SONY

News & Information

6-7-35 Kitashinagawa
Shinagawa-ku
Tokyo 141-0001 Japan

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Consolidated Financial Results for the First Quarter Ended June 30, 2005

Tokyo, July 28, 2005 -- Sony Corporation today announced its consolidated results for the first quarter ended June 30, 2005 (April 1, 2005 to June 30, 2005).

(Billions of yen, millions of U.S. dollars, except per share amounts)

	First quarter ended June 30			
	2004	**2005**	Change in Yen	**2005***
Sales and operating revenue	¥1,612.1	**¥1,559.4**	-3.3%	**$14,177**
Operating income (loss)	9.8	**(15.3)**	-	**(139)**
Income before income taxes	6.6	**12.9**	+95.1	**117**
Equity in net income (loss) of affiliated companies	20.1	**(9.1)**	-	**(83)**
Net income (loss)	23.3	**(7.3)**	-	**(66)**
Net income (loss) per share of common stock				
— Basic	¥25.10	**(¥8.68)**	-	**($0.08)**
— Diluted	22.79	**(8.68)**	-	**(0.08)**

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110=U.S.$1, the approximate Tokyo foreign exchange market rate as of June 30, 2005.

Unless otherwise specified, all amounts are on the basis of Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP").

Consolidated Results for the First Quarter Ended June 30, 2005

Sales and operating revenue ("sales") decreased 3.3% compared with the same quarter of the previous fiscal year; on a local currency basis sales decreased 3%. (For all references herein to results on a local currency basis, see Note I on page 8.) This reflects the establishment of SONY BMG MUSIC ENTERTAINMENT ("SONY BMG") (please refer to Note to Operating Performance Highlights by Business Segment on Page 3).

Sales within the Electronics segment decreased 1.4%. Although sales of flash memory and hard drive "Network Walkman" digital audio players, LCD flat panel televisions and "VAIO" PCs increased, there was a significant decrease in sales of CRT and Plasma televisions. In the Game segment, sales increased 64.0% as a result of an increase of both hardware and software sales. In the Pictures segment, there was a 2.6% decrease in revenue primarily due to lower theatrical revenues. In the Financial Services segment, revenue increased by 15.1% mainly due to an increase in revenue from insurance premiums at Sony Life Insurance Co., Ltd. ("Sony Life").

An **operating loss** of ¥15.3 billion ($139 million) was recorded, which is a deterioration of ¥25.1 billion (a ¥30.7 billion deterioration on a local currency basis) compared to the same quarter of the previous fiscal year.

In the Electronics segment, an operating loss was recorded mainly due to a continued deterioration in the cost of sales ratio resulting from a decline in unit selling prices, as well as a decrease in sales to outside customers. In the Game segment, an increased operating loss was recorded as a result of both increased advertising and marketing expenses and research and development costs. In the Pictures segment, despite the weaker than expected theatrical performance of films released during the quarter, there was a slight increase in operating income partially attributable to distribution fees recognized on sales of Metro-Goldwyn-Mayer Inc. ("MGM") titles. In the Financial Services segment, there was an increase in operating income mainly attributable to the increase in revenue from insurance premiums at Sony Life.

Restructuring charges, which are recorded as operating expenses, amounted to ¥15.9 billion ($144 million) for the quarter compared to ¥12.0 billion for the same quarter of the previous fiscal year. In the Electronics segment, restructuring charges were ¥15.5 billion ($141 million) compared to ¥10.8 billion in the same quarter of the previous fiscal year.

Income before income taxes increased 95.1% due to an improvement in the net effect of other income and expenses compared to the same quarter of the previous fiscal year. This was mainly the result of a gain of ¥17.9 billion ($162 million) on change in interest in subsidiaries and equity investees associated with the sale of a portion of the stock in So-Net M3 Inc., a consolidated subsidiary of Sony Communication Network Corporation ("SCN"), and in DeNA Co., Ltd., an equity affiliate of SCN accounted for by the equity method. Furthermore, in addition to a decrease in net foreign exchange loss compared to the same quarter of the previous fiscal year, there was also an increase in royalty income.

Income taxes*: During the current quarter, Sony recorded ¥12.1 billion ($109 million) of income tax expense, resulting in an effective tax rate of 93.4%. This effective tax rate exceeded the Japanese statutory tax rate due primarily to the recording of valuation allowances against deferred tax assets by several of Sony's domestic and overseas consolidated subsidiaries. In the same quarter of the previous fiscal year, Sony recorded a net tax benefit as a result of the reversal of deferred tax liabilities on undistributed earnings from a foreign subsidiary.

**In June 2005, Sony Corporation received notification from the Tokyo Regional Taxation Bureau ("TRTB") that profits reported from its transactions with a number of its worldwide subsidiaries (CD and DVD disc manufacturing operations) for the five fiscal year period from 1998 through 2002 had been reassessed. The TRTB concluded that the distribution of profits between Sony and these subsidiaries had been under-allocated to Sony Corporation. As a result, taxable income was reassessed incorporating an additional ¥21.4 billion, resulting in Sony Corporation incurring an additional cash tax (including corporation tax and others) of approximately ¥4.5 billion. Sony believes that its allocation of income was appropriate and that the proper amount of tax has been paid within each jurisdiction. As a result, Sony plans to promptly lodge a formal objection against this decision with the TRTB. Simultaneous to this process, Sony also plans to file a formal request (where applicable) for bilateral consultations between the governments of the relevant countries involved and Japan to obtain relief from double taxation under the applicable tax treaties. Sony believes that it will ultimately be able to resolve this issue to its satisfaction. As a result of this reassessment, Sony does not expect any material impact to its consolidated results.*

Equity in net income (loss) of affiliated companies decreased ¥29.2 billion compared to the same quarter of the previous fiscal year, resulting in the recording of an equity loss of ¥9.1 billion ($83 million). Equity in net income of affiliated companies for the same quarter of the previous fiscal year included the recording of ¥12.8 billion as equity in net income for InterTrust Technologies Corporation. This amount reflected InterTrust's proceeds from a license agreement arising from the settlement of a patent-related lawsuit.

An equity loss of ¥7.6 billion ($69 million) was recorded for S-LCD Corporation, a joint-venture with Samsung Electronics Co., Ltd., for the manufacture of amorphous TFT LCD panels, which started shipments during the current quarter. Sony also recorded equity in net loss of approximately ¥6.5 billion ($59 million) for MGM**. This includes non-cash interest of ¥1.2 billion ($11 million) on cumulative preferred stock. This equity in net loss is subject to adjustment reflecting the final allocation of the purchase price for the acquisition.

Sony Ericsson Mobile Communications AB ("Sony Ericsson") contributed ¥4.6 billion ($42 million) to equity in net income, a decrease of ¥1.2 billion compared to the same quarter of the previous fiscal year. In addition, SONY BMG's net income was offset by restructuring charges associated with the merger of Sony and Bertelsmann AG's recorded music businesses, and, as a result, an equity loss of ¥1.0 billion ($9 million) was recorded for the joint venture.

***On April 8, 2005, a consortium led by Sony Corporation of America and its equity partners completed the acquisition of MGM. As part of the acquisition, Sony invested $257 million in exchange for 20% of the total equity. However, based on the percentage of common stock owned, Sony records 45% of MGM's net income (loss) as equity in net income (loss) of affiliated companies.*

As a result, a **net loss** of ¥7.3 billion ($66 million) was recorded, a decrease of ¥30.5 billion compared to the same quarter of the previous fiscal year.

Operating Performance Highlights by Business Segment

Note: As of August 1, 2004, Sony and Bertelsmann AG combined their recorded music businesses in a joint venture. The newly formed company, SONY BMG, is 50% owned by each parent company. Under U.S. GAAP, SONY BMG is accounted for by Sony using the equity method and, since August 1, 2004, 50% of net profits or losses of this business have been included under "Equity in net income (loss) of affiliated companies."

In connection with the establishment of this joint venture, Sony's non-Japan based disc manufacturing and physical distribution businesses, formerly included within the Music segment, have been reclassified to the Electronics segment to recognize the new management reporting structure whereby Sony's Electronics segment has now assumed responsibility for these businesses. Effective April 1, 2005, a similar change was made with respect to Sony's Japan based disc manufacturing business. Results for the first quarter ended June 30, 2004 in the Electronics segment have been restated to account for these reclassifications.

Effective April 1, 2005, Sony no longer breaks out its music business as a reportable segment as it no longer meets the materiality threshold. Accordingly, the results for Sony's music business are now included within the Other segment and the prior year's results have been reclassified to the Other segment for comparative purposes. Results for the first quarter of this fiscal year in the Other segment include the results of Sony Music Entertainment Inc.'s ("SMEI") music publishing business and Sony Music Entertainment (Japan) Inc. ("SMEJ"), excluding Sony's Japan based disc manufacturing business which, as noted above, has been reclassified to the Electronics segment. However, results for the same quarter of the previous fiscal year in the Other segment include the consolidated results for SMEI's recorded music business for the first quarter, as well as the results for SMEI's music publishing business and SMEJ excluding Sony's Japan based disc manufacturing business.

Electronics

(Billions of yen, millions of U.S. dollars)

	First quarter ended June 30			
	2004	**2005**	Change in Yen	**2005**
Sales and operating revenue	¥1,131.3	**¥1,115.3**	-1.4%	**$10,139**
Operating income (loss)	8.3	**(36.3)**	-	**(330)**

Unless otherwise specified, all amounts are on a U.S. GAAP basis.

Sales decreased by 1.4% compared to the same quarter of the previous fiscal year (a 1% decrease on a local currency basis). In addition, sales to outside customers decreased 7.5% compared to the same quarter of the previous fiscal year. There was a significant decline in sales of CRT televisions, which experienced a continued shift in demand towards flat panel televisions, and Plasma televisions, which faced intense business competition. On the other hand, there was an increase in sales of several products including flash memory and hard drive "Network Walkman" digital audio players, which experienced increased sales in all regions, particularly in Japan and Europe, LCD flat panel televisions, which experienced an increase in unit sales in all regions and "VAIO" PCs, where notebook PCs enjoyed strong sales.

An **operating loss** of ¥36.3 billion ($330 million) was recorded, a deterioration of ¥44.6 billion compared with the ¥8.3 billion operating income recorded in the same quarter of the previous fiscal year. This was primarily the result of a continued deterioration in the cost of sales ratio as a result of a decline in unit selling prices, as well as a decline in sales to outside customers, despite being partially offset by favorable foreign exchange rates and a reduction in the loss on the sale, disposal and impairment of assets. With regard to products within the Electronics segment, the increase in operating loss was mainly attributable to LCD televisions and CCDs, which were both impacted by a decline in unit selling prices. On the other hand, "VAIO" PCs experienced an increase in operating income due to good sales performance.

Inventory, as of June 30, 2005, was ¥573.6 billion ($5,215 million), a ¥33.3 billion, or 5.5%, decrease compared with the level as of June 30, 2004 and a ¥59.2 billion, or 11.5%, increase compared with the level as of March 31, 2005.

Note: In association with the completion of business integration of Sony Group's semiconductor manufacturing businesses in July 2004, it was decided to account for semiconductor manufacturing operations inventory, previously recorded in the Game segment, within the Electronics segment as of the quarter beginning July 1, 2004. (Regarding the integration of Sony Group's semiconductor manufacturing operations, please refer to Note 6 on page F-7.)

Operating Results for Sony Ericsson Mobile Communications AB

The following operating results for Sony Ericsson, which is accounted for by the equity method, are not consolidated in Sony's consolidated financial statements. However, Sony believes that this disclosure provides additional useful analytical information to investors regarding operating performance. In addition, please note that the operating results of Sony Ericsson discussed below are reported on an International Financial Reporting Standards basis, and thereby differ from the operating results reported on a U.S. GAAP basis contained within Sony's equity in net income (loss) of affiliated companies.

Sales for the quarter were Euro 1,614 million, representing a year-on-year increase of Euro 110 million, or 7%. Sales were boosted by a 14% increase in units shipped compared to the same period last year, resulting in a total of 11.8 million units shipped for the quarter. Income before taxes was Euro 87 million and net income was Euro 75 million, which represents a year-on-year decrease of Euro 26 million, or 23%, and Euro 14 million, or 16%, respectively, reflecting increased investment in research and development to support a broadening product portfolio. As a result, equity in net income of ¥4.6 billion ($42 million) was recorded by Sony.

Game

(Billions of yen, millions of U.S. dollars)

	First quarter ended June 30			
	2004	**2005**	Change in Yen	**2005**
Sales and operating revenue	¥105.4	**¥172.8**	+64.0%	**$1,571**
Operating loss	(2.9)	**(5.9)**	-	**(54)**

Unless otherwise specified, all amounts are on a U.S. GAAP basis.

Sales increased 64.0% compared with the same quarter of the previous fiscal year (a 64% increase on a local currency basis).

Hardware: There was an increase in overall sales in the U.S., Europe and Japan as a result of an increase of PlayStation 2 ("PS2") unit sales in Europe and the U.S. compared to the same quarter of the previous fiscal year, in addition to the contribution to sales from PlayStation Portable ("PSP").
Software: Overall software sales increased as a result of the contribution to sales from PSP software, as well as the continued strong sales of PS2. On a regional basis, although revenue decreased in Japan, it increased in Europe and the U.S.

An operating loss of ¥5.9 billion ($54 million) was recorded, an increase of ¥3.0 billion compared with the same quarter of the previous fiscal year. This was mainly due to an increase in selling, general and administrative expenses mainly reflecting advertising and marketing expenses incurred during the current quarter, as well as aggressive research and development spending associated with future business, despite the favorable performance and growth of the PS2 and PSP businesses respectively.

Worldwide hardware production shipments:*

- → PS2: 3.53 million units (an increase of 2.82 million units)
- → PSP: 2.09 million units**

Worldwide software production shipments:*

- → PS2: 35 million units (a decrease of 3 million units)
- → PSP: 4.9 million units**

*Production shipment units of hardware and software are counted upon shipment of the products from manufacturing bases. Sales of such products are recognized when the products are delivered to customers.
**There were no sales of PSP during the same quarter of the previous fiscal year.

Inventory, as of June 30, 2005, was ¥84.0 billion ($764 million), a ¥27.4 billion, or 24.6%, decrease compared with the level as of June 30, 2004 and a ¥6.6 billion, or 8.5%, increase compared with the level as of March 31, 2005. (Regarding inventory, please refer to the note in the above Electronics segment.)

Pictures

(Billions of yen, millions of U.S. dollars)

	First quarter ended June 30			
	2004	**2005**	Change in Yen	**2005**
Sales and operating revenue	¥148.2	**¥144.4**	- 2.6%	**$1,313**
Operating income	4.1	**4.2**	+ 3.5	**39**

The results presented above are a yen-translation of the results of Sony Pictures Entertainment ("SPE"), a U.S. based operation which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis. Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results are specified as being on "a U.S. dollar basis."

Sales decreased 2.6% compared with the same quarter of the previous fiscal year (1% decrease on a U.S dollar basis). Sales, on a U.S. dollar basis, decreased primarily due to lower theatrical revenues on fewer films, partially offset by distribution fees recognized on sales of MGM titles and an increase in television advertising revenues generated from several of SPE's international channels. Major contributors to the current year's first quarter revenues included the home entertainment releases of *Hitch*, *Are We There Yet?* and *Boogeyman.*

Operating income increased 3.5% compared with the same quarter of the previous fiscal year. The increase is partially attributable to the MGM distribution fees, increased television advertising revenue and the home entertainment releases noted above. Partially offsetting these higher profits were the weaker than expected U.S. theatrical performances of *XXX: State of the Union*, *Lords of Dogtown* and *Bewitched*.

Financial Services

(Billions of yen, millions of U.S. dollars)

	First quarter ended June 30			
	2004	**2005**	Change in Yen	**2005**
Financial service revenue	¥133.6	**¥153.8**	+15.1%	**$1,398**
Operating income	10.4	**21.9**	+110.7	**199**

Unless otherwise specified, all amounts are on a U.S. GAAP basis. Therefore, they differ from the results that Sony Life discloses on a Japanese statutory basis.

Financial service revenue increased 15.1% compared with the same quarter of the previous fiscal year, mainly due to an increase in revenue at Sony Life. Revenue at Sony Life was ¥127.6 billion ($1,160 million), a ¥14.9 billion, or 13.3% increase compared with the same quarter of the previous fiscal year. The main reasons for this increase were an increase in revenue from insurance premiums reflecting an increase in insurance-in-force and an increase in valuation gains from stock conversion rights in convertible bonds.

Operating income increased by ¥11.5 billion or 110.7% compared with the same quarter of the previous fiscal year, mainly as a result of an increase of operating income at Sony Life due to the increase in revenue mentioned above and an improvement in gains and losses from investments in the general account at Sony Life. As a result of the abovementioned factors, operating income at Sony Life increased by ¥12.0 billion or 114.1% to ¥22.5 billion ($205 million).

Other

(Billions of yen, millions of U.S. dollars)

	First quarter ended June 30			
	2004	**2005**	Change in Yen	**2005**
Sales and operating revenue	¥147.7	**¥95.4**	-35.4%	**$868**
Operating income (loss)	(3.2)	**4.9**	-	**45**

Unless otherwise specified, all amounts are on a U.S. GAAP basis.

Sales decreased 35.4% compared with the same quarter of the previous fiscal year. Sales in the Other segment, for the first quarter of the current fiscal year, incorporate the results of Sony's music businesses (please refer to Note to Operating Performance Highlights by Business Segment on Page 3) which include both SMEI's music publishing business and SMEJ. There was a significant decrease in sales within the Other segment reflecting the fact that the results for the same quarter of the previous fiscal year in the Other segment incorporated the results for SMEI's recorded music business, which, as noted above, was combined with Bertelsmann AG's recorded music business to form the SONY BMG joint venture.

Sales at SMEJ increased compared with the same quarter of the previous fiscal year as a result of increased album and singles sales. Best-selling albums and singles during the quarter included *THUMP χ* by PORNO GRAFFITTI, *AWAKE* by L'Arc~en~Ciel and *E ~Complete A Side Singles~* by ZONE.

Excluding sales recorded within Sony's music business, there was a slight increase in sales within the Other segment. This increase was mainly the result of increases in sales recorded at an imported general merchandise retail business and at SCN, where the contents business performed well during the quarter.

Operating income of ¥4.9 billion ($45 million) was recorded, representing an improvement of ¥8.1 billion as compared with the operating loss in the same quarter of the previous fiscal year. This improvement was mainly the result of both the fact that, as noted above, the results for SMEI's recorded music business, which recorded an operating loss in the same quarter of the previous fiscal year, are now recorded as part of the results of the SONY BMG joint venture, and the continued strong performance at SMEJ. Operating income at SMEJ increased significantly compared to the previous fiscal year due to an improvement in the cost of sales ratio and the higher sales noted above.

Excluding the operating income recorded in the music business, the Other segment recorded a small amount of operating income, compared with the operating loss recorded in the same quarter of the previous fiscal year, mainly as the result of cost reductions within the segment.

Operating Results for SONY BMG MUSIC ENTERTAINMENT

The following operating results for SONY BMG, which is accounted for by the equity method, are not consolidated in Sony's consolidated financial statements. However, Sony believes that this disclosure provides additional useful analytical information to investors regarding operating performance.

SONY BMG recorded sales revenue of $1,019 million, loss before income taxes of $23 million, and a net loss of $18 million during the quarter ended June 30, 2005. Loss before income taxes includes $93 million of restructuring charges. As a result, equity in net loss of ¥1.0 billion ($9 million) was recorded by Sony.

Cash Flow

The following charts show Sony's unaudited condensed statements of cash flows on a consolidated basis for all segments excluding the Financial Services segment and for the Financial Services segment alone. These separate condensed presentations are not required under U.S. GAAP, which is used in Sony's consolidated financial statements. However, because the Financial Services segment is different in nature from Sony's other segments, Sony believes that these presentations may be useful in understanding and analyzing Sony's consolidated financial statements.

Cash Flow - Consolidated (excluding Financial Services segment)

(Billions of yen, millions of U.S. dollars)

	First quarter ended June 30			
Cash flow	2004	**2005**	Change in Yen	**2005**
- From operating activities	(¥72.9)	**(¥97.3)**	¥ -24.5	**($885)**
- From investing activities	(174.9)	**(70.4)**	+104.5	**(640)**
- From financing activities	(49.1)	**(28.4)**	+20.7	**(258)**
Cash and cash equivalents at beginning of the first quarter	592.9	**519.7**	-73.2	**4,725**
Cash and cash equivalents as of June 30	309.2	**327.7**	+18.4	**2,979**

Operating Activities: During the quarter ended June 30, 2005, although there was a decrease in notes and accounts receivable, trade within the Electronics and Game segments, in addition to the recording of a net loss, there was an increase in inventory mainly within the Electronics segment and a decrease in notes and accounts payable, trade, mainly within the Game segment.

Investing Activities: During the quarter ended June 30, 2005, Sony made capital investments mainly in relation to semiconductor manufacturing facilities and LCD television assembly facilities.

As a result, the total amount of cash flow from operating activities and from investing activities was a net use of cash of ¥167.8 billion ($1,525 million).

Financing Activities: During the quarter ended June 30, 2005, cash was used to make dividend payments and redeem a portion of short-term borrowings.

Cash and Cash Equivalents: The total balance of cash and cash equivalents, accounting for the effect of foreign currency exchange rate fluctuations, was ¥327.7 billion ($2,979 million) as of June 30, 2005, a decrease of ¥192.1 billion compared to March 31, 2005 and an increase of ¥18.4 billion compared with June 30, 2004.

Cash Flow - Financial Services segment

(Billions of yen, millions of U.S. dollars)

Cash flow	First quarter ended June 30 2004	**2005**	Change in Yen	**2005**
- From operating activities	¥50.5	**¥8.7**	¥-41.9	**$78**
- From investing activities	(209.8)	**(150.1)**	+59.7	**(1,364)**
- From financing activities	92.3	**62.5**	-29.8	**568**
Cash and cash equivalents at beginning of the first quarter	256.3	**259.4**	+3.1	**2,358**
Cash and cash equivalents as of June 30	189.4	**180.5**	-8.9	**1,640**

Operating Activities: Net cash from operating activities increased mainly due to an increase in revenue from insurance premiums, reflecting primarily an increase in insurance-in-force at Sony Life.

Investing Activities: Payments for investments and advances exceeded proceeds from maturities of marketable securities, sales of securities investments and collections of advances primarily as a result of investments in mainly Japanese fixed income securities carried out as a result of an increase in revenue from insurance premiums at Sony Life.

Financing Activities: In addition to the increase in policyholders' accounts at Sony Life, deposits from customers in the banking business increased primarily due to an increase in the number of accounts.

Cash and Cash Equivalents: As a result of the above, the balance of cash and cash equivalents was ¥180.5 billion ($1,640 million) as of June 30, 2005, which was a decrease of ¥78.9 billion compared to March 31, 2005 and a decrease of ¥8.9 billion compared to June 30, 2004.

Notes

Note I: During the quarter ended June 30, 2005, the average value of the yen was ¥106.7 against the U.S. dollar and ¥134.1 against the Euro, which was 1.9% higher against the U.S. dollar and 2.5% lower against the Euro, compared with the average rates for the same quarter of the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating income obtained by applying the yen's average exchange rate in the same quarter of the previous fiscal year to local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the current quarter. Local currency basis results are not reflected in Sony's financial statements and are not measures conforming with U.S. GAAP. In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that local currency basis results provide additional useful analytical information to investors regarding operating performance.

Note II: "Sales and operating revenue" in each business segment represents sales and operating revenue recorded before intersegment transactions are eliminated. "Operating income" in each business segment represents operating income recorded before intersegment transactions and unallocated corporate expenses are eliminated.

Note III: In the third quarter ended December 31, 2004, Sony adopted Emerging Issues Task Force ("EITF") Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share." As a result of adopting EITF Issue No. 04-8, diluted earnings per share of net income (loss) for the three months ended June 30, 2004 have been restated (see Note 9 on page F-7 regarding EITF Issue No. 04-8).

Outlook for the Fiscal Year ending March 31, 2006

Sony's forecast for consolidated operating results for the fiscal year ending March 31, 2006 has been revised as per the table below:

	Current Forecast	Change from Previous Forecast	April Forecast
Sales and operating revenue	¥7,250 billion	-3%	¥7,450 billion
Operating income	30 billion	-81	160 billion
(Restructuring charges included within Operating income	88 billion	+22	72 billion)
Income before income taxes	70 billion	-59	170 billion
Equity in net income (loss) of affiliated companies	(8 billion)	-	5 billion
Net income	10 billion	-88	80 billion

Assumed foreign currency exchange rates from the second quarter: approximately ¥107 to the U.S. dollar and approximately ¥130 to the Euro.

The principal reason for this revised forecast is that, in addition to an increase in restructuring charges, a significant deterioration in operating results is anticipated within the television business in the Electronics segment primarily as a result of lower than expected units sold compared to our initial forecasts and a significantly greater than expected deterioration in market prices. As a result, we anticipate an overall slight decrease in sales and a significant increase in operating loss within the Electronics segment for the fiscal year ending March 31, 2006.

On the other hand, increased revenue and a slight increase in operating income is expected to be recorded within the Financial Services segment, reflecting the strong performance the segment recorded during the first quarter. In addition, given the current favorable condition of the business, we also expect increased sales and slightly increased operating income to be recorded within the Game segment.

There has been no significant change to our forecast as of April 27, 2005 for segments other than those mentioned above.

The above forecast includes restructuring charges, recorded as operating expenses, of approximately ¥88 billion expected to be incurred across the Sony Group, primarily within the Electronics segment, an increase of ¥16 billion from the forecast as of April 27, 2005, while ¥90 billion of restructuring charges were recorded for the fiscal year ended March 31, 2005.

On June 22, 2005, a new senior executive team took over responsibility for managing the company. A detailed review is now underway with regard to business strategy and operating structure and the announcement of the resulting plan is expected to take place in September 2005. In addition, as a consequence of the recent trends in the CRT television business, management continues to monitor whether there has been an impairment in the related assets. There is the possibility that these reviews will result in changes that will require additional restructuring charges to be incurred or asset impairment write-downs and that may impact the operating forecast detailed above. However, until this review is completed, the company is unable to estimate the impact of these changes and therefore the revised forecast above does not include any such effects.

In addition, the forecast for operating income and income before income taxes reflects an estimated gain of approximately ¥60 billion in association with the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund related to the benefit obligation associated with past employee service. Furthermore, ¥35 billion of this estimated gain is reflected in the forecast for net income after deductions for the effect of income taxes.

Our forecast for capital expenditures, depreciation and amortization or research and development costs, as per the table below, is unchanged from the forecast of April 27, 2005.

	Forecast	Change from previous fiscal year
Capital expenditures (additions to fixed assets)	¥410 billion	+15%
Depreciation and amortization*	390 billion	+5
(Depreciation expenses for tangible assets	320 billion	+6)
* Including amortization of intangible assets and amortization of deferred insurance acquisition costs.		
Research and development expenses	520 billion	+4

As of June 30, 2005, Sony had deferred tax assets on tax loss carry forwards in relation to Japanese local income taxes totaling ¥77.6 billion. However, there is a possibility that, depending on future operating performance, Sony may establish a valuation allowance against part or all of its deferred tax assets that would be charged to income as an increase in tax expense. It should be noted, though, that the forecast above does not include this possibility.

For your reference, further details about valuation allowances against deferred tax assets can be found under the "Deferred Tax Asset Valuation" section of "Critical Accounting Policies" in Item 5. *Operating and Financial Review and Prospects* of Sony Corporation's Annual Report on Form 20-F for the fiscal year ended March 31, 2005.
URL: http://www.sec.gov/Archives/edgar/data/313838/000114554905001127/k00949e20vf.htm

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," "may" or "might" 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 and beliefs in light of the information currently available to it. Sony cautions you 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 you should not place undue reliance on them. You 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, as well as the economic conditions in Sony's markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, the Euro and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; (iii) Sony's ability to continue to design and develop and win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid development in technology and subjective and changing consumer preferences (particularly in the Electronics, Game and Pictures segments, and music business); (iv) Sony's ability to implement successfully personnel reduction and other business reorganization activities in its Electronics segment, and music business; (v) Sony's ability to implement successfully its network strategy for its Electronics, Pictures and Other segments, including the music business, and to develop and implement successful sales and distribution strategies in its Pictures segment and music business in light of the Internet and other technological developments; (vi) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to correctly prioritize investments (particularly in the Electronics segment); (vii) 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; and (viii) the success of Sony's joint ventures and alliances. Risks and uncertainties also include the impact of any future events with material unforeseen impacts.

Investor Relations Contacts:

Tokyo	New York	London
Takao Yuhara	Justin Hill	Chris Hohman/Shinji Tomita
+81-(0)3-5448-2180	+1-212-833-6722	+44-(0)20-7444-9713

Home Page: http://www.sony.net/IR/

Business Segment Information (Unaudited)

(Millions of yen, millions of U.S. dollars)

Sales and operating revenue	Three months ended June 30 2004	2005	Change	2005
Electronics				
Customers	¥ 1,106,159	¥ **1,023,485**	-7.5%	$ **9,304**
Intersegment	25,122	**91,768**		**835**
Total	1,131,281	**1,115,253**	-1.4	**10,139**
Game				
Customers	100,061	**165,477**	+65.4	**1,504**
Intersegment	5,304	**7,301**		**67**
Total	105,365	**172,778**	+64.0	**1,571**
Pictures				
Customers	148,191	**144,381**	-2.6	**1,313**
Intersegment	0	**0**		**0**
Total	148,191	**144,381**	-2.6	**1,313**
Financial Services				
Customers	127,706	**148,588**	+16.4	**1,351**
Intersegment	5,918	**5,226**		**47**
Total	133,624	**153,814**	+15.1	**1,398**
Other				
Customers	130,021	**77,502**	-40.4	**705**
Intersegment	17,679	**17,941**		**163**
Total	147,700	**95,443**	-35.4	**868**
Elimination	(54,023)	**(122,236)**	—	**(1,112)**
Consolidated total	¥ 1,612,138	¥ **1,559,433**	-3.3%	$ **14,177**

Electronics intersegment amounts primarily consist of transactions with the Game, Pictures and Other segments.
Other intersegment amounts primarily consist of transactions with the Electronics and Game segments.

Operating income (loss)	2004	2005	Change	2005
Electronics	¥ 8,277	¥ **(36,280)**	—	$ **(330)**
Game	(2,881)	**(5,895)**	—	**(54)**
Pictures	4,101	**4,246**	+3.5%	**39**
Financial Services	10,403	**21,923**	+110.7%	**199**
Other	(3,192)	**4,895**	—	**45**
Total	16,708	**(11,111)**	—	**(101)**
Unallocated corporate expenses and elimination	(6,934)	**(4,171)**	—	**(38)**
Consolidated total	¥ 9,774	¥ **(15,282)**	—	$ **(139)**

Commencing with the first quarter ended June 30, 2005, Sony has partly realigned its business segment configuration.
Results in the first quarter of the previous year have been reclassified to conform to the presentations for the current quarter.
(See Note 5 on page F-7.)

Electronics Sales and Operating Revenue to Customers by Product Category

(Millions of yen, millions of U.S. dollars)

Sales and operating revenue	Three months ended June 30 2004	2005	Change	2005
Audio	¥ 134,386	¥ **117,339**	-12.7%	$ **1,067**
Video	251,205	**251,073**	-0.1	**2,282**
Televisions	189,068	**150,305**	-20.5	**1,366**
Information and Communications	182,136	**183,306**	+0.6	**1,666**
Semiconductors	66,910	**53,646**	-19.8	**488**
Components	151,710	**151,025**	-0.5	**1,373**
Other	130,744	**116,791**	-10.7	**1,062**
Total	¥ 1,106,159	¥ **1,023,485**	-7.5%	$ **9,304**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on page F-1. The Electronics segment is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the sales contributions of the products in this business segment. In addition, commencing with the first quarter ended June 30, 2005, Sony has partly realigned its product category configuration in the Electronics segment. (See Note 7 on page F-7.)

Geographic Segment Information (Unaudited)

(Millions of yen, millions of U.S. dollars)

Sales and operating revenue	Three months ended June 30 2004	2005	Change	2005
Japan	¥ 484,632	¥ **468,272**	-3.4%	$ **4,257**
United States	418,296	**418,481**	+0.0	**3,805**
Europe	375,333	**331,123**	-11.8	**3,010**
Other Areas	333,877	**341,557**	+2.3	**3,105**
Total	¥ 1,612,138	¥ **1,559,433**	-3.3%	$ **14,177**

Classification of Geographic Segment Information shows sales and operating revenue recognized by location of customers.

Consolidated Statements of Income (Unaudited)

(Millions of yen, millions of U.S. dollars, except per share amounts)

	Three months ended June 30			
	2004	**2005**	Change	**2005**
Sales and operating revenue:			%	
Net sales	¥ 1,471,121	¥ **1,397,734**		$ **12,707**
Financial service revenue	127,706	**148,588**		**1,351**
Other operating revenue	13,311	**13,111**		**119**
	1,612,138	**1,559,433**	-3.3	**14,177**
Costs and expenses:				
Cost of sales	1,103,271	**1,096,776**		**9,971**
Selling, general and administrative	376,937	**349,476**		**3,177**
Financial service expenses	117,294	**126,637**		**1,151**
Loss on sale, disposal or impairment of assets, net	4,862	**1,826**		**17**
	1,602,364	**1,574,715**		**14,316**
Operating income (loss)	9,774	**(15,282)**	—	**(139)**
Other income:				
Interest and dividends	4,981	**6,169**		**56**
Royalty income	5,661	**8,700**		**79**
Gain on sale of securities investments, net	689	**2,141**		**20**
Gain on change in interest in subsidiaries and equity investees	307	**17,869**		**162**
Other	6,849	**5,758**		**52**
	18,487	**40,637**		**369**
Other expenses:				
Interest	7,527	**4,846**		**44**
Loss on devaluation of securities investments	931	**800**		**7**
Foreign exchange loss, net	5,683	**1,392**		**13**
Other	7,506	**5,414**		**49**
	21,647	**12,452**		**113**
Income before income taxes	6,614	**12,903**	**+95.1**	**117**
Income taxes	(1,842)	**12,051**		**109**
Income before minority interest, equity in net income (loss) of affiliated companies and cumulative effect of an accounting change	8,456	**852**	**-89.9**	**8**
Minority interest in income (loss) of consolidated subsidiaries	621	**(971)**		**(9)**
Equity in net income (loss) of affiliated companies	20,142	**(9,086)**		**(83)**
Income (loss) before cumulative effect of an accounting change	27,977	**(7,263)**	—	**(66)**
Cumulative effect of an accounting change (2004: Net of income taxes of ¥2,675 million)	(4,713)	—		—
Net income (loss)	¥ 23,264	¥ **(7,263)**	—	$ **(66)**
Per share data:				
Common stock				
Income (loss) before cumulative effect of an accounting change				
— Basic	¥ 30.20	¥ **(8.68)**	—	$ **(0.08)**
— Diluted	27.30	**(8.68)**	—	**(0.08)**
Net income (loss)				
— Basic	25.10	**(8.68)**	—	**(0.08)**
— Diluted	22.79	**(8.68)**	—	**(0.08)**
Subsidiary tracking stock				
Net income				
— Basic	13.87	**449.14**	+3,138.2	**4.08**

Consolidated Balance Sheets (Unaudited)

	(Millions of yen, millions of U.S. dollars)			
ASSETS	June 30 2004	March 31 2005	**June 30 2005**	**June 30 2005**
Current assets:				
Cash and cash equivalents	¥ 498,587	¥ 779,103	**¥ 508,103**	**$ 4,619**
Time deposits	6,184	1,492	**1,346**	**12**
Marketable securities	494,219	460,202	**479,801**	**4,362**
Notes and accounts receivable, trade	1,113,384	1,113,071	**1,021,903**	**9,290**
Allowance for doubtful accounts and sales returns	(109,555)	(87,709)	**(82,622)**	**(751)**
Inventories	761,962	631,349	**702,107**	**6,383**
Deferred income taxes	123,965	141,154	**131,738**	**1,198**
Prepaid expenses and other current assets	440,486	517,509	**431,961**	**3,927**
	3,329,232	3,556,171	**3,194,337**	**29,040**
Film costs	259,792	278,961	**313,940**	**2,854**
Investments and advances:				
Affiliated companies	168,222	252,905	**273,221**	**2,484**
Securities investments and other	2,386,537	2,492,784	**2,746,073**	**24,964**
	2,554,759	2,745,689	**3,019,294**	**27,448**
Property, plant and equipment:				
Land	186,620	182,900	**183,007**	**1,664**
Buildings	934,311	925,796	**927,776**	**8,434**
Machinery and equipment	2,085,402	2,192,038	**2,213,789**	**20,125**
Construction in progress	117,456	92,611	**118,638**	**1,079**
Less–Accumulated depreciation	(1,952,104)	(2,020,946)	**(2,054,443)**	**(18,677)**
	1,371,685	1,372,399	**1,388,767**	**12,625**
Other assets:				
Intangibles, net	233,271	187,024	**192,902**	**1,754**
Goodwill	287,278	283,923	**288,028**	**2,618**
Deferred insurance acquisition costs	363,401	374,805	**380,238**	**3,457**
Deferred income taxes	228,203	240,396	**242,917**	**2,208**
Other	522,106	459,732	**454,050**	**4,128**
	1,634,259	1,545,880	**1,558,135**	**14,165**
	¥ 9,149,727	¥ 9,499,100	**¥ 9,474,473**	**$ 86,132**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 103,828	¥ 63,396	**¥ 54,147**	**$ 492**
Current portion of long-term debt	354,045	166,870	**162,969**	**1,482**
Notes and accounts payable, trade	762,582	806,044	**758,955**	**6,900**
Accounts payable, other and accrued expenses	783,635	746,466	**666,433**	**6,058**
Accrued income and other taxes	45,257	55,651	**28,550**	**260**
Deposits from customers in the banking business	413,654	546,718	**574,814**	**5,226**
Other	457,630	424,223	**439,507**	**3,995**
	2,920,631	2,809,368	**2,685,375**	**24,413**
Long-term liabilities:				
Long-term debt	781,089	678,992	**678,303**	**6,166**
Accrued pension and severance costs	377,213	352,402	**351,141**	**3,192**
Deferred income taxes	88,469	72,227	**76,889**	**699**
Future insurance policy benefits and other	2,265,008	2,464,295	**2,521,860**	**22,926**
Other	276,082	227,631	**244,682**	**2,225**
	3,787,861	3,795,547	**3,872,875**	**35,208**
Minority interest in consolidated subsidiaries	23,287	23,847	**27,870**	**253**
Stockholders' equity:				
Capital stock	480,285	621,709	**621,717**	**5,652**
Additional paid-in capital	992,834	1,134,222	**1,134,263**	**10,311**
Retained earnings	1,390,321	1,506,082	**1,498,227**	**13,620**
Accumulated other comprehensive income	(437,524)	(385,675)	**(359,796)**	**(3,270)**
Treasury stock, at cost	(7,968)	(6,000)	**(6,058)**	**(55)**
	2,417,948	2,870,338	**2,888,353**	**26,258**
	¥ 9,149,727	¥ 9,499,100	**¥ 9,474,473**	**$ 86,132**

Consolidated Statements of Cash Flows (Unaudited)

	(Millions of yen, millions of U.S. dollars) Three months ended June 30		
	2004	**2005**	**2005**
Cash flows from operating activities:			
Net income (loss)	¥ 23,264	¥ **(7,263)**	$ **(66)**
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	85,531	**88,664**	**806**
Amortization of film costs	55,055	**53,654**	**488**
Accrual for pension and severance costs, less payments	7,820	**(1,101)**	**(10)**
Loss on sale, disposal or impairment of assets, net	4,862	**1,826**	**17**
Gain on sales or loss on devaluation of securities investments, net	242	**(1,341)**	**(13)**
Gain on change in interest in subsidiaries and equity investees	(307)	**(17,869)**	**(162)**
Deferred income taxes	(15,627)	**(2,624)**	**(24)**
Equity in net (income) losses of affiliated companies, net of dividends	(19,668)	**9,406**	**86**
Cumulative effect of an accounting change	4,713	—	—
Changes in assets and liabilities:			
Decrease in notes and accounts receivable, trade	24,663	**96,786**	**880**
Increase in inventories	(88,947)	**(64,677)**	**(588)**
Increase in film costs	(51,412)	**(79,247)**	**(720)**
Decrease in notes and accounts payable, trade	(21,838)	**(50,570)**	**(460)**
Decrease in accrued income and other taxes	(13,674)	**(23,849)**	**(217)**
Increase in future insurance policy benefits and other	40,771	**19,248**	**175**
Increase in deferred insurance acquisition costs	(15,940)	**(16,023)**	**(146)**
Increase in marketable securities held in the financial service business for trading purpose	(12,343)	**(13,956)**	**(127)**
Increase in other current assets	(22,203)	**(30,814)**	**(280)**
Decrease in other current liabilities	(25,363)	**(65,074)**	**(592)**
Other	17,917	**16,192**	**147**
Net cash used in operating activities	(22,484)	**(88,632)**	**(806)**
Cash flows from investing activities:			
Payments for purchases of fixed assets	(128,891)	**(114,074)**	**(1,037)**
Proceeds from sales of fixed assets	14,359	**7,232**	**66**
Payments for investments and advances by financial service business	(414,488)	**(301,423)**	**(2,740)**
Payments for investments and advances (other than financial service business)	(67,182)	**(13,136)**	**(119)**
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	214,755	**169,551**	**1,541**
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	6,552	**12,388**	**113**
Other	(1,132)	**16,331**	**148**
Net cash used in investing activities	(376,027)	**(223,131)**	**(2,028)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	8,574	**717**	**7**
Payments of long-term debt	(39,461)	**(6,644)**	**(60)**
Decrease in short-term borrowings	(3,073)	**(11,095)**	**(101)**
Increase in deposits from customers in the financial service business	65,155	**66,162**	**601**
Increase in call money and bills sold in the banking business	15,000	**400**	**4**
Dividends paid	(11,577)	**(12,474)**	**(114)**
Other	31	**(414)**	**(4)**
Net cash provided by financing activities	34,649	**36,652**	**333**
Effect of exchange rate changes on cash and cash equivalents	13,238	**4,111**	**37**
Net decrease in cash and cash equivalents	(350,624)	**(271,000)**	**(2,464)**
Cash and cash equivalents at beginning of the fiscal year	849,211	**779,103**	**7,083**
Cash and cash equivalents at June 30	¥ 498,587	¥ **508,103**	$ **4,619**

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110 = U.S. $1, the approximate Tokyo foreign exchange market rate as of June 30, 2005.

2. As of June 30, 2005, Sony had 929 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method in respect to 57 affiliated companies.

3. Sony calculates and presents per share data separately for Sony's common stock and for the subsidiary tracking stock which is linked to the economic value of Sony Communication Network Corporation, based on Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share". The holders of the tracking stock have the right to participate in earnings, together with common stock holders. Accordingly, Sony calculates per share data by the "two-class" method based on FAS No.128. Under this method, basic net income per share for each class of stock is calculated based on the earnings allocated to each class of stock for the applicable period, divided by the weighted-average number of outstanding shares in each class during the applicable period. The earnings allocated to the subsidiary tracking stock are determined based on the subsidiary tracking stockholders' economic interest in the targeted subsidiary's earnings available for dividends or change in accumulated losses that do not include those of the targeted subsidiary's subsidiaries. The earnings allocated to common stock are calculated by subtracting the earnings allocated to the subsidiary tracking stock from Sony's net income for the period.

   Weighted-average shares used for computation of earnings per share of common stock are as follows. The dilutive effect in the weighted-average shares for the three months ended June 30, 2004 mainly resulted from convertible bonds.

Weighted-average shares	(Thousands of shares) Three months ended June 30	
	2004	**2005**
Income (loss) before cumulative effect of an accounting change and net income (loss)		
— Basic	924,955	**996,087**
— Diluted	1,044,951	**996,087**

   By adopting the Emerging Issues Task Force ("EITF") Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share", issued in July 2004, diluted earnings per share of income before cumulative effect of an accounting change and net income for the three months ended June 30, 2004 were retroactively restated (see Note 9).

   Weighted-average shares used for computation of earnings per share of the subsidiary tracking stock for the three months ended June 30, 2004 and 2005 are 3,072 thousand shares. There were no potentially dilutive securities or options granted for earnings per share of the subsidiary tracking stock.

4. Sony's comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income includes changes in unrealized gains or losses on securities, unrealized gains or losses on derivative instruments, minimum pension liabilities adjustments and foreign currency translation adjustments. Net income (loss), other comprehensive income and comprehensive income for the three months ended June 30, 2004 and 2005 were as follows:

	(Millions of yen, millions of U.S. dollars) Three months ended June 30		
	2004	**2005**	**2005**
Net income (loss)	¥ 23,264	**¥ (7,263)**	**$ (66)**
Other comprehensive income :			
Unrealized gains (losses) on securities	(15,163)	**8,379**	**76**
Unrealized gains (losses) on derivative instruments	(2,262)	**1,490**	**14**
Minimum pension liabilities adjustments	(363)	**(231)**	**(2)**
Foreign currency translation adjustments	30,223	**16,241**	**147**
	12,435	**25,879**	**235**
Comprehensive income	¥ 35,699	**¥ 18,616**	**$ 169**

5. As of August 1, 2004, Sony and Bertelsmann AG combined their recorded music businesses in a joint venture. In connection with the establishment of this joint venture, the non-Japan based disc manufacturing and physical distribution businesses, formerly included within the Music segment, have been reclassified to "Other" category in the Electronics segment. In addition, effective April 1, 2005, a similar change was made with respect to the Japan based disc manufacturing businesses. Results for the three months ended June 30, 2004 in the Electronics segment have been restated to account for these reclassifications.

   As a result of these changes in the Music segment, Sony no longer breaks out the Music segment as a reportable segment as it no longer meets the materiality threshold. Effective April 1, 2005, results for the Music segment are included within the Other segment. Accordingly, results for the three months ended June 30, 2004 in the Electronics and the Other segments have been restated to conform to the presentation for this year.

6. In July 2004, in order to establish a more efficient and coordinated semiconductor supply structure, the Sony group has integrated its semiconductor manufacturing business by transferring Sony Computer Entertainment's semiconductor manufacturing operation from the Game segment to the Electronics segment. As a result of this transfer, sales revenue and expenditures associated with this operation are now recorded within the "Semiconductor" category in the Electronics segment. The results for the three months ended June 30, 2004 have not been restated as such comparable figures cannot be practically obtained given that it was not operated as a separate line of business within the Game segment. This integration of the semiconductor manufacturing businesses is a part of Sony's semiconductor strategy of utilizing semiconductor technologies and manufacturing equipment originally developed or designed for the Game business within the Sony group as a whole.

7. Commencing April 1, 2005, Sony has partly realigned its product category configuration in the Electronics segment. Accordingly, results of the previous year have been reclassified. The primary change is as shown below:

Main Product	Previous Product Category		New Product Category
Professional-use projector	"Televisions"	→	"Information and Communications"

8. In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts". SOP 03-1 requires insurance enterprises to record additional reserves for long-duration life insurance contracts with minimum guarantee or annuity receivable options. Additionally, SOP 03-1 provides guidance for the presentation of separate accounts. This statement is effective for fiscal years beginning after December 15, 2003. Sony adopted SOP 03-1 on April 1, 2004. As a result of the adoption of SOP 03-1, Sony's operating income decreased by ¥968 million for the three months ended June 30, 2004. Additionally, on April 1, 2004, Sony recognized ¥4,713 million of loss (net of income taxes of ¥2,675 million) as a cumulative effect of an accounting change. In addition, the separate account assets, which are defined by insurance business law in Japan and were previously included in "Security investments and other" on the consolidated balance sheet, were excluded from the category of separate accounts under the provision of SOP 03-1. Accordingly, the separate account assets are now treated as general accounts and included in "Marketable securities" on the consolidated balance sheet.

9. In July 2004, the EITF issued EITF Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share". In accordance with FAS No.128, Sony had not included in the computation of diluted earnings per share ("EPS") the number of potential common stock upon the conversion of contingently convertible debt instruments ("Co-Cos") that have not met the conditions to exercise the stock acquisition rights. EITF Issue No. 04-8 requires that the maximum number of common stock that could be issued upon the conversion of Co-Cos be included in diluted EPS computations from the date of issuance regardless of whether the conditions to exercise the rights have been met. EITF Issue No. 04-8 is effective for reporting periods ending after December 15, 2004. Sony adopted EITF Issue No. 04-8 during the quarter ended December 31, 2004. As a result of the adoption of EITF Issue No. 04-8, Sony's diluted EPS of income before cumulative effect of an accounting change and net income for the three months ended June 30, 2004 were restated. Sony's diluted EPS of income before cumulative effect of an accounting change and net income for the three months ended June 30, 2004 were decreased by ¥1.22 and ¥1.02, respectively, compared to those before adopting EITF Issue No. 04-8.

Other Consolidated Financial Data

(Millions of yen, millions of U.S. dollars)

	Three months ended June 30			
	2004	**2005**	Change	**2005**
Capital expenditures (additions to property, plant and equipment)	¥ 88,071	**¥ 97,983**	+11.3%	**$ 891**
Depreciation and amortization expenses*	85,531	**88,664**	+3.7	**806**
(Depreciation expenses for property, plant and equipment)	(68,907)	**(71,881)**	(+4.3)	**(653)**
R&D expenses	123,582	**118,388**	-4.2	**1,076**

* Including amortization expenses for intangible assets and for deferred insurance acquisition costs

Condensed Financial Services Financial Statements (Unaudited)

The results of the Financial Services segment are included in Sony's consolidated financial statements. The following schedules show unaudited condensed financial statements for the Financial Services segment and all other segments excluding Financial Services. These presentations are not required under U.S. GAAP, which is used in Sony's consolidated financial statements. However, because the Financial Services segment is different in nature from Sony's other segments, Sony believes that a comparative presentation may be useful in understanding and analyzing Sony's consolidated financial statements.

Transactions between the Financial Services segment and Sony without Financial Services are eliminated in the consolidated figures shown below.

Condensed Statements of Income

(Millions of yen, millions of U.S. dollars)

Financial Services	Three months ended June 30 2004	2005	Change	2005
			%	
Financial service revenue	¥ 133,624	¥ **153,814**	+15.1	$ **1,398**
Financial service expenses	123,221	**131,891**	+7.0	**1,199**
Operating income	10,403	**21,923**	+110.7	**199**
Other income (expenses), net	(62)	**(117)**	—	**(1)**
Income before income taxes	10,341	**21,806**	+110.9	**198**
Income taxes and other	3,826	**9,734**	+154.4	**88**
Income before cumulative effect of an accounting change	6,515	**12,072**	+85.3	**110**
Cumulative effect of an accounting change	(4,713)	—	—	—
Net income	¥ 1,802	¥ **12,072**	+569.9	$ **110**

(Millions of yen, millions of U.S. dollars)

Sony without Financial Services	Three months ended June 30 2004	2005	Change	2005
			%	
Net sales and operating revenue	¥ 1,486,409	¥ **1,412,793**	-5.0	$ **12,844**
Costs and expenses	1,486,927	**1,450,430**	-2.5	**13,186**
Operating income (loss)	(518)	**(37,637)**	—	**(342)**
Other income (expenses), net	(3,209)	**28,735**	—	**261**
Income (loss) before income taxes	(3,727)	**(8,902)**	—	**(81)**
Income taxes and other	(25,189)	**10,432**	—	**95**
Net income (loss)	¥ 21,462	¥ **(19,334)**	—	$ **(176)**

(Millions of yen, millions of U.S. dollars)

Consolidated	Three months ended June 30 2004	2005	Change	2005
			%	
Financial service revenue	¥ 127,706	¥ **148,588**	+16.4	$ **1,351**
Net sales and operating revenue	1,484,432	**1,410,845**	-5.0	**12,826**
	1,612,138	**1,559,433**	-3.3	**14,177**
Costs and expenses	1,602,364	**1,574,715**	-1.7	**14,316**
Operating income (loss)	9,774	**(15,282)**	—	**(139)**
Other income (expenses), net	(3,160)	**28,185**	—	**256**
Income before income taxes	6,614	**12,903**	+95.1	**117**
Income taxes and other	(21,363)	**20,166**	—	**183**
Income (loss) before cumulative effect of an accounting change	27,977	**(7,263)**	—	**(66)**
Cumulative effect of an accounting change	(4,713)	—	—	—
Net income (loss)	¥ 23,264	¥ **(7,263)**	—	$ **(66)**

Condensed Balance Sheets

(Millions of yen, millions of U.S. dollars)

Financial Services ASSETS		June 30 2004		March 31 2005		**June 30 2005**		**June 30 2005**
Current assets:								
Cash and cash equivalents	¥	189,381	¥	259,371	¥	**180,452**	$	**1,640**
Marketable securities		490,144		456,130		**475,728**		**4,325**
Notes and accounts receivable, trade		72,339		77,023		**77,968**		**709**
Other		81,891		197,667		**100,926**		**918**
		833,755		990,191		**835,074**		**7,592**
Investments and advances		2,250,950		2,378,966		**2,644,653**		**24,042**
Property, plant and equipment		40,819		38,551		**33,866**		**308**
Other assets:								
Deferred insurance acquisition costs		363,401		374,805		**380,238**		**3,457**
Other		108,956		103,004		**104,991**		**954**
		472,357		477,809		**485,229**		**4,411**
	¥	3,597,881	¥	3,885,517	¥	**3,998,822**	$	**36,353**
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities:								
Short-term borrowings	¥	103,176	¥	45,358	¥	**42,346**	$	**385**
Notes and accounts payable, trade		7,176		7,099		**8,232**		**75**
Deposits from customers in the banking business		413,654		546,718		**574,814**		**5,226**
Other		158,775		109,438		**112,359**		**1,021**
		682,781		708,613		**737,751**		**6,707**
Long-term liabilities:								
Long-term debt		135,993		135,750		**134,879**		**1,226**
Accrued pension and severance costs		10,748		14,362		**14,685**		**133**
Future insurance policy benefits and other		2,265,008		2,464,295		**2,521,860**		**22,926**
Other		120,406		142,272		**149,169**		**1,357**
		2,532,155		2,756,679		**2,820,593**		**25,642**
Minority interest in consolidated subsidiaries		5,820		5,476		**5,402**		**49**
Stockholders' equity		377,125		414,749		**435,076**		**3,955**
	¥	3,597,881	¥	3,885,517	¥	**3,998,822**	$	**36,353**

(Millions of yen, millions of U.S. dollars)

Sony without Financial Services ASSETS		June 30 2004		March 31 2005		**June 30 2005**		**June 30 2005**
Current assets:								
Cash and cash equivalents	¥	309,206	¥	519,732	¥	**327,651**	$	**2,979**
Marketable securities		4,075		4,072		**4,073**		**37**
Notes and accounts receivable, trade		935,065		952,692		**865,106**		**7,864**
Other		1,274,358		1,116,353		**1,189,093**		**10,810**
		2,522,704		2,592,849		**2,385,923**		**21,690**
Film costs		259,792		278,961		**313,940**		**2,854**
Investments and advances		423,858		445,446		**465,380**		**4,231**
Investments in Financial Services, at cost		197,073		187,400		**187,400**		**1,704**
Property, plant and equipment		1,330,866		1,333,848		**1,354,901**		**12,317**
Other assets		1,272,866		1,189,398		**1,199,863**		**10,908**
	¥	6,007,159	¥	6,027,902	¥	**5,907,407**	$	**53,704**
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities:								
Short-term borrowings	¥	373,908	¥	204,027	¥	**191,677**	$	**1,742**
Notes and accounts payable, trade		757,236		801,252		**752,804**		**6,844**
Other		1,144,546		1,132,201		**1,040,032**		**9,455**
		2,275,690		2,137,480		**1,984,513**		**18,041**
Long-term liabilities:								
Long-term debt		777,738		627,367		**626,821**		**5,698**
Accrued pension and severance costs		366,465		338,040		**336,456**		**3,059**
Other		331,854		263,520		**296,385**		**2,694**
		1,476,057		1,228,927		**1,259,662**		**11,451**
Minority interest in consolidated subsidiaries		17,567		18,471		**22,517**		**205**
Stockholders' equity		2,237,845		2,643,024		**2,640,715**		**24,007**
	¥	6,007,159	¥	6,027,902	¥	**5,907,407**	$	**53,704**

Consolidated ASSETS		June 30 2004		March 31 2005		**June 30 2005**		**June 30 2005**
	(Millions of yen, millions of U.S. dollars)							
Current assets:								
Cash and cash equivalents	¥	498,587	¥	779,103	¥	**508,103**	$	**4,619**
Marketable securities		494,219		460,202		**479,801**		**4,362**
Notes and accounts receivable, trade		1,003,829		1,025,362		**939,281**		**8,539**
Other		1,332,597		1,291,504		**1,267,152**		**11,520**
		3,329,232		3,556,171		**3,194,337**		**29,040**
Film costs		259,792		278,961		**313,940**		**2,854**
Investments and advances		2,554,759		2,745,689		**3,019,294**		**27,448**
Property, plant and equipment		1,371,685		1,372,399		**1,388,767**		**12,625**
Other assets:								
Deferred insurance acquisition costs		363,401		374,805		**380,238**		**3,457**
Other		1,270,858		1,171,075		**1,177,897**		**10,708**
		1,634,259		1,545,880		**1,558,135**		**14,165**
	¥	9,149,727	¥	9,499,100	¥	**9,474,473**	$	**86,132**
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities:								
Short-term borrowings	¥	457,873	¥	230,266	¥	**217,116**	$	**1,974**
Notes and accounts payable, trade		762,582		806,044		**758,955**		**6,900**
Deposits from customers in the banking business		413,654		546,718		**574,814**		**5,226**
Other		1,286,522		1,226,340		**1,134,490**		**10,313**
		2,920,631		2,809,368		**2,685,375**		**24,413**
Long-term liabilities:								
Long-term debt		781,089		678,992		**678,303**		**6,166**
Accrued pension and severance costs		377,213		352,402		**351,141**		**3,192**
Future insurance policy benefits and other		2,265,008		2,464,295		**2,521,860**		**22,926**
Other		364,551		299,858		**321,571**		**2,924**
		3,787,861		3,795,547		**3,872,875**		**35,208**
Minority interest in consolidated subsidiaries		23,287		23,847		**27,870**		**253**
Stockholders' equity		2,417,948		2,870,338		**2,888,353**		**26,258**
	¥	9,149,727	¥	9,499,100	¥	**9,474,473**	$	**86,132**

Condensed Statements of Cash Flows

Financial Services

	(Millions of yen, millions of U.S. dollars) Three months ended June 30 2004	2005	2005
Net cash provided by operating activities	¥ 50,544	¥ **8,650**	$ **78**
Net cash used in investing activities	(209,778)	**(150,060)**	**(1,364)**
Net cash provided by financing activities	92,299	**62,491**	**568**
Net decrease in cash and cash equivalents	(66,935)	**(78,919)**	**(718)**
Cash and cash equivalents at beginning of the fiscal year	256,316	**259,371**	**2,358**
Cash and cash equivalents at June 30	¥ 189,381	¥ **180,452**	$ **1,640**

Sony without Financial Services

	(Millions of yen, millions of U.S. dollars) Three months ended June 30 2004	2005	2005
Net cash used in operating activities	¥ (72,863)	¥ **(97,332)**	$ **(885)**
Net cash used in investing activities	(174,929)	**(70,426)**	**(640)**
Net cash used in financing activities	(49,135)	**(28,434)**	**(258)**
Effect of exchange rate changes on cash and cash equivalents	13,238	**4,111**	**37**
Net decrease in cash and cash equivalents	(283,689)	**(192,081)**	**(1,746)**
Cash and cash equivalents at beginning of the fiscal year	592,895	**519,732**	**4,725**
Cash and cash equivalents at June 30	¥ 309,206	¥ **327,651**	$ **2,979**

Consolidated

	(Millions of yen, millions of U.S. dollars) Three months ended June 30 2004	2005	2005
Net cash used in operating activities	¥ (22,484)	¥ **(88,632)**	$ **(806)**
Net cash used in investing activities	(376,027)	**(223,131)**	**(2,028)**
Net cash provided by financing activities	34,649	**36,652**	**333**
Effect of exchange rate changes on cash and cash equivalents	13,238	**4,111**	**37**
Net decrease in cash and cash equivalents	(350,624)	**(271,000)**	**(2,464)**
Cash and cash equivalents at beginning of the fiscal year	849,211	**779,103**	**7,083**
Cash and cash equivalents at June 30	¥ 498,587	¥ **508,103**	$ **4,619**