

Message from the CEO



Sony is strongly committed to using its unique talents in developing new and innovative approaches to help maintain a sustainable society for the next generation.

Sony is now in the third year of its strategic revitalization program. Over the past two years, we have implemented significant structural and business changes to make the company a highly focused organization that defines clear priorities company-wide and pursues these priorities with relentless discipline and energy. Corporate social responsibility (CSR) is one of the key priorities for our company. I hope this report will illustrate that CSR is both a core value and a passion of Sony, its management and its employees worldwide. In this message, I would like to highlight two aspects of our corporate social responsibility programs.

Upholding Sound Business Practices

Sony clearly recognizes that sound business practices are a fundamental aspect of corporate social responsibility. As a global company, we have set forth worldwide standards and initiatives to strengthen corporate governance, ethics and compliance, product safety and quality, internal controls, and supply chain management. Sony is committed to observing the highest standards of ethical business behavior, as set forth in the Sony Group Code of Conduct, and as frequently reinforced through training courses and other awareness programs.

Beyond striving to manage our own global operations in a sound manner, collaboration in the supply chain is also essential for us to create high quality and socially responsible products and services. As we have expanded our operations worldwide to meet our customers' needs and to increase competitiveness, our supply chain has also become more global and more complex. We are working cooperatively with our suppliers to ensure social responsibility in the supply chain. In fiscal 2005, Sony introduced and distributed to its electronics suppliers the Sony Supplier Code of Conduct, a global standard of conduct based on the Electronic Industry Code of Conduct (EICC). In fiscal 2006, Sony worked closely with fellow EICC members to develop common methods for efficient and effective implementation.

It is Sony's responsibility not only to develop innovative high-technology products but also to do so while maintaining the highest standards of business conduct. Sound business practices are a foundation of Sony's success, allowing the company to more effectively drive corporate social responsibility programs for current and future generations.

Initiatives for the Next Generation

Sony is committed to working toward a sustainable society for the next generation. As we know, the world is facing such serious challenges as climate change, poverty, disease and educational needs. It is our generation's responsibility to address these issues—to create a better society and maintain the global environment for the next generation. As a global company, we at Sony recognize our responsibility to play an important role in achieving these critical objectives, both on our own and in partnership with others.

As part of our efforts to help address the issue of climate change, Sony joined the World Wide Fund for Nature (WWF)'s Climate Savers Program in fiscal 2006 and committed to a significant reduction of greenhouse gas emissions by Sony sites worldwide. We also agreed to further develop energy-efficient

products through the application of innovative technologies such as that used to increase energy efficiency in our popular BRAVIA line of liquid crystal display (LCD) televisions. In addition, we are collaborating with the WWF on communicating to consumers how they can reduce energy consumption when using our products.

Sony is also applying its advanced technologies in support of scientific research to benefit current and future generations. For example, Sony Computer Entertainment Inc. began to collaborate with Stanford University's Folding@home™, a distributed computing project, in fiscal 2006. Through this collaboration, users of the PLAYSTATION®3 (PS3™)—the next-generation computer entertainment system— may sign up to share the powerful computing capacity of their PS3 consoles with Stanford researchers who are investigating serious diseases afflicting our society. As a result of a remarkable response from PS3 users, this program has greatly increased the computing capacity available to Folding@home™, thereby significantly speeding its research efforts.

In developing countries, in addition to diseases and the impacts of climate change, there are of course other serious issues, including poverty and educational needs. I believe there are many ways that Sony can contribute through methods utilizing its special expertise. For example, in addition to prior cash donations to the victims of the Pakistan Earthquake, Sony cooperated with UNICEF in fiscal 2006 to help children affected by the earthquake. We donated digital cameras to the children, supported workshops that taught them how to take photographs, and then encouraged them to communicate creatively through their photos. The result was a touching exhibit of their photographs that was shown in Islamabad, New York and Tokyo. In viewing the exhibit, I was particularly moved by the way these children, whose lives were devastated by natural disaster, were still eager for new experiences, and demonstrated in their photos their hope for the future. I was also very proud that Sony products had helped these children to express their creativity, and also played a role in connecting them and their messages with the rest of the world.

These are just a few examples of what we are doing. We at Sony are utilizing our businesses, our technologies, and the talents of our employees throughout the company in a coordinated manner to reduce our impact on the environment, to develop and market high-quality, innovative products that contribute to cultural and social progress, and to support local communities.

I sincerely hope that this report will provide you with a greater understanding of our efforts and our commitment.

Howard Stringer
Chairman and CEO
Representative Corporate Executive Officer
Member of the Board
Sony Corporation



Interview with the President



Efforts that help ensure Sony is a company respected by all its stakeholders. For Sony, this is CSR.

What are your thoughts on the past year?

After performing sluggishly for several years, Sony finally began to show signs of a recovery in fiscal 2006, thanks to the support of its many stakeholders and the efforts of all Sony Group employees. Through it all, we have never wavered from our belief that corporate social responsibility (CSR) is essential to Sony's revitalization. Where performance, design, price and other such considerations crucial to product appeal are necessary conditions for revitalization, CSR, including attention to environmental considerations, quality control, and social contributions, is also a necessary condition. The importance of CSR is difficult to grasp when looking at Sony products, but it is the foundation of all our businesses; it is something that must be pursued with consideration for the expectations of stakeholders and we must never, ever let our attention to it lapse.

While responding to the expectations of stakeholders sometimes means confronting problems head-on, what was the objective of the global replacement program for certain notebook computer battery packs that Sony implemented in fiscal 2006?

With the complexity of technology today, identifying the causes of a problem can be difficult. On the other hand, a corporate position which expresses that causes are often not clear to avoid addressing problems, will only cause customers greater concern.

In fiscal 2006, several computer manufacturers implemented recalls for certain battery packs using Sony-manufactured lithium-ion battery cells. As a measure of our commitment to ensuring customer satisfaction and alleviating any consumer concern which may have arisen as a result of these recalls, we initiated a global replacement program for certain notebook computer

battery packs. The success of launching this program was due to the understanding and cooperation of the relevant parties, including the computer manufacturers that implemented the program, and we believe it was a necessary response to ensure that customers use products comfortably.

This episode also provided an opportunity for us to review and strengthen our internal quality controls system. The biggest change that I can see lies in the rule that if someone notices a problem he or she must report it to his or her supervisor, and adherence to this rule has really taken root among employees. This ensures that all relevant individuals share key information early on, enabling them to begin working promptly to identify the cause. I believe that observance of this rule will contribute to improved product quality on several fronts. The unyielding commitment of all employees to resolving quality control issues is essential.

What role do employees play in putting CSR into practice?

CSR is not just a series of activities that are implemented and overseen by a special department, but is the cumulative result of efforts by each and every employee. Each employee must take the initiative to be socially responsible and accountable for his or her own actions. Only then do the company's efforts come in. This is and always will be the heart of CSR. When I asked this year's crop of new Sony recruits what themes interested them most, the answer that came back most frequently was "R&D and social contribution." To me, employees contribute to putting CSR into practice by cultivating their innate desire to do something useful in the world. One of the main themes of Sony's CSR programs is "For the Next Generation." Going forward, we recognize the need to enhance employee awareness and take steps to transform that awareness into action. A case in point is initiatives aimed at reducing energy consumption. The objective here cannot simply be to cut costs. We need to comprehend that the real issue we face is that conventional energy sources have been depleted to the point where there will not be enough to sustain the next generation, and we must maintain this awareness. If we can do this, our approach to reducing energy consumption will certainly, if gradually, change. This generation has an obligation to explore issues until we determine what we can do for the next generation and then translate our conclusions into action.

In October 2006, the 60th anniversary year of Sony, we completed our new headquarters in Minato-ku, Tokyo, which is the new base of the Sony Group. The building is now the workplace of approximately 6,000 individuals. An environmentally conscious structure, the building incorporates all kinds of advanced energy-saving features. We hope that the new surroundings will inspire greater dynamism and encourage employees to discuss various issues in a free and open-minded manner—in other words, to become a symbol of Sony's approach to CSR.

With the "revitalization of Sony" well advanced, what issues will you need to address going forward?

We live in a modern society with all the benefits of civilization. At the same time, we face crucial challenges. In Japan, for example, we must contend with a host of problems, including environmental concerns, a declining birthrate and educational issues. None of these are problems that can be resolved overnight.

Thirteen years after our establishment, at a time when our business was still far from stable, we had already launched a foundation to support science education. This foundation, which gradually evolved into the Sony Foundation for Education, will soon celebrate its 50th anniversary. The foundation came into being because Sony's co-founder Masaru Ibuka viewed education as a high priority. The idea of fostering the development of future generations is something that has been passed down continuously throughout Sony's history. To date, the Sony Foundation for Education has provided assistance to nearly 5,000 schools. While it is true that one company can only do so much, it is also true that perseverance and ongoing efforts are important in finding solutions to many problems. Going forward, I believe that collaboration on numerous fronts with government, academia and other companies in the industry, as well as with our many stakeholders, will continue to play a key role.

For Sony to continue growing and evolving as a company that is esteemed by society, it must continue not only to offer appealing products and services, but also, through its various activities, to generate value and prove itself worthy of respect. To these ends, it is necessary that our activities consider the needs of all our stakeholders, including our business partners, customers, communities and employees. To bring this idea closer to home, it is necessary that we strive to be a company that our employees can take pride in with their families, as well as a company that is appreciated in the communities in which it operates. We can be a highly competitive company with stable growth strategies, but if we pollute the environment and are a bane to our communities we will alienate our employees. I think the "revitalization of Sony" will truly be complete when we have earned the respect of all our stakeholders.

Ryoji Chubachi
President and Electronics CEO
Representative Corporate Executive Officer
Member of the Board
Sony Corporation

