

SONY CORP
Form 20-F
June 23, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
or

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2015

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from/to

or

.. **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report:

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

Edgar Filing: SONY CORP - Form 20-F

(Jurisdiction of incorporation or organization)

7-1, KONAN 1-CHOME, MINATO-KU,

TOKYO 108-0075 JAPAN

(Address of principal executive offices)

J. Justin Hill, Senior Vice President, Investor Relations

Sony Corporation of America

550 Madison Avenue

New York, NY 10022

Telephone: 212-833-6722

E-mail: ir.sony@am.sony.com

(Name, Telephone, E-mail and Address of Company Contact Person)

Securities registered or to be 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

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

None

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 31, 2015 (Tokyo Time)	March 31, 2015 (New York Time)
Common Stock		
American Depositary Shares	1,168,741,937	127,805,220

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

Edgar Filing: SONY CORP - Form 20-F

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other
If Other has been checked in response to the previous question, 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

Table of Contents**Cautionary Statement**

Statements made in this release 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, intend, could or should, and words of similar meaning in 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, judgments and beliefs in light of the information currently available to it. Sony cautions investors 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 investors should not place undue reliance on them. Investors 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 and the economic conditions in Sony's markets, particularly levels of consumer spending;
- (ii) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, 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 televisions, game platforms and smartphones, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing consumer preferences;
- (iv) Sony's ability and timing to recoup large-scale investments required for technology development and production capacity;
- (v) Sony's ability to implement successful business restructuring and transformation efforts under changing market conditions;
- (vi) Sony's ability to implement successful hardware, software, and content integration strategies for all segments excluding the Financial Services segment, and to develop and implement successful sales and distribution strategies 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 prioritize investments correctly (particularly in the electronics businesses);
- (viii) Sony's ability to maintain product quality;
- (ix) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures and other strategic investments;
- (x) significant volatility and disruption in the global financial markets or a ratings downgrade;

Edgar Filing: SONY CORP - Form 20-F

- (xi) Sony's ability to forecast demands, manage timely procurement and control inventories;
- (xii) the outcome of pending and/or future legal and/or regulatory proceedings;
- (xiii) 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;
- (xiv) the impact of unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;

Table of Contents

(xv) Sony's ability to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information, potential business disruptions or financial losses; and

(xvi) risks related to catastrophic disasters or similar events.

Risks and uncertainties also include the impact of any future events with material adverse impact.

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*.

In this document, Sony Corporation and its consolidated subsidiaries are together referred to as Sony. In addition, sales and operating revenue are referred to as sales in the narrative description except in the consolidated financial statements.

As of March 31, 2015, Sony Corporation had 1,240 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method with respect to its 98 affiliated companies.

Table of Contents**TABLE OF CONTENTS**

<u>Item 1. Identity of Directors, Senior Management and Advisers</u>	6
<u>Item 2. Offer Statistics and Expected Timetable</u>	6
<u>Item 3. Key Information</u>	6
<u>A. Selected Financial Data</u>	6
<u>B. Capitalization and Indebtedness</u>	7
<u>C. Reasons for the Offer and Use of Proceeds</u>	7
<u>D. Risk Factors</u>	7
<u>Item 4. Information on the Company</u>	25
<u>A. History and Development of the Company</u>	25
<u>Principal Capital Investments</u>	26
<u>B. Business Overview</u>	27
<u>Products and Services</u>	27
<u>Sales and Distribution</u>	31
<u>Sources of Supply</u>	34
<u>After-Sales Service</u>	34
<u>Patents and Licenses</u>	34
<u>Competition</u>	35
<u>Government Regulations</u>	37
<u>C. Organizational Structure</u>	39
<u>D. Property, Plant and Equipment</u>	40
<u>Item 4A. Unresolved Staff Comments</u>	42
<u>Item 5. Operating and Financial Review and Prospects</u>	42
<u>A. Operating Results</u>	42
<u>B. Liquidity and Capital Resources</u>	75
<u>C. Research and Development</u>	77
<u>D. Trend Information</u>	78
<u>Issues Facing Sony and Management's Response to those Issues</u>	78
<u>E. Off-balance Sheet Arrangements</u>	80
<u>F. Contractual Obligations, Commitments, and Contingent Liabilities</u>	81
<u>Critical Accounting Policies and Estimates</u>	82
<u>Recently Adopted Accounting Standards</u>	88
<u>Recent Accounting Pronouncements</u>	88
<u>Item 6. Directors, Senior Management and Employees</u>	89
<u>A. Directors and Senior Management</u>	89
<u>B. Compensation</u>	93
<u>C. Board Practices</u>	96
<u>D. Employees</u>	99
<u>E. Share Ownership</u>	100
<u>Item 7. Major Shareholders and Related Party Transactions</u>	101
<u>A. Major Shareholders</u>	101
<u>B. Related Party Transactions</u>	102
<u>C. Interests of Experts and Counsel</u>	102
<u>Item 8. Financial Information</u>	102
<u>A. Consolidated Statements and Other Financial Information</u>	102
<u>Legal Proceedings</u>	102
<u>Dividend Policy</u>	103
<u>B. Significant Changes</u>	103
<u>Item 9. The Offer and Listing</u>	104
<u>A. Offer and Listing Details</u>	104
<u>Trading Markets</u>	104
<u>Trading on the TSE and the NYSE</u>	104

Table of Contents

<u>B. Plan of Distribution</u>	105
<u>C. Markets</u>	105
<u>D. Selling Shareholders</u>	105
<u>E. Dilution</u>	105
<u>F. Expenses of the Issue</u>	105
<u>Item 10. <i>Additional Information</i></u>	105
<u>A. Share Capital</u>	105
<u>B. Memorandum and Articles of Association</u>	105
<u>C. Material Contracts</u>	114
<u>D. Exchange Controls</u>	114
<u>E. Taxation</u>	115
<u>F. Dividends and Paying Agent</u>	118
<u>G. Statement by Experts</u>	118
<u>H. Documents on Display</u>	118
<u>I. Subsidiary Information</u>	118
<u>Item 11. <i>Quantitative and Qualitative Disclosures about Market Risk</i></u>	118
<u>Item 12. <i>Description of Securities Other Than Equity Securities</i></u>	120
<u>A. Debt Securities</u>	120
<u>B. Warrants and Rights</u>	120
<u>C. Other Securities</u>	120
<u>D. American Depositary Shares</u>	120
<u>Item 13. <i>Defaults, Dividend Arrearages and Delinquencies</i></u>	122
<u>Item 14. <i>Material Modifications to the Rights of Security Holders and Use of Proceeds</i></u>	122
<u>Item 15. <i>Controls and Procedures</i></u>	122
<u>Item 16. <i>[Reserved]</i></u>	123
<u>Item 16A. <i>Audit Committee Financial Expert</i></u>	123
<u>Item 16B. <i>Code of Ethics</i></u>	123
<u>Item 16C. <i>Principal Accountant Fees and Services</i></u>	123
<u>Audit and Non-Audit Fees</u>	123
<u>Audit Committee's Pre-Approval Policies and Procedures</u>	124
<u>Item 16D. <i>Exemptions from the Listing Standards for Audit Committees</i></u>	124
<u>Item 16E. <i>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</i></u>	125
<u>Item 16F. <i>Change in Registrant's Certifying Accountant</i></u>	125
<u>Item 16G. <i>Disclosure About Differences in Corporate Governance</i></u>	125
<u>Item 16H. <i>Mine Safety Disclosure</i></u>	131
<u>Item 17. <i>Financial Statements</i></u>	131
<u>Item 18. <i>Financial Statements</i></u>	131
<u>Item 19. <i>Exhibits</i></u>	132
<u>Signatures</u>	133

Table of Contents**Item 1. Identity of Directors, Senior Management and Advisers**

Not Applicable

Item 2. Offer Statistics and Expected Timetable

Not Applicable

Item 3. Key Information**A. Selected Financial Data**

	2011	Fiscal year ended March 31			2015
		2012	2013	2014	
		(Yen in millions, yen per share amounts)			
Income statement data:					
Sales and operating revenue	7,177,589	6,493,083	6,795,504	7,767,266	8,215,880
Equity in net income (loss) of affiliated companies	14,062	(121,697)	(6,948)	(7,374)	3,921
Operating income (loss)	196,725	(65,663)	226,503	26,495	68,548
Income (loss) before income taxes	201,809	(80,911)	242,084	25,741	39,729
Income taxes	424,215	316,753	140,398	94,582	88,733
Net income (loss) attributable to Sony Corporation's stockholders	(261,261)	(455,038)	41,540	(128,369)	(125,980)
Data per share of Common Stock:					
Net income (loss) attributable to Sony Corporation's stockholders*					
Basic	(260.33)	(453.42)	41.32	(124.99)	(113.04)
Diluted	(260.33)	(453.42)	38.79	(124.99)	(113.04)
Cash dividends declared Interim	12.50	12.50	12.50	12.50	
	(14.84 cents)	(16.08 cents)	(15.18 cents)	(12.12 cents)	
Cash dividends declared Fiscal year-end	12.50	12.50	12.50	12.50	
	(15.66 cents)	(15.70 cents)	(12.46 cents)	(12.19 cents)	
Depreciation and amortization**	367,584	366,270	376,735	376,695	354,624
Capital expenditures (additions to fixed assets)	314,676	414,647	302,153	261,034	251,048
Research and development costs	426,814	433,477	473,610	466,030	464,320
Balance sheet data:					
Net working capital (deficit)	(294,166)	(775,019)	(668,556)	(578,728)	(547,689)
Long-term debt	812,235	762,226	938,428	916,648	712,087