

**Consolidated Financial Results
for the Fiscal Year Ended March 31, 2006**

Tokyo, April 27, 2006 -- Sony Corporation today announced its consolidated results for the fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006).

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

	Fiscal Year ended March 31			
	2005	2006	Change in Yen	2006*
Sales and operating revenue	¥7,159.6	¥7,475.4	+4.4%	\$63,893
Operating income	113.9	191.3	+67.9	1,635
Income before income taxes	157.2	286.3	+82.1	2,447
Equity in net income of affiliated companies	29.0	13.2	-54.6	113
Net income	163.8	123.6	-24.5	1,057
Net income per share of common stock				
— Basic	¥175.90	122.58	-30.3%	\$1.05
— Diluted	158.07	116.88	-26.1	1.00

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2006.

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

Consolidated Results for the Fiscal Year Ended March 31, 2006

Sales and operating revenue ("sales") increased 4.4% compared with the previous fiscal year; on a local currency basis sales increased slightly. (For all references herein to results on a local currency basis, see Note I on page 9.)

Sales within the Electronics segment increased 1.7% (a 3% decrease on a local currency basis). Although there was a decrease in sales particularly of CRT and plasma televisions, sales of LCD and LCD rear projection televisions increased. In the Game segment, sales increased by 31.4% primarily as the result of the contribution from PSP® (PlayStation® Portable) ("PSP"). Sales in the Pictures segment increased 1.7% compared with the previous fiscal year (a 4% decrease on a U.S. dollar basis). In the Financial Services segment, revenue increased by 32.6% compared to the previous fiscal year mainly due to an improvement in gains and losses on investments at Sony Life Insurance Co., Ltd. ("Sony Life").

Operating income increased 67.9% (a 23% increase on a local currency basis) compared with the previous fiscal year. This includes a one time net gain of ¥73.5 billion (\$628 million), which resulted from the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund. Of this, a gain of ¥64.5 billion (\$551 million) was recorded within the Electronics segment. In addition, restructuring charges, which were recorded as operating expenses, amounted to ¥138.7 billion (\$1,185 million) compared to ¥90.0

billion in the previous fiscal year. In the Electronics segment, restructuring charges were ¥125.8 billion (\$1,075 million) compared to ¥83.2 billion the previous fiscal year.

In the Electronics segment, although there was a decrease in sales to outside customers, an increase in loss on sale, disposal or impairment of assets and a deterioration in the cost of sales ratio associated with a decline in unit selling prices, the amount of operating loss decreased as a result of a gain resulting from the abovementioned transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund and the depreciation of the yen. In the Game segment, there was a significant decline in operating income primarily resulting from an increase in research and development costs associated with PLAYSTATION® 3 ("PS3"). In the Pictures segment, operating income decreased significantly primarily due to lower worldwide theatrical and home entertainment revenues on feature films. In the Financial Services segment, there was a significant increase in operating income mainly attributable to the increase in gains on investments at Sony Life.

Income before income taxes increased 82.1% compared to the previous fiscal year. There was an improvement in the net effect of other income and expenses compared to the previous fiscal year primarily due to the recording of a gain on change in interest of ¥60.8 billion (\$520 million), compared to the ¥16.3 billion recorded in the previous fiscal year. During the fiscal year, Sony recorded a gain of ¥21.5 billion (\$184 million) on the change in interest in subsidiaries and equity investees resulting from the initial public offering of Sony Communication Network Corporation ("SCN"), a gain of ¥20.6 billion (\$176 million) on the change in interest resulting from the sale of a portion of stock in Monex Beans Holdings, Inc., and gains of ¥12.0 billion (\$103 million) and ¥6.6 billion (\$56 million) respectively on the change of interest at So-net M3 Inc., a consolidated subsidiary of Sony Communications Network Corporation ("SCN") and at DeNA Co., Ltd., an equity affiliate of SCN accounted for by the equity method.

Income taxes: Compared to an effective tax rate of 10.2% in the previous fiscal year, the effective tax rate was 61.6% in the current fiscal year. This effective tax rate exceeded the Japanese statutory tax rate primarily due to the recording of additional valuation allowances against deferred tax assets by Sony Corporation and several of Sony's domestic and overseas consolidated subsidiaries due to continued losses recorded at these businesses and the recording of an additional tax provision for the undistributed earnings of foreign subsidiaries. The effective tax rate was significantly lower than the Japanese statutory rate in the previous fiscal year as a result of the reversal of valuation allowances at Sony's U.S. subsidiaries associated with an improvement in operating performance.

Equity in net income of affiliated companies decreased by 54.6% compared to the previous fiscal year. Equity in net income of affiliated companies for the previous fiscal year included the recording of ¥12.6 billion as equity in net income for InterTrust Technologies Corporation. This amount reflected InterTrust's proceeds from a license agreement arising from the settlement of a patent-related suit. In the current fiscal year, Sony Ericsson Mobile Communications AB ("Sony Ericsson") contributed ¥29.0 billion (\$248 million) to equity in net income, an increase of ¥11.6 billion compared to the previous fiscal year. Sony recorded equity income of ¥5.8 billion (\$50 million) for SONY BMG MUSIC ENTERTAINMENT ("SONY BMG"), compared to an equity loss of ¥3.4 billion in the previous fiscal year. However, Sony recorded an equity in net loss of ¥7.2 billion (\$61 million) for S-LCD Corporation ("S-LCD"), a joint-venture with Samsung Electronics Co., Ltd. for the manufacture of amorphous TFT LCD panels and equity in net loss of ¥16.9 billion (\$144 million) for Metro-Goldwyn-Mayer Inc. ("MGM")*. The equity in net loss for MGM includes non-cash interest of ¥6.0 billion (\$51 million) on cumulative preferred stock.

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

Net income, as a result, decreased 24.5% compared to the previous fiscal year.

Operating Performance Highlights by Business Segment

Note: As of August 1, 2004, Sony and Bertelsmann AG combined their recorded music businesses in a joint venture. The newly formed company, SONY BMG, is 50% owned by each parent company. Under U.S. GAAP, SONY BMG is accounted for by Sony using

the equity method and, since August 1, 2004, 50% of net profits or losses of this business have been included under “Equity in net income (loss) of affiliated companies.”

In connection with the establishment of this joint venture, Sony’s non-Japan based disc manufacturing and physical distribution businesses, formerly included within the Music segment, have been reclassified to the Electronics segment to recognize the new management reporting structure whereby Sony’s Electronics segment has now assumed responsibility for these businesses. Effective April 1, 2005, a similar change was made with respect to Sony’s Japan based disc manufacturing business. Results for the three month period and fiscal year ended March 31, 2005 in the Electronics segment have been restated to account for these reclassifications.

Effective April 1, 2005, Sony no longer breaks out its music business as a reportable segment as it no longer meets the materiality threshold. Accordingly, the results for Sony’s music business are now included within All Other and the results for the three month period and fiscal year ended March 31, 2005 have been reclassified to All Other for comparative purposes. Results for the three month period and fiscal year ended March 31, 2006 in All Other include the results of Sony Music Entertainment Inc.’s (“SMEI”) music publishing business and Sony Music Entertainment (Japan) Inc. (“SMEJ”), excluding Sony’s Japan based disc manufacturing business which, as noted above, has been reclassified to the Electronics segment. However, results for the same periods of the previous fiscal year in All Other include the consolidated results for SMEI’s recorded music business for the period through August 1, 2004, as well as the results for SMEI’s music publishing business and SMEJ excluding Sony’s Japan based disc manufacturing business.

Electronics

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

	Fiscal Year ended March 31			
	2005	2006	Change in Yen	2006
Sales and operating revenue	¥5,066.8	¥5,150.5	+1.7%	\$44,021
Operating loss	(34.3)	(30.9)	-	(264)

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

Sales increased by 1.7% compared to the previous fiscal year (a 3% decrease on a local currency basis). Sales to outside customers decreased 0.9% compared to the previous fiscal year. There was a decline in sales of CRT televisions, due to a continued shift in demand towards flat panel televisions, and plasma televisions, where new product development has been terminated. However, there was an increase in sales of LCD televisions, including the new BRAVIA™ models, which saw increased sales in all geographic areas, and LCD rear projection televisions, which saw increased sales particularly in the U.S.

Operating loss declined by ¥3.3 billion compared with the previous fiscal year. Despite a decline in sales to outside customers, an increase in loss on sale, disposal or impairment of fixed assets, and a deterioration in the cost of sales ratio as a result of a decline in unit selling prices, the amount of operating loss decreased as a result of the ¥64.5 billion (\$551 million) net gain resulting from the transfer to the Japanese Government of the substitutional portion of Sony’s Employee Pension Fund, as well as favorable exchange rates. With regard to products within the Electronics segment, there was an increase in operating income for such products as “Handycam®” video cameras, which experienced an increase in sales of DVD and high definition video cameras, and “VAIO” PCs, where favorable sales of notebook PC were recorded. On the other hand, there was a deterioration in the profitability of CRT televisions, where sales decreased, as well as in that of Image Sensors and LCD televisions, which both experienced a decline in unit selling prices.

Inventory, as of March 31, 2006, was ¥665.7 billion (\$5,690 million), a ¥151.3 billion, or 29.4%, increase compared with the level as of March 31, 2005 and a ¥66.9 billion, or 11.2%, increase compared with the level as of December 31, 2005. This increase was primarily a result of increased semiconductor inventory in preparation for the PS3 launch and increased LCD television inventory in preparation for the launch of new models.

Operating Results for Sony Ericsson Mobile Communications AB

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

Sony Ericsson recorded sales for the one year period ended March 31, 2006 of Euro 7,972 million, a Euro 1,497 million or 23% increase compared to the same period of the previous year. Income before taxes was Euro 595 million, a Euro 135 million increase compared to the same period of the previous year, and net income of Euro 433 million was recorded, a Euro 166 million increase compared to the same period of the previous year. Results were boosted by sales of hit models such as camera phones and "Walkman®" phones. As a result, equity in net income of ¥29.0 billion (\$248 million) was recorded by Sony.

Game

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

	2005	2006	Change in Yen	2006
Sales and operating revenue	¥729.8	¥958.6	+31.4%	\$8,193
Operating income	43.2	8.7	-79.7	75

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

Sales increased 31.4% compared with the previous fiscal year (a 27% increase on a local currency basis).

Hardware: There was a significant increase in sales, mainly in Europe and the U.S., primarily due to a significant contribution to sales from PSP, which experienced favorable growth in all geographic areas. In addition, PlayStation 2 ("PS2") sales were on a par with those in the previous fiscal year.

Software: Although PS2 software sales decreased, as a result of the contribution to sales from PSP software, sales in Japan, the U.S. and Europe were relatively unchanged compared to the previous fiscal year.

Operating income of ¥8.7 billion (\$75 million) was recorded, a decrease of ¥34.4 billion or 79.7% compared to the previous fiscal year. Although profits from the PS2 and PSP businesses exceeded those in the previous fiscal year, this decrease was mainly the result of continued high research and development costs associated with PS3, as well as the recording of charges associated with preparation for the launch of the PS3 platform.

Worldwide hardware production shipments:*

- PS2: 16.22 million units (an increase of 0.05 million units)
- PSP: 14.06 million units (an increase of 11.09 million units)

Worldwide software production shipments:*

- PS2: 223 million units (a decrease of 29 million units)
- PSP: 41.6 million units (an increase of 35.9 million units)

*Production shipment units of hardware and software are counted upon shipment of the products from manufacturing bases. Sales of such products are recognized when the products are delivered to customers.

Inventory, as of March 31, 2006, was ¥113.4 billion (\$969 million), a ¥35.9 billion, or 46.3%, increase compared with the level as of March 31, 2005 and a ¥9.4 billion, or 9.1%, increase compared with the level as of December 31, 2005. This increase was primarily a result of the world-wide full-scale introduction of the PSP platform to U.S. and European markets in addition to Japan during the fiscal year.

Pictures

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

Fiscal Year ended March 31

	2005	2006	Change in Yen	2006
Sales and operating revenue	¥733.7	¥745.9	+ 1.7%	\$6,375
Operating income	63.9	27.4	- 57.1	234

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

Sales increased 1.7% compared with the previous fiscal year (4% decrease on a U.S. dollar basis) due to the depreciation of the yen. Sales, on a U.S. dollar basis, decreased primarily due to lower worldwide theatrical and home entertainment revenues on feature films, partially offset by an increase in television product revenues. The lower theatrical and home entertainment revenues primarily resulted from the strong performance of *Spider-Man 2* in the prior fiscal year coupled with the disappointing performance of certain films in the current fiscal year film slate, particularly *Stealth*, *Zathura* and *The Legend of Zorro*. The increase in television product revenues is due to higher advertising and subscription sales from several of SPE’s international channels, higher sales of television library product and the extension of a licensing agreement for *Wheel of Fortune*.

Operating income decreased ¥36.5 billion to ¥27.4 billion (\$234 million), compared with the previous fiscal year. The large decrease was due to the same factors contributing to the decrease in feature film revenue discussed above. Operating income from television increased due to the same factors noted above for revenue.

Financial Services

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

Fiscal Year ended March 31

	2005	2006	Change in Yen	2006
Financial service revenue	¥560.6	¥743.2	+32.6%	\$6,353
Operating income	55.5	188.3	+239.4	1,610

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

Financial service revenue increased by 32.6%, compared with the previous fiscal year, to ¥743.2 billion (\$6,353 million) mainly as a result of an increase in revenue at Sony Life. Revenue at Sony Life was ¥645.0 billion (\$5,513 million), a ¥170.8 billion, or 36.0% increase compared with the previous fiscal year. The main reasons for this increase were an improvement in gains and losses from investments as a result of favorable Japanese domestic stock market conditions and an increase in revenue from insurance premiums reflecting an increase of insurance-in-force.

Operating income was ¥188.3 billion (\$1,610 million), a ¥132.8 billion, or 239.4% increase compared with the previous fiscal year, mainly as a result of a significant improvement in gains and losses on investments in the general account at Sony Life, primarily resulting from an improvement in valuation gains from stock conversion rights in convertible bonds resulting from favorable Japanese domestic stock market conditions. As a result of the abovementioned factors, operating income at Sony Life increased by ¥127.4 billion or 208.8% to ¥188.4 billion (\$1,611 million).

All Other

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

	2005	2006	Change in Yen	2006
Sales and operating revenue	¥459.9	¥408.9	-11.1%	\$3,495
Operating income	4.2	16.2	+286.4	138

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

Sales decreased 11.1% compared with the previous fiscal year reflecting the fact that the results for the first four months of the previous fiscal year in All Other incorporated the results for SMEI's recorded music business, which, as noted above, was combined with Bertelsmann AG's recorded music business to form the SONY BMG joint venture which is accounted for by the equity method (please refer to Note to Operating Performance Highlights by Business Segment on Page 2).

Sales at SMEJ were relatively unchanged compared with the previous fiscal year. Best selling albums during the fiscal year included *Ken Hirai 10th Anniversary Complete Single Collection '95-'05 "Uta Baka"* by Ken Hirai, *NATURAL* by ORANGE RANGE and *BEST* by Mika Nakashima.

Excluding sales recorded within Sony's music business, there was an increase in sales within All Other. This increase was mainly due to strong sales at a business engaged in the production and marketing of animation products, favorable sales both at SCN and its subsidiaries, as well as an increase in sales recorded at an imported general merchandise retail business.

Operating income of ¥16.2 billion (\$138 million) was recorded, an increase of ¥12.0 billion compared with the previous fiscal year. This improvement was mainly the result of the fact that the results for SMEI's recorded music business, which recorded an operating loss in the previous fiscal year, are now recorded as part of the results of the SONY BMG joint venture, and the continued strong performance at SMEJ. Operating income at SMEJ increased significantly compared to the previous fiscal year mainly due to an improvement in the cost of sales ratio and the recording of a gain resulting from the transfer to the Japanese government of the substitutional portion of the Employee Pension Fund.

Excluding the operating income recorded in the music business, a loss was recorded within All Other mainly as the result of an asset impairment write down associated with the sale of a U.S. entertainment complex. This was offset to some extent by cost reductions at network related businesses within Sony Corporation.

Operating Results for SONY BMG MUSIC ENTERTAINMENT

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

SONY BMG recorded sales revenue of \$4,283 million, income before income taxes of \$150 million, and net income of \$95 million during the one year period ended March 31, 2006. Income before income taxes includes \$186 million of restructuring charges, a year-on-year reduction in restructuring charges of \$104 million. Income before incomes taxes also benefited from the realization of incremental cost savings. As a result, equity in net income of ¥5.8 billion (\$50 million) was recorded by Sony. Best selling albums during the fiscal year included Kelly Clarkson's *Breakaway*, Il Divo's *IL Divo* and *Ancora*, System of a Down's *Mezmerize*, the Foo Fighters' *In Your Honor*, and Shakira's *Fijacion Oral Volumen I*.

Cash Flow

The following charts show Sony's unaudited condensed statements of cash flows on a consolidated basis for all segments excluding the Financial Services segment and for the Financial Services segment alone. These separate condensed

presentations are not required under U.S. GAAP, which is used in Sony's consolidated financial statements. However, because the Financial Services segment is different in nature from Sony's other segments, Sony believes that these presentations may be useful in understanding and analyzing Sony's consolidated financial statements.

Cash Flow - Consolidated (excluding Financial Services segment)

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

Fiscal Year ended March 31

Cash flow	2005	2006	Change in Yen	2006
- From operating activities	¥485.4	¥252.0	¥-233.5	\$2,154
- From investing activities	(472.1)	(296.4)	+175.7	(2,533)
- From financing activities	(95.4)	74.6	+170.0	637
Cash and cash equivalents at beginning of the fiscal year	592.9	519.7	-73.2	4,442
Cash and cash equivalents at end of the fiscal year	519.7	585.5	+65.7	5,004

Operating Activities: During the fiscal year ended March 31, 2006, although there was an increase in inventory, primarily semiconductor inventory for use in PS3 and inventory of new LCD television models, net cash was generated primarily after taking account of depreciation and amortization.

Investing Activities: During the fiscal year ended March 31, 2006, Sony purchased fixed assets mainly within the Electronics segment consisting primarily of semiconductor manufacturing facilities. On the other hand, Sony carried out the sale of a portion of stock resulting from the initial public offering of SCN and the sale of securities investments. In the previous fiscal year, in addition to investment in semiconductor manufacturing facilities, Sony also made an investment in S-LCD in association with its establishment.

As a result, the total amount of cash flow from operating activities and from investing activities during the fiscal year was a use of cash of ¥44.4 billion (\$379 million).

Financing Activities: During the fiscal year ended March 31, 2006, although Sony redeemed long-term debt including bonds, financing was carried out through the issuance of straight bonds in order to redeem bonds maturing during the fiscal years ending March 31, 2006 and March 31, 2007.

Cash and Cash Equivalents: In addition to the aforementioned information, the total balance of cash and cash equivalents, accounting for the effect of foreign currency exchange rate fluctuations, increased ¥65.7 billion compared to March 31, 2005, to ¥585.5 billion (\$5,004 million) as of March 31, 2006.

Cash Flow - Financial Services segment

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

Fiscal Year ended March 31

Cash flow	2005	2006	Change in Yen	2006
- From operating activities	¥168.1	¥147.1	¥-20.9	\$1,257
- From investing activities	(421.4)	(563.8)	-142.4	(4,818)
- From financing activities	256.4	274.9	+18.5	2,349
Cash and cash equivalents at beginning of the fiscal year	256.3	259.4	+3.1	2,217
Cash and cash equivalents at end of the fiscal year	259.4	117.6	-141.7	1,005

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

Investing Activities: Payments for investments and advances exceeded proceeds from maturities of marketable securities, sales of securities investments and collections of advances primarily as a result of investments in mainly Japanese fixed income securities carried out at Sony Life, as well as an increase in advance payments for mortgage loans and investments in marketable securities at Sony Bank.

Financing Activities: Net cash from financing activities was generated as a result of an increase in policyholders' accounts at Sony Life and an increase in deposits from customers in the banking business.

Cash and Cash Equivalents: As a result of the above, the balance of cash and cash equivalents was ¥117.6 billion (\$1,005 million) as of March 31, 2006, a decrease of ¥141.7 billion compared to March 31, 2005.

Consolidated Results for the Fourth Quarter ended March 31, 2006

Sales were ¥1,845.4 billion (\$15,773 million), an increase of 8.7% compared with the same quarter of the previous fiscal year; on a local currency basis sales increased 2%.

In the Electronics segment, although there was a decrease in intersegment sales, sales to outside customers increased 9.0% compared to the same quarter of the previous fiscal year. Sales primarily of LCD televisions, "VAIO" PCs and LCD rear projection televisions increased, while sales of CRT televisions decreased. In the Game segment, although there was an increase in sales from the PSP business, there was a decrease in overall sales as a result of a significant decline in the sales contribution from the PS2 business. In the Pictures segment, revenues increased primarily as a result of increased television product revenues from several of SPE's international channels, the extension of a licensing agreement for *Wheel of Fortune*, and higher sales of television library product. In the Financial Services segment, revenue increased mainly due to an improvement in gains and losses on investments primarily at Sony Life.

An **operating loss** of ¥62.2 billion (\$532 million) was recorded, an improvement of ¥15.2 billion from the same quarter of the previous fiscal year. In the Electronics segment, although there was an increase in loss on sale, disposal or impairment of assets, the amount of the operating loss decreased primarily as a result of favorable exchange rates. The Game segment recorded a significant operating loss in the quarter mainly as a result of the recording of charges associated with preparation for the launch of the PS3 platform. In the Pictures segment, the abovementioned contribution from television product revenues resulted in increased operating income. Operating income within the Financial Services segment increased significantly due to the increased revenue within the segment noted above.

Restructuring charges, which are recorded as operating expenses, for the fourth quarter amounted to ¥75.3 billion (\$643 million) compared to ¥48.6 billion in the same quarter of the previous fiscal year. In the Electronics segment, restructuring charges were ¥63.4 billion (\$542 million) compared to ¥46.2 billion in the same quarter of the previous fiscal year.

The **loss before income taxes** was ¥47.9 billion (\$409 million), a ¥14.0 billion improvement compared to the same quarter of the previous fiscal year.

Income Taxes: During the fourth quarter of the fiscal year, Sony recorded ¥23.6 billion (\$202 million) of income tax expense. This was the result of the recording of additional valuation allowances against deferred tax assets by Sony Corporation and several of its domestic and overseas consolidated subsidiaries due to continued losses recorded at these businesses and the recording of an additional tax provision for the undistributed earnings of foreign subsidiaries.

Equity in net income of affiliated companies of ¥5.4 billion (\$46 million) was recorded, a ¥4.9 billion yen increase compared to the same quarter of the previous fiscal year. Sony Ericsson contributed ¥7.6 billion (\$65 million) to equity in net income, a ¥5.0 billion increase compared to the same quarter of the previous fiscal year. In addition, ¥2.3 billion (\$20 million) of equity in net income was also recorded from S-LCD, compared

to a ¥1.4 billion equity loss in net income recorded in the same quarter of the previous fiscal year. An equity in net loss of ¥0.3 billion (\$2 million) was recorded for SONY BMG, an improvement of ¥2.8 billion compared to the same quarter of the previous fiscal year. In addition, an equity in net loss of ¥3.6 billion (\$30 million) was also recorded for MGM.

As a result, a **net loss** of ¥66.5 billion (\$569 million) was recorded, a ¥10.1 billion deterioration compared to the same quarter of the previous fiscal year.

Notes

Note I: During the fiscal year ended March 31, 2006, the average value of the yen was ¥112.3 against the U.S. dollar and ¥136.3 against the Euro, which was 5.1% lower against the U.S. dollar and 2.0% lower against the Euro, compared with the average rates for the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating income obtained by applying the yen's average exchange rate in the previous fiscal year to local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the fiscal year. Local currency basis results are not reflected in Sony's financial statements and are not measures conforming with U.S. GAAP. In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that local currency basis results provide additional useful analytical information to investors regarding operating performance.

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

Note III: During the quarter ended March 31, 2006, the average value of the yen was ¥115.9 against the U.S. dollar and ¥139.2 against the Euro, which was 10.7% lower against the U.S. dollar and 2.7% lower against the Euro, compared with the average rates for the same quarter of the previous fiscal year.

Rewarding Shareholders

Sony believes that continuously increasing corporate value and providing dividends are essential to rewarding shareholders. It is Sony's policy to utilize retained earnings, after ensuring the perpetuation of stable dividends, to carry out various investments that contribute to an increase in corporate value such as those that ensure future growth and strengthen competitiveness.

A year-end cash dividend of ¥12.5 (\$0.11) per share of Sony Corporation common stock will be presented for approval at the Board of Directors meeting to be held on May 17, 2006 and, if approved, will be payable as of June 1, 2006. Sony Corporation has already paid an interim dividend of ¥12.5 per share to each shareholder; accordingly, the total annual cash dividend per share would be ¥25.0.

In addition, even after the New Company Law of Japan becomes effective as from May 1, 2006, Sony Corporation expects to continue to pay dividends from retained earnings semi-annually (record dates for year-end and interim dividends are March 31 and September 30, respectively). This new law replaces the Commercial Code of Japan and removes the restriction on the number of times dividends can be paid.

Number of Employees

The number of employees at the end of March 2006 was approximately 158,500, an increase of approximately 7,000 employees from the end of March 2005. Although there was a reduction in employees associated with the implementation of restructuring activities in Japan, the U.S., Europe and Southeast Asia, the total number of employees increased as a result of a significant increase in employees at manufacturing facilities in East Asia.

Outlook for the Fiscal Year ending March 31, 2007

		Change from previous fiscal year
Sales and operating revenue	¥8,200 billion	+10%
Operating income	100 billion	-48
Income before income taxes	150 billion	-48
Equity in net income of affiliated companies	40 billion	+204
Net income	130 billion	+5
Capital expenditures (additions to fixed assets)	¥460 billion	+20%
Depreciation and amortization*	410 billion	+7
(Depreciation expenses for tangible assets)	(340 billion)	(+9)
* Including amortization of intangible assets and amortization of deferred insurance acquisition costs.		
Research and development expenses	550 billion	+3%

Assumed foreign currency exchange rates: approximately ¥113 to the U.S. dollar and approximately ¥136 to the Euro.

The forecast for the consolidated operating results stated above, has been prepared based on the current business environment and reflects the factors noted below.

The above forecast includes restructuring charges, recorded as operating expenses, of approximately ¥50 billion expected to be incurred across the Sony Group during the fiscal year, primarily within the Electronics segment, compared to ¥138.7 billion of restructuring charges recorded during the fiscal year ended March 31, 2006.

With regard to equity in net income of affiliated companies, we expect improved earnings at Sony Ericsson, SONY BMG, S-LCD and MGM.

The forecast for each business segment is as follows:

Electronics

Sales are expected to increase primarily due to an increase in the sales of LCD televisions and semiconductors, including those for use within the Game segment. With regard to operating performance, operating income is expected to be recorded, compared to an operating loss in the previous fiscal year, in spite of the absence of one time net gain recorded in the previous fiscal year which resulted from the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund, due to a significant improvement in profitability primarily as a result of the contribution from the increased sales mentioned above, as well as the reduction in restructuring charges.

Game

A significant increase in sales is anticipated in association with the launch of PS3. With regards to operating performance, a significant loss is expected to be recorded associated with the worldwide PS3 launch in November 2006, despite the continued contribution from the PS2 and PSP businesses.

Pictures

Sales and operating income are both expected to increase from the theatrical and home entertainment contributions on the upcoming film slate, including *The Da Vinci Code* in May 2006, *Open Season* in September 2006 and the next installment of James Bond, *Casino Royale*, in November 2006.

Financial Services

In comparison to the previous fiscal year, when there was a substantial improvement in gains and losses on investments resulting from the favorable performance of the Japanese domestic stock market, the impact of stock market fluctuations are not incorporated within the forecast for the fiscal year. As a result, we anticipate both a decline in revenue and a significant decrease to operating income within the segment.

Semiconductor capital expenditures

Capital expenditures within the semiconductor business during the fiscal year are expected to amount to approximately ¥170 billion (the actual amount in the fiscal year ended March 31, 2006 was approximately ¥140 billion)*.

**Investments towards S-LCD are not included within the forecast for semiconductor capital expenditures.*

Cautionary Statement

Statements made in this release with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "may" or "might" and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Sony cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to (i) the global economic environment in which Sony operates, as well as the economic conditions in Sony's markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, the Euro and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; (iii) Sony's ability to continue to design and develop and win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid development in technology and subjective and changing consumer preferences (particularly in the Electronics, Game and Pictures segments, and music business); (iv) Sony's ability to implement successfully personnel reduction and other business reorganization activities in its Electronics segment and music business; (v) Sony's ability to implement successfully its network strategy for its Electronics and Pictures segments, All Other and the music business, and to develop and implement successful sales and distribution strategies in its Pictures segment and music business in light of the Internet and other technological developments; (vi) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to correctly prioritize investments (particularly in the Electronics segment); (vii) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful Asset Liability Management in the Financial Services segment; and (viii) the success of Sony's joint ventures and alliances. Risks and uncertainties also include the impact of any future events with material unforeseen impacts.

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Business Segment Information

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

Sales and operating revenue	Fiscal Year ended March 31			
	2005	2006	Change	2006
Electronics				
Customers	¥ 4,806,494	¥ 4,763,555	-0.9 %	\$ 40,714
Intersegment	260,339	386,922		3,307
Total	5,066,833	5,150,477	+1.7	44,021
Game				
Customers	702,524	918,251	+30.7	7,848
Intersegment	27,230	40,368		345
Total	729,754	958,619	+31.4	8,193
Pictures				
Customers	733,677	745,859	+1.7	6,375
Intersegment	—	—		—
Total	733,677	745,859	+1.7	6,375
Financial Services				
Customers	537,715	720,566	+34.0	6,159
Intersegment	22,842	22,649		194
Total	560,557	743,215	+32.6	6,353
All Other				
Customers	379,206	327,205	-13.7	2,797
Intersegment	80,688	81,676		698
Total	459,894	408,881	-11.1	3,495
Elimination	(391,099)	(531,615)	—	(4,544)
Consolidated total	¥ 7,159,616	¥ 7,475,436	+4.4 %	\$ 63,893

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

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

Operating income (loss)	2005	2006	Change	2006
Electronics	¥ (34,273)	¥ (30,930)	— %	\$ (264)
Game	43,170	8,747	-79.7	75
Pictures	63,899	27,436	-57.1	234
Financial Services	55,490	188,323	+239.4	1,610
All Other	4,188	16,183	+286.4	138
Total	132,474	209,759	+58.3	1,793
Corporate and elimination	(18,555)	(18,504)	—	(158)
Consolidated total	¥ 113,919	¥ 191,255	+67.9 %	\$ 1,635

Commencing April 1, 2005, Sony has partly realigned its business segment configuration. Results of the previous year have been reclassified to conform to the presentations for the current period (see Notes 5 and 6 on page F-10).

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

Three months ended March 31 (Unaudited)

Sales and operating revenue	2005	2006	Change	2006
Electronics				
Customers	¥ 1,066,936	¥ 1,162,718	+9.0 %	\$ 9,938
Intersegment	116,822	53,590		458
Total	1,183,758	1,216,308	+2.7	10,396
Game				
Customers	213,990	145,855	-31.8	1,247
Intersegment	8,133	6,494		56
Total	222,123	152,349	-31.4	1,303
Pictures				
Customers	190,647	240,382	+26.1	2,054
Intersegment	—	—		—
Total	190,647	240,382	+26.1	2,054
Financial Services				
Customers	150,887	217,289	+44.0	1,857
Intersegment	5,222	5,839		50
Total	156,109	223,128	+42.9	1,907
All Other				
Customers	74,561	79,201	+6.2	677
Intersegment	21,720	22,375		191
Total	96,281	101,576	+5.5	868
Elimination	(151,897)	(88,298)	—	(755)
Consolidated total	¥ 1,697,021	¥ 1,845,445	+8.7 %	\$ 15,773

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

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

Operating income (loss)	2005	2006	Change	2006
Electronics	¥ (100,457)	¥ (91,885)	— %	\$ (785)
Game	1,488	(61,397)	—	(525)
Pictures	13,734	30,201	+119.9	258
Financial Services	16,302	79,306	+386.5	678
All Other	(6,400)	(10,277)	—	(88)
Total	(75,333)	(54,052)	—	(462)
Corporate and elimination	(2,080)	(8,149)	—	(70)
Consolidated total	¥ (77,413)	¥ (62,201)	— %	\$ (532)

Commencing April 1, 2005, Sony has partly realigned its business segment configuration. Results of the previous year have been reclassified to conform to the presentations for the current quarter (see Notes 5 and 6 on page F-10).

Electronics Sales and Operating Revenue to Customers by Product Category

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

Sales and operating revenue	Fiscal Year ended March 31			
	2005	2006	Change	2006
Audio	¥ 571,864	¥ 536,187	-6.2 %	\$ 4,583
Video	1,036,328	1,021,325	-1.4	8,729
Televisions	921,195	927,769	+0.7	7,930
Information and Communications	816,150	842,537	+3.2	7,201
Semiconductors	246,314	240,771	-2.3	2,058
Components	619,477	656,768	+6.0	5,613
Other	595,166	538,198	-9.6	4,600
Total	¥ 4,806,494	¥ 4,763,555	-0.9 %	\$ 40,714

Sales and operating revenue	Three months ended March 31 (Unaudited)			
	2005	2006	Change	2006
Audio	¥ 106,476	¥ 104,684	-1.7 %	\$ 895
Video	208,131	209,284	+0.6	1,789
Televisions	213,567	247,044	+15.7	2,112
Information and Communications	214,366	253,220	+18.1	2,164
Semiconductors	50,657	61,242	+20.9	523
Components	142,640	163,889	+14.9	1,401
Other	131,099	123,355	-5.9	1,054
Total	¥ 1,066,936	¥ 1,162,718	+9.0 %	\$ 9,938

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on pages F-1 and F-2. The Electronics segment is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the product categories in this business segment. In addition, commencing April 1, 2005, Sony has partly realigned its product category configuration in the Electronics segment. Accordingly, results of the previous year have been restated (see Note 7 on page F-10).

Geographic Segment Information (Unaudited)

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

Sales and operating revenue	Fiscal Year ended March 31			
	2005	2006	Change	2006
Japan	¥ 2,100,793	¥ 2,168,723	+3.2 %	\$ 18,536
United States	1,977,310	1,957,644	-1.0	16,732
Europe	1,612,536	1,715,704	+6.4	14,664
Other Areas	1,468,977	1,633,365	+11.2	13,961
Total	¥ 7,159,616	¥ 7,475,436	+4.4 %	\$ 63,893

Sales and operating revenue	Three months ended March 31 (Unaudited)			
	2005	2006	Change	2006
Japan	¥ 519,520	¥ 586,124	+12.8 %	\$ 5,010
United States	524,885	443,644	-15.5	3,792
Europe	328,698	396,215	+20.5	3,386
Other Areas	323,918	419,462	+29.5	3,585
Total	¥ 1,697,021	¥ 1,845,445	+8.7 %	\$ 15,773

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)

	Fiscal Year ended March 31			
	2005	2006	Change	2006
			%	
Sales and operating revenue:				
Net sales	¥ 6,565,010	¥ 6,692,776		\$ 57,203
Financial service revenue	537,715	720,566		6,159
Other operating revenue	56,891	62,094		531
	7,159,616	7,475,436	+4.4	63,893
Costs and expenses:				
Cost of sales	5,000,112	5,151,397		44,029
Selling, general and administrative	1,535,015	1,527,036		13,052
Financial service expenses	482,576	531,809		4,545
Loss on sale, disposal or impairment of assets, net	27,994	73,939		632
	7,045,697	7,284,181		62,258
Operating income	113,919	191,255	+67.9	1,635
Other income:				
Interest and dividends	14,708	24,937		213
Royalty income	31,709	35,161		301
Gain on sale of securities investments, net	5,437	9,645		82
Gain on change in interest in subsidiaries and equity investees	16,322	60,834		520
Other	29,447	23,039		197
	97,623	153,616		1,313
Other expenses:				
Interest	24,578	28,996		248
Loss on devaluation of securities investments	3,715	3,878		33
Foreign exchange loss, net	524	3,065		27
Other	25,518	22,603		193
	54,335	58,542		501
Income before income taxes	157,207	286,329	+82.1	2,447
Income taxes	16,044	176,515		1,508
Income before minority interest, equity in net income of affiliated companies and cumulative effect of an accounting change	141,163	109,814	-22.2	939
Minority interest in income (loss) of consolidated subsidiaries	1,651	(626)		(5)
Equity in net income of affiliated companies	29,039	13,176		113
Income before cumulative effect of an accounting change	168,551	123,616	-26.7	1,057
Cumulative effect of an accounting change (2005: Net of income taxes of ¥2,675 million)	(4,713)	—		—
Net income	¥ 163,838	¥ 123,616	-24.5	\$ 1,057
Per share data:				
Common stock				
Income before cumulative effect of an accounting change				
— Basic	¥ 180.96	¥ —	—	\$ —
— Diluted	162.59	—	—	—
Net income				
— Basic	175.90	122.58	-30.3	1.05
— Diluted	158.07	116.88	-26.1	1.00
Subsidiary tracking stock				
Net income				
— Basic *	17.21	—	—	—

* See Note 3 on page F-9.

Additional Paid-in Capital and Retained Earnings (Unaudited)

The following information shows change in additional paid-in capital for the fiscal year ended March 31, 2005 and 2006 and change in retained earnings for the fiscal year ended March 31, 2005 and 2006.

Sony discloses this supplemental information in accordance with disclosure requirements of the Japanese Securities and Exchange Law, to which Sony, as a Japanese public company, is subject.

	(Millions of yen, millions of U.S. dollars)		
	Fiscal Year ended March 31		
	2005	2006	2006
Additional Paid-in Capital:			
Balance, beginning of the fiscal year	¥ 992,817	¥ 1,134,222	\$ 9,694
Conversion of convertible bonds	141,407	1,484	13
Exercise of stock acquisition rights	—	932	8
Stock based compensation	340	—	—
Reissuance of treasury stock	(342)	—	—
Balance, end of the fiscal year	¥ 1,134,222	¥ 1,136,638	\$ 9,715

	(Millions of yen, millions of U.S. dollars)		
	Fiscal Year ended March 31		
	2005	2006	2006
Retained Earnings:			
Balance, beginning of the fiscal year	¥ 1,367,060	¥ 1,506,082	\$ 12,872
Net income	163,838	123,616	1,057
Cash dividends	(24,030)	(24,968)	(213)
Reissuance of treasury stock	(245)	(1,296)	(11)
Common stock issue costs, net of tax	(541)	(780)	(7)
Balance, end of the fiscal year	¥ 1,506,082	¥ 1,602,654	\$ 13,698

Consolidated Statements of Income (Unaudited)

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

	Three months ended March 31			
	2005	2006	Change	2006
			%	
Sales and operating revenue:				
Net sales	¥ 1,529,187	¥ 1,612,012		\$ 13,778
Financial service revenue	150,887	217,289		1,857
Other operating revenue	16,947	16,144		138
	1,697,021	1,845,445	+8.7	15,773
Costs and expenses:				
Cost of sales	1,223,358	1,300,497		11,116
Selling, general and administrative	403,126	430,004		3,675
Financial service expenses	134,457	137,607		1,176
Loss on sale, disposal or impairment of assets, net	13,493	39,538		338
	1,774,434	1,907,646		16,305
Operating income (loss)	(77,413)	(62,201)	-	(532)
Other income:				
Interest and dividends	4,191	7,461		64
Royalty income	9,692	10,299		88
Foreign exchange gain, net	29	224		2
Gain on sale of securities investments, net	—	798		7
Gain on change in interest in subsidiaries and equity investees	1,215	3,357		29
Other	10,840	6,959		59
	25,967	29,098		249
Other expenses:				
Interest	2,755	9,032		77
Loss on devaluation of securities investments	1,296	763		7
Foreign exchange loss, net	14	—		—
Other	6,382	4,965		42
	10,447	14,760		126
Income (loss) before income taxes	(61,893)	(47,863)	-	(409)
Income taxes	(5,334)	23,572		202
Income (loss) before minority interest and equity in net income of affiliated companies	(56,559)	(71,435)	-	(611)
Minority interest in income of consolidated subsidiaries	351	467		4
Equity in net income of affiliated companies	460	5,369		46
Net income (loss)	¥ (56,450)	¥ (66,533)	-	\$ (569)
Per share data:				
Common stock				
Net income (loss)				
— Basic	¥ (59.40)	¥ (66.48)	—	\$ (0.57)
— Diluted	(59.40)	(66.48)	—	(0.57)
Subsidiary tracking stock				
Net income (loss)				
— Basic *	(28.20)	—	—	—

* See Note 3 on page F-9.

Consolidated Balance Sheets

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

ASSETS	March 31		
	2005	2006	2006
Current assets:			
Cash and cash equivalents	¥ 779,103	¥ 703,098	\$ 6,009
Marketable securities	460,202	536,968	4,589
Notes and accounts receivable, trade	1,113,071	1,075,071	9,189
Allowance for doubtful accounts and sales returns	(87,709)	(89,563)	(765)
Inventories	631,349	804,724	6,878
Deferred income taxes	141,154	221,311	1,892
Prepaid expenses and other current assets	519,001	517,915	4,426
	<u>3,556,171</u>	<u>3,769,524</u>	<u>32,218</u>
Film costs	278,961	360,372	3,080
Investments and advances:			
Affiliated companies	252,905	285,870	2,443
Securities investments and other	2,492,784	3,234,037	27,642
	<u>2,745,689</u>	<u>3,519,907</u>	<u>30,085</u>
Property, plant and equipment:			
Land	182,900	178,844	1,529
Buildings	925,796	926,783	7,921
Machinery and equipment	2,192,038	2,327,676	19,895
Construction in progress	92,611	116,149	993
Less-Accumulated depreciation	(2,020,946)	(2,160,905)	(18,470)
	<u>1,372,399</u>	<u>1,388,547</u>	<u>11,868</u>
Other assets:			
Intangibles, net	187,024	207,034	1,770
Goodwill	283,923	299,024	2,556
Deferred insurance acquisition costs	374,805	383,156	3,275
Deferred income taxes	240,396	178,751	1,528
Other	459,732	501,438	4,285
	<u>1,545,880</u>	<u>1,569,403</u>	<u>13,414</u>
	<u>¥ 9,499,100</u>	<u>¥ 10,607,753</u>	<u>\$ 90,665</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	¥ 63,396	¥ 142,766	\$ 1,220
Current portion of long-term debt	166,870	193,555	1,654
Notes and accounts payable, trade	806,044	813,332	6,952
Accounts payable, other and accrued expenses	746,466	854,886	7,307
Accrued income and other taxes	55,651	87,295	746
Deposits from customers in the banking business	546,718	599,952	5,128
Other	424,223	508,442	4,345
	<u>2,809,368</u>	<u>3,200,228</u>	<u>27,352</u>
Long-term liabilities:			
Long-term debt	678,992	764,898	6,538
Accrued pension and severance costs	352,402	182,247	1,558
Deferred income taxes	72,227	216,497	1,850
Future insurance policy benefits and other	2,464,295	2,744,321	23,456
Other	227,631	258,609	2,211
	<u>3,795,547</u>	<u>4,166,572</u>	<u>35,613</u>
Minority interest in consolidated subsidiaries	23,847	37,101	317
Stockholders' equity:			
Capital stock	621,709	624,124	5,334
Additional paid-in capital	1,134,222	1,136,638	9,715
Retained earnings	1,506,082	1,602,654	13,698
Accumulated other comprehensive income (loss)	(385,675)	(156,437)	(1,337)
Treasury stock, at cost	(6,000)	(3,127)	(27)
	<u>2,870,338</u>	<u>3,203,852</u>	<u>27,383</u>
	<u>¥ 9,499,100</u>	<u>¥ 10,607,753</u>	<u>\$ 90,665</u>

Consolidated Statements of Cash Flows

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

Fiscal Year ended March 31

	2005	2006	2006
Cash flows from operating activities:			
Net income	¥ 163,838	¥ 123,616	\$ 1,057
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	372,865	381,843	3,264
Amortization of film costs	276,320	286,655	2,450
Accrual for pension and severance costs, less payments	22,837	(7,563)	(65)
Gain on the transfer to the Japanese Government of the substitutional portion of employee pension fund	—	(73,472)	(628)
Loss on sale, disposal or impairment of assets, net	27,994	73,939	632
Gain on sale or loss on devaluation of securities investments, net	(1,722)	(5,767)	(49)
Gain on change in interest in subsidiaries and equity investees	(16,322)	(60,834)	(520)
Deferred income taxes	(69,466)	80,115	685
Equity in net (income) loss of affiliated companies, net of dividends	(15,648)	9,794	84
Cumulative effect of an accounting change	4,713	—	—
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable, trade	(22,056)	17,464	149
(Increase) Decrease in inventories	34,128	(164,772)	(1,408)
Increase in film costs	(294,272)	(339,697)	(2,903)
Increase (Decrease) in notes and accounts payable, trade	31,473	(9,078)	(78)
Increase in accrued income and other taxes	3	29,009	248
Increase in future insurance policy benefits and other	144,143	143,122	1,223
Increase in deferred insurance acquisition costs	(65,051)	(51,520)	(440)
Increase in marketable securities held in the financial service business for trading purpose	(28,524)	(37,394)	(320)
Increase in other current assets	(29,699)	(8,792)	(75)
Increase in other current liabilities	46,545	105,865	904
Other	64,898	(92,675)	(792)
Net cash provided by operating activities	<u>646,997</u>	<u>399,858</u>	<u>3,418</u>
Cash flows from investing activities:			
Payments for purchases of fixed assets	(453,445)	(462,473)	(3,953)
Proceeds from sales of fixed assets	34,184	38,168	326
Payments for investments and advances by financial service business	(1,309,092)	(1,368,158)	(11,694)
Payments for investments and advances (other than financial service business)	(158,151)	(36,947)	(316)
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	923,593	857,376	7,328
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	25,849	24,527	210
Proceeds from sales of subsidiaries' and equity investees' stocks	3,162	75,897	649
Other	2,728	346	3
Net cash used in investing activities	<u>(931,172)</u>	<u>(871,264)</u>	<u>(7,447)</u>
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	57,232	246,326	2,105
Payments of long-term debt	(94,862)	(138,773)	(1,186)
Increase (Decrease) in short-term borrowings	11,397	(11,045)	(94)
Increase in deposits from customers in the financial service business	294,352	190,320	1,627
Increase (Decrease) in call money and bills sold in the banking business	(40,400)	86,100	736
Dividends paid	(22,978)	(24,810)	(212)
Proceeds from issuance of stocks by subsidiaries	4,023	6,937	59
Other	(3,587)	4,809	41
Net cash provided by financing activities	<u>205,177</u>	<u>359,864</u>	<u>3,076</u>
Effect of exchange rate changes on cash and cash equivalents	<u>8,890</u>	<u>35,537</u>	<u>303</u>
Net decrease in cash and cash equivalents	(70,108)	(76,005)	(650)
Cash and cash equivalents at beginning of the fiscal year	849,211	779,103	6,659
Cash and cash equivalents at end of the fiscal year	<u>¥ 779,103</u>	<u>¥ 703,098</u>	<u>\$ 6,009</u>

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117 = U.S. \$1, the approximate Tokyo foreign exchange market rate as of March 31, 2006.
2. As of March 31, 2006, Sony had 936 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method in respect to 58 affiliated companies.
3. Sony calculates and presents per share data separately for Sony's common stock and for the subsidiary tracking stock which was linked to the economic value of Sony Communication Network Corporation, based on Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share". The holders of the subsidiary tracking stock had the right to participate in earnings, together with common stock holders. Accordingly, Sony calculated per share data by the "two-class" method based on FAS No.128. Under this method, basic net income per share for each class of stock was calculated based on the earnings allocated to each class of stock for the applicable period, divided by the weighted-average number of outstanding shares in each class during the applicable period. The earnings allocated to the subsidiary tracking stock were determined based on the subsidiary tracking stockholders' economic interest in the targeted subsidiary's earnings available for dividends or change in accumulated losses that did not include those of the targeted subsidiary's subsidiaries.

On October 26, 2005, the Board of Directors of Sony Corporation decided to terminate all shares of subsidiary tracking stock with the method of compulsory conversion to shares of Sony's common stock. All shares of subsidiary tracking stock were converted to shares of Sony's common stock on December 1, 2005. As a result of the conversion, earnings per share of the subsidiary tracking stock for the three months and the fiscal year ended March 31, 2006 are not calculated. The earnings allocated to common stock for the fiscal year ended March 31, 2006 are calculated by subtracting the earnings allocated to the subsidiary tracking stock for eight months ended November 30, 2005.

Weighted-average number of outstanding shares used for computation of earnings per share of common stock are as follows.

The dilutive effect in the weighted-average number of outstanding shares for the three months and the fiscal years ended March 31, 2005 and 2006 mainly resulted from convertible bonds.

<u>Weighted-average number of outstanding shares</u>	(Thousands of shares)	
	Fiscal Year ended March 31	
	<u>2005</u>	<u>2006</u>
Income before cumulative effect of an accounting change and net income		
— Basic	931,125	997,781
— Diluted	1,043,775	1,046,177
 <u>Weighted-average number of outstanding shares</u>	 (Thousands of shares)	
	Three months ended March 31	
	<u>2005</u>	<u>2006</u>
Net income		
— Basic	948,950	1,000,832
— Diluted	948,950	1,000,832

Weighted-average number of outstanding shares used for computation of earnings per share of the subsidiary tracking stock for the three months and the fiscal year ended March 31, 2005 are 3,072 thousand shares. There were no potentially dilutive securities or options granted for earnings per share of the subsidiary tracking stock.

4. Sony's comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income includes changes in unrealized gains or losses on securities, unrealized gains or losses on derivative instruments, minimum pension liabilities adjustments and foreign currency translation adjustments. Net income, other comprehensive income and comprehensive income for the three months and the fiscal years ended March 31, 2005 and 2006 were as follows:

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

	Fiscal Year ended March 31			Three months ended March 31		
	2005	2006	2006	2005	2006	2006
Net income (loss)	¥ 163,838	¥ 123,616	\$ 1,057	¥ (56,450)	¥ (66,533)	\$ (569)
Other comprehensive income (loss) :						
Unrealized gains (losses) on securities	(7,281)	38,135	326	7,012	(44,453)	(380)
Unrealized gains (losses) on derivative instruments	(1,890)	441	4	(2,009)	(563)	(5)
Minimum pension liabilities adjustments	(769)	50,206	429	(29,304)	18,777	160
Foreign currency translation adjustments	74,224	140,456	1,200	43,858	8,133	70
	64,284	229,238	1,959	19,557	¥ (18,106)	(155)
Comprehensive income (loss)	¥ 228,122	¥ 352,854	\$ 3,016	¥ (36,893)	¥ (84,639)	\$ (724)

5. As of August 1, 2004, Sony and Bertelsmann AG combined their recorded music businesses in a joint venture. In connection with the establishment of this joint venture, the non-Japan based disc manufacturing and physical distribution businesses, formerly included within the Music segment, have been reclassified to "Other" category in the Electronics segment. In addition, effective April 1, 2005, a similar change was made with respect to the Japan based disc manufacturing businesses. Results for the same period of the previous fiscal year in the Electronics segment have been restated to account for these reclassifications. As a result of these changes in the Music segment, Sony no longer breaks out the Music segment as a reportable segment as it no longer meets the materiality threshold. Effective April 1, 2005, results for the Music segment are included within All Other. Accordingly, results for the same period of the previous fiscal year in the Electronics segment and All Other have been restated to conform to the presentation for this fiscal year.
6. In July 2004, in order to establish a more efficient and coordinated semiconductor supply structure, Sony group has integrated its semiconductor manufacturing business by transferring Sony Computer Entertainment's semiconductor manufacturing operation from the Game segment to the Electronics segment. As a result of this transfer, sales revenue and expenditures associated with this operation are now recorded within the "Semiconductor" category in the Electronics segment. The results for the three months ended June 30, 2004 have not been restated as such comparable figures cannot be practically obtained given that it was not operated as a separate line of business within the Game segment. This integration of the semiconductor manufacturing businesses is a part of Sony's semiconductor strategy of utilizing semiconductor technologies and manufacturing equipment originally developed or designed for the Game business within the Sony group as a whole.
7. Commencing April 1, 2005, Sony has partly realigned its product category configuration in the Electronics segment. Accordingly, results for the same period of the previous fiscal year have been reclassified. The primary change is as shown below:

<u>Main Product</u>	<u>Previous Product Category</u>	→	<u>New Product Category</u>
Professional-use projector	"Televisions"		"Information and Communications"

8. In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position (“SOP”) 03-1, “Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts”. SOP 03-1 requires insurance enterprises to record additional reserves for long-duration life insurance contracts with minimum guarantee or annuity receivable options. Additionally, SOP 03-1 provides guidance for the presentation of separate accounts. This statement is effective for fiscal years beginning after December 15, 2003. Sony adopted SOP 03-1 on April 1, 2004. On April 1, 2004, Sony recognized ¥4,713 million of loss (net of income taxes of ¥2,675 million) as a cumulative effect of an accounting change.
9. In December 2004, the FASB issued FAS No. 153, “Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29”. This statement requires that exchanges of productive assets be accounted for at fair value unless fair value cannot be reasonably determined or the transaction lacks commercial substance. This statement is effective for nonmonetary asset exchanges occurring in the fiscal periods beginning after June 15, 2005. Sony adopted FAS No. 153 during the quarter ended September 30, 2005. The adoption of FAS No. 153 did not have a material impact on Sony’s results of operations and financial position.

Other Consolidated Financial Data

	(Millions of yen, millions of U.S. dollars)			
	Fiscal Year ended March 31			
	2005	2006	Change	2006
Capital expenditures (additions to property, plant and equipment)	¥ 356,818	¥ 384,347	+7.7%	\$ 3,285
Depreciation and amortization expenses*	372,865	381,843	+2.4	3,264
(Depreciation expenses for tangible assets)	(300,752)	(310,519)	+3.2	(2,654)
R&D expenses	502,008	531,795	+5.9	4,545
	Three months ended March 31			
	2005	2006	Change	2006
Capital expenditures (additions to property, plant and equipment)	¥ 99,996	¥ 122,427	+22.4%	\$ 1,046
Depreciation and amortization expenses*	104,125	103,584	-0.5	885
(Depreciation expenses for tangible assets)	(83,672)	(84,013)	+0.4	(718)
R&D expenses	131,978	160,370	+21.5	1,371

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

Condensed Financial Services Financial Statements (Unaudited)

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

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

Condensed Statements of Income

Financial Services	(Millions of yen, millions of U.S. dollars)			
	2005	Fiscal Year ended March 31		2006
		2006	Change	
			%	
Financial service revenue	¥ 560,557	¥ 743,215	+32.6	\$ 6,353
Financial service expenses	505,067	554,892	+9.9	4,743
Operating income	55,490	188,323	+239.4	1,610
Other income (expenses), net	10,204	24,522	+140.3	209
Income before income taxes	65,694	212,845	+224.0	1,819
Income taxes and other	25,698	80,586	+213.6	689
Income before cumulative effect of an accounting change	39,996	132,259	+230.7	1,130
Cumulative effect of an accounting change	(4,713)	—	—	—
Net income	¥ 35,283	¥ 132,259	+274.9	\$ 1,130

Sony without Financial Services	(Millions of yen, millions of U.S. dollars)			
	2005	Fiscal Year ended March 31		2006
		2006	Change	
			%	
Net sales and operating revenue	¥ 6,632,728	¥ 6,763,907	+2.0	\$ 57,811
Costs and expenses	6,575,354	6,762,375	+2.8	57,798
Operating income	57,374	1,532	-97.3	13
Other income (expenses), net	40,639	71,952	+77.1	615
Income before income taxes	98,013	73,484	-25.0	628
Income taxes and other	(37,043)	82,127	—	702
Net income (loss)	¥ 135,056	¥ (8,643)	—	\$ (74)

Consolidated	(Millions of yen, millions of U.S. dollars)			
	2005	Fiscal Year ended March 31		2006
		2006	Change	
			%	
Financial service revenue	¥ 537,715	¥ 720,566	+34.0	\$ 6,159
Net sales and operating revenue	6,621,901	6,754,870	+2.0	57,734
	7,159,616	7,475,436	+4.4	63,893
Costs and expenses	7,045,697	7,284,181	+3.4	62,258
Operating income	113,919	191,255	+67.9	1,635
Other income (expenses), net	43,288	95,074	+119.6	812
Income before income taxes	157,207	286,329	+82.1	2,447
Income taxes and other	(11,344)	162,713	—	1,390
Income before cumulative effect of an accounting change	168,551	123,616	-26.7	1,057
Cumulative effect of an accounting change	(4,713)	—	—	—
Net income	¥ 163,838	¥ 123,616	-24.5	\$ 1,057

Condensed Statements of Income

Financial Services

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

	2005	Three months ended March 31		2006
		2006	Change	
			%	
Financial service revenue	¥ 156,109	¥ 223,128	+42.9	\$ 1,907
Financial service expenses	139,807	143,822	+2.9	1,229
Operating income	16,302	79,306	+386.5	678
Other income (expenses), net	450	(123)	—	(1)
Income before income taxes	16,752	79,183	+372.7	677
Income taxes and other	6,841	29,760	+335.0	255
Net income	¥ 9,911	¥ 49,423	+398.7	\$ 422

Sony without Financial Services

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

	2005	Three months ended March 31		2006
		2006	Change	
			%	
Net sales and operating revenue	¥ 1,549,209	¥ 1,631,085	+5.3	\$ 13,941
Costs and expenses	1,643,498	1,772,917	+7.9	15,153
Operating income (loss)	(94,289)	(141,832)	—	(1,212)
Other income (expenses), net	15,644	14,917	-4.6	127
Income (loss) before income taxes	(78,645)	(126,915)	—	(1,085)
Income taxes and other	(12,285)	(11,089)	—	(95)
Net income (loss)	¥ (66,360)	¥ (115,826)	—	\$ (990)

Consolidated

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

	2005	Three months ended March 31		2006
		2006	Change	
			%	
Financial service revenue	¥ 150,887	¥ 217,289	+44.0	\$ 1,857
Net sales and operating revenue	1,546,134	1,628,156	+5.3	13,916
	1,697,021	1,845,445	+8.7	15,773
Costs and expenses	1,774,434	1,907,646	+7.5	16,305
Operating income (loss)	(77,413)	(62,201)	—	(532)
Other income (expenses), net	15,520	14,338	-7.6	123
Income (loss) before income taxes	(61,893)	(47,863)	—	(409)
Income taxes and other	(5,443)	18,670	—	160
Net income (loss)	¥ (56,450)	¥ (66,533)	—	\$ (569)

Condensed Balance Sheet

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

Financial Services	ASSETS	March 31		
		2005	2006	2006
Current assets:				
Cash and cash equivalents	¥	259,371	¥ 117,630	\$ 1,005
Marketable securities		456,130	532,895	4,555
Other		274,690	200,929	1,717
		<u>990,191</u>	<u>851,454</u>	<u>7,277</u>
Investments and advances		2,378,966	3,128,748	26,741
Property, plant and equipment		38,551	37,422	320
Other assets:				
Deferred insurance acquisition costs		374,805	383,156	3,275
Other		103,004	164,827	1,409
		<u>477,809</u>	<u>547,983</u>	<u>4,684</u>
	¥	<u>3,885,517</u>	<u>¥ 4,565,607</u>	<u>\$ 39,022</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥	45,358	¥ 136,723	\$ 1,169
Notes and accounts payable, trade		7,099	11,707	100
Deposits from customers in the banking business		546,718	599,952	5,128
Other		109,438	169,956	1,452
		<u>708,613</u>	<u>918,338</u>	<u>7,849</u>
Long-term liabilities:				
Long-term debt		135,750	128,097	1,095
Accrued pension and severance costs		14,362	13,479	115
Future insurance policy benefits and other		2,464,295	2,744,321	23,456
Other		142,272	173,354	1,481
		<u>2,756,679</u>	<u>3,059,251</u>	<u>26,147</u>
Minority interest in consolidated subsidiaries		5,476	4,089	35
Stockholders' equity		414,749	583,929	4,991
	¥	<u>3,885,517</u>	<u>¥ 4,565,607</u>	<u>\$ 39,022</u>

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

Sony without Financial Services	ASSETS	March 31		
		2005	2006	2006
Current assets:				
Cash and cash equivalents	¥	519,732	¥ 585,468	\$ 5,004
Marketable securities		4,072	4,073	34
Notes and accounts receivable, trade		952,692	973,675	8,322
Other		1,116,353	1,393,306	11,909
		<u>2,592,849</u>	<u>2,956,522</u>	<u>25,269</u>
Film costs		278,961	360,372	3,080
Investments and advances		445,446	477,089	4,078
Investments in Financial Services, at cost		187,400	187,400	1,602
Property, plant and equipment		1,333,848	1,351,125	11,548
Other assets		1,189,398	1,059,786	9,058
	¥	<u>6,027,902</u>	<u>¥ 6,392,294</u>	<u>\$ 54,635</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥	204,027	¥ 225,082	\$ 1,924
Notes and accounts payable, trade		801,252	804,394	6,875
Other		1,132,201	1,299,809	11,109
		<u>2,137,480</u>	<u>2,329,285</u>	<u>19,908</u>
Long-term liabilities:				
Long-term debt		627,367	701,372	5,995
Accrued pension and severance costs		338,040	168,768	1,443
Other		263,520	352,457	3,012
		<u>1,228,927</u>	<u>1,222,597</u>	<u>10,450</u>
Minority interest in consolidated subsidiaries		18,471	32,623	279
Stockholders' equity		2,643,024	2,807,789	23,998
	¥	<u>6,027,902</u>	<u>¥ 6,392,294</u>	<u>\$ 54,635</u>

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

Consolidated	ASSETS	March 31		
		2005	2006	2006
Current assets:				
	Cash and cash equivalents	¥ 779,103	¥ 703,098	\$ 6,009
	Marketable securities	460,202	536,968	4,589
	Notes and accounts receivable, trade	1,025,362	985,508	8,424
	Other	1,291,504	1,543,950	13,196
		<u>3,556,171</u>	<u>3,769,524</u>	<u>32,218</u>
	Film costs	278,961	360,372	3,080
	Investments and advances	2,745,689	3,519,907	30,085
	Property, plant and equipment	1,372,399	1,388,547	11,868
Other assets:				
	Deferred insurance acquisition costs	374,805	383,156	3,275
	Other	1,171,075	1,186,247	10,139
		<u>1,545,880</u>	<u>1,569,403</u>	<u>13,414</u>
		<u>¥ 9,499,100</u>	<u>¥ 10,607,753</u>	<u>\$ 90,665</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
	Short-term borrowings	¥ 230,266	¥ 336,321	\$ 2,874
	Notes and accounts payable, trade	806,044	813,332	6,952
	Deposits from customers in the banking business	546,718	599,952	5,128
	Other	1,226,340	1,450,623	12,398
		<u>2,809,368</u>	<u>3,200,228</u>	<u>27,352</u>
Long-term liabilities:				
	Long-term debt	678,992	764,898	6,538
	Accrued pension and severance costs	352,402	182,247	1,558
	Future insurance policy benefits and other	2,464,295	2,744,321	23,456
	Other	299,858	475,106	4,061
		<u>3,795,547</u>	<u>4,166,572</u>	<u>35,613</u>
	Minority interest in consolidated subsidiaries	23,847	37,101	317
	Stockholders' equity	2,870,338	3,203,852	27,383
		<u>¥ 9,499,100</u>	<u>¥ 10,607,753</u>	<u>\$ 90,665</u>

Condensed Statements of Cash Flows

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

Financial Services

Fiscal Year ended March 31

	2005	2006	2006
Net cash provided by operating activities	¥ 168,078	¥ 147,149	\$ 1,257
Net cash used in investing activities	(421,384)	(563,753)	(4,818)
Net cash provided by financing activities	256,361	274,863	2,349
Net increase (decrease) in cash and cash equivalents	3,055	(141,741)	(1,212)
Cash and cash equivalents at beginning of the fiscal year	256,316	259,371	2,217
Cash and cash equivalents at end of the fiscal year	¥ 259,371	¥ 117,630	\$ 1,005

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

Sony without Financial Services

Fiscal Year ended March 31

	2005	2006	2006
Net cash provided by operating activities	¥ 485,439	¥ 251,975	\$ 2,154
Net cash used in investing activities	(472,119)	(296,376)	(2,533)
Net cash provided by (used in) financing activities	(95,373)	74,600	637
Effect of exchange rate changes on cash and cash equivalents	8,890	35,537	304
Net increase (decrease) in cash and cash equivalents	(73,163)	65,736	562
Cash and cash equivalents at beginning of the fiscal year	592,895	519,732	4,442
Cash and cash equivalents at end of the fiscal year	¥ 519,732	¥ 585,468	\$ 5,004

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

Consolidated

Fiscal Year ended March 31

	2005	2006	2006
Net cash provided by operating activities	¥ 646,997	¥ 399,858	\$ 3,418
Net cash used in investing activities	(931,172)	(871,264)	(7,447)
Net cash provided by financing activities	205,177	359,864	3,076
Effect of exchange rate changes on cash and cash equivalents	8,890	35,537	303
Net decrease in cash and cash equivalents	(70,108)	(76,005)	(650)
Cash and cash equivalents at beginning of the fiscal year	849,211	779,103	6,659
Cash and cash equivalents at end of the fiscal year	¥ 779,103	¥ 703,098	\$ 6,009