

SONY

TRINITRON

Sony Annual Report 1986

For the year ended October 31, 1986



Sony Corporation, founded in Tokyo in 1946, is one of the world's leading manufacturers of video equipment, audio equipment, televisions, and other products. Sony is renowned for its commitment to research and development, which allows the Company to continually introduce innovative and popular items. Sony's products are marketed by sales subsidiaries throughout the world, and in keeping with its policy of manufacturing in the markets where its products are sold, the Company maintains principal manufacturing facilities in Japan, the United States, and Europe. Sony's global approach to business is further demonstrated by the listing of its stock on 23 exchanges around the world.

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Cover: Sony's Video 8 PRO, a new top-of-the-line 8mm video camcorder with multifaceted editing functions, and Profeel Pro, the latest addition to the Profeel line of high-quality Trinitron color monitors.

Financial Highlights

Year ended October 31

Operating Results

	Millions of yen except per share amounts		Percent change 1986/1985	Thousands of U.S. dollars except per share amounts
	1985	1986		1986
Net sales:				
Overseas	¥1,054,274	¥ 933,839	-11.4%	\$5,764,438
Japan	366,511	391,319	+ 6.8	2,415,550
Total	1,420,785	1,325,158	- 6.7	8,179,988
Operating income	133,684	33,777	-74.7	208,500
Income before income taxes	141,911	76,405	-46.2	471,636
Income taxes	78,023	41,037	-47.4	253,315
Net income	73,021	41,888	-42.6	258,568
Net income per Depositary Share:				
Primary	¥ 316	¥ 181	-42.7	\$ 1.12
Fully diluted	292	169	-42.1	1.04

Composition of Net Sales by Area and Product Group

	Millions of yen					Thousands of U.S. dollars
	1982	1983	1984	1985	1986	1986
Sales by Area						
Japan	¥ 284,157 25.5%	¥ 321,556 28.9%	¥ 345,059 27.4%	¥ 366,511 25.8%	¥ 391,319 29.5%	\$2,415,550
United States	320,936 28.8	317,315 28.6	428,207 33.9	477,559 33.6	426,676 32.2	2,633,802
Europe	264,546 23.8	232,372 20.9	220,788 17.5	249,123 17.5	278,258 21.0	1,717,642
Other areas	244,183 21.9	239,778 21.6	267,492 21.2	327,592 23.1	228,905 17.3	1,412,994
Net sales	¥1,113,822	¥1,111,021	¥1,261,546	¥1,420,785	¥1,325,158	\$8,179,988
Sales by Product Group						
Video equipment	¥ 474,246 42.6%	¥ 457,051 41.1%	¥ 512,041 40.6%	¥ 515,531 36.3%	¥ 462,264 34.9%	\$2,853,482
Audio equipment	253,278 22.7	245,887 22.1	271,517 21.5	338,356 23.8	345,520 26.1	2,132,840
Televisions	263,251 23.6	267,176 24.1	297,172 23.6	364,827 25.7	319,414 24.1	1,971,691
Other products	123,047 11.1	140,907 12.7	180,816 14.3	202,071 14.2	197,960 14.9	1,221,975
Net sales	¥1,113,822	¥1,111,021	¥1,261,546	¥1,420,785	¥1,325,158	\$8,179,988

Notes: 1. All dollar figures in this annual report refer to U.S. currency. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥162=U.S.\$1, the Tokyo foreign exchange market rate as of October 31, 1986, as described in Note 2 of the Notes to Consolidated Financial Statements.

2. Each Depositary Share represents one share of Common Stock. Per share amounts are based on the average number of shares outstanding during each period.

3. Fully diluted net income per Depositary Share gives effect to the possible conversion of all convertible bonds and debentures.

To Our Shareholders

The Year in Review

Fiscal 1986, ended October 31, 1986, was a very difficult year for Sony and the rest of the Japanese electronics industry. During the year, the world economy grew moderately, supported by lower oil prices and interest rates and by stable commodity prices. In the second half, however, such ominous factors as the swelling trade and budget deficits in the United States reduced business confidence and dampened worldwide economic activity, except in some parts of Europe. For the Japanese economy, a steady increase in personal consumption was not enough to counter the impact of the yen's rapid appreciation during the year. This severely affected exports, leading to reduced private capital investment and sharp drops in revenues and earnings for many Japanese companies.

The strong yen and severe price competition presented the Japanese electronics industry with its most difficult business environment since the first oil crisis, in 1973. Price-cutting in the United States and other major markets for home-use video tape recorders led to reduced revenues despite an increase in units sold. Although domestic and overseas demand for large-screen sets was strong, color televisions suffered decreases in both units sold and revenues, primarily because of the strong yen and a large decline in exports to the People's Republic of China. Audio equipment sales were also down from the previous year, reflecting lower prices. Sales of compact disc players, however, continued to show solid gains.

Sony's response to the adverse environment in the electronics industry included introducing such innovative products as 8mm video equipment, increasing prices while maintaining competitiveness in foreign markets, and expanding overseas production and parts procurement. In addition, we endeavored to reduce costs in all areas through design improvements that led to fewer parts in many products, automation of production facilities, and streamlining of distribution channels.

Nevertheless, with overseas markets accounting for approximately 70% of sales, Sony was hit particularly hard by the yen's more than 40% rise against the U.S. dollar. Consolidated net sales declined 6.7% from fiscal 1985, to ¥1,325 billion (\$8,180 million). This was due to an 11.4% fall in overseas sales, to ¥934 billion (\$5,764 million), despite strong performances by overseas sales subsidiaries when measured in local currencies; for example, Sony Corporation of America's dollar-based sales grew 24%. In Japan, sales remained strong, rising 6.8% from the previous year, to ¥391 billion (\$2,416 million).

Operating income was ¥34 billion (\$209 million), a 74.7% drop, reflecting poor export profits. Despite gains on forward exchange contracts and an increase in income from patent royalties, net income was down 42.6% from the all-time high in fiscal 1985, to ¥42 billion (\$259 million). Primary net income per Depositary Share (each Depositary Share represents one share of Common Stock) was ¥181 (\$1.12), a 42.7% decrease, and fully diluted net income per Depositary Share slipped 42.1%, to ¥169 (\$1.04).



***Akio Morita, Chairman and
Chief Executive Officer (right),
and Norio Ohga, President
and Chief Operating Officer***

Subject to shareholders' approval at the General Meeting of Shareholders to be held on January 30, 1987, Sony will pay a cash dividend of ¥22 (before deduction of withholding taxes) per Depositary Share for the six-month period ended October 31, 1986. This will bring the total cash dividend for fiscal 1986 to ¥44 per Depositary Share.

Change of the Fiscal Year

As the Japanese government and a great majority of Japanese companies, including Sony's principal competitors, have fiscal years ending March 31, Sony believes it would be advantageous to change its fiscal year to end on March 31. This change would facilitate comparison of Sony's business performance with that of its competitors, and enable Sony to establish its business strategy in light of the Japanese government's fiscal and industrial policies. Furthermore, changing the fiscal year would allow Sony to move the settlement of accounts out of the busiest season of the year; Sony's present fiscal year ends on October 31, which comes at the height of Sony's product shipments for Christmas sales.

For these reasons, the management of Sony has decided to move the end of the fiscal year from the present October 31 to March 31. This change will require an amendment to Sony's Articles of Incorporation, which will be proposed at the General Meeting of Shareholders on January 30, 1987. If the amendment is approved, a one-time irregular five-month fiscal year will commence on November 1, 1986, and end on March 31, 1987. The new full fiscal year will then commence on April 1, 1987.

Improving Corporate Performance

Anticipating further appreciation of the yen, worsening trade friction, and intensified price competition from manufacturers in newly industrializing countries, Sony expects the operating environment to remain difficult in 1987. The Japanese economy faces continued difficulties and a period of unprecedented upheaval as a result of the yen's sudden strength. A restructuring of industry and revisions in employment practices are but two of the changes expected in the future.

Given this unfavorable environment, Sony's management will make every effort to help improve profitability and to continue growth of the Company. To this end, Sony will:

- Aggressively carry out research and development leading to the introduction of innovative and highly competitive products that can further strengthen the Company's consumer electronics lineup.
- Enhance its strong position in industrial electronics by expanding sales of industrial-use video equipment and of semiconductors and other electronic components, while developing a wide variety of equipment for the budding information-services and telecommunications fields.
- Increase production and R&D in the United States and Europe, in accordance with a long-standing commitment to manufacturing products in the markets where they are sold, and establish production facilities in other areas, including Asia.
- Heighten efforts to reduce costs and improve efficiency in all areas, as part of the continuous upgrading of production and marketing operations.
- Build an even sounder financial position through efficient inventory management and prudent capital investment.

In addition, Sony is presently reevaluating its research and development, production, and marketing operations and the competitiveness of its products. The results of this self-examination should enable management to accurately determine measures that will put Sony back on the path of steady growth in sales and income and enable it to fulfill shareholders' expectations.

December 18, 1986



Akio Morita
Chairman and
Chief Executive Officer



Norio Ohga
President and
Chief Operating Officer

Review of Operations



Video Equipment

Sony produces a wide array of video products for home and industrial use. A pioneer in this field, Sony continues to contribute to the market's growth by introducing innovative items that raise picture and sound quality. Sales in this product sector, which includes videotapes, represented 34.9% of net sales in fiscal 1986.



Audio Equipment

Sony's strength in audio equipment derives from its strong research and development team, which today is enhancing the music-listening experience by leading the digitization of audio equipment. This product sector, which includes audiotapes, accounted for 26.1% of net sales.



Televisions

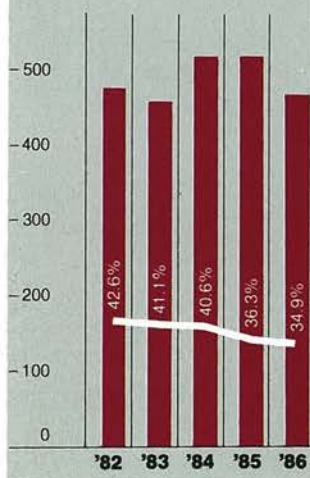
Sony has long set the standard in color TV picture quality. In fiscal 1986, sales of televisions, including the superior Black Trinitron TVs, projection TVs, and monitors for home and industrial use, comprised 24.1% of net sales.



Other Products

Sony's other products, which accounted for 14.9% of net sales, include service parts, accessories, and other items in high-growth areas, such as electronic components, information processing equipment, and telecommunications systems.

Sales of Video Equipment and Percent of Net Sales
(Billion ¥)



V ideo Equipment

Sales of video equipment were ¥462 billion (\$2,853 million), a decline of 10.3% from fiscal 1985. In home-use video products, sales of 8mm video equipment increased substantially, but Betamax sales remained depressed. Despite sizable gains made by Sony's Betacam 1/2-inch video systems, sales of industrial-use video equipment, including one-inch video tape recorders (VTRs) and 3/4-inch U-matic VTRs, were down. Sales of 8mm videotapes expanded along with the 8mm video market, but total videotape sales dropped as a result of intense price competition. Sony's optical videodisc player experienced steady sales growth during the year.

Diversification in the Video Market

The home-use video market has recorded phenomenal growth over the past 10 years. More recently, this market has become extremely diversified, with rising demand for higher picture and sound quality and a rapidly expanding camcorder market spurring the introduction of a vast array of products. Sony has responded to this diversification and established leadership in the field with such innovative products as Beta Hi-Fi with high-fidelity sound, Hi-Band Beta with high-grade picture quality, and console-type 8mm VTRs featuring superior sound and picture quality. Sony created the camcorder market with its revolutionary Betamovie in 1983 and has continued to make significant contributions to its development by introducing a series of 8mm video camcorders.

Confident that 8mm video will transform the video market, Sony has developed a lineup of products that fully capitalizes on the advantages of the 8mm format. This includes camcorders, console-type video decks, video systems for use in automobiles, and hybrid products combining television and video equipment.

Ranging from the compact, lightweight, easy-to-use Handycam to a more sophisticated model with multifaceted editing functions, Sony's portable 8mm video camcorders enable high-quality video and audio reproduction and up to two hours of recording on one tape. In the fall of 1986, Sony began marketing, in Japan and the United States, a new Handycam with playback capability. The new model has enjoyed huge success, and introduction to European markets is planned for the spring of 1987.

Sony's lineup of console-type 8mm video decks is headed by a model featuring pulse-code modulation (PCM) stereo recording functions for high-quality digital sound. Able to record up to 24 hours of music on a 120-minute tape, this deck is also highly suitable for audio use. In the fall of 1986, Sony enhanced its multidimensional 8mm VTR lineup by adding a compact deck that can easily be carried from room to room, thereby facilitating greater personal use by various family members. Currently available only in Japan, this deck is expected to increase the number of multiple-VTR homes in Sony's home market.

In fiscal 1986, Sony began marketing an 8mm video system for use in automobiles, an application made possible by the compactness of 8mm videocassettes, which are smaller than audio-cassettes and only slightly thicker. The new system allows automobile passengers to enjoy clear video images and the power of PCM digital sound.

Sony's unique combination television/8mm video deck for home and industrial use, previously available only in the United States, will be offered in Japan and other countries in the near future. Sony expects such hybrid 8mm video products to widen the appeal of 8mm video in consumer markets.



The 8mm video field pioneered by Sony has broadened the range of applications for video equipment. Taking advantage of the compact size, superior sound quality, and other desirable features of the 8mm format, Sony has developed an array of products. Additions to this lineup in 1986 included a compact Handycam and a compact video tape deck.

The 8mm video format originated by Sony has generated a vast array of new applications for video equipment, both indoors and outdoors. Just as the compact cassette tape revolutionized audio equipment and sparked an explosion of the market, 8mm video will open entirely new frontiers for video equipment. As the pioneer in this field, Sony expects to establish market leadership by developing and marketing a wide range of innovative and attractive products.

The Future of Broadcast-Use Video

At the National Association of Broadcasters exhibition in Dallas, Texas, in April 1986, Sony unveiled two new products—the Betacam SP and a component digital VTR, the DVR-1000—that will set the standard for broadcast-use video equipment in the future. Orders for both were received during the year, and shipments are planned for spring 1987.

The Betacam SP is the latest version of Sony's Betacam broadcast-use video system, which includes 1/2-inch camera/recorders for electronic news gathering, players, recorders, editing equipment, and the Betacart, a programmable multi-cassette system that automates on-the-air playback operations. Betacam SP, which is designed to increase the applications of the Betacam format, features a 94-minute recording capacity that is three times longer than the conventional Betacam system, improved picture quality, and playback capability. The Betacam system has been recognized internationally, with such major broadcast equipment makers as Ampex Corp. of the United States, Robert Bosch GmbH of West Germany, and Thomson-CSF of France deciding to manufacture and market Betacam system equipment. In 1986, the National Academy of Television Arts and Sciences in the United States presented Sony with an Emmy Award in recognition of Betacam's contributions to broadcasting.



The Betacam camera/recorder is but one component of a complete system used by TV-broadcasting professionals worldwide.

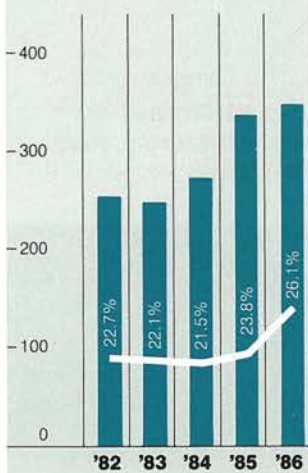
A new Handycam features playback capability, automatic focus, a zoom lens, and other functions that make video photography simple and pleasurable.



The DVR-1000 is the first component digital VTR that meets international broadcasting specifications. Expected to become the new standard in broadcast-use video, this VTR has a 94-minute recording capacity and employs digital recording technology that allows a tape to be redubbed more than 20 times without loss of picture or sound quality. With the introduction of the

DVR-1000, Sony has once again demonstrated its ability to pave the way in commercializing new technologies. In the future, Sony will maintain its dominant position in the market for broadcast- and institutional-use VTRs, such as 1-inch VTRs and $\frac{3}{4}$ -inch U-matic VTRs, while firmly establishing leadership in the newer market for digital broadcast-use VTRs.

Sales of Audio Equipment and Percent of Net Sales
(Billion ¥)



Audio Equipment

Sales of audio equipment increased 2.1%, to ¥346 billion (\$2,133 million), in fiscal 1986. Sony's varied lineup of compact disc (CD) players sold briskly in Japan and abroad. Sales of Walkmans were also strong, led by a new cassette-sized model that uses a rechargeable thin-plate nickel-cadmium

battery. Since the introduction of the first Walkman in 1979, Sony has led the development of a huge market for headphone stereo cassette players. During fiscal 1986, Sony's cumulative production of Walkmans surpassed the 20 million mark. Sales of audiotapes were also up, owing to solid sales performances in Japan and Europe.

Sony offers a comprehensive lineup of sophisticated audio component systems capable of delivering the high-quality digital sound provided by CD players.



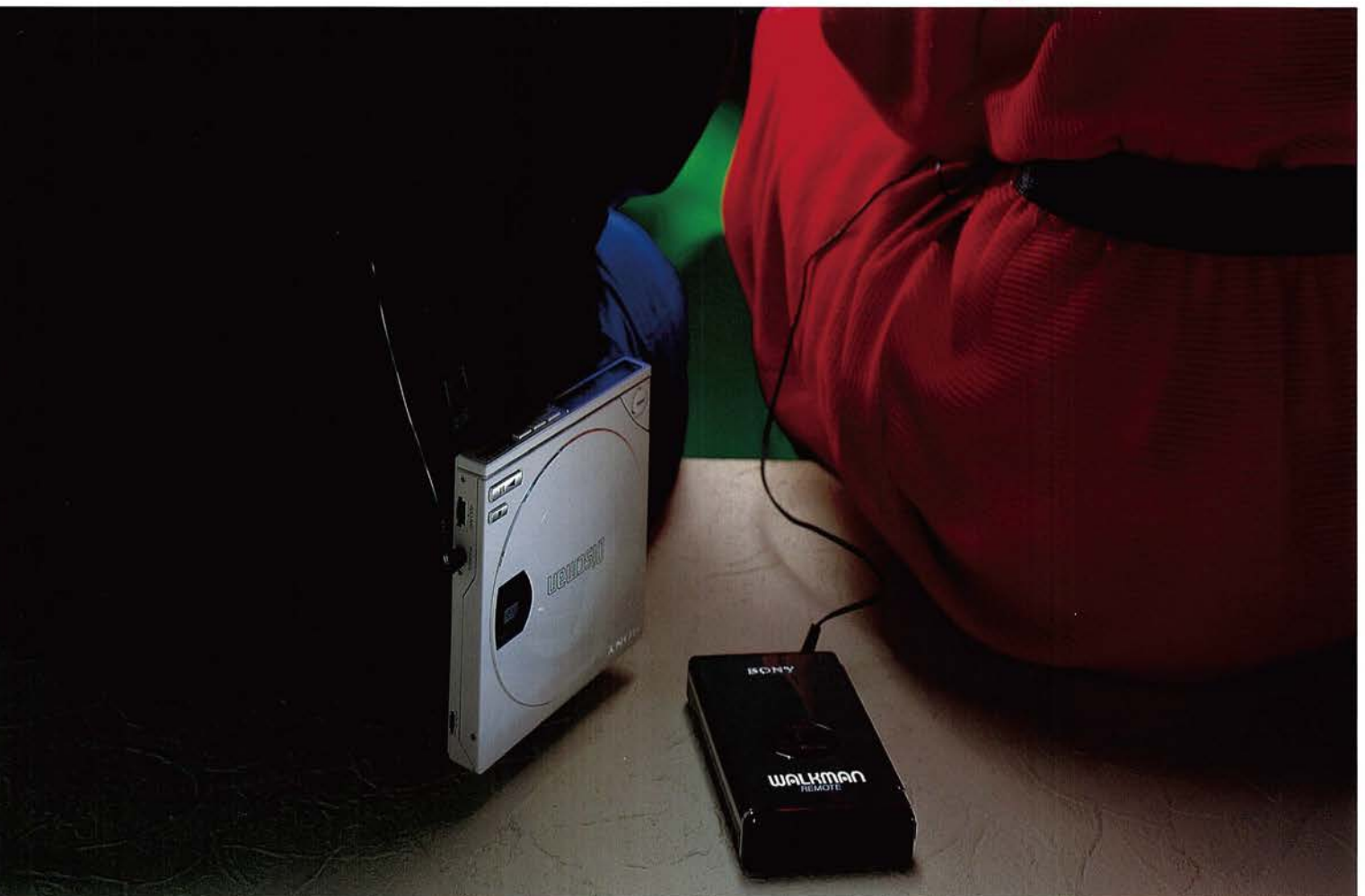
Anticipating steadily rising demand in Europe, Sony plans to build an audio-cassette manufacturing plant in the northern Italian town of Rovereto, with operations scheduled to begin in early 1988.

Toward the Digital Age

Since bringing out the first consumer-oriented CD player in 1982, Sony has placed a special emphasis on products that enable music lovers to enjoy the superb sound of digital recordings. In 1984, by applying ultradense circuit-packaging technologies acquired through years of experience with the Walkman, Sony developed a portable

CD player, the Discman. This technological feat helped broaden the range of applications for CD players from high-fidelity components for the home to more portable equipment, such as radio-cassette players. Through its efforts, Sony has contributed greatly to the growth of the CD market, which, in turn, has generated rising demand for sophisticated components capable of faithfully reproducing high-quality digital sound. To meet consumers' increasingly diverse tastes, Sony has marketed a broad lineup of CD players that includes:

Sony's portable CD player, the Discman, has joined the popular Walkman in enabling music lovers to enjoy high-quality stereo sound wherever they go.

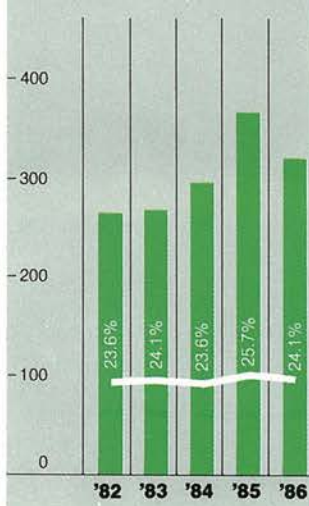


- Console-type players ranging from popularly priced models featuring functions usually found only on more expensive models to a new player incorporating recently developed signal processing large-scale integrated circuits (LSIs) that substantially raise sound quality.
- Portable players such as the latest Discman, a compact model only 2 centimeters (0.75 inch) thick and weighing a mere 420 grams (14.8 ounces) owing to the use of a superthin optical pickup.
- Players for automotive use, which have been adopted as standard equipment for car stereos by Nissan Motor Co. Ltd., Ford Motor Co., and BMW Japan Corp.
- Hybrid products combining CD players with mini-component stereo systems or radio-cassette players, which are expected to have broad market appeal.

To meet rising worldwide demand for CD players and discs, Sony is boosting its production capacity. In Europe, a recently completed plant in Alsace, France, plans to begin manufacturing CD players in early 1987, and a new wholly owned subsidiary in Salzburg, Austria, is scheduled to start production of discs in the summer of 1987. In Japan, CBS/SONY GROUP INC. intends to expand production of discs at its facility in Shizuoka. Similarly, Sony Corporation of America's disc manufacturing subsidiary—Digital Audio Disc Corporation—is expected to boost output at its plant in Terre Haute, Indiana.

While building on its position as the pioneering and leading maker of CD players in the world, Sony will develop the hardware and tape for use in another technology of the future—digital audio tape (DAT) recording. In this way, Sony intends to play an influential role in promoting the digitization of audio equipment.

Sales of Televisions and Percent of Net Sales
(Billion ¥)



Televisions

Large-screen televisions featuring Black Trinitron cathode-ray tubes, which greatly improve picture quality, recorded strong sales during the year. However, overall sales of televisions were down 12.4%, to ¥319 billion (\$1,972 million),

reflecting a sharp decrease in exports to the People's Republic of China.

Enhancing Home Entertainment Systems

The widespread use of VTRs, the introduction of videodisc players, and the growing library of recorded materials

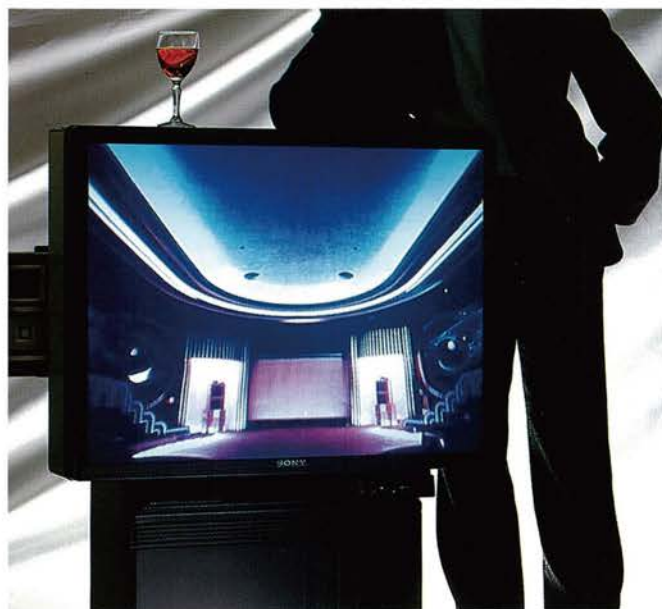


***Profeel Pro**, Sony's latest addition to its lineup of Trinitron color monitors, features superior picture quality and a cube-shaped design.*



Sony's multidisplay system, which creates eye-catching images using multiple videodisc players coordinated by a computer, is well suited to a wide variety of applications, including demonstrations and advertising in stores, exhibition halls, or corporate showrooms.

Sony is fostering a new age in home video entertainment with such products as "Screen," a 36-inch projection television with increased brightness and an exceptionally clear picture.



available for them, have ushered in a new era in home entertainment. This has stimulated demand for televisions that enable viewers to enjoy theater- and concert-hall-like experiences in their own homes. As always, Sony has responded by introducing a range of products employing the latest technologies and offering superior picture and sound quality, including Black Trinitron color televisions and a console unit that combines a color television and an 8mm VTR with PCM stereo recording functions.

In August 1986, Sony brought out a new Trinitron color monitor, Profeel Pro, in the Japanese market. Featuring high resolution and a novel cube-shaped design, this model is also scheduled to be made available in overseas markets, beginning with the United States in early 1987.

Sony's latest projection television, a 36-inch model, was released in Japan and the United States in the fall

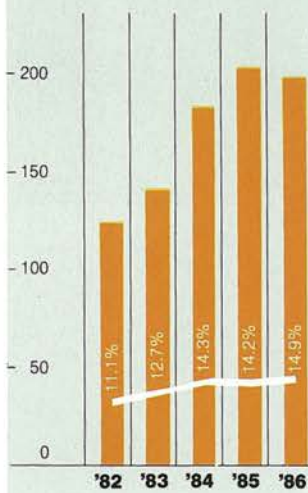
of 1986. This product reflects Sony's efforts to increase brightness and deliver exceptionally clear images.

Meeting Professional Needs

In April 1986, Sony introduced the latest in a line of high-resolution Trinitron color picture tubes that have been widely adopted for professional-use monitors requiring high definition and superior picture quality, such as broadcast- and institutional-use monitors and computer displays. The new tube, which features a 38-inch screen, was developed for use with Sony's High Definition Video System but is also highly suitable as a display monitor for computer-aided design and manufacturing systems. In the future, Sony will aggressively expand its activities in display systems, which include such sophisticated products as captivating multidisplay units and the giant JumboTRON system.

Sales of Other Products and Percent of Net Sales

(Billion ¥)



Other Products

Sales of other products slipped 2.0% from fiscal 1985, to ¥198 billion (\$1,222 million), despite strong performances by electronic components and telephones. To increase profitability and reduce vulnerability to fluctuating economic conditions, Sony is diversifying its product mix by emphasizing a wider range of nonconsumer items. Toward this end, Sony has targeted several high-growth areas, including electronic components, information processing equipment, and telecommunications systems.

Electronic Components

Sony recorded strong sales in electronic components, which include semiconductors, optical pickups for

CD players, and magnetic heads and motors used in VTRs. Optical pickups registered especially noteworthy sales growth in fiscal 1986 as a result of the exploding market for CD players. Sales of semiconductors have risen consistently since 1983, when Sony began marketing semiconductors originally developed for in-house use. Sony's integrated circuits for CD players and its CCDs (charge-coupled devices), which serve as the eyes of video cameras, have also been well received by users. The Company plans to increase sales of these products and introduce new items that will meet growing market needs for memory devices and microprocessors.

Information Processing Equipment

Sony has developed a wide variety of products for information processing and storage purposes, including CD-ROMs (compact disc-read-only memories) and other optical disk systems and 3.5-inch micro floppydisk drives. During fiscal 1986, Sony further strengthened this lineup by launching production of hard disk drives and a 32-bit computer that provides the power of a superminicomputer in a product with the price and size of a personal computer.

The CD-ROM system, developed in cooperation with N.V. Philips' Gloeilampenfabrieken of the Netherlands, utilizes compact discs as large-capacity, read-only memory disks. With a 540-megabyte memory and ease of processing, the CD-ROM system has many potential applications, including supplementary computer memories, data bases, and electronic publishing. During fiscal 1986, Sony completed development of an electronic filing

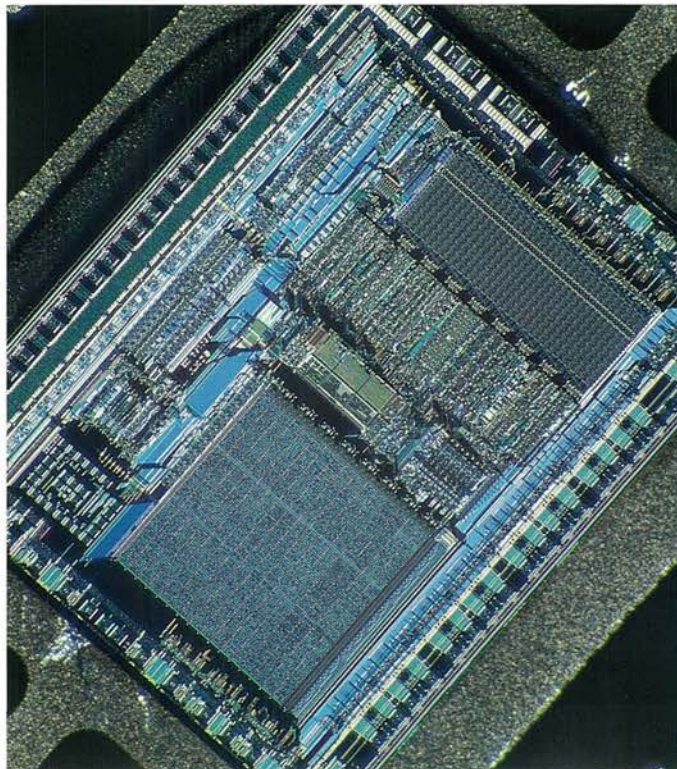
system using optical disks on which additional information can be recorded. Sony is also forging ahead with research on an optical disk with rerecording capability.

Telecommunications Systems

Sony, which began manufacturing telephones in 1985, introduced a number of unique products in Japan and the United States during the year under review. Aggressive marketing of these items, which included telephones with message-recording and anti-nuisance-call functions, led to substantial sales increases during the period.

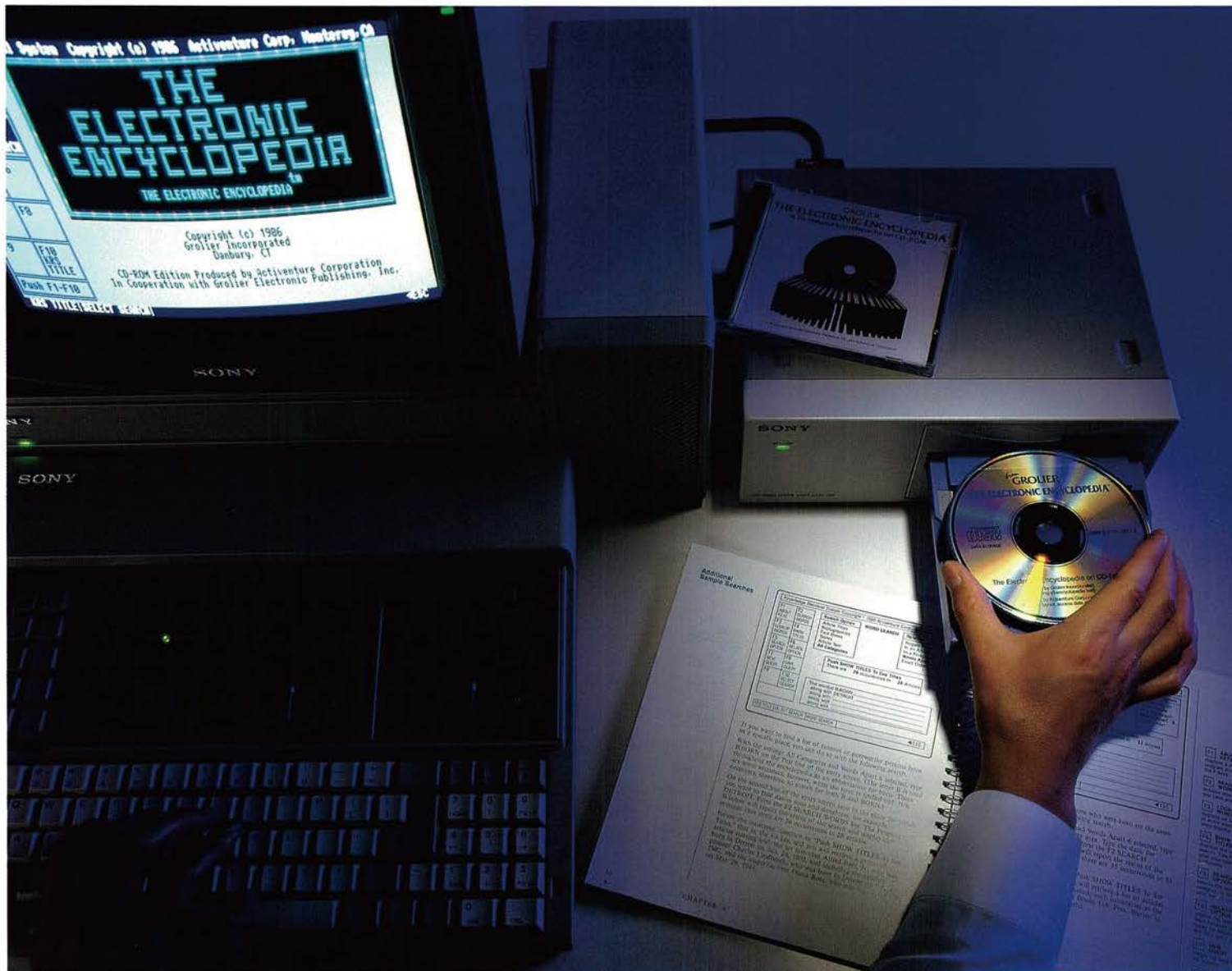
Sony is also aggressively responding to growing needs for telecommunications systems, such as teleconferencing and videotex. Currently, Sony is marketing four teleconferencing systems, ranging from systems suitable for one-on-one exchanges to systems for handling teleconferences with up to 10 participants per side.

Electronic components originally developed for use in Sony products, such as LSIs for CD players, are now sold directly to other manufacturers, providing new sources of income.



Sony's efforts in telecommunications systems, in electronic components, and in information processing equipment will provide a wider revenue base and reduce exposure to fluctuations in

personal consumption by expanding sales of nonconsumer items, thereby contributing to the Company's continued growth.



The CD-ROM system codeveloped by Sony has many potential applications, such as in data bases, electronic publishing, and supplementary computer memories. The memory capacity of a CD makes it possible to store the contents of a 20-volume encyclopedia on one disc, with room to spare.

Sony's multipurpose conference system facilitates efficient meetings and presentations. In addition to a projector that can be used with such media as videotape, videodiscs, and videotex, this system includes public address equipment with functions that allow simultaneous interpreting in six languages.



Financial Section

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Financial Review

Analysis of Operations

Consolidated **net sales** for fiscal 1986 were ¥1,325.2 billion (\$8,180 million), representing a 6.7% decline from fiscal 1985. This fall was largely the result of the yen's more than 40% rise against the U.S. dollar, which negatively affected overseas sales.

Sales of video equipment, including industrial-use VTRs and videotapes, were down 10.3% and accounted for 34.9% of net sales. However, sales of audio equipment, including audiotapes, increased 2.1% and constituted 26.1% of net sales. Sales of televisions, including projection televisions, decreased 12.4% and represented 24.1% of net sales. Sales of other products, including electronic components and information processing equipment, slipped 2.0% and accounted for 14.9% of net sales.

Sales in Japan rose 6.8%, and overseas sales decreased 11.4%, representing 29.5% and 70.5% of net sales, respectively. U.S. sales, which accounted for 32.2% of net sales, dropped 10.7% in yen terms, despite a 24% gain in the dollar-based sales of Sony Corporation of America. In Europe, sales grew 11.7% and contributed 21.0% of net sales. Sales in other overseas markets, representing 17.3% of net sales, declined 30.1% because of a sudden reversal in the previous year's strong exports to the People's Republic of China and decreases in sales in the Middle East.

Cost of sales was up 2.8%, to ¥1,009.8 billion (\$6,234 million). The ratio of cost of sales to net sales rose from 69.1% in fiscal 1985 to 76.2% in fiscal 1986, reflecting the fall in sales caused by the yen's appreciation.

Selling, general, and administrative expenses (SGA) were reduced 6.4%, to ¥302.5 billion (\$1,867 million). The ratio of SGA to net sales remained at 22.8%, unchanged from a year earlier.

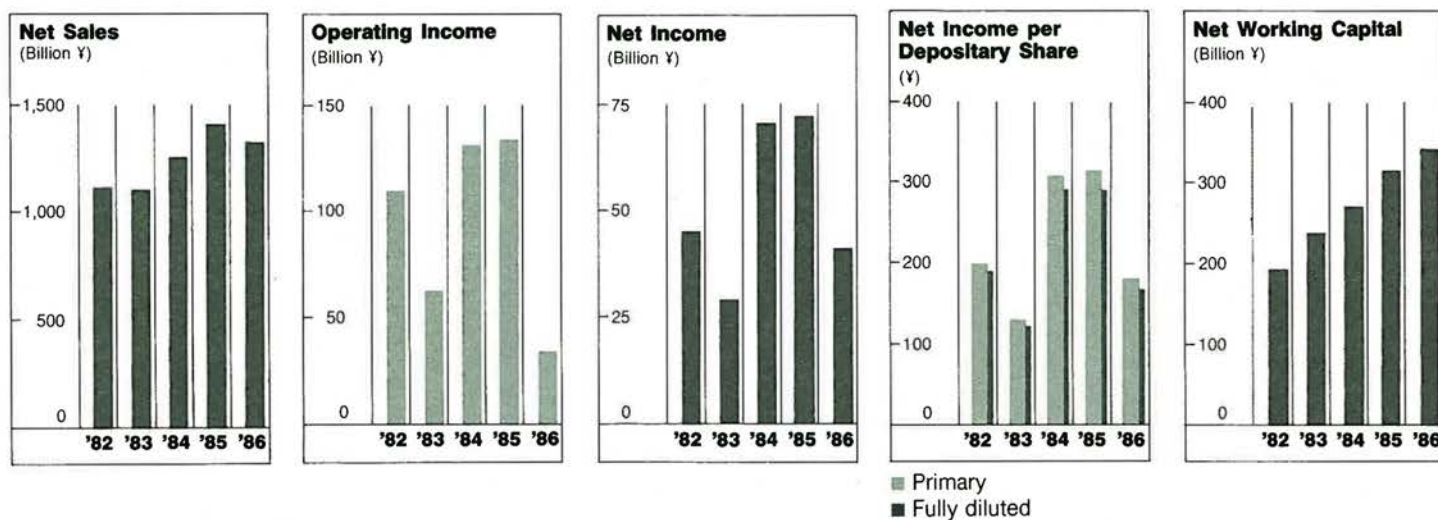
With the run-up of the yen eroding export profits, **operating income** for fiscal 1986 tumbled 74.7%, to ¥33.8 billion (\$209 million). In **other income**, interest and dividends increased 2.5%, to ¥19.5 billion (\$120 million), because of an increase in funds invested in short-term instruments in Japan. During the year, foreign exchange gains of ¥28.4 billion (\$175 million) were realized, mainly through gains on forward exchange contracts. The other category amounted to ¥27.7 billion (\$171 million), a jump of 15.8%, reflecting higher patent royalties.

Other expenses included interest of ¥22.2 billion (\$137 million), a 2.8% decline resulting from the yen's rise and lower interest rates. The other category was down 0.2%, to ¥10.8 billion (\$67 million).

Income before income taxes dropped 46.2%, to ¥76.4 billion (\$472 million). **Income taxes** for fiscal 1986 were down 47.4%, to ¥41.0 billion (\$253 million), and income taxes as a percentage of income before income taxes fell to 53.7%, from 55.0% in fiscal 1985.

Equity in earnings of affiliated companies was ¥6.5 billion (\$40 million), off 28.6% from fiscal 1985, primarily as a result of a weak performance by Aiwa Co., Ltd., during the term.

Net income shrank 42.6% from fiscal 1985, to ¥41.9 billion (\$259 million). Primary **net income per Depository Share** fell 42.7%, to ¥181 (\$1.12), and fully diluted net income per Depository Share was down 42.1%, to ¥169 (\$1.04).



Liquidity and Capital Resources

Sony's management aims to maintain a solid financial position with ample liquidity to provide operational flexibility. In fiscal 1986, a significant portion of the funds used to finance capital investments were generated internally. In addition, the Company's strong lines of credit from domestic and foreign banks give it ample access to external funds.

In June 1986, Sony issued \$100 million in U.S. dollar bonds due June 11, 1993. Funds from this issue, made in a public offering outside the United States, mainly in Europe, to non-U.S. persons, will be used to help finance its capital investments in overseas subsidiaries and to boost liquidity. (See Note 6 of the Notes to Consolidated Financial Statements.)

Working capital provided by operations declined 19.6%, to ¥120.6 billion (\$744 million). This fall was primarily attributable to the ¥31.1 billion (\$192 million) reduction in net income.

Net working capital rose ¥27.2 billion (\$168 million), to ¥345.8 billion (\$2,135 million), largely because of an increase of ¥53.4 billion (\$330 million) in marketable securities.

Depreciation rose 12.0%, to ¥78.8 billion (\$486 million), as a result of the high level of capital investments in the preceding fiscal year.

Sony's capital commitments as of October 31, 1986, consisted primarily of rental obligations and commitments to purchase property, plant, and equipment. (See Notes 11 and 12 of the Notes to Consolidated Financial Statements.) Sony expects

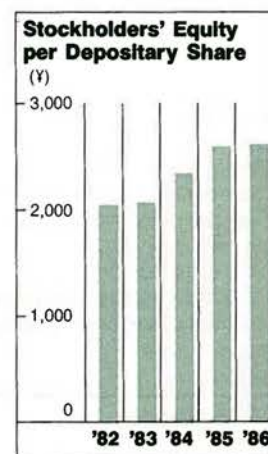
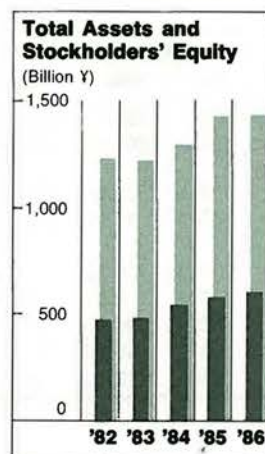
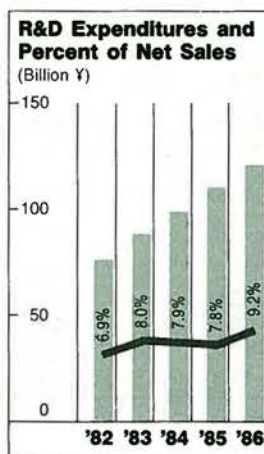
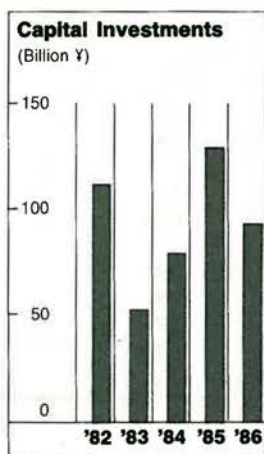
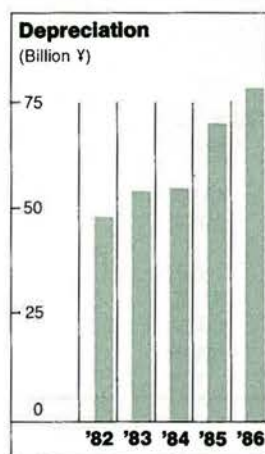
to finance these commitments with working capital provided by operations and other internally generated funds.

The Company's **capital investments** for fiscal 1986 decreased 27.8%, to ¥94.1 billion (\$581 million). These funds were chiefly used to expand production facilities for semiconductors, 8mm videos, CD players, compact discs, color televisions, and magnetic products.

Research and development expenditures for fiscal 1986 were ¥121.4 billion (\$749 million), equivalent to 9.2% of net sales, compared with 7.8% in fiscal 1985. The rise in the ratio of R&D expenditures to net sales is partly attributable to the decline in net sales. For the past five years, Sony has allocated 6% to 8% of its annual net sales to R&D, underscoring its belief that active R&D is a vital factor in positioning the Company for long-term growth.

Total assets at year-end were up 0.2%, to ¥1,450.1 billion (\$8,952 million). **Stockholders' equity** grew 1.2%, to ¥606.4 billion (\$3,743 million), and **stockholders' equity per Depositary Share** rose 1.1%, to ¥2,622.54 (\$16.19). The ratio of stockholders' equity to total assets was 41.8%, up 0.4% from fiscal 1985.

The **number of shares issued** as of the end of the fiscal year increased to 231,225,268, from 231,148,309 the previous year. The **number of employees** at year-end rose 8.4%, to 48,671.



■ Total assets
■ Stockholders' equity

Ten-Year Summary of Selected Financial Data

Year ended October 31

	1977	1978	1979	1980
FOR THE YEAR				
Net sales:				
Overseas	¥310,721	¥ 320,085	¥ 394,554	¥ 610,545
Japan	195,303	214,832	248,901	282,218
Total	506,024	534,917	643,455	892,763
Operating income	56,445	30,766	74,719	117,245
Income before income taxes	64,363	52,378	41,272	116,748
Income taxes	32,985	29,387	26,960	53,026
Net income	34,898	25,874	17,716	68,643
Net income per Depositary Share:				
Primary	161.85	120.00	82.16	318.34
Fully diluted	161.85	120.00	82.16	318.34
Depreciation	12,992	15,844	20,086	24,703
Capital investments (additions to fixed assets)	33,732	37,604	38,916	48,715
R&D expenditures	25,513	31,221	37,717	46,976
AT YEAR-END				
Net working capital	¥ 89,162	¥ 97,272	¥ 84,265	¥ 137,188
Stockholders' equity	230,541	251,024	263,349	325,523
Stockholders' equity per Depositary Share	1,069.18	1,164.17	1,221.33	1,509.67
Total assets	552,138	618,854	763,907	877,413
Average number of shares outstanding during the year (thousands of shares)	215,625	215,625	215,625	215,625
Number of shares issued at year-end (thousands of shares)	215,625	215,625	215,625	215,625
Number of employees	25,881	27,112	30,607	32,821

Quarterly Financial and Stock Information (Unaudited)

Year ended October 31

	Billions of yen except per share amounts								Millions of U.S. dollars except per share amounts
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		4th Quarter
	1985	1986	1985	1986	1985	1986	1985	1986	1986
Net sales	¥337.8	¥366.1	¥342.0	¥325.8	¥349.4	¥309.1	¥391.5	¥324.1	\$2,000.6
Cost of sales	230.0	263.7	233.8	243.0	238.5	241.2	279.9	262.0	1,617.2
Selling, general and administrative expenses	76.4	79.6	76.5	74.0	80.6	71.9	89.7	77.0	475.6
Operating income	35.9	27.9	36.1	14.0	35.0	1.3	26.7	(9.5)	(58.4)
Interest income and expense—net	(1.3)	(0.3)	(1.1)	(0.7)	(0.6)	(1.3)	(0.8)	(0.4)	(2.7)
Foreign exchange gain (loss)	0.4	2.5	(2.8)	12.6	(1.1)	9.4	2.4	3.8	23.2
Income before income taxes	38.4	34.9	35.1	30.9	37.1	13.3	31.3	(2.7)	(16.5)
Income taxes	21.1	19.3	19.3	17.3	21.1	7.6	16.6	(3.2)	(19.8)
Net income	19.8	18.7	18.3	16.4	17.5	7.1	17.4	(0.3)	(1.7)
Net income per Depositary Share:									
Primary	¥85.9	¥81.0	¥79.2	¥70.7	¥75.6	¥30.6	¥75.4	(¥1.2)	(\$0.01)
Fully diluted	80.3	74.2	73.9	65.0	69.4	29.4	69.2	(1.2)	(0.01)

Millions of yen except per share amounts						Ten-year compound growth rate	Thousands of U.S. dollars except per share amounts
1981	1982	1983	1984	1985	1986		1986
¥ 744,775	¥ 829,665	¥ 789,465	¥ 916,487	¥1,054,274	¥ 933,839	13.1%	\$5,764,438
306,266	284,157	321,556	345,059	366,511	391,319	7.4	2,415,550
1,051,041	1,113,822	1,111,021	1,261,546	1,420,785	1,325,158	11.1	8,179,988
142,589	109,584	64,180	131,769	133,684	33,777	-5.9	208,500
132,731	85,542	51,475	140,376	141,911	76,405	1.7	471,636
69,652	45,871	29,584	77,165	78,023	41,037	1.4	253,315
66,901	45,820	29,791	71,431	73,021	41,888	3.1	258,568
291.67	198.67	129.03	309.33	316.05	181.16	2.4	1.12
291.67	196.31	125.94	289.84	292.45	169.05	1.7	1.04
32,421	48,229	54,253	55,263	70,338	78,810	22.0	486,482
98,089	112,091	56,648	80,386	130,416	94,139	18.9	581,105
61,932	77,034	89,160	99,925	110,636	121,395	19.3	749,352
¥ 181,362	¥ 195,240	¥ 239,818	¥ 273,687	¥ 318,610	¥ 345,835	14.3%	\$2,134,784
425,765	474,592	478,291	542,180	599,163	606,392	11.7	3,743,160
1,856.20	2,057.72	2,071.61	2,347.88	2,593.29	2,622.54	10.9	16.19
1,152,655	1,240,355	1,230,637	1,309,659	1,447,261	1,450,145	11.0	8,951,512
229,375	230,639	230,879	230,923	231,043	231,223		
230,625	230,714	230,887	230,924	231,148	231,225		
38,555	43,126	42,654	43,973	44,908	48,671	7.9	

	Billions of yen except per share amounts								Millions of U.S. dollars except per share amounts
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		4th Quarter
	1985	1986	1985	1986	1985	1986	1985	1986	1986
Depreciation	¥13.9	¥17.7	¥16.1	¥19.1	¥18.3	¥20.3	¥22.0	¥21.7	\$134.1
Capital investments (additions to fixed assets)	24.9	19.6	33.1	26.1	27.5	20.7	44.8	27.7	170.9
R&D expenditures	25.9	28.4	27.2	30.4	27.8	30.5	29.7	32.1	198.1
Tokyo Stock Exchange price per share of Common Stock:									
High	¥4,160	¥4,350	¥5,040	¥4,010	¥4,360	¥3,850	¥4,110	¥3,800	
Low	3,440	3,600	3,940	3,410	3,400	2,800	3,310	2,800	
New York Stock Exchange price per American Depositary Share:									
High	\$ 16¼	\$ 21¾	\$ 19½	\$ 23¾	\$ 17½	\$ 23	\$ 18¾	\$ 23½	
Low	13½	17¾	15¼	18½	14¼	18½	14½	18½	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥162=U.S.\$1, the Tokyo foreign exchange market rate as of October 31, 1986, as described in Note 2 of the Notes to Consolidated Financial Statements.

2. Each Depositary Share represents one share of Common Stock. Per share amounts are based on the average number of shares outstanding during each period, adjusted for all stock distributions.

3. Fully diluted net income per Depositary Share gives effect to the possible conversion of all convertible bonds and debentures except for the fourth quarter of 1986, in which there was an antidilutive effect.

Consolidated Balance Sheet

October 31

	Millions of yen		Thousands of U.S. dollars (Note 2)
	1985	1986	1986
ASSETS			
Current assets:			
Cash	¥ 30,307	¥ 41,306	\$ 254,975
Time deposits (Note 6)	115,196	104,787	646,833
Marketable securities (Note 5)	76,305	129,711	800,685
Notes and accounts receivable, trade	251,302	239,464	1,478,173
Notes and accounts receivable, affiliated companies	69,452	66,904	412,988
Allowance for doubtful accounts	(15,113)	(12,042)	(74,333)
Inventories (Note 3)	332,493	313,299	1,933,944
Prepaid expenses and other current assets	42,207	37,101	229,019
Income tax prepayments	63,979	53,600	330,864
Total current assets	966,128	974,130	6,013,148
Investments and advances:			
Affiliated companies (Note 4)	83,266	90,534	558,852
Directors, officers and employees	1,966	1,607	9,920
Other (Notes 5 and 6)	33,815	22,758	140,481
	119,047	114,899	709,253
Property, plant and equipment (Note 11):			
Land	49,562	50,553	312,055
Buildings	173,934	180,649	1,115,117
Machinery and equipment	400,948	439,164	2,710,889
Construction in progress	13,584	10,309	63,636
	638,028	680,675	4,201,697
Less—Accumulated depreciation	300,307	348,053	2,148,475
	337,721	332,622	2,053,222
Other assets	24,365	28,494	175,889
	¥1,447,261	¥1,450,145	\$8,951,512

The accompanying notes are an integral part of this statement.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	1985	1986	1986
Current liabilities:			
Short-term borrowings (Note 6)	¥ 124,051	¥ 155,222	\$ 958,160
Current portion of long-term debt (Notes 6 and 11)	1,833	1,921	11,858
Notes and accounts payable, trade	254,659	240,286	1,483,247
Notes payable, construction	24,733	14,694	90,704
Notes and accounts payable, affiliated companies	42,218	47,184	291,259
Dividends payable	5,136	5,145	31,759
Accrued income and other taxes	47,150	25,611	158,093
Other accounts payable and accrued liabilities	147,738	138,232	853,284
Total current liabilities	647,518	628,295	3,878,364
Long-term liabilities:			
Long-term debt (Notes 6 and 11)	134,396	143,896	888,247
Liability for severance indemnities (Note 7)	42,110	47,016	290,222
Deferred income taxes	24,074	24,546	151,519
	200,580	215,458	1,329,988
Stockholders' equity (Note 9):			
Common stock, ¥50 par value—			
Authorized —920,000,000 shares			
Issued: 1985—231,148,309 shares	11,937		
1986—231,225,268 shares		11,975	73,920
Additional paid-in capital	99,423	99,654	615,148
Legal reserve	5,660	6,150	37,963
Retained earnings appropriated for special allowances	9,783	10,525	64,969
Retained earnings	490,549	521,032	3,216,247
Cumulative translation adjustment	(18,189)	(42,944)	(265,087)
	599,163	606,392	3,743,160
Commitments and contingent liabilities (Note 12)			
	¥1,447,261	¥1,450,145	\$8,951,512

Consolidated Statement of Income and Retained Earnings

Year ended October 31

	Millions of yen			Thousands of U.S. dollars (Note 2)
	1984	1985	1986	1986
Sales and operating revenue:				
Net sales—				
Overseas	¥ 916,487	¥1,054,274	¥ 933,839	\$5,764,438
Japan	345,059	366,511	391,319	2,415,550
	1,261,546	1,420,785	1,325,158	8,179,988
Operating revenue	15,158	18,372	20,925	129,166
	1,276,704	1,439,157	1,346,083	8,309,154
Costs and expenses:				
Cost of sales (Note 10)	864,322	982,198	1,009,847	6,233,623
Selling, general and administrative	280,613	323,275	302,459	1,867,031
	1,144,935	1,305,473	1,312,306	8,100,654
Operating income	131,769	133,684	33,777	208,500
Other income:				
Interest and dividends	21,433	19,020	19,489	120,303
Foreign exchange gain, net	—	—	28,350	175,000
Other	24,469	23,947	27,739	171,228
	45,902	42,967	75,578	466,531
Other expenses:				
Interest	27,467	22,803	22,172	136,864
Foreign exchange loss, net	325	1,142	—	—
Other	9,503	10,795	10,778	66,531
	37,295	34,740	32,950	203,395
Income before income taxes	140,376	141,911	76,405	471,636
Income taxes (Note 8):				
Current	83,538	74,492	33,409	206,228
Deferred	(6,373)	3,531	7,628	47,087
	77,165	78,023	41,037	253,315
Income from consolidated companies	63,211	63,888	35,368	218,321
Equity in earnings of affiliated companies (Note 4)	8,220	9,133	6,520	40,247
Net income	71,431	73,021	41,888	258,568
Retained earnings:				
Balance, beginning of period	371,579	431,665	490,549	3,028,080
Cash dividends	(10,161)	(10,166)	(10,173)	(62,796)
Transfer to legal reserve	(200)	(280)	(490)	(3,025)
Appropriation for special allowances, net of taxes	(984)	(3,691)	(742)	(4,580)
Balance, end of period	¥ 431,665	¥ 490,549	¥ 521,032	\$3,216,247
		Yen		U.S. dollars (Note 2)
Net income per common share:				
Primary	¥ 309.3	¥ 316.0	¥ 181.2	\$ 1.12
Fully diluted	289.8	292.4	169.0	1.04
Cash dividends per common share	44.0	44.0	44.0	0.27

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Financial Position

Year ended October 31

	Millions of yen			Thousands of U.S. dollars (Note 2)
	1984	1985	1986	1986
Financial resources were provided by:				
Net income	¥ 71,431	¥ 73,021	¥ 41,888	\$ 258,568
Add (deduct) income charges (credits) not affecting working capital—				
Depreciation	55,263	70,338	78,810	486,482
Equity in undistributed earnings of affiliated companies	(6,463)	(4,773)	(1,337)	(8,253)
Exchange (gain) or loss on translation of long-term debt	559	(1,480)	(7,686)	(47,445)
Provision for severance indemnities, less payments	749	1,912	5,007	30,907
Loss on disposal of fixed assets	1,199	1,957	2,564	15,827
Deferred income taxes, non-current	8,447	9,011	1,306	8,062
Working capital provided by operations	131,185	149,986	120,552	744,148
Proceeds from sale of fixed assets	7,715	4,865	3,825	23,611
Increase in long-term debt	4,082	50,968	21,195	130,833
Decrease (increase) in other investments and advances	3,437	(8,483)	11,366	70,160
Issuance of common stock warrants	—	4,480	—	—
Conversion of convertible debt	128	967	269	1,661
Change in interest in affiliated company (Note 9)	2,117	463	—	—
Equity in undistributed earnings of affiliated companies reinvested in the business	6,463	4,773	1,337	8,253
Total	155,127	208,019	158,544	978,666
Financial resources were used for:				
Increase in investments in affiliates	17,138	10,001	11,277	69,611
Additions to fixed assets	80,386	130,416	94,139	581,105
Increase in other assets	1,907	2,959	4,683	28,908
Reduction in long-term debt	12,503	4,129	2,475	15,278
Cash dividends	10,161	10,166	10,173	62,796
	122,095	157,671	122,747	757,698
Changes in exchange rates	(837)	5,425	8,572	52,913
Total	121,258	163,096	131,319	810,611
Increase in working capital	¥ 33,869	¥ 44,923	¥ 27,225	\$ 168,055
Analysis of changes in working capital				
Increase (decrease) in current assets:				
Cash and time deposits	(¥ 8,903)	(¥ 2,703)	¥ 590	\$ 3,642
Marketable securities	(27,714)	5,269	53,406	329,667
Notes and accounts receivable	33,419	30,879	(11,315)	(69,846)
Inventories	39,671	27,050	(19,194)	(118,481)
Prepaid expenses and income tax prepayments	11,653	9,538	(15,485)	(95,587)
Total	48,126	70,033	8,002	49,395
(Increase) decrease in current liabilities:				
Short-term borrowings and current portion of long-term debt	89,760	12,138	(31,259)	(192,957)
Notes, accounts and dividends payable	(54,296)	(39,249)	19,437	119,981
Accrued income and other taxes	(39,621)	26,654	21,539	132,957
Other accounts payable and accrued liabilities	(10,100)	(24,653)	9,506	58,679
Total	(14,257)	(25,110)	19,223	118,660
Increase in working capital	¥ 33,869	¥ 44,923	¥ 27,225	\$ 168,055

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

The parent company and its domestic subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile. Certain adjustments and reclassifications, including those relating to the tax effects of timing differences, the appropriation for or reversal of special allowances, the accrual of certain expenses and the accounting for foreign currency translation, have been incorporated in the accompanying financial statements to conform with accounting principles generally accepted in the United States of America. These adjustments were not recorded in the statutory books of account.

Significant accounting policies, after reflecting adjustments for the above, are as follows:

Basis of consolidation and accounting for investments in affiliated companies

The consolidated financial statements include the accounts of the parent company and, with minor exceptions, those of its wholly-owned subsidiary companies. All significant intercompany transactions and accounts are eliminated. Investments in unconsolidated subsidiaries and in 20% to 50% owned companies are stated, with minor exceptions, at cost plus equity in undistributed earnings; consolidated net income includes the company's equity in the current net earnings (losses) of such companies, after elimination of unrealized inter-company profits.

The difference between the cost and underlying net equity of investments in consolidated and other companies accounted for on an equity basis, at the date of acquisition, is deferred and amortized on a straight-line basis over a period of five years with the exception of minor amounts which are charged or credited to income.

Translation of foreign currencies

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end current rates and all income and expense accounts are translated at rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of stockholders' equity. For foreign subsidiaries and affiliates operating in highly inflationary economies, gains or losses resulting from translation of their financial statements are included in income.

Foreign currency receivables and payables are translated at appropriate year-end current rates and the resulting translation gains or losses are taken into income currently.

Marketable securities and other investments

Marketable securities (current), principally government bonds and corporate debentures, are stated at cost or less. Marketable equity securities included in other investments (non-current) are stated at the lower of cost or market in the aggregate; other security investments are stated at cost or less.

The cost of marketable equity securities sold is based on the average cost of all the shares of each security held at the time of sale.

Inventories

Inventories are valued at cost, not in excess of market, cost being determined on the "average" basis except for the cost of finished products carried by certain subsidiary companies which is determined on the "first-in, first-out" basis.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed primarily on the declining balance method at rates based on estimated useful lives of the assets according to general class, type of construction and use. Significant renewals and additions are capitalized at cost. Maintenance and repairs and minor renewals and betterments are charged to income as incurred.

Liability for severance indemnities and pension plans

On terminating employment employees of the parent company and subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pension payments as described below, based on current rate of pay and length of service. Under normal circumstances, the minimum payment prior to retirement age is an amount based on voluntary retirement. Employees receive significant additional benefits on involuntary retirement including retirement at age limit.

The parent company and most subsidiaries in Japan have non-contributory funded pension plans with a trust bank and two insurance companies. The benefits under the plans cover sixty percent of the indemnities under the existing regulations to employees retiring involuntarily after twenty years or more of service and an additional amount applicable to retirees due to age limit which is based principally on length of service. The benefits are payable, at the option of the retiring employee, as a monthly pension or in a lump-sum amount.

The recorded liability for employees' severance indemnities plus the retirement funds, excluding those funds covering the additional benefits, are sufficient to state the companies' maximum liability for employee service to the balance sheet date.

Pension expense for all plans, including other funded pension plans primarily of foreign subsidiaries, includes amortization of prior service cost principally over thirty years.

With respect to directors, provision is made for lump-sum severance indemnities on a basis considered adequate for such future payments as may be approved by the stockholders.

Income taxes and retained earnings appropriated for special allowances

The parent company, subsidiaries in Japan and some of the foreign subsidiaries are permitted to deduct for income tax purposes, if recorded on the books as appropriations of retained earnings or as charges to income, certain special allowances which are not required for financial accounting purposes. Since the effect of the special allowances is a deferral of income taxes, an amount equivalent to the current tax reduction resulting from recording of the special allowances is provided as "Deferred income taxes," and the remaining portion of such allowances is set forth in the accompanying financial statements as "Retained earnings appropriated for special allowances."

Net income and cash dividends per share

Primary net income per common share and cash dividends per common share are computed based on the average number of shares outstanding each year, appropriately adjusted for the free distribution of common stock. In computing primary net income per share, dilution resulting from conversion of common stock equivalents outstanding is insignificant.

Per share net income assuming full dilution is computed on the basis that all convertible bonds and debentures were converted into common stock.

Distributions of common stock

On occasion, the company may make a free distribution of common stock which is accounted for by a transfer of the applicable par value from the additional paid-in capital to the common stock account. The capitalization of additional paid-in capital, and the concurrent issue of shares, is made in accordance with the provisions of the Commercial Code of Japan, and such action is approved by the Board of Directors. In Japan, a gratis distribution as described above is clearly distinguished from a "stock dividend" paid out of profits which, under the Commercial Code, must be approved by the stockholders.

2. U.S. dollar amounts

U.S. dollar amounts are included solely for convenience. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars. As the amounts shown in U.S. dollars are for convenience

only, the rate of ¥162=U.S.\$1, the approximate current rate at October 31, 1986, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying financial statements.

3. Inventories

Inventories at October 31, 1985 and 1986 comprise the following:

	Yen in millions		Dollars in thousands
	1985	1986	1986
Finished products	¥222,560	¥213,245	\$1,316,327
Work in process	58,971	52,800	325,926
Raw materials and purchased components	50,962	47,254	291,691
	¥332,493	¥313,299	\$1,933,944

4. Investments in and transactions with affiliated companies

Summarized financial information for unconsolidated subsidiaries and other affiliated companies accounted for by the equity method is as shown below:

	Yen in millions		Dollars in thousands
	October 31		
	1985	1986	1986
Unconsolidated subsidiaries:			
Current assets	¥176,023	¥195,611	\$1,207,475
Property, plant and equipment	31,178	39,129	241,537
Other assets	12,353	13,564	83,728
Total assets	¥219,554	¥248,304	\$1,532,740
Current liabilities	¥145,460	¥169,405	\$1,045,710
Long-term liabilities	18,842	26,971	166,487
Stockholders' equity	55,252	51,928	320,543
Total liabilities and stockholders' equity	¥219,554	¥248,304	\$1,532,740
Number of companies at year-end	50	52	

	Yen in millions		Dollars in thousands
	October 31		
	1985	1986	1986
Affiliated companies:			
Current assets	¥124,294	¥114,034	\$703,914
Property, plant and equipment	31,482	19,356	119,481
Other assets	11,133	9,483	58,537
Total assets	¥166,909	¥142,873	\$881,932
Current liabilities	¥ 85,075	¥ 71,471	\$441,179
Long-term liabilities	7,101	3,636	22,444
Stockholders' equity	74,733	67,766	418,309
Total liabilities and stockholders' equity	¥166,909	¥142,873	\$881,932
Number of companies at year-end	21	23	

	Yen in millions			Dollars in thousands
	Year ended October 31			
	1984	1985	1986	1986
Unconsolidated subsidiaries:				
Net sales	¥382,612	¥494,081	¥520,340	\$3,211,975
Gross profit	65,799	83,114	81,187	501,154
Net income (loss)	7,542	7,474	(2,038)	(12,580)
Affiliated companies:				
Net sales	¥246,429	¥252,516	¥223,586	\$1,380,160
Gross profit	68,529	72,381	66,746	412,012
Net income	8,960	8,572	8,967	55,352

Of the companies included on the equity basis, the stocks of unconsolidated subsidiary companies carried at equity of ¥14,179 million and ¥10,761 million (\$66,426 thousand) at October 31, 1985 and 1986, respectively, were quoted on the market at an aggregate value

of ¥44,375 million and ¥43,033 million (\$265,636 thousand), respectively, at those dates.

Transactions with unconsolidated subsidiaries and other affiliated companies accounted for on the equity basis are presented below:

	Yen in millions			Dollars in thousands
	Year ended October 31			
	1984	1985	1986	1986
Purchases	¥ 94,470	¥111,141	¥111,183	\$ 686,315
Sales	256,438	277,684	289,296	1,785,778

5. Marketable securities

The cost and market value of marketable equity securities included in other investments (non-current) at October 31, 1985 and 1986 are as follows:

	Yen in millions		Dollars in thousands
	1985	1986	1986
Cost	¥12,411	¥11,424	\$ 70,519
Market	81,530	93,634	577,988

At October 31, 1986, gross unrealized gains pertaining to marketable equity securities in the portfolios were ¥82,210 million (\$507,469 thousand).

Net realized gains on the disposal of marketable equity securities for the years ended October 31, 1984, 1985 and 1986 were ¥30 million, ¥295 million and ¥1,184 million (\$7,309 thousand), respectively.

The cost of marketable securities, other than equity securities, at October 31, 1985 and 1986 approximated market.

6. Short-term borrowings and long-term debt

Short-term borrowings of ¥155,222 million (\$958,160 thousand) at October 31, 1986 included acceptances payable, bank overdrafts and commercial paper bearing interest at 3.79% to 17.62% per annum.

Long-term debt at October 31, 1986 comprises the following:

	Yen in millions	Dollars in thousands
Unsecured loans, representing obligations principally to banks, due 1987 to 1999 with interest ranging from 4.00% to 17.50% per annum	¥ 8,307	\$ 51,278
Unsecured 5.6% convertible bonds due 1992	20,000	123,457
Unsecured 6.0% convertible debentures of U.S.\$44,360 thousand due 1997	7,162	44,210
Unsecured 5.2% convertible bonds due 1989	44,924	277,309
Unsecured 2.0% convertible bonds due 2000	29,230	180,432
Unsecured 7¾% bonds of U.S.\$100,000 thousand due 1990 with detachable warrants, net of unamortized discount	13,043	80,512
Unsecured 8¼% bonds of U.S.\$100,000 thousand due 1993	16,240	100,247
Long-term capital lease obligations, 7.6% to 14.0%, due 1987 to 2034	3,893	24,031
Guarantee deposits received	3,018	18,629
	145,817	900,105
Less—Portion due within one year	1,921	11,858
	¥143,896	\$888,247

The 5.6% convertible bonds issued in 1982 may be converted into shares of common stock of the company, at the option of the holder thereof, at any time. The conversion price, ¥3,855.50 (\$23.80) per share at October 31, 1986, is subject to adjustment in certain instances, including stock dividends and free distributions of common stock.

The 6.0% U.S. dollar convertible debentures issued in 1982 may be converted into shares of common stock of the company, at the option of the holder thereof, at any time. The conversion price, ¥3,521.80 (\$13.74 calculated at ¥256.30=U.S.\$1) per share at October 31, 1986, is subject to adjustment in certain instances, including stock dividends and free distributions of common stock. The debentures are subject to redemption at any time on or after October 31, 1986, in whole or in part, at the election of the company, at prices graduated downward from 103.80% of the principal amount with interest accrued to the date of redemption.

The 5.2% convertible bonds issued in 1983 may be converted into shares of common stock of the company, at the option of the holder thereof, at any time. The conversion price, ¥3,465.50 (\$21.39) per share at October 31, 1986, is subject to adjustment in certain instances, including stock dividends and free distributions of common stock. The bonds are subject to redemption at any time on or after November 1, 1986, in whole or in part, at the election of the company, at prices graduated downward from 102% of the principal amount with interest accrued to the date of redemption. The bond agreement places certain restrictions on the payment of dividends, calls for the maintenance of a defined debt to equity ratio and requires that the company, as a reserve for redemption payment, deposit with a designated bank the sums of ¥9,000 million (\$55,556 thousand) and ¥13,500 million (\$83,333 thousand) on October 31, 1987 and 1988, respectively, which requirement will be proportionately reduced by the amount of bonds repurchased or converted as of those dates.

The 2.0% convertible bonds issued in 1985 may be converted into shares of common stock of the company, at the option of the holder

thereof, at any time. The conversion price, ¥4,578 (\$28.26) per share at October 31, 1986, is subject to adjustment in certain instances, including stock dividends and free distributions of common stock. The bonds are subject to redemption at any time on or after April 30, 1988, at the election of the company, at prices graduated downward from 104% of the principal amount with interest accrued to the date of redemption.

The 7¾% U.S.\$100,000 thousand bonds, with detachable warrants to purchase common stock of the company, were issued in 1985. One warrant is attached to each \$5,000 bond and entitles the holders to subscribe ¥1,278,500 (\$7,892) for shares of common stock of the company at ¥4,469 (\$27.59) per share (subject to adjustment in certain circumstances). The estimated fair value of the warrants was credited to additional paid-in capital with a corresponding charge to bond discount. This discount, which is netted against the face amount of the bond, is being amortized over the life of the bonds. The rights under the warrants are exercisable up to and including April 26, 1990.

The combined aggregate amounts of annual maturities and deposit requirements of long-term debt in each of the four years after October 31, 1987 are as follows:

Year ending October 31	Yen in millions	Dollars in thousands
1988	¥16,769	\$103,512
1989	23,444	144,716
1990	13,811	85,253
1991	657	4,056

The basic agreements with certain banks in Japan include provisions that collateral (including sums on deposit with such banks) or guarantors will be furnished upon the banks' request and that any collateral furnished, pursuant to such agreements or otherwise, will be applicable to all present or future indebtedness to such banks.

Although the maintenance of official compensating balances in respect of bank loans and other credit arrangements is contrary to public policy in Japan, it is quite common for a company to maintain time deposits with banks with which it has various credit arrangements. The company had time deposits (included in current assets and other investments) of ¥20,964 million (\$129,407 thousand) with such banks at October 31, 1986.

7. Liability for severance indemnities and pension plans

The charges to income for severance indemnities and pension plans were ¥9,612 million, ¥11,539 million and ¥12,336 million (\$76,148 thousand) for the years ended October 31, 1984, 1985 and 1986, respectively.

The company is not required to report the actuarial present value of either vested or nonvested accumulated plan benefits and net assets available for benefits to any governmental agency and such information therefore is not available.

8. Income taxes

The company is subject to a number of different income taxes which, in the aggregate, indicate a normal effective statutory rate of approximately 58%. The ordinary relationship between income tax expense and pretax accounting income is distorted by a number of items including various tax credits, certain expenses not allowable for income tax purposes, the non-deductibility of losses of subsidiaries, different tax rates applicable to foreign subsidiaries, reduced tax rates on earnings appropriated for dividends and dividend income not taxable.

Tax loss carryforwards of consolidated subsidiaries at October 31, 1986 amounted to approximately ¥12,360 million (\$76,296 thousand) and are available as an offset against future taxable earnings of such subsidiaries within up to five years except for ¥6,396 million (\$39,481 thousand) which may be carried forward indefinitely.

9. Stockholders' equity

Changes in common stock and additional paid-in capital have resulted from the following:

	Number of shares	Yen in millions		Dollars in thousands	
		Common stock	Additional paid-in capital	Common stock	Additional paid-in capital
Balance at October 31, 1983	230,887,470	¥11,544	¥91,661	\$71,259	\$565,809
Conversion of convertible debt	36,354	2	126	12	777
Change in interest in affiliated company	—	—	2,117	—	13,068
Balance at October 31, 1984	230,923,824	11,546	93,904	71,271	579,654
Conversion of convertible debt	224,485	391	576	2,414	3,556
Change in interest in affiliated company	—	—	463	—	2,858
Common stock warrants	—	—	4,480	—	27,654
Balance at October 31, 1985	231,148,309	11,937	99,423	73,685	613,722
Conversion of convertible debt	76,959	38	231	235	1,426
Balance at October 31, 1986	231,225,268	¥11,975	¥99,654	\$73,920	\$615,148

During the years ended October 31, 1984 and 1985, certain affiliated companies accounted for by the equity method issued shares to third parties as either a public offering or upon conversion of convertible debt to common stock at amounts per share in excess of the company's average per share carrying value. This resulted in an increase of ¥2,117 million and ¥463 million, respectively, net of deferred tax, in the stockholders' equity of the affiliates applicable to the company and those amounts were credited to additional paid-in capital.

Conversions of convertible debt issued in 1983 and thereafter into common stock were accounted for in accordance with the provisions of the Japanese Commercial Code by crediting one-half of the conversion proceeds to the common stock account and the other half to the additional paid-in capital account. For conversions of convertible bonds issued prior to 1983, the par value of the stock issued was credited to the common stock account and the remainder of conversion proceeds was included in the additional paid-in capital.

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends paid by the company and its domestic

subsidiaries be appropriated as a legal reserve. No further appropriation is required when the legal reserve equals 25% of their respective stated capital.

The appropriations of retained earnings for the year ended October 31, 1986, as incorporated in the accompanying financial statements, include interim cash dividends of ¥5,087 million (\$31,401 thousand) which were paid in July 1986 based on the resolution of the Board of Directors in accordance with the Commercial Code. The remainder of the appropriations, which have been incorporated in the accompanying financial statements, will be proposed for approval at the general stockholders' meeting to be held in January 1987 and will be recorded in the statutory books of account, in accordance with the Commercial Code, after stockholders' approval.

An analysis of the changes in the cumulative translation adjustment for the years ended October 31, 1984, 1985 and 1986 is presented below:

	Yen in millions			Dollars in thousands
	1984	1985	1986	1986
Balance, beginning of period	(¥6,781)	(¥ 6,407)	(¥18,189)	(\$112,278)
Aggregate translation adjustment for the year	266	(13,134)	(28,108)	(173,506)
Income taxes for the period allocated to translation adjustment	108	1,352	3,353	20,697
Balance, end of period	(¥6,407)	(¥18,189)	(¥42,944)	(\$265,087)

10. Research and development expenses

Research and development expenses charged to cost of sales for the years ended October 31, 1984, 1985 and 1986 were ¥99,925

million, ¥110,636 million and ¥121,395 million (\$749,352 thousand), respectively.

11. Leased assets

The company leases certain office space, warehouses and employees' residential facilities.

An analysis of leased property under capital leases at October 31, 1985 and 1986 is as follows:

Class of property	Yen in millions		Dollars in thousands
	1985	1986	1986
Land	¥ 872	¥ 638	\$ 3,938
Buildings	4,124	3,053	18,846
Machinery and equipment	316	766	4,728
Accumulated amortization	(377)	(527)	(3,253)
	¥4,935	¥3,930	\$24,259

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of October 31, 1986:

Year ending October 31	Yen in millions	Dollars in thousands
1987	¥ 628	\$ 3,877
1988	608	3,753
1989	591	3,648
1990	571	3,525
1991	519	3,204
Later years	2,872	17,728
Total minimum lease payments	5,789	35,735
Less—Amount representing interest	1,896	11,704
Present value of net minimum lease payments	3,893	24,031
Less—Current obligations	278	1,716
Long-term capital lease obligations	¥3,615	\$22,315

Rental expenses under operating leases for the years ended October 31, 1984, 1985 and 1986 were ¥17,164 million, ¥19,037 million and ¥18,692 million (\$115,383 thousand), respectively. The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at October 31, 1986 are as follows:

Year ending October 31	Yen in millions	Dollars in thousands
1987	¥ 4,843	\$29,895
1988	4,102	25,321
1989	3,097	19,117
1990	2,294	14,160
1991	1,829	11,291
Later years	19,640	121,235
Total minimum future rentals	¥35,805	\$221,019

12. Commitments and contingent liabilities

Commitments outstanding at October 31, 1986 for the purchase of property, plant and equipment approximated ¥13,829 million (\$85,364 thousand).

Contingent liabilities at October 31, 1986 for notes discounted and guarantees given in the ordinary course of business amounted to

approximately ¥76,178 million (\$470,235 thousand), including ¥36,490 million (\$225,247 thousand) for loans guaranteed on behalf of unconsolidated subsidiaries and other affiliated companies.

At October 31, 1986, the company and its subsidiaries had no material litigation or claims outstanding, pending or threatened against them.

Report of Independent Public Accountants

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Price Waterhouse



December 18, 1986

To the Stockholders and Board of Directors
of Sony Corporation (Sony Kabushiki Kaisha)

We have examined the consolidated balance sheets of Sony Corporation (Sony Kabushiki Kaisha) and its consolidated subsidiaries as of October 31, 1985 and 1986, and the related consolidated statements of income and retained earnings and of changes in financial position for each of the three years in the period ended October 31, 1986, expressed in yen. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The company has not presented segment information for each of the three years in the period ended October 31, 1986. In our opinion, the presentation of segment information concerning the company's foreign operations and export sales is required by accounting principles generally accepted in the United States of America for a complete presentation of the consolidated financial statements.

In our opinion, except for the omission of segment information as discussed in the preceding paragraph, the consolidated financial statements examined by us present fairly the financial position of Sony Corporation (Sony Kabushiki Kaisha) and its consolidated subsidiaries at October 31, 1985 and 1986, and the results of their operations and the changes in their financial position for each of the three years in the period ended October 31, 1986, in conformity with accounting principles generally accepted in the United States of America consistently applied.

Price Waterhouse

Principal Subsidiaries and Affiliated Companies

OVERSEAS

	Company	Principal Business
North America		
United States	Sony Corporation of America	Manufacture and sale of Sony products in the United States
	Digital Audio Disc Corporation	Manufacture of compact discs
Canada	*Sony of Canada Ltd.	Sale of Sony products in Canada
Central and South America		
Panama	Sony Corporation of Panama S.A. Sony CSA, S.A.	Sale of Sony products in Central and South America Offshore trade of Sony products in Central and South America
Venezuela	*Sony de Venezuela S.A.	Manufacture and sale of Sony products in Venezuela
Brazil	*Sony Comércio e Indústria Ltda.	Manufacture and sale of Sony products in Brazil
Chile	*Sony Chile Ltda.	Sale of Sony products in Chile
Europe		
West Germany	Sony Europa G.m.b.H. Sony Deutschland G.m.b.H. Sony-Wega Produktions G.m.b.H.	Coordination of Sony operations in Europe Sale of Sony products in West Germany Manufacture and sale of Sony products in West Germany
United Kingdom	Sony (U.K.) Limited	Manufacture and sale of Sony products in the United Kingdom
	Sony Broadcast Limited	Sale of broadcasting video equipment in Europe
	*Sony Video Software Europe Limited	Sale of video software
France	Sony France S.A.	Manufacture and sale of Sony products in France
Switzerland	Sony Overseas S.A.	Foreign exchange and financial operations in Europe
Netherlands	Sony Distribution Centre (Europe) B.V. Sony Overseas Finance B.V. Sony Communication Products B.V. *Brandsteder Electronics B.V.	Transportation; cargo work; warehousing Issue of Euro—commercial paper Sale of professional video products in Europe Sale of Sony products in the Netherlands
Belgium	Sony Service Centre (Europe) N.V. Sony Belgium N.V.	Repair and service of Sony products in Europe Sale of Sony products in Belgium
Sweden	*Sony Svenska Aktiebolag	Sale of Sony products in Sweden
Denmark	Sony Scandinavia A/S	Marketing and distribution of Sony products in Scandinavia
Austria	*DADC Austria Ges.m.b.H.	Manufacture of compact discs
Italy	*Sony Italia S.p.A.	Sale of Sony products in Italy
Spain	*Sony España, S.A.	Manufacture and sale of Sony products in Spain
Portugal	*Sony Portugal Lda.	Sale of Sony products in Portugal
The Middle East		
Saudi Arabia	*Sony Saudi Arabian Company Ltd.	Sale of Sony products in Saudi Arabia
Asia		
Hong Kong	Sony Corporation of Hong Kong Limited	Sale of Sony products in Hong Kong
Singapore	*Sony International (Singapore) Pte. Ltd.	Procurement; repair and service in Asia and Oceania; offshore trade
	*Sony Singapore Pte. Ltd.	Sale of Sony products in Singapore
Oceania		
Australia	Sony (Australia) Pty. Limited	Sale of Sony products in Australia

As of October 31, 1986, the Company had a total of 136 subsidiaries, of which 75 were consolidated. The Company had, in addition, 35 affiliated companies (companies in which the Company held directly or indirectly at least 20% but not more than 50% of the issued share capital). The Company has adopted the equity accounting method in respect of its unconsolidated subsidiaries and affiliated companies.

JAPAN

Company	Principal Business
Sony Ichinomiya Corporation	Manufacture of color TVs and VTRs
Sony Kohda Corporation	Manufacture of VTRs
Sony Kisarazu Corporation	Manufacture of VTRs, CD players, and flat TVs
Sony Minokamo Corporation	Manufacture of video equipment
Sound System Corporation	Manufacture of key components for VTRs and CD players
Sony Inazawa Corporation	Manufacture of color TV tubes
Sony Denshi Corporation	Manufacture of color TVs and components for televisions
Motomiya Denshi Corporation	Manufacture of security systems, flat display tubes, and key components for televisions and VTRs
Sony Mizunami Corporation	Manufacture of color TV tubes
Sony Audio Inc.	Manufacture of audio/video/camera/optical systems (for home and industrial use)
Sony Bonson Corporation	Manufacture of tape recorders (including Walkmans), flat TVs, and car audio products
Taron Corporation	Manufacture of audio and video equipment
Sony Tsukuba Corporation	Manufacture of audio products
Toyo Electronics Corporation	Manufacture of audio products
Sony Magnetic Products, Inc.	Manufacture of audio and video recording tapes and ferrite products
Sony Kokubu Semiconductor Corporation	Manufacture of semiconductors
Sony Shiroishi Semiconductor Inc.	Manufacture of semiconductors
Sony Oita Corporation	Manufacture of semiconductors
Tohkai Electronics Corporation	Manufacture of printed circuit boards
Sony Asco Inc.	Manufacture of micro floppydisk drives
Sony Haneda Corporation	Plating
Sony Chemicals Corporation	Manufacture of videotapes, adhesives, and electronic components
Sony Telecom Inc.	Sale of information and telecommunications systems
Sony Warehouse Corporation	Warehousing; packing of cargo; airfreight forwarding; transportation services
Sony Service Co., Ltd.	Repair and service of Sony products
Sony Enterprise Co., Ltd.	Operation of the Sony Building and Sony Tower; import of athletic goods; licensing, travel, and insurance services
Sony Trading Corporation	Import and distribution of overseas products
Sony Shoji Corporation	Lease and resale of real estate
Sony Finance International, Inc.	Credit and leasing in Japan
SONY CREATIVE PRODUCTS INC.	Design, manufacture, and sale of stationery, gift goods, and cosmetics
Sony Video Software International Corporation	Manufacture and sale of video software
*Sony Energytec Inc.	Manufacture and sale of batteries
*Sony Plaza Co., Ltd.	Import, wholesale, and retail of household goods, cosmetics, and confectioneries
*Sony/PCL Inc.	Post-production for video and High Definition Video Systems; video duplicating; motion-picture and still-photo processing; rental of video display systems
*Aiwa Co., Ltd.	Manufacture and sale of tape recorders, hi-fi audio systems, and VTRs
*Sony Magnescale Inc.	Manufacture and sale of Magnescale digital position readout systems, digital gauging systems, Magnescale CNC systems, instrumentation tape recorders, and Sprinter high-speed video duplicating systems
*CBS/SONY GROUP INC.	Manufacture and sale of phonograph records, music tapes, and compact discs
*Sony/Tektronix Corporation	Manufacture and sale of oscilloscopes
*Sony Prudential Life Insurance Co., Ltd.	Life insurance

*Unconsolidated subsidiaries and affiliated companies.

Investor Information

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Date of Establishment

May 1946

Investor Relations

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U.K.

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Investor Relations
Sony House, South Street,
Staines, Middlesex TW18 4PF
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Independent Auditors

Price Waterhouse
Tokyo, Japan

Depository, Transfer Agent, and Registrar for American Depository Receipts

Morgan Guaranty Trust
Company of New York
New York, New York

Co-Transfer Agents and Co-Registrars

Continental Illinois National Bank
and Trust Company of Chicago
Chicago, Illinois

Bank of America National Trust
and Savings Association
San Francisco, California

The Royal Trust Company
(Co-Transfer Agent only)
Montreal, Canada

National Trust Company, Limited
(Co-Registrar only)
Toronto, Canada

Overseas Stock Exchange Listings

New York, London, Amsterdam,
Pacific, Hong Kong, Paris,
Frankfurt, Düsseldorf, Brussels,
Antwerp, Vienna, Toronto,
Montreal, Vancouver, Midwest,
Zurich, Basle, and Geneva stock
exchanges

Japanese Stock Exchange Listings

Tokyo, Osaka, Nagoya, Fukuoka,
and Sapporo stock exchanges

Board of Directors

(As of October 31, 1986)



Masaru Ibuka



Akio Morita



Norio Ohga



Masaaki Morita



Masahiko Morizono



Susumu Yoshida



Nobutoshi Kihara



Toshio Sakai



Kazuyuki Shirakura



Toshio Miyamoto



Tsunehiko Ishizuka



Tsunao Hashimoto



Makoto Kikuchi



Koji Adachi



Eijiro Oki



Nobuo Kanoi

Honorary Chairman and Director

Masaru Ibuka

Chairman and Chief Executive Officer

Akio Morita*

President and Chief Operating Officer

Norio Ohga*

Deputy Presidents

Masaaki Morita*

Masahiko Morizono*

Susumu Yoshida*

Senior Managing Director

Nobutoshi Kihara

Managing Directors

Toshio Sakai

Kazuyuki Shirakura

Toshio Miyamoto

Tsunehiko Ishizuka

Tsunao Hashimoto

Makoto Kikuchi

Koji Adachi

Eijiro Oki

Nobuo Kanoi

Directors

Goro Koyama

Yusuke Kashiwagi

Hajime Unoki

Fumio Kohno

Masaaki Wakao

Yoshitoshi Araki

Kiyoshi Yamakawa

Senri Miyaoka

Junichi Koderu

Shiro Koriyama

Ken Iwaki

Takao Kanaoka

Yoshiyuki Kaneda

Kenji Tamiya

Standing Statutory Auditors

Kimio Okura

Akira Higuchi

Statutory Auditors

Toshiro Kusaba

Kazuaki Morita

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