

May 17, 2006

### **Stock Options (Stock Acquisition Rights)**

Sony Corporation (the “Corporation”) resolved at a meeting of its Board of Directors today to propose an agenda asking for authorization to issue stock acquisition rights to directors, corporate executive officers and employees of the Corporation and its subsidiaries as outlined below, for the purpose of granting stock options, pursuant to the provisions of Articles 236, 238 and 239 of the Company Law, and to delegate the determination of the terms of such stock acquisition rights to the Board of Directors of the Corporation. The proposal will be made at its 89th ordinary general meeting of shareholders to be held on June 22, 2006.

#### **I. The reason why the Corporation needs to offer for subscription of stock acquisition rights upon especially favorable terms.**

The Corporation will issue stock acquisition rights to directors, corporate executive officers and employees of the Corporation and its subsidiaries for the purposes of giving directors, corporate executive officers and employees of the Corporation and its subsidiaries an incentive to contribute towards the improvement of the business performance of the Corporation and its group companies (hereinafter referred to as the “Group”) and thereby improving such business performance of the Group, by making the economic interest which such directors, corporate executive officers or employees will receive correspond to the business performance of the Corporation.

#### **II. Matters regarding, and the maximum limit of the aggregate numbers of, stock acquisition rights (hereinafter referred to as the “Stock Acquisition Rights”) which terms the Board of Directors of the Corporation may determine pursuant to the delegation of such determination by the approval of this general meeting of shareholders.**

##### 1. Maximum Limit of Aggregate Numbers of Stock Acquisition Rights

Not exceeding 27,500.

##### 2. The Stock Acquisition Rights are issued without the payment to the Corporation of any consideration.

##### 3. Matters regarding Stock Acquisition Rights

###### (1) Class and Number of Shares to be Issued or Transferred upon Exercise of Stock Acquisition Rights

The class of shares to be issued or transferred upon exercise of Stock Acquisition Rights shall be shares of common stock of the Corporation, and the number of shares to be issued or transferred upon exercise of each Stock Acquisition Right (hereinafter referred to as the “Number of Granted Shares”) shall be 100 shares of common stock of the Corporation.

The aggregate number of shares to be issued or transferred upon exercise of Stock Acquisition Rights shall not exceed 2,750,000 shares of common stock of the Corporation. However, in the event that the Number of Granted Shares is adjusted pursuant to (2) below, the aggregate number of shares to be issued or transferred upon exercise of Stock Acquisition Rights shall not exceed the number obtained by multiplying the Number of Granted Shares after adjustment by the maximum limit of the aggregate number of Stock Acquisition Rights as prescribed in 1. above.

(2) Adjustment of Number of Granted Shares

In the event that the Corporation conducts a stock split (including non-paid allotment (*musho-wariate*)) or a consolidation of the shares of common stock of the Corporation after the date of a resolution of this general meeting of shareholders, the Number of Granted Shares shall be adjusted in accordance with the following formula:

$$\begin{array}{l} \text{Number of} \\ \text{Granted Shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of} \\ \text{Granted Shares} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of split} \\ \text{or consolidation} \end{array}$$

Any fraction less than one (1) share resulting from the adjustment shall be disregarded.

(3) Amount of the Assets to be Contributed upon Exercise of Stock Acquisition Rights

The amount of the assets to be contributed upon exercise of Stock Acquisition Rights shall be the amount obtained by multiplying the amount to be paid in per share to be issued or transferred upon exercise of Stock Acquisition Rights (hereinafter referred to as the "Exercise Price"), which is provided below, by the Number of Granted Shares.

(i) Initial Exercise Price

The Exercise Price shall initially be as follows.

(A) Stock Acquisition Rights with Exercise Price Denominated in Yen

The Exercise Price shall be initially the average of the closing prices of shares of common stock of the Corporation in the regular trading thereof on the Tokyo Stock Exchange (each hereinafter referred to as the "Closing Price") for the ten (10) consecutive trading days (excluding days on which there is no Closing Price) immediately prior to the allotment date of such Stock Acquisition Rights (any fraction less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen); provided, however, that if such calculated price is lower than any of (a) the average of the Closing Prices for the thirty (30) consecutive trading days (excluding days on which there is no Closing Price) commencing forty-five (45) trading days immediately before the day that is immediately after the allotment date of Stock Acquisition Rights (any fraction less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen), (b) the average of the Closing Prices for the thirty (30) consecutive trading days (excluding days on which there is no Closing Price) commencing forty-five (45) trading days immediately before the date (being the allotment date of Stock Acquisition Rights) on which the Corporation fixes the Exercise Price (any fraction less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen), or (c) the Closing Price on the allotment date of Stock Acquisition Rights (if there is no Closing Price on such date, the Closing Price on the immediately preceding trading day), the Exercise Price shall be the highest price among (a), (b) and (c) above.

(B) Stock Acquisition Rights with Exercise Price Denominated in U.S. Dollars

The Exercise Price shall be initially the U.S. dollar amount obtained by dividing the average of the Closing Prices for the ten (10) consecutive trading days (excluding days on which there is no Closing Price) immediately prior to the

allotment date of such Stock Acquisition Rights (hereinafter referred to as the “Reference Yen Price”) by the average of the exchange rate quotations by a leading commercial bank in Tokyo for selling spot U.S. dollars by telegraphic transfer against yen for such ten (10) consecutive trading days (hereinafter referred to as the “Reference Exchange Rate”) (any fraction less than one (1) cent arising as a result of such calculation shall be rounded up to the nearest one (1) cent); provided, however, that if the Reference Yen Price is lower than any of (a) the average of the Closing Prices for the thirty (30) consecutive trading days (excluding days on which there is no Closing Price) commencing forty-five (45) trading days immediately before the day that is immediately after the allotment date of Stock Acquisition Rights, (b) the average of the Closing Prices for the thirty (30) consecutive trading days (excluding days on which there is no Closing Price) commencing forty-five (45) trading days immediately before the date (being the allotment date of Stock Acquisition Rights) on which the Corporation fixes the Exercise Price or (c) the Closing Price on the allotment date of Stock Acquisition Rights (if there is no Closing Price on such date, the Closing Price on the immediately preceding trading day), the Exercise Price shall be the U.S. dollar amount obtained by dividing the highest price among (a), (b) and (c) above by the Reference Exchange Rate (any fraction less than one (1) cent arising as a result of such calculation shall be rounded up to the nearest one (1) cent).

(ii) Adjustment of Exercise Price

In the event that the Corporation conduct a stock split (including non-paid allotment (*musho-wariate*)) or consolidation of the shares of common stock of the Corporation after the allotment date of Stock Acquisition Rights, the Exercise Price shall be adjusted in accordance with the following formula, and any fraction less than one (1) yen or one (1) cent resulting from the adjustment shall be rounded up to the nearest one (1) yen or one (1) cent.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition, in the case of a merger with any other company, corporate split or capital reduction of the Corporation, or in any other case similar thereto where an adjustment of Exercise Price shall be required, in each case after the allotment date of Stock Acquisition Rights, the Exercise Price shall be adjusted appropriately to the extent reasonable.

(4) Period during which Stock Acquisition Rights May be Exercised

The period during which Stock Acquisition Rights may be exercised will be the period from the allotment date of Stock Acquisition Rights to the day on which ten (10) years have passed from such allotment date.

(5) Conditions for the Exercise of Stock Acquisition Rights

- (i) No Stock Acquisition Right may be exercised in part.
- (ii) In the event of a resolution being passed at a general meeting of shareholders of the Corporation for an agreement for any consolidation, amalgamation or merger (other than a consolidation, amalgamation or merger in which the Corporation is the continuing corporation), or in the event of a resolution being passed at a general meeting of shareholder of the Corporation (or, where a resolution of a general meeting of shareholders is not necessary, at a meeting of the Board of Directors of the Corporation) for any agreement for share exchange (*kabushiki-kokan*) or any plan for share transfer (*kabushiki-iten*) pursuant to which the Corporation to become a wholly-owned subsidiary of another corporation, Stock Acquisition Right may not be exercised on and after the

effective date of such consolidation, amalgamation, merger, share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*).

- (iii) Conditions for the exercise of Stock Acquisition Rights other than the conditions referred to above shall be determined by the Board of Directors of the Corporation.
- (6) Mandatory Repurchase of Stock Acquisition Rights  
Not applicable.
- (7) Matters concerning the Amount of Capital and the Additional Paid-in Capital Increased by the Issuance of the Shares upon Exercise of Stock Acquisition Rights
  - (i) The amount of capital increased by the issue of the shares upon exercise of Stock Acquisition Rights shall be the amount obtained by multiplying the maximum limit of capital increase, as calculated in accordance with the provisions of Paragraph 1, Article 40 of the Company Accounting Regulation, by 0.5, and any fraction less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen.
  - (ii) The amount of additional paid-in capital increased by the issue of the shares upon exercise of Stock Acquisition Rights shall be the amount obtained by deducting the capital to be increased, as provided in (i) above, from the maximum limit of capital increase, as also provided in (i) above.
- (8) Restrictions on the Acquisition of Stock Acquisition Rights through Transfer  
The Stock Acquisition Rights can not be acquired through transfer, unless such acquisition is expressly approved by the Board of Directors of the Corporation.

Note: The issuance of the Stock Acquisition Rights shall be subject to the approval by shareholders on the agenda referred to above to be obtained at the 89th ordinary general meeting of shareholders of the Corporation to be held on June 22, 2006. In addition, terms of a specific issue and allotment of the Stock Acquisition Rights will be determined by the Board of Directors of the Corporation or the Corporate Executive Officer to whom the determination has been delegated by a resolution of the Board of Directors of the Corporation after the general meeting of shareholders referred to above.