SONY

News & Information

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FINANCIAL RESULTS FOR THE SECOND QUARTER AND THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2000

FOR IMMEDIATE RELEASE

Tokyo, October 26, 2000 -- Sony Corporation announced today its financial results for both the second quarter and the six-month period ended September 30, 2000.

Consolidated Results for the Second Quarter

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

	Three months ended September 30			
	1999	**2000**	Change	**2000**
Sales and operating revenue	¥ 1,632,700	**¥ 1,695,102**	+3.8%	**$ 15,695**
Operating income	70,166	**60,534**	-13.7	**561**
Income before income taxes	89,962	**78,073**	-13.2	**723**
Net income	46,515	**19,819**	-57.4	**184**
Per share data*				
Net income				
— Basic	¥ 56.5	**¥ 21.7**	-61.6	**$ 0.20**
— Diluted	50.8	**20.5**	-59.6	**0.19**

Consolidated Results for the Six-Month Period

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

	Six months ended September 30			
	1999	**2000**	Change	**2000**
Sales and operating revenue	¥ 3,114,952	**¥ 3,256,864**	+4.6%	**$ 30,156**
Operating income	112,402	**94,276**	-16.1	**873**
Income before income taxes	132,785	**117,209**	-11.7	**1,085**
Income before cumulative effect of an accounting change	64,942	**33,179**	-48.9	**307**
Net income (loss)	64,942	**(68,474)**	—	**(634)**
Per share data*				
Income before cumulative effect of an accounting change				
— Basic	¥ 79.0	**¥ 36.4**	-53.9	**$ 0.34**
— Diluted	71.4	**34.6**	-51.5	**0.32**
Net income (loss)				
— Basic	79.0	**(75.1)**	—	**(0.70)**
— Diluted	71.4	**(67.6)**	—	**(0.63)**

Note I:

i) In June 2000, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC") issued Statement of Position ("SOP") 00-2, "Accounting by Producers or Distributors of Films." SOP 00-2 is effective for fiscal years starting on or after December 16, 2000 with early application encouraged. Sony adopted SOP 00-2 in the first quarter ended June 30, 2000, effective as of April 1, 2000 (refer to page 16). As a result, Sony's operating income, income before income taxes, and net income for the second quarter ended September 30, 2000 each decreased by approximately ¥5.2 billion ($48 million), and for the six-month period ended September 30, 2000 each decreased by approximately ¥11.5 billion ($106 million). Additionally, Sony's net income for the six-month period ended September 30, 2000 decreased by ¥101.7 billion ($941 million) reflecting a one-time cumulative effect adjustment in the income statement directly above the caption of "net income (loss)" for a change in accounting principle in the first quarter ended June 30, 2000.

ii) On January 5, 2000, the acquisition transactions by way of exchanges of stock, whereby Sony Music Entertainment (Japan) Inc., Sony Chemicals Corporation, and Sony Precision Technology Inc. became wholly-owned subsidiaries of Sony Corporation, were completed. Intangible assets and goodwill realized from these transactions will be amortized over the useful lives of up to a maximum of 20 years and recorded in selling, general and administrative expenses. As a result, during the second quarter ended September 30, 2000, operating income and income before income taxes each decreased approximately ¥4.2 billion ($39 million), and net income decreased approximately ¥3.3 billion ($31 million), and during the six-month period ended September 30, 2000, operating income and income before income taxes each decreased approximately ¥8.4 billion ($78 million), and net income decreased approximately ¥6.6 billion ($61 million).

iii) *Refer to Note 3 on page 15.

Operating Performance Highlights

Note II: During the second quarter ended September 30, 2000, the average value of the yen was ¥106.7 against the U.S. dollar, and ¥96.1 against the euro, which was 5.6% and 22.5% higher against the U.S. dollar and euro, respectively, compared with the level of the second quarter of the previous year. Operating results on a local currency basis described in "Consolidated Results" reflect sales and operating revenue (herein referred to as "sales") and operating income obtained by applying the yen's average exchange rate in the second quarter of the previous year to local currency-denominated sales, cost of sales, and selling, general and administrative expenses, assuming the value of the yen had remained the same. Regarding the U.S. based Music and Pictures businesses, results of worldwide subsidiaries (in case of Music, excluding those of Japan) are consolidated on a U.S. dollar basis. Therefore, regarding such businesses, discussion of operating results on a local currency basis is on a U.S. dollar basis. Local currency basis results are not reflected in Sony's financial statements and are not measures conforming with Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP"). Also, 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 information to investors regarding operating performance.

On a local currency basis (refer to Note II above), during the second quarter ended September 30, 2000, results in the Electronics business were strong, while results in the Game, Music, Pictures, Insurance, and Other businesses were weak. Consolidated sales increased approximately 10% compared with the second quarter of the previous year, due to significant sales increases in the Electronics business and sales increases in all other segments except for the Game and Music businesses. Operating income increased approximately 51% due to a significant increase in the Electronics business, although it decreased in the Insurance business and operating losses were recorded in the Game, Music, Pictures, and Other businesses.

In Sony's financial statements, which in accordance with U.S. GAAP reflect the impact of the translation of financial results and conditions into yen, the currency in which the financial statements are prepared, sales increased only 3.8% to ¥1,695.1 billion ($15,695 million) and operating income decreased 13.7% to ¥60.5 billion ($561 million) compared with the second quarter of the previous year, as both were negatively impacted by the yen's strength against the dollar and particularly the euro.

Cost of sales during the second quarter increased especially in the Electronics and Game businesses. However, the ratio of cost of sales to sales improved due to the significant sales increase in the Electronics business. Selling, general, and administrative expenses increased, especially advertising expenses in the Pictures business as a result of the effects of the adoption of the new film accounting standard (refer to Note I – i above). In addition, selling, general, and administrative expenses during the second quarter included amortization expenses for intangible assets and goodwill resulting from acquisition transactions by way of exchanges of stock (refer to Note I – ii on page 2) and an approximately ¥2.5 billion ($23 million) charge related to stock-price linked incentive compensation. This expense resulted from the rise in Sony Corporation's stock price during the second quarter.

Operating Performance Highlights by Business Segment

Note III: The following discussion is based on segment information. Sales and operating revenue in each business segment include intersegment transactions (refer to "Business Segment Information" on pages 8 and 9). In the Electronics business, sales and operating revenue by product category represent sales to customers, which do not include intersegment transactions (refer to "Electronics Sales and Operating Revenue to Customers by Product Category" on page 10).

Electronics

During the second quarter ended September 30, 2000, on a local currency basis (refer to Note II on page 2), sales in the Electronics business increased approximately 18% and operating income increased approximately 261% compared with the second quarter of the previous year. This significant improvement in results was due to higher sales in almost all regions, especially of semiconductors and digital equipment. Cost of sales in the Electronics business increased due to the sales increases, and selling, general, and administrative expenses also increased, principally in licensing expenses, reflecting a sales increase in information and communications equipment. However, the ratios of cost of sales and selling, general, and administrative expenses to sales improved due to the significant sales increase.

Regarding results by product category on a local currency basis (refer to Note II on page 2), sales of such products as PCs, home-use video cameras and digital still cameras, color TVs (including large-screen projection TVs), and semiconductors increased due to favorable demand.

Regarding results by geographic segment on a local currency basis (refer to Note II on page 2), results were favorably affected by increased sales in almost all regions. In Japan, sales of such products as PCs and semiconductors increased. In the U.S., sales of such products as color TVs, PCs, and home-use video cameras and digital still cameras increased. In Europe, sales of such products as PCs, cellular phones, home-use video cameras and digital still cameras, and computer displays increased. In Other areas, sales of such products as CD-R/RW, optical pickups, semiconductors, and color TVs increased in Asia and those of such products as color TVs increased in South America.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and conditions into yen, sales increased 10.7% to ¥1,304.2 billion ($12,076 million) and operating income increased 131.8% to ¥77.4 billion ($716 million), compared with the second quarter of the previous year, due to the aforementioned factors, which were partially offset by the impact of the yen's appreciation. Regarding "Electronics Sales and Operating Revenue to Customers by Product Category" (refer to page 10), "Audio" sales decreased 7.9% to ¥234.7 billion ($2,174 million), "Video" sales increased 9.8% to ¥281.6 billion ($2,607 million), "Televisions" sales increased 16.6% to ¥198.5 billion ($1,838 million), "Information and communications" sales increased 19.0% to ¥299.8 billion ($2,776 million), and "Electronic components and other" sales increased 18.9% to ¥198.4 billion ($1,837 million). Regarding profit performance by product category, profits for the second quarter were primarily derived from sales of such products as home-use video cameras and digital still cameras, semiconductors, audio equipment, and color TVs. Compared with the second quarter of the previous year, the profit performance of such products as semiconductors and color TVs improved significantly. In addition, regarding cellular phones, results of which were weak in the second quarter of the previous year due to expenses in the U.S. brought about by the discontinuation of the business in North America excluding research and development and after sales service, losses continued to be incurred, but the amount of loss decreased significantly.

Game

During the second quarter ended September 30, 2000, on a local currency basis (refer to Note II on page 2), sales in the Game business decreased approximately 14% due to a significant decrease in software sales, although hardware sales increased. Regarding profit performance, an operating loss was recorded compared with an operating profit in the second quarter of the previous year. In Japan, although sales of Sony-produced software decreased significantly, overall sales increased significantly due to favorable hardware sales of PlayStation 2 and PS one, which was introduced in Japan in July 2000, as well as of hit third-party software titles. However, in the U.S. and Europe, hardware sales decreased significantly, reflecting lower production and supply shortages of PlayStation and PS one. Accordingly, software sales in those areas also decreased significantly. As a result, overall sales in the Game business decreased. Operating losses were recorded principally due to start-up expenses for the PlayStation 2 format and the aforementioned significant decreases in sales of Sony-produced software.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and conditions into yen, sales decreased 17.1% to ¥121.0 billion ($1,120 million), and an operating loss of ¥2.8 billion ($26 million) was recorded due to the aforementioned factors and the yen's appreciation, while operating income of ¥28.1 billion was recorded in the second quarter of the previous year.

Total worldwide shipments of PlayStation and PS one hardware were 2.37 million units for the second quarter compared with 6.81 million units for the second quarter of the previous year, resulting in cumulative shipments of 75.92 million units as of September 30, 2000. Worldwide shipments of PlayStation 2 hardware were 0.98 million units for the second quarter, resulting in cumulative shipments of 3.52 million units as of September 30, 2000. Worldwide shipments of PlayStation software (including both Sony and third parties under Sony licenses) were 40 million units for the second quarter compared with 48 million units for the second quarter of the previous year, resulting in cumulative shipments of 690 million units as of September 30, 2000. In addition, shipments of PlayStation 2 software (including both Sony and third parties under Sony licenses) were 3.4 million units for the second quarter, resulting in cumulative shipments of 8.0 million units as of September 30, 2000.

Music

During the second quarter ended September 30, 2000, on a local currency basis (refer to Note II on page 2), sales in the Music business decreased approximately 16% and an operating loss was recorded compared with an operating profit in the second quarter of the previous year.

Regarding the results of Sony Music Entertainment Inc. (herein referred to as "SMEI"), the U.S. based operation, on a local currency basis (refer to Note II on page 2), sales decreased and an operating loss was recorded compared with an operating profit in the second quarter of the previous year. Results in the second quarter were negatively affected by the impact in the U.S. and international markets of the timing of new releases, continued soft market conditions in a number of international markets, and the strengthening of the U.S. dollar against foreign currencies. Additionally, increased operating costs associated with accelerated digital media incubation activities contributed to the decline from the prior year's second quarter.

In Japan, regarding the results of Sony Music Entertainment (Japan) Inc. (herein referred to as "SMEJ") and its subsidiaries, although sales decreased due to fewer successful albums in the second quarter, an operating profit was recorded due to the reduction of advertising expenses, compared with an operating loss in the second quarter of the previous year.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and conditions into yen, overall sales decreased 18.2% to ¥133.9 billion ($1,240 million), and an operating loss of ¥3.3 billion ($31 million) was recorded due to the aforementioned factors and the yen's appreciation, while operating income of ¥2.6 billion was recorded in the second quarter of the previous year.

Pictures

During the second quarter ended September 30, 2000, on a local currency basis (refer to Note II on page 2), sales in the Pictures business increased approximately 4%. However, an operating loss was recorded compared with an operating profit in the second quarter of the previous year. The results in the Pictures business consist of the results of Sony Pictures Entertainment, the U.S. based operation (refer to Note II on page 2).

The sales increase was principally due to higher international motion picture revenues and strong DVD home video sales, offset to some extent by lower television syndication revenues. The significant deterioration in profit performance over the second quarter of the previous year is in large part due to the adoption of the new film accounting standard (refer to Note I - i on page 2). As a result of the new accounting standard, operating loss in the second quarter increased by approximately ¥5.2 billion ($48 million).

In addition to the impact of the new accounting standard, motion picture operating results this quarter suffered from the disappointing performance of *Loser* in the U.S. theatrical market and *The Patriot* in theatrical markets outside the U.S., as well as from a lack of carryover contribution from prior year product other than *Stuart Little*. Television operating results also declined due to the fact that fewer television series were available for the syndication market as compared to the prior year. Home video results increased due to the higher revenues from DVD sales noted above. Digital Entertainment business, a division which was established at the beginning of this fiscal year, incurred an operating loss due to strategic investments in new digital initiatives. Results of the division also include the results of the online game business, which has been transferred to the Pictures business effective as of April 1, 2000. Results of the online game business were previously included in the Other business.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and conditions into yen, sales were essentially flat at ¥113.4 billion ($1,050 million) compared with the second quarter of the previous year. However, an operating loss of ¥7.2 billion ($66 million) was recorded due to the aforementioned factors and the yen's appreciation, while operating income of ¥8.1 billion was recorded in the second quarter of the previous year.

Insurance

During the second quarter ended September 30, 2000, regarding the results of Sony Life Insurance Co., Ltd., revenue increased and profit decreased compared with the second quarter of the previous year. The increased revenue was due to a net increase in life insurance-in-force from individual life insurance products such as term-life and medical expense coverage. During the second quarter, the revenue increase was somewhat offset by a decrease in gains from revaluation of investment securities held for trading purposes reflecting the weak stock market. Regarding profit performance, operating profit decreased principally due to the effect of the aforementioned decrease in gains from revaluation of investment securities, increases in expenses for insurance benefits, increases in amortization expenses of deferred insurance acquisition costs, and the recording of reserves for Life Insurance Policyholders Protection Corporation of Japan.

Regarding the results of the non-life insurance business conducted by Sony Assurance Inc., losses were recorded due to start-up expenses, such as advertising, being higher than revenue.

As a result, Insurance revenue increased 3.1% to ¥97.2 billion ($900 million), and operating income decreased 65.1% to ¥3.0 billion ($28 million) compared with the second quarter of the previous year.

Other

The Other business consists of various operating activities, including a leasing and credit financing business in Japan, a business focused on parts trading services within the Sony group, certain satellite distribution services businesses in Japan, an advertising agency business in Japan, and location-based entertainment businesses in Japan, the U.S., and Germany.

During the second quarter ended September 30, 2000, sales increased primarily due to an increase in sales of the business focused on parts trading services within the Sony group, reflecting increases in product demand in the Electronics business. Regarding profit performance, losses were recorded, primarily from location-based entertainment businesses in Japan, the U.S., and Germany and certain satellite distribution services businesses in Japan, although losses from the location-based entertainment business in the U.S. decreased compared with the second quarter of the previous year.

As a result, sales in the Other business were up 19.2% to ¥104.4 billion ($966 million) compared with the second quarter of the previous year and operating losses decreased from ¥3.3 billion in the second quarter of the previous year to ¥1.0 billion ($9 million).

Consolidated Income before Income Taxes and Net Income (Loss)

In consolidated results, other income during the second quarter included approximately ¥8.4 billion ($78 million) of gains on issuances of stock by Crosswave Communications Inc. and Monex, Inc, both of which are Sony's affiliates accounted for by the equity method. In addition, other income included approximately ¥7.4 billion ($68 million) of gains, primarily from the partial sale of equity of a subsidiary engaged in a television channel operation in India and from the sale of a subsidiary engaged in in-flight entertainment business. Other income in the second quarter of the previous year included approximately ¥10.9 billion of gains on sale of certain securities investment and equity of certain subsidiaries. Additionally, foreign exchange gain, net during the second quarter decreased from ¥18.6 billion in the second quarter of the previous year to ¥3.2 billion ($30 million). The larger foreign exchange gain, net, primarily in Sony Corporation, in the second quarter of the previous year reflected significant appreciation of the yen's average market value to the U.S. dollar against Sony Corporation's contract rate. Also attributable were significant revaluation gains from foreign exchange forward contracts and foreign currency option contracts made for foreign exchange hedging for future receivables and payables as of the end of the second quarter of the previous year. Such effects were minor in the current quarter.

Income before income taxes decreased 13.2% to ¥78.1 billion ($723 million) compared with the second quarter of the previous year due to the decrease in operating income as well as the other factors discussed above. Equity in net losses of affiliated companies increased from ¥4.3 billion in the second quarter of the previous year to ¥24.5 billion ($227 million). As a result, net income decreased 57.4% to ¥19.8 billion ($184 million) compared with the second quarter of the previous year.

Basic net income per share was ¥21.7 ($0.20) compared with net income of ¥56.5 in the second quarter of the previous year. Diluted net income per share was ¥20.5 ($0.19) compared with net income of ¥50.8 in the second quarter of the previous year (refer to Note 3 on page 15).

Results of affiliated companies accounted for by the equity method

Equity affiliates include i) in the Electronics business - S.T. Liquid Crystal Display Corp. ("ST-LCD"), an LCD joint venture in Japan, ii) in the Music business - The Columbia House Company ("CHC"), a direct marketer of music and videos, iii) in the Pictures business - Telemundo, a U.S. based Spanish language television network and station group and Loews Cineplex Entertainment Corporation ("Loews"), a theatrical exhibition company, and iv) in the Other business - satellite distribution services businesses in Japan and a commercial- and other- use facility in Germany.

During the second quarter, equity in net losses of affiliated companies increased principally due to increases in losses of Loews and CHC. Equity in net losses of Loews for the second quarter was approximately ¥19.3 billion ($179 million), with approximately ¥17.0 billion ($157 million) of this related to a reserve recorded against the carrying value of Sony's investment in Loews. The entire exhibition industry in the United States has undergone significant difficulty due to severe overbuilding of new theatres and lower attendance. Due to this difficult environment, Loews has defaulted on its loan covenants and is experiencing severe cash flow problems. Although the loan covenant defaults have been temporarily waived, the continuing industry-wide difficulties have led Sony to conclude that its carrying value in Loews is impaired and accordingly a reserve to adjust the carrying value to fair market value was recorded during the quarter.

Cash Flows

During the six-month period ended September 30, 2000, in operating activities, Sony generated ¥44.3 billion ($410 million) which was a decrease of ¥84.1 billion ($779 million) compared with the six-month period of the previous year. In investing activities, Sony used ¥295.1 billion ($2,732 million) which was an increase of ¥132.1 billion ($1,223 million) compared with the six-month period of the previous year. In financing activities, Sony generated ¥248.4 billion ($2,300 million) which was an increase of ¥172.9 billion ($1,601 million) compared with the six-month period of the previous year. As a result, cash and cash equivalents at end of the six-month period was ¥623.1 billion ($5,770 million), which was an increase of ¥13.3 billion ($123 million) compared with the end of the six-month period of the previous year.

Regarding net cash provided by operating activities during the six-month period, net loss of ¥68.5 billion ($634 million) was recorded. Among adjustments to net loss, depreciation and amortization, including amortization of deferred insurance acquisition costs was ¥162.9 billion ($1,508 million), principally in the Electronics and Game businesses. Amortization of film costs was ¥101.7 billion ($941 million). Net loss included a ¥101.7 billion ($941 million) non-cash one-time cumulative adjustment for adopting the new film accounting standard (refer to Note I – i on page 2). Regarding changes in assets and liabilities, notes and accounts receivable increased by ¥48.8 billion ($452 million), reflecting sales increases in the Electronics business. Notes and accounts payable increased by ¥88.6 billion ($820 million), reflecting increases in production in the Electronics business. However, inventories increased by ¥241.7 billion ($2,238 million), reflecting the building up of inventories in the Electronics business. In addition, future insurance policy benefits and other increased by ¥115.0 billion ($1,064 million), reflecting expansion of the Insurance business.

Regarding net cash used in investing activities during the six-month period, payments for purchases of fixed assets increased to ¥196.4 billion ($1,818 million) especially in the Electronics, Game, and Other businesses. Payments for investments and advances (other than Insurance business) were ¥54.6 billion ($505 million). The breakdown is approximately ¥38.5 billion ($356 million) for investments and approximately ¥16.0 billion ($148 million) for advances. Payments for investments included investment by Sony Corporation in Tokyu Cable Television in addition to strategic investment totaling approximately ¥20.0 billion ($185 million) by Sony's U.S. headquarters in venture companies such as Transmeta Corporation and Zing Network, Inc., an on-line photo service provider. Payments for advances included loans to CHC. On the other hand, proceeds from sales of securities investment and other and collections of advances (other than insurance business) were ¥37.4 billion ($346 million). Such proceeds from sales of securities investment and other included approximately ¥29.0 billion ($269 million) from the partial sale of equity of a subsidiary engaged in a television channel operation in India, the sale of a map database service subsidiary in the U.S., and the sale of a subsidiary engaged in the in-flight entertainment business. In addition, in the Insurance business, Sony used ¥142.2 billion ($1,317 million) for payments for investments and advances. Proceeds from sales of securities investment and other and collections of advances by insurance business were ¥42.6 billion ($394 million).

Regarding net cash provided by financing activities during the six-month period, proceeds from issuance of long-term debt were ¥177.1 billion ($1,640 million) and short-term borrowings increased by ¥148.8 billion ($1,378 million). The proceeds from issuance of long-term debt included ¥150.0 billion ($1,389 million) from issuance of bonds in Japan by Sony Corporation, aimed at financing capital expenditures for its semiconductors equipment. The increase in short-term borrowings was principally due to issuance of commercial paper in Japan and the U.S.

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Business Segment Information

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

Sales and operating revenue	Three months ended September 30 1999	2000	Change	2000
Electronics				
Customers	¥ 1,100,617	**¥ 1,213,007**	+10.2%	**$ 11,232**
Intersegment	77,935	**91,189**		**844**
Total	1,178,552	**1,304,196**	+10.7	**12,076**
Game				
Customers	140,363	**118,166**	-15.8	**1,094**
Intersegment	5,566	**2,798**		**26**
Total	145,929	**120,964**	-17.1	**1,120**
Music				
Customers	153,785	**123,644**	-19.6	**1,145**
Intersegment	9,916	**10,240**		**95**
Total	163,701	**133,884**	-18.2	**1,240**
Pictures				
Customers	114,651	**113,416**	-1.1	**1,050**
Intersegment	170	**0**		**0**
Total	114,821	**113,416**	-1.2	**1,050**
Insurance				
Customers	94,272	**97,193**	+3.1	**900**
Intersegment	0	**2**		**0**
Total	94,272	**97,195**	+3.1	**900**
Other				
Customers	29,012	**29,676**	+2.3	**274**
Intersegment	58,612	**74,728**		**692**
Total	87,624	**104,404**	+19.2	**966**
Elimination	(152,199)	**(178,957)**	—	**(1,657)**
Consolidated	¥ 1,632,700	**¥ 1,695,102**	+3.8%	**$ 15,695**

Electronics intersegment amounts primarily consist of transactions with the Game business.
Other intersegment amounts primarily consist of transactions with the Electronics business.

Operating income (loss)	1999	2000	Change	2000
Electronics	¥ 33,364	**¥ 77,353**	+131.8%	**$ 716**
Game	28,089	**(2,807)**	—	**(26)**
Music	2,624	**(3,343)**	—	**(31)**
Pictures	8,125	**(7,180)**	—	**(66)**
Insurance	8,557	**2,990**	-65.1	**28**
Other	(3,298)	**(957)**	—	**(9)**
Total	77,461	**66,056**	-14.7	**612**
Corporate and elimination	(7,295)	**(5,522)**	—	**(51)**
Consolidated	¥ 70,166	**¥ 60,534**	-13.7%	**$ 561**

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

Sales and operating revenue	Six months ended September 30 1999	2000	Change	2000
Electronics				
Customers	¥ 2,094,593	**¥ 2,306,465**	+10.1%	**$ 21,356**
Intersegment	133,397	**170,026**		**1,574**
Total	2,227,990	**2,476,491**	+11.2	**22,930**
Game				
Customers	249,091	**223,083**	-10.4	**2,066**
Intersegment	11,780	**5,613**		**52**
Total	260,871	**228,696**	-12.3	**2,118**
Music				
Customers	316,265	**245,717**	-22.3	**2,275**
Intersegment	17,603	**18,825**		**174**
Total	333,868	**264,542**	-20.8	**2,449**
Pictures				
Customers	216,159	**221,968**	+2.7	**2,055**
Intersegment	399	**0**		**0**
Total	216,558	**221,968**	+2.5	**2,055**
Insurance				
Customers	182,704	**200,291**	+9.6	**1,855**
Intersegment	0	**2**		**0**
Total	182,704	**200,293**	+9.6	**1,855**
Other				
Customers	56,140	**59,340**	+5.7	**549**
Intersegment	114,899	**140,853**		**1,304**
Total	171,039	**200,193**	+17.0	**1,853**
Elimination	(278,078)	**(335,319)**	—	**(3,104)**
Consolidated	¥ 3,114,952	**¥ 3,256,864**	+4.6%	**$ 30,156**

Electronics intersegment amounts primarily consist of transactions with the Game business.
Other intersegment amounts primarily consist of transactions with the Electronics business.

Operating income (loss)	1999	2000	Change	2000
Electronics	¥ 47,457	**¥ 132,579**	+179.4%	**$ 1,228**
Game	45,588	**(18,844)**	—	**(175)**
Music	7,210	**(8,301)**	—	**(77)**
Pictures	11,713	**(12,757)**	—	**(118)**
Insurance	13,716	**9,822**	-28.4	**91**
Other	(2,637)	**(3,591)**	—	**(33)**
Total	123,047	**98,908**	-19.6	**916**
Corporate and elimination	(10,645)	**(4,632)**	—	**(43)**
Consolidated	¥ 112,402	**¥ 94,276**	-16.1%	**$ 873**

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 September 30 1999	2000	Change	2000
Audio	¥ 254,992	**¥ 234,728**	-7.9%	**$ 2,174**
Video	256,543	**281,565**	+9.8	**2,607**
Televisions	170,273	**198,508**	+16.6	**1,838**
Information and communications	251,922	**299,779**	+19.0	**2,776**
Electronic components and other	166,887	**198,427**	+18.9	**1,837**
Total	¥ 1,100,617	**¥ 1,213,007**	+10.2%	**$ 11,232**

Sales and operating revenue	Six months ended September 30 1999	2000	Change	2000
Audio	¥ 467,866	**¥ 445,905**	-4.7%	**$ 4,129**
Video	490,431	**525,705**	+7.2	**4,868**
Televisions	310,957	**359,970**	+15.8	**3,333**
Information and communications	502,500	**584,091**	+16.2	**5,408**
Electronic components and other	322,839	**390,794**	+21.0	**3,618**
Total	¥ 2,094,593	**¥ 2,306,465**	+10.1%	**$ 21,356**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on page 8 and 9. The Electronics business 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. Operating income information by product category is not available.

Geographic Segment Information

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

Sales and operating revenue	Three months ended September 30 1999	2000	Change	2000
Japan	¥ 501,734	**¥ 556,953**	+11.0%	**$ 5,157**
United States	518,923	**524,632**	+1.1	**4,858**
Europe	344,441	**304,481**	-11.6	**2,819**
Other Areas	267,602	**309,036**	+15.5	**2,861**
Total	¥ 1,632,700	**¥ 1,695,102**	+3.8%	**$ 15,695**

Sales and operating revenue	Six months ended September 30 1999	2000	Change	2000
Japan	¥ 967,379	**¥ 1,111,142**	+14.9%	**$ 10,288**
United States	953,499	**952,609**	-0.1	**8,820**
Europe	688,795	**614,688**	-10.8	**5,692**
Other Areas	505,279	**578,425**	+14.5	**5,356**
Total	¥ 3,114,952	**¥ 3,256,864**	+4.6%	**$ 30,156**

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

Consolidated Statements of Income

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

	Three months ended September 30			
	1999	**2000**	Change	**2000**
Sales and operating revenue:			%	
Net sales	¥ 1,522,060	**¥ 1,582,778**		**$ 14,655**
Insurance revenue	94,271	**97,193**		**900**
Other operating revenue	16,369	**15,131**		**140**
	1,632,700	**1,695,102**	+3.8	**15,695**
Costs and expenses:				
Cost of sales	1,109,545	**1,144,108**		**10,594**
Selling, general and administrative	367,257	**396,257**		**3,668**
Insurance expenses	85,732	**94,203**		**872**
	1,562,534	**1,634,568**		**15,134**
Operating income	70,166	**60,534**	-13.7	**561**
Other income:				
Interest and dividends	3,811	**6,564**		**61**
Royalty income	7,262	**11,225**		**104**
Foreign exchange gain, net	18,637	**3,209**		**30**
Gain on sales of securities investments and other, net	10,945	**7,372**		**68**
Gain on issuances of stock by equity investees	—	**8,436**		**78**
Other	9,133	**12,581**		**116**
	49,788	**49,387**		**457**
Other expenses:				
Interest	10,457	**11,095**		**103**
Loss on sale and disposal of property, plant and equipment	3,976	**6,629**		**61**
Other	15,559	**14,124**		**131**
	29,992	**31,848**		**295**
Income before income taxes	89,962	**78,073**	-13.2	**723**
Income taxes	34,708	**38,100**		**353**
Income before minority interest and equity in net losses of affiliated companies	55,254	**39,973**		**370**
Minority interest in consolidated subsidiaries	4,479	**(4,327)**		**(41)**
Equity in net losses of affiliated companies	4,260	**24,481**		**227**
Net income	¥ 46,515	**¥ 19,819**	-57.4	**$ 184**
Net income per share				
Basic	¥ 56.5	**¥ 21.7**	-61.6	**$ 0.20**
Diluted	50.8	**20.5**	-59.6	**0.19**

Consolidated Statements of Income and Retained Earnings

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

	Six months ended September 30			
	1999	**2000**	Change	**2000**
Sales and operating revenue:			%	
Net sales	¥ 2,899,449	**¥ 3,025,959**		**$ 28,018**
Insurance revenue	182,703	**200,291**		**1,855**
Other operating revenue	32,800	**30,614**		**283**
	3,114,952	**3,256,864**	+4.6	**30,156**
Costs and expenses:				
Cost of sales	2,116,949	**2,216,574**		**20,524**
Selling, general and administrative	716,614	**755,545**		**6,995**
Insurance expenses	168,987	**190,469**		**1,764**
	3,002,550	**3,162,588**		**29,283**
Operating income	112,402	**94,276**	-16.1	**873**
Other income:				
Interest and dividends	9,012	**10,972**		**102**
Royalty income	10,331	**14,393**		**133**
Foreign exchange gain, net	20,503	**1,854**		**17**
Gain on sales of securities investments and other, net	15,282	**22,499**		**208**
Gain on issuances of stock by equity investees	—	**8,436**		**78**
Other	20,333	**21,605**		**201**
	75,461	**79,759**		**739**
Other expenses:				
Interest	21,554	**20,571**		**191**
Loss on sale and disposal of property, plant and equipment	5,265	**7,812**		**72**
Other	28,259	**28,443**		**264**
	55,078	**56,826**		**527**
Income before income taxes	132,785	**117,209**	-11.7	**1,085**
Income taxes	51,765	**56,264**		**521**
Income before minority interest, equity in net losses of affiliated companies and cumulative effect of an accounting change	81,020	**60,945**		**564**
Minority interest in consolidated subsidiaries	6,320	**(3,875)**		**(36)**
Equity in net losses of affiliated companies	9,758	**31,641**		**293**
Income before cumulative effect of an accounting change	64,942	**33,179**	-48.9	**307**
Cumulative effect of an accounting change (net of income taxes of ¥0 million)	—	**(101,653)**		**(941)**
Net income (loss)	¥ 64,942	**¥ (68,474)**	—	**$ (634)**
Retained earnings:				
Balance, beginning of year	¥ 1,123,591	**¥ 1,223,761**		**$ 11,331**
Cash dividends	(10,325)	**(11,444)**		**(106)**
Stock issue costs	—	**(413)**		**(4)**
Balance, as of September 30	¥ 1,178,208	**¥ 1,143,430**		**$ 10,587**
Per share data				
Income before cumulative effect of an accounting change				
— Basic	¥ 79.0	**¥ 36.4**	-53.9	**$ 0.34**
— Diluted	71.4	**34.6**	-51.5	**0.32**
Net income (loss)				
— Basic	¥ 79.0	**¥ (75.1)**	—	**$ (0.70)**
— Diluted	71.4	**(67.6)**	—	**(0.63)**

Condensed Consolidated Balance Sheets

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

ASSETS	September 30 1999	March 31 2000	**September 30 2000**	**September 30 2000**
Current assets:				
Cash and time deposits	¥ 615,523	¥ 632,202	**¥ 630,068**	**$ 5,834**
Marketable securities	103,335	107,499	**142,156**	**1,316**
Notes and accounts receivable, less allowances	1,022,273	1,055,469	**1,102,516**	**10,208**
Inventories	882,754	746,550	**988,155**	**9,150**
Other	481,236	480,296	**485,563**	**4,496**
Total current assets	3,105,121	3,022,016	**3,348,458**	**31,004**
Film costs	328,691	339,011	**254,110**	**2,353**
Investments and advances	1,021,556	1,075,594	**1,156,011**	**10,704**
Property, plant and equipment, less depreciation	1,243,230	1,255,570	**1,276,083**	**11,816**
Other assets:				
Intangibles	124,471	218,496	**207,745**	**1,924**
Goodwill	125,579	293,777	**289,265**	**2,678**
Deferred insurance acquisition costs	221,799	239,981	**252,810**	**2,341**
Other	283,769	362,752	**388,288**	**3,595**
Total other assets	755,618	1,115,006	**1,138,108**	**10,538**
	¥ 6,454,216	¥ 6,807,197	**¥ 7,172,770**	**$ 66,415**

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30 1999	March 31 2000	**September 30 2000**	**September 30 2000**
Current liabilities:				
Short-term debt	¥ 248,206	¥ 214,935	**¥ 408,466**	**$ 3,782**
Notes and accounts payable, trade	834,097	811,031	**899,642**	**8,330**
Accounts payable, other and accrued expenses	650,609	681,458	**699,532**	**6,477**
Accrued income and other taxes	107,607	87,520	**105,364**	**976**
Other	337,375	365,398	**320,739**	**2,970**
Total current liabilities	2,177,894	2,160,342	**2,433,743**	**22,535**
Long-term liabilities:				
Long-term debt	945,134	813,828	**856,480**	**7,930**
Accrued pension and severance costs	135,364	129,604	**142,815**	**1,322**
Deferred income taxes	129,497	184,020	**187,908**	**1,740**
Future insurance policy benefits and other	1,009,930	1,124,873	**1,239,832**	**11,480**
Other	168,269	177,059	**183,317**	**1,698**
Total long-term liabilities	2,388,194	2,429,384	**2,610,352**	**24,170**
Minority interest in consolidated subsidiaries	141,699	34,565	**30,137**	**279**
Stockholders' equity:				
Common stock, ¥50 par value	424,617	451,550	**465,322**	**4,309**
Additional paid-in capital	568,164	940,716	**955,681**	**8,849**
Retained earnings	1,178,208	1,223,761	**1,143,430**	**10,587**
Accumulated other comprehensive income	(415,886)	(425,316)	**(458,250)**	**(4,243)**
Treasury stock, at cost	(8,674)	(7,805)	**(7,645)**	**(71)**
Total stockholders' equity	1,746,429	2,182,906	**2,098,538**	**19,431**
	¥ 6,454,216	¥ 6,807,197	**¥ 7,172,770**	**$ 66,415**

Consolidated Statements of Cash Flows

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

	Six months ended September 30		
	1999	**2000**	**2000**
Cash flows from operating activities:			
Net income (loss)	¥ 64,942	**¥ (68,474)**	**$ (634)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities -			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	141,359	**162,861**	**1,508**
Amortization of film costs	164,216	**101,669**	**941**
Accrual for pension and severance costs, less payments	9,017	**13,348**	**124**
Loss on sale and disposal of property, plant and equipment, net	4,400	**7,081**	**66**
Deferred income taxes	(14,025)	**(16,088)**	**(149)**
Equity in net losses of affiliated companies, net of dividends	10,220	**33,307**	**308**
Cumulative effect of an accounting change	—	**101,653**	**941**
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(88,734)	**(48,796)**	**(452)**
Increase in inventories	(162,834)	**(241,707)**	**(2,238)**
Increase in film costs (after adjusted cumulative effect of an accounting change)	(192,752)	**(120,040)**	**(1,111)**
Increase in notes and accounts payable	132,115	**88,565**	**820**
Increase in accrued income and other taxes	5,160	**18,403**	**170**
Increase in future insurance policy benefits and other	95,993	**114,959**	**1,064**
Increase in deferred insurance acquisition costs	(29,491)	**(32,916)**	**(305)**
Changes in other current assets and liabilities, net	17,206	**(2,612)**	**(24)**
Other	(28,369)	**(66,886)**	**(619)**
Net cash provided by operating activities	128,423	**44,327**	**410**
Cash flows from investing activities:			
Payments for purchases of fixed assets	(166,626)	**(196,350)**	**(1,818)**
Proceeds from sales of fixed assets	8,219	**10,391**	**96**
Payments for investments and advances by insurance business	(87,072)	**(142,200)**	**(1,317)**
Payments for investments and advances (other than insurance business)	(51,615)	**(54,595)**	**(505)**
Proceeds from sales of securities investment and other and collections of advances by insurance business	47,104	**42,561**	**394**
Proceeds from sales of securities investment and other and collections of advances (other than insurance business)	56,662	**37,395**	**346**
Payments for purchases of marketable securities	(26,681)	**(8,886)**	**(82)**
Proceeds from sales of marketable securities	39,699	**17,365**	**161**
(Increase) decrease in time deposits	17,321	**(768)**	**(7)**
Net cash used in investing activities	(162,989)	**(295,087)**	**(2,732)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	11,610	**177,136**	**1,640**
Payments of long-term debt	(16,449)	**(66,517)**	**(616)**
Increase in short-term borrowings	92,173	**148,840**	**1,378**
Dividends paid	(10,272)	**(11,354)**	**(105)**
Other	(1,507)	**337**	**3**
Net cash provided by financing activities	75,555	**248,442**	**2,300**
Effect of exchange rate changes on cash and cash equivalents	(23,364)	**(613)**	**(5)**
Net increae (decrease) in cash and cash equivalents	17,625	**(2,931)**	**(27)**
Cash and cash equivalents at beginning of year	592,210	**626,064**	**5,797**
Cash and cash equivalents at end of the second quarter	¥ 609,835	**¥ 623,133**	**$ 5,770**
Supplemental data:			
Cash paid during six months ended September 30 for -			
Income taxes	¥ 69,343	**¥ 57,155**	**$ 529**
Interest	18,754	**23,202**	**215**
Non-cash investing and financing activities -			
Conversions of convertible debt into common stock and additional paid-in capital	15,717	**27,059**	**251**

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥108=U.S. $1, the approximate Tokyo foreign exchange market rate as of September 29, 2000. Effective with the second quarter ended September 30, 1999, a presentation in U.S. dollars was changed to million of U.S. dollars.
2. As of September 30, 2000, Sony had 1,070 consolidated subsidiaries. It has applied the equity accounting method in respect to its 87 affiliated companies.
3. Weighted-average shares used for computation of earning per share are as follows. The dilutive effect mainly resulted from convertible bonds. In accordance with Statement of Financial Accounting Standards No. 128, the weighted-average shares used for the computation of diluted net loss per share for the six-month period ended September 30, 2000 is the same as the weighted-average shares used for the computation of diluted net income before cumulative effect of an accounting change per share for the six-month period ended September 30, 2000.

Thousands of shares	**Three months ended September 30**	
	1999	2000
Net income		
— Basic	823,517	913,351
— Diluted	927,655	994,251

Thousands of shares	**Six months ended September 30**	
	1999	2000
Income before cumulative effect of an accounting change		
— Basic	822,024	912,120
— Diluted	927,627	994,368
Net income (loss)		
— Basic	822,024	912,120
— Diluted	927,627	994,368

Basic and diluted income per share for the three-month and the six-month periods ended September 30, 1999 as well as basic and diluted income before cumulative effect of an accounting change per share for the six-month period ended September 30, 1999 are restated to reflect the two-for-one stock split that has become effective on May 19, 2000.

4. Sony's comprehensive income comprises net income and other comprehensive income. Other comprehensive income includes changes in unrealized gain on securities, minimum pension liability adjustment, and foreign currency translation adjustments. The comprehensive incomes and other comprehensive incomes for the three-month and the six-month periods ended September 30, 1999 and 2000, were as follows;

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

	Three months ended September 30			Six months ended September 30		
	1999	2000	2000	1999	2000	2000
Net income (loss)	¥ 46,515	¥ 19,819	$ 184	¥ 64,942	¥ (68,474)	$ (634)
Other comprehensive income	(144,797)	(12,383)	(115)	(145,990)	(32,934)	(305)
Unrealized gain on securities	12,610	(15,195)	(141)	17,917	(21,972)	(203)
Foreign currency translation adjustments	(157,407)	2,812	26	(163,907)	(10,962)	(102)
Comprehensive income	¥ (98,282)	¥ 7,436	$ 69	¥ (81,048)	¥ (101,408)	$ (939)

5. Certain reclassifications of the financial statements for the three-month and the six-month periods ended September 30, 1999 have been made to conform to the presentation for the three-month and the six-month periods ended September 30, 2000.

Adoption of New Film Accounting Standard

In June 2000, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC") issued Statement of Position ("SOP") 00-2, "Accounting by Producers or Distributors of Films" and the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standard ("FAS") 139, "Rescission of FASB Statement No.53 and Amendments to FASB Statement No. 63, 89, and 121" which rescinded FAS 53, "Financial Reporting by Producers and or Distributors of Motion Picture Films." SOP 00-2 significantly changes the accounting rules applicable to all companies, including Sony, in the motion picture and television business. SOP 00-2 is applicable for the fiscal years starting on or after December 16, 2000. Accordingly, Sony would be required to adopt the new accounting standard in its fiscal year starting April 1, 2001. However, as this is now considered a preferable basis of accounting for companies in the motion picture and television business, Sony decided to adopt immediately the new accounting standard retroactive to the beginning of this fiscal year. As such, the results of Sony's motion picture and television business for the three-month and six-month periods ended September 30, 2000 have been prepared in accordance with the new accounting standard.

Under the new accounting standard, all exploitation costs, such as advertising expenses and marketing costs, for theatrical and television product are expensed as incurred. Another significant change is that the costs for abandoned development projects now must be charged directly to expense. Additionally, all film costs are classified in the balance sheet as a non-current asset. Other provisions in the new accounting standard, such as those relating to revenue recognition, are generally consistent with Sony's previous accounting policies.

Under the previously applicable accounting rules, exploitation costs were deferred and amortized over the life of the film or television product as long as the future revenue streams benefited from these costs. Long-term film revenues, such as those resulting from sales of home videos and broadcasting of films on television, all benefited from advertising incurred during the film's initial distribution in movie theaters. Additionally, abandoned development costs were capitalized as production overhead and expensed over time. In connection with adopting the new accounting standard, the currently deferred portion of the above costs has been removed from Sony's balance sheet, as of the beginning of the fiscal year, in a one-time non-cash accounting adjustment.

The one-time non-cash cumulative adjustment for the change in accounting principle which Sony has recorded as a result of adopting the new accounting standard appears in the income statement directly above the caption of "net income." This charge has no impact on cash flow. The one-time effect of adopting the new accounting standard is ¥101.7 billion ($941 million). Additionally, in the fiscal year ending March 31, 2001, due to the adoption of the new accounting standard, Sony's operating income, income before income taxes, and net income are expected to decrease by approximately $250 to $280 million each. Such items decreased by approximately ¥11.5 billion ($106 million) in the six-month period ended September 30, 2000 in this regard. This decrease is solely related to adopting the new accounting standard.

Other Consolidated Financial Data

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

	Three months ended September 30			
	1999	**2000**	Change	**2000**
Capital expenditures (additions to fixed assets)	¥ 99,000	**¥ 88,160**	- 10.9%	**$ 816**
Depreciation and amortization expenses*	72,853	**83,045**	+ 14.0	**769**
(Depreciation expenses for tangible assets)	64,216	**64,913**	+ 1.1	**601**
R&D expenses	103,813	**108,099**	+ 4.1	**1,001**

	Six months ended September 30			
	1999	**2000**	Change	**2000**
Capital expenditures (additions to fixed assets)	¥ 192,406	**¥ 169,776**	- 11.8%	**$ 1,572**
Depreciation and amortization expenses*	141,359	**162,861**	+ 15.2	**1,508**
(Depreciation expenses for tangible assets)	124,752	**124,173**	- 0.5	**1,150**
R&D expenses	194,030	**198,436**	+ 2.3	**1,837**

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

Strategies and Outlook

Update

Acceleration of Net Businesses as a New Growing Area

In order to grow in the future, Sony seeks to develop and introduce hardware terminals as gateways in the network era and provide user friendly and easily accessible digital network services.

In September 2000, Sony launched in Japan personal information terminals named "CLIE", which by interfacing with PCs enable the management of data such as schedules and address lists, display images, and also allow the utilization of networks to send e-mail messages and browse web pages by connecting to wireless phones. Furthermore, Sony launched a web site named "ImageStation" in Japan and the U.S., which offers new ways of enjoying images by closely integrating Sony's hardware and software. In November 2000, Sony intends to launch in Japan "VAIO GT", a notebook PC with a full-spec video camera and such new functions as providing moving images on web sites. In addition, in December 2000, Sony intends to launch in Japan a personal IT television named "airboard", which allows users to enjoy both TV broadcasts and the internet on a single terminal and enables users to carry it anywhere inside the home by using the latest wireless technologies.

In August 2000, NTT DoCoMo, Inc. ("NTT DoCoMo") and Sony Computer Entertainment Inc. ("SCEI") signed a Memorandum of Understanding to develop jointly a new service that combines both NTT DoCoMo's i-mode service and SCEI's PlayStation format. Through this collaboration, SCEI seeks to create new entertainment utilizing mobile networks.

In August 2000, Sony and Liberty Digital, Inc. ("Liberty Digital"), a digital media company focusing on interactive television, announced that Liberty Digital has agreed to acquire, subject to definitive documentation, a 50% stake in the Game Show Network ("GSN"), Sony's subsidiary in the Pictures business which provides television programming services exclusively dedicated to games, game playing, and game shows, for $225 million in cash and up to $50 million of Liberty Digital stock. After completion of this transaction, GSN will focus on becoming the first 24-hour-a-day provider of fully interactive game-based television programming.

In October 2000, Sony Broadband Entertainment Inc., Sony's U.S. holding company of the Music and Pictures businesses, announced the formation of a subsidiary, 550 Digital Media Ventures, a Sony group company principally aiming to invest in, incubate, and operate digital media companies.

Strengthening and Realignment of the Electronics Business

Regarding focusing on key businesses and consolidation of manufacturing facilities, Sony is continuously seeking in each region worldwide to optimize managerial resources.

In August 2000, aiming for local manufacture and supply of lithium-ion polymer rechargeable batteries, Sony established in Wuxi, Jiangsu Province, China a new manufacturing company for such batteries. The new company plans to start manufacturing from April 2001 for both the internal market and overseas markets outside China. Initial investment is estimated to be approximately ¥2.5 billion. Through this step, Sony intends to establish a tripolar manufacturing system (Japan, Mexico, and China) in the field of such batteries.

In addition, for the purpose of expanding manufacturing capacity of LCDs and CCDs for data projectors, projection TVs, video cameras, and digital still cameras, for each of which demand is expanding rapidly, Sony decided to establish in Kumamoto Prefecture in Japan a new semiconductor manufacturing facility. Cumulative investment for the facility is expected to be approximately ¥100 billion by the end of the fiscal year ending March 31, 2006, approximately ¥10 billion of which will be invested within the fiscal year ending March 31, 2001. The facility will utilize the latest semiconductor manufacturing technologies and Sony plans to start manufacturing there from October 2001.

In October 2000, Sony and U.S. based Solectron Corporation ("Solectron"), which provides manufacturing services for electronics products, reached an agreement that Sony will sell a facility in Miyagi Prefecture in Japan, which manufactures such products as car AV equipment, and a facility in Taiwan, which manufactures such products as audio equipment, and at the same time, Sony will outsource to Solectron part of its manufacturing activities in electronics products. After all applicable regulatory requirements have been completed, the transactions are expected to be completed in early 2001. Solectron has agreed to offer employment to all affected Sony employees at the aforementioned two facilities under essentially the same salary and working conditions. This agreement is expected to complement a new engineering and manufacturing system which Sony is undertaking on its own, aiming for improved efficiency, cost reductions, advanced production technologies, enhanced quality, and customer satisfaction.

Forecast of Consolidated Results

Regarding the forecast of consolidated results for the fiscal year ending March 31, 2001, Sony has not revised the forecast of the Sony group's overall consolidated sales, operating income, income before income taxes, and net income provided as of July 2000. Such judgment reflects additional factors that were not included in the forecast as of July 2000, including without limitation the following: significantly more favorable results in the Electronics business are expected; the results in the Game business are expected to be significantly lower; and the results of the Pictures business are expected to be lower.

Consolidated Results		Change from previous year
Sales and operating revenue	¥7,200 billion	+ 8%
Operating income	¥230 billion	- 4%
Income before income taxes	¥255 billion	- 4%
Net income	¥10 billion	- 92%

The above forecast includes the following additional factors as well as the effect of the adoption of the new film accounting standard (refer to page 16):

i) Sony is using yen-dollar and yen-euro average exchange rates for the period from the third quarter to the end of the fiscal year ending March 31, 2001 of approximately ¥105 and ¥93 respectively.

ii) In the Electronics business, results for the first half of the fiscal year were higher than Sony's assumption as of July 2000. For the second half of the fiscal year, although Sony recognizes the uncertainty of market trends in major regions, especially in the U.S., the favorable results are expected to continue as parts supply pressures improve and demand is further expected to increase toward the year-end holiday season.

iii) In the Game business, compared with Sony's assumption as of July 2000, although hardware sales of PS one are expected to increase, sales of Sony-produced software both for PlayStation and PlayStation 2 are expected to decrease. As a result, sales for the Game business as a whole for the fiscal year are expected to be lower. Profit performance for the fiscal year is expected to be significantly lower than Sony's assumption as of July 2000 and an operating loss is expected to be recorded. This is principally due to additional expenses in connection with delay in production start-up of PlayStation 2 hardware, delay in planned cost savings relating to the PlayStation 2 hardware, and the decreased expectations for sales of Sony-produced software as noted above.

iv) In the Pictures business, results for the first half of the fiscal year were slightly lower than Sony's assumption as of July 2000. Although Sony plans to release certain high-budget films in the second half of the fiscal year, profit performance for the fiscal year is still expected to be lower than Sony's previous assumption.

v) Gains on issuance of stock by SKY Perfect Communications Inc. in October 2000 are expected to be recorded.

vi) Additional gains on sales of securities investment and other are expected to be recorded principally due to the partial sale of equity in the Game Show Network (refer to page 17).

Capital expenditures for the fiscal year ending March 31, 2001 are expected to be approximately ¥500 billion including additional investment for semiconductor equipment. Depreciation of tangible assets, which excludes a total of approximately ¥75 billion for amortization of intangible assets and deferred insurance acquisition costs, is expected to be approximately ¥275 billion. In order to introduce high value-added products corresponding to the digital network era and to differentiate Sony from its competitors, Sony is making aggressive investments in manufacturing equipment for key devices including semiconductors. Accordingly, capital expenditures are expected to be at a high level for the time being and to affect cash flows. However, Sony's management believes this aggressive investment to be necessary for future growth.

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. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them. Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to (i) general economic conditions in Sony's markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, euro, and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; and (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 (particularly in the Electronics business), and subjective and changing consumer preferences (particularly in the Game, Music, and Pictures businesses).

Non-Consolidated Statements of Income

(Parent company only)

(Millions of yen)

	Six months ended September 30		
	1999	**2000**	Change
			%
Operating profit and loss:			
Net Sales:	¥ 1,298,192	**¥ 1,494,378**	+15.1
Cost of sales	1,107,693	**1,273,754**	
Selling, general and administrative	173,950	**176,390**	
Operating income	16,548	**44,234**	+167.3
Non-operating profit and loss:			
Non-operating profit:			
Interest and dividends	8,933	**12,622**	
Other	44,666	**45,125**	
	53,600	**57,747**	
Non-operating loss:			
Interest	7,051	**5,498**	
Other	30,741	**26,975**	
	37,792	**32,474**	
Ordinary income	32,355	**69,507**	+114.8
Non-recurring loss, net	3,257	**21,782**	
Income before income taxes	29,098	**47,724**	+64.0
Income taxes			
Current	15,500	**22,960**	
Deferred	(7,620)	**(9,327)**	
Net income	¥ 21,218	**¥ 34,091**	+60.7