SONY

News & Information

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

No: 01-024E
Date: April 27, 2001

FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2001

FOR IMMEDIATE RELEASE

Tokyo, April 27, 2001 -- Sony Corporation announced today its consolidated results for the fiscal year ended March 31, 2001.

Consolidated Results for the Year

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

	Year ended March 31			
	2000	**2001**	Change	**2001**
Sales and operating revenue	¥ 6,686,661	**¥ 7,314,824**	+9.4%	**$ 58,518**
Operating income	223,204	**225,346**	+1.0	**1,803**
Income before income taxes	264,310	**265,868**	+0.6	**2,127**
Income before cumulative effect of accounting changes	121,835	**121,227**	-0.5	**970**
Net income	121,835	**16,754**	-86.2	**134**
Per share data*				
Income before cumulative effect of accounting changes				
— Basic	¥ 144.58	**¥ 132.64**	-8.3%	**$ 1.06**
— Diluted	131.70	**124.36**	-5.6	**0.99**
Net income				
— Basic	¥ 144.58	**¥ 18.33**	-87.3	**$ 0.15**
— Diluted	131.70	**19.28**	-85.4	**0.15**

Consolidated Results

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 20). As a result, Sony's operating income, income before income taxes, and net income for the fiscal year ended March 31, 2001 each decreased by approximately ¥28.5 billion ($228 million), and for the fourth quarter ended March 31, 2001 each decreased by approximately ¥3.1 billion ($25 million). Additionally, Sony's net income for the fiscal year ended March 31, 2001 decreased by ¥101.7 billion ($813 million), reflecting a one-time non-cash cumulative effect adjustment in the income statement directly above the caption of "net income" 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 are being amortized over their useful lives of up to a maximum of 20 years. Such amortization is recorded in selling, general and administrative expenses. As a result, during the fiscal year ended March 31, 2001, operating income and income before income taxes each decreased by approximately ¥16.7 billion ($134 million), and net income decreased by approximately ¥13.3 billion ($106 million), and during the fiscal year ended March 31, 2000, operating income and income before income taxes each decreased by approximately ¥4.2 billion, and net income decreased by approximately ¥3.3 billion.

iii) In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." Sony adopted SAB No. 101 in the fourth quarter ended March 31, 2001, effective as of April 1, 2000 (refer to page 20). The impact on consolidated results for this change in accounting principle was not material. However, a one-time non-cash cumulative effect adjustment of ¥2.8 billion ($23 million) was recorded in the income statement directly above the caption of "net income" for a change in accounting principle.

iv) Simultaneous with the adoption of SAB No. 101, gain or loss on sale and disposal, net and loss from impairment of long-lived assets, which were previously recorded in other income and expenses, are now recorded in selling, general and administrative expenses. Such amounts in previous fiscal years have been reclassified to conform to the presentation for the fiscal year and the fourth quarter ended March 31, 2001.

v) *Refer to Note 3 on page 19.

Operating Performance Highlights

Note II: During the fiscal year ended March 31, 2001, the average value of the yen was ¥109.6 against the U.S. dollar, and ¥98.9 against the euro, which was 0.9% higher against the U.S. dollar and 15.1% higher against the euro, respectively, compared with the level 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 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 the 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.

During the fiscal year ended March 31, 2001, worldwide economic conditions were generally favorable in the first half of the year in such major regions as Japan, the U.S., Europe, Asia (excluding Japan), and Latin America, reflecting continued strong economic growth in the U.S. and Europe. However in the second half of the year, an economic slowdown was clearly seen in the U.S. where there was a rapid deceleration in the growth of personal consumption. Corresponding to this negative trend in the U.S., economies of such regions as Asia and Europe as well as Japan, where full-scale economic recovery had not been achieved partly due to continuing concerns regarding the quality of credit portfolios in the banking sector, also showed signs of slowing down toward the end of the year. In such an environment, although results on a local currency basis (refer to Note II above) during the year were strong in the Electronics business, especially in the first half of the year, they were weak in the other businesses. Consolidated sales increased approximately 12% compared with the previous year, principally due to a significant sales increase in the Electronics business as well as sales increases in the other businesses, except for the Music business. Operating income increased approximately 48%, due to a significant increase in the Electronics business, although it decreased in the Music, Pictures, and Insurance businesses, and operating losses were recorded in the Game 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 9.4% to ¥7,314.8 billion ($58,518 million) and operating income increased 1.0% to ¥225.3 billion ($1,803 million) compared with the previous year, due to the aforementioned results offset in part by the negative impact of the yen's strength against the U.S. dollar and particularly the euro.

Cost of sales during the year increased. This was principally due to increases in raw materials, depreciation, and research and development expenses. However, in the Pictures business, due to Sony's adoption in April 2000 of the new film accounting standard (refer to Note I – i on page 2), certain exploitation costs such as advertising expenses and marketing costs are now recorded as incurred in selling, general, and administrative expenses for the current fiscal year, rather than deferred as film inventory and amortized in cost of sales as in previous fiscal years.

Selling, general, and administrative expenses during the year increased. This was principally due to the effects of the aforementioned new film accounting standard, an increase in amortization expenses for intangible assets and goodwill resulting from the acquisition transactions of three listed subsidiaries by way of exchanges of stock (refer to Note I – ii on page 2), and an increase in licensing expenses. However, the increase in selling, general, and administrative expenses was partially offset by an approximately ¥5.6 billion ($45 million) reversal of a charge related to stock-price linked incentive compensation previously reserved, reflecting the decrease in Sony Corporation's stock price during the year. (Selling, general, and administrative expenses in the previous year included an approximately ¥19.2 billion charge related to the incentive compensation.)

In addition, gain or loss on sale and disposal, net and loss from impairment of long-lived assets, which were previously recorded in other income and expenses, are now recorded in selling, general and administrative expenses (refer to Note I – iv on page 2). Loss on sale and disposal, net and loss from impairment of long-lived assets increased 39.5% to ¥24.3 billion ($194 million) compared with the previous year. During the year, loss on sale and disposal of long-lived assets was recorded primarily in the Electronics business, in which Sony actively proceeded with new equipment purchases and consolidation of manufacturing facilities.

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 12 and 13). 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 14).

<u>Electronics</u>

During the fiscal year ended March 31, 2001, on a local currency basis, sales in the Electronics business increased approximately 21% and operating income increased approximately 249% compared with the previous year. This significant improvement in results was due to higher sales in all geographic segments, especially of digital equipment and semiconductors.

Regarding sales by product category on a local currency basis, sales of a number of products, including PCs, video cameras/digital still cameras, televisions (including large-screen projection televisions), semiconductors, mobile phones, DVD-Video players, CD-R/RW drives, and home stereos increased due to favorable demand, although sales of home-use video decks, radio cassette recorders, and home telephones decreased.

Regarding sales by geographic segment on a local currency basis, sales increased in all segments. In Japan, sales of PCs, mobile phones, semiconductors, digital still cameras, and broadcast- and professional-use equipment increased, although sales of home-use video decks and most categories of home-use audio equipment decreased. In the U.S., sales of PCs, televisions, video cameras/digital still cameras, DVD-Video players, and semiconductors increased, although sales of broadcast- and professional-use equipment and home telephones decreased. In Europe, sales of PCs, video cameras/digital still cameras, mobile phones, computer displays, DVD-Video players, home stereos, televisions, and semiconductors increased, although sales of home-use video decks and radio cassette recorders decreased. In Other areas, sales of CD-R/RW drives, semiconductors, and optical pickups increased in Asia, and sales of televisions and home stereos increased in South America.

On a U.S. GAAP basis, due to the aforementioned factors, sales increased 17.0% to ¥5,523.9 billion ($44,191 million) and operating income increased 145.2% to ¥248.7 billion ($1,989 million) compared with the previous year, although results were negatively impacted by the yen's strength against the U.S. dollar and particularly the euro.

Regarding "Electronics Sales and Operating Revenue to Customers by Product Category" (refer to page 14), "Audio" sales decreased 1.2% to ¥924.0 billion ($7,391 million), "Video" sales increased 12.4% to ¥1,097.8 billion ($8,783 million), "Televisions" sales increased 12.7% to ¥805.0 billion ($6,440 million), "Information and communications" sales increased 26.6% to ¥1,332.6 billion ($10,661 million), and "Electronic components and other" sales increased 17.0% to ¥839.2 billion ($6,714 million).

Regarding profit performance by product category, profits for the year were primarily derived from those of video cameras/digital still cameras, semiconductors, and televisions. On the other hand, losses were recorded in such categories as HiFD drives (a high-capacity floppy disk-based data recording system), which incurred expenses relating to termination of the development, manufacture, and sale of such product during the year; and WLL (wireless local loop access system) service business, which incurred expenses relating to investment for wireless communication infrastructure. Compared with the previous year, profit performance of semiconductors improved significantly and that of such categories as mobile phones, televisions, and PCs also improved. Regarding mobile phones, loss was recorded in the previous year primarily due to the discontinuation of the mobile phone business in North America.

Cost of sales in the Electronics business increased, principally in raw materials expenses for product categories where manufacturing output was strong, especially in the first half of the year, and research and development expenses. Selling, general, and administrative expenses increased, principally in advertising expenses and licensing expenses relating to information and communications technologies. However, the ratio of cost of sales to sales and the ratio of selling, general, and administrative expenses to sales decreased, due to the aforementioned significant sales increase.

In the Electronics business, inventories at March 31, 2001 increased approximately ¥103.4 billion ($827 million) to ¥782.0 billion ($6,256 million), compared with those at March 31, 2000. Looking at the trend of inventories since March 31, 2000, inventories at December 31, 2000 had increased approximately ¥225.1 billion to ¥903.7 billion, compared with those at March 31, 2000. However, due to Sony's efforts to reduce inventories by reducing manufacturing output and expanding sales further during the fourth quarter, inventories at March 31, 2001 decreased approximately ¥121.7 billion ($974 million) to ¥782.0 billion ($6,256 million), compared with those at December 31, 2000, despite the yen's depreciation during the fourth quarter.

<u>Game</u>

During the fiscal year ended March 31, 2001, on a local currency basis, sales in the Game business increased approximately 2% and an operating loss was recorded compared with an operating profit in the previous year.

Regarding sales by geographic segment on a local currency basis, in Japan, although software sales decreased, overall sales in Japan were almost flat due to an increase of hardware sales reflecting the introductions of PlayStation 2 in March 2000 and PS one in July 2000. Overall sales in the U.S. increased due to an increase of hardware sales reflecting the introductions of PS one in September 2000 and PlayStation 2 in October 2000, although software sales decreased. In Europe, although hardware sales increased reflecting the introductions of PS one in September 2000 and PlayStation 2 in November 2000, overall sales in Europe decreased slightly due to a decrease in software sales. As a result, overall sales in the Game business increased slightly. In addition, in the U.S. and Europe, due to shortages in production shipments and supplies of PlayStation and PS one hardware in certain periods during the year, sales of such hardware decreased in the corresponding periods and software sales in those areas were negatively affected.

On a U.S. GAAP basis, sales were almost flat at ¥660.9 billion ($5,287 million) and an operating loss of ¥51.1 billion ($409 million) was recorded compared with an operating profit of ¥76.9 billion recorded in the previous year, due to the aforementioned factors and the negative impact of the yen's strength against the U.S. dollar and particularly the euro. Operating losses were recorded principally due to the aforementioned sales decrease, especially in software, and start-up expenses for the PlayStation 2 format. Cost of sales in the Game business increased principally in manufacturing-related expenses for PlayStation 2 hardware, including raw materials and depreciation expenses. Selling, general, and administrative expenses also increased principally due to amortization of intangible assets and goodwill resulting from the acquisition transactions by way of exchanges of stock (refer to Note I – ii on page 2). As a result, the ratio of cost of sales and the ratio of selling, general, and administrative expenses to sales rose.

Total worldwide production shipments of PlayStation and PS one hardware were 9.31 million units for the year compared with 18.50 million units for the previous year, resulting in cumulative shipments of 82.23 million units as of March 31, 2001. Worldwide production shipments of PlayStation 2 hardware were 9.20 million units for the year compared with 1.41 million units for the previous year, resulting in cumulative shipments of 10.61 million units as of March 31, 2001. Worldwide production shipments of PlayStation software (including that from both Sony and third parties under Sony licenses) were 135 million units for the year compared with 200 million units for the previous year, resulting in cumulative shipments of 765 million units as of March 31, 2001. In addition, production shipments of PlayStation 2 software (including that from both Sony and third parties under Sony licenses) were 35.4 million units for the year compared with 2.9 million units for the previous year, resulting in cumulative shipments of 38.3 million units as of March 31, 2001.

Music

During the fiscal year ended March 31, 2001, on a local currency basis, sales in the Music business decreased approximately 14% and operating income decreased approximately 38% compared with 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, sales and operating income decreased. The most significant factors contributing to the lower results include increased spending associated with various digital media development and investing activities and expenses associated with the discontinuation and closure in March 2001 of a U.S. manufacturing facility where cassette music software was manufactured. Apart from these unusual factors, SMEI's operating income declined due to soft market conditions in a number of international territories, the delayed timing of certain new releases, and the strengthening of the U.S. dollar against foreign currencies. However, sales of several albums were strong, led by Sade's *Lovers Rock*, Ricky Martin's *Sound Loaded*, and Jennifer Lopez's *J. Lo* as well as carryover success for Destiny Child's *Writing's on the Wall*. Despite the lower sales, the ratio of selling, general, and administrative expenses to sales during the year was flat compared with the previous year due to the benefit of global cost reduction initiatives. During the year, SMEI reduced its worldwide work force by 10%.

In Japan, regarding the results of Sony Music Entertainment (Japan) Inc. (herein referred to as "SMEJ") and its subsidiaries, sales decreased principally due to lower sales of SMEJ and certain subsidiaries. The lower sales of SMEJ were primarily due to the delay of new releases from artists outside Japan. However, operating income increased due to the reduction of advertising expenses at SMEJ.

On a U.S. GAAP basis, sales decreased 13.4% to ¥612.1 billion ($4,897 million) and operating income decreased 27.5% to ¥20.5 billion ($164 million) compared with the previous year, principally due to the aforementioned factors.

Pictures

During the fiscal year ended March 31, 2001, on a local currency basis, sales in the Pictures business increased approximately 12% and operating income decreased approximately 93%, primarily caused by the adoption of the new film accounting standard (refer to Note I - i on page 2), compared with the previous year. The results in the Pictures business consist of the results of Sony Pictures Entertainment, the U.S. based operation.

The sales increase was principally due to higher box office revenues from successful current year motion picture releases as well as the rapid growth of DVD software sales in the home entertainment business. The major films contributing to motion picture revenues, especially in the second half of the year, included *Charlie's Angels, The Wedding Planner*, *Vertical Limit* and the Academy Award® nominee for Best Picture and winner of the Best Foreign Film Academy Award®, *Crouching Tiger, Hidden Dragon*. However, the sales increase was partly offset by fewer network television series episodes and lower television syndication sales. Regarding profit performance, although the higher sales of DVD software contributed to operating income, it was more than offset by the adoption of the new film accounting standard (refer to Note I - i on page 2), lower television syndication sales, and expenses associated with the start-up of online businesses and other strategic investments in the areas of new digital entertainment initiatives.

On a U.S. GAAP basis, sales increased 12.2% to ¥555.2 billion ($4,442 million) and operating income decreased 88.0% to ¥4.3 billion ($35 million) compared with the previous year, principally due to the aforementioned factors. Operating income during the year included the negative impact of approximately ¥28.5 billion ($228 million), which resulted from the adoption of the aforementioned new accounting standard.

Insurance

During the fiscal year ended March 31, 2001, regarding the results of Sony Life Insurance Co., Ltd., revenue increased and profit decreased compared with 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. However, reflecting the weak Japanese stock market during the year, the revenue increase was partially offset by revaluation losses from investment under separate account for variable life insurance and variable annuity products. Regarding profit performance, operating profit decreased principally because reserves for the Life Insurance Policyholders Protection Corporation of Japan were recorded, and because the amount accrued to future benefit reserves increased, reflecting a reduction in interest rates related to the valuation of such reserves for newly acquired policies during the year. As the profit performance from investment under the aforementioned separate account is solely for the account of policyholders, it does not affect the profit performance of Sony.

Regarding the results of the non-life insurance business conducted by Sony Assurance Inc., losses continued to be recorded since expenses, including for advertising expenses and payments for insurance benefits, were higher than revenue.

As a result, Insurance revenue increased 12.3% to ¥426.9 billion ($3,415 million) and operating income decreased 14.2% to ¥17.9 billion ($143 million) compared with the previous year.

Other

During the fiscal year ended March 31, 2001, the Other business included Sony Finance International, Inc., a leasing and credit financing business subsidiary in Japan; Sony Trading International Corporation, a subsidiary focused on parts trading services business within the Sony group; an advertising agency business in Japan; location-based entertainment businesses in Japan, the U.S., and Germany; and satellite distribution related businesses engaged in programming and distribution in Japan.

During the year, sales increased primarily due to an increase in sales of Sony Trading International Corporation, 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 satellite distribution related businesses in Japan. Regarding the location-based entertainment business, compared with the previous year, although losses decreased in the U.S. as a result of the devaluation of assets for an entertainment facility recorded in the previous year, losses in Japan increased due to the devaluation of assets for an entertainment facility, and losses in Germany increased due to expenses relating to the shutdown of an entertainment facility.

As a result, sales in the Other business were up 12.1% to ¥405.1 billion ($3,241 million) compared with the previous year and the operating loss increased from ¥9.9 billion in the previous year to ¥11.3 billion ($90 million).

Consolidated Income before Income Taxes and Net Income

Regarding other income and expenses in consolidated results, other income during the year increased 14.6% to ¥167.7 billion ($1,341 million) and other expenses increased 20.9% to ¥127.1 billion ($1,017 million) compared with the previous year. Other income during the year included ¥41.7 billion ($333 million) of gain on sales of securities investments and other, net. This gain was primarily from the sale to Liberty Digital of 50% of the equity of Game Show Network, a subsidiary that provides television programming services in the U.S exclusively dedicated to interactive game playing and pre-recorded game shows; the sale of a small portion of the equity of a subsidiary engaged in a television channel operation in India; and the sale of a subsidiary engaged in the in-flight entertainment business in the U.S. In addition, other income during the year included ¥18.0 billion ($144 million) of gains on issuance of stock by equity investees. This gain was primarily relating to the public offerings during the year by Crosswave Communications Inc. which provides high-capacity/high-speed network services in Japan; Monex, Inc. which provides on-line security trading services in Japan; and SKY Perfect Communications Inc. which provides satellite broadcasting services in Japan. Moreover, other income during the year included ¥11.1 billion ($89 million) of gains from the contribution of certain marketable investment securities held by Sony Corporation and its subsidiaries to employee retirement benefit trusts. Other expenses during the year included ¥15.7 billion ($125 million) of foreign exchange loss, net. This loss was primarily due to the foreign exchange loss realized in connection with foreign exchange forward contracts previously entered into to hedge the foreign currency risk associated with intra-group receivables recorded in the second half of the year, as well as revaluation losses recorded in connection with foreign exchange forward contracts and foreign currency option contracts entered into to hedge the foreign currency risk associated with intra-group receivables that are expected to be recorded in the fiscal year ending March 31, 2002. This reflected the weakening of the yen's average rate against the euro and the U.S. dollar in the second half of the year.

On the other hand, other income in the previous year included ¥28.1 billion of gain on sales of securities investments and other, net. This gain was primarily from the gains relating to certain investment securities in the U.S. and Japan, and the sale of a music-related subsidiary in the U.S. In addition, other income in the previous year included ¥27.5 billion of foreign exchange gain, net. This gain was primarily due to revaluation gains recorded in connection with foreign exchange forward contracts and foreign currency option contracts entered into to hedge the foreign currency risk associated with intra-group receivables that were expected to be recorded in the fiscal year ended March 31, 2001. This reflected the strengthening of the yen in the previous year.

Reflecting the aforementioned factors, income before income taxes was almost flat at ¥265.9 billion ($2,127 million) compared with the previous year. The ratio of income taxes to income before income taxes (effective tax rate) increased by 7.7 point to 43.5% compared with the previous year, primarily because a valuation allowance was established against deferred tax assets at Aiwa Co., Ltd. reflecting increases in its losses during the year. In addition, regarding minority interest in consolidated subsidiaries, which is excluded from income before income taxes as equity holdings by third parties in consolidated subsidiaries, ¥15.3 billion ($123 million) of minority loss was recorded, which increased net income by the same amount during the year. This was principally due to losses of Aiwa Co., Ltd., an approximately 51% owned subsidiary of Sony Corporation. On the other hand, in the previous year, ¥10.0 billion of minority profit was recorded, which decreased net income by the same amount. This was principally because minority profit relating to SMEJ, before the acquisition transactions by way of exchanges of stock (refer to Note I – ii on page 2), was recorded in the previous year, due to the favorable results of Sony Computer Entertainment ("SCE"), an approximately 50% owned subsidiary of SMEJ.

Net income decreased 86.2% to ¥16.8 billion ($134 million) compared with the previous year. This was principally because equity in net losses of affiliated companies increased from ¥37.8 billion in the previous year to ¥44.5 billion ($356 million) and a total of ¥104.5 billion ($836 million) of the one-time cumulative effect adjustments in the income statement were made directly above the caption of "net income" during the year for changes in accounting principles, caused by the adoptions of the new film accounting standard (refer to Note I - i on page 2) and the accounting standard regarding revenue recognition (refer to Note I – iii on page 2).

Basic net income per share was ¥18.33 ($0.15) compared with net income of ¥144.58 in the previous year. Diluted net income per share was ¥19.28 ($0.15) compared with net income of ¥131.70 in the previous year (refer to Note 3 on page 19).

Results of Affiliated Companies Accounted for by the Equity Method

During the fiscal year ended March 31, 2001, equity affiliates included 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 - a commercial- and other- use facility in Germany and a satellite broadcasting business in Japan.

During the year, equity in net losses of affiliated companies increased from ¥37.8 billion in the previous year to ¥44.5 billion ($356 million). Equity in net losses of affiliated companies during the year was principally due to losses at Loews and CHC. With respect to Loews, ¥25.0 billion ($200 million) of equity in net losses was recorded during the year, principally due to continued losses as well as the impairment loss recorded against the entire carrying value of Sony's investment in Loews. In February 2001, Loews filed petitions for corporate reorganization in the U.S. under Chapter 11 of the Federal Bankruptcy Code, and in Canada under the Companies-Creditors Arrangement Act, and signed a letter of intent with a group of investors regarding a proposed acquisition of Loews and a restructuring of its indebtedness. When the reorganization is completed, it is expected that Sony will no longer be a shareholder in Loews and Loews will be excluded from Sony's equity affiliates. In addition, in relation to CHC, ¥6.0 billion ($48 million) of equity in net losses was recorded during the year, principally due to sluggish sales reflecting the maturity of the CD market, severe competition with other online retailers, and costs associated with various restructuring activities. Given the challenging business environment, CHC has aggressively restructured its business by reducing costs while seeking to focus on growth areas such as DVD video and online sales.

Equity in net losses of affiliated companies in the previous year was principally due to losses of CHC and the commercial- and other- use facility in Germany. In relation to CHC, ¥13.6 billion of equity in net losses of affiliated companies was recorded in the previous year, principally due to the costs relating to shortened amortization periods and an impairment of advertising and member acquisition expenses. In relation to the commercial- and other- use facility in Germany, ¥5.5 billion of equity in net losses was recorded in the previous year, principally due to the devaluation of real estate for sale.

Consolidated Results for the Fourth Quarter ended March 31, 2001

During the fourth quarter ended March 31, 2001, the average value of the yen was ¥117.1 against the U.S. dollar, and ¥107.5 against the euro, which was 9.4% lower against the U.S. dollar and 3.0% lower against the euro, respectively, compared with the level of the fourth quarter of the previous year.

During the fourth quarter, regarding results on a local currency basis, overall sales increased approximately 11% compared with the fourth quarter of the previous year, primarily due to higher sales in all business segments except for the Music and Other businesses. Regarding profit performance, an operating loss was recorded primarily due to losses in the Electronics, Game, and Other businesses. However, the amount of losses decreased compared with the fourth quarter of the previous year.

On a U.S. GAAP basis, sales increased 16.5% to ¥1,929.2 billion ($15,433 million) compared with the fourth quarter of the previous year, and the operating loss decreased from ¥45.6 billion in the fourth quarter of the previous year to ¥3.2 billion ($25 million), due to the impact of the yen's weakening against the U.S. dollar and the euro on the aforementioned results. An operating loss was recorded during the quarter primarily due to reductions in manufacturing output in the Electronics business, start-up expenses for the PlayStation 2 format in the Game business, and expenses from the devaluation/shutdown of entertainment facilities of location-based entertainment businesses in the Other business.

Other income during the quarter included ¥18.5 billion ($148 million) of gain on sales of securities investments and other, net. This gain was primarily from the sale of 50% of the equity of Game Show Network. In addition, other income during the quarter included ¥11.1 billion ($89 million) of gains from the contribution of certain marketable investment securities held by Sony Corporation and its subsidiaries to employee retirement benefit trusts.

Regarding income (loss) before income taxes, ¥16.0 billion ($128 million) of income before income taxes was recorded during the quarter compared with ¥34.4 billion of loss before income taxes in the fourth quarter of the previous year, reflecting the aforementioned factors. Equity in net losses of affiliated companies decreased from ¥22.1 billion in the fourth quarter of the previous year to ¥2.5 billion ($20 million), principally due to decreases in losses of CHC and the commercial- and other- use facility in Germany. Regarding net income (loss), ¥15.8 billion ($126 million) of net income was recorded during the quarter compared with ¥36.7 billion of net loss in the fourth quarter of the previous year, as a result of the aforementioned factors.

Cash Flows

During the fiscal year ended March 31, 2001, in operating activities, Sony generated ¥544.8 billion ($4,358 million), a decrease of ¥34.7 billion ($278 million) compared with the previous year. In investing activities, Sony used ¥719.0 billion ($5,753 million), an increase of ¥269.2 billion ($2,153 million) compared with the previous year. In financing activities, Sony generated ¥134.4 billion ($1,076 million), an increase of ¥202.5 billion ($1,620 million) compared with the previous year. As a result, cash and cash equivalents at end of year was ¥607.2 billion ($4,858 million), a decrease of ¥18.8 billion ($151 million) compared with the end of the previous year.

Regarding net cash provided by operating activities during the year, net income of ¥16.8 billion ($134 million) was recorded. Among adjustments to net income, depreciation and amortization, including amortization of deferred insurance acquisition costs was ¥348.3 billion ($2,786 million), principally in the Electronics and Game businesses. Amortization of film costs was ¥244.6 billion ($1,957 million). Equity in net losses of affiliated companies, net of dividends was ¥47.2 billion ($378 million). Furthermore, the non-cash one-time cumulative adjustments caused by the adoptions of the new film accounting standard (refer to Note I – i on page 2) and the accounting standard regarding revenue recognition (refer to Note I – iii on page 2) were ¥104.5 billion ($836 million) in total. Regarding changes in assets and liabilities, notes and accounts receivable increased by ¥177.5 billion ($1,420 million), principally reflecting sales increases in the Electronics business. Notes and accounts payable increased by ¥95.2 billion ($762 million), principally reflecting increases in production in the Electronics business. Inventories increased by ¥103.1 billion ($825 million) primarily in the Electronics business. Future insurance policy benefits and other increased by ¥241.1 billion ($1,929 million), reflecting expansion of the Insurance business.

Regarding net cash used in investing activities during the year, ¥468.0 billion ($3,744 million) of payments for purchases of fixed assets were recorded, principally in the Electronics, Game, and Other businesses. Capital expenditures (additions to fixed assets on the balance sheets) during the year were ¥465.2 billion ($3,722 million). The major components of capital expenditures (excluding unallocated amounts) were approximately ¥287.9 billion ($2,303 million) principally for manufacturing equipment for semiconductors and new products in the Electronics business, approximately ¥108.2 billion ($865 million) principally for manufacturing equipment for semiconductors in the Game business, approximately ¥37.8 billion ($302 million) principally for manufacturing equipment for DVD discs in the Music business, approximately ¥11.0 billion ($88 million) in the Pictures business, approximately ¥1.6 billion ($13 million) in the Insurance business, and approximately ¥17.1 billion ($137 million) in the Other business. Payments for investments and advances (other than Insurance business) were ¥122.6 billion ($981 million), consisting of approximately ¥98.0 billion ($784 million) for investments and approximately ¥24.0 billion ($192 million) for advances. Payments for investments included investments in Japan in Tokyu Cable Television, bitwallet, Inc. which promotes a prepaid electronic money service, and Internet Initiative Japan Inc. which is an internet service provider; investments in the U.S. included those in Revolution Studios which is a film production company, Transmeta Corporation which is a chip manufacturer, and Candescent Technologies Inc. which has technologies for next-generation flat panel displays; and investment in Europe included that in CANAL+ Technologies which is a developer of digital and interactive television-related software solutions. 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 ¥65.1 billion ($521 million). Such proceeds from sales of securities investment and other were approximately ¥48.0 billion ($384 million), which included the sale of 50% of the equity of Game Show Network; the sale of a small portion of the equity of a subsidiary engaged in a television channel operation in India; and the sale of a subsidiary engaged in the in-flight entertainment business in the U.S. In the Insurance business, Sony used ¥319.1 billion ($2,553 million) for payments for investments and advances. Proceeds from sales of securities investment and other and collections of advances by insurance business were ¥87.5 billion ($700 million).

Regarding net cash provided by financing activities during the year, proceeds from issuance of long-term debt were ¥195.1 billion ($1,561 million), and short-term borrowings increased by ¥106.2 billion ($850 million). The proceeds from issuance of long-term debt included ¥150.0 billion ($1,200 million) from issuance of bonds in Japan by Sony Corporation, aimed at financing capital expenditures for its manufacturing equipment for semiconductors. The increase in short-term borrowings was principally due to issuances of commercial paper in the U.S., corresponding to fund requirements for strategic investments and working capital. Payments of long-term debt were ¥143.3 billion ($1,146 million), primarily due to payments of long-term debt in the U.S.

Number of Employees

Regarding the number of employees (including fixed-term employees), Sony proceeded with the reduction of the number of employees, primarily in the Electronics and Music businesses. As a result, the number of employees at the end of March 2001 was approximately 181,800, a decrease of approximately 7,900 from the end of March 2000.

Investor Relations Contacts:

Tokyo	New York	London
Takeshi Sudo	Yas Hasegawa/Chris Hohman	Hanako Muto/Danielle Wood
+81-(0)3-5448-2180	+1-212-833-6820/5011	+44-(0)20-7426-8760/8606

Business Segment Information

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

Sales and operating revenue	2000	2001	Change	2001
		Year ended March 31		
Electronics				
Customers	¥ 4,395,906	**¥ 4,998,688**	+13.7%	**$ 39,989**
Intersegment	323,719	**525,222**		**4,202**
Total	4,719,625	**5,523,910**	+17.0	**44,191**
Game				
Customers	630,662	**646,147**	+2.5	**5,169**
Intersegment	24,074	**14,769**		**118**
Total	654,736	**660,916**	+0.9	**5,287**
Music				
Customers	665,047	**571,003**	-14.1	**4,568**
Intersegment	41,837	**41,110**		**329**
Total	706,884	**612,113**	-13.4	**4,897**
Pictures				
Customers	494,332	**555,227**	+12.3	**4,442**
Intersegment	394	**0**		**0**
Total	494,726	**555,227**	+12.2	**4,442**
Insurance				
Customers	380,317	**426,913**	+12.3	**3,415**
Intersegment	2	**4**		**0**
Total	380,319	**426,917**	+12.3	**3,415**
Other				
Customers	120,397	**116,846**	-2.9	**935**
Intersegment	241,095	**288,269**		**2,306**
Total	361,492	**405,115**	+12.1	**3,241**
Elimination	(631,121)	**(869,374)**	—	**(6,955)**
Consolidated	¥ 6,686,661	**¥ 7,314,824**	+9.4%	**$ 58,518**

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)	2000	2001	Change	2001
Electronics	¥ 101,397	**¥ 248,652**	+145.2%	**$ 1,989**
Game	76,935	**(51,118)**	—	**(409)**
Music	28,293	**20,502**	-27.5	**164**
Pictures	35,920	**4,315**	-88.0	**35**
Insurance	20,855	**17,892**	-14.2	**143**
Other	(9,860)	**(11,276)**	—	**(90)**
Total	253,540	**228,967**	-9.7	**1,832**
Corporate and elimination	(30,336)	**(3,621)**	—	**(29)**
Consolidated	¥ 223,204	**¥ 225,346**	+1.0%	**$ 1,803**

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

Sales and operating revenue	Three months ended March 31			
	2000	**2001**	Change	**2001**
Electronics				
Customers	¥ 1,073,591	**¥ 1,255,466**	+16.9%	**$ 10,044**
Intersegment	107,434	**188,734**		**1,510**
Total	1,181,025	**1,444,200**	+22.3	**11,554**
Game				
Customers	149,761	**186,220**	+24.3	**1,490**
Intersegment	3,772	**5,200**		**42**
Total	153,533	**191,420**	+24.7	**1,532**
Music				
Customers	148,577	**146,825**	-1.2	**1,175**
Intersegment	10,455	**11,580**		**92**
Total	159,032	**158,405**	-0.4	**1,267**
Pictures				
Customers	147,943	**191,957**	+29.8	**1,535**
Intersegment	(99)	**0**		**0**
Total	147,844	**191,957**	+29.8	**1,535**
Insurance				
Customers	102,782	**119,526**	+16.3	**956**
Intersegment	2	**1**		**0**
Total	102,784	**119,527**	+16.3	**956**
Other				
Customers	33,046	**29,191**	-11.7	**233**
Intersegment	63,393	**66,513**		**532**
Total	96,439	**95,704**	-0.8	**765**
Elimination	(184,957)	**(272,028)**	—	**(2,176)**
Consolidated	¥ 1,655,700	**¥ 1,929,185**	+16.5%	**$ 15,433**

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)	2000	**2001**	Change	**2001**
Electronics	¥ (24,768)	**¥ (8,873)**	—	**$ (71)**
Game	(25,967)	**(16,234)**	—	**(130)**
Music	(342)	**8,581**	—	**69**
Pictures	16,619	**19,469**	+17.1%	**156**
Insurance	(343)	**2,280**	—	**18**
Other	(3,360)	**(5,925)**	—	**(48)**
Total	(38,161)	**(702)**	—	**(6)**
Corporate and elimination	(7,414)	**(2,449)**	—	**(19)**
Consolidated	¥ (45,575)	**¥ (3,151)**	—	**$ (25)**

Electronics Sales and Operating Revenue to Customers by Product Category

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

Sales and operating revenue	Year ended March 31 2000	2001	Change	2001
Audio	¥ 934,865	¥ **923,968**	-1.2%	$ **7,391**
Video	976,705	**1,097,847**	+12.4	**8,783**
Televisions	714,188	**805,028**	+12.7	**6,440**
Information and communications	1,052,707	**1,332,619**	+26.6	**10,661**
Electronic components and other	717,441	**839,226**	+17.0	**6,714**
Total	¥ 4,395,906	¥ **4,998,688**	+13.7%	$ **39,989**

Sales and operating revenue	Three months ended March 31 2000	2001	Change	2001
Audio	¥ 198,954	¥ **211,253**	+6.2%	$ **1,690**
Video	217,360	**251,526**	+15.7	**2,012**
Televisions	185,157	**195,669**	+5.7	**1,566**
Information and communications	280,164	**396,119**	+41.4	**3,169**
Electronic components and other	191,956	**200,899**	+4.7	**1,607**
Total	¥ 1,073,591	¥ **1,255,466**	+16.9%	$ **10,044**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on page 12 and 13. 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	Year ended March 31 2000	2001	Change	2001
Japan	¥ 2,121,249	¥ **2,400,777**	+13.2%	$ **19,206**
United States	2,027,129	**2,179,833**	+7.5	**17,439**
Europe	1,470,447	**1,473,780**	+0.2	**11,790**
Other Areas	1,067,836	**1,260,434**	+18.0	**10,083**
Total	¥ 6,686,661	¥ **7,314,824**	+9.4%	$ **58,518**

Sales and operating revenue	Three months ended March 31 2000	2001	Change	2001
Japan	¥ 576,834	¥ **635,994**	+10.3%	$ **5,088**
United States	484,692	**580,646**	+19.8	**4,645**
Europe	320,398	**394,225**	+23.0	**3,154**
Other Areas	273,776	**318,320**	+16.3	**2,546**
Total	¥ 1,655,700	¥ **1,929,185**	+16.5%	$ **15,433**

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

Consolidated Statements of Income and Retained Earnings

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

	Year ended March 31			
	2000	**2001**	Change	**2001**
Sales and operating revenue:			%	
Net sales	¥ 6,238,401	**¥ 6,829,003**		**$ 54,632**
Insurance revenue	380,317	**426,913**		**3,415**
Other operating revenue	67,943	**58,908**		**471**
	6,686,661	**7,314,824**	+9.4	**58,518**
Costs and expenses:				
Cost of sales	4,595,086	**5,046,694**		**40,374**
Selling, general and administrative	1,508,983	**1,634,007**		**13,071**
Insurance expenses	359,388	**408,777**		**3,270**
	6,463,457	**7,089,478**		**56,715**
Operating income	223,204	**225,346**	+1.0	**1,803**
Other income:				
Interest and dividends	17,700	**18,541**		**148**
Royalty income	21,704	**29,302**		**234**
Foreign exchange gain, net	27,466	—		—
Gain on securities contribution to employee retirement benefit trust	—	**11,120**		**89**
Gain on sales of securities investments and other, net	28,099	**41,708**		**334**
Gain on issuances of stock by equity investees	727	**18,030**		**144**
Other	50,603	**48,953**		**392**
	146,299	**167,654**		**1,341**
Other expenses:				
Interest	42,030	**43,015**		**344**
Foreign exchange loss, net	—	**15,660**		**125**
Other	63,163	**68,457**		**548**
	105,193	**127,132**		**1,017**
Income before income taxes	264,310	**265,868**	+0.6	**2,127**
Income taxes	94,644	**115,534**		**924**
Income before minority interest, equity in net losses of affiliated companies and cumulative effect of accounting changes	169,666	**150,334**		**1,203**
Minority interest in consolidated subsidiaries	10,001	**(15,348)**		**(123)**
Equity in net losses of affiliated companies	37,830	**44,455**		**356**
Income before cumulative effect of accounting changes	121,835	**121,227**	-0.5	**970**
Cumulative effect of accounting changes (Net of income taxes of ¥-491 million)	—	**(104,473)**		**(836)**
Net income	¥ 121,835	**¥ 16,754**	-86.2	**$ 134**
Retained earnings:				
Balance, beginning of year	1,123,591	**1,223,761**		**9,790**
Cash dividends	(21,665)	**(22,939)**		**(183)**
Common stock issue costs, net of tax	—	**(466)**		**(4)**
Balance, end of year	1,223,761	**1,217,110**		**9,737**
Per share data				
Income before cumulative effect of accounting changes				
— Basic	¥ 144.58	**¥ 132.64**	-8.3%	**$ 1.06**
— Diluted	131.70	**124.36**	-5.6	**0.99**
Net income				
— Basic	¥ 144.58	**¥ 18.33**	-87.3%	**$ 0.15**
— Diluted	131.70	**19.28**	-85.4	**0.15**

Consolidated Statements of Income (Unaudited)

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

	Three months ended March 31			
	2000	**2001**	Change	**2001**
Sales and operating revenue:			%	
Net sales	¥ 1,534,868	¥ **1,794,917**		$ **14,359**
Insurance revenue	102,782	**119,526**		**956**
Other operating revenue	18,050	**14,742**		**118**
	1,655,700	**1,929,185**	+16.5	**15,433**
Costs and expenses:				
Cost of sales	1,205,697	**1,372,362**		**10,979**
Selling, general and administrative	392,459	**442,802**		**3,542**
Insurance expenses	103,119	**117,172**		**937**
	1,701,275	**1,932,336**		**15,458**
Operating income (loss)	(45,575)	**(3,151)**	—	**(25)**
Other income:				
Interest and dividends	4,717	**2,636**		**21**
Royalty income	8,015	**10,539**		**84**
Gain on securities contribution to employee retirement benefit trust	—	**11,120**		**89**
Gain on sales of securities investments and other, net	6,109	**18,471**		**148**
Gain on issuances of stock by equity investees	727	**43**		—
Other	25,951	**16,195**		**130**
	45,519	**59,004**		**472**
Other expenses:				
Interest	9,763	**10,447**		**84**
Foreign exchange loss, net	930	**1,857**		**15**
Other	23,603	**27,566**		**220**
	34,296	**39,870**		**319**
Income (loss) before income taxes	(34,352)	**15,983**	—	**128**
Income taxes expense (benefit)	(17,389)	**7,251**		**58**
Income (loss) before minority interest and equity in net losses of affiliated companies	(16,963)	**8,732**		**70**
Minority interest in consolidated subsidiaries	(2,323)	**(9,506)**		**(76)**
Equity in net losses of affiliated companies	22,095	**2,476**		**20**
Net income (loss)	¥ (36,735)	¥ **15,762**	—	$ **126**
Net income (loss) per share				
— Basic	¥ (40.80)	¥ **17.20**	—	$ **0.14**
— Diluted	(40.80)	**16.46**	—	**0.13**

Condensed Consolidated Balance Sheets

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

ASSETS	March 31 2000	March 31 2001	March 31 2001
Current assets:			
Cash and time deposits	¥ 632,202	**¥ 613,154**	**$ 4,905**
Marketable securities	107,499	**90,094**	**721**
Notes and accounts receivable, less allowances	1,055,469	**1,295,304**	**10,362**
Inventories	746,550	**942,876**	**7,543**
Other	480,296	**536,046**	**4,289**
Total current assets	3,022,016	**3,477,474**	**27,820**
Film costs	339,011	**297,617**	**2,381**
Investments and advances	1,075,594	**1,388,988**	**11,112**
Property, plant and equipment, less depreciation	1,255,570	**1,434,299**	**11,474**
Other assets:			
Intangibles	218,496	**221,289**	**1,770**
Goodwill	293,777	**305,159**	**2,441**
Deferred insurance acquisition costs	239,981	**270,022**	**2,160**
Other	362,752	**433,118**	**3,466**
Total other assets	1,115,006	**1,229,588**	**9,837**
	¥ 6,807,197	**¥ 7,827,966**	**$ 62,624**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	¥ 214,935	**¥ 356,373**	**$ 2,851**
Notes and accounts payable, trade	811,031	**925,021**	**7,400**
Accounts payable, other and accrued expenses	681,458	**807,532**	**6,460**
Accrued income and other taxes	87,520	**133,031**	**1,064**
Other	365,398	**424,783**	**3,399**
Total current liabilities	2,160,342	**2,646,740**	**21,174**
Long-term liabilities:			
Long-term debt	813,828	**843,687**	**6,749**
Accrued pension and severance costs	129,604	**220,787**	**1,766**
Deferred income taxes	184,020	**175,148**	**1,401**
Future insurance policy benefits and other	1,124,873	**1,366,013**	**10,928**
Other	177,059	**241,101**	**1,930**
Total long-term liabilities	2,429,384	**2,846,736**	**22,774**
Minority interest in consolidated subsidiaries	34,565	**19,037**	**152**
Stockholders' equity:			
Common stock, ¥50 par value	451,550	**472,002**	**3,776**
Additional paid-in capital	940,716	**962,401**	**7,699**
Retained earnings	1,223,761	**1,217,110**	**9,737**
Accumulated other comprehensive income	(425,316)	**(328,567)**	**(2,628)**
Treasury stock, at cost	(7,805)	**(7,493)**	**(60)**
Total stockholders' equity	2,182,906	**2,315,453**	**18,524**
	¥ 6,807,197	**¥ 7,827,966**	**$ 62,624**

Consolidated Statements of Cash Flows

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

	2000	2001	2001
		Year ended March 31	
Cash flows from operating activities:			
Net income	¥ 121,835	¥ **16,754**	$ **134**
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	306,505	**348,268**	**2,786**
Amortization of film costs	376,067	**244,649**	**1,957**
Accrual for pension and severance costs, less payments	22,860	**21,759**	**174**
Loss on sale and disposal of long-lived assets, net	17,423	**24,304**	**194**
Deferred income taxes	(26,159)	**(5,579)**	**(45)**
Equity in net losses of affiliated companies, net of dividends	38,699	**47,219**	**378**
Cumulative effect of accounting changes	—	**104,473**	**836**
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(132,566)	**(177,484)**	**(1,420)**
Increase in inventories	(34,792)	**(103,085)**	**(825)**
Increase in film costs (after adjusted cumulative effect of accounting changes)	(411,103)	**(269,004)**	**(2,152)**
Increase in notes and accounts payable	110,207	**95,213**	**762**
Increase (decrease) in accrued income and other taxes	(15,433)	**38,749**	**310**
Increase in future insurance policy benefits and other	210,936	**241,140**	**1,929**
Increase in deferred insurance acquisition costs	(62,821)	**(68,927)**	**(551)**
Changes in other current assets and liabilities, net	87,328	**71,193**	**570**
Other	(29,523)	**(84,875)**	**(679)**
Net cash provided by operating activities	¥ 579,463	¥ **544,767**	$ **4,358**
Cash flows from investing activities:			
Payments for purchases of fixed assets	¥ (403,013)	¥ **(468,019)**	$ **(3,744)**
Proceeds from sales of fixed assets	29,077	**26,704**	**214**
Payments for investments and advances by insurance business	(178,866)	**(319,149)**	**(2,553)**
Payments for investments and advances (other than insurance business)	(105,031)	**(122,563)**	**(981)**
Proceeds from sales of securities investment and other and collections of advances by insurance business	97,200	**87,493**	**700**
Proceeds from sales of securities investment and other and collections of advances (other than insurance business)	86,493	**65,098**	**521**
Payments for purchases of marketable securities	(70,053)	**(24,425)**	**(196)**
Proceeds from sales of marketable securities	78,370	**34,899**	**279**
Decrease in time deposits	15,930	**914**	**7**
Net cash used in investing activities	(449,893)	**(719,048)**	**(5,753)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	30,783	**195,118**	**1,561**
Payments of long-term debt	(99,454)	**(143,258)**	**(1,146)**
Increase in short-term borrowings	19,824	**106,245**	**850**
Dividends paid	(20,589)	**(22,774)**	**(182)**
Other	1,361	**(889)**	**(7)**
Net cash provided by (used in) financing activities	(68,075)	**134,442**	**1,076**
Effect of exchange rate changes on cash and cash equivalents	(27,641)	**21,020**	**168**
Net increase (decrease) in cash and cash equivalents	33,854	**(18,819)**	**(151)**
Cash and cash equivalents at beginning of year	592,210	**626,064**	**5,009**
Cash and cash equivalents at end of year	¥ 626,064	¥ **607,245**	$ **4,858**
Supplemental data:			
Cash paid during the year for-			
Income taxes	¥ 132,891	¥ **93,629**	$ **749**
Interest	¥ 43,668	¥ **47,806**	$ **382**
Non-cash investing and financing activities -			
Conversions of convertible debt into common stock and additional paid-in capital	¥ 64,997	¥ **40,294**	$ **322**

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥125=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 30, 2001.
2. As of March 31, 2001, Sony had 1,078 consolidated subsidiaries. It has applied the equity accounting method in respect to its 86 affiliated companies.
3. Weighted-average shares used for computation of earnings per share are as follows. The dilutive effect mainly resulted from convertible bonds. In accordance with Statement of Financial Accounting Standards No. 128, the computation of diluted net income per share for the fiscal year ended March 31, 2001 uses the same weighted-average shares used for the computation of diluted net income before cumulative effect of accounting changes per share, and reflects the effect of assumed conversion of convertible bonds in diluted net income.

Thousands of shares	**Year ended March 31** 2000	2001
Income before cumulative effect of accounting changes and net income		
— Basic	842,679	913,932
— Diluted	944,353	994,234

Thousands of shares	**Three months ended March 31** 2000	2001
Net income		
— Basic	900,397	916,534
— Diluted	900,397	994,049

Basic and diluted net income per share for the three months and the fiscal year ended March 31, 2000 as well as basic and diluted income before cumulative effect of accounting changes per share for the fiscal year ended March 31, 2000 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 months and the fiscal years ended March 31, 2000 and 2001 were as follows:

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

	Year ended March 31			Three months ended March 31		
	2000	2001	2001	2000	2001	2001
Net income (loss)	¥ 121,835	¥ 16,754	$ 134	¥ (36,735)	¥ 15,762	$ 126
Other comprehensive income	(155,420)	96,749	774	39,110	42,915	343
Unrealized gain (loss) on securities	38,432	(17,399)	(139)	1,778	235	2
Minimum pension liabilities adjustment	5,321	(46,134)	(369)	5,321	(46,134)	(369)
Foreign currency translation adjustments	(199,173)	160,282	1,282	32,011	88,814	710
Comprehensive income	¥ (33,585)	¥ 113,503	$ 908	¥ 2,375	¥ 58,677	$ 469

5. Adoption of New Accounting Standards

   Accounting by Producers or Distributors of Films

   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 this fiscal year and three-month ended March 31, 2001 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 ($813 million). Additionally, due to the adoption of the new accounting standard, Sony's operating income, income before income taxes, and net income each decreased by approximately ¥28.5 billion ($228 million) and ¥3.1 billion ($25 million) in the fiscal year ended March 31, 2001 and in the three-month period ended March 31, 2001, respectively. This decrease is solely related to adopting the new accounting standard.

   Revenue Recognition in Financial Statements

   In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 summarizes the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. Sony adopted SAB No. 101 in the fourth quarter ended March 31, 2001, effective as of April 1, 2000.

   Before the adoption of SAB No. 101, Sony had been recognizing revenue from electronics, game, music and home video sales when products were shipped to customers. However, SAB No. 101 requires that sales shall be recognized when the customer has taken title to the product and the risk and rewards of ownership have been substantively transferred.

   The impact on consolidated results for this change in accounting principle was not material. However, a one-time non-cash cumulative effect adjustment of ¥2.8 billion ($23 million) was recorded in the income statement directly above the caption of "net income" for a change in accounting principle. The pro forma result for the prior year is not disclosed due to immateriality.

6. Simultaneous with the adoption of SAB No.101, gain or loss on sale and disposal, net and loss from impairment of long-lived assets, which were previously recorded in other income and expenses, are now recorded in selling, general and administrative expenses. As a result, gain or loss on sale and disposal, net and loss from impairment of long-lived assets for the fourth quarter as well as the fiscal year ended March 31, 2000 have been reclassified to conform to the presentation for the fourth quarter and the fiscal year ended March 31, 2001.

7. Certain reclassifications of the Condensed Consolidated Balance Sheets as of March 31, 2000 have been made to conform to the presentation as of March 31, 2001.

Other Consolidated Financial Data

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

	Year ended March 31			
	2000	**2001**	Change	**2001**
Capital expenditures (additions to fixed assets)	¥ 435,887	**¥ 465,209**	+6.7%	**$ 3,722**
Depreciation and amortization expenses*	306,505	**348,268**	+13.6	**2,786**
(Depreciation expenses for tangible assets)	(260,975)	**(270,252)**	(+3.6)	**(2,162)**
R&D expenses	394,479	**416,708**	+5.6	**3,334**

	Three months ended March 31			
	2000	**2001**	Change	**2001**
Capital expenditures (additions to fixed assets)	¥ 148,015	**¥ 204,970**	+38.5%	**$ 1,640**
Depreciation and amortization expenses*	87,611	**98,200**	+12.1	**786**
(Depreciation expenses for tangible assets)	(66,581)	**(78,207)**	(+17.5)	**(626)**
R&D expenses	109,880	**118,260**	+7.6	**946**

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

Condensed Insurance Business Balance Sheet (Unaudited)

The Insurance business is included on a consolidated basis in Sony's consolidated financial statements. The following schedule shows unaudited condensed balance sheets for the Insurance business and for Sony with the Insurance business' financial position reflected on the equity basis. (Although inter-business balances between the Insurance business and businesses other than the Insurance business are not eliminated in the respective balance sheets, such amounts are not material.) While this presentation differs from that provided under U.S. GAAP used in Sony's consolidated financial statements, because the Insurance business is different in nature from Sony's Electronics, Game, Music, and Pictures businesses, Sony believes that this type of comparative presentation helps the understanding and analysis of Sony's consolidated balance sheet.

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

	Insurance business			Sony with Insurance business on an equity basis		
	March 31			March 31		
	2000	**2001**	**2001**	2000	**2001**	**2001**
ASSETS						
Cash and time deposits	¥ 218,995	**¥ 273,387**	**$ 2,187**	¥ 413,207	**¥ 339,767**	**$ 2,718**
Marketable securities	87,539	**77,905**	**623**	19,960	**12,189**	**98**
Other current assets	12,331	**20,628**	**165**	2,271,537	**2,755,529**	**22,044**
Investments and advances	810,963	**1,094,097**	**8,753**	264,631	**294,891**	**2,359**
Investments in insurance operations	-	**-**	**-**	159,821	**239,034**	**1,912**
Deferred insurance acquisition costs	239,981	**270,022**	**2,160**	-	**-**	**-**
Other long-term assets	13,908	**13,255**	**106**	2,457,718	**2,680,391**	**21,443**
	¥1,383,717	**¥1,749,294**	**$ 13,994**	¥5,586,874	**¥6,321,801**	**$ 50,574**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Future insurance policy benefits and other	¥1,124,873	**¥1,366,013**	**$ 10,928**	¥ -	**¥ -**	**$ -**
Other liabilities and minority interest	98,356	**143,304**	**1,146**	3,403,968	**4,006,348**	**32,050**
Total liabilities and minority interest	1,223,229	**1,509,317**	**12,074**	3,403,968	**4,006,348**	**32,050**
Stockholders' equity	160,488	**239,977**	**1,920**	2,182,906	**2,315,453**	**18,524**
	¥1,383,717	**¥1,749,294**	**$ 13,994**	¥5,586,874	**¥6,321,801**	**$ 50,574**

Events and Outlook

Management Policy

Aiming to achieve Value Creation Management, during the fiscal year ended March 31, 2001, Sony steadily promoted the integrated, decentralized management model through such initiatives as the reinforcement of Sony group headquarters to accelerate corporate reform, the acceleration of net businesses, and the strengthening of the Sony group core business. Sony aims to become a "knowledge-emergent enterprise in the broadband network era", which offers customers appealing and useful services through the cooperation of the five key business areas including electronics, game, entertainment (primarily consisting of the Music and Pictures businesses), internet and communication services, and financial services. To achieve this goal, in the fiscal year ending March 31, 2002, Sony is further promoting the integrated, decentralized management model and is proceeding with further reform of the Sony group headquarters. With these initiatives, Sony intends to conduct management that pursues speed and uniqueness, through the use of information technology and the pursuing of creativity. Moreover, through the use of EVA®*, a performance indicator which reflects the cost of capital, Sony intends to strive for strengthening its growth potential and competitiveness for the mid-to-long-term and to increase corporate value by focusing on key businesses, carefully selecting investments, reducing inventories, improving profit performance/cash flows, and other measures.

*EVA (Economic Value Added) is a trademark of Stern Stewart & Co.

Sony has proceeded with a number of activities, including the following, since the announcement of financial results for the third quarter ended December 31, 2000.

In March 2001, Sony and Toyoda Automatic Loom Works, Ltd. announced that the two companies will invest in January 2002 a total of ¥20.0 billion (¥10.0 billion by each company) in ST-LCD, a joint venture company previously established by the two companies. With demand for low-temperature polycrystalline silicon TFT LCDs expected to increase, this will fund part of ST-LCD's capital expenditure of ¥75.0 billion to establish a second production line in fall 2001, with a target to start operation of such line in June 2002. After the investment from Sony and Toyoda Automatic Loom Works, Ltd., the total paid-in capital of ST-LCD will be ¥50.0 billion, ¥25.0 billion of which will have been provided by Sony.

In March 2001, SCE, International Business Machines Corporation ("IBM"), and Toshiba Corporation ("Toshiba") announced that they had reached a definitive agreement to jointly research and develop an ultra-high speed processor indispensable for the broadband network era. The three companies jointly established a research and development center in the U.S. and intend to collectively invest more than $400 million over the next five years. At the same time, SCE and IBM announced that they had reached a definitive agreement regarding the licensing of IBM's latest semiconductor fabrication process technology under 0.10 micron design rules and also technological cooperation, aiming for the fabrication of an ultra-high speed processor. SCE and Toshiba also announced that they entered into a Memorandum of Understanding regarding a cooperative relationship for semiconductor embedded DRAM logic process under 0.13 micron design rules, aiming for the further integration of semiconductors for PlayStation and PlayStation 2.

In March 2001, Sony, Tokyu Corporation, and Tokyu Cable Television ("Tokyu Cable") announced that they had reached a definitive agreement to offer customers a next-generation CATV Internet service from the fall of 2001, through the use of Tokyu Cable's network. In accordance with this agreement, Sony acquired newly issued shares of Tokyu Cable equivalent to 5% of outstanding shares, resulting in Sony holding a total of 15% of Tokyu Cable. Tokyu Cable will commission the design, construction, and management of the aforementioned Internet service to AII Inc., a 51% owned subsidiary of Sony Corporation.

In April 2001, Sony and Ericsson of Sweden announced that they had signed a Memorandum of Understanding with the intention to create “Sony Ericsson Mobile Communications”, a new company in which Sony and Ericsson will equally invest, to proceed with a mobile phone business worldwide. The agreement aims at expanding the business further by integrating Sony’s technologies for consumer electronics products with Ericsson’s telecommunications technologies. Sony and Ericsson intend to start operation in October 2001, after completion of a definitive agreement and applicable regulatory requirements. (Sony plans to account for this investment by the equity method.) The new company, to which the mobile phone businesses of Sony and Ericsson will be transferred, intends to be responsible for product research, design, and development, as well as marketing, sales, distribution, and customer services. Sony and Ericsson intend to support the new company and strengthen their relationship.

In April 2001, aiming to realize flexibility, speed, and quality of design and manufacturing by directly linking to the market, Sony established in Japan “Sony EMCS Corporation”, a platform company for finished electronic products, by integrating business units including 12 manufacturing subsidiaries relating to final assembly. Sony also established in Japan “Sony Semiconductor Kyushu Corporation”, a semiconductor platform company, by integrating three semiconductor fabrication subsidiaries.

Regarding realignment of manufacturing facilities in the Electronics business, the number of manufacturing facilities at the end of March 2001 was 60, compared with 64 at the end of March 2000. The reduction in the number of facilities reflected the consolidation in Japan of a subsidiary where batteries were manufactured with a subsidiary where electronic components were manufactured, sales to Solectron Corporation of a subsidiary in Japan where car AV equipment was manufactured and a subsidiary in Taiwan where audio equipment was manufactured, and the closing of a subsidiary in Taiwan where video equipment was manufactured. Also, in the fiscal year ending March 31, 2002, Sony is proceeding with the further realignment of its manufacturing facilities. Sony intends to consolidate in Japan by the end of September 2001 a facility where portable audio equipment is manufactured with a facility where home audio equipment is manufactured, aiming for strengthening of technological/manufacturing capabilities and improving operating efficiencies. In addition, by the end of April 2001, Sony intends to terminate the manufacture of CRTs for computer displays at a facility in the U.S., and the facility will then focus on the manufacture of CRTs for televisions. (The manufacturing equipment for CRTs for computer displays will then be transferred to other regions for reutilization.) Furthermore, Sony terminated the development, manufacture, and sale of HiFD drives, a high-capacity floppy disk-based data recording system.

In the Music and Pictures businesses, Sony is proceeding with secure copyright-protected electronic distribution of music and video content, suitable for broadband networks. As part of these activities, SMEI and Universal Music Group (“Universal”), a unit of Vivendi Universal of France, created a joint venture partnership called “Duet” to develop digital music services to be offered through a network of affiliates. In April 2001, Duet announced its first affiliate agreement with Yahoo! whereby the Duet music service will be presented and marketed on all of Yahoo!’s internet sites. The Duet subscription service is expected to be launched in the U.S. later in 2001, and intends to offer music from many companies, in order to provide customers with the widest possible choice of music.

Regarding a personal Internet bank, Sony obtained preliminary approval for a banking license from the Financial Services Agency in Japan in March 31, 2001 and established Sony Bank Inc. in April 2001. (The total paid-in capital of Sony Bank Inc. is ¥37.5 billion, ¥30.0 billion of which was provided by Sony Corporation.) Sony Bank Inc. obtained a formal banking license in April 2001, and is preparing to start its operation in June 2001.

EVA®

Sony has been using EVA® as an evaluation measure to improve returns from capital investment since the fiscal year ended March 31, 2000. In the Electronics business, to which Sony first introduced EVA®, Sony has been focusing on key businesses by introducing the concept of cost of capital based on EVA® to profit evaluations and, since the fiscal year ended March 31, 2001, has been aggressively reflecting EVA® in compensation, including that for general managers as well as for directors and corporate executive officers. As a result of these activities, a perspective that takes into account the cost of capital has been rapidly penetrating into each business unit. In the fiscal year ending March 31, 2002, Sony intends to proceed aggressively with the introduction of EVA® in the Music and Pictures businesses as well. Sony intends to make further use of EVA® throughout the group.

Dividend Policy

A year-end cash dividend per share of Sony Corporation at the rate of ¥12.5 will be subject to approval at the ordinary general meeting of shareholders, which will be held on June 21, 2001. Sony Corporation has already paid ¥12.5 per share to each shareholder; accordingly the annual cash dividend per share will be ¥25.0.

Sony believes that by continuously increasing corporate value, each shareholder can be rewarded. Accordingly, as for retained earnings, Sony plans to utilize them to carry out various investments that are indispensable for ensuring future growth and strengthening competitiveness.

Forecast of Consolidated Results

Regarding the forecast of consolidated results for the fiscal year ending March 31, 2002, a more severe business environment is expected due to such factors as the remaining uncertainty in the progress of economic structural reform and recovery in Japan, the possibility that the negative effects of the economic slowdown in the U.S. will spread to other countries, oversupply, and price competition. However, Sony's consolidated sales are expected to be approximately ¥8,000 billion, which is approximately 9% higher than those in the previous year. Consolidated operating income is expected to be approximately ¥300 billion, which is approximately 33% higher than that in the previous year. Consolidated income before income taxes is expected to be approximately ¥280 billion, which is approximately 5% higher than that in the previous year. Approximately ¥150 billion of net income is expected to be recorded reflecting a significant improvement in profit performance primarily due to the one time effect of the adoption of the new film accounting standard (refer to Note I - i on page 2) in the previous year.

		Change from previous year
Sales and operating revenue	¥8,000 billion	+ 9%
Operating income	¥300 billion	+ 33%
Income before income taxes	¥280 billion	+ 5%
Net income	¥150 billion	+ 795%

The above forecast includes the following factors:

i) In preparing the forecast of consolidated results for the fiscal year ending March 31, 2002, Sony is using yen-dollar and yen-euro exchange rates of approximately ¥115 and ¥105, respectively.

ii) In the Electronics business, overall sales are expected to increase due to intensive introduction of high-value-added digital equipment, which is suitable for network environments. Regarding sales by product categories, sales of such products as PCs, mobile phones, televisions, digital still cameras, DVD-Video players, projectors, and LCDs are expected to increase. On the other hand, sales of such products as PC equipment and related devices are expected to decrease. Regarding profit performance, operating income is expected to decrease. This is primarily due to severe price competition, Sony's intention to continue to strengthen research and development activities, increases in depreciation expenses reflecting capital expenditures for the past several years, and expenses relating to realignment of businesses.

iii) In the Game business, regarding hardware, Sony intends to achieve production shipments of 20 million units of PlayStation 2 and over 10 million units of PS one. Regarding software, the amount of sales is expected to increase primarily due to greater hardware penetration of PlayStation 2 and an increase in the number of successful software titles for it. As a result, overall sales are expected to increase significantly. Regarding profit performance, an operating profit is expected to be recorded because of an anticipated significant improvement in profit performance primarily due to achievement of cost reductions by establishing a manufacturing structure for sufficient output of PlayStation 2 hardware, and due to expansion of software sales.

iv) In the Music business, sales are expected to increase primarily due to the strength of albums anticipated for release during the upcoming year. Regarding profit performance, operating income is expected to increase primarily due to higher sales and continued benefits associated with global cost reduction initiatives, including the prior year's reduction in the number of employees at SMEI.

v) In the Pictures business, sales are expected to increase slightly primarily because revenues from production and distribution in the television business are expected to increase in international markets outside the U.S., although box office revenues from films to be released in the fiscal year ending March 31, 2002 are expected to be flat. Regarding profit performance, operating income is expected to increase primarily due to expected improvement in the performance of films to be released in the upcoming year as opposed to the prior year films, and due to cost reduction efforts.

vi) In the Insurance business, sales are expected to increase because a net increase in insurance-in-force is expected both in the life insurance business and the non-life insurance business. Regarding profit performance, operating income is expected to increase primarily due to the aforementioned factor in the life insurance business, although a loss is expected to continue in the non-life insurance business.

vii) In the Other business, operating loss is expected to decrease primarily due to decreases in losses of location-based entertainment businesses in Japan, the U.S., and Germany.

viii) Other income in the fiscal year ending March 31, 2002 is expected to decrease primarily because the previous year included gains on sales of securities investments and other, net and gains on issuance of stock by equity investees (refer to page 7).

ix) Regarding Aiwa Co., Ltd., an approximately 51% owned consolidated subsidiary of Sony Corporation, reorganization expenses, such as severance expenses and loss on sale and disposal of long-lived assets, relating to execution of realignment of businesses which was announced in March 2001, are expected to negatively affect Sony's consolidated results in the fiscal year ending March 31, 2002.

x) Equity in net losses of affiliated companies accounted for by the equity method in the fiscal year ending March 2002 is expected to decrease primarily because of the absence of the negative effect relating to Loews in the previous year (refer to page 8), and results of certain affiliated companies such as CHC and Telemundo are expected to improve.

Capital expenditures (additions to fixed assets) for the fiscal year ending March 31, 2002 are expected to be approximately ¥400 billion, which is approximately 14% lower than those in the previous year. This is principally because capital expenditures for manufacturing equipment for semiconductors in the Game business are expected to decrease significantly while overall expenditures in the Electronics business are expected to increase only slightly, even though Sony intends to carry out expenditures primarily for manufacturing equipment for electronic devices including semiconductors and LCDs. Depreciation and amortization expenses (including amortization of intangible assets and amortization of deferred insurance acquisition costs) for the fiscal year ending March 31, 2002 are expected to be approximately ¥410 billion, which is approximately 18% higher than those in the previous year, reflecting capital expenditures for the past several years especially in the Electronics business.

		Change from previous year
Capital expenditures (additions to fixed assets)	¥400 billion	- 14%
Depreciation and amortization*	¥410 billion	+ 18%
(Depreciation expenses for tangible assets)	(¥330 billion)	(+ 22%)

* Including amortization of intangible assets and amortization of deferred insurance acquisition costs

Note: The forecast and other forward looking information in this press release do not include the effect relating to a proposed new company between Sony and Ericsson, which is expected to be formed after completion of a definitive agreement and applicable regulatory requirements (refer to page 23).

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)

	Year ended March 31 2000	Year ended March 31 2001	Change
Operating profit and loss:			%
Net Sales:			
Japan	¥ 872,929	¥ **1,046,282**	+19.9
Export	1,720,032	**1,961,301**	+14.0
	2,592,962	**3,007,584**	+16.0
Cost of sales	2,243,534	**2,573,010**	
Selling, general and administrative	352,183	**384,115**	
Operating income (loss)	(2,755)	**50,458**	—
Non-operating profit and loss:			
Non-operating profit:			
Interest and dividends	24,616	**14,666**	
Other	88,461	**101,210**	
	113,077	**115,876**	
Non-operating loss:			
Interest	13,486	**12,789**	
Other	66,597	**72,042**	
	80,084	**84,831**	
Ordinary income	30,237	**81,502**	+169.5
Non-recurring profit (loss), net	3,988	**(16,227)**	
Income before income taxes	34,225	**65,274**	+90.7
Income taxes			
Current	14,070	**30,719**	
Deferred	(10,683)	**(10,447)**	
Net income	¥ 30,838	¥ **45,002**	+45.9