings in forex rates, 2) dramatic changes in flat-panel TV prices, 3) a lack of progress with needed structural reforms and the earnings structure remaining hobbled by the old ways of doing things or rapid progress and greater-than-expected improvement, and 4) more rapid than expected

commoditization of products resulting in declining added value or success in product differentiation and the maintenance of a price premium. If business conditions diverge from our expectations due to these factors or other developments, the shares may diverge from our target price.

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

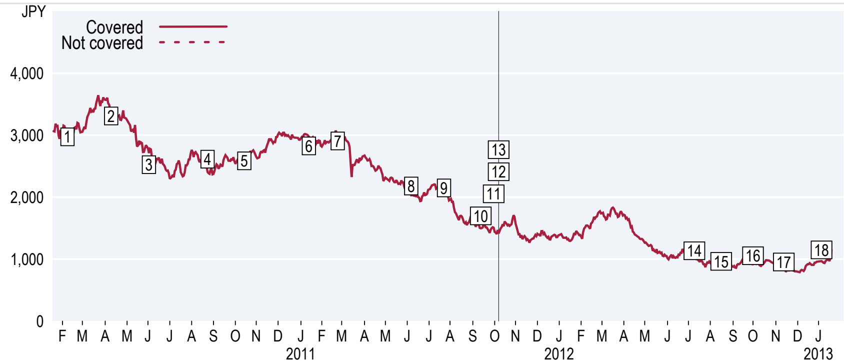
IMPORTANT DISCLOSURES

Sony (6758)

Ratings and Target Price History

Fundamental Research

Analyst: Kota Ezawa



	Date	Rating	Target Price	Closing Price
1	8-Feb-10	1H	*3,700	2,973
2	9-Apr-10	*2H	*3,800	3,420
3	2-Jun-10	2H	*3,100	2,711
4	24-Aug-10	2H	*2,600	2,406
5	14-Oct-10	2H	*2,700	2,640
6	13-Jan-11	2H	*3,100	2,976
7	23-Feb-11	*1H	*4,000	2,977
8	7-Jun-11	1H	*3,100	2,031
9	22-Jul-11	1H	*2,800	2,100
10	13-Sep-11	1H	*2,000	1,497
11	30-Sep-11	1H	*1,900	1,507
12	7-Oct-11	Stock rating system changed		
13	7-Oct-11	*1	1,900	1,415
14	10-Jul-12	*2	*1,200	1,046
15	16-Aug-12	2	*970	926
16	1-Oct-12	2	*960	917
17	13-Nov-12	2	*950	861
18	4-Jan-13	2	*1,030	968

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

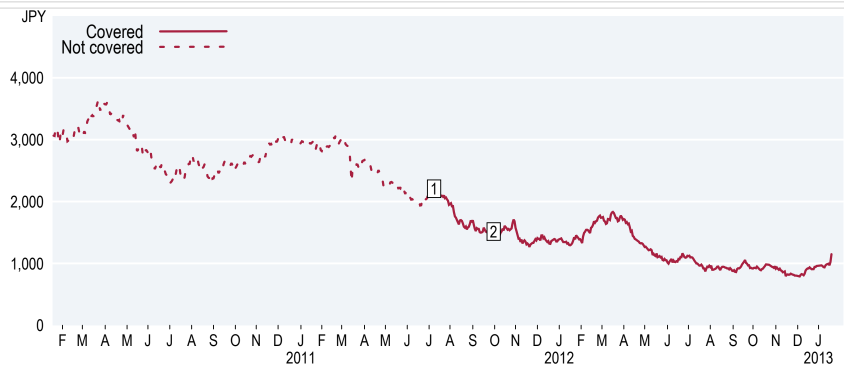
Sony (6758)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Kota Ezawa



	Date	Rating	Target Price	Closing Price
1	8-Jul-11	*ADD MP	-	2,207
2	30-Sep-11	*REM MP	-	1,507

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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