



GREATEST COMPANIES · RESEARCH SHEET · The Reinvention Moat

Sony

The Empire That Lost to Itself

NYSE: SONY · Electronics / Entertainment · Founded 1946 · Tokyo, Japan

Public · v1.0 · July 2026

In the bombed-out ruins of Tokyo in 1946, an engineer named Masaru Ibuka and a younger physicist named Akio Morita founded a company with about five hundred dollars of borrowed capital and no clear idea what to make. Their first product, a rice cooker, failed. But they set out, from a defeated and impoverished nation, to turn the words “Made in Japan,” then a synonym for cheap junk, into a mark of the finest quality in the world, and they succeeded beyond any reasonable hope. The Walkman made Sony the coolest, most desirable technology brand on the planet, the Apple before Apple. Then it lost the future, in the most instructive way imaginable.

Key Facts

Founders	Masaru Ibuka (the engineering genius) and Akio Morita (the marketer and leader)
Sector	Consumer electronics, gaming, image sensors, music and film
Moat	Now anchored in image-sensor dominance, the PlayStation ecosystem and content
The Golden Age	The transistor radio, the Trinitron TV and the Walkman
The Fatal Flaw	Warring divisions, proprietary formats and “not invented here” pride
The Defining Failure	Owned the music and the hardware, yet lost digital music to Apple's iPod
Status	Public (NYSE: SONY; Tokyo: 6758)

By the Numbers

Became the world's dominant maker of image sensors — the eyes inside most smartphones, including the iPhone

Fell to the edge of a junk credit rating around 2012 after years of losses

Turned the PlayStation into a recurring-revenue profit engine with a razor-and-blades-plus-network model

Rebuilt to a diversified group worth on the order of \$125–138 billion by 2026

Founded 1946 with ~\$500; renamed Sony 1958; the Walkman launched 1979

Bought CBS Records (~\$2B, 1988) and Columbia Pictures (~\$3.4–4.5B, 1989); PlayStation launched 1994

The Moat

From a Hardware Moat to a Reinvented One

For decades Sony's moat was mastery of self-contained, beautifully engineered hardware, and in an age of open standards and software that strength curdled into weakness: a parade of proprietary formats meant to lock customers in, divisions hardened into warring fiefdoms, and a culture that could not embrace anything invented outside its walls. The reinvented Sony rests on sturdier ground. Its moat now sits in three defensible places: a near-monopoly in image sensors, the tiny chips that let smartphones see, sold even to its old nemesis Apple; the PlayStation ecosystem, where a console sold at thin margins plants a customer who then pays for years through games, third-party royalties and online subscriptions, a razor-and-blades model with a network effect and real switching costs on top; and one of the world's great music catalogs, throwing off streaming royalties. The unglamorous, defensible businesses, not the iconic gadget, are the moat now.

The iPod Sony Should Have Built

The Advantage That Became a Civil War

At the dawn of digital music around 2000, no company on Earth was better placed than Sony: it had invented portable personal music with the Walkman, it made superb hardware, and, uniquely, it owned one of the world's largest music catalogs. It should have built the iPod. It could not. The hardware divisions wanted to, but the music division, terrified of the piracy that digital files enabled, fought to cripple any device that might let people copy songs, insisting on restrictive proprietary formats that made Sony's players clumsy and hostile. The very thing that should have been an unbeatable advantage, owning both the music and the machine, became a paralysis, and into it walked Steve Jobs, who owned no label and had no internal enemy to appease, built the iPod and iTunes as one seamless experience, and took the entire future of personal music. The same disease spread to TVs, lost to Samsung, and phones, and by ~2012 the proudest name in technology sat at the edge of a junk rating.

"The deadliest threats to a company are usually internal, not competitive."

The Legendary Scorecard

Category	Score	Notes
Founder Vision	9	Ibuka and Morita turned "Made in Japan" into a mark of the finest quality on Earth
Innovation	9	The transistor radio, Trinitron, Walkman, CD and PlayStation reshaped daily life
Execution	7	Brilliant for decades, then two lost ones, redeemed by a disciplined turnaround
Moat	8	Now anchored in image-sensor dominance, gaming and content; diversified and defensible
Capital Allocation	7	Squandered a lead for years, then showed rare discipline exiting losing businesses

Wealth Creation	7	Decades of stagnation, then a strong recovery; a survivor more than a compounder
Durability	9	Eighty years, multiple reinventions, survived a near-fatal decline
Historical Importance	9	Few companies have shaped modern entertainment and electronics more
Overall Legendary	8.0 / 10	A legendary innovator and a great survivor, scarred by its lost decades

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

Timeline

1946	Ibuka and Morita found Tokyo Tsushin Kogyo in the ruins of postwar Tokyo
1955	The company sells one of the first transistor radios
1958	It renames itself Sony
1968	It launches the Trinitron color television
1979	It introduces the Walkman, inventing portable personal music
1988–89	It buys CBS Records and Columbia Pictures, becoming a content owner
1994	It launches the PlayStation
1990s–2000s	It loses electronics leadership to Samsung and digital music to Apple's iPod
2012	After years of losses and a near-junk rating, Kazuo Hirai becomes CEO and begins the turnaround
2018	Kenichiro Yoshida becomes CEO and deepens the refocus on games, sensors and content
2026	A diversified entertainment-and-technology group worth ~\$125–138 billion

Lessons — What This Means for You

THE MOVE • Prize the unglamorous, defensible business

Sony's salvation came not from a glamorous new gadget but from image sensors, the invisible components inside other companies' products, and from the recurring revenue of a gaming platform and a music catalog. The picks-and-shovels supplier and the toll-collecting platform often make far better long-term businesses than the maker of the glamorous end product everyone recognises. Prize the boring, high-margin, hard-to-replicate business over the exciting but commoditised one.

THE MONEY • The hardest capital allocation is exiting losing businesses

Hirai and Yoshida created enormous value not by what they built but by what they were willing to abandon, the PCs, the share of TVs, the fight for phone volume, redirecting that capital to gaming and sensors where returns were real. The discipline to kill or sell a beloved, legacy, but losing business is one of the rarest traits in management; pride in a famous product is the enemy of good capital allocation.

THE MIND • Internal division destroys from within

Sony lost the future not to a superior competitor but to itself: its divisions, each protecting their own turf, made it structurally incapable of building the very product its unique assets made it best placed to create. A culture of fiefdoms and “not invented here” can paralyse even the most talented company, and an obsession with controlling and protecting what you have can blind you to the need to cannibalise it before someone else does.

Related Reading

The rival that took digital music, now a sensor customer: [Apple: Ninety Days From Death to the World's Most Valuable Company](#)

The foundry partner, and the same quiet-component dominance: [TSMC: The Most Important Company You Have Never Thought About](#)

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Sources & Further Reading

Akio Morita, Made in Japan: Akio Morita and Sony (1986)

John Nathan, Sony: The Private Life (1999)

Greatest Companies (Sony chapter), The Complete Trader's Edge

How to cite: van Riet, L. (2026). “Sony” — Greatest Companies Research Sheet, v1.0. The Complete Trader's Edge, [completetradersedge.com](#).

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