

# [Sony financial analysis’09 essay](https://assignbuster.com/sony-financial-analysis09-essay/)

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Acknowledgement We also extend our gratitude to the writers and publishers and of the books from which parts have been included in my report. Lastly, we would like to acknowledge the Almighty God for his guidance and wisdom throughout the process. | | Table of Contents | Page No. | 1 | Introduction | 3 | | 2 | Profitability ratio analysis | 5 | | 3 | Efficiency ratio analysis | 7 | | 4 | Financial stability of short and long run | 9 | | 5 | Liquidity ratio analysis | 10 | | 6 | Investment ratio analysis | 11 | | 7 | Cash Flow analysis | 12 | | 8 | Accounting Policy | 13 | | 9 | Outlook for next financial year | 14 | | 10 | Stock Market analysis | 15 | | 11 | References | 16 | | 12 | Conclusion | 17 | | 13 | Appendices | 18 | OVERVIEW OF SONY CORPORATION Sony Corporation is a multinational conglomerate corporation headquartered in Minato, Tokyo, Japan, and one of the world’s largest media conglomerates with revenue exceeding 77.

30 billion Yen (as of 2009). Sony Corporation is the electronics business unit and the parent company of the Sony Group, which is engaged in business through its five operating segments—electronics, games, entertainment (motion pictures and music), financial services and other. These make Sony one of the most comprehensive entertainment companies in the world. Sony’s principal business operations include Sony Corporation (Sony Electronics in the U. S. ), Sony Pictures Entertainment, Sony Computer Entertainment, Sony BMG, Sony Ericsson, and Sony Financial Holdings.

As a semiconductor maker, Sony is among the Worldwide Top 20 Semiconductor Sales Leaders. [pic] Sony is uniquely positioned to be the leading electronics and entertainment company in the world. Sales and operating revenue (sales) decreased 12.

% compared to the previous fiscal year and losses were recorded due to such factors as the slowdown of the global economy, the appreciation of the yen and the decline of the Japanese stock market. Proportion of sales by business segment and electronics sales by product category [pic] | | Sales /Revenue | Operating income/loss | | Electronics |? 5, 488 billion |? (168. 1) billion | | Game |? 1053. 1 billion |? (58. 5) billion (imp of ? 66. 1 billion) | | Pictures |? 717. 5 billion |? 29. 9 billion (-48.

%) | | Financial Services |? 538. 2 billion |? (31. 2) billion | | All Other |? 539. 6 billion |? 30. 4 billion (-50.

1%) | Profitability Ratios Profitability ratios are concerned primarily with income statement and stock performance and provide clues as to how well the company’s managers are able to turn each dollar in sales into profit and support the price of the company’s stock. [pic] Sales Sales for the financial year ended March 31, 2009 decreased by 565. 7 or 12. percent billion yen to 7729. 9 billion yen compared with the previous financial year.

The electronics, financial services and game segments incurred operating loss when compared to pictures segment that made an operating profit, though the operating income fell 48. 9%, to ? 29. 9 billion. Sales Ratio Cost of sales for the financial year ended March 31, 2009 decreased by 629. 5 billion yen to 5, 660. 0 billion yen compared with the 2008 financial year, and sales ratio increased from 70. 9 percent to 73.

2 percent as a percentage of sales. Gross Profit Margin Gross Profit for the financial year ended March 31, 2009 decreased by 511. 9 billion yen to 2, 581. billion yen as compared to the previous year though the cost of sales decreased in the same period.

Net Profit For the financial year ended March 31, 2009 Sony incurred a net loss 202. 6 billion yen as compared to the previous year. As a percentage of sales, there was a net loss of 1.

28 percent as compared to the previous year profit of 4. 16 percent. Efficiency Ratios [pic] Asset Turnover Ratio This ratio is useful to determine the amount of sales that are generated from each dollar of assets. As per the Horizontal Balance sheet the total assets of Sony have decreased by 5% in the financial yr 2009 due to which Sony was able to generate sales of 0. 4 yen for every 1 yen of assets it owned with comparison to 0. 71 yen for the previous financial year.

Stock Turnover: stock control In principle, the lower the investment in stocks the better it is. Apart from buffer stocks that businesses sometimes need in case of shortages of supply and strategic stocks in case of war, sudden changes in demand and so on, modern stock control theory tells us to minimize our investment in stocks. With a result of 38 days, we can imagine that we bought our 813068 yen worth stocks of raw materials or whatever they were on the beginning of the financial year in 2009. We then know that we ran out of those raw materials on 38 days.

Similarly with the result of 42 days, if we bought our 1021595 yen worth of raw materials on the beginning of the financial year 2008, we would run out and have to buy some more on after 42 days. This ratio has fallen from 42 days to 38 days over the two years and that is probably a good thing. If there’s less stocks to worry about, lower investment in stocks meaning that the money they used to have tied up in the stock room is now free to spend somewhere else. Debtors Turnover Days Debtors’ control is a vital aspect of working capital management. Many businesses need to sell their goods on credit, otherwise they might find it difficult to survive if their competitors provide such credit facilities; this could mean losing customers to the opposition. Nevertheless, since the ompany provides credit, they must do so as optimally as possible.

Why is credit control so important? For Sony, the total amount owing by debtors was 1074220 Yen at the end of the current financial year. On an average, Sony’s creditors are taking 51 days to pay their accounts. Creditors Turnover Days Creditors are the businesses or people who provide goods and services in credit terms. That is, they allow Sony time to pay rather than paying in cash.

There are good reasons to allow people to pay on credit even though literally it doesn’t make sense! If people are given time to pay their bills, they are more likely to buy from your business than from another business that doesn’t give credit. The length of credit period allowed is also a factor that can help a potential customer deciding whether to buy from your business or not: the longer the better, of course. For Sony, the total amount owing to suppliers was 1597625 Yen at the end of the current financial year. Having found that debtors are taking somewhere 50 days on average to pay their accounts, notice that the business is taking over 74 days credit on average for financial year 2008 and 2009. FINANCIAL STABILITY OF SHORT AND LONG RUN GEARING RATIOS [pic] Debt Ratio The Debt to Equity Ratio measures how much money a company should safely be able to borrow over long periods of time. When the debt ratio of the company is higher, it has greater chance of paying off his debt.

The debt ratio for the accounting year ended March 31, 2009 increased by 3 percent from the previous year. This is because of the decrease in total liability by 16% in the 2009. Interest Cover Ratio The interest coverage ratio is a measurement of the number of times a company can make its interest payments with its earnings before interest and taxes. The interest cover ratio of the company became negative as the company made net loss for the financial year ended March 31, 2009. Return on Capital Employed It is commonly used as a measure for comparing the performance between businesses and for assessing whether a business generates enough returns to pay for its cost of capital. The ROCE for the financial year end March 31, 2009 had a negative of 1. 31 from the previous year. This decrease was as a result of reduction in the amount of capital employed for the year 2009 as compared to the previous year.

Liquidity Ratios [pic] Current Ratio: The current ratio measures the relationship between an organization’s current assets and its current liabilities. The current ratio of the company is 1. 32 in the financial year 07-08, and 1.

03 in the financial year 08-09. The company is having current assets of 1. 32 yen for every 1Yen of current liabilities in the financial year of 07- 08 and in the current year the company has current assets of 1. 03 yen for every 1 yen of current liabilities. As the ideal ratio is 2: 1 and the current ratio has decreased as compared to the last financial year, the current liabilities are almost equal to the current assets of the firm indicating.

Quick Ratio: The quick ratio measures a company’s liquidity and ability to meet its obligations. Quick ratio, often referred to as acid-test ratio, is obtained by subtracting inventories from current assets and then dividing by current liabilities. Since we subtracted current inventory from current assets, it means that for every yen of current liabilities there are 1. 07 yen of easily convertible assets in the financial year 07-08. Further in this financial year for every yen of current liabilities there is only 0. 2 yen of current assets available which are sign of company’s financial weakness. Sony has an unsatisfactory liquidity situation.

There are less liquid current assets available to pay the more immediate payable liabilities. In general, a quick ratio of 1 or more is accepted by most creditors. INVESTMENT RATIO Earnings per Share The portion of a company’s profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company’s profitability.

The earnings per share for the financial year ended March 31, 2009 would yield a loss of ? 98. 59 as the company was making net loss. In the previous year it was making a profit of ? 368. 33. P/E RatioThe P/E ratio (price-to-earnings ratio) of a stock (also called its “ P/E”, “ PER”, “ earnings multiple,” or simply “ multiple”) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E.

However, the P/E ratio doesn’t tell us the whole story by itself. The PE Ratio for the financial year 2009 had a negative balance of 20 compared PE ratio for the previous year was 10. CASH FLOW ANALYSIS: Operating Activities: During the financial year ended March 31, 2009, Sony generated 407. 1 billion yen of net cash from operating activities, a decrease of 350. billion yen, or decrease of 46 percent compared with the previous financial year. During the financial year, a variety of factors had a negative impact on operating cash flow, including the contribution of net income from the Electronics segment.

There was also big decrease in the inventories compared to last year. It had a change of -214percent in inventories. Compared with the previous financial year, net cash provided by operating activities decreased during the financial year mainly as a result of the decrease in net income by -468 billion yen i. e.

a -126 percent change. Investing Activities: During the financial year, Sony used 910. 4 billion yen of net cash in investing activities, an increase of 170. billion yen, or 18.

7 percent, compared with the previous financial year. Compared with the previous financial year, net cash used in investing activities decreased significantly within all segments excluding the Financial Services segment, primarily due to the sale of a portion of SFH shares. On the other hand, net cash used in investing activities within the Financial Services segment increased significantly compared to the previous financial year primarily because the increase in payments for investments and advances. Financing Activities: During the financial year ended March 31, 2009, 267. 4 billion yen of net cash was provided by financing activities. Accounting for all these factors and the effect of exchange rate changes, the total outstanding balance of cash and cash equivalents at the end of the financial year decreased by 425. 6 billion yen, or 39. 2 percent, to billion 660.

8 yen, compared with the end of the previous financial year. The total outstanding balance of cash and cash equivalents of all segments, excluding the Financial Services segment, decreased by 712 billion yen, or 248. 5 percent, to -425. 6 billion yen, and for the Financial Services segment, decreased by 139. 3 billion yen, or 47 percent, to 267. 5 billion yen, compared with the end of the previous financial year.

ACCOUNTING POLICY Sony evaluates its estimates which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions. Investments Sony’s investments are comprised of debt and equity securities accounted for under both the cost and equity method of accounting. Goodwill Goodwill and certain other intangible assets that are determined to have an indefinite life are not amortized and are tested annually for impairment during the fourth quarter of each fiscal year, and the assets are also tested between the annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of these assets below their carrying amount.

Equity in net income of affiliated companiesSony periodically reviews the presentation of its financial information to ensure that it is consistent with the way management views the consolidated operations. Stock-based compensation Sony accounts for stock-based compensation using the fair value based method. Fair value is measured on the date of grant using the Black-Sholes option-pricing model. Future insurance policy benefits Employee pension benefit costs and obligations are dependent on certain assumptions including discount rates, retirement rates and mortality rates, which are based upon current statistical data, as well as expected long-term rates of return on plan assets and other factors. OUTLOOK FOR NEXT FINANCIAL YEARTo strengthen the core businesses through improving profitability in our Television and Game businesses, strategically money has to be invested for future growth and revamping our R efforts, as well as continuing to focus on operating performance.

Sony Corporation has announced a series of measures designed to improve its profitability and drive future growth in response to the deterioration of the global economy. These initiatives are as follows: • Structurally reform Sony’s core electronics operations to better compete with its best in class peers in terms of speed to market and profitability. • Continue margin improvement activities to lessen the impact of the weak economic profile of key markets.

• Accelerate the integration between products and network services by leveraging the combined strengths of Sony’s electronics and computer entertainment operations. Aggressive cost-cutting, particularly in personnel, eliminating 16, 000 jobs and reducing its network of 57 factories. • Close down three plants in Japan and six more factories around the world. STOCK MARKET ANALYSIS The share value of the Sony Corporation share decreased further by 49. 7% from the previous year-end. Even the Nikkei 225 Stock Average declined below 10, 000 in Tokyo. The number of shareholders for the financial year ended March 31, 2009 had reduced by half the amount compared to the previous year of 124.

Sony Corporation has announced that it will cut its planned year-end dividend payout to shareholders following the recent downwards forecast revision. The year-end dividend is now expected to be JPY 12. (13 cents) per share, compared to the previous figure of JPY 20 (20 cents), although this could yet change further pending a final decision by the board in May. “ On January 22, 2009, the Company announced a downward revision of the Company’s consolidated results forecast for the fiscal year ending March 31, 2009, in light of the deterioration of the global business environment,” read a statement. “ As a result, the Company has decided to reduce the planned amount of the year-end dividend for the fiscal year ending March 31, 2009 to JPY 12. 5 per share, the same amount paid in the previous fiscal year, from JPY 20 per share, the originally planned amount. ” The annual dividend has also been reduced therefore, from the previously envisaged JPY 50 (51 cents) to JPY 42. 5 (43 cents).

CONCLUSION Thus the financial analysis of Sony has been carried out and the operating performance of the company has been measured using the various profitability ratios and efficiency ratios. The current financial stability of the firm and its long term impact were also analyzed during the two financial years March 2008 and March 2009. Brief changes in the accounting policy have been identified; the outlook for next financial year and the Changes in the market prices with respect to the firm’s competitors were analyzed. Sony’s first annual loss in 14 years mainly due to the prolonged economic slump and a strong yen dashed hope for a quick recovery. Sony is reeling from a decline in sales overseas as well as in Japan, which is mired in its worst recession in decades. A stronger yen, which erodes overseas revenue and inflates production costs at home, has also weighed heavily on its bottom line. Once an electronics powerhouse and stylish innovator, Sony’s dominance has been usurped in almost everything it makes by rivals with sharper marketing and less expensive products that are easier to use.

There are forecasts of another grim year ahead for Sony. REFERENCES • http://www. sony. com • http://www. businessweek.

com • http://www. hoovers. com • http://www.

nytimes. com/2009/05/15/business/global/15sony. html • http://www. guardian. co.

k/technology/2009/jul/30/sony-games • Trotman, Ken & Gibbins, Micheal(2009), Financial Accounting an Integrated Approach. • John Wild, KR Subramanian, Robert Halsey(2003), Financial Statement Analysis APPENDIX RATIO ANALYSIS Profitability Ratios | | | 2009 | 2008 | | Cost of Sales to Sales |(B/A)\*100 | 73. 2 | 70. 90 | | Gross Profit Margin |(A-B)/A | 0. 27 | 0. 9 | | Operating Expenses to Sales |(C/A)\*100 | 102. 6 | 95. 78 | | Operating Profit to Sales |(D/A)\*100 |-2.

62 | 4. 2 | | Profit Before Tax to Sales |(G/A)\*100 |-1. 94 | 5. 26 | | PAT to Sales |(J/A)\*100 |-1.

28 | 4. 16 | | Net profit to margin |(G/A) |-0. 2 | 0. 05 | Gearing Ratios | | | 2009 | 2008 | | Debt Ratio |(T/O)\*100 | 0. 73 | 0. 7 | | Equity Ratio |(U/O)\*100 | 24. 6 | 27. 60 | | Debt Equity Ratio |(T/U)\*100 | 2.

96 | 2. 4 | | Interest cover |(D+E)/F |-2. 25 | 9. 09 | Liquidity Ratios | | | 2009 | 2008 | | Current Assets Ratio | N/R | 1. 03 | 1. 32 | | Quick Ratio |(N-M)/R | 0. 82 | 1. 07 | Efficiency Ratios   |  | 2009 | 2008 | | Total Assets turnover |(A/O) | 0.

64 | 0. 71 | | Creditors Turnover days Ratio |(P+Q/A)\*365 | 75. 44 | 74. 78 | | Debtors Turnover days Ratio |(K+L /A)\*365 | 50. 72 | 52. 54 | | Stock Turnover days |(M/A)\*365 | 38.

39 | 42. 03 | HORIZONTAL ANALYSIS OF INCOME STATEMENT | | | | | | |  |  | Yen in | Millions | | | |  |  | 2009 | 2008 | Change |% Change | | Sales and Operating Revenue : |  |  |  |  |  | | Net Sales |  | 7110053 | 8201839 |-1091786 |(13. 31) | | Financial Service Revenue |  | 523307 | 553216 |-29909 |(5. 41) | | Other Operating Revenue |  | 96633 | 116359 |-19726 |(16. 95) | | Total Revenue | A | 7729993 | 8871414 |-1141421 |(12. 7) | |  |  |  |  |  |  | | Costs and Expenses : |  |  |  |  |  | | Cost Of Sales | B | 5660504 | 6290022 |-629518 |(10.

01) | | Selling, general and administrative |  | 1686030 | 1714445 |-28415 |(1. 66) | | Financial service expenses |  | 547825 | 530306 | 17519 | 3. 0 | |(Gain) loss on sale, disposal or impairment of assets, net |  | 38308 |-37841 | 76149 |(201. 23) | |  | C | 7932667 | 8496932 |-564265 |(6. 64) | |  |  |  |  |  |  | | Operating income (loss) | D |-202674 | 374482 |-577156 |(154.

2) | | | | | | | | | Other Income : |  |  |  |  |  | | Interest and dividends |  | 22317 | 34272 |-11955 |(34. 88) | | Foreign exchange gain, net |  | 48568 | 5571 | 42997 | 771. 80 | | Gain on sale of securities investments, net |  | 1281 | 5504 |-4223 |(76. 73) | | Gain on change in interest in subsidiaries and equity investors |  | 1882 | 82055 |-80173 |(97. 1) | | Other |  | 24777 | 22045 | 2732 | 12. 39 | |  | E | 98825 | 149447 |-50622 |(33. 87) | | Other expenses : |  |  |  |  |  | | Interest |  | 24376 | 22931 | 1445 | 6.

0 | | Loss on devaluation of securities and investments |  | 4427 | 13087 |-8660 |(66. 17) | | Other |  | 17194 | 21594 |-4400 |(20. 38) | |  | F | 45997 | 57612 |-11615 |(20. 16) | | Income (loss) before income taxes and minority interest | G |-149846 | 466317 |-616163 |(132. 3) | | Income taxes : |  |  |  |  |  | | Current |  | 80521 | 5671334 |-5590813 |(98. 58) | | Deferred |  |-153262 | 183438 |-336700 |(183. 55) | | Total Taxes | I |-72741 | 203478 |-276219 |(135.

5) | | Income (loss) before minority interest and income from companies |  |-77105 | 262839 |-339944 |(129. 34) | | Minority interest in income (loss) of consolidated subsidiaries |  | 3276 |-5779 | 9055 |(156. 69) | | Equity in net income(loss) of affiliated companies |  |-25109 | 100817 |-125926 |(124. 91) | | | | | | | | | Net Income (loss) | J |-98938 | 369435 |-468373 |(126.

8) | | | | | | | | | | | | | | | | VERTICAL ANALYSIS OF INCOME STATEMENT | | | | | | |  | | | | | | |  | | 2009 | 2009 | 2008 | 2008 | | Sales and Operating Revenue : | | | | | | | Net Sales | | 7110053. 00 | 100. 00 | 8201839. 00 | 100. 00 | | Financial Service Revenue | | 523307. 00 | 7. 36 | 553216.

00 | 6. 75 | | Other Operating Revenue | | 96633. 00 | 1. 36 | 116359. 00 | 1. 42 | |  | A | 7729993.

00 | 108. 72 | 8871414. 00 | 108.

6 | |  | | | | | | | Costs and Expenses : | | | | | | | Cost Of Sales | B | 5660504. 00 | 79. 61 | 6290022.

00 | 76. 69 | | Selling, general and administrative | | 1686030. 00 | 23. 71 | 1714445. 00 | 20. 0 | | Financial service expenses | | 547825.

00 | 7. 70 | 530306. 00 | 6. 47 | |(Gain) loss on sale, disposal or impairment of assets, net | | 38308.

00 | 0. 54 |(37841. 00) |(0. 46) | |  | C | 7932667. 00 | 111. 57 | 8496932.

00 | 103. 60 | | Operating income (loss) | D |(202674. 00) | 374482. 00 |(577156. 00) |(154. 2) | | Other Income : | | | | | | | Interest and dividends | | 22317. 00 | 0.

31 | 34272. 00 | 0. 42 | | Foreign exchange gain, net | | 48568. 00 | 0. 68 | 5571.

00 | 0. 07 | | Gain on sale of securities investments, net | | 1281. 00 | 0. 02 | 5504. 00 | 0.

07 | | Gain on change in interest in subsidiaries and equity investors | | 1882. 00 | 0. 03 | 82055. 00 | 1.

0 | | Other | | 24777. 00 | 0. 35 | 22045. 00 | 0.

27 | |  | E | 98825. 00 | 1. 39 | 149447.

00 | 1. 82 | | Other expenses : | | | | | | | Interest | | 24376. 00 | 0. 34 | 22931. 00 | 0. 8 | | Loss on devaluation of securities and investments | | 4427.

00 | 0. 06 | 13087. 00 | 0. 16 | | Other | | 17194. 00 | 0. 24 | 21594. 00 | 0.

70 | |  | F | 45997. 00 | 0. 65 | 57612. 00 | 1. 87 | | Income (loss) before income taxes and minority interest | G |(174955. 00) |(2. 46) | 567134. 00 | 18.

5 | | Income taxes : | | | | | | | Current | | 80521. 00 | 1. 13 | 5671334. 00 | 69. 15 | | Deferred | |(153262. 00) |(2. 16) | 183438.

00 | 2. 24 | |  | I |(72741. 00) |(1. 02) | 203478. 00 | 2. 8 | | Income (loss) before minority interest | |(102214. 00) |(1.

44) | 363656. 00 | 4. 43 | | Minority interest in income (loss) of consolidated subsidiaries | | 3276. 00 | 0. 05 |(5779. 00) |(0. 07) | | Equity in net income(loss) of affiliated companies | |(25109.

00) |(0. 35) | 100817. 00 | 1. 23 | | Net Income (loss) | J |(98938. 00) |(1. 39) | 369435. 00 | 4. 50 |  Horizontal Analysis of Balance Sheet |  | 2009 | Yen change |% change | 2008 | | Assets |  | | | | | |  |  | | | | | | Current Assets : |  | | | | | | Cash and cash equivalents |  | 660789 |-425642 |-39.

18% | 1086431 | | Call loan in banking business |  | 49909 |-302660 |-85. 80% | 352569 | | Marketable securities |  | 466912 | 39203 | 9. 16% | 427709 | | Notes and Accounts receivable, trade | K | 963837 |-219783 |-18. 0% | 1183620 | | Allowance for doubtful debts and sales returns | L | 110383 | 17048 | 18.

26% | 93335 | | Inventories | M | 813068 |-208527 |-20. 40% | 1021595 | | Deferred income taxes |  | 189703 |-47370 |-19. 98% | 237073 | | Prepaid expenses and other current assets |  | 586800 |-207201 |-26. 0% | 794001 | | Film costs |  | 306877 | 2634 | 0. 87% | 304243 | | Total current assets | N | 3927512 |-1386394 |-26. 10% | 5313906 | | Investment and Advances: |  | | | | | | Affiliated companies |  | 236779 |-144409 |-37. 8% | 381188 | | Securities investment and other |  | 4561651 | 607191 | 15.

35% | 3954460 | | Total investments and advances |  | 4798430 | 462782 | 10. 67% | 4335648 | | Property, plant and equipment: |  | | | | | | Land |  | 155665 |-2624 |-16. 7% | 158289 | | Building |  | 911269 | 8153 | 0. 90% | 903116 | | Machinery and equipment |  | 2343839 |-139177 |-5.

60% | 2483016 | | Construction in progress |  | 100027 | 44287 | 79. 45% | 55740 | | Less Accumulated depreciation |  | 2334937 |-21875 |-0. 93% | 2356812 | | Total long term assets |  | 1175863 |-67486 |-5. 3% | 1243349 | | Other Assets: |  | | | | | | Intangible, net |  | 396348 | 132858 | 50. 42% | 263490 | | Goodwill |  | 443958 | 139535 | 45. 83% | 304423 | | Deferred insurance acquisition costs |  | 400412 | 3593 | 0.

1% | 396819 | | Deferred income taxes |  | 359050 | 160384 | 80. 73% | 198666 | | Other |  | 511938 | 15500 | 3. 12% | 496438 | | Total other assets |  | 2111706 | 451870 | 27. 20% | 1659836 | | Total Assets | O | 12013511 |-539228 |-4. 30% | 12552739 | Liabilities | | 2009 | Yen change |% change | 2008 | |  | | | | | | | LIABILITY AND STOCK HOLDERS EQUITY | | | | | | |  | | | | | | | Current Liabilities: | | | | | | | Short-term borrowings | | 303615 | 240391 | 380% | 63224 | | Current position of long term debt | P | 147540 |-144339 |-49.

50% | 291879 | | Notes and Accounts payable, trade | Q | 560795 |-360125 |-39. 10% | 920920 | | Accounts payable, other and accrued expenses | | 1036830 | 140232 | 15. 64% | 896598 | | Accrued incomes and other taxes | | 46683 |-154120 |-76. 5% | 200803 | | Deposits from the customers | | 1326360 | 181961 | 15.

90% | 1144399 | | Other | | 389077 |-116467 |-23. 04% | 505544 | | Total Current Liability | R | 3810900 |-212467 |-5. 28% | 4023367 | | Long-term debt | | 660147 |-68912 |-9. 5% | 729059 | | Accrued pension and severance cost | | 365706 | 134469 | 58. 15% | 231237 | | Deferred income taxes | | 188359 |-80241 |-29. 87% | 268600 | | Future insurance policy benefits and other | | 3521060 | 222554 | 6. 75% | 3298506 | | Other | | 250737 |-9295 |-3.

7% | 260032 | | Total Long Term Liabilities | S | 4986009 | 198575 | 4. 15% | 4787434 | | Total Liability | T | 8796909 |-13892 |-0. 16% | 8810801 | | Minority interest in consolidated subsidiaries | U | 251949 |-24900 |-8. 99% | 276849 | | Stockholder’s Equity | | | | | | Common stock, no par value | | | | | | | 2008 – shares issued 1, 004, 443, 364 | | | | | 630576 | | 2009 – Shares issued 1, 004, 535, 364 | UV | 630765 | | | | | Additional paid-up capital | | 1155034 | 3587 | 0. 31% | 1151447 | | Retained earnings | | 1916951 |-142410 |-6. 91% | 2059361 | | Accumulated other income | | | | | | | Unrealized gains on securities, net | | 30070 |-40859 |-57. 0% | 70929 | | Unrealized losses on derivative instrument, net | |-1584 |-4955 | |-3371 | | Common stock (2008 – 1, 015, 596 shares) | | | | |-4768 | | Common stock (2009 – 1, 013, 287 shares) | |-4654 | | | | |  | V | 2964653 |-500436 |-14. 40% | 3465089 | | Total liability and stockholders’ equity | W | 12013511 |-539228 |-4.

0% | 12552739 | | Vertical Analysis of Balance Sheet | | Liabilities | 2009 | 2008 | 2009% | 2008% | | LIABILITY AND STOCK HOLDERS EQUITY | | | | | |  | | | | | | Current Liabilities: | | | | | Short-term borrowings | 303615 | 63224 | 3% | 1% | | Current position of long term debt | 147540 | 291879 | 1. 23% | 2. 33% | | Notes and Accounts payable, trade | 560795 | 920920 | 4. 67% | 7. 34% | | Accounts payable, other and accrued expenses | 1036830 | 896598 | 8. 63% | 7.

4% | | Accrued incomes and other taxes | 46683 | 200803 | 0. 39% | 1. 60% | | Deposits from the customers | 1326360 | 1144399 | 11. 04% | 9. 12% | | Other | 389077 | 505544 | 3.

24% | 4. 03% | | Total Current Liability | 3810900 | 4023367 | 31. 72% | 32. 5% | | Long Term Liabilities : | | | | | | Long-term debt | 660147 | 729059 | 5. 50% | 5.

81% | | Accrued pension and severance cost | 365706 | 231237 | 3. 04% | 1. 84% | | Deferred income taxes | 188359 | 268600 | 1. 57% | 2. 14% | | Future insurance policy benefits and other | 3521060 | 3298506 | 29. 3% | 26.

28% | | Other | 250737 | 260032 | 2. 09% | 2. 07% | | Total Long Term Liabilities | 4986009 | 4787434 | 41. 50% | 38. 14% | | Total Liability | 8796909 | 4787434. 321 | 73. 23% | 70.

20% | | Minority interest in consolidated subsidiaries | 251949 | 276849 | 2. 30% | 2. 1% | | Stockholder’s Equity | | | | | | Common stock, no par value | | | | | | 2008 – shares issued 1, 004, 443, 364 | | 630576 | | 5.

02% | | 2009 – Shares issued 1, 004, 535, 364 | 630765 | | 5. 25% | | | Additional paid-up capital | 1155034 | 1151447 | 9. 61% | 9. 17% | | Retained earnings | 1916951 | 2059361 | 15. 96% | 16. 1% | | Accumulated other income | | | | | | Unrealized gains on securities, net | 30070 | 70929 | 0.

25% | 0. 57% | | Unrealized losses on derivative instrument, net |-1584 |-3371 |-0. 01% |-0. 03% | | Pension liability adjustment |-172709 |-97562 |-1. 44% |-0.

77% | | Foreign currency translation adjustment |-589220 |-341523 |-4. 99% |-2. 2% | |  | | | | | | Treasury stock, at cost | | | | | | Common stock (2008 – 1, 015, 596 shares) | |-4768 | |-0. 04% | | Common stock (2009 – 1, 013, 287 shares) |-4654 | |-0. 04% | | | | 2964653 | 3465089 | 24. 68% | 27. 60% | | Total liability and stockholders’ equity | 12013511 | 12552739 | 100. 00% | 100% |   | | | | | | Assets | 2009 | 2008 | 2009% | 2008% | |  | | | | | | Current Assets : | | | | | | Cash and cash equivalents | 660789 | 1086431 | 5.

50% | 8. 65% | | Call loan in banking business | 49909 | 352569 | 0. 42% | 2. 81% | | Marketable securities | 466912 | 427709 | 3. 89% | 3.

41% | | Notes and Accounts receivable, trade | 963837 | 1183620 | 8. 02% | 9. 3% | | Allowance for doubtful debts and sales returns | 110383 | 93335 | 0. 92% | 0.

74% | | Inventories | 813068 | 1021595 | 6. 77% | 8. 14% | | Deferred income taxes | 189703 | 237073 | 1. 58% | 1.

89% | | Prepaid expenses and other current assets | 586800 | 794001 | 4. 88% | 6. 3% | | Film costs | 306877 | 304243 | 2. 55% | 2. 42% | | Total current assets | 3927512 | 5313906 | 32. 69% | 42. 33% | | Investment and Advances: | | | | | | Affiliated companies | 236779 | 381188 | 1. 97% | 3.

04% | | Securities investment and other | 4561651 | 3954460 | 37. 7% | 31. 50% | | Total investments and advances | 4798430 | 4335648 | 39. 94% | 34. 53% | | Property, plant and equipment: | | | | | | Land | 155665 | 158289 | 1. 30% | 1.

26% | | Building | 911269 | 903116 | 7. 9% | 7. 19% | | Machinery and equipment | 2343839 | 2483016 | 19. 51% | 19. 78% | | Construction in progress | 100027 | 55740 | 0. 83% | 0.

44% | | Less Accumulated depreciation | 2334937 | 2356812 | 19. 44% | 18. 78% | | Total long term assets | 1175863 | 1243349 | 9. 9% | 9. 91% | | Other Assets: | | | | | | Intangible, net | 396348 | 263490 | 3. 30% | 2. 10% | | Goodwill | 443958 | 304423 | 3. 70% | 2.

43% | | Deferred insurance acquisition costs | 400412 | 396819 | 3. 3% | 3. 16 | | Deferred income taxes | 359050 | 198666 | 2. 99% | 1. 58% | | Other | 511938 | 496438 | 4.

26% | 3. 95% | | Total other assets | 2111706 | 1659836 | 17. 58% | 13. 22% | | Total Assets | 12013511 | 12552739 | 100. 0% | 100% | Cash Flow Analysis | | Yen in millions | | | | | 2008 | 2009 | Change in $ | Change in % | | Cash flows from operating activities: | | | | | | Net income(loss) | 369435 |(98938) |-468373 |-126. 81 | | Adjustments to reconcile net income to net cash provided by operating | | | | | | activities | | | | | | Depreciation and amortization, including amortization of deferred | 428010 | 405443 |-22567 |-5. 27254 | | insurance acquisition costs | | | | | | Amortization of film costs | 305468 | 255713 |-49755 |-16. 881 | | Stock- based compensation expense | 4130 | 3446 |-684 |-16.

5617 | | Accrual for pension and severance costs, less payments |-17589 | 16654 | 34243 |-194. 684 | | | | | | |(Gain) loss on sale, disposal or impairments of assets, net |-37841 | 38303 | 76144 |-201. 221 | |(Gain) loss on sale or devaluation of securities investments, net | 7583 | 3146 |-4437 |-58.

125 | |(Gain) loss on revaluation of marketable securities held in the | 56543 | 77952 | 21409 | 37. 86322 | | financial service business for trading purpose, net | | | | | | Gain on change in interest in subsidiaries and equity investees |-82055 |-1882 | 80173 |-97. 7064 | | Deferred income taxes | 20040 |-153262 |-173302 |-864. 8 | | Equity in net (income) losses of affiliated companies, net of dividends |-13527 | | 13527 |-100 | | Change in assets and liabilities: | | 65470 | 65470 | | | Increase (decrease) in notes and accounts receivable, trade | 185651 | 218168 | 32517 | 17. 51512 | | Increase in inventories |-140725 | 160432 | 301157 |-214.

004 | | Increase in film costs |-353343 |-264412 | 88931 |-25. 685 | | Increase (decrease) in notes and accounts payable, trade |-235459 |-375842 |-140383 | 59. 621 | | Increase (decrease) in accrued income and other taxes | 138872 |-163200 |-302072 |-217. 518 | | Increase in future insurance policy benefits and other | 166356 | 174549 | 8193 | 4. 92498 | | Increase in deferred insurance acquisition costs |-62951 |-68666 |-5715 | 9. 07849 | |(Increase) decrease in marketable securities held in the financial |-57271 |-26088 | 31183 |-54.

482 | | service business for trading purpose | | | | | | Increase in other current assets |-24312 | 134175 | 158487 |-651. 888 | | Increase in other current liabilities | 51838 |-105155 |-156993 |-302. 853 | | Other |-11276 | 10028 | 21304 |-188. 932 | | Net cash provided by operating activities | 757, 684. 00 | 407153.

00 |-350531 |-46. 635 | | | Yen in millions | | | | | 2008 | 2009 | Change in Yen | Change in % | | Cash flow from investing activities | | | | | | Payments for purchases of fixed assets |? -474, 552. 00 |-496125. 00 |-21573 | | | Proceeds from sales of fixed assets | 144741 | 153439 | 8698 | 6. 009355