SONY Corporation Analysis

Accounting 700
Case Project

Fall, 2001

By

Ashish Gokhale
Kumar Aditya
Hongfei Guo

I. Executive Summary of Sony Corporation

The current downturn in the economy has hit Sony severely and the forecast for net sales and net income has shown a considerable decline over the next three years. This impact includes a preliminary estimate by management of the effects of the terrorist attacks, which occurred in the U.S. on September 11, 2001.

In the Electronics business, Music business, overall sales are expected to remain at a level just below the forecast as of July 2001. However, profit performance in certain product categories, in particular semiconductors and PC-related components, is expected to deteriorate significantly due to the slowdown in sales.

Although Sony has been proactively reengineering its business processes, particularly with respect to Electronics, Sony fully recognizes the imperative to accelerate the implementation, and to augment the substance, of reengineering to address dramatic changes in the global business environment. Especially in the Electronics business, Sony intends to implement the following countermeasures, in addition to strategically introducing attractive new products, reducing selling, general and administrative expenses, and shrinking inventories, to improve profit performance.

In the current severe operating environment, Sony intends to focus on key businesses. It will make an attempt to establish a system where profit can be achieved even if sales do not increase, Sony will reduce fixed costs at Sony Corporation and at manufacturing and sales subsidiaries. It plans to discontinue unprofitable businesses and reduce redundant assets; Sony is seeking to strengthen its strategic procurement of key devices such as semiconductors and Liquid Crystal Displays, and will enhance its global procurement system. Through these measures, Sony expects to achieve more than 15% cost reduction in procurement in the Electronics business in the fiscal year ending March 31, 2002, compared with the fiscal year ended March 31, 2001.

Sony is strategically implementing counter measures to reduce the decline in net income and gaining competitive advantage in areas where it does not have a presence in. Nokia and Sony Corporation have tied up to manufacture common platforms and Motorola and Sony have formed a joint venture to manufacture hi-tech mobile phones. These strategies are providing Sony newer avenues to gain a first mover and a competitive advantage.

II. Company Facts

Company Name and Location*:* Sony Corporation of America is the US subsidiary of Sony Corporation, Tokyo, Japan. Sony Corporation of America is headquartered in New York and is the leading manufacturer of audio, video, communications and information technology products for consumer and professional markets. (Refer to Exhibit 1 for addresses)

State of Incorporation*:* Sony is a publicly held company and the public throughout the world holds shares. Sony is incorporated in the state of MO (Montana). Sony's stocks are traded in the New York Stock Exchange (NYSE) in the USA.

Standard Industrial Classification Code*:* Sony Corporation of America is registered with the Securities and Exchange Commission and is listed on the NYSE (New York Stock Exchange). The SIC code of the industry (Household audio and video equipment) is 3651. SIC code is a numbering system established by the Office of Management and Budget that identifies companies by industry. It is used to promote the comparability of economic statistics from various facets of the economy.

Main Products: Sony is a leading manufacturer of audio, video, communications and information-technology products for the consumer and professional markets. Sony's principal U.S. businesses include Sony Electronics Inc., Sony Pictures Entertainment, Sony Music Entertainment Inc., and Sony Computer Entertainment America Inc.
Geographic Areas and Segments of Business Activity: Sony Corporation, Tokyo, Japan is located at various locations throughout the world and has manufacturing plants at Japan, Singapore, Malaysia, China, India, Germany, England, and the United States of America. (Refer to **Exhibit 2** for major segments of business)
Stock Information: The stock sticker symbol is: SNE; Sony was listed on the NYSE on September 17, 1970, Opening price of the stock was US $ 15 5/8; Stock price as on December 4, 2001 was: US $ 46.80. (Refer to Exhibit 3 for the comparison to the NYSE over 5 years)

Other Facts:

End Dates of Recent Fiscal Years	March 31st
Number of Employees	181, 800
Independent Auditor and Audit Report	Chuo Aoyama Audit Corporation (Pricewaterhouse Coopers) **Exhibit 4**
Top Management Team	Refer to **Exhibit 5**

III. Business and Strategy Analysis

A. *Competitive Analysis:*

Sony Corporation of America is the US subsidiary of Sony Corporation, Tokyo, Japan. It is a leading manufacturer of audio, video, communications and information technology products for the consumer and professional markets. Its music, motion picture, television, computer entertainment, and online businesses make Sony one of the most comprehensive entertainment companies in the world. Sony's principal U.S. businesses include Sony Electronics Inc., Sony Pictures Entertainment, Sony Music Entertainment Inc., and Sony Computer Entertainment America Inc. Sony recorded consolidated annual sales of over $58.5 billion for the fiscal year ended March 31, 2001, and it employs 181,800 people worldwide. Sony Corporation of America recorded over $17.4 billion in sales in the U.S. for the fiscal year ended March 31, 2001. Sony Corporation is a stellar performer in the electronics industry and has sustained this position through strategy and differentiation. (Refer to **Exhibit 2** for line of business)

The Electronics industry, today, is very competitive and there are many players in this industry. The major players today are

- Matsushita Electric Company, Japan
- Harman International
- Philips Electronics
- Nokia
- LG Electronics

To survive the immense competition, companies are constantly employing newer techniques to entice consumers to buy entertainment products. Innovation is one of the key strategies employed by all the firms in this highly volatile industry. **Exhibit 6** illustrates the strategies employed by Sony Corporation to create value in the market and the barriers that will prevent value creation. Sony focuses on three fundamental policies: market segmentation, product positioning and differentiation, and technology focus. Please refer to **Exhibit 7** for the value chain of Sony Corporation and the way Sony creates value through its operations.

B. *Sony's Future Prospects*

Sony convinced the US government that sales of blank audiocassettes hurt the business of Sony Music. Now they get a royalty on every blank sold. Moreover, they introduced a 74-minute cassette named "CD-it" to educate the users.
The counterfeiters are charged with selling illegally copied versions of PlayStation videogame software via the Internet. Many of the companies in question have advertised their ability to make a "back-up" disc of a PlayStation game, provided one already owns an authentic copy of the game. According to Sony Computer Entertainment America, not only is it illegal for an individual to copy a PlayStation disc, but also it is an offense for companies to supply copies of games based on the false pretense that the sale is lawful as long as the consumer originally purchased an authorized copy. Due to the unique nature of the counterfeiters' scheme, the suits against these individuals charge infringement of copyright, trademark and false advertising.

C. *Sony's Future Goals and Strategies*

As Sony Corporation stepped into the year 2001, the new top management team made up of CEO Nobuyuki Idei, and COO Kunitake Ando and CFO Tokunaka was to lead the target areas of the broadband network in the electronics industry. The year ending March 31, 2001 showed a dramatic increase in the results of the electronics business. The global economy was generally strong during the first half of the 2000 fiscal year. However, the US Economy slowed down due to rapid decline in consumer spending. Even with the slowdown in the economy, Sony was able to show an increase in the consolidated net sales per year by 9 %. (Refer to **Exhibit 8** for strategies and **Exhibit 9** for press releases)

IV. Accounting Analysis

A. *Sony's Major Accounting Policies*

(Refer to **Exhibit 10** for detail)

Revenue from electronics, game and music sales is recognized upon delivery. Revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of feature films and television programming are recorded Revenues from the sale of home videocassettes and DVDs are recognized upon availability of sale to the public. Insurance premiums are reported as revenue.

Major Expenses: Film costs are stated at the lower of amortized cost or net realizable value, which are amortized and classified as non-current assets. Costs that vary with and are primarily related to acquiring new insurance policies are deferred and being amortized. Advertising costs are expensed when the advertisement or commercial appears in the selected media. Theatrical and television product advertising costs are expensed as incurred. Advertising costs for acquiring new insurance policies are deferred and amortized. Common stock issue costs are directly charged to retained earnings.

Investments: The consolidated financial statements include the accounts of Sony Corporation and those of its majority-owned subsidiary companies. Investments in which Sony has significant influence or ownership of more than 20% but less than or equal to 50% are accounted for under the equity method. Consolidated net income includes Sony's equity in current earnings or losses of such companies.

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

Property and Equipment (including depreciation) are stated at cost. Their depreciation is computed on the declining-balance method for Sony Corporation and Japanese subsidiaries and on the straight-line method for foreign subsidiary companies. Significant renewals and additions are capitalized at cost.

Goodwill and Intangibles (including amortization): Intangibles are being amortized on a straight-line basis principally. Goodwill recognized in acquisitions accounted for as purchases is being amortized on a straight-line basis.

B. *Heading of Notes to Financial Statements*

(Refer to **Exhibit 11**)

C. Risk and Importance of Commitments and Contingencies

Sony must make cash payment totaling 236 million dollars in December 2001 to complete the purchase of a building. Given Sony's $4,858 million in cash, this should not be a problem. The contracts will cost Sony 56,731 million yen, which will add more fixed interest expense. Also, Sony has 109,175 million yen committed liability for guarantees. Noticing Sony already has a high debt ratio (70%), and its net income keeps decreasing (before the effect of change of accounting policies), we think this adds more risk to Sony.

Although Sony has several pending lawsuits, since they would not have a material effect on Sony's consolidated financial statements, they do not add risk to Sony.

D. Impact of Unrecorded Assets

Howard Stringer, Chairman and CEO of Sony Corporation of America, was honored by the Center for Communication with the Center's prestigious Communication Award for his leadership. This would generate goodwill in favor of Sony. Customers as well as employee are bound to get affected by this award. Also, taking the value of employee in the account, Sony topped the chart in Japan followed by semi-conductor manufacture Rohm.

V. Financial Analysis

A. Important Ratios for Each of the Past Two Years

(See **Table 1.1** below)

B. Comparison with Main Competitor and Industry Standards

Current Ratio: reflects a company's ability to pay its current liability with its current asset. Sony's current ratio decreases in 2001, which means for each dollar of current liability, SONY has less current asset to pay it off. Although Matsushita's current ratio decreases during the same time period, it is higher than that of Sony in both years, which means it has better ability to pay off its current liability with its liquid asset. Besides, both companies have lower current ratio compared with the industry average.

Table 1.1: Important Financial Ratios (Refer **to Exhibit 12** for Calculation) [1]

Ratio	2001		2000		Industry[2] (mean)
	Sony	Matsushita	Sony	Matsushita	
Current Ratio	1.31	1.60	1.40	1.73	2.73
Acid-test Ratio	0.72	0.83	0.78	0.98	1.30
Accounts Receivable Turnover	5.81	5.70	6.03	5.57	5.5
Inventory Turnover	5.97	5.51	5.66	5.29	5.0
Days' Sales Uncollected	69.23	66.34	61.75	64.89	60.65
Days' Sales in Inventory	68.19	69.76	59.30	66.25	66.75
Total Assets Turnover	0.93	0.95	0.95	0.92	1.0
Debt Ratio	0.70	0.54	0.68	0.54	0.51
Equity Ratio	0.30	0.46	0.32	0.46	0.49
Times Interest Earned	7.33	3.31	6.48	5.73	NA
ROA	1.50	0.50	1.80	1.30	1.40
ROE	5.20	2.90	5.60	2.90	3.80
Profit Margin	1.70	1.40	1.80	1.40	1.40
Gross Margin	31.00	28.90	31.30	28.90	32.70
Book Value Per Common share	2,417	1,895	2,724	1,966	2,168
Basic Earnings Per Share	132.64	19.96	144.58	48.35	164.5
Cash Flow on Total Assets	6.96	4.81	8.51	5.98	NA
Price – Earning Ratio	73	3.3	113	67.3	93.55
Dividend Yield	0.26	0.7	0.15	1.14	NA

*1 The currency used for calculations is **Yen**.*
2 Electronic Industry Classifications for Sony

Acid-Test Ratio: reflects a company's ability to pay its current liability with its most liquid asset. Sony's ratio decreases in 2001, which means for each dollar of current liability, SONY has less most liquid asset to pay it off. Although Matsushita's current ratio as well decreases during the same time period, it is higher than that of Sony in both years, which means it has better ability to pay off its current liability with its most liquid asset. Besides, both companies have lower current ratio compared with the industry average.

Accounts Receivable Turnover: is a measure of both the quality and liquidity of accounts receivable. Sony has a slightly higher ratio both years compared with Matsushita. And its turnover slightly improved in 2001. Management may use in more liberal credit terms to increase sales since Sony's sales only increased by less than 10%.

Inventory Turnover: reveals how many times a company turns over its inventory during a period. Sony has a slightly higher ratio in both years compared with Matsushita. And its turnover slightly improved in 2001. This showed a better short-term liquidity and more efficient use of assets.

Day's Sales Uncollected: is important for evaluating a company's liquidity. In comparison with industry, Sony takes longer to collect cash from its receivables. Also, it takes about 10% longer for Sony to collect cash in 2001, which is longer than Matsushita. Note uncollected is fewer than Matsushita in 2001. Sony's management may need to improve its ability to collect receivables or to check customer financial health.

Day's Sales in Inventory: measures the adequacy of inventory to meet sales demand. Sony had fewer days' sales in ending inventory in both years. Yet ending inventories increased for both companies. And their days' sales are very close in 2001. We don't want days' sales too low, since it may means we do not have adequate inventories to meet customers' need.

Total Assets Turnover: measures a company's ability to use its assets. In comparison with Matsushita, turnover is higher in 2000 but slightly lower in 2001, while turnover of Matsushita increases during this period. Matsushita appears doing slightly better than Sony on total assets turnover.

Debt Ratio: reflects the relation between a company's liabilities and its assets. Matsushita's debt ratio is stable over these two years. Sony's debt ratio is higher in both years, and it increases in 2001. From the leverage's point of view, Sony is more risky.

Equity Ratio: provides complementary information. Sony has more liability in its capital structure; with more than half is long-term debt. Sony is more risky than Matsushita. One risk factor is the required payment for interest and principal when debt is outstanding.

Times Interest Earned: reflects a company's risk from fixed interest expense. This number increases for Sony from 2000 to 2001 while decreases for Matsushita. Note the decrease on return in 2001 is due to the change of accounting policies. This means it is less risky for Sony's creditors. It earns positive return and is able to pay interest expense.

Return on Assets: reflects the performance of a company in terms of return on its average assets. This ratio is very important to assess how a company is utilizing its assets to convert it into profit. Sony has a healthy ROA both compared to its main competitor Matsushita and the industry average, which means Sony, is converting its assets into income in a more efficient manner than its competitors. Also, this figure is less in 2001 as compared to 2000.

Return on Equity: reflects a company's ability to perform in terms of return on its average shareholder's equity. Again, Sony is quite ahead of its competitors in converting its equity into income. It is almost utilizing twice better than the Matsushita and one and half times better than the industry. Like ROA, ROE also decreased for Sony from year 2000 to year 2001.

Profit Margin: reflects the percent of profit in each dollar of sales. Sony's profit margin is higher than its main competitor Matsushita as well as industry, which mean that Sony each dollar of sale generates handsome amount of profit after paying for all the expenses incurred. Sony's Profit Margin showed a negative trend from 2000 to 2001.

Gross Margin: Success of merchandising companies often depends on the relation between sales and cost of goods sold. Sony's gross margin is pretty close to that of its main competitor and industry. Sony utilized 31 cents of its one-dollar sale in 2001 to cover all the expenses and still produce a profit. Sony will be more comfortable if it slightly increases its gross margin. Gross Margin for Sony decreased in 2001 indicating negative trend.

Book Value Per Common Share: records the amount of shareholders' equity applicable to common shares on a per share basis. It reflects worth of each share if a company is liquidated at amounts reported on the balance sheet. Sony's book value per common share is almost more than a quarter higher than that of Matsushita that reflects its strong position in the electronic industry. Also, Sony is performing better than the industry in general. Book value per common share for Sony decreased from year to year 2001.

Basic Earnings Per Share: measures the amount of income earned per each share of company's common outstanding stock. This ratio is useful for investors in valuing common shares especially when compared to market price. Sony's basic earning per share is far better than Matsushita's but it is slightly less than the industry average, which means industry's shares have more earning per share compared to Sony. One of the reasons may be that Sony is paying high dividend compared to the industry. EPS for Sony dropped down in year 2001 compared to year 2000.

Cash Flow on Total Assets: helps business decision makers estimate the amount and timing of cash flows when planning and analyzing operating activities. It also reflects company's ability to meet its obligations, pay dividends, expand operations, and obtain financing. Sony is performing well compared to Matsushita in terms of cash flow on total assets that means it's obtaining enough cash for its assets, which might attract investors to invest in the company.

Price-Earning Ratio: reflects the expectations of future earning and can be different for companies having similar earnings because of their lower or higher expectations of future earnings. It also might reflect overpriced or underpriced stocks of a company. Sony's PE ratio is close to that of market, which means its expectation of future earning is similar to that of market. At the same time, it seems to be quite well ahead of its main competitor whose PE ratio is pretty low. This may also mean that stocks of Sony are overpriced or stocks of Matsushita are underpriced but nothing can be said definitely unless other ratios are analyzed. PE ratio for Sony decreased significantly in year 2001 from its year 2000.

Dividend Yield: shows the annual amount of cash dividends distributed to common shareholders relative to its market value. It is also used to identify whether a stock is income stock or growth stock. Sony's dividend yield is quite low compared to that of its main competitor, which either means that some of the Sony's stocks are growth stocks or Sony is not paying considerable dividend on its income stocks or both. Its dividend yield is almost one-third compared to its main competitor in the latest financial year and about one eighth in the year before that. I

C. Interpretation of Comparative Income Statements and Balance Sheets

Income Statements: Net sales of Sony Corporation decreased both in 1999 and 2000 but it increased significantly, both in terms of dollars and percentage in 2001. But, at the same time, cost of sales, general and administrative expenses along with insurance expenses also increased (mildly in 1999 & 2000 and significantly in 2001). Income tax increased significantly in 2000 and 2001. Net income before the effect of accounting changes decreased almost linearly from year 1999 to year 2001 mainly because of significant increase in cost of sales and expenses. Due to the change in accounting policy, the net income for the year 2001 dropped drastically in year 2001. (Refer to **Exhibit 13**)

Assets: Cash and cash equivalents increased significantly in 1999, further increased in 2000 and then decreased slightly in 2001. This can be attributed to cash provided by financial activities (mainly due to issuance of long-term debt) in 2001, significantly low cash payments for investments and other business payments (cash used by investing activities) in 2000 and high net income & decrease in inventories (cash provided by operating activities) in 1999. Notes and accounts receivables decreased in 1999 and 2000 compared to 1998 but increased significantly in 2001, mainly because of high net sales. Reduction in inventory was significant in year 2000 when it reduced by almost one fourth compared to the 1998 figure. Overall, total current assets increased significantly in 2000, marginally in 2001 but decreased slightly in 1999. Also, a comparison between the total assets and revenue has been presented in **Exhibit 24**.

Investments (land, buildings, machinery & equipments, securities investments) after taking depreciation into account, decreased in 1999, remained almost constant in 2000 and then increased significantly in 2001 because of significant increase in securities investments and also in machinery and equipment. Overall, total assets decreased slightly in 1999, increased slightly in 2000 and then increased significantly in 2001 (mainly because of increase in long-term assets).

Liabilities & Equity: Current liabilities decreased by about 8 percent in 1999, then slightly increased in 1999 and then it increased by almost 25 percent for the year 2001. This was mainly because of significant increase in current portion of long-term debt, accounts payable, accrued income taxes and short-term borrowings in 2001. In terms of long-term debt, year 2000 had a decrease of almost a quarter, which was maintained in 2001. Overall, total liabilities increased only slightly for 1999, remained more or less constant for 2000 but increased quite significantly for the year 2001. In terms of stockholders' equity, year 2001 was the best as it saw an increase of more than a quarter compared to the 1998 figure. This was mainly attributed to significantly higher number of authorized as well as outstanding shares, low minimum pension liability adjustments and good retained earnings. (Refer to **Exhibit 14**)

D. Interpretation of Common-size Income Statements and Balance Sheets

Income Stmt: Sony Corporations' operating income has reduced both in terms of magnitude as well as percent (from 7.7% to 3.1 %) from year 1998 through 2001. Sony's cost of sales as well as selling & administrative expenses has continuously increased from 1998 through 2001, again both in magnitude and percent. (Refer to **Exhibit 15**). But, increase in other income (from 1.2 % to 2.3 %) and decrease in other expenses were more than compensated by increase in costs and expenses (from 92.3 % in 1998 to 96.9 % in 2001), resulting in decreasing net income before cumulative effect of accounting changes (3.3 % in 1998 to 1.7 % in 2001). Moreover, because of effect of accounting changes, net income further dropped down to 0.2 % of total revenue in 2001.(Refer to **Exhibit 19**)

Balance Sheet: Sony's current assets decreased both in magnitude as well as percent of total assets (51.0 % to 44.4 %) from 1998 to 2000 but increased in magnitude whereas remained constant in terms of percent from 2000 to 2001. Sony had a favorable reduction in inventory in terms of percent as well as magnitude from 1998 to 2000 but from 2000 to 2001, although the percent reduced, the magnitude increased indicating the effect on sales. Net goodwill increased from 1999 to 2001. Net intangibles had a similar trend except for year 2001 when it decreased in term of percent of total assets. (Refer to **Exhibit 16)**

Sony's current liabilities first decreased both in magnitude and percent from 1998 (33.1 %) to 1999 (30.8 %) and then increased almost linearly to year 2001 (33.8%). This was because of similar trend in notes & accounts payable, accrued income and other taxes and short-term borrowings. Total long-term liabilities of Sony continuously increased in magnitude from year 1998 to 2001. Common stock increased in magnitude all through the period but because of high value of current assets in 2001 it decreased in terms of percent of total assets for the year 2001. Retained earning was highest both in magnitude and percent for year 2000. Overall, total shareholders' equity was also highest in year 2000, both in terms of percent (32.1 %), as well as magnitude (2,182,906 millions yen). (Refer to **Exhibit 20)**. A graphic of common-size financial sources has been presented in **Exhibit 23**.

E. Trend Analysis of Income Statement and Balance Sheet Accounts

Income Stmt: Revenue and costs of sales have similar trend in 1998-2001. Also, the difference was almost nearly constant in terms of percent. The selling, general and administrative expenses show similar trend. Operating income decreased in 1998-2000 (to 42.9 %) and then increased slightly in the year 2001. (Refer to **Exhibit 17** Overall, income before cumulative effect of accounting changes decreased significantly in 1998-2000 and then remained almost constant for year 2001. After taking into account the cumulative effect of accounting changes, the net income decreased drastically in the year 2001 (from 54.9 % to 7.5 %). (Refer to **Exhibit 21**)

Balance Sheets: Total assets of Sony slightly decreased in 1999 (98.4 %) and then increased in 1999-2001 (to 122.3 %). Current assets showed a different trend because of significantly high cash and cash equivalents and marketable securities in year 2000. Inventories continuously increased in 1998-2001 (to 1160.7 %). Total assets of Sony continuously increased in 1998-2001 (to 122.3 %). (Refer to **Exhibit 18**). Notes and accounts payable, current portion of long-term debt have continuously increasing trend in 1998-2001. Total current liability had similar trend as total assets but different from total current assets for 2000-2001 period. Total long-term liabilities had a small positive slope in 1998-2000 but the slope became steep in 2000-2001 periods because of high future insurance policy benefits, accrued pension and other liabilities. Common stock had an upward change for the three period times. Total shareholders' equity always had a positive slope, which is a favorable condition for the company. (Refer to **Exhibit 22**)

VI. Prospective Analysis

Sony Corporation is a designer, developer, manufacturer and distributor of electronic equipment, instruments and devices such as video equipment, audio equipment, televisions, information and communications products, for consumer and industrial markets. Also engaged in game consoles & software; production, marketing, distribution and broadcasting of music, film and television entertainment products; theatre operations; insurance (life and non-life insurances); financial business (leasing and credit financing); satellite distribution services; advertising agency business; internet-related business and location-based entertainment businesses. Electronics accounted for 68% of fiscal 2001 revenues; games, 9%; music, 8%; pictures, 7%; insurance, 6% and other, 2%.

Stock Price Analysis:

Taking a closer look at the stock market, we observe that the stock price is currently 46.80 US $ and has changed by 1.76 %. The upward trend is due to the company investing in newer technology (such as plasma screens) resulting in higher revenue through sales. The Earning/ Share of 0.99 is relatively higher than projected. (See **Exhibit 25)**.

Market Analysis:

Sales and operating revenue ¥7,700 billion ¥7,500 billion + 3%

Operating income ¥250 billion ¥120 billion - 47%

Income before income taxes ¥200 billion ¥70 billion - 74%

Net income ¥90 billion ¥10 billion - 40%

The primary cause of the downward revision was a worsening of results in the Electronics business. Sony is using yen-dollar and yen-euro average exchange rates for the period from the third quarter to the end of the fiscal year ending March 31, 2002 of approximately ¥115 and ¥105, respectively. **(see Exhibit 26,27,28).**

I. The forecast reflect the estimated impact of greater worldwide economic deceleration than foreseen in July. This impact includes a preliminary estimate by management of the effects of the terrorist attacks, which occurred in the U.S. on September 11, 2001. However, further ramifications of these events remain uncertain, and it is difficult for Sony to estimate the overall impact of these events at this time.

II. In the Electronics business, overall sales are expected to remain at a level just below the forecast as of July 2001. However, profit performance in certain product categories, in particular semiconductors and PC-related components, is expected to deteriorate significantly due to lower manufacturing facility utilization ratios caused by a slowdown in sales. Sony intends to add approximately ¥30 billion to its restructuring expenses, causing the total for restructuring expenses for the current fiscal year to reach approximately ¥50 billion. These additional expenses are for the purposes of focusing on key businesses and reducing fixed costs. In addition, results of Aiwa Co., Ltd., a consolidated subsidiary of Sony Corporation, are expected to further deteriorate.

III. In the Music business, sales and profit are expected to be lower than those reflected in the forecast as of July 2001, because of further deterioration of the business environment.

Although Sony has been proactively reengineering its business processes, particularly with respect to Electronics, Sony fully recognizes the imperative to accelerate the implementation, and to augment the substance, of reengineering to address dramatic changes in the global business environment. Especially in the Electronics business, Sony intends to implement the following countermeasures, in addition to strategically introducing attractive new products, reducing selling, general and administrative expenses, and shrinking inventories, to improve profit performance.

- **Thorough Focusing on Key Businesses**

In the current severe operating environment, Sony intends to focus on key businesses. During the fiscal year ending March 31, 2002, Sony will reduce its presence in or withdraw from 48 product categories, including the 28 product categories specified in the previous year.

- **Reducing Fixed Costs through Restructuring**

To establish a system where profit can be achieved even if sales do not increase, Sony will reduce fixed costs at Sony Corporation and at manufacturing and sales subsidiaries.

Regarding the cost of the above two countermeasures, Sony expects to record a total of approximately ¥50 billion, including the aforementioned ¥30 billion, in the fiscal year ending March 31, 2002. Of this ¥50 billion, approximately ¥30 billion is for the purpose of discontinuing unprofitable businesses and reducing redundant assets, and approximately ¥20 billion is for the purpose of facilitating such measures as early retirement of employees in Japan, the U.S., and Europe.

- **Further Reducing Material Costs**

Sony is seeking to strengthen its strategic procurement of key devices such as semiconductors and LCDs, and will enhance its global procurement system. Through these measures, Sony expects to achieve more than 15% cost reduction in procurement in the Electronics business in the fiscal year ending March 31, 2002, compared with the fiscal year ended March 31, 2001.

Appendix

Exhibit 1: Sony Corporation Addresses

Sony Corporation	**Sony Corporation of America**
7-35 Kitashinawaga, 6-Chome Shinagaw-ku, Tokyo 141 Japan	550 Madison Avenue, 35th Floor, New York, NY 10022-3211 USA

Exhibit 2: Sony Corporation Lines of Business

- Sony Electronics Inc.
- Sony Picture Entertainment Inc
- Sony Music Entertainment Inc
- Sony Broadband Entertainment Inc
- Sony Plaza Public Arcade and Sony Wonder Technology lab
- Metreon – a Sony entertainment center
- Sony Computer Entertainment America Inc.

Exhibit 3: Comparison to the NYSE over 5 years

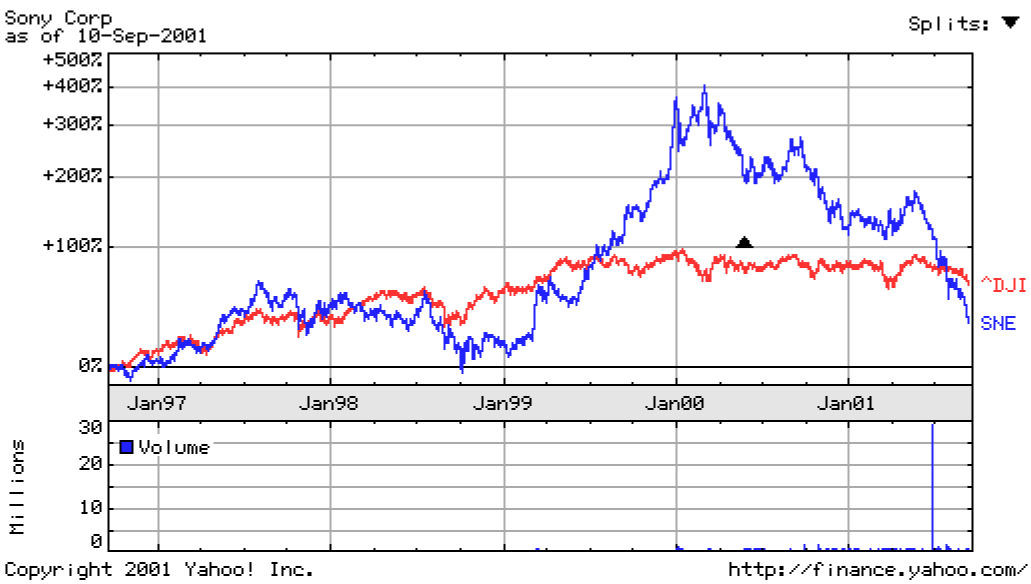

Exhibit 4: Interpretation of Audit Report

The accompanying consolidated balance sheets and the related consolidated statements of income, cash flows and changes in stockholders' equity present fairly, in all material respects, the financial position of Sony Corporation and its consolidated subsidiaries at March 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principle s generally accepted in the United States of America.

Exhibit 5: Sony Corporation Top Management Team

Nobuyuki Idei	Chairman, CEO
Kunitake Ando	Pres, COO, Director
Minoru Morio	Vice Chairman and Executive-Representative, Technology
Ken Kutaragi	Director, President and CEO of Sony Computer Entertainment
Teruhisa Tokunake	Executive Deputy President, CFO, Director

Exhibit 6: Creating Value and Barriers to creating value for Sony Corporation

Strategy	**How Value is Created**	**Barriers to Creating Value**
Brand/ Image	• Charge premium price on products and establish a reputation and image • Clear focus on technology • Build emotional attachment to the product through endorsements	• Competitors could charge higher prices and entice consumers • Premium products have a lower customer base • Eliminating a large number of customer segments due to the price factor
Product Differentiation	• Unique product features • Innovative products	• Large resources required to diversify products • R & D facilities require a lot investment • Impractical to target any particular segment due to diversified product
Economies of Scale	• Shared production lines for the complete product lines • Size provides leverage against competitors • Low cost of production translates into relatively higher margins	• Size becomes unmanageable and results in lower operating efficiencies
Global Presence	• Increased revenue through reduced costs • Higher margins due to currency exchange rates and federal laws • Increased company growth	• Local competition • Market size and limitations • Currency exchange fluctuations affects profit margins and pricing • Perceptions by consumers different due to culture and language

Exhibit 7 : Value Chain for Sony Corporation

VALUE CHAIN FOR SONY CORPORATION

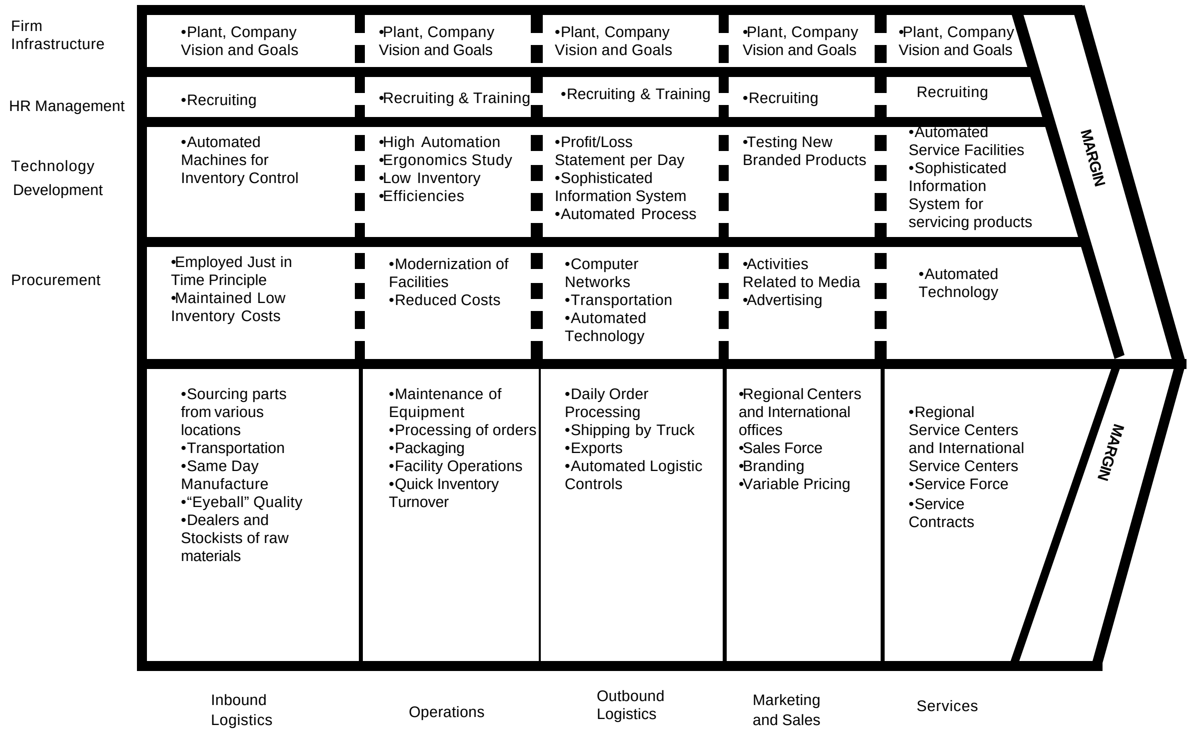

Exhibit 8: Sony Corporation Strategies for Future Goals

1. Network Businesses
2. Aggressive Management in the Broadband Era
3. Making Great Strides in a Knowledge Society
4. Vertical Integration and "Soft Alliances"
5. Plans to issue Japanese-version Tracking Stock
6. The Use of EVA™ Methodology
7. Speedy and Unique Management

Exhibit 9: Press Releases for Sony in the 2000 and 2001 Fiscal Years

2001 Releases

Sony Corporation of America Announces Formation of Marketing and Event Promotion Group -- August 24, 2001

Metro-Goldwyn-Mayer Studios, Paramount Pictures, Sony Pictures Entertainment, Universal Studios And Warner Bros. Announce On-Demand Movie Distribution Service -- August 16, 2001

Sony Corporation of America Extends Contract of John Calley -- August 10, 2001

Sony Corporation of America and Yahoo! Announce Multi-Faceted Relationship -- July 31, 2001

press play To Be Official Name For New Subscription Music Service Created By Sony Music Entertainment And Universal Music Group -- June 11, 2001

Sony Remains Number One In The Harris Poll's "Best Brands" Survey For Second Straight Year -- May 8, 2001

A New Group Structure for the Next Stage of Integrated, Decentralized Management - Transforming Sony into a "Personal Broadband Network Solutions Company" -- March 29, 2001

2000 Releases

Howard Stringer Receives Award for Leadership from the Center for Communication -- November 9, 2000

Sony Broadband Entertainment Forms Subsidiary to Serve as Operator and Developer of Digital Media Companies -- October 4, 2000

Robert S. Wiesenthal Joins Sony as Executive Vice President and Chief Strategy Officer, Sony Broadband Entertainment -- June 28, 2000

Sony Pictures Entertainment Builds On Digital Entertainment Leadership, Creating New Business Unit -- March 13, 2000

Emily Susskind Named President Broadband Services Company Sony Corporation Of America/Sony Electronics Inc. -- February 23, 2000

Howard Stringer Honored with Knighthood -- January 6, 2000

Exhibit 10: Sony's Detailed Major Accounting Policies

1. Revenue

As a result of the adoption of SAB No. 101, revenues from electronics, game and music sales are recognized upon delivery, which is considered to have occurred when the customer has taken title to the product and the risk and rewards of ownership have been substantively transferred. Previously, such revenues were recognized when Sony's obligations pursuant to the sales contract were substantially completed which was considered to have occurred when product was shipped. If the sales contract contains a customer acceptance provision, then sales are recognized after customer acceptance occurs or the acceptance provisions lapses.

Revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of feature films and television programming are recorded when the material is available for telecast by the licensee and when any restrictions regarding the exhibition or exploitation of the product lapse. Revenues from the sale of home videocassettes and DVDs are recognized upon availability of sale to the public.

Insurance premiums are reported as revenue when due from policyholders. Benefits and expenses are associated with earned insurance premiums so as to result in the recognition of profits over the life of the contracts. This association is accomplished through a provision for liabilities for future benefits and amortization of acquisition costs.

2. Major Expenses

Film costs related to theatrical and television product (which includes direct production costs, production overhead and acquisition costs) are stated at the lower of amortized cost or net realizable value. Film costs are amortized, and the estimated liabilities for residuals and participations are accrued, for an individual product based on the proportion that current period actual revenues bear to the estimated remaining total lifetime revenues. These estimates are reviewed on a periodic basis. As a result of the adoption of SOP 00-2, film costs are classified as non-current assets.

Costs that vary with and are primarily related to acquiring new insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs are being amortized mainly over the premium-paying period of the related insurance policies using assumptions consistent with those used in computing policy reserves.

Advertising costs are expensed when the advertisement or commercial appears in the selected media, except for advertising costs for theatrical and television product and insurance policies. Theatrical and television product advertising costs are expensed as incurred. Advertising costs for acquiring new insurance policies are deferred and amortized as part of insurance acquisition costs.

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize Deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

In accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", stock-based compensation cost is recognized in income based on the excess, if any, of the quoted market price of the stock at the grant date of the award or other measurement date over the stated exercise price of the award.

Common stock issue costs are directly charged to retained earnings, net of tax, in the accompanying consolidated financial statements as the Japanese Commercial Code prohibits charging such stock issue costs to capital accounts which is the prevailing practice in the United States of America.

3. Investments

The consolidated financial statements include the accounts of Sony Corporation and those of its majority-owned subsidiary companies. All inter-company transactions and accounts are eliminated. Investments in which Sony has significant influence or ownership of more than 20% but less than or equal to 50% are accounted for under the equity method. Under the equity method, investments are stated at cost plus/minus Sony's equity in undistributed earnings or losses. Consolidated net income includes Sony's equity in current earnings or losses of such companies, after elimination of unrealized inter-company profits. If the value of an investment has declined and is judged to be other than temporary, the investment is written down to its fair value.

The excess of the cost over the underlying net equity of investments in consolidated subsidiaries and affiliated companies accounted for on an equity basis is allocated to identifiable assets and liabilities based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

4. Inventories

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

5. Property and Equipment (including depreciation)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is principally computed on the declining-balance method for Sony Corporation and Japanese subsidiaries and on the straight-line method for foreign subsidiary companies at rates based on estimated useful lives of the assets, principally, ranging from 15 years up to 50 years for buildings and from 2 years up to 10 years for machinery and equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

6. Goodwill and Intangibles (including amortization)

Intangibles, which mainly consist of artist contracts, music catalogs and trademarks, are being amortized on a straight-line basis principally over 16 years, 21 years and 20 years, respectively.

Goodwill recognized in acquisitions accounted for as purchases is being amortized on a straight-line basis principally over a 20 or 40-year period.

Sony evaluates the amortization period of intangibles and goodwill on an ongoing basis in light of changes in any business conditions, events or circumstances that may indicate potential impairment of those assets.

Exhibit 11: Heading of each Note to the Financial Statements

1. Nature of operations
2. Summary of significant accounting policies
(1) Accounting changes:
(2) Significant accounting policies:
(3) Recent pronouncements:
(4) Reclassifications:
3. Integration of three listed subsidiaries
4. Inventories
5. Film costs
6. Investments in and transactions with affiliated companies
7. Marketable securities and securities investments and other
8. Leased assets
9. Accumulated amortization of intangibles and goodwill
10. Insurance-related accounts
(1) Deferred insurance acquisition costs:
(2) Future insurance policy benefits:
(3) Separate account assets:
11. Short-term borrowings and long-term debt
12. Financial instruments
(1) Cash and cash equivalents and time deposits:
(2) Short-term borrowings and long-term debt:
(3) Derivative financial instruments:
13. Pension and severance plans
14. Stockholders' equity
15. Stock-based compensation plans
(1) Warrant plan:
(2) Convertible Bond plan:
(3) SAR plan:
16. Restructuring charges and assets impairment
17. Research and development expenses and advertising costs
(1) Research and development expenses:
(2) Advertising costs:
18. Gain on issuances of stock by equity investees
19. Income taxes
20. Reconciliation of the differences between basic and diluted net income per share ("EPS")
21. Commitments and contingent liabilities
22. Business segment information

Exhibit 12: Sony Important Ratios for Each of 2001 and 2000

(In millions of Yen)

1. Liquidity and Efficiency Ratios

a. Current Ratio

	Current Assets	Current Liabilities	Current Ratio
2001	3,477,474	2,646,740	**1.31**
2000	3,022,016	2,160,342	**1.40**

b. Acid-test ratio

	Cash	Short-term Investments	Current Receivable	Current Liabilities	Acid-test Ratio
2001	607,245	0	1,295,304	2,646,740	**0.72**
2000	626,064	0	1,055,469	2,160,342	**0.78**

c. Accounts receivable turnover

	Net Sales	Accounts Receivable	Average Accounts Receivable	Accounts Receivable Turnover
2001	6,829,003	1,295,304	1,175,387	**5.81**
2000	6,238,401	1,055,469	1,034,526	**6.03**
1999		1,013,583		

d. Inventory turnover

	Cost of Goods Sold	Inventory	Average Inventories Receivable	Inventory Turnover
2001	5,046,694	942,876	844,713	**5.97**
2000	4,595,086	746,550	812,224	**5.66**
1999		877,898		

e. Days' sales uncollected

	Accounts Receivable	Net Sales	Days' Sales Uncollected
2001	1,295,304	6,829,003	**69.23**
2000	1,055,469	6,238,401	**61.75**

f. Day's sales in inventory

	Ending Inventory	Cost of Goods Sold	Days' Sales in Inventory
2001	942,876	5,046,694	**68.19**
2000	746,550	4,595,086	**59.30**

g. Total assets turnover

	Net Sales	Total Assets	Average Total Assets	Total Assets Turnover
2001	6,829,003	7,827,966	7,317,582	**0.93**
2000	6,238,401	6,807,197	6,553,125	**0.95**
1999		6,299,053		

2. Solvency Ratios

a. Debt ratio

	Total Liabilities	Total Assets	Debt Ratio
2001	5,512,513	7,827,966	**0.70**
2000	4,624,291	6,807,197	**0.68**

b. Equity ratio

	Total Equity	Total Assets	Equity Ratio
2001	2,315,453	7,827,966	**0.30**
2000	2,182,906	6,807,197	**0.32**

c. Times interest earned

	Income Before Income Taxes	Interest Expense	Income Before Interest Expense and Income Taxes	Times Interest Earned
2001	265,868	42,030	307,898	**7.33**
2000	264,310	48,275	312,585	**6.48**

3. Profitability Ratios

a. Return on total assets

	1999	2000	2001	2001*
Total Assets	6,299,053	6,807,197	7,827,966	7,827,966
Net income	179,004	121,835	121,227	16,754
ROA	2.84%	1.79%	1.55%	0.21%

b. Return on common stockholders' equity

	1999	2000	2001	2001*
Equity	1,823,665	2,182,906	2,315,453	2,315,453
Net income	179,004	121,835	121,227	16,754
ROE	9.82%	5.58%	5.24%	0.72%

c. Profit margin ratio = Net income/Net sales

	1999	2000	2001	2001*
Net income	179,004	121,835	121,227	16,754
Net sales	6,804,182	6,686,661	7,314,824	7,314,824
Profit margin	2.63%	1.82%	1.66%	0.23%

d. Gross margin ratio

	1999	2000	2001
Net sales	6,804,182	6,686,661	7,314,824
Cost of goods sold	4,633,787	4,595,086	5,046,694
Gross margin	31.90%	31.28%	31.01%

e. Book Value per common share

	1999	2000	2001
Equity applicable to common shares	921,025	1,235,713	2,222,715
Number of common shares outstanding	410,439,111	453,639,163	919,617,134
Book value per common share (Yen)	2,244	2,724	2,417

f. Basic earnings per share

	1999	2000	2001
Net income	179,004	121,835	121,227
Weighted average common shares outs	819,502,816	842,682,252	913,955,066
Basic earning per share (Yen)	218.43	144.58	132.64

g. Cash flow on total assets

	1999	2000	2001
Operating cash flow	663,267	579,463	544,767
Average total assets	6,299,053	6,807,197	7,827,966
Cash flow on total assets	10.53%	8.51%	6.96%

4. Market Ratios

a. Price-Earning Ratio

	1999	2000	2001
Market price per common share (Yen)	6,051	16,338	9,683
Earnings per share (Yen)	218.43	144.58	132.64
PE ratio	27.7	113	73

b. Dividend Yield

	1999	2000	2001
Annual cash dividend per share	25	25	25
Market price per share	6,051	16,338	9,683
Dividend yield	0.41%	0.15%	0.26%

*** Ratio calculated with the cumulative effect of change in accounting principles.**

Exhibit 13: Sony Comparative Income Statements

					Dollar Change			Percent Change		
	2001	**2000**	**1999**	**1998**	**2001**	**2000**	**1999**	**2001**	**2000**	**1999**
Sales and operating revenue:										
Net sales	$6,829,003	$6,238,401	$6,415,418	$6,424,805	$404,198	-$186,404	-$9,387	63	-2.9	-01
Insurance revenue	426,913	380,317	339,368	291,061	135,852	89,256	48,307	46.7	30.7	16.6
Other operating revenue	58,908	67,943	49,396	39,624	19,284	28,319	9,772	48.7	71.5	24.7
	$7,314,824	**$6,686,661**	**$6,804,182**	**$6,755,490**	**$559,334**	**-$68,829**	**$48,692**	8.3	-1.0	0.7
Costs and expenses:										
Cost of sales	5,046,694	4,595,086	4,633,787	4,618,961	427,733	-23,875	14,826	9.3	-0.5	0.3
Selling, general and administrative	1,634,007	1,508,983	1,511,014	1,345,584	288,423	163,399	165,430	21.4	12.1	12.3
Insurance expenses	408,777	359,388	321,320	270,735	138,042	88,653	50,585	51.0	32.7	18.7
Total Costs and Expenses	**7,089,478**	**6,463,457**	**6,466,121**	**6,235,280**	**854,198**	**228,177**	**230,841**	13.7	3.7	3.7
Operating income	225,346	223,204	338,061	520,120	-294,774	-296,916	-182,059	-56.7	-57.1	-35.0
Other income:										
Interest and dividends	18,541	17,700	23,313	20,976	-2,435	-3,276	2,337	-11.6	-15.6	11.1
Royalty income	29,302	21,704	19,720	16,197	13,105	5,507	3,523	80.9	34.0	21.8
Foreign exchange gain, net	—	27,466	2,895	10,094		17,372	-7,199		172.1	-71.3
Gain on securities contribution to employee retirement benefit trust	11,120	—	58,698		11,120					
Gain on sales of securities investments and other, net	41,708	28,099	2,464	739	40,969	27,360	1,725	5543.8	3702.3	233.4
Gain on issuances of stock by equity investees	18,030	727	5,181		18,030	727	5,181			
Other	48,953	50,603	37,426	52,893	-3,940	-2,290	-15,467	-7.4	-4.3	-29.2
	167,654	146,299	149,697	83,963	83,691	62,336	65,734	99.7	74.2	78.3
Other expenses:										
Interest	43,015	42,030	48,275	62,524	-19,509	-20,494	-14,249	-31.2	-32.8	-22.8
Foreign exchange loss, net	15,660	—	—		15,660					
Other	68,457	63,163	61,792	87,900	-19,443	-24,737	-26,108	-22.1	-28.1	-29.7
	127,132	105,193	110,067	150,424	-23,292	-45,231	-40,357	-15.5	-30.1	-26.8
Income before income taxes	**265,868**	**264,310**	**377,691**	**453,749**	**-187,881**	**-189,439**	**-76,058**	-41.4	-41.7	-16.8
Income taxes:										

Current	121,113	120,803	158,386	210,113	-89,000	-89,310	-51,727	-42.4	-42.5	-24.6
Deferred	-5,579	-26,159	18,587	4,755	-10,334	-30,914	13,832	-217.3	-650.1	290.9
	115,534	**94,644**	**176,973**	**214,868**	**-99,334**	**-120,224**	**-37,895**	-46.2	-56.0	-17.6
Income before minority interest, equity in net losses of affiliated companies and cumulative effect of accounting changes	150,334	169,666	200,718	238,881	-88,547	-69,215	-38,163	-37.1	-29.0	-16.0
Minority interest in income (loss) of consolidated subsidiaries	-15,348	10,001	12,151	16,813	-32,161	-6,812	-4,662	-191.3	-40.5	-27.7
Equity in net losses of affiliated companies	44,455	37,830	9,563		44,455	37,830	9,563			
Income before cumulative effect of accounting changes	**121,227**	**121,835**	**179,004**	**222,068**	-100,841	-100,233	-43,064	-45.4	-45.1	-19.4
Cumulative effect of accounting changes										
(Including 491 million yen income tax expense)	**-104,473**	—	—							
Net income	**$16,754**	**$121,835**	**$179,004**	**$222,068**	**-$205,314**	**-$100,233**	**-$43,064**	**-$92**	**-45.1**	-19.4
Per share data:										
Net income - Basic	$133	$145	$218	$279	-$146	-$134	-$61	-52.4	-48.2	78.3
Diluted	124.36	131.7	195.5	241.7	-117	-110	-46	-48.5	-45.5	80.9
Cash Dividends	25	25	25	30	-5	-5	-5	-16.7	-16.7	83.3

Exhibit 14: Sony Comparative Balance Sheets

(in millions Yen)										
					Dollar Change			Percent Change*		
	2001	2000	1999	1998	2001	2000	1999	2001	2000	1999
ASSETS										
Current assets:										
Cash and cash equivalents	$607,245	$626,064	$592,210	$423,286	$183,959	$202,778	$168,924	43.5	47.9	39.9
Time deposits	5,909	6,138	24,304	107,139	-101230	-101001	-82835	-94.5	-94.3	-77.3
Marketable securities	90,094	107,499	117,857	169,209	-79115	-61710	-51352	-46.8	-36.5	-30.3
Notes and accounts receivable, trade	1,404,952	1,156,065	1,135,598	1,230,799	174153	-74734	-95201	14.1	-6.1	-7.7
Allowance for doubtful accounts and sales returns	-109,648	-100,596	-122,015	-114,911	5263	14315	-7104	-4.6	-12.5	6.2
Inventories	942,876	746,550	877,898	993,927	-51051	-247377	-116029	-5.1	-24.9	-11.7
Deferred income taxes	141,473	117,258	102,588	12,189	129284	105069	90399	1060.7	862.0	741.6
Prepaid expenses and other current assets	394,573	363,038	340,953	336,839	57734	26199	4114	17.1	7.8	1.2
Total current assets	**$3,477,474**	**$3,022,016**	**$3,069,393**	**$3,267,477**	$209,997	-$245,461	-$198,084	6.4	-7.5	-6.1
Film costs	*297,617*	*339,011*	*244,537*	*249,066*	48551	89945	-4529	19.5	36.1	-1.8
Investments and advances:										
Affiliated companies	104,032	114,670	116,786	65,912	38120	48758	50874	57.8	74.0	77.2
Securities investments and other	1,284,956	960,924	863,950	784,550	500406	176374	79400	63.8	22.5	10.1
	1,388,988	*1,075,594*	*980,736*	*850,462*	538526	225132	130274	63.3	26.5	15.3
Property, plant and equipment:										
Land	190,394	185,736	191,434	184,427	5967	1309	7007	3.2	0.7	3.8
Buildings	828,554	774,372	781,876	864,324	-35770	-89952	-82448	-4.1	-10.4	-9.5
Machinery and equipment	2,113,005	1,955,015	1,952,276	1,947,454	165551	7561	4822	8.5	0.4	0.2
Construction in progress	165,047	92,787	76,736	95,799	69248	-3012	-19063	72.3	-3.1	-19.9
	3,297,000	3,007,910	3,002,322	3,092,004	204996	-84094	-89682	6.6	-2.7	-2.9
Less— Accumulated depreciation	1,862,701	1,752,340	1,752,571	1,744,877	117824	7463	7694	6.8	0.4	0.4
	1,434,299	*1,255,570*	*1,249,751*	*1,347,127*	87172	-91557	-97376	6.5	-6.8	-7.2
Other assets:										
Intangibles, net	221,289	218,496	123,272	124,817	96472	93679	-1545	77.3	75.1	-1.2

Goodwill, net	305,159	293,777	139,888	160,491	144668	133286	-20603	90.1	83.0	-12.8
Deferred insurance acquisition costs	270,022	239,981	199,868	163,120	106902	76861	36748	65.5	47.1	22.5
Other	433,118	362,752	291,608	240,483	192635	122269	51125	80.1	50.8	21.3
	1,229,588	*1,115,006*	*754,636*	*688,911*	540677	426095	65725	78.5	61.9	9.5
Total Assets	**$7,827,966**	**$6,807,197**	**$6,299,053**	**$6,403,043**	$1,424,923	$404,154	-$103,990	22.3	6.3	-1.6
LIABILITIES AND STOCKHOLDERS' EQUITY										
					Dollar Change			**Percent Change***		
	2001	**2000**	**1999**	**1998**	**2001**	**2000**	**1999**	**2001**	**2000**	**1999**
Current liabilities:										
Short-term borrowings	$185,535	$56,426	$40,877	$114,617	$70,918	-$58,191	-$73,740	61.9	-50.8	-64.3
Current portion of long-term debt	170,838	158,509	87,825	84,794	86,044	73,715	3,031	101.5	86.9	3.6
Notes and accounts payable, trade	925,021	811,031	722,690	768,152	156,869	42,879	-45,462	20.4	5.6	-5.9
Accounts payable, other and accrued expenses	807,532	681,458	670,631	676,547	130,985	4,911	-5,916	19.4	0.7	-0.9
Accrued income and other taxes	133,031	87,520	107,031	157,123	-24,092	-69,603	-50,092	-15.3	-44.3	-31.9
Other	424,783	365,398	313,491	315,092	109,691	50,306	-1,601	34.8	16.0	-0.5
Total current liabilities	**$2,646,740**	**$2,160,342**	**$1,942,545**	**$2,116,325**	**$530,415**	**$44,017**	**-$173,780**	**25.1**	**21**	**-8.2**
Long-term liabilities:										
Long-term debt	843,687	813,828	1,037,460	1,104,420	-260,733	-290,592	-66,960	-23.6	-26.3	-6.1
Accrued pension and severance costs	220,787	129,604	129,115	186,871	33,916	-57,267	-57,756	18.1	-30.6	-30.9
Deferred income taxes	175,148	184,020	120,822	147,116	28,032	36,904	-26,294	19.1	25.1	-17.9
Future insurance policy benefits and other	1,366,013	1,124,873	913,937	713,970	652,043	410,903	199,967	91.3	57.6	28.0
Other	241,101	177,059	195,382	193,000	48,101	-15,941	2,382	24.9	-8.3	1.2
Total Liabilities	**$2,846,736**	**$2,429,384**	**$2,396,716**	**$2,345,377**	**$501,359**	**$84,007**	**$51,339**	**21.4**	**3.6**	**2.2**
Minority interest in consolidated subsidiaries	19,037	34,565	136,127	125,786	-106,749	-91,221	10,341	-84.9	-72.5	8.2
Stockholders' equity:										
Common stock, 50 yen par value—										
1998-Authorized 1,350,000,000 shares, outstanding 407,195,271 shares				$406,196						
1999-Authorized 1,350,000,000 shares, outstanding 410,439,111 shares			$416,373				10,177			2.5

2000 — Authorized 1,350,000,000 shares, outstanding 453,639,163 shares		$451,550				45,354			11.2	
2001 — Authorized 3,500,000,000 shares, outstanding 919,617,134 shares	$472,002				65,806			16.2		
Additional paid-in capital	962,401	940,716	559,236	548,422	413,979	392,294	10,814	75.5	71.5	2.0
Retained earnings	*1,217,110*	*1,223,761*	*1,123,591*	*965,083*	252,027	258,678	158,508	26.1	26.8	16.4
Accumulated other comprehensive income —										
Unrealized gains on securities	44,516	61,915	23,483	45,173	-657	16,742	-21,690	-1.5	37.1	-48.0
Minimum pension liability adjustment	-49,812	-3,678	-8,999	-5,714	-44,098	2,036	-3,285	771.8	-35.6	57.5
Foreign currency translation adjustments	-323,271	-483,553	284,380	-140,725	-182,546	-342,828	425,105	129.7	243.6	-302.1
	-328,567	-425,316	-269,896	-101,266	-227,301	-324,050	-168,630	224.5	320.0	166.5
Treasury stock, at cost										
(2000 — 633,139 shares, 2001 — 1,221,934 shares)	-7,493	-7,805	-5,639	-2,880	-4,613	-4,925	-2,759	160.2	171.0	95.8
Total shareholders' equity	**$2,315,453**	**$2,182,906**	**$1,823,665**	**$1,815,555**	$499,898	$367,351	$8,110	27.5	20.2	0.4
Total liabilities and equity	**$7,827,966**	**$6,807,197**	**$6,299,053**	**$6,403,043**	$1,424,923	$404,154	-$103,990	22.3	6.3	-1.6
Base Year is 1998										
* Percents are rounded to the first decimal point										

Exhibit 15: Sony Common-Size Comparative Income Statements

		2001	2000	1999	1998	2001	2000	1999	1998
Sales and operating revenue:									
	Net sales	$6,829,003	$6,238,401	$6,415,418	$6,424,805	93.4%	93.3%	94.3%	95.1%
	Insurance revenue	426,913	380,317	339,368	291,061	5.8	5.7	5.0	4.3
	Other operating revenue	58,908	67,943	49,396	39,624	0.8	1.0	0.7	0.6
		$7,314,824	**$6,686,661**	**$6,804,182**	**$6,755,490**	100.0%	100.0%	100.0%	100.0%
Costs and expenses:									
	Cost of sales	5,046,694	4,595,086	4,633,787	4,618,961	69.0	68.7	68.1	68.4
	Selling, general and administrative	1,634,007	1,508,983	1,511,014	1,345,584	22.3	22.6	22.2	19.9
	Insurance expenses	408,777	359,388	321,320	270,735	5.6	5.4	4.7	4.0
		7,089,478	**6,463,457**	**6,466,121**	**6,235,280**	**96.9**	**96.7**	**95.0**	**92.3**
Operating income		225,346	223,204	338,061	520,120	3.1	3.3	5.0	7.7
Other income:									
	Interest and dividends	18,541	17,700	23,313	20,976	0.3	0.3	0.3	0.3
	Royalty income	29,302	21,704	19,720	16,197	0.4	0.3	0.3	0.2
	Foreign exchange gain, net	—	27,466	2,895	10,094		0.4	0.0	0.1
	Gain on securities contribution to employee retirement benefit trust	11,120	—	58,698		0.2		0.9	0.0
	Gain on sales of securities investments and other, net	41,708	28,099	2,464	739	0.6	0.4	0.0	0.0
	Gain on issuances of stock by equity investees	18,030	727	5,181		0.2	0.0	0.1	0.0
	Other	48,953	50,603	37,426	52,893	0.7	0.8	0.6	0.8
		167,654	146,299	149,697	83,963	2.3	2.2	2.2	1.2
Other expenses:						0.0	0.0	0.0	0.0
	Interest	43,015	42,030	48,275	62,524	0.6	0.6	0.7	0.9
	Foreign exchange loss, net	15,660	—	—		0.2			
	Other	68,457	63,163	61,792	87,900	0.9	0.9	0.9	1.3
		127,132	105,193	110,067	150,424	1.7	1.6	1.6	2.2
Income before income taxes		**265,868**	**264,310**	**377,691**	**453,749**	**3.6**	**4.0**	**5.6**	**6.7**
Income taxes:						0.0	0.0	0.0	0.0
	Current	121,113	120,803	158,386	210,113	1.7	1.8	2.3	3.1
	Deferred	-5,579	-26,159	18,587	4,755	-0.1	-0.4	0.3	0.1
		115,534	**94,644**	**176,973**	**214,868**	**1.6**	**1.4**	**2.6**	**3.2**

Income before minority interest, equity in net losses of affiliated companies and cumulative effect of accounting changes	150,334	169,666	200,718	238,881	2.1	2.5	2.9	3.5
Minority interest in income (loss) of consolidated subsidiaries	-15,348	10,001	12,151	16,813	-0.2	0.1	0.2	0.2
Equity in net losses of affiliated companies	44,455	37,830	9,563		0.6	0.6	0.1	0.0
Income before cumulative effect of accounting changes	**121,227**	**121,835**	**179,004**	**222,068**	**1.7**	**1.8**	**2.6**	**3.3**
Cumulative effect of accounting changes								
(Including 491 million yen income tax expense)	**-104,473**	—	—					
Net income	**$16,754**	**$121,835**	**$179,004**	**$222,068**	**0.2**	**1.8**	**2.6**	**3.3**
Per share data:								
Net income - Basic	$133	$145	$218	$279				
Diluted	124.36	131.7	195.5	241.7				
Cash Dividends	25	25	25	30				

Exhibit 16: Sony Common-Size Comparative Balance Sheets

(in million yens)									
ASSETS		**2001**	**2000**	**1999**	**1998**	**2001**	**2000**	**1999**	**1998**
Current assets:									
	Cash and cash equivalents	$607,245	$626,064	$592,210	$423,286	7.8%	9.2%	9.4%	6.6%
	Time deposits	5,909	6,138	24,304	107,139	0.1	0.1	0.4	1.7
	Marketable securities	90,094	107,499	117,857	169,209	1.2	1.6	1.9	2.6
	Notes and accounts receivable, trade	1,404,952	1,156,065	1,135,598	1,230,799	17.9	17.0	18.0	19.2
	Allowance for doubtful accounts and sales returns	-109,648	-100,596	-122,015	-114,911	-1.4	-1.5	-1.9	-1.8
	Inventories	942,876	746,550	877,898	993,927	12.0	11.0	13.9	15.5
	Deferred income taxes	141,473	117,258	102,588	12,189	1.8	1.7	1.6	0.2
	Prepaid expenses and other current assets	394,573	363,038	340,953	336,839	5.0	5.3	5.4	5.3
Total current assets		**$3,477,474**	**$3,022,016**	**$3,069,393**	**$3,267,477**	**44.4%**	**44.4%**	**48.7%**	**51.0%**
Film costs		**297,617**	**339,011**	**244,537**	**249,066**	**3.8**	**5.0**	**3.9**	**3.9**
Investments and advances:						0.0	0.0	0.0	0.0
	Affiliated companies	104,032	114,670	116,786	65,912	1.3	1.7	1.9	1.0
	Securities investments and other	1,284,956	960,924	863,950	784,550	16.4	14.1	13.7	12.3
		1,388,988	**1,075,594**	**980,736**	**850,462**	**17.7**	**15.8**	**15.6**	**13.3**
Property, plant and equipment:						0.0	0.0	0.0	0.0
	Land	190,394	185,736	191,434	184,427	2.4	2.7	3.0	2.9
	Buildings	828,554	774,372	781,876	864,324	10.6	11.4	12.4	13.5
	Machinery and equipment	2,113,005	1,955,015	1,952,276	1,947,454	27.0	28.7	31.0	30.4
	Construction in progress	165,047	92,787	76,736	95,799	2.1	1.4	1.2	1.5
		3,297,000	3,007,910	3,002,322	3,092,004	42.1	44.2	47.7	48.3
Less— Accumulated depreciation		1,862,701	1,752,340	1,752,571	1,744,877	23.8	25.7	27.8	27.3
Property, plant and equipment, net		**1,434,299**	**1,255,570**	**1,249,751**	**1,347,127**	**18.3**	**18.4**	**19.8**	**21.0**
Other assets:									
	Intangibles, net	221,289	218,496	123,272	124,817	2.8	3.2	2.0	1.9
	Goodwill, net	305,159	293,777	139,888	160,491	3.9	4.3	2.2	2.5
	Deferred insurance acquisition costs	270,022	239,981	199,868	163,120	3.4	3.5	3.2	2.5
	Other	433,118	362,752	291,608	240,483	5.5	5.3	4.6	3.8
		1,229,588	*1,115,006*	*754,636*	*688,911*	15.7	16.4	12.0	10.8
Total Assets		**$7,827,966**	**$6,807,197**	**$6,299,053**	**$6,403,043**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

LIABILITIES AND STOCKHOLDERS' EQUITY								
	2001	**2000**	**1999**	**1998**	**2001**	**2000**	**1999**	**1998**
Current liabilities:								
Short-term borrowings	$185,535	$56,426	$40,877	$114,617	2.4%	0.8%	0.6%	1.8%
Current portion of long-term debt	170,838	158,509	87,825	84,794	2.2	2.3	1.4	1.3
Notes and accounts payable, trade	925,021	811,031	722,690	768,152	11.8	11.9	11.5	12.0
Accounts payable, other and accrued expenses	807,532	681,458	670,631	676,547	10.3	10.0	10.6	10.6
Accrued income and other taxes	133,031	87,520	107,031	157,123	1.7	1.3	1.7	2.5
Other	424,783	365,398	313,491	315,092	5.4	5.4	5.0	4.9
Total current liabilities	**$2,646,740**	**$2,160,342**	**$1,942,545**	**$2,116,325**	**33.8%**	**31.7%**	**30.8%**	**33.1%**
Long-term liabilities:								
Long-term debt	843,687	813,828	1,037,460	1,104,420	10.8	12.0	16.5	17.2
Accrued pension and severance costs	220,787	129,604	129,115	186,871	2.8	1.9	2.0	2.9
Deferred income taxes	175,148	184,020	120,822	147,116	2.2	2.7	1.9	2.3
Future insurance policy benefits and other	1,366,013	1,124,873	913,937	713,970	17.5	16.5	14.5	11.2
Other	241,101	177,059	195,382	193,000	3.1	2.6	3.1	3.0
Total long-term liabilities	**$2,846,736**	**$2,429,384**	**$2,396,716**	**$2,345,377**	**36.4%**	**35.7%**	**38.0%**	**36.6%**
Minority interest in consolidated subsidiaries	19,037	34,565	136,127	125,786	0.2	0.5	2.2	2.0
Stockholders' equity:								
Common stock, 50 yen par value —								
1998-Authorized 1,350,000,000 shares,								
outstanding 407,195,271 shares				$406,196				6.3
1999-Authorized 1,350,000,000 shares, outstanding 410,439,111 shares								
			$416,373				6.6	
2000 — Authorized 1,350,000,000 shares, outstanding 453,639,163 shares		$451,550				6.6		
2001 — Authorized 3,500,000,000 shares, outstanding 919,617,134 shares	$472,002				6.0			
Additional paid-in capital	962,401	940,716	559,236	548,422	12.3	13.8	8.9	8.6
Retained earnings	**1,217,110**	**1,223,761**	**1,123,591**	**965,083**	**15.5**	**18.0**	**17.8**	**15.1**
Accumulated other comprehensive income —								
Unrealized gains on securities	44,516	61,915	23,483	45,173	0.6	0.9	0.4	0.7
Minimum pension liability adjustment	-49,812	-3,678	-8,999	-5,714	-0.6	-0.1	-0.1	-0.1
Foreign currency translation adjustments	-323,271	-483,553	284,380	-140,725	-4.1	-7.1	4.5	-2.2
	-328,567	**-425,316**	**-269,896**	**-101,266**	**-4.2**	**-6.2**	**-4.3**	**-1.6**
Treasury stock, at cost					0.0	0.0	0.0	0.0
(2000 — 633,139 shares, 2001 — 1,221,934 shares)	-7,493	-7,805	-5,639	-2,880	-0.1	-0.1	-0.1	0.0
Total shareholders' equity	**$2,315,453**	**$2,182,906**	**$1,823,665**	**$1,815,555**	**29.6%**	**32.1%**	**29.0%**	**28.4%**
Total liabilities and equity	**$7,827,966**	**$6,807,197**	**$6,299,053**	**$6,403,043**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Base Year is 1998								

Exhibit 17: Sony Trend Percents of Income Statements

in percents	2001	2000	1999	1998	2001	2000	1999	1998
Sales and operating revenue:								
Net sales	$6,829,003	$6,238,401	$6,415,418	$6,424,805	106.3%	97.1%	99.9%	100.0%
Insurance revenue	426,913	380,317	339,368	291,061	146.7	130.7	116.6	100.0
Other operating revenue	58,908	67,943	49,396	39,624	148.7	171.5	124.7	100.0
Total revenue	**$7,314,824**	**$6,686,661**	**$6,804,182**	**$6,755,490**	108.3%	99.0%	100.7%	100.0%
Costs and expenses:								
Cost of sales	5,046,694	4,595,086	4,633,787	4,618,961	109.3	99.5	100.3	100.0
Selling, general and administrative	1,634,007	1,508,983	1,511,014	1,345,584	121.4	112.1	112.3	100.0
Insurance expenses	408,777	359,388	321,320	270,735	151.0	132.7	118.7	100.0
Total costs and expenses	**7,089,478**	**6,463,457**	**6,466,121**	**6,235,280**	113.7	103.7	103.7	100.0
Operating income	225,346	223,204	338,061	520,120	43.3	42.9	65.0	100.0
Other income:								
Interest and dividends	18,541	17,700	23,313	20,976	88.4	84.4	111.1	100.0
Royalty income	29,302	21,704	19,720	16,197	180.9	134.0	121.8	100.0
Foreign exchange gain, net	—	27,466	2,895	10,094		272.1	28.7	100.0
Gain on securities contribution to employee retirement benefit trust	11,120	—	58,698					
Gain on sales of securities investments and other, net	41,708	28,099	2,464	739	5643.8	3802.3	333.4	100.0
Gain on issuances of stock by equity investees	18,030	727	5,181					
Other	48,953	50,603	37,426	52,893	92.6	95.7	70.8	100.0
Total other income	167,654	146,299	149,697	83,963	199.7	174.2	178.3	100.0
Other expenses:								
Interest	43,015	42,030	48,275	62,524	68.8	67.2	77.2	100.0
Foreign exchange loss, net	15,660	—	—					
Other	68,457	63,163	61,792	87,900	77.9	71.9	70.3	100.0
Total other expenses	127,132	105,193	110,067	150,424	84.5	69.9	73.2	100.0
Income before income taxes	**265,868**	**264,310**	**377,691**	**453,749**	58.6	58.3	83.2	100.0
Income taxes:								
Current	121,113	120,803	158,386	210,113	57.6	57.5	75.4	100.0
Deferred	-5,579	-26,159	18,587	4,755			390.9	100.0
Total income taxes (expense)	**115,534**	**94,644**	**176,973**	**214,868**	53.8	44.0	82.4	100.0
Income before minority interest, equity in net losses of affiliated companies and cumulative effect of accounting changes	150,334	169,666	200,718	238,881	62.9	71.0	84.0	100.0

Minority interest in income (loss) of consolidated subsidiaries	-15,348	10,001	12,151	16,813	-91.3	59.5	72.3	100.0
Income before cumulative effect of accounting changes	**121,227**	**121,835**	**179,004**	**222,068**	54.6	54.9	80.6	100.0
Net income	**$16,754**	**$121,835**	**$179,004**	**$222,068**	7.5	54.9	80.6	100.0
Base year is 1998								

Exhibit 18: Sony Trend Percents of Balance Sheets

(in million Yen)								
ASSETS	**2001**	**2000**	**1999**	**1998**	**2001**	**2000**	**1999**	**1998**
Current assets:								
Cash and cash equivalents	$607,245	$626,064	$592,210	$423,286	143.5%	147.9%	139.9%	100.0%
Time deposits	5,909	6,138	24,304	107,139	5.5	5.7	22.7	100.0
Marketable securities	90,094	107,499	117,857	169,209	53.2	63.5	69.7	100.0
Notes and accounts receivable, trade	1,404,952	1,156,065	1,135,598	1,230,799	114.1	93.9	92.3	100.0
Allowance for doubtful accounts and sales returns	-109,648	-100,596	-122,015	-114,911	95.4	87.5	106.2	100.0
Inventories	942,876	746,550	877,898	993,927	94.9	75.1	88.3	100.0
Deferred income taxes	141,473	117,258	102,588	12,189	1160.7	962.0	841.6	100.0
Prepaid expenses and other current assets	394,573	363,038	340,953	336,839	117.1	107.8	101.2	100.0
Total current assets	**$3,477,474**	**$3,022,016**	**$3,069,393**	**$3,267,477**	106.4	92.5	93.9	100.0
Film costs	*297,617*	*339,011*	*244,537*	*249,066*	119.5%	136.1%	98.2%	100.0%
Investments and advances:								
Affiliated companies	104,032	114,670	116,786	65,912	157.8	174.0	177.2	100.0
Securities investments and other	1,284,956	960,924	863,950	784,550	163.8	122.5	110.1	100.0
	1,388,988	*1,075,594*	*980,736*	*850,462*	163.3	126.5	115.3	100.0
Property, plant and equipment:								
Land	190,394	185,736	191,434	184,427	103.2	100.7	103.8	100.0
Buildings	828,554	774,372	781,876	864,324	95.9	89.6	90.5	100.0
Machinery and equipment	2,113,005	1,955,015	1,952,276	1,947,454	108.5	100.4	100.2	100.0
Construction in progress	165,047	92,787	76,736	95,799	172.3	96.9	80.1	100.0
	3,297,000	3,007,910	3,002,322	3,092,004	106.6%	97.3%	97.1%	100.0%
Less— Accumulated depreciation	1,862,701	1,752,340	1,752,571	1,744,877	106.8	100.4	100.4	100.0

	1,434,299	*1,255,570*	*1,249,751*	*1,347,127*	106.5%	93.2%	92.8%	100.0%
Other assets:								
Intangibles, net	221,289	218,496	123,272	124,817	177.3	175.1	98.8	100.0
Goodwill, net	305,159	293,777	139,888	160,491	190.1	183.0	87.2	100.0
Deferred insurance acquisition costs	270,022	239,981	199,868	163,120	165.5	147.1	122.5	100.0
Other	433,118	362,752	291,608	240,483	180.1	150.8	121.3	100.0
	1,229,588	*1,115,006*	*754,636*	*688,911*	178.5	161.9	109.5	100.0
Total Assets	**$7,827,966**	**$6,807,197**	**$6,299,053**	**$6,403,043**	122.3%	106.3%	98.4%	100.0%
LIABILITIES AND STOCKHOLDERS' EQUITY								
	2001	**2000**	**1999**	**1998**	**2001**	**2000**	**1999**	**1998**
Current liabilities:								
Short-term borrowings	$185,535	$56,426	$40,877	$114,617	161.9%	49.2%	35.7%	100.0%
Current portion of long-term debt	170,838	158,509	87,825	84,794	201.5	186.9	103.6	100.0
Notes and accounts payable, trade	925,021	811,031	722,690	768,152	120.4	105.6	94.1	100.0
Accounts payable, other and accrued expenses	807,532	681,458	670,631	676,547	119.4	100.7	99.1	100.0
Accrued income and other taxes	133,031	87,520	107,031	157,123	84.7	55.7	68.1	100.0
Other	424,783	365,398	313,491	315,092	134.8	116.0	99.5	100.0
Total current liabilities	**$2,646,740**	**$2,160,342**	**$1,942,545**	**$2,116,325**	125.1%	102.1%	91.8%	100.0%
Long-term liabilities:								
Long-term debt	843,687	813,828	1,037,460	1,104,420	76.4	73.7	93.9	100.0
Accrued pension and severance costs	220,787	129,604	129,115	186,871	118.1	69.4	69.1	100.0
Deferred income taxes	175,148	184,020	120,822	147,116	119.1	125.1	82.1	100.0
Future insurance policy benefits and other	1,366,013	1,124,873	913,937	713,970	191.3	157.6	128.0	100.0
Other	241,101	177,059	195,382	193,000	124.9	91.7	101.2	100.0
Total long-term liabilities	**$2,846,736**	**$2,429,384**	**$2,396,716**	**$2,345,377**	121.4%	103.6%	102.2%	100.0%
Minority interest in consolidated subsidiaries	19,037	34,565	136,127	125,786	15.1	27.5	108.2	100.0
Stockholders' equity:								
Common stock, 50 yen par value—								

1998-Authorized 1,350,000,000 shares,outstanding 407,195,271 shares				$406,196				100.0
1999-Authorized 1,350,000,000 shares, outstanding 410,439,111 shares			$416,373				102.5	
2000 — Authorized 1,350,000,000 shares, outstanding 453,639,163 shares		$451,550				111.2		
2001 — Authorized 3,500,000,000 shares, outstanding 919,617,134 shares	$472,002				116.2			
Additional paid-in capital	962,401	940,716	559,236	548,422	175.5	171.5	102.0	100.0
Retained earnings	*1,217,110*	*1,223,761*	*1,123,591*	*965,083*	126.1	126.8	116.4	100.0
Accumulated other comprehensive income —								
Unrealized gains on securities	44,516	61,915	23,483	45,173	98.5	137.1	52.0	100.0
Minimum pension liability adjustment	-49,812	-3,678	-8,999	-5,714	871.8	64.4	157.5	100.0
Foreign currency translation adjustments	-323,271	-483,553	284,380	-140,725	229.7	343.6	-202.1	100.0
	-328,567	-425,316	-269,896	-101,266	324.5	420.0	266.5	100.0
Treasury stock, at cost								
(2000 — 633,139 shares, 2001 — 1,221,934 shares)	-7,493	-7,805	-5,639	-2,880	260.2	271.0	195.8	100.0
Total shareholders' equity	**$2,315,453**	**$2,182,906**	**$1,823,665**	**$1,815,555**	127.5%	120.2%	100.4%	100.0%
Total liabilities and equity	**$7,827,966**	**$6,807,197**	**$6,299,053**	**$6,403,043**	122.3%	106.3%	98.4%	100.0%
Base year is 1998								

Exhibit 19: Common-Size Graphic of Sony's Income Stmt

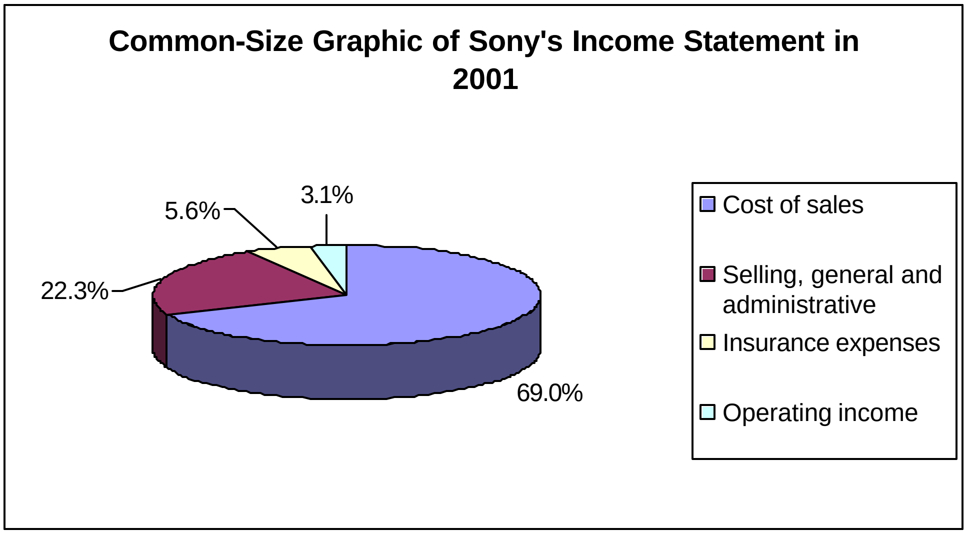

Exhibit 20: Common-Size Graphic of Sony's Total Assets

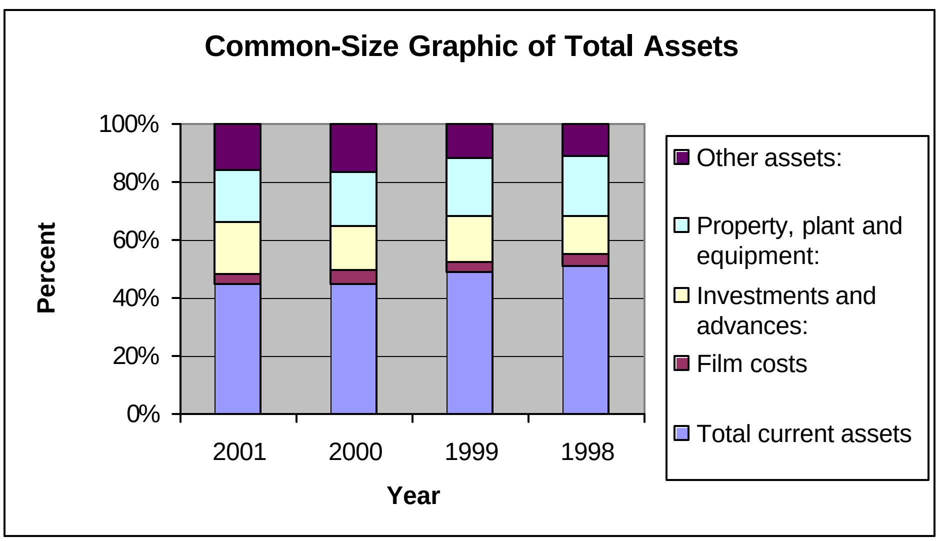

Exhibit 21: Trend Percent Lines for Revenues and Expenses

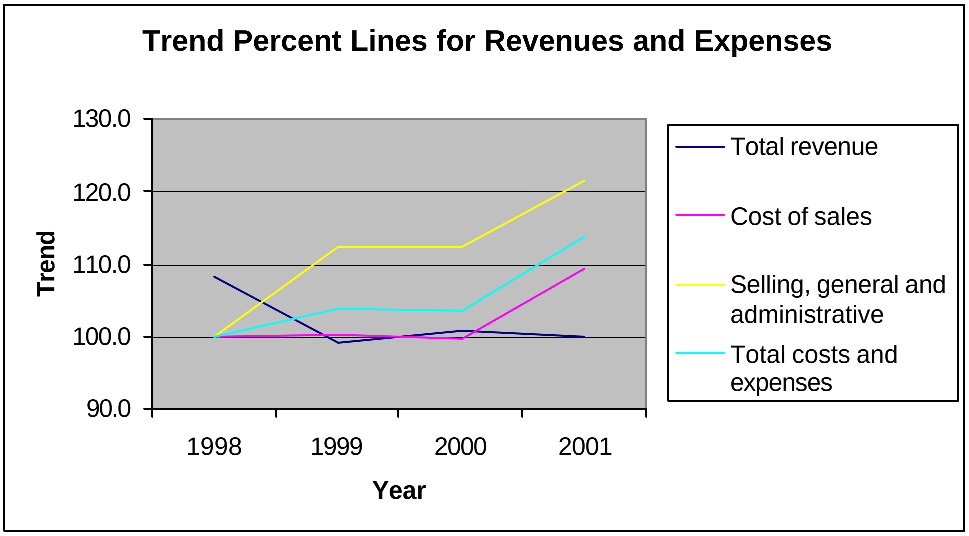

Exhibit 22: Trend Percent Lines for Assets, Liabilities & Equity

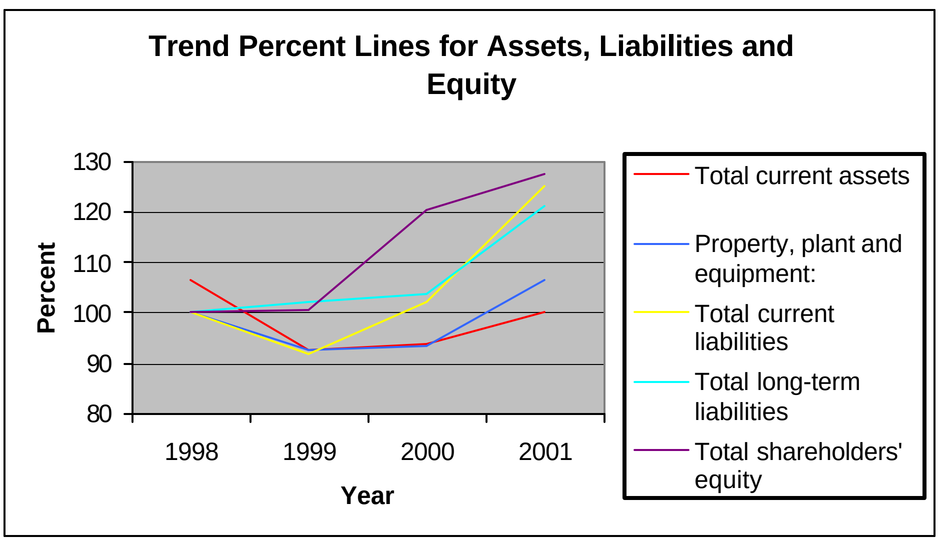

Exhibit 23: Common-Size Graphic of Financial Sources

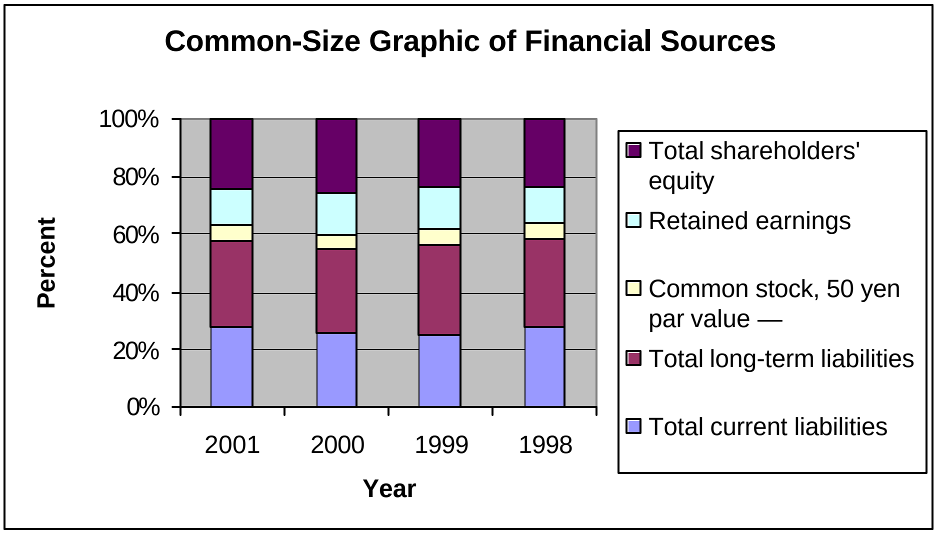

Exhibit 24: Revenue vs. Total Assets

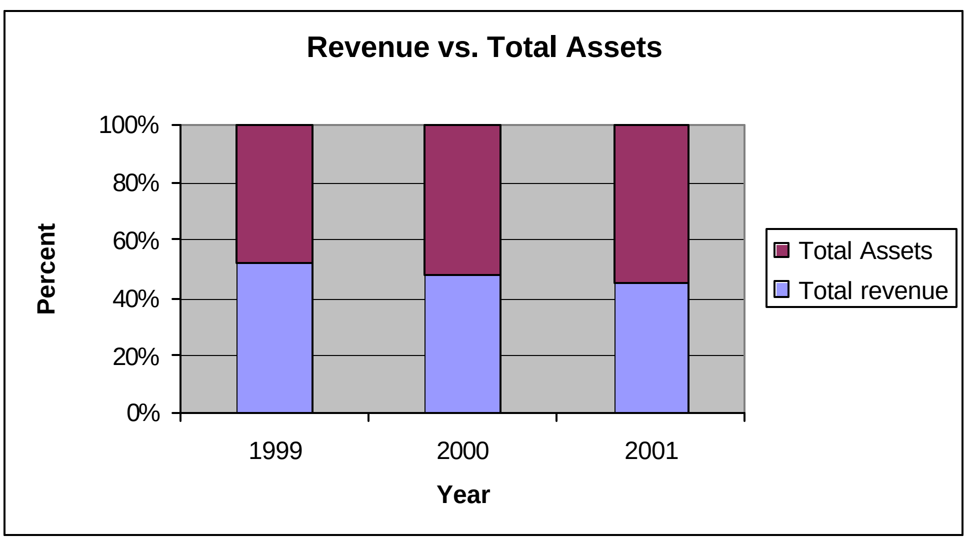

Exhibit 25: A Glance of Stock Market

SONY CORPORATION (SNE) **46.80 USD** NYSE 00:00 ET

Quotes	**4Dec2001**
% Change	**1.76%**
Open	**46.80 USD**
Low	**45.35**
Net Volume	**837,000**
% Change based on previous close	
Fundamentals	
52 Wk High	**85.75**
52 Wk Low	**32.80**
Dividend	**0.09**
Div Date	**25/9/2001**
Market Cap	**42,582 M**
Div Yield	**-**
P/E Ratio	**47.27**
EPS	**0.99**

Share Price for the last 5 days

Date	Close	Net Change	% Change
4Dec2001	46.8	0.81	1.76%
3Dec2001	45.99	-1.71	-3.58%
30Nov2001	47.7	0.70	1.49%
29Nov2001	47	0.89	1.93%
28Nov2001	46.11	-2.14	-4.44%

Exhibit 26: Comparison of Income of Sony during 1999-2003

	1999	2000	2001	2002	2003
Net income	179004.0	121835.0	121227.0	72736.2	50915.3
Net sales	6804182.0	6686661.0	7314824.0	7534268.7	7760296.8
Profit margin	2.6	1.8	1.7	1.0	0.7

Exhibit 27: Graphics of Comparison of Income of Sony during 1999-2003

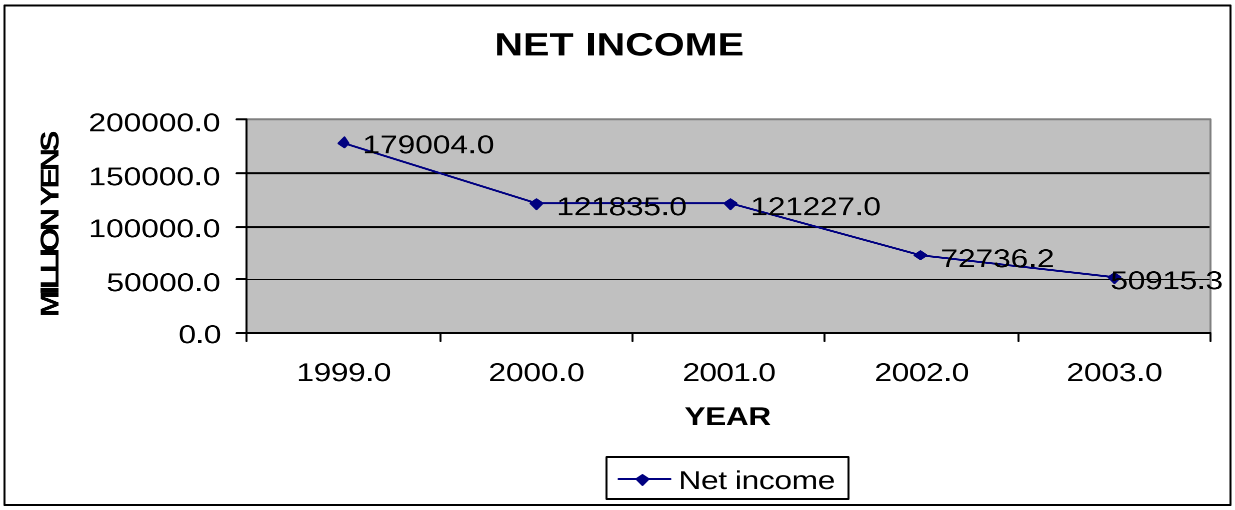

Exhibit 28: Graphics of Comparison of both Net income and Net Sales of Sony during 1999-2003