SONY

News & Information

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Consolidated Financial Results for the First Quarter Ended June 30, 2006

Tokyo, July 27, 2006 -- Sony Corporation today announced its consolidated results for the first quarter of the fiscal year ending March 31, 2007 (April 1, 2006 to June 30, 2006).

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

	First quarter ended June 30			
	2005	**2006**	Change in Yen	**2006***
Sales and operating revenue**	¥1,568.1	**¥1,744.2**	+11.2%	**$15,167**
Operating income (loss)	(6.6)	**27.0**	-	**235**
Income before income taxes	12.9	**54.0**	+318.7	**470**
Equity in net income (loss) of affiliated companies	(9.1)	**3.6**	-	**32**
Net income (loss)	(7.3)	**32.3**	-	**281**
Net income (loss) per share of common stock				
— Basic	(¥8.68)	**¥32.25**	-	**$0.28**
— Diluted	(8.68)	**30.75**	-	**0.27**

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

** U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥115=U.S.$1, the approximate Tokyo foreign exchange market rate as of June 30, 2006.*

*** Effective the first quarter of the fiscal year ending March 31, 2007, Sony reclassified royalty income as a component of sales and operating revenue, rather than as a component of other income as previously recorded. In connection with this reclassification, sales and operating revenue, operating income (loss) and other income for the first quarter of the fiscal year ended March 31, 2006 have been reclassified to conform with the presentation of these items for the first quarter of the fiscal year ending March 31, 2007. Royalty income for the first quarters ended June 30, 2005 and 2006 was ¥8.7 billion and ¥8.6 billion, respectively. These amounts were recorded primarily within the Electronics segment.*

Consolidated Results for the First Quarter Ended June 30, 2006

Sales and operating revenue ("sales") increased 11.2% compared with the same quarter of the previous fiscal year; on a local currency basis sales increased 6%. (For all references herein to results on a local currency basis, see Note I on page 8.)

Sales within the Electronics segment increased 13.5%. Products such as BRAVIA™ LCD televisions contributed to the sales increase, although there was a decline in sales of such products as CRT and plasma televisions. In the Game segment, sales decreased 29.1% compared to the same quarter of the previous fiscal year primarily as a result of a decrease in hardware unit sales of PlayStation®2 ("PS2") and PSP® (PlayStation®Portable) ("PSP"), as well as a decrease in PS2 software sales. In the Pictures segment, there was a 41.8% increase in revenue mainly due to the success of *The Da Vinci Code*. In the Financial Services segment, revenue decreased by 19.3% mainly due to a decrease in valuation gains in the general account and the separate account at Sony Life Insurance Co., Ltd. ("Sony Life").

Operating income of ¥27.0 billion ($235 million) was recorded, an improvement of ¥33.6 billion compared to the operating loss recorded in the same quarter of the previous fiscal year.

In the Electronics segment, there was a significant improvement compared to the operating loss recorded in the same quarter of the previous fiscal year and operating income was recorded. This was principally a result of an improvement in the cost of sales ratio and a sales increase of such products as BRAVIA LCD televisions, coupled with favorable exchange rates. In the Game segment, although combined profit from the PS2 and PSP businesses was relatively unchanged, operating loss increased primarily as the result of the recording of charges associated with preparation for the launch of the PLAYSTATION®3 ("PS3") platform, in addition to continued high research and development costs associated with PS3. In the Pictures segment, an operating loss was recorded primarily as a result of higher marketing costs incurred for upcoming second quarter theatrical releases and lower contributions during the current quarter from the prior fiscal year film slate. In the Financial Services segment, there was a decrease in operating income mainly attributable to the decrease in valuation gains in the general account at Sony Life.

Restructuring charges, which are recorded as operating expenses, amounted to ¥10.7 billion ($93 million) for the quarter compared to ¥15.9 billion for the same quarter of the previous fiscal year. In the Electronics segment, restructuring charges were ¥10.1 billion ($88 million) compared to ¥15.5 billion in the same quarter of the previous fiscal year.

Income before income taxes increased to ¥54.0 billion ($470 million), compared to ¥12.9 billion in the same quarter of the previous year, as a result of an improvement in the net effect of other income and expenses, in addition to the significant improvement in operating income (loss). The net effect of other income and expenses improved principally due to the recording of a foreign exchange gain, net, compared to the foreign exchange loss, net, recorded in the same quarter of the previous fiscal year, as well as an increase in gain on sales of securities investments, net. With regard to the gain on change in interest in subsidiaries and equity investees, a gain of ¥18.0 billion ($157 million) was recorded during the current quarter resulting from the transfer of 51% of the stock in StylingLife Holdings Inc. ("StylingLife"), a holding company that comprised six of Sony's retail businesses, to a wholly-owned subsidiary of Nikko Principal Investments Japan Ltd. However, despite this transaction, gain on change in interest in subsidiaries and equity investees remained relatively unchanged compared to the same quarter of the previous fiscal year, as a ¥17.9 billion gain on change in interest in subsidiaries and equity investees from the sales of a portion of the stock in So-Net M3 Inc., a consolidated subsidiary of Sony Communication Network Corporation ("SCN"), and in DeNA Co., Ltd., an equity affiliate of SCN, was recorded in the same quarter of the previous fiscal year.

Income taxes: During the current quarter, the effective tax rate was 45.8% compared to an effective tax rate of 93.4% in the same quarter of previous year. The effective tax rate of the same quarter of previous year exceeded the Japanese statutory tax rate due primarily to the recording of valuation allowances against deferred tax assets by several of Sony's Japanese and overseas consolidated subsidiaries.

Equity in net income of affiliated companies of ¥3.6 billion ($32 million) was recorded, an improvement of ¥12.7 billion from the equity in net loss recorded in the same quarter of the previous fiscal year. S-LCD Corporation, a joint-venture with Samsung Electronics Co., Ltd., for the manufacture of amorphous TFT LCD panels, contributed ¥3.4 billion ($30 million) to equity in net income before the elimination of unrealized intercompany profits as a result of a significant increase in LCD panel shipments, an improvement of ¥11.0 billion compared to the same quarter of the previous fiscal year. Sony recorded equity in net income for Sony Ericsson Mobile Communications AB ("Sony Ericsson") of ¥10.2 billion ($89 million), an increase of ¥5.6 billion compared to the same quarter of the previous year. An equity in net loss of ¥4.6 billion ($40 million) was recorded by Sony for SONY BMG MUSIC ENTERTAINMENT ("SONY BMG"), an increase in the amount of equity loss of ¥3.6 billion compared to the same quarter of the previous fiscal year, primarily due to lower sales stemming from the change in timing of several key releases into the second half of the calendar year. Sony also recorded equity in net loss of approximately ¥2.6 billion ($22 million) for Metro-Goldwyn-Mayer Inc. ("MGM")*, an improvement of ¥3.9 billion compared to the same quarter of the previous fiscal year. The equity in net loss for MGM includes non-cash interest of ¥1.6 billion ($14 million) on cumulative preferred stock, compared to the ¥1.2 billion of non-cash interest on cumulative preferred stock recorded in the same quarter of the previous fiscal year.

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

As a result, **net income** of ¥32.3 billion ($281 million) was recorded, an improvement of ¥39.6 billion compared to the net loss recorded in the same quarter of the previous fiscal year.

Operating Performance Highlights by Business Segment

Electronics

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

	First quarter ended June 30			
	2005	**2006**	Change in Yen	**2006**
Sales and operating revenue	¥1,128.4	**¥1,280.9**	+13.5%	**$11,138**
Operating income (loss)	(26.7)	**47.4**	-	**412**

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

Sales increased by 13.5% compared to the same quarter of the previous fiscal year (a 8% increase on a local currency basis). Sales to outside customers increased 19% compared to the same quarter of the previous fiscal year. There was an increase in sales of products including BRAVIA LCD televisions, which experienced favorable sales in all regions, Cyber-shot™ digital cameras and "VAIO" PCs, where favorable sales of notebook PCs were recorded. On the other hand, there was a decrease in sales of several products including CRT and plasma televisions. CRT televisions experienced a continued shift in demand towards flat panel televisions and new product development of plasma televisions has been terminated.

Operating income of ¥47.4 billion ($412 million) was recorded, an improvement of ¥74.1 billion compared with the ¥26.7 billion operating loss recorded in the same quarter of the previous fiscal year. This was primarily the result of an improvement in the cost of sales ratio, an increase in sales to outside customers, as well as favorable foreign exchange rates, although this was partially offset by an increase in loss on sale, disposal or impairment of fixed assets. With regard to products within the Electronics segment, the improvement was mainly attributable to strong sales of Cyber-shot digital cameras and BRAVIA LCD televisions, as well has "Handycam®" video cameras, which experienced increased sales of high value-added models, and broadcast-use equipment, which experienced strong sales of high definition broadcast production equipment. Other products which contributed positively included CRT televisions, where fixed costs have been lowered as a result of previous restructuring activities. This was partially offset by a decrease in contribution from other products including system LSIs, where sales of semiconductors to the Game segment decreased.

Inventory, as of June 30, 2006, was ¥807.6 billion ($7,023 million), which represents a ¥233.3 billion, or 40.6%, increase compared with the level as of June 30, 2005 and a ¥141.8 billion, or 21.3%, increase compared with the level as of March 31, 2006. This increase was primarily a result of increased LCD television inventory in connection with the expansion of Sony's LCD television business and increased semiconductor inventory in preparation for the PS3 launch.

Operating Results for Sony Ericsson Mobile Communications AB

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

Sales for the quarter were Euro 2,272 million, representing a year-on-year increase of Euro 658 million, or 41%. Income before taxes was Euro 211 million and net income was Euro 143 million, representing year-on-year increases of Euro 124 million, and Euro 68 million, respectively. Results were boosted by sales of hit models such as "Walkman®" phones and camera phones. As a result, equity in net income of ¥10.2 billion ($89 million) was recorded by Sony.

Game

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

	First quarter ended June 30			
	2005	**2006**	Change in Yen	**2006**
Sales and operating revenue	¥172.8	**¥122.5**	-29.1%	**$1,065**
Operating loss	(5.9)	**(26.8)**	-	**(233)**

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

Sales decreased 29.1% compared with the same quarter of the previous fiscal year (a 32% decrease on a local currency basis).

Hardware: There was a decrease in sales as a result of lower PS2 and PSP unit sales compared to the same quarter of the previous fiscal year when there was continued strong demand for the new PS2 model. On a regional basis, sales increased in Europe, but decreased in Japan and the U.S.

Software: Although sales from PSP software increased compared to the same quarter of the previous fiscal year, overall software sales decreased in Japan, the U.S. and Europe mainly as a result of a decrease in sales from PS2 software.

The amount of **operating loss** increased by ¥20.9 billion compared with the same quarter of the previous fiscal year. This deterioration was due primarily to the recording of charges associated with preparation for the launch of the PS3 platform, in addition to continued high research and development costs associated with PS3, although combined profit from the PS2 and PSP businesses was relatively unchanged.

Worldwide hardware production shipments:*
- → PS2: 2.54 million units (a decrease of 0.99 million units)
- → PSP: 2.02 million units (a decrease of 0.07 million units)

Worldwide software production shipments:*
- → PS2: 33 million units (a decrease of 2 million units)
- → PSP: 9.1 million units (an increase of 4.2 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 June 30, 2006, was ¥122.0 billion ($1,061 million), which represents a ¥37.9 billion, or 45.1%, increase compared with the level as of June 30, 2005. This increase was primarily a result of the worldwide full-scale deployment of the PSP platform. Inventory, as of June 30, 2006, was a ¥10.5 billion, or 9.4%, increase compared with the level as of March 31, 2006.

Pictures

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

	First quarter ended June 30			
	2005	**2006**	Change in Yen	**2006**
Sales and operating revenue	¥144.4	**¥204.8**	+41.8%	**$1,780**
Operating income (loss)	4.2	**(1.2)**	-	**(10)**

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 41.8% compared with the same quarter of the previous fiscal year (34% increase on a U.S dollar basis). Sales increased primarily due to the worldwide success of the theatrical release of *The Da Vinci Code*. Home entertainment revenues also increased due to higher DVD sales of acquired product including *Hostel* and *Final Fantasy VII: Advent Children*. Television product revenues increased due to higher advertising and subscription revenues from several international channels.

An **operating loss** of ¥1.2 billion ($10 million) was recorded as compared to operating income of ¥4.2 billion in the same quarter of the previous fiscal year. Despite the sales increases noted above, compared to the prior fiscal year's first quarter, an operating loss was recorded primarily as a result of higher marketing costs incurred for upcoming second quarter theatrical releases. In addition, contributions during the current quarter from the prior fiscal year film slate were lower as compared to the same quarter of the previous fiscal year, which included the substantial contribution realized from the DVD release of *Hitch*. Television operating income declined due to production expenses incurred on new network series for the upcoming fall season partially offset by the higher international channel revenues noted above.

Financial Services

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

	First quarter ended June 30			
	2005	**2006**	Change in Yen	**2006**
Financial service revenue	¥153.8	**¥124.1**	-19.3%	**$1,079**
Operating income	21.9	**4.6**	-79.1	**40**

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 decreased 19.3% compared with the same quarter of the previous fiscal year, mainly due to a decrease in revenue at Sony Life. Revenue at Sony Life was ¥98.1 billion ($853 million), a ¥29.5 billion, or 23.1% decrease compared with the same quarter of the previous fiscal year. The main reason for this decrease was lower valuation gains in the general account and the separate account as a result of unfavorable Japanese stock market conditions.

Operating income decreased by ¥17.3 billion or 79.1% compared with the same quarter of the previous fiscal year, mainly as a result of a decrease in valuation gains in the general account at Sony Life. Although revenue from insurance premiums at Sony Life increased, operating income at Sony Life decreased by ¥19.4 billion or 86.3% to ¥3.1 billion ($27 million) mainly as a result of a significant decrease in valuation gains from convertible bonds held in the general account due to unfavorable Japanese stock market conditions.

All Other

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

	First quarter ended June 30			
	2005	**2006**	Change in Yen	**2006**
Sales and operating revenue	¥93.1	**¥88.1**	-5.3%	**$766**
Operating income	5.2	**4.7**	-9.6	**41**

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

Sales decreased 5.3% compared with the same quarter of the previous fiscal year. This sales decrease reflects the fact that, as a result of the transfer of 51% of the stock in StylingLife, a holding company that comprised six of Sony's retail businesses (see the explanation regarding "Income before income taxes" on page 2), the consolidated results for the first quarter within All Other only incorporate results for Sony's retail businesses for the first two months of the quarter through May 31, 2006, as well as a decline in sales at Sony Music Entertainment Japan ("SMEJ").

Sales decreased at SMEJ as a result of a decline in album and singles sales compared to the same quarter of the previous fiscal year. This decrease was attributable to the stronger performance of the previous fiscal year's first quarter releases which included *THUMP χ* by PORNO GRAFFITTI. Best-selling albums and singles during the current quarter included *HOME* by Angela Aki, *FAITH* by HYDE and *1000000000000* by T.M. Revolution.

Operating income of ¥4.7 billion ($41 million) was recorded, representing a slight decline of ¥0.5 billion compared with the same quarter of the previous fiscal year. This was principally a result of the lower sales recorded at SMEJ as noted above.

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 $872 million, a decrease of $147 million compared with the same period of the previous fiscal year, a loss before income taxes of $73 million, a deterioration of $50 million compared to the same quarter of the previous fiscal year, and a net loss of $81 million, a deterioration of $63 million compared with the same period of the previous fiscal year, during the quarter ended June 30, 2006. Loss before income taxes includes $47 million of restructuring charges, a decrease of $46 million year-on-year. This sales decrease and increased loss before income taxes was a result of a year-on-year decrease in unit sales primarily due to the change in timing of several key releases into the second half of the calendar year, and the continued decline in the overall market. As a result, equity in net loss of ¥4.6 billion ($40 million) was recorded by Sony. Best selling albums during the quarter included the Dixie Chicks' *Taking the Long Way* and Tool's *10,000 Days*.

In August 2004, Sony combined its recorded music business outside of Japan with the recorded music business of Bertelsmann AG, forming SONY BMG, after approval from, among others, the European Commission competition authorities. On December 3, 2004, an association of independent recorded music companies applied for annulment of the decision to clear the merger. On July 13, 2006, the Court of First Instance overruled the Commission's decision to allow the merger to go forward, requiring the Commission to re-examine the merger. While the Commission completes its reexamination, Sony continues to account for the results of Sony BMG under the equity method.

Cash Flow

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

Cash Flow - Consolidated (excluding Financial Services segment)

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

	First quarter ended June 30			
Cash flow	2005	**2006**	Change in Yen	**2006**
- From operating activities	(¥97.3)	**(¥189.1)**	¥ -91.8	**($1,644)**
- From investing activities	(70.4)	**(100.4)**	-30.0	**(873)**
- From financing activities	(28.4)	**95.8**	+124.3	**833**
Cash and cash equivalents at beginning of the fiscal year	519.7	**585.5**	+65.7	**5,091**
Cash and cash equivalents as of June 30	327.7	**381.6**	+53.9	**3,318**

Operating Activities: During the quarter ended June 30, 2006, although net income was recorded, cash flow from operating activities resulted in a net use of cash primarily as a result of an increase of LCD television inventory in connection with the expansion of Sony's LCD television business and semiconductor inventory for use in PS3, both within the Electronics segment. In addition, among other factors, there was also an increase in notes and accounts receivable, trade in connection with the increase in sales.

Investing Activities: During the quarter ended June 30, 2006, although cash was generated from the transfer of 51% of the stock in StylingLife (see the explanation regarding "Income before income taxes" on page 2), cash was used by Sony within the Electronics segment primarily for the purchase of fixed assets, including semiconductor manufacturing equipment.

As a result, the total amount of cash flow from operating activities and from investing activities was a net use of cash of ¥289.5 billion ($2,517 million).

Financing Activities: During the quarter ended June 30, 2006, although cash was used to make dividend payments, ¥80.0 billion of long-term debt was raised through syndicated bank loans.

Cash and Cash Equivalents: The total balance of cash and cash equivalents, accounting for the effect of foreign currency exchange rate fluctuations, was ¥381.6 billion ($3,318 million) as of June 30, 2006, a decrease of ¥203.9 billion compared to March 31, 2006 and an increase of ¥53.9 billion compared with June 30, 2005.

Cash Flow - Financial Services segment

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

Cash flow	2005	**2006**	Change in Yen	**2006**
	First quarter ended June 30			
- From operating activities	¥8.7	**¥91.9**	¥+83.3	**$799**
- From investing activities	(150.1)	**(40.1)**	+110.0	**(348)**
- From financing activities	62.5	**9.4**	-53.1	**81**
Cash and cash equivalents at beginning of the fiscal year	259.4	**117.6**	-141.7	**1,023**
Cash and cash equivalents as of June 30	180.5	**178.8**	-1.6	**1,555**

Operating Activities: Net cash from operating activities was generated mainly due to an increase in revenue from insurance premiums, reflecting 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.

Financing Activities: In addition to the increase in policyholders' accounts at Sony Life, there was 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 ¥178.8 billion ($1,555 million) as of June 30, 2006, which was an increase of ¥61.2 billion compared to March 31, 2006 and a decrease of ¥1.6 billion compared to June 30, 2005.

Notes

Note I: During the quarter ended June 30, 2006, the average value of the yen was ¥113.5 against the U.S. dollar and ¥142.3 against the Euro, which was 6.0% lower against the U.S. dollar and 5.8% lower against the Euro, compared with the average rates for the same quarter of the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating income obtained by applying the yen's monthly average exchange rate in the same quarter of the previous fiscal year to local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the current quarter. Local currency basis results are not reflected in Sony's financial statements and are not measures conforming with U.S. GAAP. In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that local currency basis results provide additional useful analytical information to investors regarding operating performance.

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

Outlook for the Fiscal Year ending March 31, 2007

	Current Forecast*	Change from Previous Fiscal Year	April Forecast
Sales and operating revenue	¥8,230 billion	+10%	¥8,200 billion
Operating income	130 billion	-43	100 billion
(Restructuring charges included within			
Operating income	50 billion	-64	50 billion)
Income before income taxes	150 billion	-48	150 billion
Equity in net income of			
affiliated companies	40 billion	+204	40 billion
Net income	130 billion	+5	130 billion

*Assumed foreign currency exchange rates for the remainder of the fiscal year: approximately ¥113 to the U.S. dollar and approximately ¥136 to the Euro.

Effective the first quarter of the fiscal year ending March 31, 2007, Sony reclassified royalty income as a component of sales and operating revenue, rather than as a component of other income as previously recorded. In connection with this reclassification, the forecasts for both sales and operating revenue and operating income for the current fiscal year are being reclassified from Sony's April 2006 forecast to incorporate ¥30 billion of anticipated royalty income, compared to ¥35.2 billion recorded during the fiscal year ended March 31, 2006. Excluding the impact of this change, Sony's forecast for the current fiscal year is unchanged from that announced on April 27, 2006.

Our forecast for capital expenditures, depreciation and amortization or research and development costs, as per the table below, is unchanged from the forecast of April 27, 2006.

	Forecast	Change from previous fiscal year
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

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," "aim," "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, as well as achieve sufficient cost reductions for, 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 recoup large-scale investment required for technology development, increasing production capacity and by the Game segment for the development and introduction of a new platform; (v) Sony's ability to implement successfully personnel reduction and other business reorganization activities in its Electronics segment; (vi) Sony's ability to implement successfully its network strategy for its Electronics, Game and Pictures segments and All Other, including the music business, and to develop and implement successful sales and distribution strategies in its Pictures segment and music business in light of the

Internet and other technological developments; (vii) 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); (viii) 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 (ix) 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 (Unaudited)

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

Sales and operating revenue	Three months ended June 30 2005	2006	Change	2006
Electronics				
Customers	¥ 1,034,931	¥ **1,231,640**	+19.0 %	$ **10,710**
Intersegment	93,442	**49,252**		**428**
Total	1,128,373	**1,280,892**	+13.5	**11,138**
Game				
Customers	165,477	**117,026**	-29.3	**1,018**
Intersegment	7,301	**5,463**		**47**
Total	172,778	**122,489**	-29.1	**1,065**
Pictures				
Customers	144,381	**204,751**	+41.8	**1,780**
Intersegment	—	—		—
Total	144,381	**204,751**	+41.8	**1,780**
Financial Services				
Customers	148,588	**118,540**	-20.2	**1,031**
Intersegment	5,226	**5,561**		**48**
Total	153,814	**124,101**	-19.3	**1,079**
All Other				
Customers	74,756	**72,279**	-3.3	**628**
Intersegment	18,306	**15,860**		**138**
Total	93,062	**88,139**	-5.3	**766**
Elimination	(124,275)	**(76,136)**	—	**(661)**
Consolidated total	¥ 1,568,133	¥ **1,744,236**	+11.2 %	$ **15,167**

Electronics intersegment amounts primarily consist of transactions with the Game segment, Pictures segment 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	¥ (26,677)	¥ **47,419**	— %	$ **412**
Game	(5,895)	**(26,803)**	—	**(233)**
Pictures	4,246	**(1,165)**	—	**(10)**
Financial Services	21,923	**4,579**	-79.1	**40**
All Other	5,233	**4,731**	-9.6	**41**
Total	(1,170)	**28,761**	—	**250**
Corporate and elimination	(5,412)	**(1,713)**	—	**(15)**
Consolidated total	¥ (6,582)	¥ **27,048**	— %	$ **235**

Electronics Sales and Operating Revenue to Customers by Product Category

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

Sales and operating revenue	Three months ended June 30			
	2005	**2006**	Change	**2006**
Audio	¥ 117,339	¥ **116,292**	-0.9 %	$ **1,011**
Video	251,331	**270,181**	+7.5	**2,349**
Televisions	150,047	**262,054**	+74.6	**2,279**
Information and Communications	184,176	**213,150**	+15.7	**1,854**
Semiconductors	39,373	**47,991**	+21.9	**417**
Components	182,830	**204,736**	+12.0	**1,780**
Other	109,835	**117,236**	+6.7	**1,020**
Total	¥ 1,034,931	¥ **1,231,640**	+19.0 %	$ **10,710**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on pages F-1.
The Electronics segment is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the product categories in this business segment.
Commencing April 1, 2006, 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;

Main Product	Previous Product Category		New Product Category
Low-temperature polysilicon thin film transistor LCD	"Semiconductors"	→	"Components"
Chemical component	"Other"	→	"Components"

Geographic Segment Information (Unaudited)

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

Sales and operating revenue	Three months ended June 30			
	2005	**2006**	Change	**2006**
Japan	¥ 476,970	¥ **476,198**	-0.2 %	$ **4,141**
United States	418,481	**447,917**	+7.0	**3,895**
Europe	331,125	**398,852**	+20.5	**3,468**
Other Areas	341,557	**421,269**	+23.3	**3,663**
Total	¥ 1,568,133	¥ **1,744,236**	+11.2 %	$ **15,167**

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

Consolidated Statements of Income (Unaudited)

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

	Three months ended June 30			
	2005	**2006**	Change	**2006**
Sales and operating revenue:			%	
Net sales	¥ 1,397,734	¥ **1,599,536**		$ **13,909**
Financial service revenue	148,588	**118,540**		**1,031**
Other operating revenue	21,811	**26,160**		**227**
	1,568,133	**1,744,236**	+11.2	**15,167**
Costs and expenses:				
Cost of sales	1,096,776	**1,212,079**		**10,540**
Selling, general and administrative	349,476	**383,887**		**3,338**
Financial service expenses	126,637	**113,951**		**991**
Loss on sale, disposal or impairment of assets, net	1,826	**7,271**		**63**
	1,574,715	**1,717,188**		**14,932**
Operating income (loss)	(6,582)	**27,048**	-	**235**
Other income:				
Interest and dividends	6,169	**7,094**		**62**
Foreign exchange gain, net	—	**2,542**		**22**
Gain on sale of securities investments, net	2,141	**3,901**		**34**
Gain on change in interest in subsidiaries and equity investees	17,869	**18,046**		**157**
Other	5,758	**4,767**		**41**
	31,937	**36,350**		**316**
Other expenses:				
Interest	4,846	**5,411**		**47**
Loss on devaluation of securities investments	800	**16**		**0**
Foreign exchange loss, net	1,392	—		—
Other	5,414	**3,943**		**34**
	12,452	**9,370**		**81**
Income before income taxes	12,903	**54,028**	+318.7	**470**
Income taxes	12,051	**24,767**		**216**
Income before minority interest and equity in net income of affiliated companies	852	**29,261**	+3,334.4	**254**
Minority interest in income (loss) of consolidated subsidiaries	(971)	**592**		**5**
Equity in net income (loss) of affiliated companies	(9,086)	**3,622**		**32**
Net income (loss)	¥ (7,263)	¥ **32,291**	-	$ **281**
Per share data:				
Common stock				
Net income (loss)				
— Basic	¥ (8.68)	¥ **32.25**	—	$ **0.28**
— Diluted	(8.68)	**30.75**	—	**0.27**
Subsidiary tracking stock				
Net income				
— Basic*	449.14	—	—	—

* See Note 3 on page F-6.

<u>Consolidated Balance Sheets</u> (Unaudited)

	(Millions of yen, millions of U.S. dollars)			
ASSETS	June 30 2005	March 31 2006	**June 30 2006**	**June 30 2006**
Current assets:				
Cash and cash equivalents	¥ 508,103	¥ 703,098	**¥ 560,400**	**$ 4,873**
Marketable securities	479,801	536,968	**461,655**	**4,014**
Notes and accounts receivable, trade	1,021,903	1,075,071	**1,125,063**	**9,783**
Allowance for doubtful accounts and sales returns	(82,622)	(89,563)	**(85,384)**	**(742)**
Inventories	702,107	804,724	**948,126**	**8,245**
Deferred income taxes	131,738	221,311	**200,966**	**1,748**
Prepaid expenses and other current assets	433,307	517,915	**537,180**	**4,670**
	3,194,337	3,769,524	**3,748,006**	**32,591**
Film costs	313,940	360,372	**355,609**	**3,092**
Investments and advances:				
Affiliated companies	273,221	285,870	**296,261**	**2,576**
Securities investments and other	2,746,073	3,234,037	**3,235,834**	**28,138**
	3,019,294	3,519,907	**3,532,095**	**30,714**
Property, plant and equipment:				
Land	183,007	178,844	**179,824**	**1,564**
Buildings	927,776	926,783	**945,258**	**8,220**
Machinery and equipment	2,213,789	2,327,676	**2,375,891**	**20,660**
Construction in progress	118,638	116,149	**105,307**	**916**
Less-Accumulated depreciation	(2,054,443)	(2,160,905)	**(2,167,871)**	**(18,852)**
	1,388,767	1,388,547	**1,438,409**	**12,508**
Other assets:				
Intangibles, net	192,902	207,034	**204,130**	**1,775**
Goodwill	288,028	299,024	**292,497**	**2,543**
Deferred insurance acquisition costs	380,238	383,156	**385,152**	**3,349**
Deferred income taxes	242,917	178,751	**162,078**	**1,409**
Other	454,050	501,438	**407,741**	**3,547**
	1,558,135	1,569,403	**1,451,598**	**12,623**
	¥ 9,474,473	¥ 10,607,753	**¥ 10,525,717**	**$ 91,528**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 54,147	¥ 142,766	**¥ 81,422**	**$ 708**
Current portion of long-term debt	162,969	193,555	**188,232**	**1,637**
Notes and accounts payable, trade	758,955	813,332	**836,632**	**7,275**
Accounts payable, other and accrued expenses	666,433	854,886	**762,463**	**6,630**
Accrued income and other taxes	28,550	87,295	**40,328**	**351**
Deposits from customers in the banking business	574,814	599,952	**634,950**	**5,521**
Other	439,507	508,442	**491,487**	**4,274**
	2,685,375	3,200,228	**3,035,514**	**26,396**
Long-term liabilities:				
Long-term debt	678,303	764,898	**868,204**	**7,550**
Accrued pension and severance costs	351,141	182,247	**175,042**	**1,522**
Deferred income taxes	76,889	216,497	**178,468**	**1,552**
Future insurance policy benefits and other	2,521,860	2,744,321	**2,799,808**	**24,346**
Other	244,682	258,609	**256,109**	**2,226**
	3,872,875	4,166,572	**4,277,631**	**37,196**
Minority interest in consolidated subsidiaries	27,870	37,101	**39,084**	**340**
Stockholders' equity:				
Capital stock	621,717	624,124	**624,967**	**5,434**
Additional paid-in capital	1,134,263	1,136,638	**1,138,213**	**9,898**
Retained earnings	1,498,227	1,602,654	**1,630,569**	**14,179**
Accumulated other comprehensive income	(359,796)	(156,437)	**(217,044)**	**(1,887)**
Treasury stock, at cost	(6,058)	(3,127)	**(3,217)**	**(28)**
	2,888,353	3,203,852	**3,173,488**	**27,596**
	¥ 9,474,473	¥ 10,607,753	**¥ 10,525,717**	**$ 91,528**

<u>Consolidated Statements of Cash Flows</u> (Unaudited)

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

	Three months ended June 30		
	2005	**2006**	**2006**
Cash flows from operating activities:			
Net income (loss)	¥ (7,263)	¥ **32,291**	$ **281**
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	88,664	**91,265**	**794**
Amortization of film costs	53,654	**79,320**	**690**
Accrual for pension and severance costs, less payments	(1,101)	**(1,349)**	**(12)**
Loss on sale, disposal or impairment of assets, net	1,826	**7,271**	**63**
Gain on sale or loss on devaluation of securities investments, net	(1,341)	**(3,885)**	**(34)**
(Gain) Loss on evaluation of marketable securities held in the financial service business for trading purpose	(1,476)	**14,994**	**130**
Gain on change in interest in subsidiaries and equity investees	(17,869)	**(18,046)**	**(157)**
Deferred income taxes	(2,624)	**29,271**	**255**
Equity in net (income) loss of affiliated companies, net of dividends	9,406	**(2,935)**	**(26)**
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable, trade	96,786	**(64,622)**	**(562)**
Increase in inventories	(64,677)	**(155,591)**	**(1,353)**
Increase in film costs	(79,247)	**(81,673)**	**(710)**
Increase (Decrease) in notes and accounts payable, trade	(50,570)	**26,605**	**231**
Decrease in accrued income and other taxes	(23,849)	**(37,680)**	**(328)**
Increase in future insurance policy benefits and other	19,248	**25,089**	**218**
Increase in deferred insurance acquisition costs	(16,023)	**(14,959)**	**(130)**
(Increase) Decrease in marketable securities held in the financial service business for trading purpose	(13,956)	**23,111**	**201**
(Increase) Decrease in other current assets	(30,814)	**16,521**	**144**
Decrease in other current liabilities	(65,074)	**(116,126)**	**(1,010)**
Other	17,668	**53,196**	**463**
Net cash used in operating activities	(88,632)	**(97,932)**	**(852)**
Cash flows from investing activities:			
Payments for purchases of fixed assets	(114,074)	**(132,167)**	**(1,149)**
Proceeds from sales of fixed assets	7,232	**6,437**	**56**
Payments for investments and advances by financial service business	(301,423)	**(252,547)**	**(2,196)**
Payments for investments and advances (other than financial service business)	(13,136)	**(5,888)**	**(51)**
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	169,551	**220,449**	**1,917**
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	6,347	**966**	**8**
Proceeds from sales of subsidiaries' and equity investees' stocks	22,199	**30,298**	**263**
Other	173	**116**	**1**
Net cash used in investing activities	(223,131)	**(132,336)**	**(1,151)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	717	**105,453**	**917**
Payments of long-term debt	(6,644)	**(952)**	**(8)**
Increase (Decrease) in short-term borrowings	(11,095)	**1,857**	**16**
Increase in deposits from customers in the financial service business	66,162	**64,907**	**564**
Increase (Decrease) in call money and bills sold in the banking business	400	**(62,700)**	**(545)**
Dividends paid	(12,474)	**(12,552)**	**(109)**
Other	(414)	**1,811**	**16**
Net cash provided by financing activities	36,652	**97,824**	**851**
Effect of exchange rate changes on cash and cash equivalents	4,111	**(10,254)**	**(89)**
Net decrease in cash and cash equivalents	(271,000)	**(142,698)**	**(1,241)**
Cash and cash equivalents at beginning of the fiscal year	779,103	**703,098**	**6,114**
Cash and cash equivalents at June 30	¥ 508,103	¥ **560,400**	$ **4,873**

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥115 = U.S. $1, the approximate Tokyo foreign exchange market rate as of June 30, 2006.

2. As of June 30, 2006, Sony had 942 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method in respect to 59 affiliated companies.

3. Through September 30, 2005, Sony calculated and presented per share data separately for Sony's common stock and for the subsidiary tracking stock applying "two-class" method based on Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share". 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 are not calculated from October 1, 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 mainly resulted from convertible bonds.

Weighted-average number of outstanding shares	(Thousands of shares) First quarter ended June 30	
	2005	**2006**
Net income (loss)		
— Basic	996,087	**1,001,206**
— Diluted	996,087	**1,049,969**

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 first quarter of the fiscal year ending March 31, 2006 and 2007 were as follows:

	(Millions of yen, millions of U.S. dollars) First quarter ended June 30		
	2005	**2006**	**2006**
Net income (loss)	¥ (7,263)	**¥ 32,291**	**$ 281**
Other comprehensive income (loss) :			
Unrealized gains (losses) on securities	8,379	**(48,226)**	**(419)**
Unrealized gains (losses) on derivative instruments	1,490	**(55)**	**(0)**
Minimum pension liabilities adjustments	(231)	**(36)**	**(0)**
Foreign currency translation adjustments	16,241	**(12,290)**	**(107)**
	25,879	**(60,607)**	**(526)**
Comprehensive income (loss)	¥ 18,616	**¥ (28,316)**	**$ (245)**

5. Effective the first quarter of the fiscal year ending March 31, 2007, Sony reclassified royalty income as a component of sales and operating revenue, rather than as a component of other income as previously recorded. In connection with this reclassification, sales and operating revenue, operating income (loss) and other income for the first quarter of the fiscal year ending March 31, 2006 have been reclassified to conform with the presentation of these items for the first quarter of the fiscal year ending March 31, 2007. Royalty income for the first quarter of the fiscal year ending March 31, 2006 and 2007 was ¥8.7 billion and ¥8.6 billion, respectively. These amounts were recorded primarily within the Electronics segment.

6. In December 2004, the FASB issued FAS No. 123 (revised 2004), "Share-Based Payment" ("FAS No. 123(R)"). This statement requires the use of the fair value based method of accounting for employee stock-based compensation and eliminates the alternative to use of the intrinsic value method prescribed by APB No. 25. With limited exceptions, FAS No. 123(R) requires that the grant-date fair value of share-based payments to employees be expensed over the period the service is received. Sony had accounted for its employee stock-based compensation in accordance with the intrinsic value method prescribed by APB No.

25 and its related interpretations and had disclosed the net effect on net income and net income per share allocated to the common stock if Sony had applied the fair value recognition provisions of FAS No. 123 to stock-based compensation. Sony adopted FAS No. 123(R) on April 1, 2006. Sony elected the modified prospective method of transition prescribed in FAS No. 123(R), which requires that compensation expense be recorded for all unvested stock acquisition rights as the requisite service is rendered beginning with the first period of adoption. As a result of adoption of FAS No. 123(R), Sony's operating income decreased ¥700 million for the first quarter of the fiscal year ending March 31, 2007.

7. In February 2006, the Financial Accounting Standards Board ("FASB") issued FAS No. 155, "Accounting for Certain Hybrid Financial Instruments", an amendment of FAS No. 133 and FAS No. 140. This statement permits an entity to elect fair value remeasurement for any hybrid financial instrument if the hybrid instrument contains an embedded derivative that would otherwise be required to be bifurcated and accounted for separately under FAS No. 133. The election to measure the hybrid instrument at fair value is made on an instrument-by-instrument basis and is irreversible. The statement is effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring after the beginning of an entity's fiscal years beginning after September 15, 2006, with earlier adoption permitted as of the beginning of fiscal year, provided that financial statements for any interim period of that fiscal year have not been issued. Sony early adopted FAS No. 155 on April 1, 2006. As a result of adoption of FAS No. 155, Sony's operating income decreased approximately ¥1.6 billion for the first quarter of the fiscal year ending March 31, 2007. Additionally, on April 1, 2006, Sony recognized ¥3,785 million of loss (net of income taxes of ¥2,148million) as a cumulative-effect adjustment to beginning retained earnings.

Other Consolidated Financial Data

	(Millions of yen, millions of U.S. dollars)			
	First quarter ended June 30			
	2005	**2006**	Change	**2006**
Capital expenditures (additions to property, plant and equipment)	¥ 97,983	**¥ 134,056**	+36.8%	**$ 1,166**
Depreciation and amortization expenses*	88,664	**91,265**	+ 2.9	**794**
(Depreciation expenses for tangible assets)	(71,881)	**(71,002)**	-1.2	**(617)**
R&D expenses	118,388	**119,370**	+ 0.8	**1,038**

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

Condensed Financial Services Financial Statements (Unaudited)

The results of the Financial Services segment are included in Sony's consolidated financial statements. The following schedules show unaudited condensed financial statements for the Financial Services segment and all other segments excluding Financial Services. These presentations are not required under U.S. GAAP, which is used in Sony's consolidated financial statements. However, because the Financial Services segment is different in nature from Sony's other segments, Sony believes that a comparative presentation may be useful in understanding and analyzing Sony's consolidated financial statements.
Transactions between the Financial Services segment and Sony without Financial Services are eliminated in the consolidated figures shown below.

Condensed Statements of Income

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

Financial Services	Three months ended June 30			
	2005	**2006**	Change	**2006**
			%	
Financial service revenue	¥ 153,814	¥ **124,101**	-19.3	$ **1,079**
Financial service expenses	131,891	**119,522**	-9.4	**1,039**
Operating income	21,923	**4,579**	-79.1	**40**
Other income (expenses), net	(117)	**(57)**	—	**(1)**
Income before income taxes	21,806	**4,522**	-79.3	**39**
Income taxes and other	9,734	**1,401**	-85.6	**12**
Net income	¥ 12,072	¥ **3,121**	-74.1	$ **27**

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

Sony without Financial Services	Three months ended June 30			
	2005	**2006**	Change	**2006**
			%	
Net sales and operating revenue	¥ 1,421,493	¥ **1,628,283**	+14.5	$ **14,159**
Costs and expenses	1,450,404	**1,606,130**	+10.7	**13,966**
Operating income (loss)	(28,911)	**22,153**	—	**193**
Other income (expenses), net	20,009	**33,465**	+67.2	**291**
Income (loss) before income taxes	(8,902)	**55,618**	—	**484**
Income taxes and other	10,432	**20,173**	+93.4	**176**
Net income (loss)	¥ (19,334)	¥ **35,445**	—	$ **308**

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

Consolidated	Three months ended June 30			
	2005	**2006**	Change	**2006**
			%	
Financial service revenue	¥ 148,588	¥ **118,540**	-20.2	$ **1,031**
Net sales and operating revenue	1,419,545	**1,625,696**	+14.5	**14,136**
	1,568,133	**1,744,236**	+11.2	**15,167**
Costs and expenses	1,574,715	**1,717,188**	+9.0	**14,932**
Operating income (loss)	(6,582)	**27,048**	—	**235**
Other income (expenses), net	19,485	**26,980**	+38.5	**235**
Income before income taxes	12,903	**54,028**	+318.7	**470**
Income taxes and other	20,166	**21,737**	+7.8	**189**
Net income (loss)	¥ (7,263)	¥ **32,291**	—	$ **281**

Condensed Balance Sheet

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

Financial Services ASSETS		June 30 2005		March 31 2006		**June 30 2006**		**June 30 2006**
Current assets:								
Cash and cash equivalents	¥	180,452	¥	117,630	¥	**178,848**	$	**1,555**
Marketable securities		475,728		532,895		**454,081**		**3,948**
Other		178,894		200,929		**217,525**		**1,892**
		835,074		851,454		**850,454**		**7,395**
Investments and advances		2,644,653		3,128,748		**3,146,583**		**27,362**
Property, plant and equipment		33,866		37,422		**38,056**		**331**
Other assets:								
Deferred insurance acquisition costs		380,238		383,156		**385,152**		**3,349**
Other		104,991		164,827		**96,223**		**837**
		485,229		547,983		**481,375**		**4,186**
	¥	3,998,822	¥	4,565,607	¥	**4,516,468**	$	**39,274**
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities:								
Short-term borrowings	¥	42,346	¥	136,723	¥	**82,917**	$	**721**
Notes and accounts payable, trade		8,232		11,707		**12,516**		**109**
Deposits from customers in the banking business		574,814		599,952		**634,950**		**5,521**
Other		112,359		169,956		**150,784**		**1,311**
		737,751		918,338		**881,167**		**7,662**
Long-term liabilities:								
Long-term debt		134,879		128,097		**127,284**		**1,107**
Accrued pension and severance costs		14,685		13,479		**13,438**		**117**
Future insurance policy benefits and other		2,521,860		2,744,321		**2,799,808**		**24,346**
Other		149,169		173,354		**152,709**		**1,328**
		2,820,593		3,059,251		**3,093,239**		**26,898**
Minority interest in consolidated subsidiaries		5,402		4,089		**4,123**		**36**
Stockholders' equity		435,076		583,929		**537,939**		**4,678**
	¥	3,998,822	¥	4,565,607	¥	**4,516,468**	$	**39,274**

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

Sony without Financial Services ASSETS		June 30 2005		March 31 2006		**June 30 2006**		**June 30 2006**
Current assets:								
Cash and cash equivalents	¥	327,651	¥	585,468	¥	**381,552**	$	**3,318**
Marketable securities		4,073		4,073		**7,574**		**66**
Notes and accounts receivable, trade		865,106		973,675		**1,023,490**		**8,900**
Other		1,189,093		1,393,306		**1,539,698**		**13,388**
		2,385,923		2,956,522		**2,952,314**		**25,672**
Film costs		313,940		360,372		**355,609**		**3,092**
Investments and advances		465,380		477,089		**470,454**		**4,091**
Investments in Financial Services, at cost		187,400		187,400		**187,400**		**1,630**
Property, plant and equipment		1,354,901		1,351,125		**1,400,353**		**12,177**
Other assets		1,199,863		1,059,786		**1,008,794**		**8,772**
	¥	5,907,407	¥	6,392,294	¥	**6,374,924**	$	**55,434**
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities:								
Short-term borrowings	¥	191,677	¥	225,082	¥	**220,448**	$	**1,917**
Notes and accounts payable, trade		752,804		804,394		**825,028**		**7,174**
Other		1,040,032		1,299,809		**1,172,416**		**10,195**
		1,984,513		2,329,285		**2,217,892**		**19,286**
Long-term liabilities:								
Long-term debt		626,821		701,372		**804,854**		**6,999**
Accrued pension and severance costs		336,456		168,768		**161,604**		**1,405**
Other		296,385		352,457		**332,586**		**2,892**
		1,259,662		1,222,597		**1,299,044**		**11,296**
Minority interest in consolidated subsidiaries		22,517		32,623		**34,572**		**301**
Stockholders' equity		2,640,715		2,807,789		**2,823,416**		**24,551**
	¥	5,907,407	¥	6,392,294	¥	**6,374,924**	$	**55,434**

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

Consolidated ASSETS	June 30 2005	March 31 2006	**June 30 2006**	**June 30 2006**
Current assets:				
Cash and cash equivalents	¥ 508,103	¥ 703,098	**¥ 560,400**	**$ 4,873**
Marketable securities	479,801	536,968	**461,655**	**4,014**
Notes and accounts receivable, trade	939,281	985,508	**1,039,679**	**9,041**
Other	1,267,152	1,543,950	**1,686,272**	**14,663**
	3,194,337	3,769,524	**3,748,006**	**32,591**
Film costs	313,940	360,372	**355,609**	**3,092**
Investments and advances	3,019,294	3,519,907	**3,532,095**	**30,714**
Property, plant and equipment	1,388,767	1,388,547	**1,438,409**	**12,508**
Other assets:				
Deferred insurance acquisition costs	380,238	383,156	**385,152**	**3,349**
Other	1,177,897	1,186,247	**1,066,446**	**9,274**
	1,558,135	1,569,403	**1,451,598**	**12,623**
	¥ 9,474,473	¥ 10,607,753	**¥ 10,525,717**	**$ 91,528**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 217,116	¥ 336,321	**¥ 269,654**	**$ 2,345**
Notes and accounts payable, trade	758,955	813,332	**836,632**	**7,275**
Deposits from customers in the banking business	574,814	599,952	**634,950**	**5,521**
Other	1,134,490	1,450,623	**1,294,278**	**11,255**
	2,685,375	3,200,228	**3,035,514**	**26,396**
Long-term liabilities:				
Long-term debt	678,303	764,898	**868,204**	**7,550**
Accrued pension and severance costs	351,141	182,247	**175,042**	**1,522**
Future insurance policy benefits and other	2,521,860	2,744,321	**2,799,808**	**24,346**
Other	321,571	475,106	**434,577**	**3,778**
	3,872,875	4,166,572	**4,277,631**	**37,196**
Minority interest in consolidated subsidiaries	27,870	37,101	**39,084**	**340**
Stockholders' equity	2,888,353	3,203,852	**3,173,488**	**27,596**
	¥ 9,474,473	¥ 10,607,753	**¥ 10,525,717**	**$ 91,528**

Condensed Statements of Cash Flows

Financial Services

	(Millions of yen, millions of U.S. dollars)		
	Three months ended June 30		
	2005	**2006**	**2006**
Net cash provided by operating activities	¥ 8,650	¥ **91,910**	$ **799**
Net cash used in investing activities	(150,060)	**(40,061)**	**(348)**
Net cash provided by financing activities	62,491	**9,369**	**81**
Net increase (decrease) in cash and cash equivalents	(78,919)	**61,218**	**532**
Cash and cash equivalents at beginning of the fiscal year	259,371	**117,630**	**1,023**
Cash and cash equivalents at June 30	¥ 180,452	¥ **178,848**	$ **1,555**

Sony without Financial Services

	(Millions of yen, millions of U.S. dollars)		
	Three months ended June 30		
	2005	**2006**	**2006**
Net cash used in operating activities	¥ (97,332)	¥ **(189,114)**	$ **(1,644)**
Net cash used in investing activities	(70,426)	**(100,376)**	**(873)**
Net cash provided by (used in) financing activities	(28,434)	**95,828**	**833**
Effect of exchange rate changes on cash and cash equivalents	4,111	**(10,254)**	**(89)**
Net decrease in cash and cash equivalents	(192,081)	**(203,916)**	**(1,773)**
Cash and cash equivalents at beginning of the fiscal year	519,732	**585,468**	**5,091**
Cash and cash equivalents at June 30	¥ 327,651	¥ **381,552**	$ **3,318**

Consolidated

	(Millions of yen, millions of U.S. dollars)		
	Three months ended June 30		
	2005	**2006**	**2006**
Net cash used in operating activities	¥ (88,632)	¥ **(97,932)**	$ **(852)**
Net cash used in investing activities	(223,131)	**(132,336)**	**(1,151)**
Net cash provided by financing activities	36,652	**97,824**	**851**
Effect of exchange rate changes on cash and cash equivalents	4,111	**(10,254)**	**(89)**
Net decrease in cash and cash equivalents	(271,000)	**(142,698)**	**(1,241)**
Cash and cash equivalents at beginning of the fiscal year	779,103	**703,098**	**6,114**
Cash and cash equivalents at June 30	¥ 508,103	¥ **560,400**	$ **4,873**