

Good afternoon, ladies and gentlemen.

First of all, I would like to thank all of you for your continuing efforts in the video accessory and peripheral equipment business.

As a result, the sales volume of Europe during the first half of 1988 was able to reach 1.7 billion yen on jigyobu sales base, achieving a 47% increase over the budget and a 72% growth over the same period of the previous year.

The net profit ratio, however, has shown a steep decline. The reasons of this are that our cost down effort could not compensate increasing currency and cost up of battery which we did not transfer FOB price. It is predicted that the budget for the second half of 1988 will drop to 20% or less of the net profit ratio for the second half of 1987.

In order to keep the fair distribution of profits and to continue business into the future, it will be necessary to achieve reasonable market pricing. At the same time, we have create a method which will keep fair profits for the sales companies and jigyobu.

In the event fair profits cannot be obtained, we are planning to deal directly with that situation by clarifying the causes, devising remedial product plans, conducting CD activities, local procurement or overseas procurement and other strategic countermeasures.

For this purpose, since it will be necessary for us to understand the market price position, margin system, the gross profit ration of the sales companies, and other factors, we would like to request your cooperation in this matter.

During previous Line-up Meeting and other meeting, you brought up various problems such as "delayed delivery," "consistensy in the package design of the accessories," "multi-language," and so on. We are making improvements in these problems step by step, and my stuff will later be reporting to you on the progress which has been made.

Moreover, the shipment of the carrying case by ACTAD in Netherland will start from around mid-November, and so we will also be providing time for a report regarding local procurement. We want your understanding and support on this matter.

I have received a request from some country to handle the EVO-720 (Double-Deck Easy Editor) on the Consumer Sales Network. We have asked the Reagal Division at Headquarters to study the feasibility of the request. In connection with the copyright problem, we have reached the following conclusion and hope that you will understand our position. That is: "From the standpoint of SONY CORPORATION, the EVO-720 must be positioned as a non consumer model. Within SONY, it must be handled through a non consumer sales network."

Regarding the Prosumer Products, such as the C-Mount Camcorder, we would like these products to be handled by you and hope that you will actively continue sales activities in this area.

During the first half of 1988, the ratio of accessory sales with respect to camcorder main unit sales was 9.8% (in Europe) on the jigyobu sales base. In Japan, this ratio marked 22.4%. I believe this figure shows the potential of the accessory business.

We intend to fully support your business so that this ratio can steadily be increased, and hope that we can successfully work together to accomplish this objective.