SONY

News & Information

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No: 06--101E
3:00 P.M. JST, October 26, 2006

Consolidated Financial Results for the Second Quarter Ended September 30, 2006

Tokyo, October 26, 2006 -- Sony Corporation today announced its consolidated results for the second quarter of the fiscal year ending March 31, 2007 (July 1, 2006 to September 30, 2006).

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

	Second quarter ended September 30			
	2005	**2006**	Change in Yen	**2006***
Sales and operating revenue**	¥1,711.6	**¥1,854.2**	+8.3%	**$15,713**
Operating income (loss)	74.6	**(20.8)**	-	**(177)**
Income (loss) before income taxes	95.4	**(26.1)**	-	**(221)**
Equity in net income (loss) of affiliated companies	(2.6)	**19.7**	-	**167**
Net income	28.5	**1.7**	-94.1	**14**
Net income per share of common stock				
— Basic	¥28.63	**¥1.68**	-94.1	**$0.01**
— Diluted	27.32	**1.60**	-94.1	**0.01**

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 ¥118=U.S.$1, the approximate Tokyo foreign exchange market rate as of September 29, 2006.*

*** Effective April 1, 2006, 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 and other income for the second quarter of the fiscal year ended March 31, 2006 have been reclassified to conform with the presentation of these items for the second quarter of the fiscal year ending March 31, 2007. Royalty income for the second quarters ended September 30, 2005 and 2006 was ¥8.6 billion and ¥7.3 billion, respectively. These amounts were recorded primarily within the Electronics segment.*

Consolidated Results for the Second Quarter Ended September 30, 2006

Sales and operating revenue ("sales") increased 8.3% compared with the same quarter of the previous fiscal year; on a local currency basis sales increased 4%. (For all references herein to results on a local currency basis, see Note I on page 9.)

Sales within the Electronics segment increased 12.1%. Products such as "BRAVIA™" LCD televisions, "VAIO" PCs, and "Cyber-shot™" digital cameras contributed to the sales increase, although there was a decline in sales of such products as CRT televisions. In the Game segment, sales decreased 20.5% compared to the same quarter of the previous fiscal year primarily as a result of a decrease in hardware unit sales of PSP® (PlayStation®Portable) ("PSP"). In the Pictures segment, there was a 12.1% increase in revenue mainly due to the greater number of theatrical releases during the quarter, combined with higher theatrical revenue per film on titles including *Talladega Nights: The Ballad of Ricky Bobby* and *Monster House*. In the Financial Services segment, revenue decreased by 4.4% mainly due to a decrease in valuation gains in the general account and the separate account at Sony Life Insurance Co., Ltd. ("Sony Life").

An **operating loss** of ¥20.8 billion ($177 million) was recorded, a deterioration of ¥95.4 billion compared to the same quarter of the previous fiscal year. This includes the recording of a ¥51.2 billion provision that relates to charges expected to be incurred as a result of the recall by Dell Inc., Apple Computer Inc. and Lenovo, Inc. of notebook computer battery packs that use lithium-ion battery cells manufactured by Sony and the subsequent global replacement program initiated by Sony for certain notebook computer battery packs used by Sony and other notebook computer manufacturers that use lithium-ion battery cells manufactured by Sony. The operating income recorded during the same quarter of the previous fiscal year includes a one time gain of ¥73.5 billion resulting from the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund.

In the Electronics segment, there was an improvement in the cost of sales ratio, a decrease in loss on sale, disposal or impairment of fixed assets and an increase in sales to outside customers, as well as a positive impact from the depreciation of the yen. However, decreased operating income was recorded as a result of the absence of the above-mentioned transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund, of which ¥64.5 billion yen was recorded within the Electronics segment during the same quarter of the previous fiscal year, and the notebook computer battery provision recorded during the current quarter.

In the Game segment, an operating loss was recorded as a result of the recording of charges associated with preparation for the launch of the PLAYSTATION®3 ("PS3") platform. In the Pictures segment, the amount of operating loss increased primarily due to higher total marketing expenses resulting from a greater number of theatrical releases and the theatrical underperformance of *Zoom* and *All The King's Men*. 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, recorded as operating expenses, for the second quarter amounted to ¥5.3 billion ($45 million) compared to ¥32.9 billion in the same quarter of the previous fiscal year. In the Electronics segment, restructuring charges were ¥5.2 billion ($44 million) compared to ¥32.3 billion in the same quarter of the previous fiscal year.

A **loss before income taxes** of ¥26.1 billion ($221 million) was recorded, a deterioration of ¥121.5 billion compared to the same quarter of the previous year. This was the result of the fact that the net effect of other income and expenses was ¥26.1 billion lower compared to the same quarter of the previous year, in addition to the deterioration in operating income (loss). The lower net effect of other income and expenses was primarily a result of the absence of the recording of a gain of ¥20.7 billion on the change in interest resulting from the sale of a portion of stock in Monex Beans Holdings, Inc. which was recorded in the same quarter of the previous fiscal year and the recording of a net foreign exchange loss in the current quarter versus the net foreign exchange gain recorded in the same quarter of the previous fiscal year.

Equity in net income (loss) of affiliated companies of ¥19.7 billion ($167 million) was recorded, an improvement of ¥22.3 billion from the equity in net loss recorded in the same quarter of the previous fiscal year. Sony recorded equity in net income for Sony Ericsson Mobile Communications AB ("Sony Ericsson") of ¥21.8 billion ($185 million), an increase of ¥14.8 billion compared to the same quarter of the previous year. S-LCD Corporation ("S-LCD"), a joint-venture with Samsung Electronics Co., Ltd. for the manufacture of amorphous TFT LCD panels, contributed ¥1.6 billion ($14 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 ¥4.4 billion compared to the same quarter of the previous fiscal year. Sony also recorded equity in net loss of ¥2.2 billion ($19 million) for SONY BMG MUSIC ENTERTAINMENT ("SONY BMG"), a decrease in the amount of equity loss of ¥1.0 billion compared to the same quarter of the previous fiscal year. An equity in net loss of ¥2.8 billion ($24 million) for Metro-Goldwyn-Mayer Inc. ("MGM")* was recorded by Sony, a decrease in the amount of equity loss of ¥1.6 billion compared to the same quarter of the previous fiscal year. The equity in net loss for MGM includes non-cash interest expense of ¥2.1 billion ($18 million) on cumulative preferred stock compared to the ¥1.5 billion of non-cash interest expense 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** decreased by 94.1% compared to the same quarter of the previous fiscal year.

Operating Performance Highlights by Business Segment

Electronics

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

	Second quarter ended September 30			
	2005	**2006**	Change in Yen	**2006**
Sales and operating revenue	¥1,229.4	**¥1,378.4**	+12.1%	**$11,681**
Operating income	28.1	**8.0**	-71.4	**68**

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

Sales increased by 12.1% compared to the same quarter of the previous fiscal year (a 7% increase on a local currency basis). Sales to outside customers increased 16.7% compared to the same quarter of the previous fiscal year. There was an increase in sales of products including "BRAVIA" LCD televisions, "VAIO" PCs, and "Cyber-shot" digital cameras, all of which experienced favorable sales in all regions, partially offset by a decrease in sales of several products primarily CRT televisions.

Operating income decreased by 71.4% compared with the same quarter of the previous fiscal year. An improvement in the cost of sales ratio, a decrease in loss on sale, disposal or impairment of fixed assets, an increase in sales to outside customers, as well as a positive impact from the depreciation of the yen favorably impacted operating income. However, these factors were more than offset by the absence of the ¥64.5 billion gain which resulted from the transfer to the Japanese government of the substitutional portion of Sony's Employee Pension Fund recorded in the same quarter of the previous fiscal year, as well as by the recording in the current quarter of the ¥51.2 billion provision for charges related to the notebook computer battery pack recall and subsequent global replacement program. With regard to products within the Electronics segment, there was a positive contribution to operating income from strong sales of "Cyber-shot" digital cameras and "BRAVIA" LCD televisions. Other products which contributed positively compared to the same quarter of the previous fiscal year included CRT televisions, where fixed costs have been lowered as a result of previous restructuring activities.

Inventory, as of September 30, 2006, was ¥971.6 billion ($8,234 million), a ¥328.7 billion, or 51.1%, increase compared with the level as of September 30, 2005 and a ¥164.0 billion, or 20.3%, increase compared with the level as of June 30, 2006. This increase was primarily a result of increased LCD television inventory as well as 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.

	(millions of Euros)		
	Second quarter ended September 30		
	2005	**2006**	Change in Euros
Sales and operating revenue	€2,055	**€2,913**	+42%
Income before income taxes	151	**433**	+187
Net income	104	**298**	+187

Sales for the quarter increased by 42% compared to the same quarter of the previous year. Results were boosted by sales of hit models such as "Cyber-shot" and "Walkman®" phones. As a result, equity in net income of ¥21.8 billion ($185 million) was recorded by Sony.

Game

	(Billions of yen, millions of U.S. dollars)			
	Second quarter ended September 30			
	2005	**2006**	Change in Yen	**2006**
Sales and operating revenue	¥214.2	**¥170.3**	-20.5%	**$1,443**
Operating income (loss)	8.2	**(43.5)**	-	**(369)**

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

Sales decreased 20.5% compared with the same quarter of the previous fiscal year (a 25% decrease on a local currency basis).

<u>Hardware:</u> There was a decrease in sales in Japan, the U.S. and Europe mainly as a result of lower PSP and PlayStation®2 ("PS2") unit sales compared to the same quarter of the previous fiscal year, as well as a strategic price reduction for PS2 in those markets.

<u>Software:</u> Although sales from PSP software increased compared to the same quarter of the previous fiscal year, overall software sales decreased as a result of lower PS2 software sales.

An **operating loss** of ¥43.5 billion ($369 million) was recorded, a decline compared to the ¥8.2 billion operating income recorded during the same quarter of the previous fiscal year. This deterioration was due 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 (and increase/decrease compared to the same quarter of the previous fiscal year):*

- → PS2: 5.02 million units (an increase of 0.01 million units)
- → PSP: 3.89 million units (an increase of 0.14 million units)

Worldwide software production shipments (and increase/decrease compared to the same quarter of the previous fiscal year):*

→ PS2: 47 million units (a decrease of 3 million units)
→ PSP: 12.9 million units (an increase of 3.9 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 September 30, 2006, was ¥188.2 billion ($1,595 million), which represents a ¥73.3 billion, or 63.8%, increase compared with the level as of September 30, 2005. This increase was due to the low level of overall PSP inventory as of September 30, 2005, following the launch of PSP in Europe, in addition to inventory recorded from PS3-related components as of September 30, 2006. Inventory, as of September 30, 2006, was a ¥66.2 billion, or 54.3%, increase compared with the level as of June 30, 2006.

Pictures

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

	Second quarter ended September 30			
	2005	**2006**	Change in Yen	**2006**
Sales and operating revenue	¥158.9	**¥178.2**	+12.1%	**$1,510**
Operating loss	(6.6)	**(15.3)**	-	**(129)**

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 12.1% compared with the same quarter of the previous fiscal year (7% increase on a U.S. dollar basis). Sales increased primarily due to a greater number of theatrical releases in the current year's second quarter, combined with higher theatrical revenue per film on titles released during the quarter. This was partially offset by lower DVD revenues on theatrical films. Major theatrical releases that contributed to revenues during the quarter included *Talladega Nights: The Ballad of Ricky Bobby*, *Monster House* and *Click*.

An **operating loss** of ¥15.3 billion ($129 million) was recorded, a deterioration of ¥8.6 billion compared to the same quarter of the previous fiscal year. Despite the sales increases noted above, motion picture operating income was adversely affected by higher total marketing expenses resulting from a greater number of theatrical releases and the theatrical underperformance of *Zoom* and *All The King's Men*. The lower DVD revenues noted above also contributed to the increased operating loss. Television operating income declined in the current quarter due to production and marketing expenses associated with new network and made-for-syndication television shows.

Financial Services

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

	Second quarter ended September 30			
	2005	**2006**	Change in Yen	**2006**
Financial service revenue	¥175.9	**¥168.1**	-4.4%	**$1,425**
Operating income	40.0	**24.6**	-38.7	**208**

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 4.4% compared with the same quarter of the previous fiscal year, mainly due to a decrease in revenue at Sony Life. Although revenue from insurance premiums increased at

Sony Life reflecting an increase in insurance-in-force, revenue at Sony Life decreased by ¥9.1 billion or 5.9% to ¥144.2 billion ($1,222 million), mainly as a result of lower valuation gains in the general account and the separate account.

Operating income decreased by 38.7% 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 ¥13.5 billion or 34.5% to ¥25.6 billion ($217 million) mainly as a result of a decrease in valuation gains from investments in the general account, including valuation gains from convertible bonds.

All Other

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

	Second quarter ended September 30			
	2005	**2006**	Change in Yen	**2006**
Sales and operating revenue	¥97.3	**¥81.5**	-16.3%	**$690**
Operating income	7.6	**6.5**	-14.3	**55**

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

Sales decreased 16.3% compared with the same quarter of the previous fiscal year. This sales decrease mainly reflects the sale, during the first quarter of the current fiscal year, 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.

Sales decreased at Sony Music Entertainment (Japan) Inc. ("SMEJ") due to lower intersegment sales in association with the transfer of business activity relating to Sony's disc custom press business from SMEJ to other segments within the Sony Group during the second quarter of the fiscal year. Excluding this impact, there was an increase in album and singles sales compared to the same quarter of the previous fiscal year. Best-selling albums and singles during the current quarter included Yuki's *WAVE*, Beyonce's *B'Day* and Shogo Hamada's *The Best of Shogo Hamada vol.1* and *vol.2*.

Operating income decreased by 14.3% compared to the same quarter of the previous fiscal year. This decrease was the result of the absence of the gain resulting from the transfer to the Japanese government of the substitutional portion of the Employee Pension Fund at several businesses within All Other including SMEJ which was recorded during the same quarter of the previous fiscal year. Excluding this impact, there was a significant increase in operating income within All Other mainly driven by an increase in operating income at Sony Music Entertainment Inc.'s U.S.-based music publishing business due to an improvement in the royalty expense-to-revenue ratio and at So-net Entertainment Corporation in association with increased revenue relating to an increase in optical fiber service subscribers.

Excluding the above-mentioned impact of the transfer to the Japanese government of the substitutional portion of the Employee Pension Fund during the same quarter of the previous fiscal year and the decrease in intersegment sales at SMEJ, operating income at SMEJ was relatively unchanged compared to the same quarter of the previous fiscal year.

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.

	(millions of U.S. dollars)		
	Second quarter ended September 30		
	2005	**2006**	Change in Dollars
Sales and operating revenue	$936	**$948**	+1%
Loss before income taxes	(58)	**(31)**	-
Net loss	(60)	**(39)**	-

SONY BMG recorded increased sales of 1% compared with the same period of the previous fiscal year primarily due to the benefit of foreign exchange rates. Loss before income taxes includes $39 million of restructuring charges, a year-on-year reduction of $4 million. Decreased loss before income taxes was primarily the result of lower legal and restructuring costs. As a result, equity in net loss of ¥2.2 billion ($19 million) was recorded by Sony. Best selling albums during the quarter included Justin Timberlake's *Future Sex/Love Sounds*, Beyonce's *B'Day*, and Christina Aguilera's *Back to Basics*.

In August 2004, Sony combined its recorded music business outside of Japan with the recorded music business of Bertelsmann AG ("Bertelsmann"), forming SONY BMG, upon 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. On October 3, 2006, Bertelsmann and Sony Corporation of America ("SCA") filed a joint appeal against the Court of First Instance's judgment. In addition, Bertelsmann and SCA are in the process of updating the notification filed in 2004 to permit the European Commission to reexamine the transaction. 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 flow 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 - Excluding Financial Services segment

	(Billions of yen, millions of U.S. dollars)			
	Six months ended September 30			
Cash flow	2005	**2006**	Change in Yen	**2006**
- From operating activities	(¥91.9)	**(¥191.2)**	¥ -99.3	**($1,620)**
- From investing activities	(145.1)	**(217.5)**	-72.4	**(1,843)**
- From financing activities	97.1	**191.2**	+94.1	**1,620**
Cash and cash equivalents at beginning of the fiscal year	519.7	**585.5**	+65.7	**4,961**
Cash and cash equivalents as of September 30	393.9	**363.9**	-30.0	**3,084**

Operating Activities: During the six months ended September 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 in inventory within the Electronics and Game segments in preparation for the year-end sales season. Within the Electronics segment, there was an increase in LCD television inventory and semiconductor inventory for use in PS3.

Investing Activities: During the six months ended September 30, 2006, although cash was generated from the transfer of 51% of the stock in StylingLife, cash was used by Sony within the Electronics segment primarily for the purchase of fixed assets, principally semiconductor manufacturing facilities, and part of the investment towards the manufacturing facilities for 8th generation TFT LCD panels at S-LCD.

As a result, the total amount of cash flow from operating activities and from investing activities was a use of cash of ¥408.7 billion ($3,463 million).

Financing Activities: During the six months ended September 30, 2006, financing was carried out through the issuance of commercial paper and syndicated bank loans. These sources were partially offset by cash used to redeem straight bonds and make dividend payments.

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, decreased ¥221.6 billion compared to March 31, 2006, and decreased by ¥30.0 billion compared to September 30, 2005, to ¥363.9 billion ($3,084 million) as of September 30, 2006.

Cash Flow - Financial Services segment

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

	Six months ended September 30			
Cash flow	2005	**2006**	Change in Yen	**2006**
- From operating activities	¥50.9	**¥121.8**	¥ +70.8	**$1,032**
- From investing activities	(261.9)	**(113.2)**	+148.8	**(959)**
- From financing activities	138.9	**65.2**	-73.7	**552**
Cash and cash equivalents at beginning of the fiscal year	259.4	**117.6**	-141.7	**997**
Cash and cash equivalents as of September 30	187.3	**191.4**	+4.2	**1,622**

Operating Activities: Net cash from operating activities was generated 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.

Financing Activities: Despite a decrease in the balance of call money within the banking business, 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, cash and cash equivalents increased ¥73.8 billion compared to March 31, 2006, and increased ¥4.2 billion compared to September 30, 2005, to ¥191.4 billion ($1,622 million) as of September 30, 2006.

Notes

Note I: During the quarter ended September 30, 2006, the average value of the yen was ¥115.3 against the U.S. dollar and ¥146.6 against the Euro, which was 4.3% lower against the U.S. dollar and 8.5% lower against the Euro, compared with the average rates for the same quarter of the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating income obtained by applying the yen's 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

Our forecast for the fiscal year ending March 31, 2007, as revised on October 19, 2006, is as per the table below:

	Current Forecast*	Change from previous fiscal year
Sales and operating revenue	¥8,230 billion	+10%
Operating income	50 billion	-78
(Restructuring charges included within Operating income	40 billion	-71)
Income before income taxes	70 billion	-76
Equity in net income of affiliated companies	40 billion	+204
Net income	80 billion	-35

*Assumed foreign currency exchange rates for the second half of the fiscal year: approximately ¥114 to the U.S. dollar and approximately ¥145 to the Euro.

Please note that the above operating income forecast reflects the ¥51.2 billion provision for charges related to the notebook computer battery pack recall and subsequent global replacement program.

Our forecast for capital expenditures, depreciation and amortization or research and development costs, as per the table below, is unchanged from the forecast of July 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	Second quarter ended September 30 2005	2006	Change	2006
Electronics				
Customers	¥ 1,101,562	¥ **1,286,026**	+16.7 %	$ **10,899**
Intersegment	127,817	**92,364**		**782**
Total	1,229,379	**1,378,390**	+12.1	**11,681**
Game				
Customers	203,994	**162,571**	-20.3	**1,378**
Intersegment	10,252	**7,749**		**65**
Total	214,246	**170,320**	-20.5	**1,443**
Pictures				
Customers	158,855	**178,153**	+12.1	**1,510**
Intersegment	—	**—**		**—**
Total	158,855	**178,153**	+12.1	**1,510**
Financial Services				
Customers	170,103	**162,198**	-4.6	**1,374**
Intersegment	5,779	**5,903**		**51**
Total	175,882	**168,101**	-4.4	**1,425**
All Other				
Customers	77,120	**65,231**	-15.4	**552**
Intersegment	20,193	**16,255**		**138**
Total	97,313	**81,486**	-16.3	**690**
Elimination	(164,041)	**(122,271)**	—	**(1,036)**
Consolidated total	¥ 1,711,634	¥ **1,854,179**	+8.3 %	$ **15,713**

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	¥ 28,081	¥ **8,027**	-71.4 %	$ **68**
Game	8,220	**(43,527)**	—	**(369)**
Pictures	(6,633)	**(15,277)**	—	**(129)**
Financial Services	40,046	**24,567**	-38.7	**208**
All Other	7,585	**6,497**	-14.3	**55**
Total	77,299	**(19,713)**	—	**(167)**
Corporate and elimination	(2,744)	**(1,120)**	—	**(10)**
Consolidated total	¥ 74,555	¥ **(20,833)**	— %	$ **(177)**

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

Sales and operating revenue	Six months ended September 30			
	2005	**2006**	Change	**2006**
Electronics				
Customers	¥ 2,136,493	**¥ 2,517,666**	+17.8 %	**$ 21,336**
Intersegment	221,259	**141,616**		**1,200**
Total	2,357,752	**2,659,282**	+12.8	**22,536**
Game				
Customers	369,471	**279,597**	-24.3	**2,369**
Intersegment	17,553	**13,212**		**112**
Total	387,024	**292,809**	-24.3	**2,481**
Pictures				
Customers	303,236	**382,904**	+26.3	**3,245**
Intersegment	—	**—**		**—**
Total	303,236	**382,904**	+26.3	**3,245**
Financial Services				
Customers	318,691	**280,738**	-11.9	**2,379**
Intersegment	11,005	**11,464**		**97**
Total	329,696	**292,202**	-11.4	**2,476**
All Other				
Customers	151,876	**137,510**	-9.5	**1,166**
Intersegment	38,499	**32,115**		**272**
Total	190,375	**169,625**	-10.9	**1,438**
Elimination	(288,316)	**(198,407)**	—	**(1,681)**
Consolidated total	¥ 3,279,767	**¥ 3,598,415**	+9.7 %	**$ 30,495**

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	¥ 1,404	**¥ 55,446**	+3,849.1 %	**$ 470**
Game	2,325	**(70,330)**	—	**(596)**
Pictures	(2,387)	**(16,442)**	—	**(139)**
Financial Services	61,969	**29,146**	-53.0	**247**
All Other	12,818	**11,228**	-12.4	**95**
Total	76,129	**9,048**	-88.1	**77**
Corporate and elimination	(8,156)	**(2,833)**	—	**(24)**
Consolidated total	¥ 67,973	**¥ 6,215**	-90.9 %	**$ 53**

Electronics Sales and Operating Revenue to Customers by Product Category

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

Sales and operating revenue	Second quarter ended September 30 2005	2006	Change	2006
Audio	¥ 129,605	¥ **121,655**	-6.1 %	$ **1,031**
Video	247,628	**282,920**	+14.3	**2,398**
Televisions	171,430	**251,486**	+46.7	**2,131**
Information and Communications	184,984	**220,341**	+19.1	**1,867**
Semiconductors	43,534	**52,482**	+20.6	**445**
Components	193,103	**221,335**	+14.6	**1,876**
Other	131,278	**135,807**	+3.4	**1,151**
Total	¥ 1,101,562	¥ **1,286,026**	+16.7 %	$ **10,899**

Sales and operating revenue	Six months ended September 30 2005	2006	Change	2006
Audio	¥ 246,944	¥ **237,947**	-3.6 %	$ **2,017**
Video	498,959	**553,101**	+10.9	**4,687**
Televisions	321,477	**513,540**	+59.7	**4,352**
Information and Communications	369,160	**433,491**	+17.4	**3,674**
Semiconductors	82,907	**100,473**	+21.2	**851**
Components	375,933	**426,071**	+13.3	**3,611**
Other	241,113	**253,043**	+4.9	**2,144**
Total	¥ 2,136,493	¥ **2,517,666**	+17.8 %	$ **21,336**

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.
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	Second quarter ended September 30 2005	2006	Change	2006
Japan	¥ 512,026	¥ **497,433**	-2.9 %	$ **4,216**
United States	436,297	**479,469**	+9.9	**4,063**
Europe	368,910	**417,019**	+13.0	**3,534**
Other Areas	394,401	**460,258**	+16.7	**3,900**
Total	¥ 1,711,634	¥ **1,854,179**	+8.3 %	$ **15,713**

Sales and operating revenue	Six months ended September 30 2005	2006	Change	2006
Japan	¥ 988,996	¥ **973,631**	-1.6 %	$ **8,251**
United States	854,778	**927,386**	+8.5	**7,859**
Europe	700,035	**815,871**	+16.5	**6,914**
Other Areas	735,958	**881,527**	+19.8	**7,471**
Total	¥ 3,279,767	¥ **3,598,415**	+9.7 %	$ **30,495**

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)

	Second quarter ended September 30			
	2005	**2006**	Change	**2006**
Sales and operating revenue:			%	
Net sales	¥ 1,517,412	¥ **1,667,547**		$ **14,132**
Financial service revenue	170,103	**162,198**		**1,374**
Other operating revenue	24,119	**24,434**		**207**
	1,711,634	**1,854,179**	+8.3	**15,713**
Costs and expenses:				
Cost of sales	1,179,803	**1,286,412**		**10,902**
Selling, general and administrative	300,279	**449,250**		**3,807**
Financial service expenses	130,228	**137,623**		**1,166**
Loss on sale, disposal or impairment of assets, net	26,769	**1,727**		**15**
	1,637,079	**1,875,012**		**15,890**
Operating income (loss)	74,555	**(20,833)**	-	**(177)**
Other income:				
Interest and dividends	4,674	**4,848**		**41**
Foreign exchange gain, net	326	**—**		**—**
Gain on sale of securities investments, net	4,259	**551**		**5**
Gain on change in interest in subsidiaries and equity investees	20,662	**2,029**		**18**
Other	5,068	**5,664**		**48**
	34,989	**13,092**		**112**
Other expenses:				
Interest	7,135	**5,974**		**51**
Loss on devaluation of securities investments	2,144	**734**		**6**
Foreign exchange loss, net	—	**6,036**		**51**
Other	4,882	**5,637**		**48**
	14,161	**18,381**		**156**
Income (loss) before income taxes	95,383	**(26,122)**	-	**(221)**
Income taxes	65,143	**(7,551)**		**(64)**
Income (loss) before minority interest and equity in net income (loss) of affiliated companies	30,240	**(18,571)**	-	**(157)**
Minority interest in income (loss) of consolidated subsidiaries	(837)	**(530)**		**(4)**
Equity in net income (loss) of affiliated companies	(2,609)	**19,721**		**167**
Net income	¥ 28,468	¥ **1,680**	-94.1	$ **14**
Per share data:				
Common stock				
Net income				
— Basic	¥ 28.63	¥ **1.68**	-94.1	$ **0.01**
— Diluted	27.32	**1.60**	-94.1	**0.01**
Subsidiary tracking stock				
Net income (loss)				
— Basic*	(19.90)	**—**	—	**—**

* See Note 3 on page F-10.

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

	Six months ended September 30			
	2005	**2006**	Change	**2006**
Sales and operating revenue:			%	
Net sales	¥ 2,915,146	**¥ 3,267,083**		**$ 27,687**
Financial service revenue	318,691	**280,738**		**2,379**
Other operating revenue	45,930	**50,594**		**429**
	3,279,767	**3,598,415**	+9.7	**30,495**
Costs and expenses:				
Cost of sales	2,276,579	**2,498,491**		**21,174**
Selling, general and administrative	649,755	**833,137**		**7,060**
Financial service expenses	256,865	**251,574**		**2,132**
Loss on sale, disposal or impairment of assets, net	28,595	**8,998**		**76**
	3,211,794	**3,592,200**		**30,442**
Operating income	67,973	**6,215**	-90.9	**53**
Other income:				
Interest and dividends	10,843	**11,942**		**101**
Gain on sale of securities investments, net	6,400	**4,452**		**38**
Gain on change in interest in subsidiaries and equity investees	38,531	**20,075**		**170**
Other	10,826	**10,431**		**88**
	66,600	**46,900**		**397**
Other expenses:				
Interest	11,981	**11,385**		**97**
Loss on devaluation of securities investments	2,944	**750**		**6**
Foreign exchange loss, net	1,066	**3,494**		**30**
Other	10,296	**9,580**		**81**
	26,287	**25,209**		**214**
Income before income taxes	108,286	**27,906**	-74.2	**236**
Income taxes	77,194	**17,216**		**145**
Income before minority interest and equity in net income (loss) of affiliated companies	31,092	**10,690**	-65.6	**91**
Minority interest in income (loss) of consolidated subsidiaries	(1,808)	**62**		**1**
Equity in net income (loss) of affiliated companies	(11,695)	**23,343**		**198**
Net income	¥ 21,205	**¥ 33,971**	+60.2	**$ 288**
Per share data:				
Common stock				
Net income				
— Basic	¥ 19.95	**¥ 33.93**	+70.1	**$ 0.29**
— Diluted	19.01	**32.36**	+70.2	**0.27**
Subsidiary tracking stock				
Net income				
— Basic*	430.74	—	—	—

* See Note 3 on page F-10.

Consolidated Balance Sheets (Unaudited)

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

ASSETS	September 30 2005	March 31 2006	**September 30 2006**	**September 30 2006**
Current assets:				
Cash and cash equivalents	¥ 581,200	¥ 703,098	**¥ 555,330**	**$ 4,706**
Marketable securities	508,017	536,968	**471,332**	**3,994**
Notes and accounts receivable, trade	1,087,120	1,075,071	**1,233,207**	**10,451**
Allowance for doubtful accounts and sales returns	(78,352)	(89,563)	**(82,340)**	**(698)**
Inventories	805,856	804,724	**1,152,646**	**9,768**
Deferred income taxes	138,160	221,311	**251,374**	**2,130**
Prepaid expenses and other current assets	552,876	517,915	**636,325**	**5,394**
	3,594,877	3,769,524	**4,217,874**	**35,745**
Film costs	343,998	360,372	**370,905**	**3,143**
Investments and advances:				
Affiliated companies	263,524	285,870	**339,702**	**2,879**
Securities investments and other	2,900,196	3,234,037	**3,310,692**	**28,057**
	3,163,720	3,519,907	**3,650,394**	**30,936**
Property, plant and equipment:				
Land	181,130	178,844	**172,242**	**1,460**
Buildings	936,291	926,783	**939,040**	**7,958**
Machinery and equipment	2,304,687	2,327,676	**2,437,235**	**20,655**
Construction in progress	90,822	116,149	**93,568**	**793**
Less-Accumulated depreciation	(2,133,025)	(2,160,905)	**(2,200,498)**	**(18,649)**
	1,379,905	1,388,547	**1,441,587**	**12,217**
Other assets:				
Intangibles, net	192,688	207,034	**213,422**	**1,809**
Goodwill	291,021	299,024	**300,627**	**2,548**
Deferred insurance acquisition costs	384,917	383,156	**389,695**	**3,303**
Deferred income taxes	205,019	178,751	**159,563**	**1,352**
Other	452,169	501,438	**399,578**	**3,385**
	1,525,814	1,569,403	**1,462,885**	**12,397**
	¥ 10,008,314	¥ 10,607,753	**¥ 11,143,645**	**$ 94,438**

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30 2005	March 31 2006	**September 30 2006**	**September 30 2006**
Current liabilities:				
Short-term borrowings	¥ 202,882	¥ 142,766	**¥ 247,953**	**$ 2,101**
Current portion of long-term debt	165,091	193,555	**111,620**	**946**
Notes and accounts payable, trade	854,982	813,332	**975,543**	**8,267**
Accounts payable, other and accrued expenses	756,985	854,886	**908,378**	**7,698**
Accrued income and other taxes	33,211	87,295	**26,810**	**227**
Deposits from customers in the banking business	591,540	599,952	**682,717**	**5,786**
Other	489,937	508,442	**490,134**	**4,154**
	3,094,628	3,200,228	**3,443,155**	**29,179**
Long-term liabilities:				
Long-term debt	690,320	764,898	**868,231**	**7,358**
Accrued pension and severance costs	221,915	182,247	**169,667**	**1,438**
Deferred income taxes	143,793	216,497	**238,021**	**2,017**
Future insurance policy benefits and other	2,598,208	2,744,321	**2,880,479**	**24,411**
Other	234,321	258,609	**267,088**	**2,264**
	3,888,557	4,166,572	**4,423,486**	**37,488**
Minority interest in consolidated subsidiaries	25,947	37,101	**40,259**	**341**
Stockholders' equity:				
Capital stock	621,724	624,124	**625,194**	**5,298**
Additional paid-in capital	1,134,304	1,136,638	**1,139,185**	**9,654**
Retained earnings	1,512,723	1,602,654	**1,620,312**	**13,731**
Accumulated other comprehensive income	(266,656)	(156,437)	**(144,619)**	**(1,225)**
Treasury stock, at cost	(2,913)	(3,127)	**(3,327)**	**(28)**
	2,999,182	3,203,852	**3,236,745**	**27,430**
	¥ 10,008,314	¥ 10,607,753	**¥ 11,143,645**	**$ 94,438**

Consolidated Statements of Cash Flows (Unaudited)

	2005	2006	2006
	(Millions of yen, millions of U.S. dollars)		
	Six months ended September 30		
Cash flows from operating activities:			
Net income	¥ 21,205	¥ **33,971**	$ **288**
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	181,416	**184,919**	**1,567**
Amortization of film costs	170,624	**148,714**	**1,260**
Accrual for pension and severance costs, less payments	(3,503)	**(8,479)**	**(72)**
Gain on the transfer to the Japanese Government of the substitutional portion of employee pension fund	(73,472)	—	—
Loss on sale, disposal or impairment of assets, net	28,595	**8,998**	**76**
Gain on sale or loss on devaluation of securities investments, net	(3,456)	**(3,702)**	**(32)**
(Gain) Loss on evaluation of marketable securities held in the financial service business for trading purpose, net	(17,394)	**3,864**	**33**
Gain on change in interest in subsidiaries and equity investees	(38,531)	**(20,075)**	**(170)**
Deferred income taxes	67,569	**(4,575)**	**(39)**
Equity in net (income) loss of affiliated companies, net of dividends	12,443	**(21,987)**	**(186)**
Changes in assets and liabilities:			
Increase in notes and accounts receivable, trade	(22,704)	**(154,431)**	**(1,309)**
Increase in inventories	(158,851)	**(338,190)**	**(2,866)**
Increase in film costs	(218,406)	**(157,992)**	**(1,339)**
Increase in notes and accounts payable, trade	39,971	**159,742**	**1,354**
Decrease in accrued income and other taxes	(22,790)	**(49,918)**	**(423)**
Increase in future insurance policy benefits and other	62,113	**76,270**	**646**
Increase in deferred insurance acquisition costs	(32,080)	**(30,152)**	**(255)**
(Increase) Decrease in marketable securities held in the financial service business for trading purpose	(13,216)	**18,874**	**160**
Increase in other current assets	(58,603)	**(26,462)**	**(224)**
Increase in other current liabilities	18,029	**37,034**	**314**
Other	20,144	**70,802**	**600**
Net cash used in operating activities	(40,897)	**(72,775)**	**(617)**
Cash flows from investing activities:			
Payments for purchases of fixed assets	(234,310)	**(258,061)**	**(2,187)**
Proceeds from sales of fixed assets	9,978	**25,098**	**213**
Payments for investments and advances by financial service business	(712,454)	**(470,577)**	**(3,988)**
Payments for investments and advances (other than financial service business)	(15,217)	**(32,751)**	**(277)**
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	471,167	**374,782**	**3,176**
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	16,873	**4,139**	**35**
Proceeds from sales of subsidiaries' and equity investees' stocks	49,578	**32,165**	**272**
Other	(283)	**667**	**6**
Net cash used in investing activities	(414,668)	**(324,538)**	**(2,750)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	121,280	**125,047**	**1,060**
Payments of long-term debt	(115,563)	**(103,479)**	**(877)**
Increase in short-term borrowings	101,073	**187,021**	**1,585**
Increase in deposits from customers in the financial service business	116,856	**142,793**	**1,210**
Increase (Decrease) in call money and bills sold in the banking business	31,500	**(87,700)**	**(743)**
Dividends paid	(12,368)	**(12,514)**	**(106)**
Other	753	**2,449**	**20**
Net cash provided by financing activities	243,531	**253,617**	**2,149**
Effect of exchange rate changes on cash and cash equivalents	14,131	**(4,072)**	**(34)**
Net decrease in cash and cash equivalents	(197,903)	**(147,768)**	**(1,252)**
Cash and cash equivalents at beginning of the fiscal year	779,103	**703,098**	**5,958**
Cash and cash equivalents at September 30	¥ 581,200	¥ **555,330**	$ **4,706**

The following information shows change in additional paid-in capital and change in retained earnings for the six months of the fiscal year ended March 31, 2006 and consolidated statement of changes in stockholders' equity for the six months of the fiscal year ending March 31,2007.

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

Additional Paid-in Capital and Retained Earnings (Unaudited)

	(Millions of yen) **Six months ended September 30** 2005
Additional Paid-in Capital:	
Balance at March 31, 2005	¥ 1,134,222
Exercise of stock acquisition rights	16
Stock based compensation	66
Balance at September 30, 2005	¥ 1,134,304

	(Millions of yen) **Six months ended September 30** 2005
Retained Earnings:	
Balance at March 31, 2005	¥ 1,506,082
Net income	21,205
Cash dividends	(12,456)
Reissuance of treasury stock	(1,349)
Common stock issue costs, net of tax	(759)
Balance at September 30, 2005	¥ 1,512,723

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(Millions of yen)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
Balance at March 31, 2006	¥ 624,124	¥ 1,136,638	¥ 1,602,654	¥ (156,437)	¥ (3,127)	¥ 3,203,852
Exercise of stock acquisition rights	**478**	**478**				**956**
Conversion of convertible bonds	**592**	**592**				**1,184**
Stock based compensation		**1,472**				**1,472**
Comprehensive income:						
Net income			**33,971**			**33,971**
Cumulative effect of an accounting change, net of tax			**(3,785)**			**(3,785)**
Other comprehensive income, net of tax						
Unrealized gains on securities				**(21,689)**		**(21,689)**
Unrealized losses on derivative instruments				**(1,026)**		**(1,026)**
Minimum pension liability adjustment				**(2,647)**		**(2,647)**
Foreign currency translation adjustments				**37,180**		**37,180**
Total comprehensive income						**42,004**
Stock issue costs, net of tax			**(11)**			**(11)**
Dividends declared			**(12,517)**			**(12,517)**
Purchase of treasury stock					**(226)**	**(226)**
Reissuance of treasury stock		**5**			**26**	**31**
Balance at September 30, 2006	**¥ 625,194**	**¥ 1,139,185**	**¥ 1,620,312**	**¥ (144,619)**	**¥ (3,327)**	**¥ 3,236,745**

(Millions of U.S. dollars)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
Balance at March 31, 2006	$ 5,289	$ 9,633	$ 13,582	$ (1,326)	$ (27)	$ 27,151
Exercise of stock acquisition rights	**4**	**4**				**8**
Conversion of convertible bonds	**5**	**5**				**10**
Stock based compensation		**12**				**12**
Comprehensive income:						
Net income			**288**			**288**
Cumulative effect of an accounting change, net of tax			**(33)**			**(33)**
Other comprehensive income, net of tax						
Unrealized gains on securities				**(184)**		**(184)**
Unrealized losses on derivative instruments				**(8)**		**(8)**
Minimum pension liability adjustment				**(22)**		**(22)**
Foreign currency translation adjustments				**315**		**315**
Total comprehensive income						**356**
Stock issue costs, net of tax			**(0)**			**(0)**
Dividends declared			**(106)**			**(106)**
Purchase of treasury stock					**(1)**	**(1)**
Reissuance of treasury stock		**0**			**0**	**0**
Balance at September 30, 2006	**$ 5,298**	**$ 9,654**	**$ 13,731**	**$ (1,225)**	**$ (28)**	**$ 27,430**

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥118 = U.S. $1, the approximate Tokyo foreign exchange market rate as of September 29, 2006.

2. As of September 30, 2006, Sony had 947 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method in respect to 59 affiliated companies.

3. Prior to December 1, 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 has not been presented since the third quarter of the fiscal year ended March 31, 2006.

   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)	
	Second quarter ended September 30	
	2005	**2006**
Net income		
— Basic	996,523	**1,001,293**
— Diluted	1,044,215	**1,049,549**

Weighted-average number of outstanding shares	(Thousands of shares)	
	Six months ended September 30	
	2005	**2006**
Net income		
— Basic	996,305	**1,001,250**
— Diluted	1,044,040	**1,049,803**

4. Effective April 1, 2006, 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 second quarter and the six months of the fiscal year ended March 31, 2006 have been reclassified to conform with the presentation of these items for the second quarter and the six months of the fiscal year ending March 31, 2007. Royalty income for the second quarter and the six months of the fiscal year ended March 31, 2006 was ¥8.6 billion and ¥17.3 billion, respectively. Royalty income for the second quarter and the six months of the fiscal year ending March 31, 2007 was ¥7.3 billion and ¥15.9 billion, respectively. These amounts were recorded primarily within the Electronics segment.

5. 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 (loss) decreased (increased) ¥697 million and ¥1,397 million for the second quarter and the six months of the fiscal year ending March 31, 2007, respectively.

6. 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 (loss) increased (decreased) approximately ¥1.7 billion and ¥0.1 billion for the second quarter and the six months of the fiscal year ending March 31, 2007, respectively. Additionally, on April 1, 2006, Sony recognized ¥3,785 million of loss (net of income taxes of ¥2,148 million) as a cumulative-effect adjustment to beginning retained earnings.

Other Consolidated Financial Data

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

	Second quarter ended September 30			
	2005	**2006**	Change	**2006**
Capital expenditures (additions to property, plant and equipment)	¥ 87,798	**¥ 90,024**	+2.5%	**$ 763**
Depreciation and amortization expenses*	92,752	**93,654**	+ 1.0	**794**
(Depreciation expenses for tangible assets)	(74,845)	**(74,490)**	-0.5	**(631)**
R&D expenses	131,369	**143,485**	+ 9.2	**1,216**

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

	Six months ended September 30			
	2005	**2006**	Change	**2006**
Capital expenditures (additions to property, plant and equipment)	¥ 185,781	**¥ 224,080**	+20.6%	**$ 1,899**
Depreciation and amortization expenses*	181,416	**184,919**	+ 1.9	**1,567**
(Depreciation expenses for tangible assets)	(146,726)	**(145,492)**	-0.8	**(1,233)**
R&D expenses	249,757	**262,855**	+ 5.2	**2,228**

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

(Condensed Financial Services Financial Statements)

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 (Unaudited)

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

Financial Services	Second quarter ended September 30			
	2005	**2006**	Change	**2006**
			%	
Financial service revenue	¥ 175,882	¥ **168,101**	-4.4	$ **1,425**
Financial service expenses	135,836	**143,534**	+5.7	**1,217**
Operating income	40,046	**24,567**	-38.7	**208**
Other income (expenses), net	23,351	**121**	-99.5	**1**
Income before income taxes	63,397	**24,688**	-61.1	**209**
Income taxes and other	23,555	**9,395**	-60.1	**79**
Net income	¥ 39,842	¥ **15,293**	-61.6	$ **130**

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

Sony without Financial Services	Second quarter ended September 30			
	2005	**2006**	Change	**2006**
			%	
Net sales and operating revenue	¥ 1,543,763	¥ **1,694,094**	+9.7	$ **14,357**
Costs and expenses	1,509,712	**1,739,841**	+15.2	**14,745**
Operating income (loss)	34,051	**(45,747)**	—	**(388)**
Other income (expenses), net	(2,196)	**(5,065)**	—	**(43)**
Income (loss) before income taxes	31,855	**(50,812)**	—	**(431)**
Income taxes and other	43,361	**(37,199)**	—	**(316)**
Net income (loss)	¥ (11,506)	¥ **(13,613)**	—	$ **(115)**

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

Consolidated	Second quarter ended September 30			
	2005	**2006**	Change	**2006**
			%	
Financial service revenue	¥ 170,103	¥ **162,198**	-4.6	$ **1,374**
Net sales and operating revenue	1,541,531	**1,691,981**	+9.8	**14,339**
	1,711,634	**1,854,179**	+8.3	**15,713**
Costs and expenses	1,637,079	**1,875,012**	+14.5	**15,890**
Operating income (loss)	74,555	**(20,833)**	—	**(177)**
Other income (expenses), net	20,828	**(5,289)**	—	**(44)**
Income (loss) before income taxes	95,383	**(26,122)**	—	**(221)**
Income taxes and other	66,915	**(27,802)**	—	**(235)**
Net income	¥ 28,468	¥ **1,680**	-94.1	$ **14**

Condensed Statements of Income (Unaudited)

Financial Services

	(Millions of yen, millions of U.S. dollars)			
	Six months ended September 30			
	2005	**2006**	Change	**2006**
			%	
Financial service revenue	¥ 329,696	¥ **292,202**	-11.4	$ **2,476**
Financial service expenses	267,727	**263,056**	-1.7	**2,229**
Operating income	61,969	**29,146**	-53.0	**247**
Other income (expenses), net	23,234	**64**	-99.7	**1**
Income before income taxes	85,203	**29,210**	-65.7	**248**
Income taxes and other	33,289	**10,796**	-67.6	**92**
Net income	¥ 51,914	¥ **18,414**	-64.5	$ **156**

Sony without Financial Services

	(Millions of yen, millions of U.S. dollars)			
	Six months ended September 30			
	2005	**2006**	Change	**2006**
			%	
Net sales and operating revenue	¥ 2,965,256	¥ **3,322,377**	+12.0	$ **28,156**
Costs and expenses	2,960,116	**3,345,971**	+13.0	**28,356**
Operating income (loss)	5,140	**(23,594)**	—	**(200)**
Other income (expenses), net	17,813	**28,400**	+59.4	**241**
Income before income taxes	22,953	**4,806**	-79.1	**41**
Income taxes and other	53,793	**(17,026)**	—	**(144)**
Net income (loss)	¥ (30,840)	¥ **21,832**	—	$ **185**

Consolidated

	(Millions of yen, millions of U.S. dollars)			
	Six months ended September 30			
	2005	**2006**	Change	**2006**
			%	
Financial service revenue	¥ 318,691	¥ **280,738**	-11.9	$ **2,379**
Net sales and operating revenue	2,961,076	**3,317,677**	+12.0	**28,116**
	3,279,767	**3,598,415**	+9.7	**30,495**
Costs and expenses	3,211,794	**3,592,200**	+11.8	**30,442**
Operating income	67,973	**6,215**	-90.9	**53**
Other income (expenses), net	40,313	**21,691**	-46.2	**183**
Income before income taxes	108,286	**27,906**	-74.2	**236**
Income taxes and other	87,081	**(6,065)**	—	**(52)**
Net income	¥ 21,205	¥ **33,971**	+60.2	$ **288**

Condensed Balance Sheet (Unaudited)

Financial Services				
	(Millions of yen, millions of U.S. dollars)			
ASSETS	September 30 2005	March 31 2006	**September 30 2006**	**September 30 2006**
Current assets:				
Cash and cash equivalents	¥ 187,269	¥ 117,630	**¥ 191,438**	**$ 1,622**
Marketable securities	503,946	532,895	**468,256**	**3,968**
Other	204,377	200,929	**274,626**	**2,328**
	895,592	851,454	**934,320**	**7,918**
Investments and advances	2,788,864	3,128,748	**3,220,740**	**27,294**
Property, plant and equipment	34,053	37,422	**39,427**	**334**
Other assets:				
Deferred insurance acquisition costs	384,917	383,156	**389,695**	**3,303**
Other	122,102	164,827	**97,983**	**830**
	507,019	547,983	**487,678**	**4,133**
	¥ 4,225,528	¥ 4,565,607	**¥ 4,682,165**	**$ 39,679**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 70,862	¥ 136,723	**¥ 67,548**	**$ 572**
Notes and accounts payable, trade	10,643	11,707	**12,601**	**107**
Deposits from customers in the banking business	591,540	599,952	**682,717**	**5,786**
Other	147,191	169,956	**113,157**	**959**
	820,236	918,338	**876,023**	**7,424**
Long-term liabilities:				
Long-term debt	131,507	128,097	**129,415**	**1,097**
Accrued pension and severance costs	13,641	13,479	**13,222**	**112**
Future insurance policy benefits and other	2,598,208	2,744,321	**2,880,479**	**24,411**
Other	158,976	173,354	**200,367**	**1,697**
	2,902,332	3,059,251	**3,223,483**	**27,317**
Minority interest in consolidated subsidiaries	4,279	4,089	**4,228**	**36**
Stockholders' equity	498,681	583,929	**578,431**	**4,902**
	¥ 4,225,528	¥ 4,565,607	**¥ 4,682,165**	**$ 39,679**

Sony without Financial Services				
	(Millions of yen, millions of U.S. dollars)			
ASSETS	September 30 2005	March 31 2006	**September 30 2006**	**September 30 2006**
Current assets:				
Cash and cash equivalents	¥ 393,931	¥ 585,468	**¥ 363,892**	**$ 3,084**
Marketable securities	4,071	4,073	**3,076**	**26**
Notes and accounts receivable, trade	1,000,575	973,675	**1,132,099**	**9,594**
Other	1,317,568	1,393,306	**1,825,897**	**15,474**
	2,716,145	2,956,522	**3,324,964**	**28,178**
Film costs	343,998	360,372	**370,905**	**3,143**
Investments and advances	464,700	477,089	**509,565**	**4,318**
Investments in Financial Services, at cost	187,400	187,400	**187,400**	**1,588**
Property, plant and equipment	1,345,852	1,351,125	**1,402,160**	**11,883**
Other assets	1,106,129	1,059,786	**1,021,756**	**8,659**
	¥ 6,164,224	¥ 6,392,294	**¥ 6,816,750**	**$ 57,769**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 311,405	¥ 225,082	**¥ 329,624**	**$ 2,793**
Notes and accounts payable, trade	847,049	804,394	**963,939**	**8,169**
Other	1,144,494	1,299,809	**1,324,318**	**11,223**
	2,302,948	2,329,285	**2,617,881**	**22,185**
Long-term liabilities:				
Long-term debt	638,502	701,372	**802,173**	**6,798**
Accrued pension and severance costs	208,274	168,768	**156,445**	**1,326**
Other	304,974	352,457	**358,479**	**3,038**
	1,151,750	1,222,597	**1,317,097**	**11,162**
Minority interest in consolidated subsidiaries	21,717	32,623	**35,593**	**302**
Stockholders' equity	2,687,809	2,807,789	**2,846,179**	**24,120**
	¥ 6,164,224	¥ 6,392,294	**¥ 6,816,750**	**$ 57,769**

	(Millions of yen, millions of U.S. dollars)			
Consolidated	September 30	March 31	**September 30**	**September 30**
ASSETS	2005	2006	**2006**	**2006**
Current assets:				
Cash and cash equivalents	¥ 581,200	¥ 703,098	**¥ 555,330**	**$ 4,706**
Marketable securities	508,017	536,968	**471,332**	**3,994**
Notes and accounts receivable, trade	1,008,768	985,508	**1,150,867**	**9,753**
Other	1,496,892	1,543,950	**2,040,345**	**17,292**
	3,594,877	3,769,524	**4,217,874**	**35,745**
Film costs	343,998	360,372	**370,905**	**3,143**
Investments and advances	3,163,720	3,519,907	**3,650,394**	**30,936**
Property, plant and equipment	1,379,905	1,388,547	**1,441,587**	**12,217**
Other assets:				
Deferred insurance acquisition costs	384,917	383,156	**389,695**	**3,303**
Other	1,140,897	1,186,247	**1,073,190**	**9,094**
	1,525,814	1,569,403	**1,462,885**	**12,397**
	¥ 10,008,314	¥ 10,607,753	**¥ 11,143,645**	**$ 94,438**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 367,973	¥ 336,321	**¥ 359,573**	**$ 3,047**
Notes and accounts payable, trade	854,982	813,332	**975,543**	**8,267**
Deposits from customers in the banking business	591,540	599,952	**682,717**	**5,786**
Other	1,280,133	1,450,623	**1,425,322**	**12,079**
	3,094,628	3,200,228	**3,443,155**	**29,179**
Long-term liabilities:				
Long-term debt	690,320	764,898	**868,231**	**7,358**
Accrued pension and severance costs	221,915	182,247	**169,667**	**1,438**
Future insurance policy benefits and other	2,598,208	2,744,321	**2,880,479**	**24,411**
Other	378,114	475,106	**505,109**	**4,281**
	3,888,557	4,166,572	**4,423,486**	**37,488**
Minority interest in consolidated subsidiaries	25,947	37,101	**40,259**	**341**
Stockholders' equity	2,999,182	3,203,852	**3,236,745**	**27,430**
	¥ 10,008,314	¥ 10,607,753	**¥ 11,143,645**	**$ 94,438**

Condensed Statements of Cash Flows (Unaudited)

Financial Services

	(Millions of yen, millions of U.S. dollars) Six months ended September 30		
	2005	**2006**	**2006**
Net cash provided by operating activities	¥ 50,949	¥ **121,798**	$ **1,032**
Net cash used in investing activities	(261,946)	**(113,193)**	**(959)**
Net cash provided by financing activities	138,895	**65,203**	**552**
Net increase (decrease) in cash and cash equivalents	(72,102)	**73,808**	**625**
Cash and cash equivalents at beginning of the fiscal year	259,371	**117,630**	**997**
Cash and cash equivalents at September 30	¥ 187,269	¥ **191,438**	$ **1,622**

Sony without Financial Services

	(Millions of yen, millions of U.S. dollars) Six months ended September 30		
	2005	**2006**	**2006**
Net cash used in operating activities	¥ (91,879)	¥ **(191,169)**	$ **(1,620)**
Net cash used in investing activities	(145,119)	**(217,499)**	**(1,843)**
Net cash provided by financing activities	97,066	**191,164**	**1,620**
Effect of exchange rate changes on cash and cash equivalents	14,131	**(4,072)**	**(34)**
Net decrease in cash and cash equivalents	(125,801)	**(221,576)**	**(1,877)**
Cash and cash equivalents at beginning of the fiscal year	519,732	**585,468**	**4,961**
Cash and cash equivalents at September 30	¥ 393,931	¥ **363,892**	$ **3,084**

Consolidated

	(Millions of yen, millions of U.S. dollars) Six months ended September 30		
	2005	**2006**	**2006**
Net cash used in operating activities	¥ (40,897)	¥ **(72,775)**	$ **(617)**
Net cash used in investing activities	(414,668)	**(324,538)**	**(2,750)**
Net cash provided by financing activities	243,531	**253,617**	**2,149**
Effect of exchange rate changes on cash and cash equivalents	14,131	**(4,072)**	**(34)**
Net decrease in cash and cash equivalents	(197,903)	**(147,768)**	**(1,252)**
Cash and cash equivalents at beginning of the fiscal year	779,103	**703,098**	**5,958**
Cash and cash equivalents at September 30	¥ 581,200	¥ **555,330**	$ **4,706**