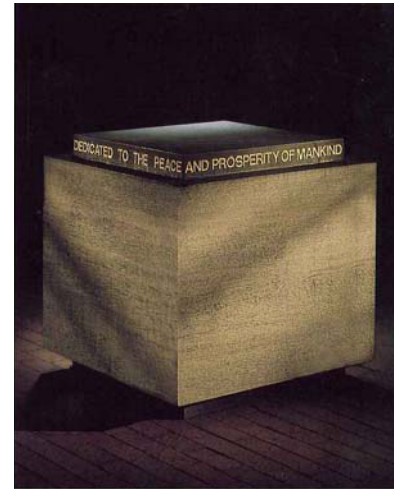


1992 ANNUAL REPORT



## PRESIDENT'S MESSAGE

"Dedicated to the peace and prosperity of mankind." That's the phrase a Chinese friend of SRI engraved on a stone set before our International Building. It has been our measure since SRI was founded as a nonprofit organization in 1946. The work we do, whether for government or commercial clients, aims at improving society.

We do this by applying science and technology to assist in economic growth and development, in strengthening national security and in improving the health and educational levels in the U.S. and across the globe. In short, we help change the future.

The process of industrial innovation itself has undergone great change in recent years. It no longer is a comfortable step-by-step movement from basic to applied research, then prototyping, manufacture and finally, commercialization. Innovation today occurs globally. For example, U.S. companies have major research capabilities in Japan and Europe, while NEC, Fujitsu, Siemens and hundreds of others have research facilities across the U.S., from Princeton to Silicon Valley.

To compete in this environment, SRI also had to change.

During 1991, we committed ourselves to a formal strategic planning process, designed to help us better configure ourselves to meet the changing global process of research and innovation and to serve the future needs of our clients.

The strategy developed is quite simple: turn around, restructure, invest and grow.

The strategic planning activity, involving nearly a third of our staff, resulted in major reconfigurations plus a streamlining of many administrative and staff functions. In the end, it produced strategic plans for both corporate and operational action. These plans, and reorganizations, are now in place and our clients are benefiting.

Our business consulting and policy development operations were merged as a result of our strategic planning effort. There are distinct benefits in having the business consulting units work more closely with those elements that have been helping governments develop future economic policy. Often our economic development consultants and the industry experts in our business consulting areas found themselves in need of each other's knowledge but organizationally unable to make the best use of talents. The merger of the two units has already had a positive impact.

This newly created Business and Policy Group, led by Senior Vice President Arthur L. Chait, has shifted its emphasis from general management consulting to a more carefully defined approach focusing on those areas of research and consulting that meet at the intersection of business and technology.

## President's Message

I

*t is the purpose of SRI to use its science, technology, and knowledge to better society across the globe. We do this by assisting in economic growth and development, by working to strengthen national security and individual freedom, and by promoting advancement in the areas of health and education. During 1990, a number of our major activities reflected work in these areas.*

*Early in the year, we cosponsored, with the Deutsche Bank, a major meeting of business executives from around the world in Moscow. At that session, frank and open discussions with political leaders pointed out the economic difficulties of the Soviet Union while helping establish better ties between East and West.*

## Independent Auditors' Report

The Board of Directors  
SRI International

We have audited the accompanying consolidated balance sheets of SRI International and subsidiaries as of December 29, 1990 and December 30, 1989, and the related consolidated statements of revenue, costs and expenses, capital and cash flows for the years (52 weeks) then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SRI International and subsidiaries at December 29, 1990 and December 30, 1989, and the results of their operations and their cash flows for the years (52 weeks) then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick  
Certified Public Accountants  
San Francisco, California

February 19, 1991

thirty-four

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Discovery of New Drugs  
Drug Design

Drug Delivery Systems

Electrochemistry and Corrosion Science  
Environmental Science

Failure Analysis/Prevention  
Functional Biomedical Polymers

Mammalian and Agricultural Biotechnology

Metallurgy and Material Fracture

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Center for Tech  
Transfer & Integration

Communication & Signals  
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Computer Science  
Laboratory

Electromagnetic  
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Electronics Technology  
Laboratory

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Displays Research  
Laboratory

High Definition Imaging & Computing  
Laboratory

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Research Laboratory

Integrated Circuit  
Laboratory

Microwave and Reliability Laboratory

Product Technology  
Research Laboratory

Optoelectronics  
Laboratory

Semiconductor  
Processing  
Laboratory

Television Research  
Laboratory

## Achievements

- 1990 Joint Surveillance Target Attack Radar System  
Rocket Fuel SRI-12
- 1989 10-EDAM cancer drug  
Superconducting microwaves
- 1988 Antarctic ozone chemistry  
RTI ultrasonic imaging
- 1987 Surface Analysis by Laser Ionization  
Artemisinin antimalarial synthesis
- 1986 Evidential reasoning calculus
- 1985 Protein production system  
Glucose biosensor
- 1982 PEZ rod polymers
- 1980 VALS psychographics
- 1978 Deafnet
- 1977 Prospector expert system  
Packet-switched radio
- 1975 Cotton/polyester dye process
- 1972 LIDAR remote sensing  
3-D eye tracker
- 1971 Laser retinal photocoagulator
- 1969 Arpanet node  
"Shakey" mobile robot
- 1965 Acoustic coupler/modem
- 1964 "Mouse" computer input device
- 1963 Optical disk recording
- 1962 Over-the-horizon radar
- 1961 MINOS learning machine  
Ink-jet printing
- 1958 Long Range Planning Service
- 1956 Railroad car Hydrocushion
- 1955 ERMA magnetic ink character recognition
- 1951 Chemical Economics Handbook

Printed in U.S.A.  
M • 1116 • 20M • 007 • 9106

*CREDITS*  
Design: SRI Graphic Arts  
Printing: Sapir Press  
Photography:  
Linda Bartlett, 1990, 16  
Cornstock, 10, 13, 14  
Courtesy of:  
American Airlines, 21  
Bank of America, 19  
Carl Zeiss Jena GmbH, 5  
Graham Corporation, 12  
NASA, 7  
Shell Oil Company, 20  
TeleSensory Systems, Inc., 17  
Vitró Corporativo, 5  
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The Image Bank, 5, 8  
John LeSchoff, 9, 18  
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