

SONY CORP
Form 20-F
June 22, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 20-F

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2007

Commission file number 1-6439

Sony Kabushiki Kaisha
(Exact name of Registrant as specified in its charter)

SONY CORPORATION
(Translation of Registrant's name into English)

JAPAN
(Jurisdiction of incorporation or organization)

**7-1, KONAN 1-CHOME, MINATO-KU,
TOKYO 108-0075, JAPAN**
(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares*	New York Stock Exchange
Common Stock**	New York Stock Exchange

* American Depositary Shares evidenced by American Depositary Receipts.
Each American Depositary Share represents one share of Common Stock.

** No par value per share.
Not for trading, but only in connection with the listing of American Depositary Shares pursuant to the requirements of the New York Stock Exchange.

Securities registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

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(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Title of Class	Outstanding as of	
	March 30, 2007 (Tokyo Time)	March 29, 2007 (New York Time)
Common Stock	1,002,062,405	
American Depositary Shares		176,704,973

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. Refer to definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

In this document, Sony Corporation and its consolidated subsidiaries are together referred to as "Sony." In addition, sales and operating revenue is referred to as "sales" in the narrative description except in the Consolidated Financial Statements.

The noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on June 20, 2007 was 123.60 yen = 1 U.S. dollar.

As of March 31, 2007, Sony Corporation had 960 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method with respect to its 62 affiliated companies.

Table of Contents**Cautionary Statement**

Statements made in this annual report with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony.

Forward-looking statements include, but are not limited to, those statements using words such as believe, expect, plans, strategy, prospects, forecast, estimate, project, anticipate, aim, may or might and words of connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Sony cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to (i) the global economic environment in which Sony operates, as well as the economic conditions in Sony's markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, the Euro and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; (iii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including newly introduced platforms within the Game segment, which are offered in highly competitive markets characterized by continual new product introductions, rapid development in technology and subjective and changing consumer preferences (particularly in the Electronics, Game and Pictures segments, and the music business); (iv) Sony's ability and timing to recoup large-scale investments required for technology development and increasing production capacity; (v) Sony's ability to implement successfully personnel reduction and other business reorganization activities in its Electronics segment; (vi) Sony's ability to implement successfully its network strategy for its Electronics, Game and Pictures segments, and All Other, including the music business, and to develop and implement successful sales and distribution strategies in its Pictures segment and the music business in light of the Internet and other technological developments; (vii) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to correctly prioritize investments (particularly in the Electronics segment); (viii) Sony's ability to maintain product quality (particularly in the Electronics and Game segments); (ix) the success of Sony's joint ventures and alliances; (x) the outcome of pending legal and/or regulatory proceedings; and (xi) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful Asset Liability Management in the Financial Services segment. Risks and uncertainties also include the impact of any future events with material adverse impacts.

Important information regarding risks and uncertainties is also set forth elsewhere in this annual report, including in Risk Factors included in Item 3. *Key Information*, Item 4. *Information on the Company*, Item 5. *Operating and Financial Review and Prospects*, Legal Proceedings included in Item 8. *Financial Information*, Sony's Consolidated Financial Statements referenced in Item 8. *Financial Information*, and Item 11. *Quantitative and Qualitative Disclosures about Market Risk*.

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Not Applicable

ITEM 2. Offer Statistics and Expected Timetable

Not Applicable

ITEM 3. Key Information**Selected Financial Data**

	Fiscal Year Ended March 31				
	2003	2004	2005	2006	2007
	(Yen in millions, Yen per share amounts)				
Income Statement					
Data:					
Sales and operating revenue	7,506,008	7,530,635	7,191,325	7,510,597	8,295,695
Operating income	217,815	133,146	145,628	226,416	71,750
Income before income taxes	247,621	144,067	157,207	286,329	102,037
Income taxes	80,831	52,774	16,044	176,515	53,888
Income before cumulative effect of accounting changes	115,519	90,628	168,551	123,616	126,328
Net income	115,519	88,511	163,838	123,616	126,328
Data per Share of Common Stock:					
Income before cumulative effect of accounting changes					
Basic	125.74	98.26	180.96	122.58	126.15
Diluted	118.21	89.03	162.59	116.88	120.29
Net income					
Basic	125.74	95.97	175.90	122.58	126.15
Diluted	118.21	87.00	158.07	116.88	120.29
Cash dividends declared					
Interim	12.50	12.50	12.50	12.50	12.50
	(10.50 cents)	(11.37 cents)	(12.12 cents)	(10.36 cents)	(10.78 cents)
Fiscal year-end	12.50	12.50	12.50	12.50	12.50
	(10.53 cents)	(11.26 cents)	(11.29 cents)	(11.04 cents)	(10.24 cents)
Depreciation and amortization*	351,925	366,269	372,865	381,843	400,009

Capital expenditures (additions to fixed assets)	261,241	378,264	356,818	384,347	414,138
Research and development costs	443,128	514,483	502,008	531,795	543,937

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	Fiscal Year Ended March 31				
	2003	2004	2005	2006	2007
	(Yen in millions, Yen per share amounts)				
Balance Sheet Data:					
Net working capital	719,166	381,140	746,803	569,296	994,871
Long-term debt	807,439	777,649	678,992	764,898	1,001,005
Stockholders' equity	2,280,895	2,378,002	2,870,338	3,203,852	3,370,704
Total assets	8,370,545	9,090,662	9,499,100	10,607,753	11,716,362
Number of shares issued at fiscal year-end (thousands of shares of common stock)	922,385	926,418	997,211	1,001,680	1,002,897
Stockholders' equity per share of common stock	2,466.81	2,563.67	2,872.21	3,200.85	3,363.77

* Depreciation and amortization includes amortization expenses for intangible assets and for deferred insurance acquisition costs.

	Average*	High	Low	Period-End
	(Yen)			
Yen Exchange Rates per U.S. Dollar:				
Fiscal year ended March 31				
2003	121.94	115.71	133.40	118.07
2004	113.07	120.55	104.18	104.18
2005	107.49	114.30	102.26	107.22
2006	113.15	120.93	104.41	117.78
2007	116.92	121.81	110.07	117.56
2007				
January		121.81	118.49	121.02
February		121.77	118.33	118.33
March		118.15	116.01	117.56
April		119.84	117.69	119.44
May		121.79	119.77	121.76
June (through June 20)		123.67	121.08	123.60

The noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on June 20, 2007 was 123.60 yen = 1 U.S.dollar.

* The average yen exchange rates represent average noon buying rates of all the business days during the respective year.

Notes to Selected Financial Data:

- In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 46, Consolidation of Variable Interest Entities – an Interpretation of Accounting Research Bulletin (ARB) No. 51. FIN No. 46 addresses the consolidation by a primary beneficiary of a variable interest entity (VIE). Sony early

adopted the provisions of FIN No. 46 on July 1, 2003. As a result of adopting the original FIN No. 46, Sony recognized a one-time charge with no tax effect of 2,117 million yen as a cumulative effect of accounting change in the consolidated statement of income, and Sony's assets and liabilities increased by 95,255 million yen and 97,950 million yen, respectively. These increases were treated as non-cash transactions in the consolidated statement of cash flows. In addition, cash and cash equivalents increased by 1,521 million yen. Sony subsequently early adopted the provisions of FIN No. 46R, which replaced FIN No. 46, upon issuance

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in December 2003. The adoption of FIN No. 46R did not have an impact on Sony's results of operations and financial position or impact the way Sony had previously accounted for VIEs.

2. In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position (SOP) 03-1, Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts. SOP 03-1 requires insurance enterprises to record additional reserves for long-duration life insurance contracts with minimum guarantee or annuity receivable options. Additionally,