

SONY MEETING

FY2000 Q1 Consolidated Results

Masayoshi Morimoto

Corporate Senior Executive Vice President

(In charge of PR and IR)

FY2000 Forecast and Objectives

Teruhisa Tokunaka

Executive Deputy President & CFO

Entertainment Business

Howard Stringer

Chairman & CEO, Sony Corporation of America

Chairman of the Board, Sony Music Entertainment Inc.

Chairman of the Board, Sony Pictures Entertainment Inc.

Strive for “New Growth”

Kunitake Ando

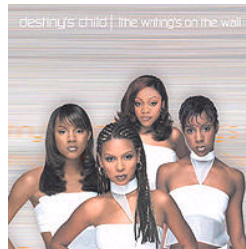
President & COO



SONY FY00.1Q Results

Cautionary Statements With Respect to Forward-Looking Statements

Statements made in this presentation with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them. Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to (i) general economic conditions in Sony's markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; and (iii) Sony's ability to continue to design and develop and win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology (particularly in the Electronics business), and subjective and changing consumer preferences (particularly in the Game, Music and Pictures businesses).



Consolidated Results

FY2000.1Q (quarter ended June 30, 2000)

		YOY change	LC*
Sales and operating revenue	1,562 bln yen	+5%	+17%
Operating income	34 bln yen	- 20%	+124%
Income before income taxes	39 bln yen	- 9%	
Net income (loss)	(88) bln yen		(99.1Q: 18 bln yen)

Impact of Change in Pictures Accounting

Operating Income: -6.3 bln yen

Net Income: -107.9 bln yen (of which -101.7 bln yen is a one time charge)

Impact of Exchange Rates (00.1Q vs 99.1Q)

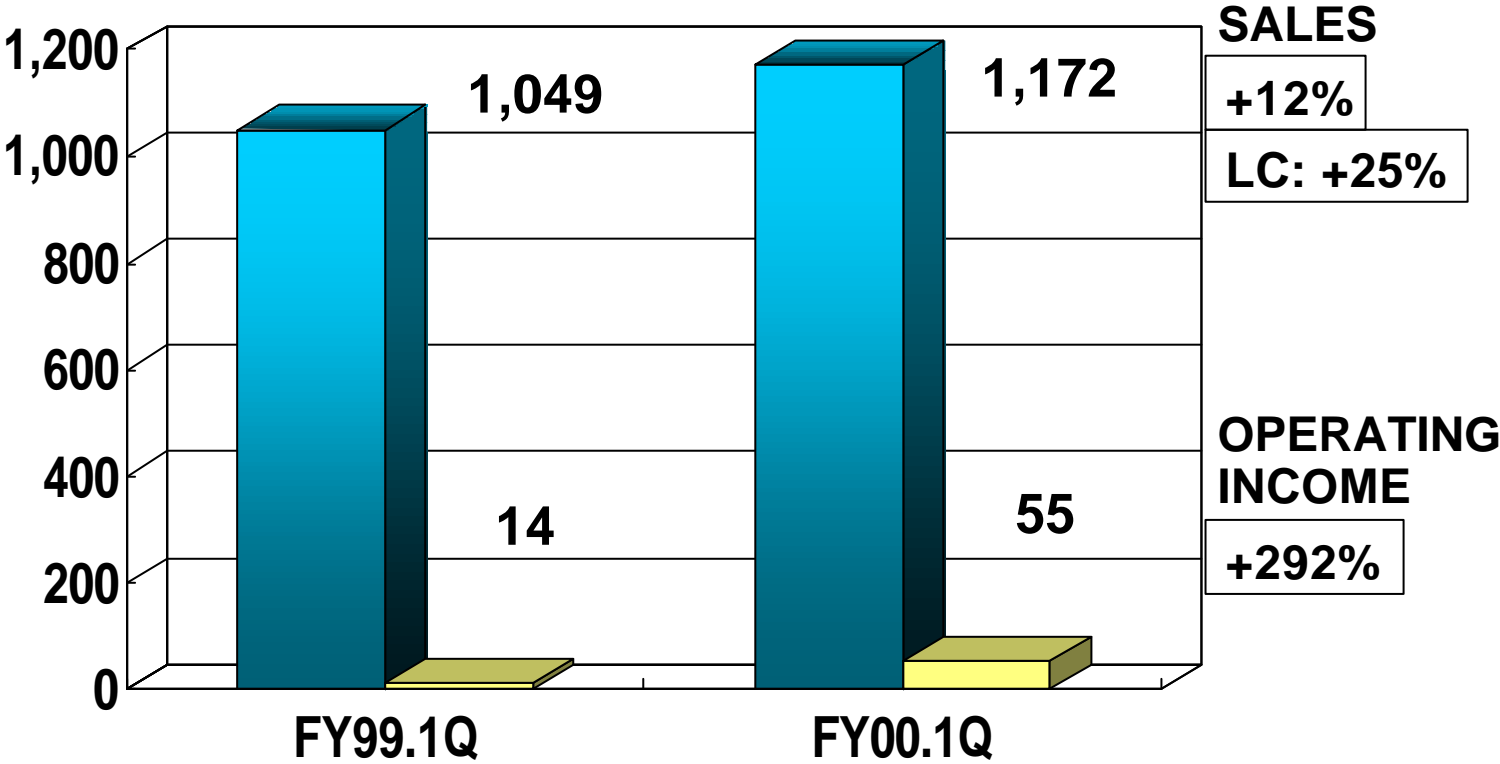
(\$1=106 yen vs 120 yen; 1 euro=98 yen vs 126 yen)

Sales impact: -167 bln yen Oper. Income impact: -61 bln yen

*LC=local currency

Electronics FY00.1Q

(bln yen)

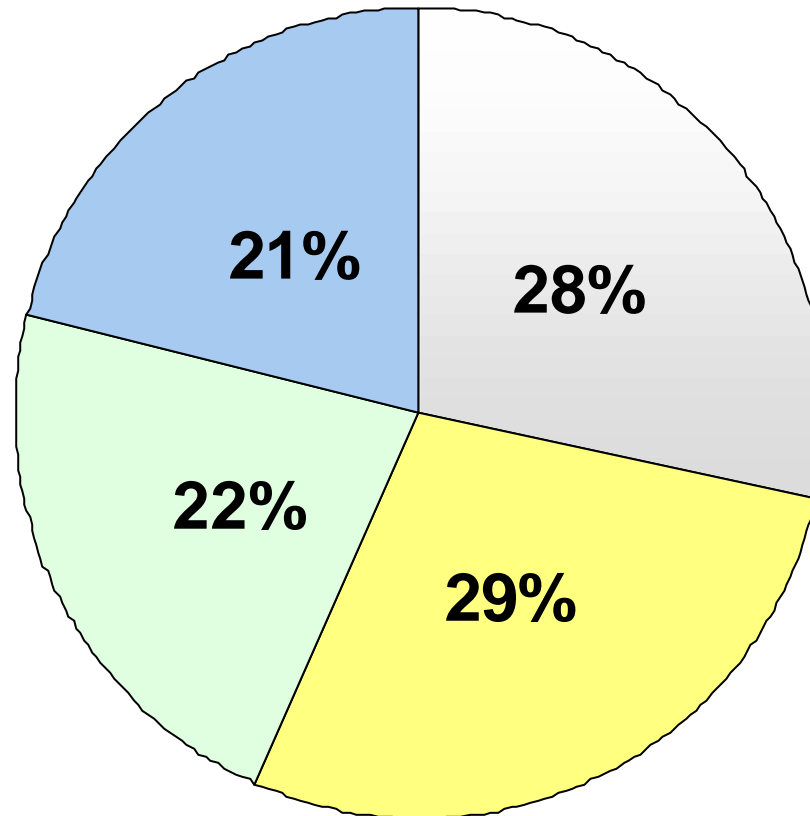


including intersegment transactions
 LC=local currency basis
 % change over year earlier period

Electronics Sales by Area FY00.1Q

Other Area
+19%
(LC+35%)

Japan
+22%



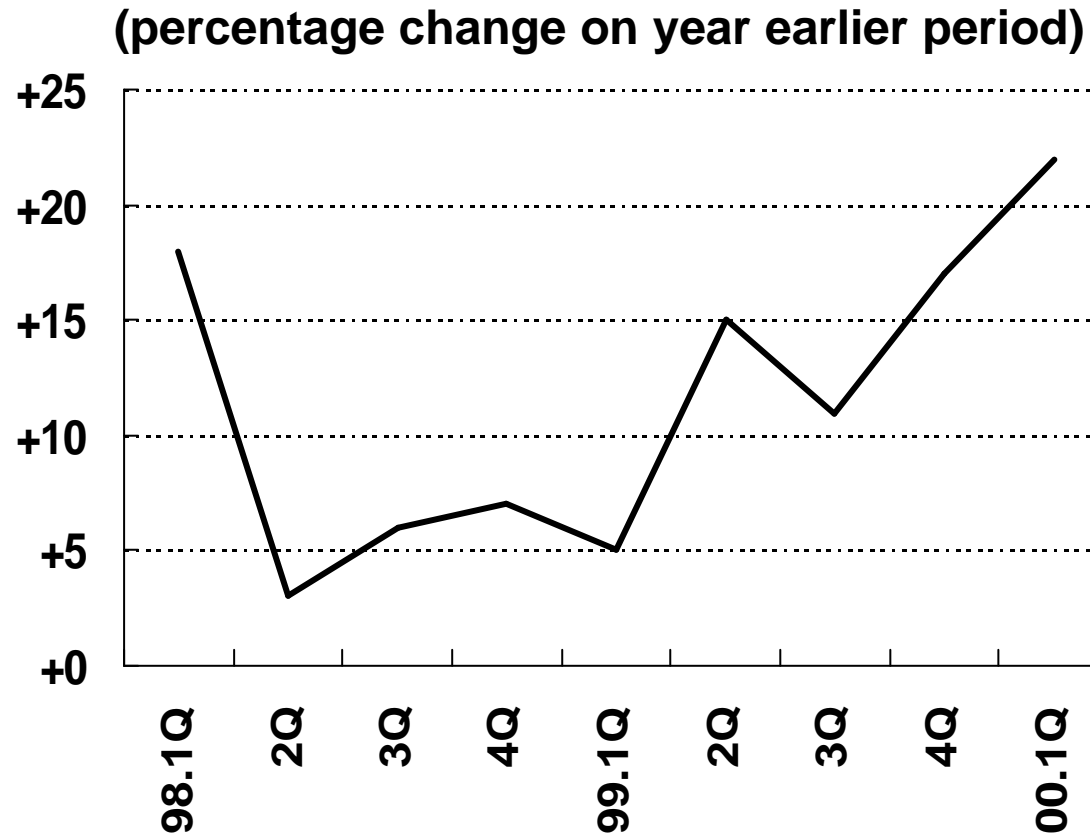
Europe
-2%
(LC+23%)

U.S.
+5%
(LC+19%)

based on location of customer
change over year earlier period, LC = local currency
excluding Aiwa and other operating revenue

Electronics Sales Trends by Area

Japan



00.1Q positive factors

- VAIO PC
- Digital Camcorders
- Digital Still Cameras
- Semiconductors

00.1Q negative factors

- Televisions
- Batteries
- Home Audio

*excluding Aiwa and other operating revenue

Electronics Sales Trends by Area

U.S.

Local currency base;
Percentage change on year earlier period



00.1Q positive factors

- VAIO PC
- Digital Camcorders
- Digital Still Cameras
- Television
- DVD Players

00.1Q negative factors

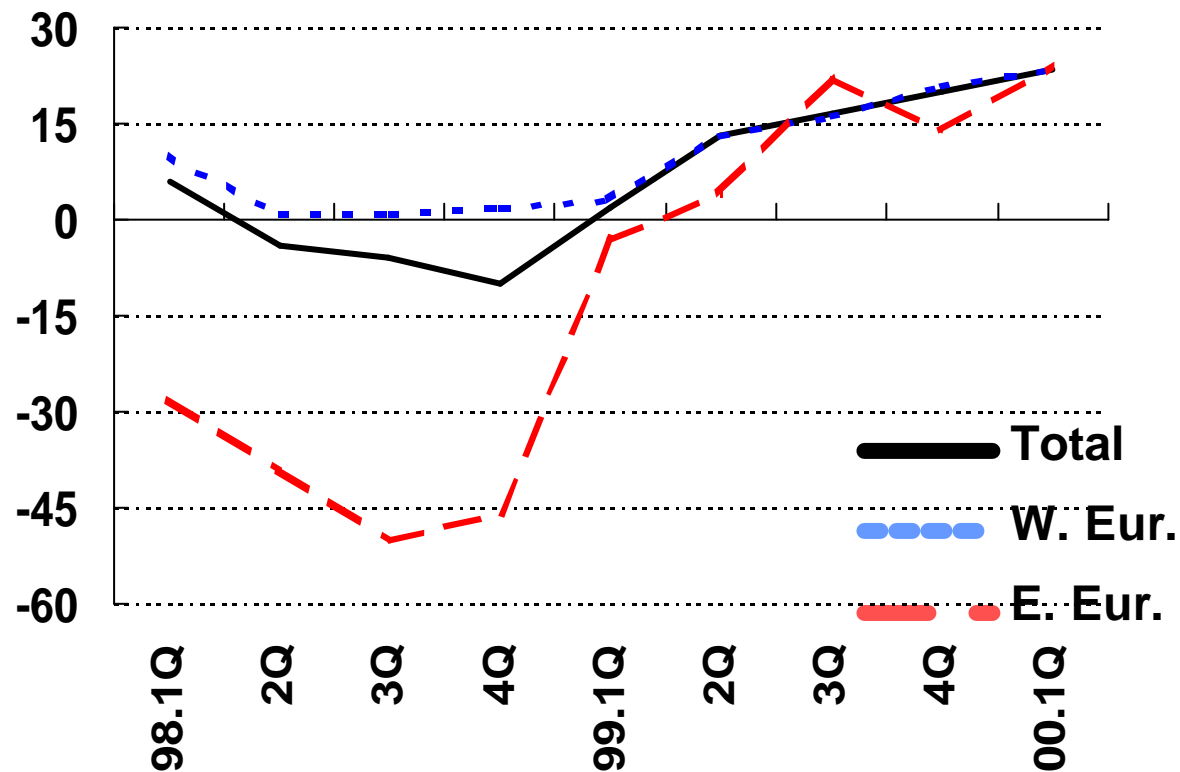
- Cellular Phones (discontinuation)

* excluding Aiwa and other operating revenue

Electronics Sales Trends by Area

Europe

Local currency base;
Percentage change on year earlier period



00.1Q positive factors

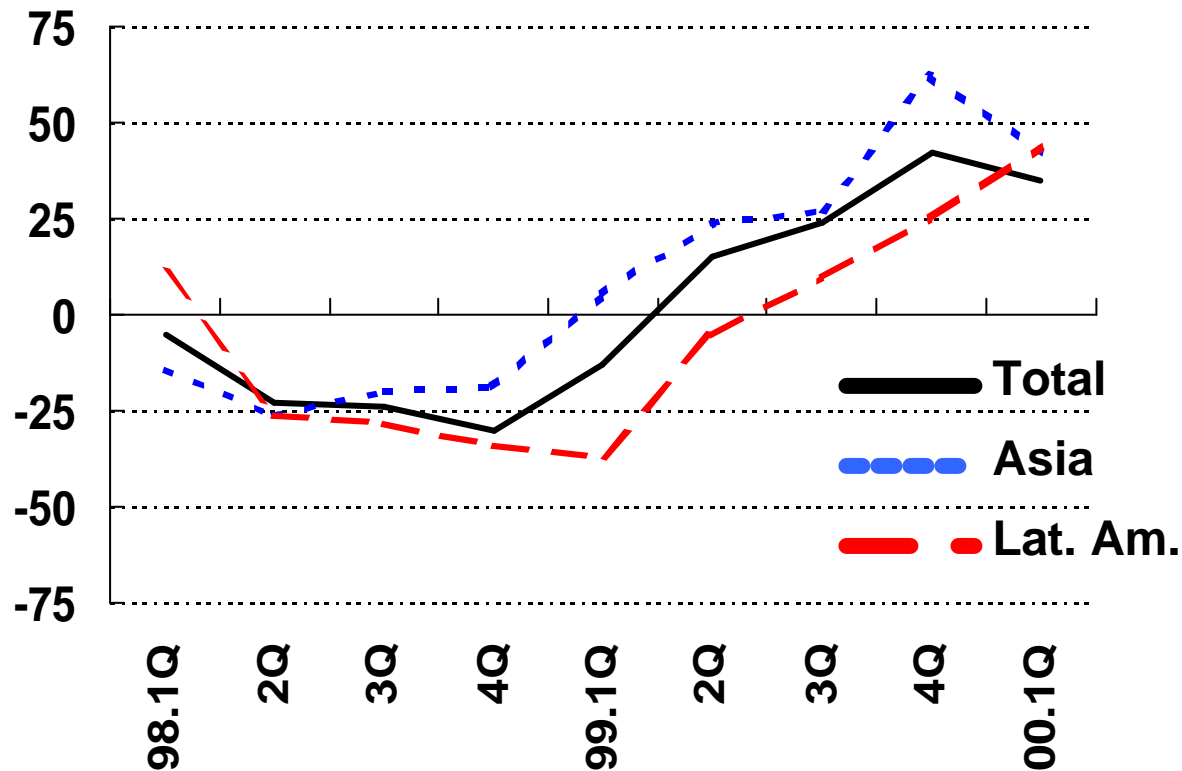
- Television
- VAIO PC
- Digital Camcorders
- Digital Still Cameras
- Stereos

* excluding Aiwa and other operating revenue

Electronics Sales Trends by Area

Other Area

Local currency base;
Percentage change on year earlier period



00.1Q positive factors

- Storage Devices
- Television
- Broadcast & Professional

00.1Q negative factors

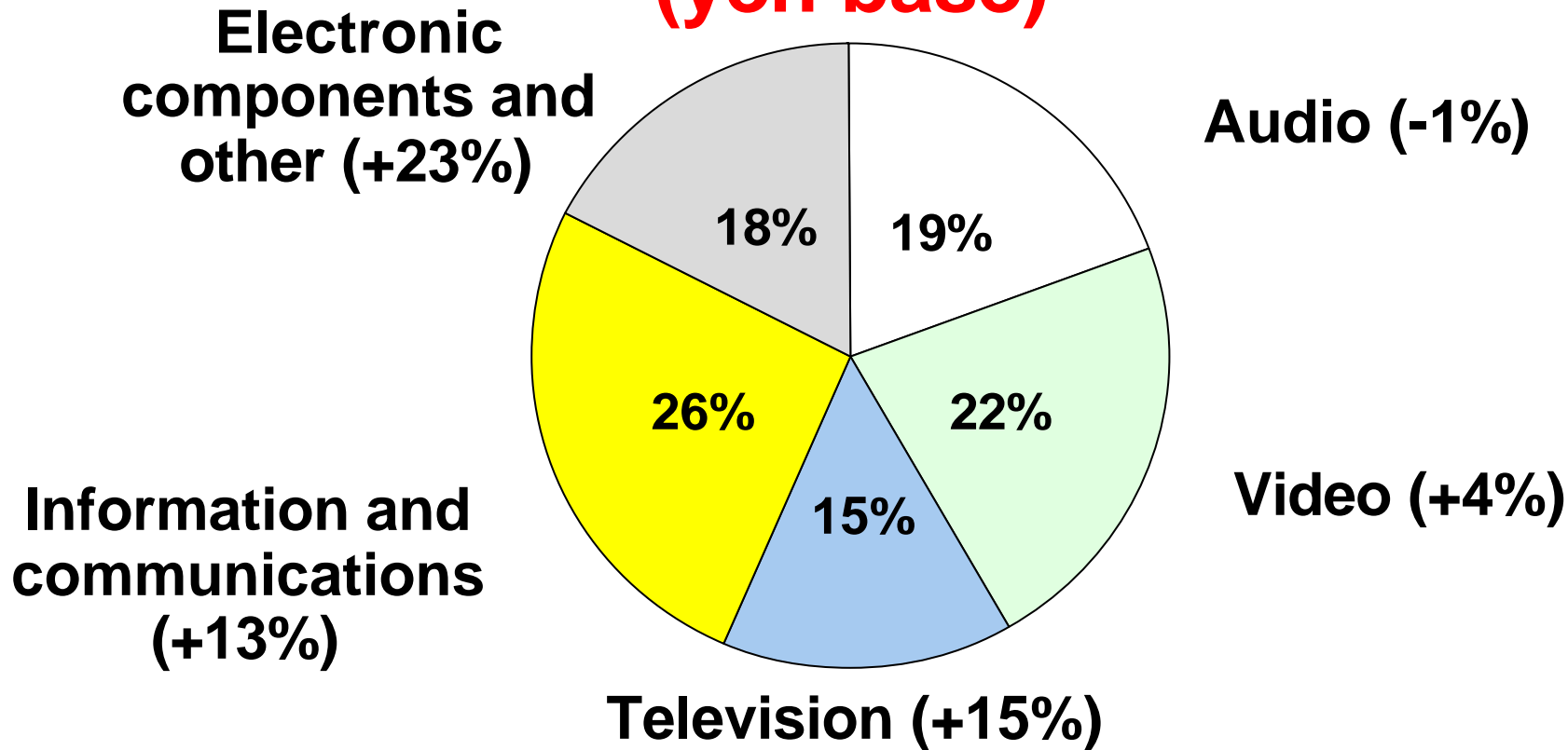
- Cellular Phones

* excluding Aiwa and other operating revenue

Composition of Electronics Sales

FY00.1Q

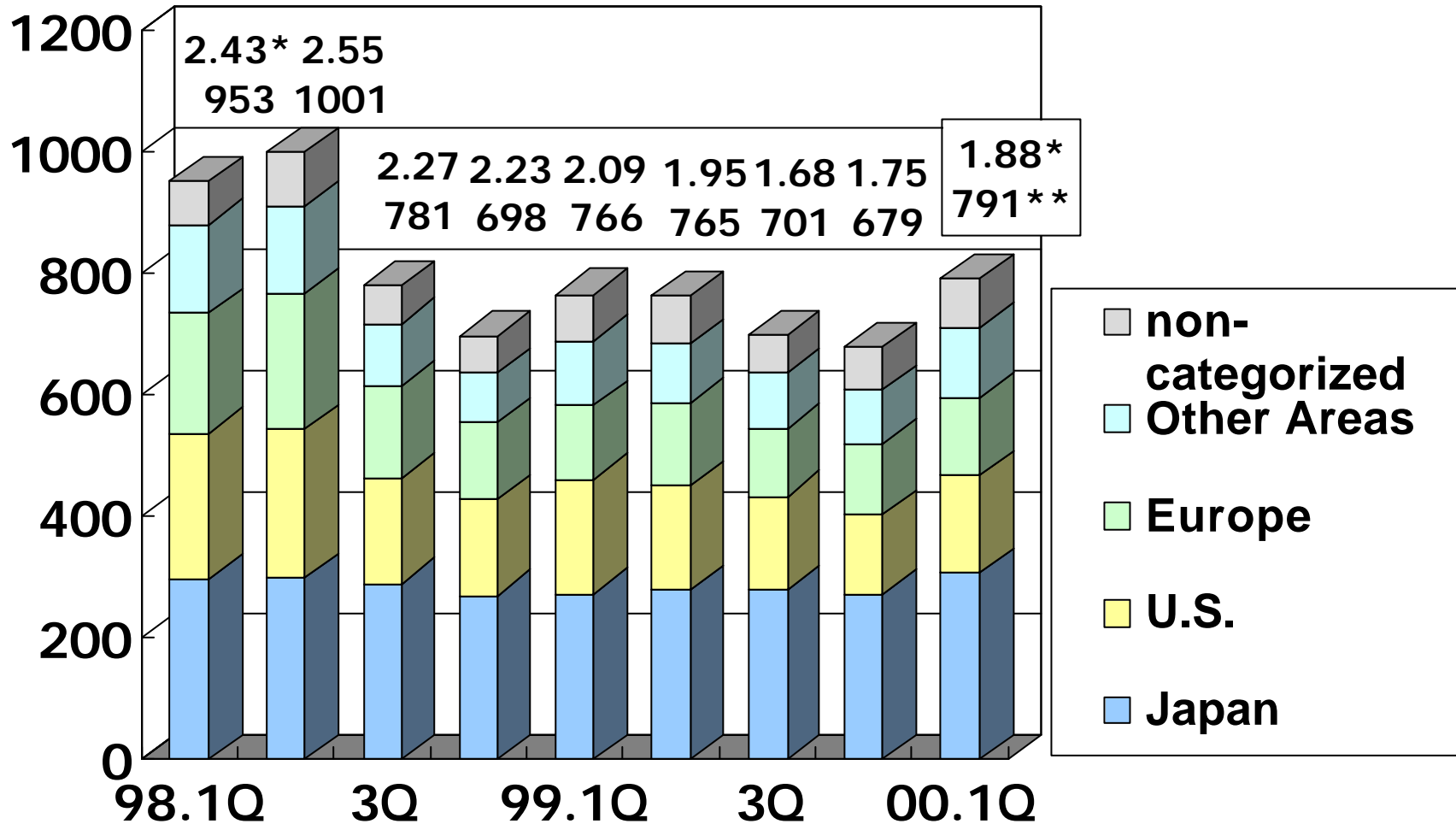
(yen base)



Percentage of total Electronics business;
year on year growth rates;
excluding intersegment transactions

Electronics Inventory Levels

(bln yen)

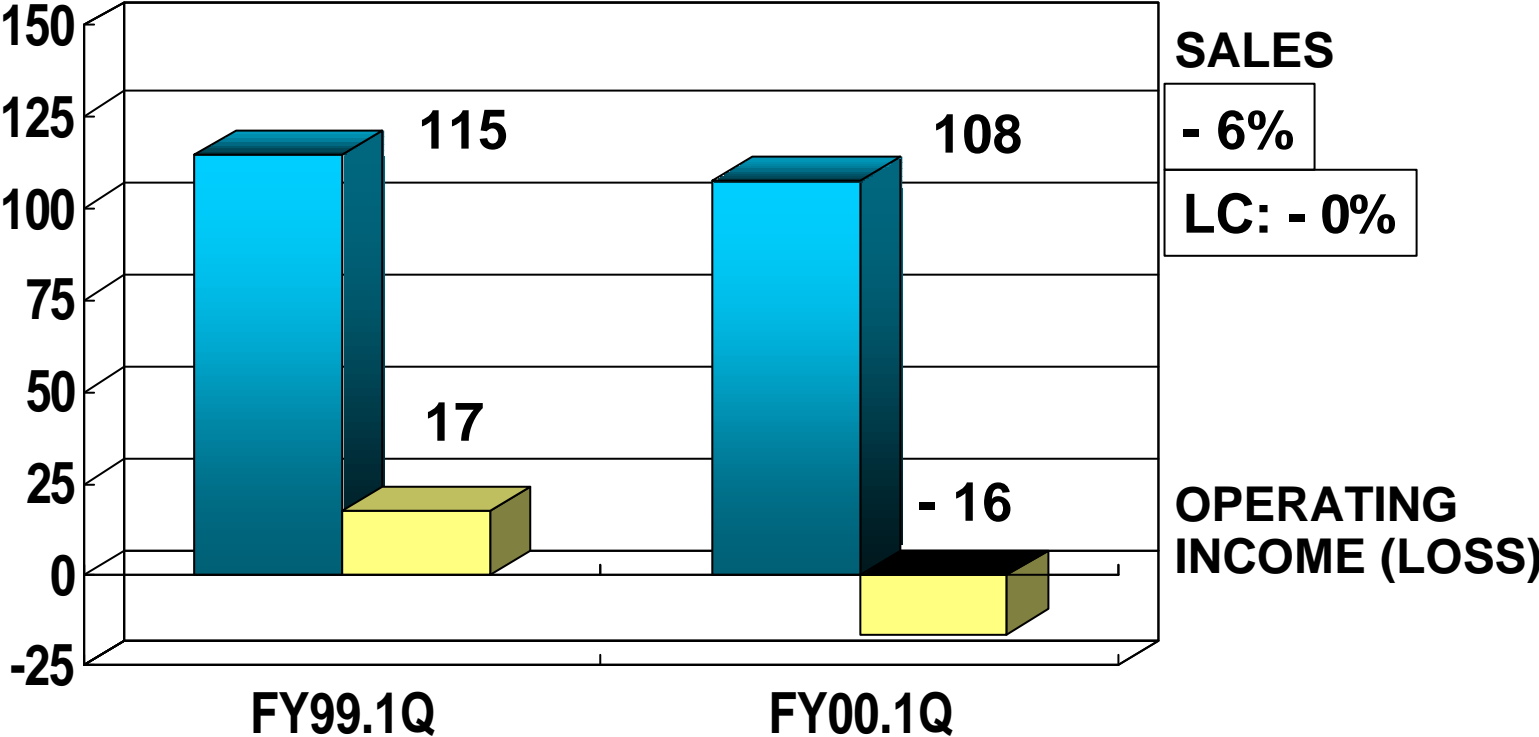


* months of sales (average inventory level in quarter divided by average monthly sales in quarter)

** inventory levels

Game FY00.1Q

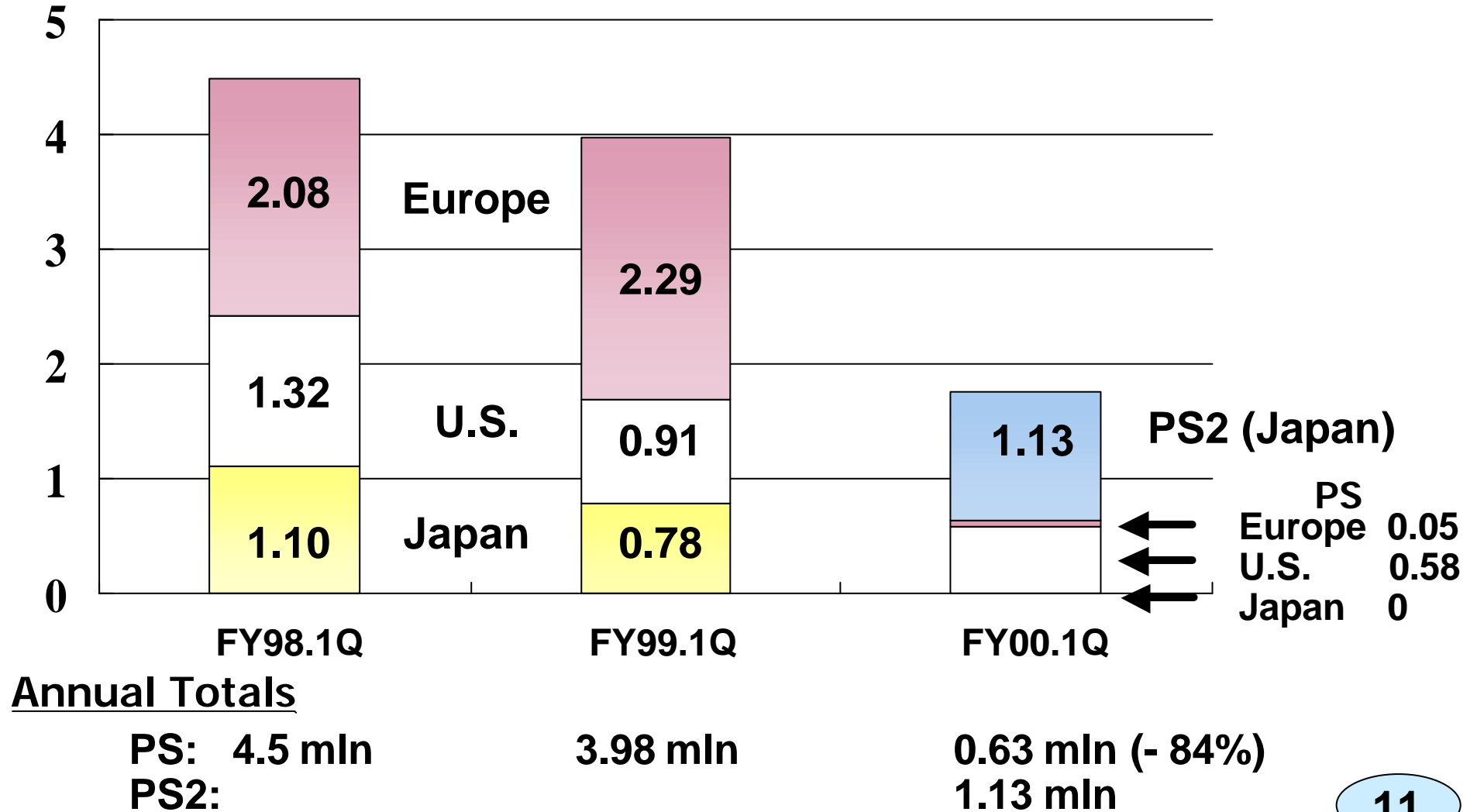
(bln yen)

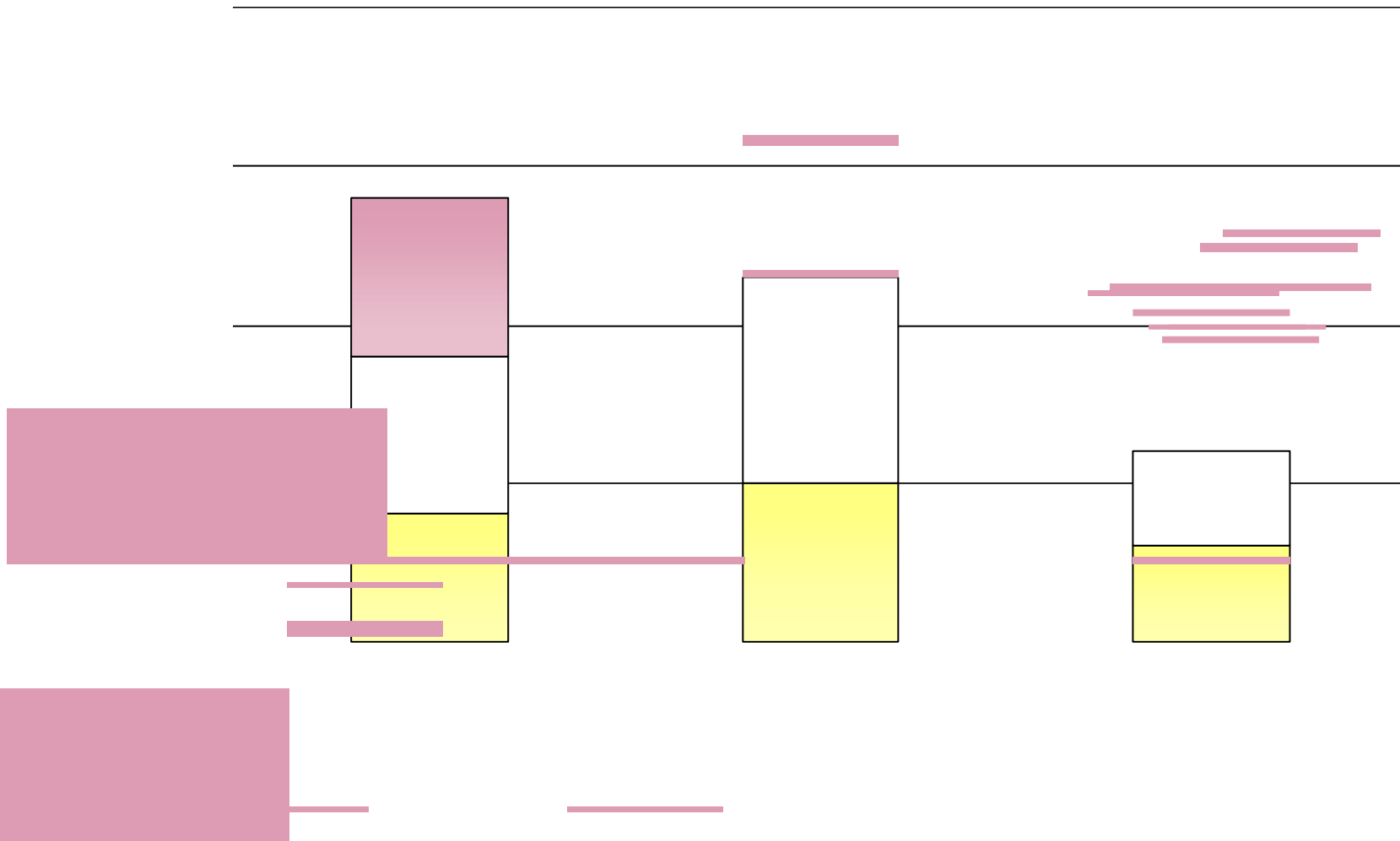


including intersegment transactions
LC=local currency basis
% change over year earlier period

PS, PS2 Hardware Shipments FY00.1Q

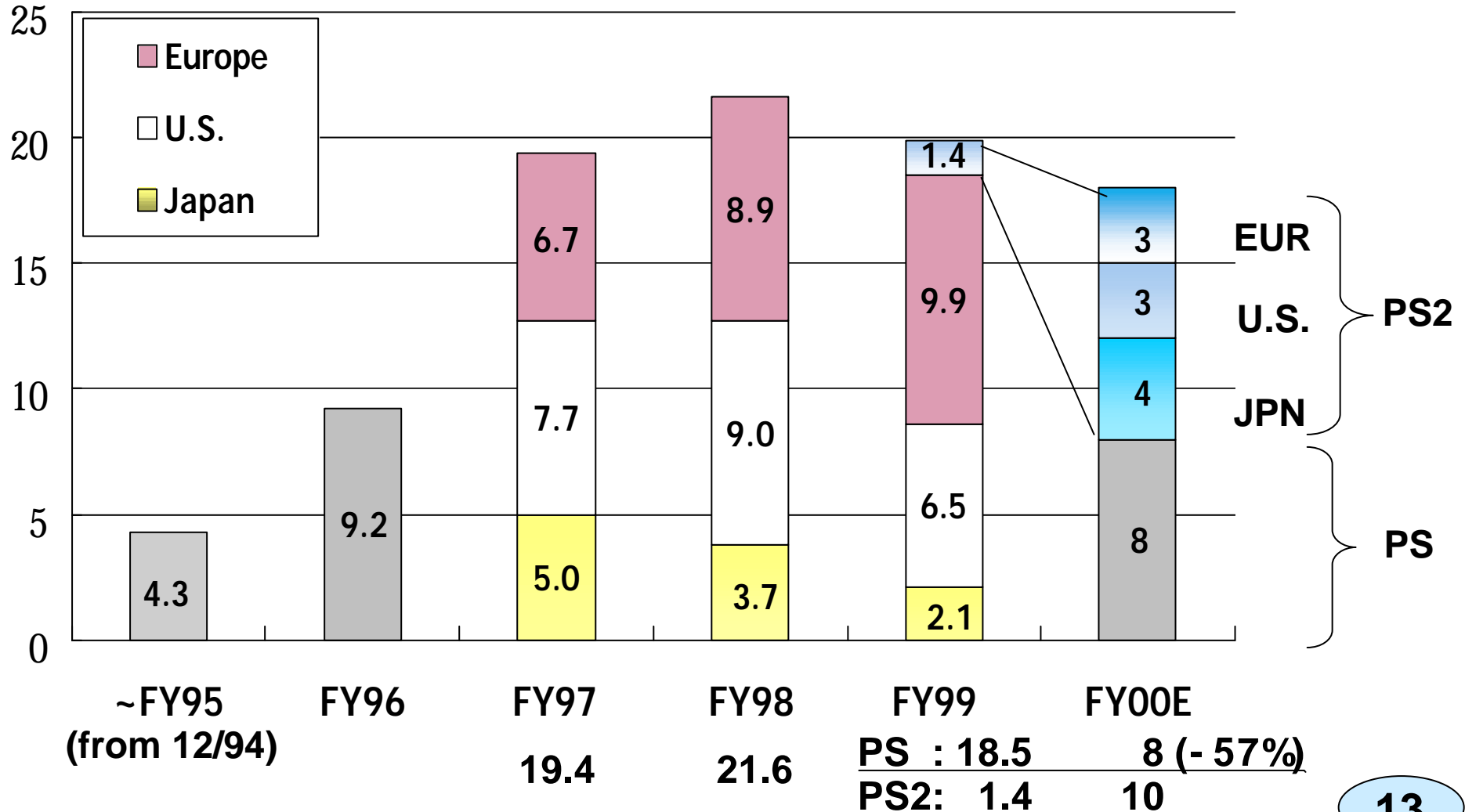
(mln units)



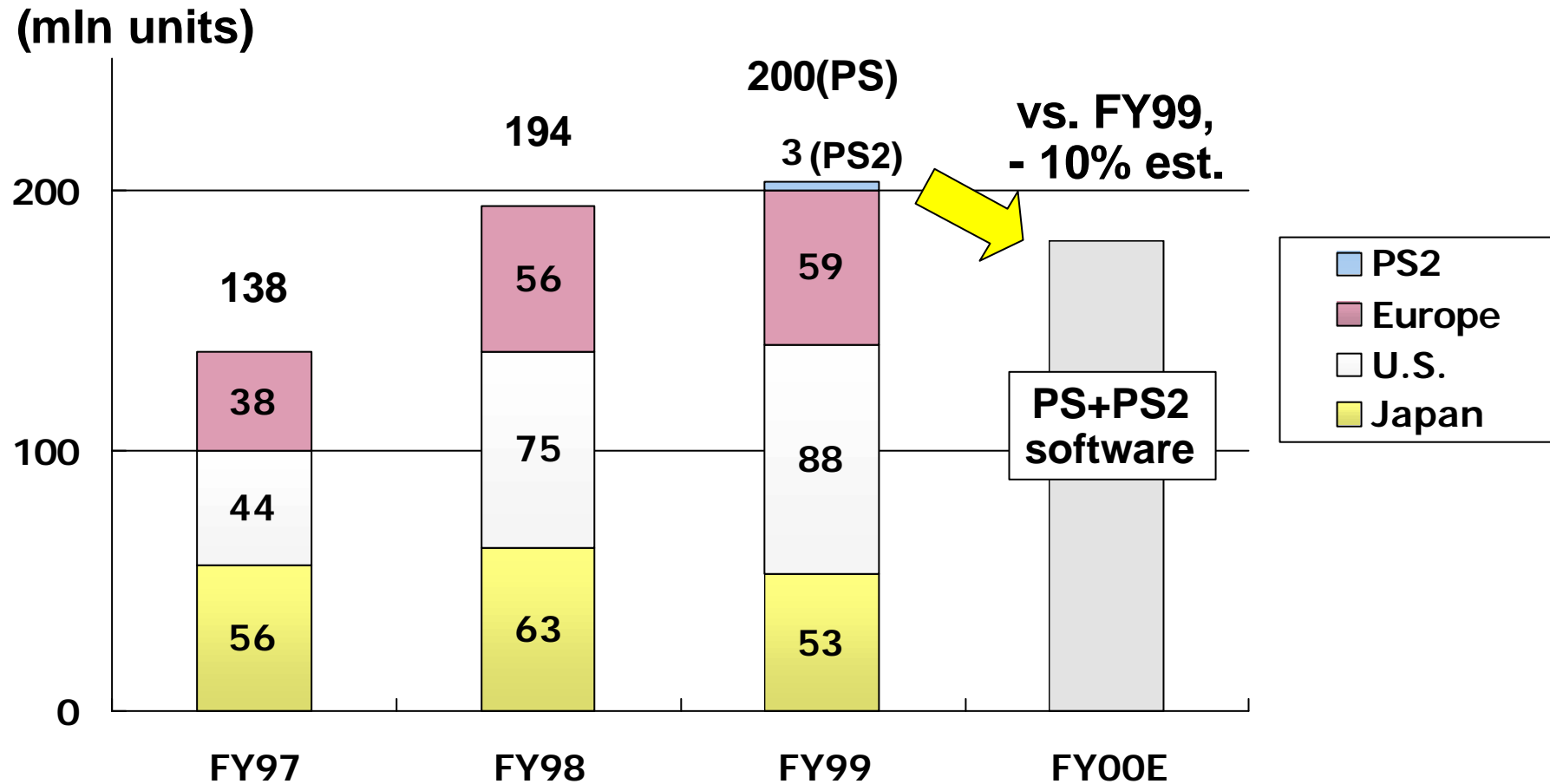


PS, PS2 Hardware Shipments (by year)

(mil units)

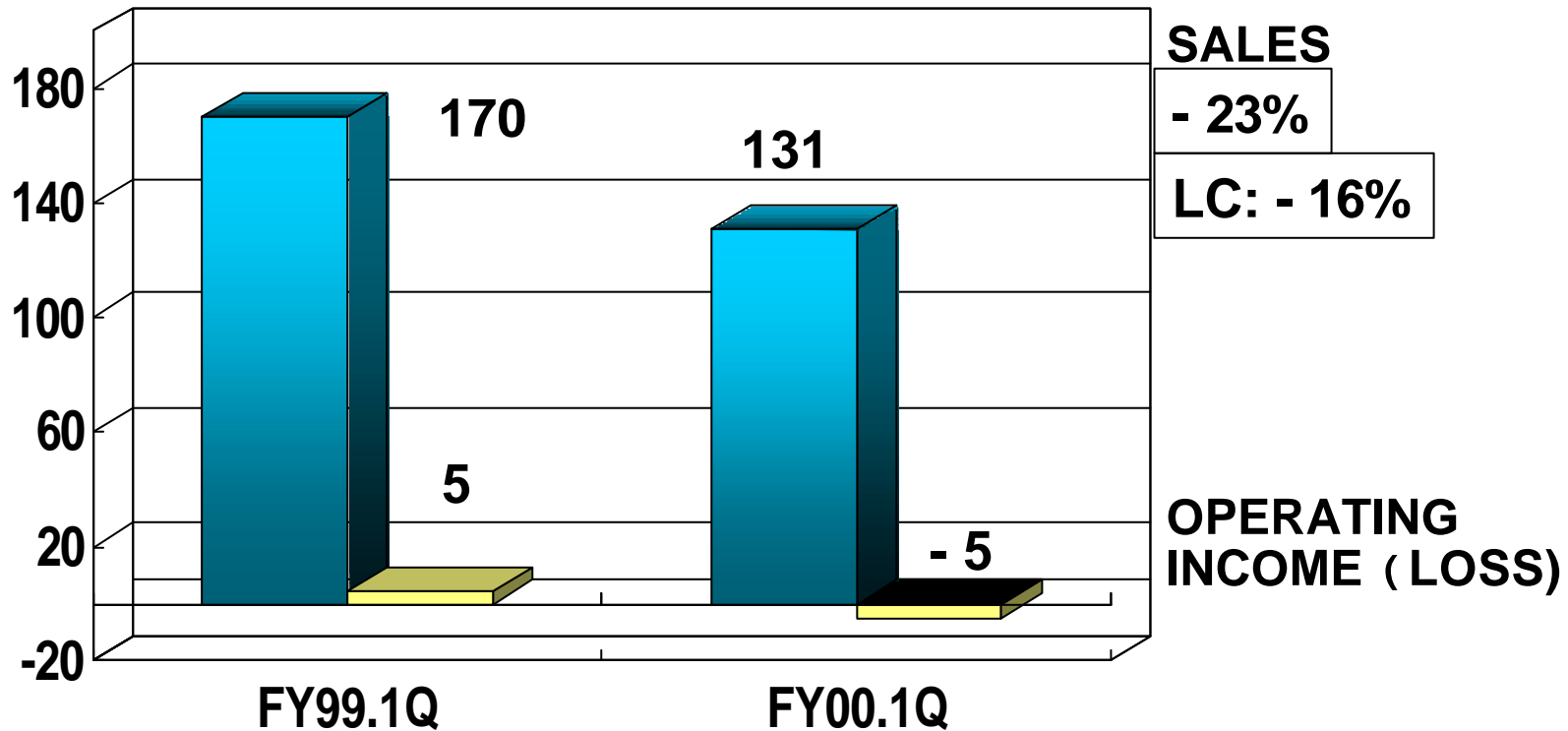


PS, PS2 Software Shipments (by year)



Music FY00.1Q

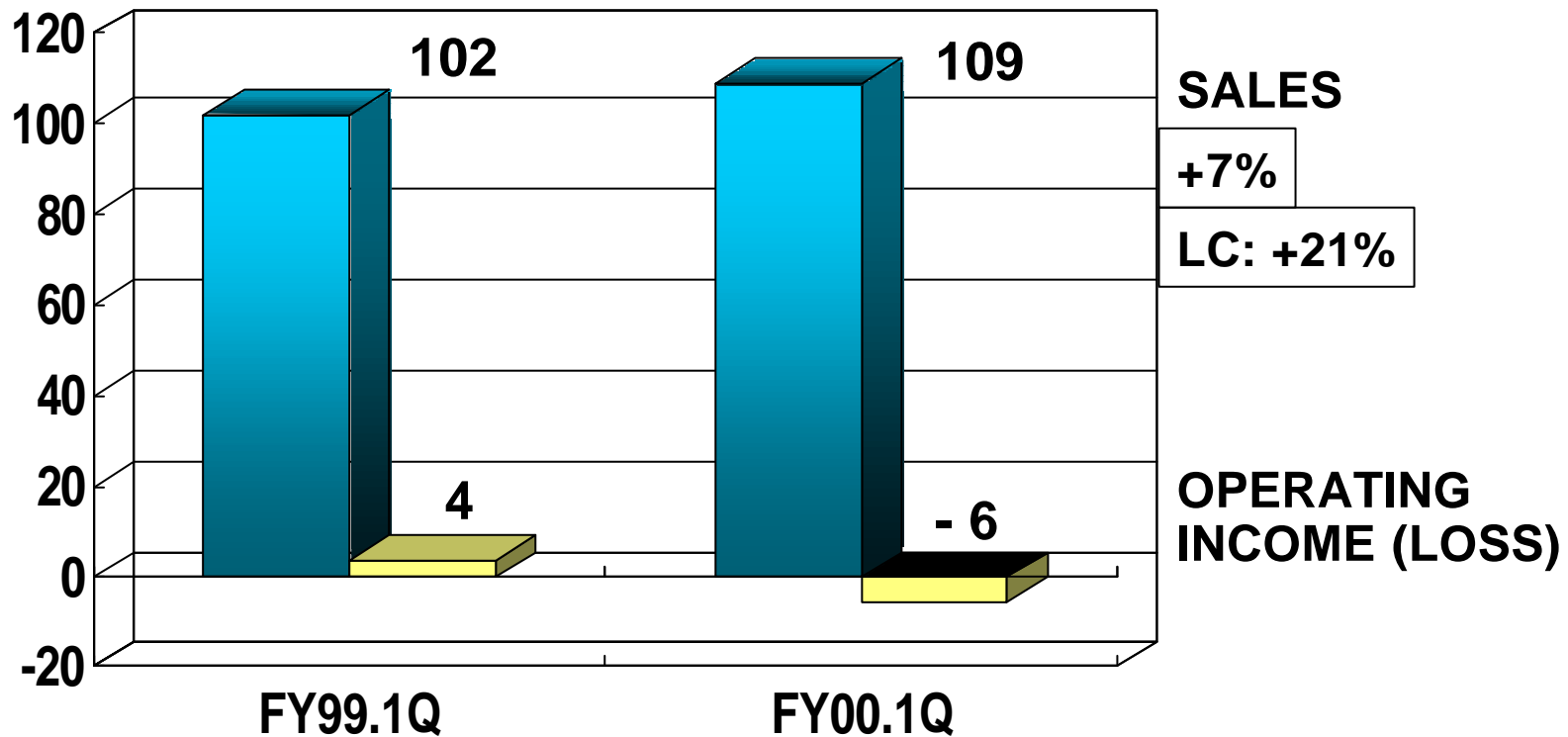
(bln yen)



including intersegment transactions
LC=local currency basis
% change over year earlier period

Pictures FY00.1Q

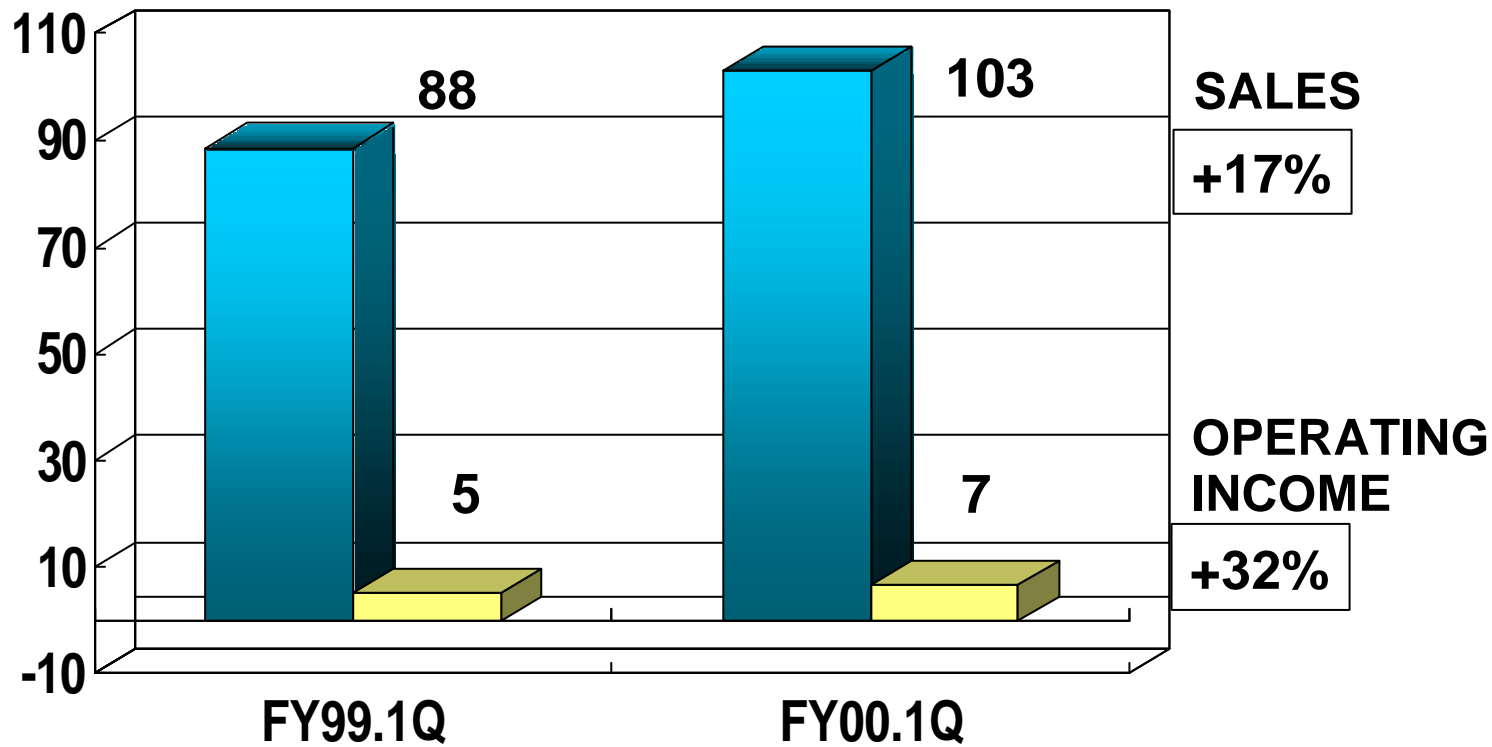
(bln yen)



including intersegment transactions
LC=local currency basis
% change over year earlier period

Insurance FY00.1Q

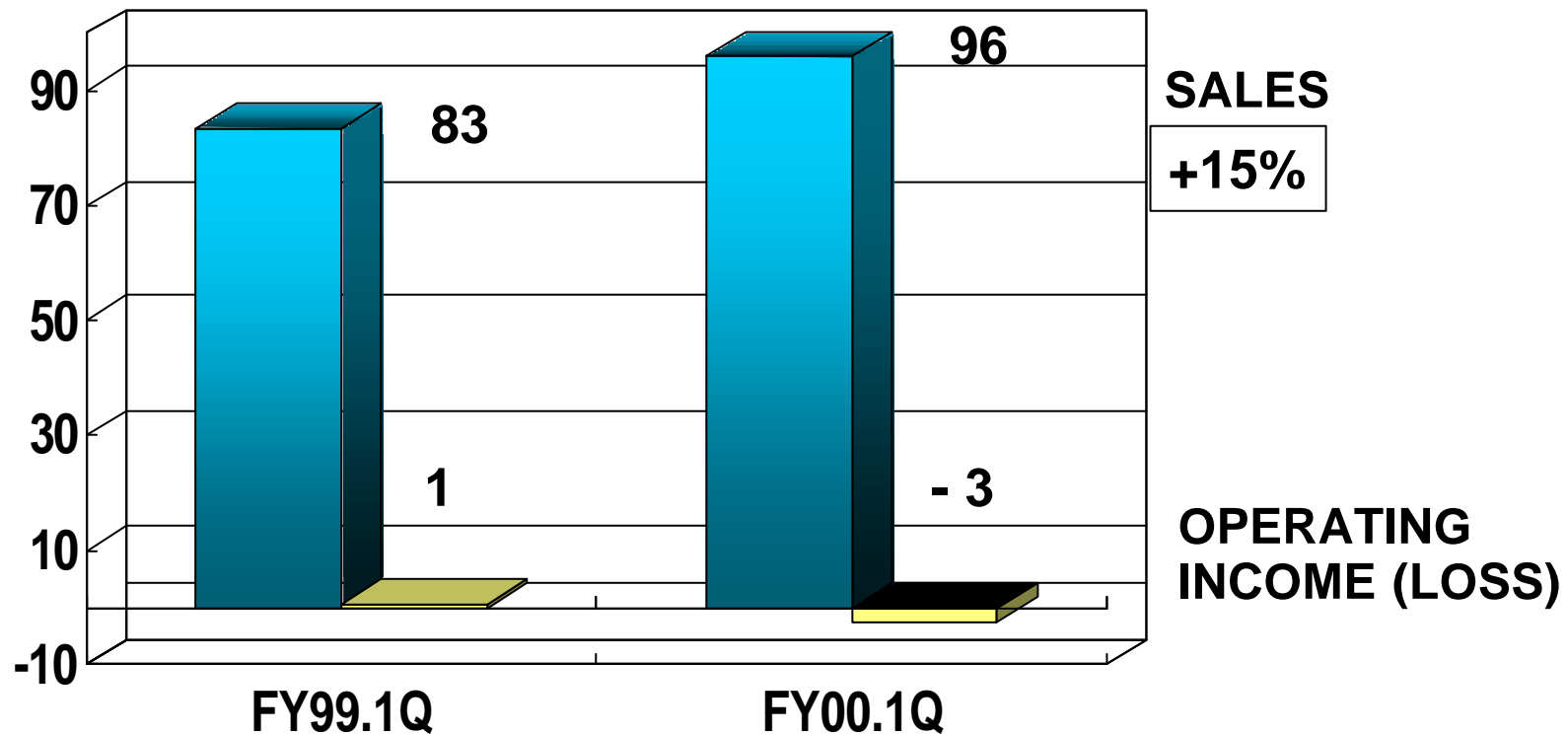
(bln yen)



% change over year earlier period

Other FY00.1Q

(bln. yen)



including intersegment transactions
% change over year earlier period

FY2000 Forecast and Objectives

**Teruhisa Tokunaka
Executive Deputy President & CFO**

FY2000 Forecast

	<u>4/00</u>	<u>current</u>	<u>YoY change</u>
Sales and operating revenue	7,000	7,200 bln yen	+ 8%
Operating income	255	230 bln yen	- 4%
Income before income taxes	240	255 bln yen	- 4%
Net income	120	10 bln yen	- 92%
Capex	350	500 bln yen	+15%
Dep. & Amort.	350	350 bln yen	+14%

Assumed Exchange Rates

	<u>4/00</u>	<u>2Q--</u>
1 dollar =	105 yen	103 yen
1 euro =	103 yen	100 yen

*As a result of the accounting change for the Pictures business, note that operating income, income before income taxes, and net income are expected to decrease by \$250-280 million for FY00, as compared to what they would have been under the old standards. Additionally, net income for the 1Q decreased by ¥101.7 billion, reflecting a one-time cumulative effect adjustment. These charges have no impact on cash flow.

SOP 00-02: Pictures Accounting Changes

	Pre-SOP	Post-SOP	Impact (\$ mln)	
			Cumulative Charge	FY00 est.*
Amortization of advertising and marketing costs before and after release	Amortized over life of product	Expensed at time of release into the particular market, ie as incurred (within 3 months)		
Amortization of development costs (development of scripts, etc...)	Each film capitalized by indirect expensing to other films	If not greenlighted in 3 years, expensed directly without capitalizing		
TV programs amortization period	Depending on the program's results, the amortization period is set flexibly	From the start of broadcasting, 10 year limit; from the end of broadcasting 5 year limit		
Total			-\$965	-\$250 ~ 280

*The impact in FY00 depends on the costs associated with this year's films.

FY2000 Forecast, w/o Accounting Change

	<u>4/00</u>	<u>current</u>	<u>current, w/o Pictures acct. change</u>	<u>YoY change</u>
Sales and operating revenue	7,000	7,200	7,200 bln yen	+ 8%
Operating income	255	230	257 bln yen	+ 7%
Income before income taxes	240	255	282 bln yen	+ 7%
Net income	120	10	139 bln yen	+ 14%

Capex	350	500 bln yen	+15%
Dep. & Amort.	350	350 bln yen	+14%

Assumed Exchange Rates (for remainder of FY00)

	<u>as of 4/00</u>	<u>as of 7/00</u>
1 dollar =	105 yen	103 yen
1 euro =	103 yen	100 yen

Note: Without the impact of the one-time cumulative charge, the additional impact on FY2000 is assumed above to be \$265 mln, but the exact amount will depend on the current year's releases.

Segment Forecasts FY00: 1

Electronics

		4/00 Main Factors	7/00 Additional Factors
Sales	pos	strong sales of digital AV products and semiconductors	continuing strong sales of digital AV products, semiconductors, and also electronic components
	neg	price competition, strong yen	opportunity losses due to parts shortages
OP	pos	higher gross profit from increased sales, improvement in cost of sales ratio	—
	neg	strong yen, R&D	impact of parts shortages

Segment Forecasts FY00: 2

Game

		4/00 Main Factors	7/00 Additional Factors
Sales	pos	PS2 sales increase	—
	neg	strong yen, fall in shipments of PS hardware	—
OP	pos	—	—
	neg	PS2 launch costs, strong yen, fall in PS hardware sales	amortization, R&D costs associated with PS2

Segment Forecasts FY00: 3

Music

		4/00 Main Factors	7/00 Additional Factors
Sales	pos	recovery in Europe, Central and S. America	---
	neg	---	sluggishness outside of U.S., etc.
OP	pos	recovery at SMEJ	---
	neg	exchange rates, cost associated with new technologies, etc. at SMEI	sales sluggishness

Pictures

		4/00 Main Factors	7/00 Additional Factors
Sales	pos	strength in home video and new releases, etc.	---
	neg	---	---
OP	pos	---	---
	neg	investment in new network businesses	weakness in 1Q new releases

Segment Forecasts FY00: 4

Insurance

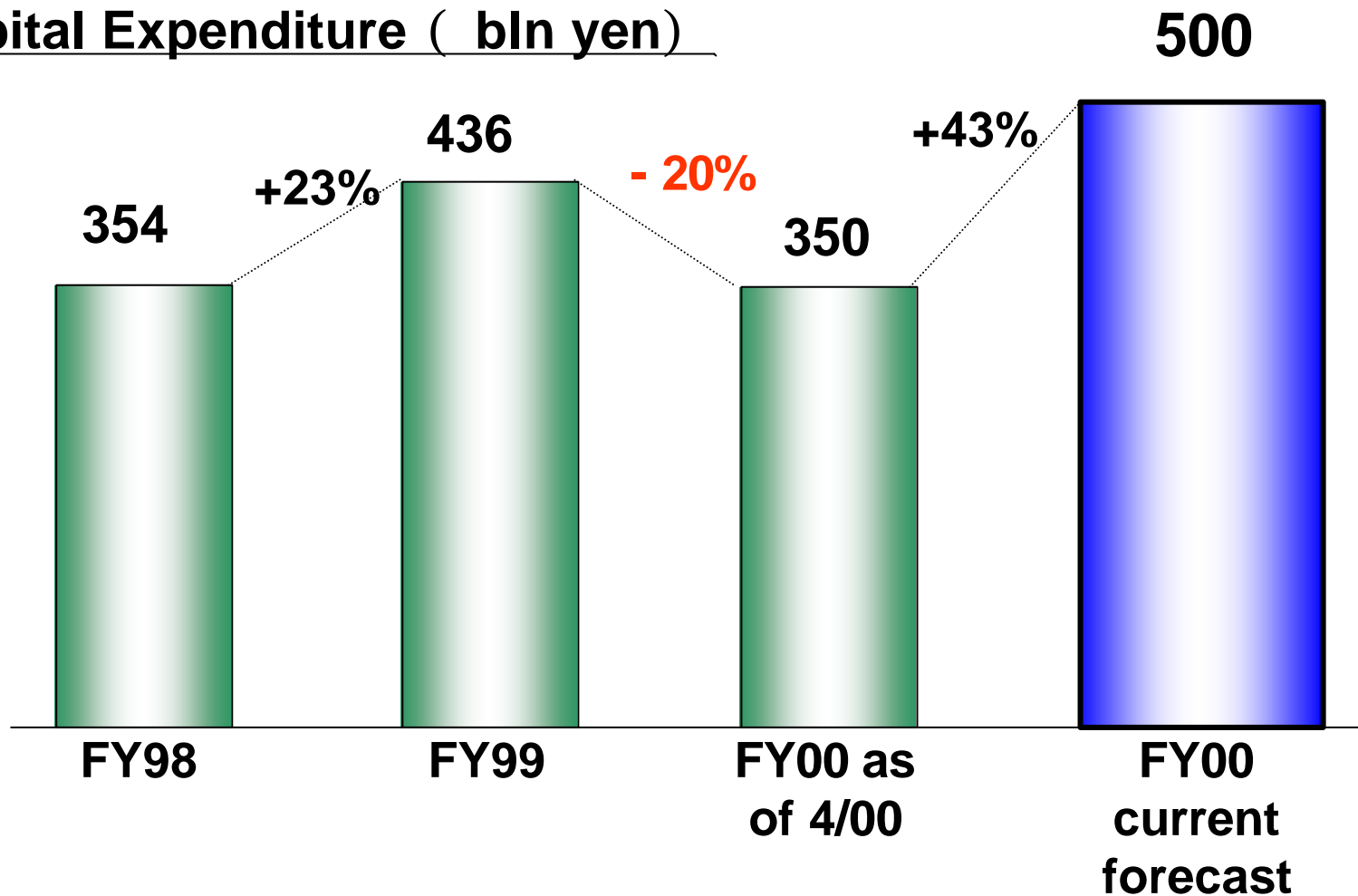
		4/00 Main Factors	7/00 Additional Factors
Sales	pos	expansion of individual life insurance products	---
	neg	---	---
OP	pos	---	---
	neg	start-up costs for assurance	---

Other

		4/00 Main Factors	7/00 Additional Factors
Sales	pos	---	---
	neg	---	---
OP	pos	---	---
	neg	expansion costs with satellite-related businesses, urban entertainment complexes	---

Capex, Depreciation & Amortization

Capital Expenditure (bIn yen)



Depreciation and Amortization (bIn yen)

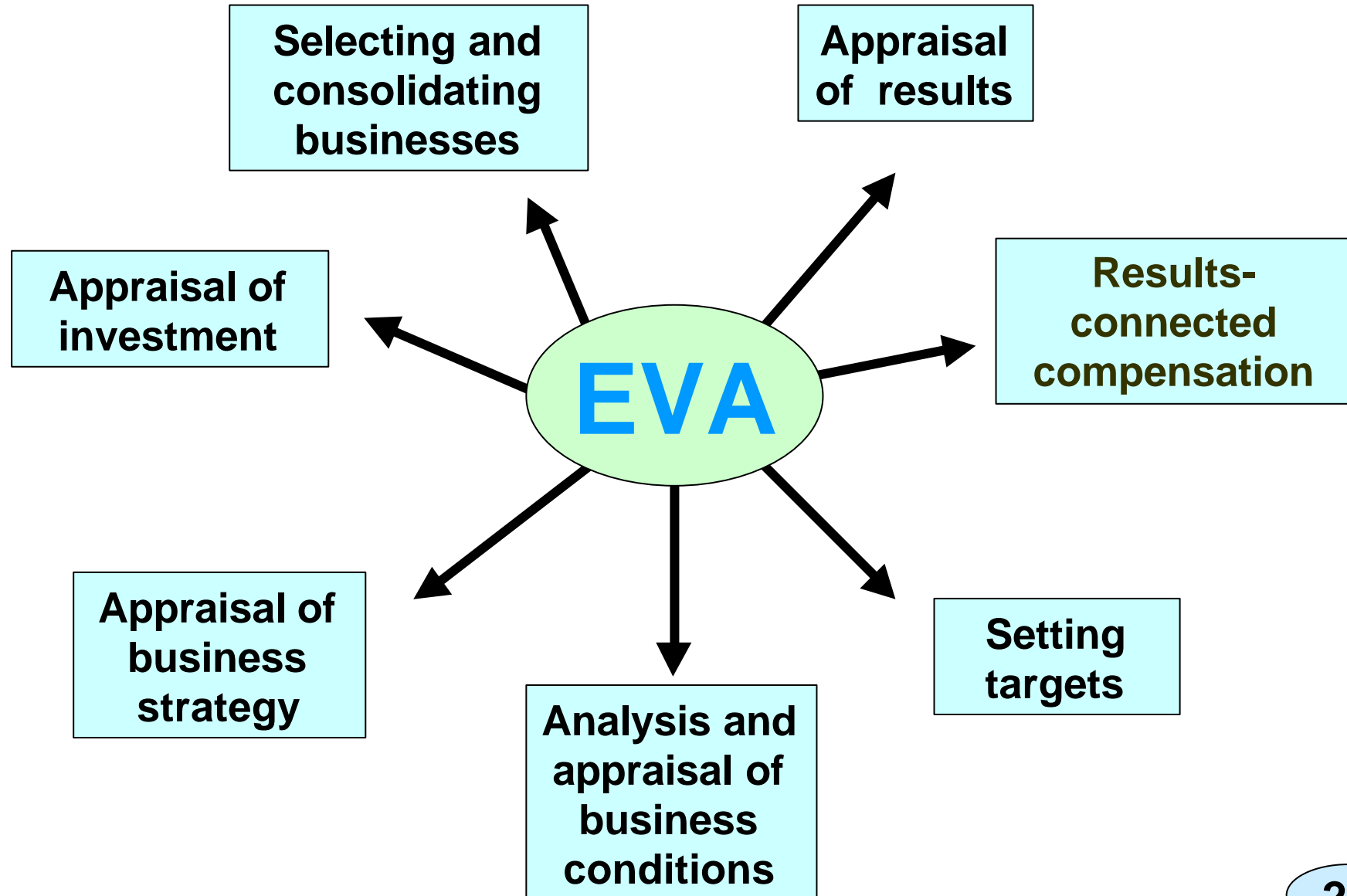
307

307

350

350

Value Creation Management



Strive for “New Growth”

President & COO
Kunitake Ando

Network ation



Electronics Sales/Profits

Local Currency Basis +25%

Sales

10,494

+12% 11,723

99.1Q

00.1Q

Operating income

(Oku yen)

Local Currency Basis x8.0

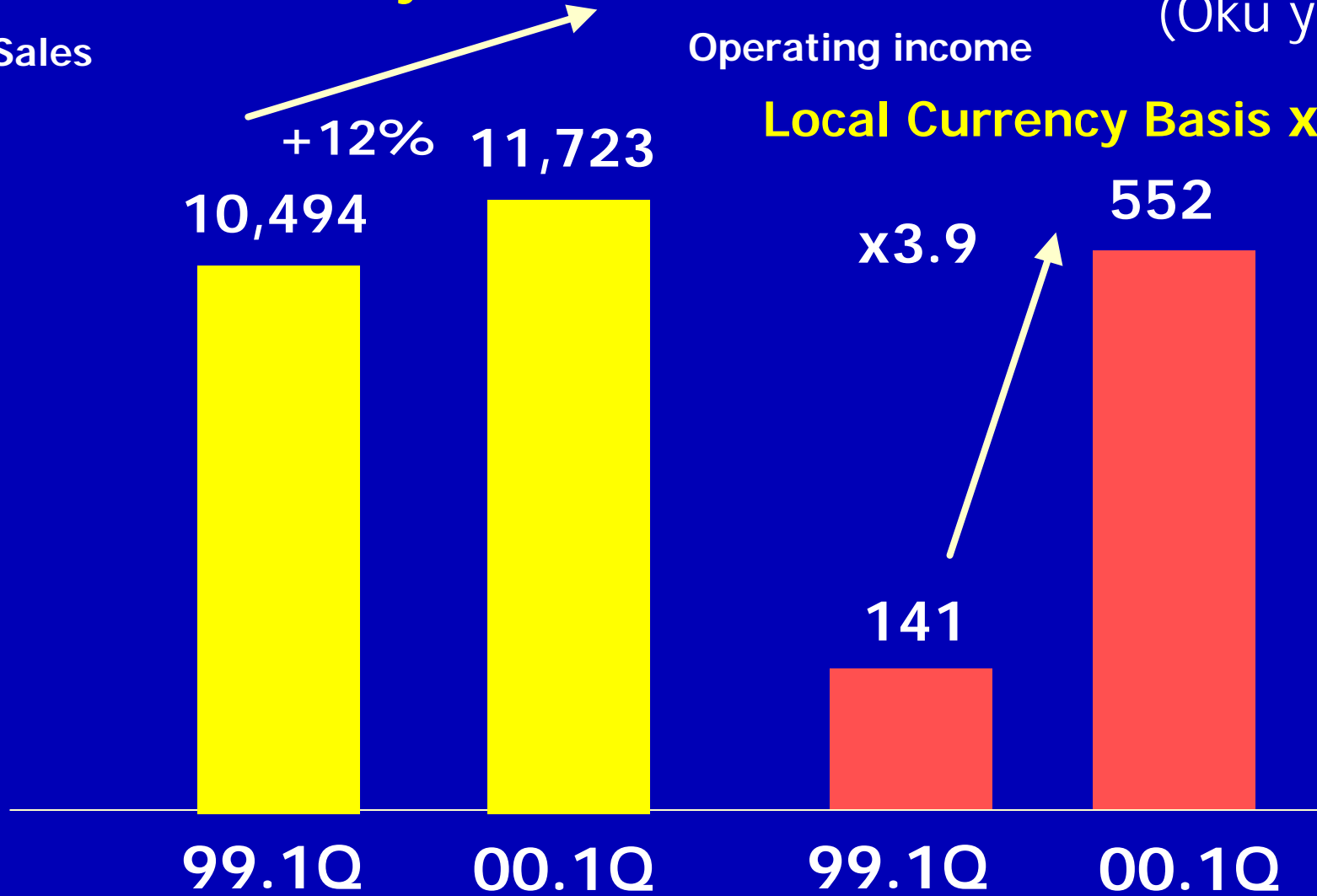
x3.9

141

552

99.1Q

00.1Q



Strive for “New Growth”

Electronics Business Strategy

1. Growth Strategy

Creation of new business model through the integration of hardware, application software and service

2. Competitive Strategy

Re-designing of operation structure

1. Growth Strategy

1. Grow through creating new markets
2. Concentrate on area of core-competence
3. Offer combination of hardware and content/
application
4. Maximize value-added by integration of end-
product and device



VAIO



DTV



Mobile



PlayStation

VAIO

Application-centered

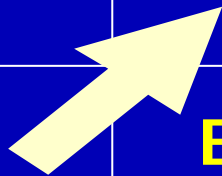


Business

Traditional
PCs

Entertainment

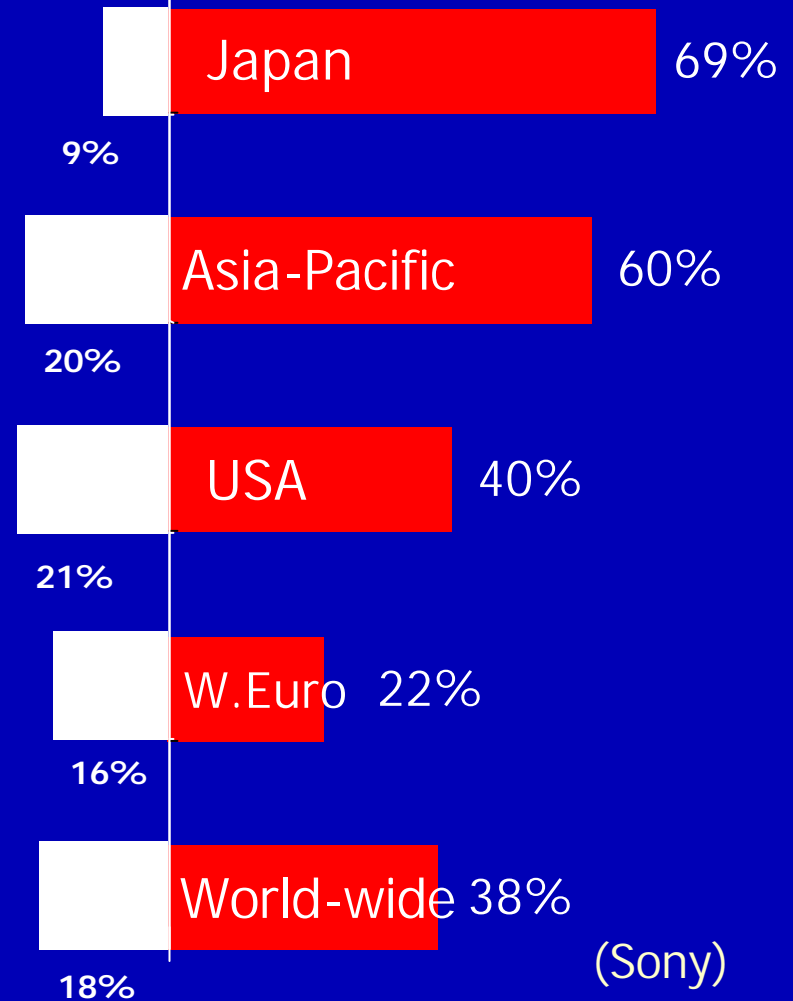
General purpose



PC world-wide Market Growth <FY99/FY98>

Professional

Consumer



(Sony)

AV/IT Convergence

**Digital
Entertainment**

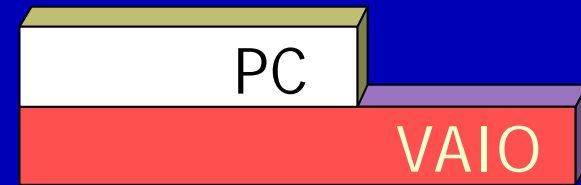


**Digital
Communication**

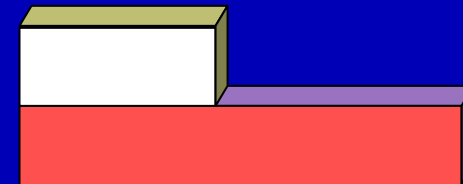
**Digital
Imaging**

Difference of user interest
between general PC users and Vaio users

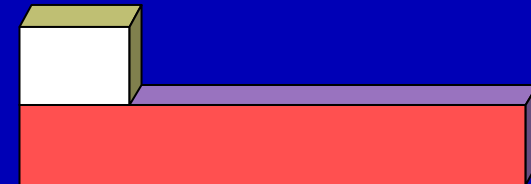
- Create/edit still picture



- Create/edit moving picture



- Internet music download



(Sony)

World-wide Share.<FY99>

WEGA Line-up for the Digital Age

Launch of BS Digital Broadcasting

May 2000

July

Digital WEGA

WEGA DRX



Super Fine Pitch



BS Digital Hi-Vision TV



BS Digital Hi-Vision Tuner

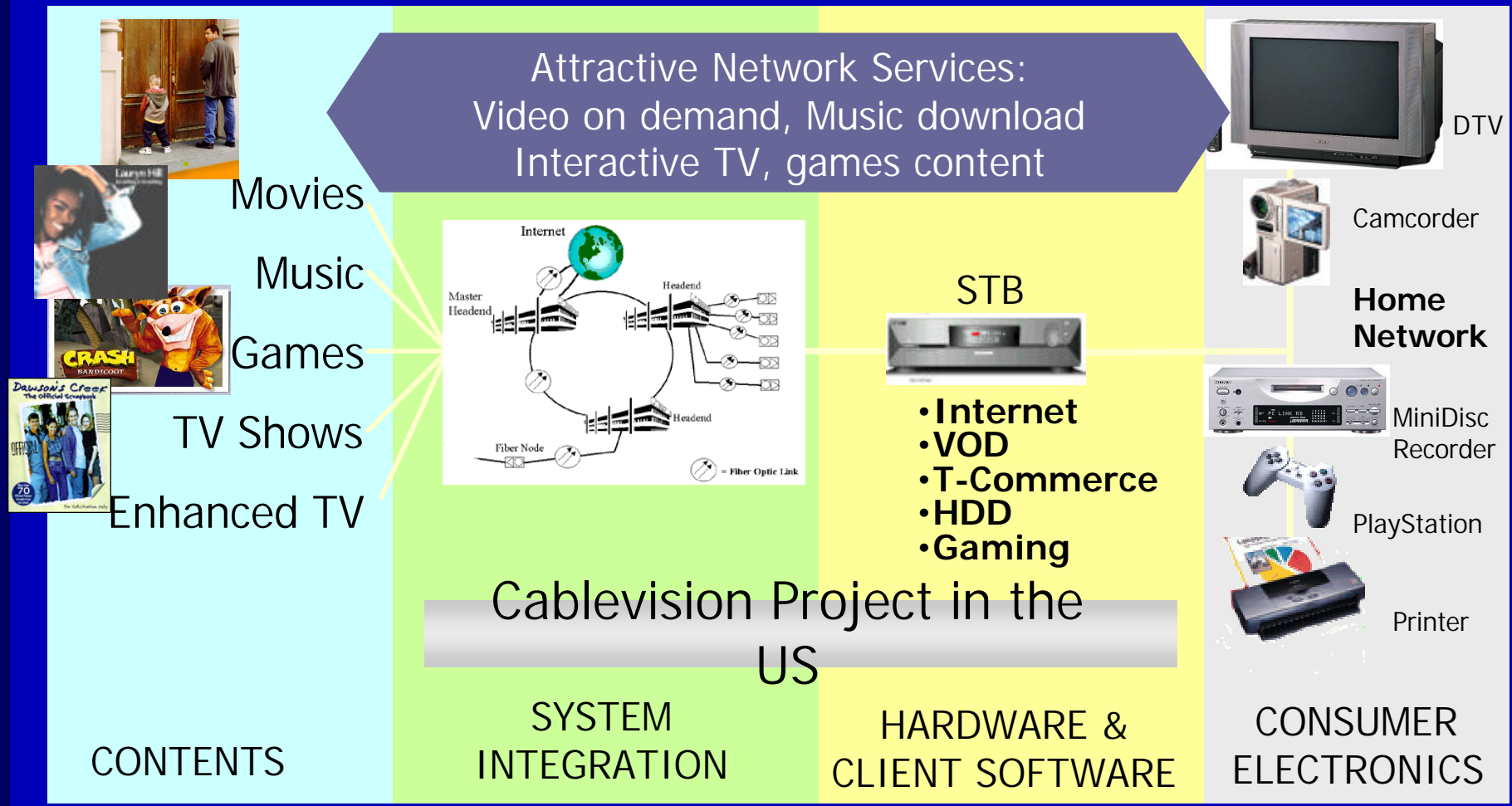


Hard Disk Recorder etc

Integration with
Network Services
Business

Broadband Digital TV Networks

Sony offers end-to-end solution



Mobile



Sony's Palm

Products Usability
+
Network Application

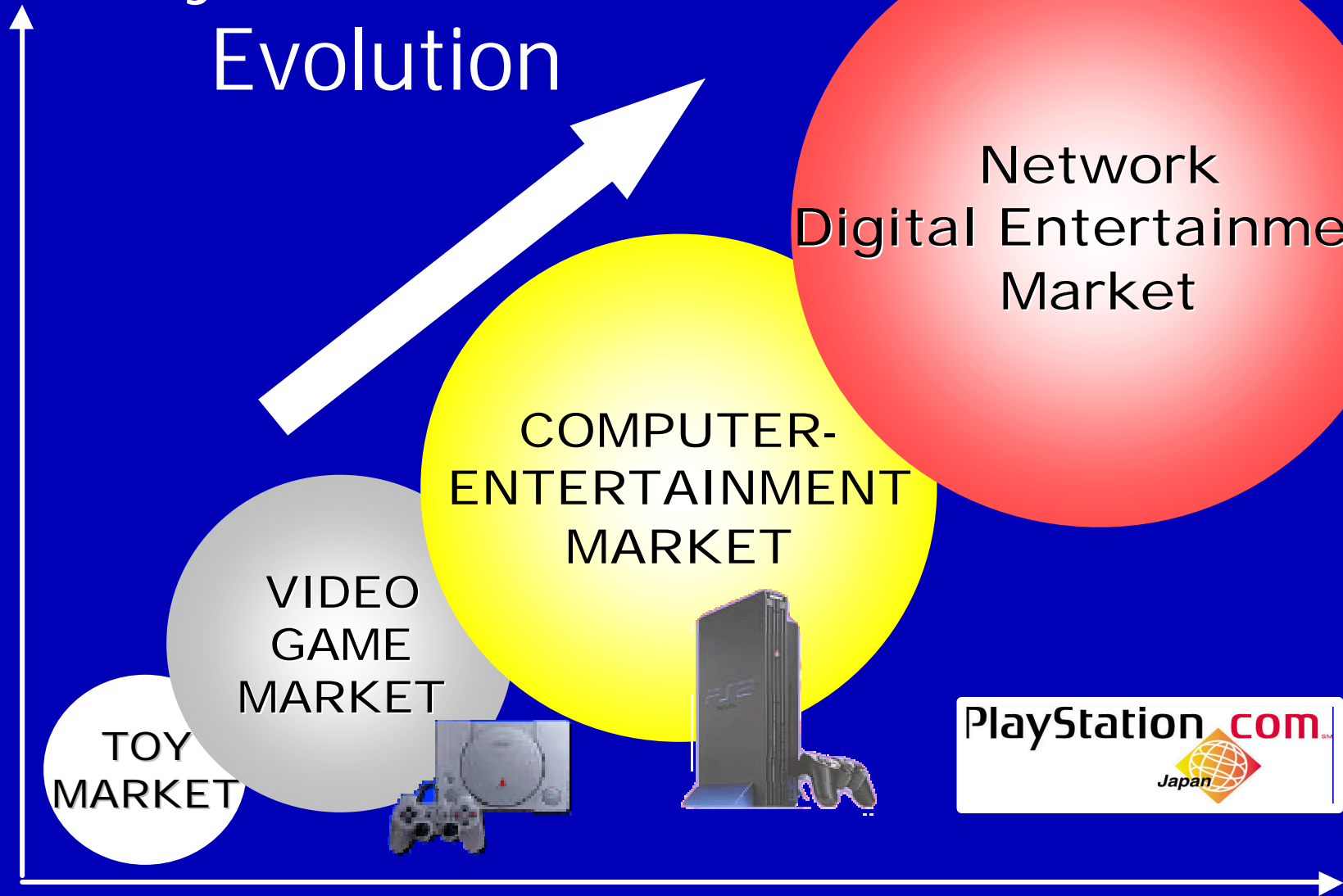


PlayStation 2



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PlayStation Evolution



Offer combination of hardware and content/application

Ex) <http://www.ImageStation.com/>



Sharing

Storage

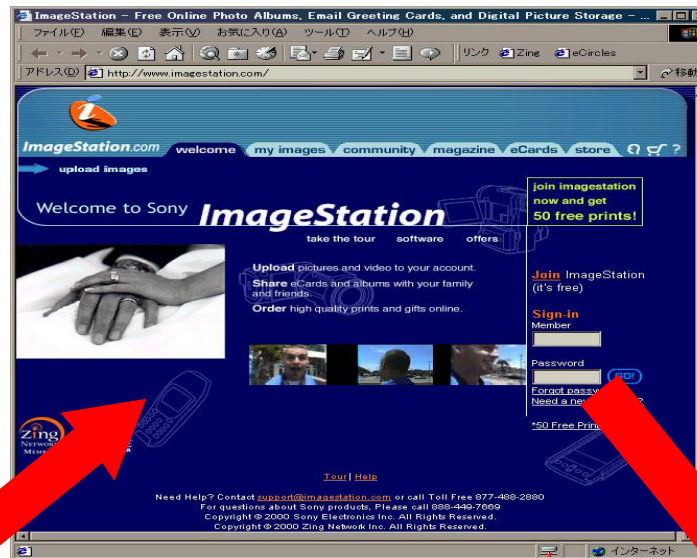
Editing Albums

Uploading

Video mail

Contents

Community



Offer combination of hardware and content/application

"IP Network Technology Center"

- Design and promotion of Network Infrastructure technology

HQ

"Network Software Technology Center"

- Development of Security Technology
- Development of common Application/software

N C

"Network Service Business Center"

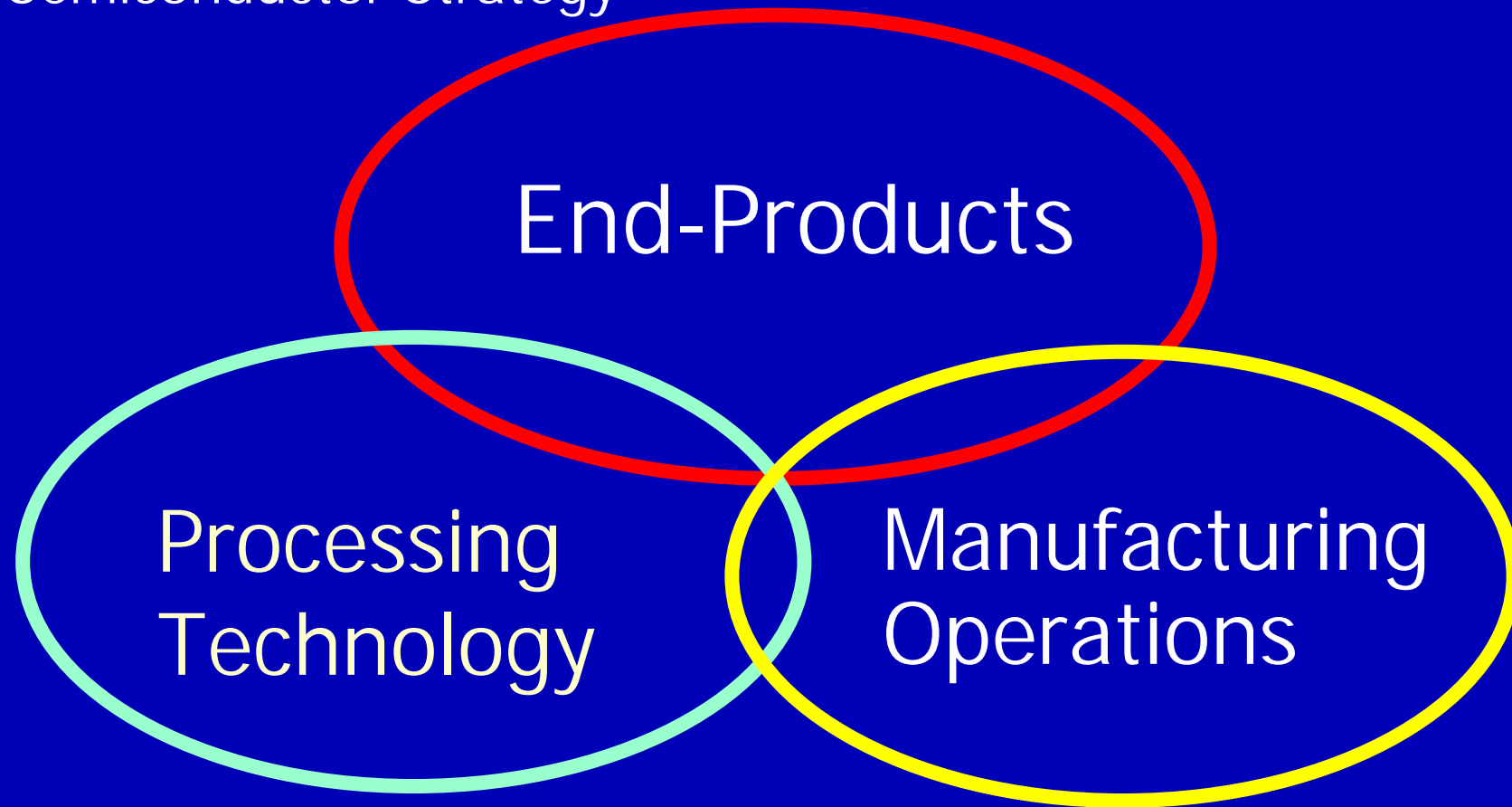
IP Network Technology Center

Network Software Technology Center

Network Service Business Center

Maximize value-added by integration of
end-product and device

Semiconductor Strategy



Semiconductor Business Structure



SNC



PNC

HNC

SCE

**Product + Semiconductor
Design/Development**

**Process Development
FAB**

2. Competitive Strategy

Re-designing of operation structure

1) Sony EMCS

Sony's New Engineering, Manufacturing platform for the Network Age

1. Increase Speed and Flexibility of Total Operation

"e-tization" of all processes

2. Enhance Technological capabilities & cost effectiveness

High Density Mounting Technology,

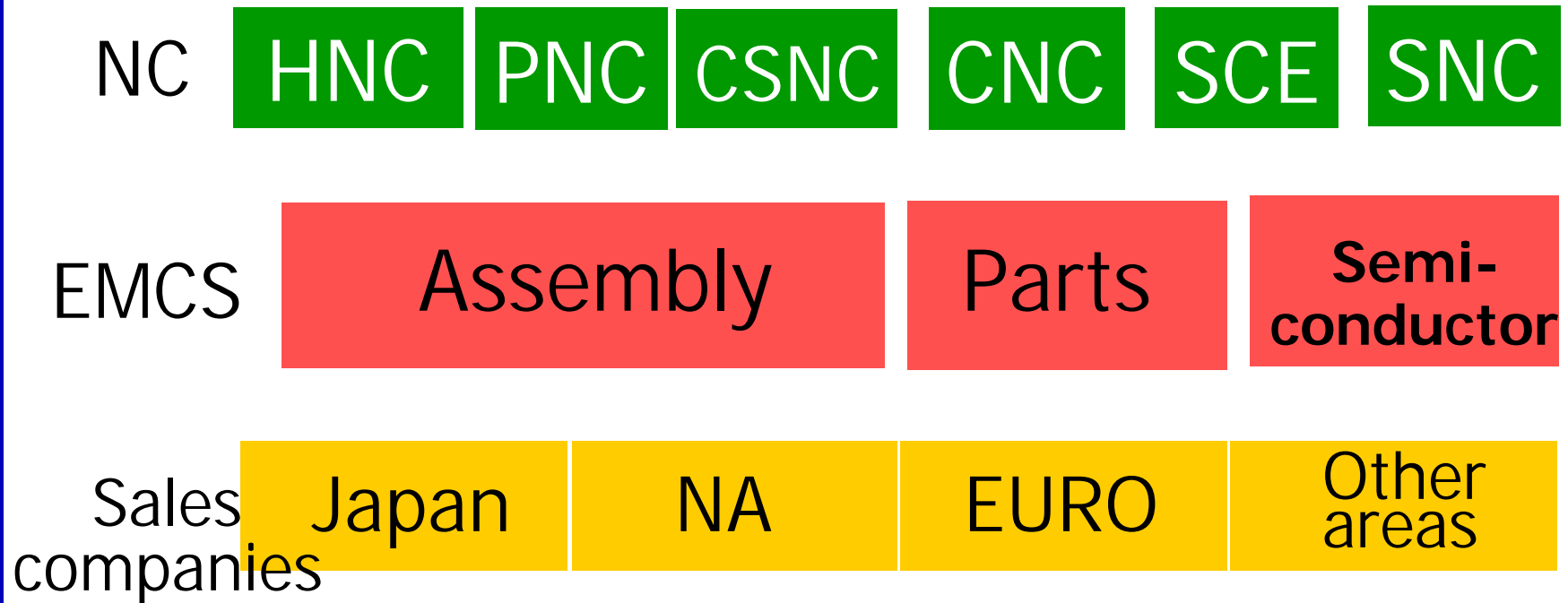
Semiconductor Process etc.

3. New Role as a point of contact to customers

Provide customer service

The New Engineering, Manufacturing Platform

Sony VISION



Summary of the New Company (tentative)

Name.	Sony EMCS AV/IT
Establishment.	April 1, 2001
Representative.	Fujio Sugano
Head Office.	Shinagawa-ku, Tokyo
Estimated Sales.	1.5 trillion yen
Headcount.	approx. 12,000

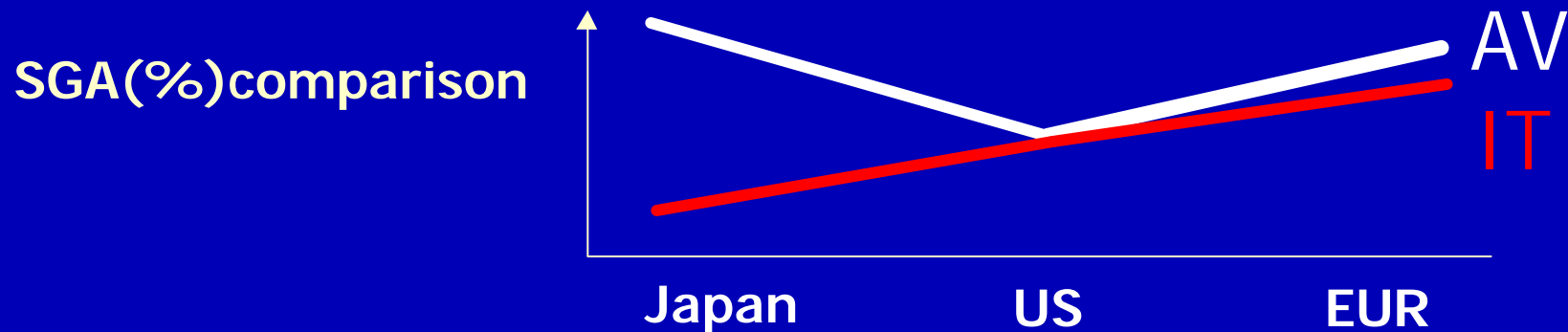
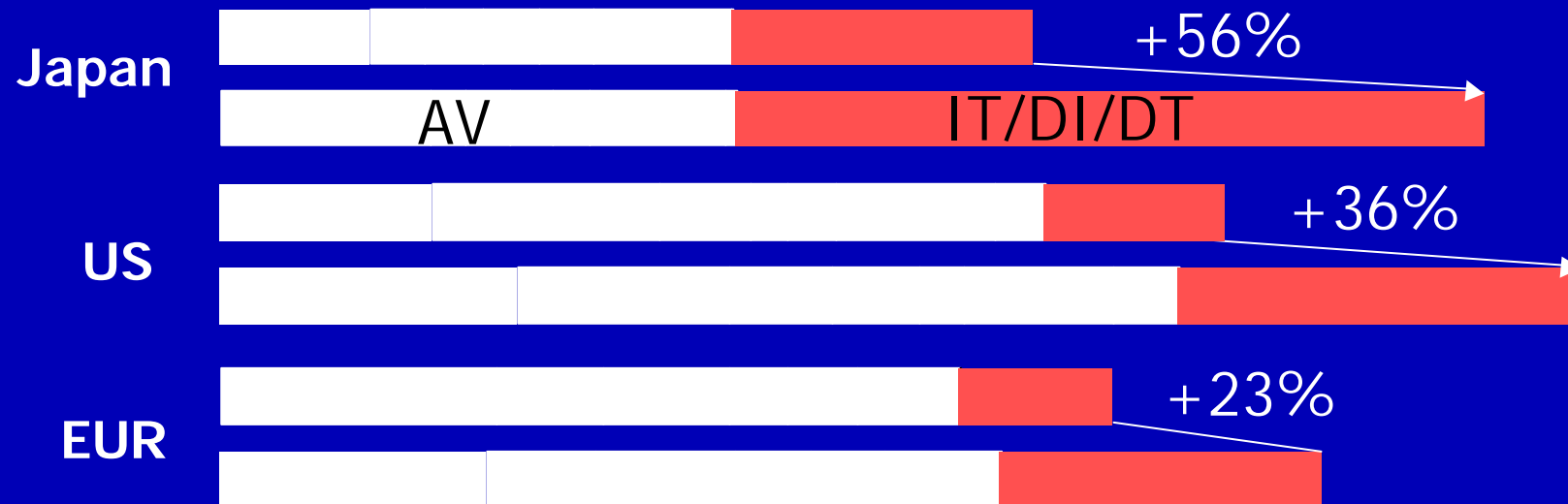
Affected Plants.

Sony Senmaya	Sony Kouda
Sony Nakaniida	Sony Ichinomiya
Sony Kita-Kanto	Sony Denshi
Sony Bonson	Sony Inazawa
Sony Kisarazu	Sony Mizunami
Sony Digital Products	Sony Minokamo
Sony Broadcast Products	

2) Structural Innovation of Marketing Operations

Marketing Galaxy – Improving Efficiency

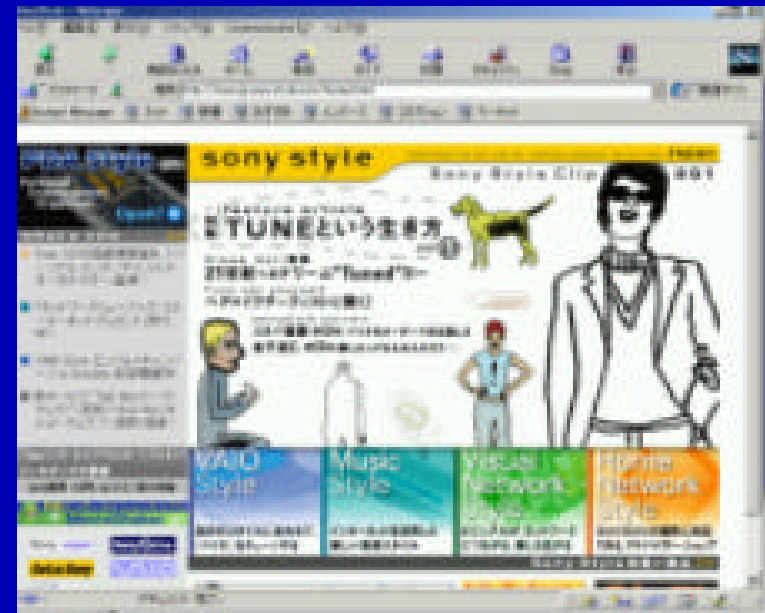
Comparison of Sales (FY96 vs FY99)



2) Structural Innovation of Marketing Operations

2. Direct Marketing

sonystyle.com
Vaio Global Direct.
etc.



3. Total Solution Biz/Marketing

A world map is shown in the background, rendered in a light blue color against a dark blue background. The map is centered and shows the outlines of the continents. The title and list are overlaid on the map.

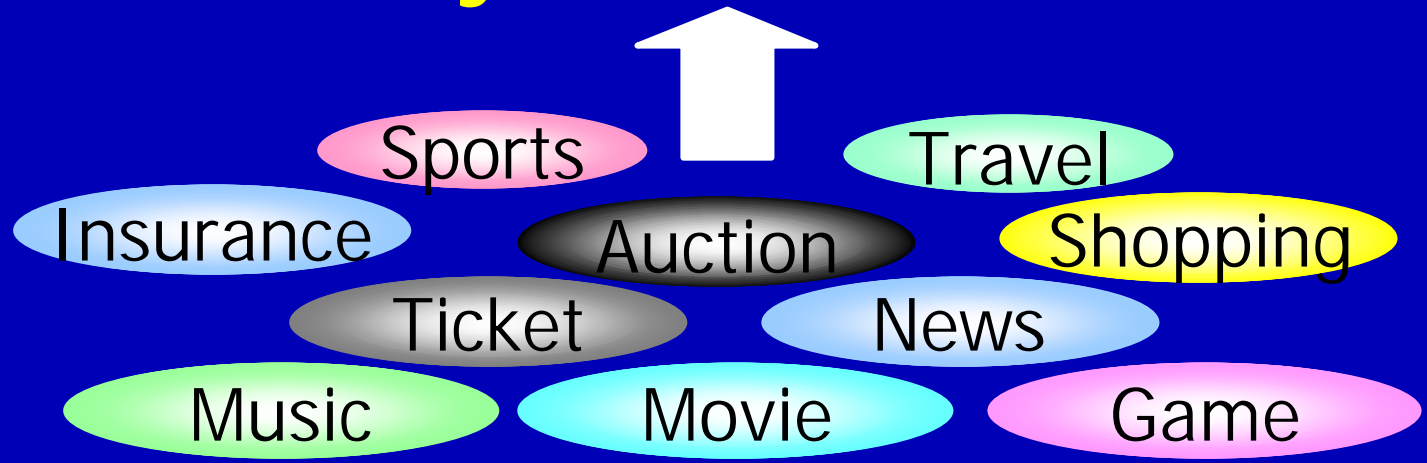
Global Open Architecture

- Global Governance & Empowerment
 - Shared Vision & Objectives
- Management Leadership/Initiative
 - Transparency & Fairness

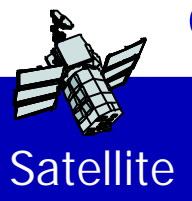
Action Plan for the Coming 12 Months

1. **Introduce Market Creating Products**
VAIO, PDA , Network WM etc..
2. **Introduce Market Expanding Products**
STB, TV, Camcorder, DVD, Cellular etc.
3. **Enhance Profitability through Improved Efficiency**
EMCS, e-Procurement, Response to currency fluctuation
4. **Collaborate more closely with net-service businesses**
US(SBE),EURO,SMEJ

Sony Dream World



e-platform



Network Electronics



Strive for “New Growth”