SONY

News & Information

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No: 04-039E
3:00 P.M. JST, July 28, 2004

Consolidated Financial Results for the First Quarter Ended June 30, 2004

Tokyo, July 28, 2004 -- Sony Corporation today announced its consolidated results for the first quarter ended June 30, 2004 (April 1, 2004 to June 30, 2004).

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

	First quarter ended June 30			
	2003	**2004**	Change	**2004***
Sales and operating revenue	¥1,603.8	**¥1,612.1**	+0.5%	**$14,927**
Operating income	16.7	**9.8**	-41.4	**91**
Income before income taxes	35.8	**6.6**	-81.5	**61**
Net income	1.1	**23.3**	+1,975.3	**215**
Net income per share of common stock				
— Basic	¥1.24	**¥25.10**	+1,924.2%	**$0.23**
— Diluted	1.24	**23.81**	+1,820.2	**0.22**

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥108=U.S.$1, the approximate Tokyo foreign exchange market rate as of June 30, 2004.

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

Consolidated Results for the First Quarter Ended June 30, 2004

Sales and operating revenue ("sales") increased 0.5% compared with the same quarter of the previous fiscal year; on a local currency basis sales grew 5%. (For all references herein to results on a local currency basis, see Note I on page 8.)

In the Electronics segment, although sales to outside customers increased, overall sales decreased 0.2% due to a significant decline in intersegment sales to the Game segment resulting from the outsourcing of PlayStation 2 ("PS 2") production to third parties in China. With respect to major products in the Electronics segment, sales of flat panel and LCD rear projection televisions and digital still cameras increased, while sales of portable audio and CRT televisions decreased. Sales declined in the Game segment due to lower sales of hardware. Sales increased in the Music segment due to a string of successful releases. In the Pictures segment, although sales on a U.S. dollar basis increased, sales decreased due to the appreciation of the yen. In the Financial Services segment, revenue decreased due to a change in the accounting classification, effective as of the third quarter of the fiscal year ended March 31, 2004, of certain products (refer to page 5, "Financial Services").

Operating income decreased 41.4% (27% increase on a local currency basis) compared with the same quarter of the previous year.

In the Electronics segment, operating income declined mainly due to the appreciation of the yen and an increase in restructuring charges. In the Game segment, an operating loss was recorded mainly due to lower sales of software published by Sony Computer Entertainment Inc. (“SCE”). Although the Music segment recorded an operating loss, the loss decreased compared with the same quarter of the previous year as a result of an increase in sales and the realization of benefits from restructuring activities. In the Pictures segment, operating income was recorded compared with an operating loss in the same quarter of the previous year due to the successful performance of home entertainment and theatrical releases. In the Financial Services segment, operating income declined mainly due to an increase in insurance claims paid.

Restructuring expenses for the first quarter amounted to ¥12.0 billion ($111 million) compared to ¥6.5 billion in the same quarter of the previous fiscal year. In the Electronics segment, restructuring expenses were ¥10.7 billion ($99 million) compared to ¥4.6 billion in the same quarter of the previous fiscal year.

Income before income taxes decreased 81.5% compared with the same quarter of the previous fiscal year. Deterioration in the net effect of other income and other expenses was mainly the result of a decrease in gain from the sale of securities investments and an increase in net foreign exchange loss. The decrease in gain from the sale of securities investments was due to the recording, in the same quarter of the previous fiscal year, of a deferred gain of ¥6.0 billion, from Sony’s sale, during the fiscal year ended March 31, 2003, of its equity interest in Telemundo Communications Group, Inc. and its subsidiaries.

Net income increased significantly compared to the same quarter of the previous year. An equity gain was recorded in equity in net income of affiliated companies, compared to an equity loss in the same quarter of the previous fiscal year. Equity in net income of affiliated companies for the first quarter of the current year included the recording of ¥12.8 billion ($119 million) as equity in net income from InterTrust Technologies Corporation (“InterTrust”). This amount reflects InterTrust’s proceeds from a license agreement with Microsoft Corporation arising from the settlement of a patent-related lawsuit. In addition, Sony Ericsson Mobile Communications AB (“Sony Ericsson”) significantly improved earnings and contributed ¥5.8 billion ($54 million) to equity in net income compared to the loss of ¥5.8 billion recorded in the same quarter of the previous year. As for income tax expense (benefit), as a result of the reversal of deferred tax liabilities on undistributed earnings from a foreign subsidiary, a net tax benefit of ¥1.8 billion ($17 million) was recorded. In addition, as of the fiscal year beginning April 1, 2004, Sony Life Insurance Co., Ltd. (“Sony Life”) has adopted new accounting principles that have resulted in the recording of a ¥4.7 billion ($44 million) charge as the cumulative effect of an accounting change. (See Note 6. on page F-7 for details of these new accounting principles.)

Remarks by Nobuyuki Idei, Chairman and Group CEO of Sony Corporation

The consolidated results when viewed on a local currency basis demonstrated both increased revenue and increased profits. However, due to the appreciation of the yen, operating income declined and only a slight increase in sales could be realized for the first quarter ended June 30, 2004. Net income increased significantly mainly due to the contribution of equity in net income including that from Sony Ericsson. In addition, the worldwide theatrical release of *Spider-Man 2* beginning at the end of June is proving to be a huge success.

For the Sony Group, the fiscal year ending March 31, 2005 has been earmarked as an important year for strengthening the foundation necessary for achieving mid- to long-term growth. We will continue to enhance the competitiveness of our products in key categories such as digital AV products, and will release enticing new products such as the new PlayStation Portable handheld video game system. In addition, by investing proactively in key components such as semiconductors and LCD panels, we are striving to increase the proportion of components developed internally in order to incorporate added-value into the Sony Group. In the Music segment, the establishment of a joint venture with Bertelsmann AG is aimed at improving profitability by enhancing management efficiencies and generating benefits from increased business size.

With the implementation of these measures coupled with a sound restructuring program and the enhancement of our management structure, Sony will be a company that works together, as a group, for the realization of ever more enhanced profitability.

Operating Performance Highlights by Business Segment

Electronics

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

	First quarter ended June 30			
	2003	**2004**	Change	**2004**
Sales and operating revenue	¥1,100.3	**¥1,098.0**	-0.2%	**$10,167**
Operating income	13.8	**6.9**	-49.9	**64**

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

Sales decreased 0.2% (4% increase on a local currency basis) due to a significant decline in intersegment sales to the Game segment primarily owing to the outsourcing of PS 2 game console production to third parties in China. On the other hand, sales to outside customers increased 4.0% compared to the same quarter of the previous year. This was due to an increase in sales of flat panel televisions, which exhibited increased sales in all geographic regions; Cybershot digital still cameras, which saw continued market growth and an increase in the number of units sold; and LCD rear projection televisions, which saw increased sales especially in the U.S. However, CRT televisions, faced with a shift in demand towards flat panel televisions, experienced a decline in sales, as did portable audio due to negative market conditions.

Operating income decreased by ¥6.9 billion, or 49.9% compared with the same quarter of the previous year. Although sales to outside customers increased, operating income decreased due to the appreciation of the yen and an increase in restructuring charges. In addition, an increase in research and development expenses associated with semiconductor process technologies also contributed to the decrease in operating income. The decrease in sales of portable audio, and the decline in unit prices of flat panel televisions and PC drives also contributed to the decrease in operating income. On the other hand, the operating performance of CCDs improved due to an increase in sales mainly of digital still cameras.

Inventory, as of June 30, 2004, was ¥603.2 billion ($5,585 million), a ¥74.5 billion, or 14.1%, increase compared with the level as of June 30, 2003 and a ¥110.9 billion, or 22.5%, increase compared with the level as of March 31, 2004. In particular, there was an increase in the inventory of products such as flat panel televisions, digital still cameras and camcorders associated with increased production due to increased sales to outside customers.

Game

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

	First quarter ended June 30			
	2003	**2004**	Change	**2004**
Sales and operating revenue	¥125.2	**¥105.4**	-15.9%	**$976**
Operating income (loss)	1.8	**(2.9)**	-	**(27)**

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

Sales decreased 15.9% compared with the same quarter of the previous year (a 13% decrease on a local currency basis) due to a decrease in sales of hardware, and despite an increase in sales of software.

<u>Hardware</u>: Although PS 2 unit sales in Europe increased compared with the same quarter of the previous fiscal year, unit sales in Japan and the U.S. decreased, contributing to a decline in overall unit sales. This overall decline in unit sales, combined with strategic price reductions of the PS 2 in Japan, the U.S. and Europe caused the decrease in sales.

Software: Although unit sales of and revenue from PlayStation software decreased, this was more than offset by an increase in the unit sales and revenue of PS 2 software, resulting in an overall increase in software sales. There was an increase in revenue in Japan, while revenue in the U.S. and Europe decreased.

Operating loss of ¥2.9 billion ($27 million) was recorded, compared to operating income of ¥1.8 billion in the same quarter of the previous year, mainly due to a decrease in hardware sales, a decrease in sales of software published by SCE and the continuation of aggressive investment in research and development for future business.

Worldwide hardware production shipments:*

- → PS 2: 0.71 million units (a decrease of 1.94 million units)
- → PS one: 0.57 million units (a decrease of 0.26 million units)

Worldwide software production shipments:*

- → PS 2: 38 million units (an increase of 7 million units)
- → PlayStation: 3 million units (a decrease of 5 million units)

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

Inventory as of June 30, 2004 was ¥111.5 billion ($1,032 million), a ¥33.4 billion, or 23.1%, decrease compared with the level as of June 30, 2003 and a ¥19.4 billion, or 14.8%, decrease compared with the level as of March 31, 2004.

Music

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

	First quarter ended June 30			
	2003	**2004**	Change	**2004**
Sales and operating revenue	¥117.0	**¥118.8**	+ 1.5%	**$1,100**
Operating loss	(6.0)	**(1.1)**	-	**(10)**

The amounts presented above are the sum of the yen-translated results of Sony Music Entertainment Inc. ("SMEI"), a U.S. based operation which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis, and the results of Sony Music Entertainment (Japan) Inc. ("SMEJ"), a Japan based operation which aggregates results in yen. Management analyzes the results of SMEI in U.S. dollars, so discussion of certain portions of its results are specified as being on "a U.S. dollar basis."

Sales increased 1.5% compared with the same quarter of the previous year (7% increase on a local currency basis). Of the Music segment's sales, 71% were generated by SMEI, and 29% were generated by SMEJ.

SMEI: Sales on a U.S. dollar basis increased 8% compared with the same quarter of the previous year. Strong music sales were driven by several key releases including Gretchen Wilson's debut album *Here for the Party*, Prince's *Musicology*, and Anastacia's self-titled album. Manufacturing revenues also increased due to higher sales volume, particularly of DVDs.

SMEJ: Sales increased 7% compared with the same quarter of the previous year due to an increase in revenue associated with artists' live concerts and an increase in album and singles sales. Best selling albums during the quarter included Yutaka Ozaki's *13/71 The Best Selection*, Ken Hirai's *Hitomi wo Tojite* and FLOW's *GAME*.

Operating loss of ¥1.1 billion ($10 million) was recorded compared with an operating loss of ¥6.0 billion in the same quarter of the previous year, an improvement of ¥4.9 billion year on year, as operating performance at both SMEI and SMEJ continued to improve.

SMEI: In the first quarter ended June 30, 2004, SMEI's operating loss declined 40% compared with the prior year (U.S. dollar basis) due to higher sales resulting from stronger releases and the continued realization of benefits from the worldwide restructuring activities implemented over the past two years. These activities included the rationalization of record label shared services, manufacturing, distribution and support functions.

SMEJ: Operating income increased significantly compared to the prior year due to the higher sales noted above and an improvement in the cost of sales ratio mainly resulting from an increase in the sale of albums with relatively low production costs.

In December 2003, Sony and Bertelsmann AG announced that they had signed a binding agreement to combine their recorded music businesses in a joint venture. The newly formed company, which will be known as Sony BMG, will be 50% owned by each parent company. It will not include SMEI's music publishing, physical distribution and disc manufacturing business or SMEJ. Regulatory approvals have now been obtained in the EU and approval in the U.S. is still pending.

Pictures

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

	First quarter ended June 30			
	2003	**2004**	Change	**2004**
Sales and operating revenue	¥151.1	**¥148.2**	- 1.9%	**$1,372**
Operating income (loss)	(2.4)	**4.1**	-	**38**

The results presented above are a yen-translation of the results of Sony Pictures Entertainment ("SPE"), a U.S. based operation that 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 decreased 1.9% compared with the same quarter of the previous year (6% increase on a U.S dollar basis). Sales, on a U.S. dollar basis, increased primarily due to higher home entertainment revenues led by the strong performance of *50 First Dates* and *Big Fish*. Major theatrical releases which contributed to sales in the first quarter ended June 30, 2004, included *Spider-Man 2* (released on June 30), *Hellboy* and *13 Going on 30*. Television revenues increased due to higher advertising revenues on *The King of Queens* and higher international syndication and DVD revenues from television library product, offset slightly by lower *Seinfeld* syndication sales due to the extension of an agreement with a U.S. cable network in the same quarter of the previous year.

Operating income of ¥4.1 billion ($38 million) was recorded compared with an operating loss of ¥2.4 billion in the prior year, an improvement of ¥6.5 billion year on year, primarily due to the successful performance of home entertainment and theatrical releases. In addition, operating income benefited from lower marketing expenditures in the current year's first quarter ended June 30, 2004 compared to the same quarter of the previous year. Television profits declined from the prior year primarily due to the lower *Seinfeld* syndication sales noted above.

Financial Services

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

	First quarter ended June 30			
	2003	**2004**	Change	**2004**
Financial Services revenue	¥149.6	**¥133.6**	-10.7%	**$1,237**
Operating income	14.0	**10.4**	-25.9	**96**

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

Financial Services revenue decreased 10.7% to ¥133.6 billion ($1,237 million) compared with the same quarter of the previous year, mainly due to a decrease in revenue at Sony Life. Revenue at Sony Life decreased by ¥17.7 billion or 14% to ¥112.7 billion ($1,044 million), compared with the same quarter of the previous year*. Regarding Sony Life, as of the third quarter beginning October 1, 2003, the method of recognizing insurance premiums received on certain products was changed from being recorded as revenues to being offset against the related provision for future insurance policy benefits. This change in revenue recognition method which led to a decrease in revenue from insurance premiums, coupled with a decrease in valuation gains from the separate account assets which are defined by insurance business law in Japan, resulted in a decrease of revenue at Sony Life. Because valuation gains from such separate account assets revert to the insurance policy holder, there is no effect on operating income.

Operating income decreased by ¥3.6 billion or 25.9% to ¥10.4 billion ($96 million) compared with the same quarter of the previous year, mainly due to a decrease in operating income at Sony Life. Operating income at Sony Life decreased by ¥3.8 billion or 26% to ¥10.5 billion ($97 million), primarily due to an increase in insurance claims paid, dividends, and the introduction of a new accounting policy (See Note 6. on page F-7).* The aforementioned change in revenue recognition method, adopted in the third quarter beginning October 1, 2003, did not have a material effect on operating income at Sony Life.

*The Financial Services revenue and operating income at Sony Life are calculated on a U.S. GAAP basis. Therefore, they differ from the results that Sony Life discloses on a Japanese statutory basis. The above mentioned change in revenue recognition method did not have an impact on results on a Japanese statutory basis.

Other

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

	First quarter ended June 30			
	2003	**2004**	Change	**2004**
Sales and operating revenue	¥62.3	**¥59.4**	-4.7%	**$550**
Operating income (loss)	3.4	**(0.8)**	-	**(7)**

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

Sales decreased 4.7% compared to the same quarter of the previous fiscal year. This was mainly the result of a decrease in intersegment sales at a Japanese subsidiary involved in the advertising agency business, in accordance with contract changes. However, there was an increase in sales in both the production and marketing of animation products and in the IC card businesses. In addition, an increase in revenue resulted from the switch from the equity accounting method to the consolidated accounting method, in the second quarter of the previous fiscal year, of a subsidiary responsible for operating a real estate complex in Germany.

An operating loss of ¥0.8 billion ($7 million) was recorded, representing a decrease of ¥4.2 billion compared with the operating income of ¥3.4 billion in the same quarter of the previous fiscal year. This deterioration was due to the fact that a business operated by a U.S. subsidiary recorded a one-time gain of ¥7.7 billion on the sale of rights related to a portion of the Sony Credit Card portfolio in the same quarter of the previous fiscal year.

Cash Flow

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

Cash Flow - Consolidated (excluding Financial Services segment)

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

	First quarter ended June 30			
Cash flow	2003	**2004**	Change	**2004**
- From operating activities	¥(138.4)	**¥(72.9)**	¥ +65.5	**$(675)**
- From investing activities	(55.7)	**(174.9)**	-119.2	**(1,620)**
- From financing activities	113.7	**(49.1)**	-162.8	**(455)**
Cash and cash equivalents at beginning of the first quarter	438.5	**592.9**	+154.4	**5,490**
Cash and cash equivalents as of June 30	357.9	**309.2**	-48.7	**2,863**

Operating Activities: During the quarter ended June 30, 2004, operating activities used more cash than they generated, mainly due to an increase in inventory in the Electronics segment, in particular of flat panel televisions, digital still cameras and camcorders reflecting an increase in production due to an increase in sales to outside customers, and a decrease in notes and accounts payable, trade, although this was partially offset by net income, excluding the effect of depreciation and amortization, and a decrease in notes and accounts receivable, trade, mainly in the Music and Pictures segments. Compared with the same quarter of the previous fiscal year, there was a decrease in the use of net cash as although there was a decrease in notes and accounts payable, trade, this was offset by a decrease in notes and accounts receivable, trade.

Investing Activities: During the quarter ended June 30, 2004, Sony made aggressive capital investments mainly concentrated in semiconductors, as well as investments associated with an amorphous TFT LCD panel manufacturing joint venture (named S-LCD Corporation) established with Samsung Electronics Co., Ltd.

As a result, the total amount of cash flow from operating activities and from investing activities was a use of cash of ¥247.8 billion ($2,294 million).

Financing Activities: During the quarter ended June 30, 2004, Sony redeemed a portion of its long-term debt.

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 ¥48.7 billion to ¥309.2 billion ($2,863 million) as of June 30, 2004, compared to June 30, 2003.

Cash Flow - Financial Services segment

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

	First quarter ended June 30			
Cash flow	2003	**2004**	Change	**2004**
- From operating activities	¥66.1	**¥50.5**	¥-15.5	**$468**
- From investing activities	(76.1)	**(209.8)**	-133.7	**(1,942)**
- From financing activities	41.3	**92.3**	+51.0	**855**
Cash and cash equivalents at beginning of the first quarter	274.5	**256.3**	-18.2	**2,373**
Cash and cash equivalents as of June 30	305.8	**189.4**	-116.5	**1,754**

Operating Activities: Operating activities generated more cash than was used due to an increase in income from insurance premiums and other, reflecting an increase in insurance-in-force.

Investing Activities: As the result of increased investment, particularly in domestic bonds, due to the aforementioned increase in income from insurance premiums and the continued appreciation of domestic interest rates, payments for investments and advances exceeded proceeds from sales of securities investments, maturities of marketable securities and collections of advances.

Financing Activities: Deposits from customers in the banking business increased due to factors including an increase in the number of accounts.

Cash and Cash Equivalents: As a result of the above, cash and cash equivalents decreased ¥116.5 billion to ¥189.4 billion ($1,754 million) as of June 30, 2004 compared to June 30, 2003.

Notes

Note I: During the first quarter ended June 30, 2004, the average value of the yen was ¥108.8 against the U.S. dollar and ¥130.7 against the euro, which was 7.4% higher against the U.S. dollar and 1.8% higher 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 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 quarter. Local currency basis results are not reflected in Sony's financial statements and are not measures conforming with Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP"). In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that local currency basis results provide additional useful analytical information to investors regarding operating performance.

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

Outlook for the Fiscal Year ending March 31, 2005

Profits for the first quarter of the fiscal year exceeded expectations. Nonetheless, because we are cautious about the future operating environment, we have not revised our forecast for the fiscal year ending March 31, 2005 announced on April 27, 2004, as stated in the table below. In addition, there has been no change to our forecast for capital expenditures, depreciation and amortization or research and development expenses.

		Change from previous year
Sales and operating revenue	¥7,550 billion	+1%
Operating income	160 billion	+62
Income before income taxes	160 billion	+11
Net income	100 billion	+13

Restructuring expenses of approximately ¥130 billion are included in the above forecast (no change from the previous forecast).

Capital expenditures (additions to fixed assets)	¥410 billion	+8%
Depreciation and amortization*	370 billion	+1
(Depreciation expenses for tangible assets)	(290 billion)	(+1)

* Including amortization of intangible assets and amortization of deferred insurance acquisition costs.

Research and development expenses	550 billion	+7

Assumed exchange rates from the second quarter: approximately ¥105 to the U.S. dollar, approximately ¥125 to the euro.

As noted in the Music section of "Operating Performance Highlights by Business Segment," regulatory approvals have been obtained in the EU and is pending in the U.S. that will allow the merger of Sony Corporation of America and Bertelsmann AG's recorded music businesses. Once the merger is completed, management of the joint venture will then establish a budget for the remainder of the fiscal year that includes restructuring activities. The above forecast does not give effect to the benefits of this merger or the restructuring costs to be incurred in its implementation. As the joint venture will be accounted for under the equity method, sales and operating income of the recorded music business will no longer be consolidated within those line items; rather, the net income of the joint venture will be reported as equity in net income of affiliated companies.

As of June 30, 2004, Sony had deferred tax assets on tax loss carry forwards in relation to Japanese local income taxes totaling ¥89.0 billion. However, there is a possibility that, depending on future operating performance, Sony may establish a valuation allowance against part or all of its deferred tax assets that would be charged to income as an increase in tax expense. On the other hand, as of June 30, 2004, the U.S. subsidiaries of Sony had valuation allowances of ¥83.5 billion against deferred tax assets for U.S. federal and certain state taxes. However, there is a possibility that, depending on future operating performance, as early as during the fiscal year ending March 31, 2005, Sony may reverse part or all of the valuation allowances that would be recognized into income as a reduction to tax expense.

However, it should be noted that the forecast above does not include the possibility of the establishment of a valuation allowance against deferred tax assets in Japan, or the possibility of the reversal of valuation allowances against deferred tax assets in the U.S.

For your reference, further details about valuation allowances against deferred tax assets can be found under the "Deferred tax asset valuation" section of "Critical Accounting Policies" in Item 5. *Operating and Financial Review and Prospects* of Sony Corporation's Form 20-F for the fiscal year ended March 31, 2004.
URL:http://www.sec.gov/Archives/edgar/data/313838/000114554904000801/0001145549-04-000801-index.htm

Cautionary Statement

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

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Business Segment Information **(Unaudited)**

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

Sales and operating revenue	Three months ended June 30 2003	2004	Change	2004
Electronics				
Customers	¥ 1,047,500	¥ **1,089,565**	+4.0%	$ **10,089**
Intersegment	52,818	**8,456**		**78**
Total	1,100,318	**1,098,021**	-0.2	**10,167**
Game				
Customers	120,332	**100,061**	-16.8	**926**
Intersegment	4,914	**5,304**		**50**
Total	125,246	**105,365**	-15.9	**976**
Music				
Customers	101,289	**103,752**	+2.4	**961**
Intersegment	15,711	**15,031**		**139**
Total	117,000	**118,783**	+1.5	**1,100**
Pictures				
Customers	151,131	**148,191**	-1.9	**1,372**
Intersegment	0	**0**		**0**
Total	151,131	**148,191**	-1.9	**1,372**
Financial Services				
Customers	142,969	**127,706**	-10.7	**1,182**
Intersegment	6,678	**5,918**		**55**
Total	149,647	**133,624**	-10.7	**1,237**
Other				
Customers	40,559	**42,863**	+5.7	**397**
Intersegment	21,778	**16,568**		**153**
Total	62,337	**59,431**	-4.7	**550**
Elimination	(101,899)	**(51,277)**	—	**(475)**
Consolidated total	¥ 1,603,780	¥ **1,612,138**	+0.5%	$ **14,927**

Electronics intersegment amounts primarily consist of transactions with the Game business.
Music intersegment amounts primarily consist of transactions with the Game and Pictures businesses.
Other intersegment amounts primarily consist of transactions with the Electronics business.

Operating income (loss)	2003	2004	Change	2004
Electronics	¥ 13,758	¥ **6,890**	-49.9%	$ **64**
Game	1,761	**(2,881)**	—	**(27)**
Music	(5,990)	**(1,059)**	—	**(10)**
Pictures	(2,397)	**4,101**	—	**38**
Financial Services	14,047	**10,403**	-25.9	**96**
Other	3,390	**(782)**	—	**(7)**
Total	24,569	**16,672**	-32.1	**154**
Unallocated corporate expenses and elimination	(7,897)	**(6,898)**	—	**(63)**
Consolidated total	¥ 16,672	¥ **9,774**	-41.4%	$ **91**

Commencing with the first quarter ended June 30, 2004, Sony has partly realigned its business segment configuration.
Results in the first quarter of the previous year have been reclassified to conform to the presentations for the current quarter.

Electronics Sales and Operating Revenue to Customers by Product Category

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

Sales and operating revenue	2003	**2004**	Change	**2004**
	Three months ended June 30			
Audio	¥ 152,392	¥ **134,386**	-11.8%	$ **1,244**
Video	224,448	**251,205**	+11.9	**2,326**
Televisions	187,958	**197,161**	+4.9	**1,826**
Information and Communications	188,141	**174,043**	-7.5	**1,612**
Semiconductors	53,055	**66,910**	+26.1	**619**
Components	135,842	**151,710**	+11.7	**1,405**
Other	105,664	**114,150**	+8.0	**1,057**
Total	¥ 1,047,500	¥ **1,089,565**	+4.0%	$ **10,089**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on page F-1. The Electronics segment is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the sales contributions of the products in this business segment. In addition, commencing with the first quarter ended June 30, 2004, Sony has partly realigned its product category configuration in the Electronics segment. Accordingly, results of the previous year have been reclassified. The primary changes are as follows:

Main Product	Previous Product Category		New Product Category
AIWA	"Other"	→	"Audio" or "Video" or "Televisions"
Set-top box	"Video"	→	"Televisions"

Geographic Segment Information (Unaudited)

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

Sales and operating revenue	2003	**2004**	Change	**2004**
	Three months ended June 30			
Japan	¥ 511,269	¥ **484,632**	-5.2%	$ **4,487**
United States	459,729	**418,296**	-9.0	**3,873**
Europe	346,798	**375,333**	+8.2	**3,475**
Other Areas	285,984	**333,877**	+16.7	**3,092**
Total	¥ 1,603,780	¥ **1,612,138**	+0.5%	$ **14,927**

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

Consolidated Statements of Income (Unaudited)

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

	Three months ended June 30			
	2003	**2004**	Change	**2004**
Sales and operating revenue:			%	
Net sales	¥ 1,449,222	**¥ 1,471,121**		**$ 13,622**
Financial service revenue	142,969	**127,706**		**1,182**
Other operating revenue	11,589	**13,311**		**123**
	1,603,780	**1,612,138**	+0.5	**14,927**
Costs and expenses:				
Cost of sales	1,059,152	**1,103,271**		**10,215**
Selling, general and administrative	404,305	**376,937**		**3,490**
Financial service expenses	129,026	**117,294**		**1,086**
(Gain) loss on sale, disposal or impairment of assets, net	(5,375)	**4,862**		**45**
	1,587,108	**1,602,364**		**14,836**
Operating income	16,672	**9,774**	-41.4	**91**
Other income:				
Interest and dividends	6,128	**4,981**		**46**
Royalty income	7,382	**5,661**		**52**
Gain on sale of securities investments, net	8,526	**689**		**6**
Gain on issuance of stock by subsidiary and equity investee	—	**307**		**3**
Other	12,851	**6,849**		**64**
	34,887	**18,487**		**171**
Other expenses:				
Interest	6,155	**7,527**		**70**
Loss on devaluation of securities investments	500	**931**		**9**
Foreign exchange loss, net	872	**5,683**		**53**
Other	8,261	**7,506**		**69**
	15,788	**21,647**		**201**
Income before income taxes	35,771	**6,614**	-81.5	**61**
Income taxes	25,384	**(1,842)**		**(17)**
Income before minority interest, equity in net income (loss) of affiliated companies and cumulative effect of an accounting change	10,387	**8,456**	-18.6	**78**
Minority interest in income (loss) of consolidated subsidiaries	(461)	**621**		**6**
Equity in net income (loss) of affiliated companies	(9,727)	**20,142**		**187**
Income before cumulative effect of an accounting change	1,121	**27,977**	+2,395.7	**259**
Cumulative effect of an accounting change (2004: Net of income taxes of ¥2,675 million)	—	**(4,713)**		**(44)**
Net income	¥ 1,121	**¥ 23,264**	+1,975.3	**$ 215**
Per share data:				
Common stock				
Income before cumulative effect of an accounting change				
— Basic	¥ —	**¥ 30.20**	—	**$ 0.28**
— Diluted	—	**28.52**	—	**0.26**
Net income				
— Basic	1.24	**25.10**	+1,924.2	**0.23**
— Diluted	1.24	**23.81**	+1,820.2	**0.22**
Subsidiary tracking stock				
Net income (loss)				
— Basic	(7.97)	**13.87**	—	**0.13**

Consolidated Balance Sheets (Unaudited)

	(Millions of yen, millions of U.S. dollars)			
ASSETS	June 30 2003	March 31 2004	**June 30 2004**	**June 30 2004**
Current assets:				
Cash and cash equivalents	¥ 663,700	¥ 849,211	**¥ 498,587**	**$ 4,617**
Time deposits	4,890	4,662	**6,184**	**57**
Marketable securities	230,028	274,748	**494,219**	**4,576**
Notes and accounts receivable, trade	1,145,962	1,123,863	**1,113,384**	**10,309**
Allowance for doubtful accounts and sales returns	(94,874)	(112,674)	**(109,555)**	**(1,014)**
Inventories	720,895	666,507	**761,962**	**7,055**
Deferred income taxes	131,244	125,532	**123,965**	**1,148**
Prepaid expenses and other current assets	542,814	431,506	**440,486**	**4,078**
	3,344,659	3,363,355	**3,329,232**	**30,826**
Film costs	306,072	256,740	**259,792**	**2,405**
Investments and advances:				
Affiliated companies	92,100	86,253	**168,222**	**1,558**
Securities investments and other	1,976,955	2,426,697	**2,386,537**	**22,097**
	2,069,055	2,512,950	**2,554,759**	**23,655**
Property, plant and equipment:				
Land	188,856	189,785	**186,620**	**1,728**
Buildings	878,242	930,983	**934,311**	**8,651**
Machinery and equipment	2,084,805	2,053,085	**2,085,402**	**19,309**
Construction in progress	67,062	98,480	**117,456**	**1,088**
Less–Accumulated depreciation	(1,914,037)	(1,907,289)	**(1,952,104)**	**(18,075)**
	1,304,928	1,365,044	**1,371,685**	**12,701**
Other assets:				
Intangibles, net	256,118	248,010	**233,271**	**2,160**
Goodwill	296,124	277,870	**287,278**	**2,660**
Deferred insurance acquisition costs	331,738	349,194	**363,401**	**3,365**
Deferred income taxes	233,036	203,203	**228,203**	**2,113**
Other	471,245	514,296	**522,106**	**4,835**
	1,588,261	1,592,573	**1,634,259**	**15,133**
	¥ 8,612,975	¥ 9,090,662	**¥ 9,149,727**	**$ 84,720**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 260,451	¥ 91,260	**¥ 103,828**	**$ 961**
Current portion of long-term debt	35,028	383,757	**354,045**	**3,278**
Notes and accounts payable, trade	771,521	778,773	**762,582**	**7,061**
Accounts payable, other and accrued expenses	803,178	812,175	**783,635**	**7,256**
Accrued income and other taxes	77,057	57,913	**45,257**	**419**
Deposits from customers in the banking business	284,669	378,851	**413,654**	**3,830**
Other	396,406	479,486	**457,630**	**4,238**
	2,628,310	2,982,215	**2,920,631**	**27,043**
Long-term liabilities:				
Long-term debt	806,606	777,649	**781,089**	**7,232**
Accrued pension and severance costs	507,114	368,382	**377,213**	**3,493**
Deferred income taxes	72,375	96,193	**88,469**	**819**
Future insurance policy benefits and other	1,980,437	2,178,626	**2,265,008**	**20,972**
Other	269,913	286,737	**276,082**	**2,557**
	3,636,445	3,707,587	**3,787,861**	**35,073**
Minority interest in consolidated subsidiaries	19,082	22,858	**23,287**	**216**
Stockholders' equity:				
Capital stock	476,591	480,267	**480,285**	**4,447**
Additional paid-in capital	989,919	992,817	**992,834**	**9,193**
Retained earnings	1,302,848	1,367,060	**1,390,321**	**12,873**
Accumulated other comprehensive income	(430,851)	(449,959)	**(437,524)**	**(4,051)**
Treasury stock, at cost	(9,369)	(12,183)	**(7,968)**	**(74)**
	2,329,138	2,378,002	**2,417,948**	**22,388**
	¥ 8,612,975	¥ 9,090,662	**¥ 9,149,727**	**$ 84,720**

Consolidated Statements of Cash Flows (Unaudited)

	(Millions of yen, millions of U.S. dollars)		
	Three months ended June 30		
	2003	**2004**	**2004**
Cash flows from operating activities:			
Net income	¥ 1,121	¥ **23,264**	$ **215**
Adjustments to reconcile net income to net cash used in operating activities			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	84,277	**85,531**	**792**
Amortization of film costs	52,867	**55,055**	**510**
Accrual for pension and severance costs, less payments	10,115	**7,820**	**72**
(Gain) loss on sale, disposal or impairment of assets, net	(5,375)	**4,862**	**45**
Gain on sales of securities investments, net	(8,526)	**(689)**	**(6)**
Gain on issuance of stock by subsidiary and equity investee	—	**(307)**	**(3)**
Deferred income taxes	15,303	**(15,627)**	**(145)**
Equity in net (income) losses of affiliated companies, net of dividends	9,971	**(19,668)**	**(182)**
Cumulative effect of an accounting change	—	**4,713**	**44**
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	(32,757)	**24,663**	**228**
Increase in inventories	(84,739)	**(88,947)**	**(824)**
Increase in film costs	(71,399)	**(51,412)**	**(476)**
Increase (decrease) in notes and accounts payable, trade	70,057	**(21,838)**	**(202)**
Decrease in accrued income and other taxes	(39,789)	**(13,674)**	**(127)**
Increase in future insurance policy benefits and other	66,027	**40,771**	**378**
Increase in deferred insurance acquisition costs	(16,229)	**(15,940)**	**(148)**
Increase in marketable securities held in the financial service business for trading purpose	—	**(12,343)**	**(114)**
Increase in other current assets	(84,415)	**(22,203)**	**(206)**
Decrease in other current liabilities	(30,744)	**(25,363)**	**(235)**
Other	(7,917)	**18,848**	**176**
Net cash used in operating activities	(72,152)	**(22,484)**	**(208)**
Cash flows from investing activities:			
Payments for purchases of fixed assets	(84,197)	**(128,891)**	**(1,193)**
Proceeds from sales of fixed assets	13,870	**14,359**	**133**
Payments for investments and advances by financial service business	(254,879)	**(414,488)**	**(3,838)**
Payments for investments and advances (other than financial service business)	(8,545)	**(67,182)**	**(622)**
Proceeds from sales of securities investments, maturities of marketable securities and collections of advances by financial service business	194,804	**214,755**	**1,988**
Proceeds from sales of securities investments, maturities of marketable securities and collections of advances (other than financial service business)	6,941	**6,552**	**61**
Increase in time deposits	(1,122)	**(1,399)**	**(13)**
Cash assumed upon acquisition by stock exchange offering	3,634	**—**	**—**
Proceeds from issuances of stock by subsidiary	—	**267**	**2**
Net cash used in investing activities	(129,494)	**(376,027)**	**(3,482)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	1,234	**8,574**	**79**
Payments of long-term debt	(3,428)	**(39,461)**	**(365)**
Increase (decrease) in short-term borrowings	129,641	**(3,073)**	**(28)**
Increase in deposits from customers in the financial service business	35,553	**65,155**	**603**
Dividends paid	(11,566)	**(11,577)**	**(107)**
Other	1,048	**15,031**	**139**
Net cash provided by financing activities	152,482	**34,649**	**321**
Effect of exchange rate changes on cash and cash equivalents	(194)	**13,238**	**123**
Net decrease in cash and cash equivalents	(49,358)	**(350,624)**	**(3,246)**
Cash and cash equivalents at beginning of the fiscal year	713,058	**849,211**	**7,863**
Cash and cash equivalents at June 30	¥ 663,700	¥ **498,587**	$ **4,617**

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥108 = U.S. $1, the approximate Tokyo foreign exchange market rate as of June 30, 2004.

2. As of June 30, 2004, Sony had 1,007 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method in respect to 69 affiliated companies.

3. Sony calculates and presents per share data separately for Sony's common stock and for the subsidiary tracking stock which is linked to the economic value of Sony Communication Network Corporation, based on Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share". The holders of the tracking stock have the right to participate in earnings, together with common stock holders. Accordingly, Sony calculates per share data by the "two-class" method based on FAS No.128. Under this method, basic net income per share for each class of stock is calculated based on the earnings allocated to each class of stock for the applicable period, divided by the weighted-average number of outstanding shares in each class during the applicable period. The earnings allocated to the subsidiary tracking stock are determined based on the subsidiary tracking stockholders' economic interest in the targeted subsidiary's earnings available for dividends or change in accumulated losses that do not include those of the targeted subsidiary's subsidiaries. The earnings allocated to common stock are calculated by subtracting the earnings allocated to the subsidiary tracking stock from Sony's net income for the period.

   Weighted-average shares used for computation of earnings per share of common stock are as follows. The dilutive effect in the weighted-average shares for the three months ended June 30, 2003 and 2004 mainly resulted from convertible bonds.

Weighted-average shares	(Thousands of shares) **Three months ended June 30** 2003	**2004**
Income before cumulative effect of an accounting change and net income		
— Basic	921,748	924,955
— Diluted	925,537	1,000,348

   Weighted-average shares used for computation of earnings per share of the subsidiary tracking stock for the three months ended June 30, 2003 and 2004 are 3,072 thousand shares. There were no potentially dilutive securities or options granted for earnings per share of the subsidiary tracking stock.

4. Sony's comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income includes changes in unrealized gains or losses on securities, unrealized gains or losses on derivative instruments, minimum pension liabilities adjustments and foreign currency translation adjustments. Net income, other comprehensive income and comprehensive income for the three months ended June 30, 2003 and 2004 were as follows:

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

	Three months ended June 30 2003	**2004**	**2004**
Net income	¥ 1,121	¥ **23,264**	$ **215**
Other comprehensive income:			
Unrealized gains (losses) on Securities	17,018	**(15,163)**	**(140)**
Unrealized gains (losses) on derivative instruments	646	**(2,262)**	**(21)**
Minimum pension liabilities adjustments	(4,218)	**(363)**	**(3)**
Foreign currency translation adjustments	27,681	**30,223**	**279**
	41,127	**12,435**	**115**
Comprehensive income	¥ 42,248	¥ **35,699**	$ **330**

5. In January 2003, the FASB issued FASB Interpretation ("FIN") No.46, "Consolidation of Variable Interest Entities – an Interpretation of Accounting Research Bulletins ("ARB") No.51", and the revised FIN No.46 was issued in December 2003. This interpretation addresses consolidation by a primary beneficiary of a variable interest entity ("VIE"). FIN No.46 is effective immediately for all new VIEs created or acquired after January 31, 2003. Sony has not entered into any new arrangements with VIEs on or after February 1, 2003. For VIEs created or acquired prior to February 1, 2003, Sony adopted FIN No.46 on July 1,

2003. As a result of the adoption of FIN No.46, Sony recognized ¥2,117 million of loss as the cumulative effect of accounting change. Additionally, Sony's assets and liabilities increased as non-cash transactions, which resulted in no cash flows, by ¥95,255 million and ¥97,950 million, respectively, as well as cash and cash equivalents of ¥1,521 million.

6. Adoption of New Accounting Standards

<u>Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts</u>
In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts". SOP 03-1 requires insurance enterprises to record additional reserves for long-duration life insurance contracts with minimum guarantees or annuitization options. Additionally, SOP 03-1 provides guidance for the presentation of separate accounts. This statement is effective for fiscal years beginning after December 15, 2003. Sony adopted SOP 03-1 on April 1, 2004. As a result of the adoption of SOP 03-1, Sony's operating income decreased by ¥968 million ($9 million) and Sony recorded a one-time charge of ¥4,713 million ($44 million), net of income taxes of ¥2,675 million, as a cumulative effect of an accounting change for the three months ended June 30, 2004. In addition, the separate account assets, which are defined as "special accounts" by insurance business law in Japan and were previously included in "Security investments and other" in the consolidated balance sheet, are now treated as general account assets and included in "Marketable securities" in the consolidated balance sheet.

Other Consolidated Financial Data

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

	Three months ended June 30			
	2003	**2004**	Change	**2004**
Capital expenditures (additions to property, plant and equipment)	¥ 81,017	**¥ 88,071**	+8.7%	**$ 815**
Depreciation and amortization expenses*	84,277	**85,531**	+1.5	**792**
(Depreciation expenses for property, plant and equipment)	(65,636)	**(68,907)**	(+5.0)	**(638)**
R&D expenses	114,164	**123,582**	+8.2	**1,144**

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

Condensed Financial Services Financial Statements (Unaudited)

The results of the Financial Services segment are included in Sony's consolidated financial statements. The following schedules shows 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.

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

Condensed Statements of Income

Financial Services	Three months ended June 30			
	2003	**2004**	Change	**2004**
			%	
Financial service revenue	¥ 149,647	¥ **133,624**	-10.7	$ **1,237**
Financial service expenses	135,600	**123,221**	-9.1	**1,141**
Operating income	14,047	**10,403**	-25.9	**96**
Other income (expenses), net	14	**(62)**	—	**(0)**
Income before income taxes	14,061	**10,341**	-26.5	**96**
Income taxes and other	7,058	**3,826**	-45.8	**35**
Income before cumulative effect of an accounting change	7,003	**6,515**	-7.0	**61**
Cumulative effect of an accounting change	—	**(4,713)**	—	**(44)**
Net income	¥ 7,003	¥ **1,802**	-74.3	$ **17**

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

Sony without Financial Services	Three months ended June 30			
	2003	**2004**	Change	**2004**
			%	
Net sales and operating revenue	¥ 1,462,818	¥ **1,486,409**	+1.6	$ **13,763**
Costs and expenses	1,459,962	**1,486,927**	+1.8	**13,768**
Operating income (loss)	2,856	**(518)**	—	**(5)**
Other income (expenses), net	18,855	**(3,209)**	—	**(30)**
Income (loss) before income taxes	21,711	**(3,727)**	—	**(35)**
Income taxes and other	27,688	**(25,189)**	—	**(234)**
Net income (loss)	¥ (5,977)	¥ **21,462**	—	$ **199**

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

Consolidated	Three months ended June 30			
	2003	**2004**	Change	**2004**
			%	
Financial service revenue	¥ 142,969	¥ **127,706**	-10.7	$ **1,182**
Net sales and operating revenue	1,460,811	**1,484,432**	+1.6	**13,745**
	1,603,780	**1,612,138**	+0.5	**14,927**
Costs and expenses	1,587,108	**1,602,364**	+1.0	**14,836**
Operating income	16,672	**9,774**	-41.4	**91**
Other income (expenses), net	19,099	**(3,160)**	—	**(30)**
Income before income taxes	35,771	**6,614**	-81.5	**61**
Income taxes and other	34,650	**(21,363)**	—	**(198)**
Income before cumulative effect of an accounting change	1,121	**27,977**	+2,395.7	**259**
Cumulative effect of an accounting change	—	**(4,713)**	—	**(44)**
Net income	¥ 1,121	¥ **23,264**	+1,975.3	$ **215**

Condensed Balance Sheets

Financial Services	June 30 2003	March 31 2004	June 30 2004	June 30 2004
	(Millions of yen, millions of U.S. dollars)			
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 305,833	¥ 256,316	¥ **189,381**	$ **1,754**
Marketable securities	225,103	270,676	**490,144**	**4,538**
Notes and accounts receivable, trade	77,545	72,273	**72,339**	**670**
Other	136,840	100,433	**81,891**	**758**
	745,321	699,698	**833,755**	**7,720**
Investments and advances	1,816,554	2,274,510	**2,250,950**	**20,842**
Property, plant and equipment	44,840	40,833	**40,819**	**378**
Other assets:				
Deferred insurance acquisition costs	331,738	349,194	**363,401**	**3,365**
Other	108,860	110,804	**108,956**	**1,009**
	440,598	459,998	**472,357**	**4,374**
	¥ 3,047,313	¥ 3,475,039	¥ **3,597,881**	$ **33,314**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 68,285	¥ 86,748	¥ **103,176**	$ **955**
Notes and accounts payable, trade	6,383	7,847	**7,176**	**66**
Deposits from customers in the banking business	284,669	378,851	**413,654**	**3,830**
Other	100,206	175,357	**158,775**	**1,471**
	459,543	648,803	**682,781**	**6,322**
Long-term liabilities:				
Long-term debt	140,262	135,811	**135,993**	**1,259**
Accrued pension and severance costs	9,097	10,183	**10,748**	**100**
Future insurance policy benefits and other	1,980,437	2,178,626	**2,265,008**	**20,972**
Other	116,161	126,349	**120,406**	**1,115**
	2,245,957	2,450,969	**2,532,155**	**23,446**
Minority interest in consolidated subsidiaries	—	—	**5,820**	**54**
Stockholders' equity	341,813	375,267	**377,125**	**3,492**
	¥ 3,047,313	¥ 3,475,039	¥ **3,597,881**	$ **33,314**

Sony without Financial Services	June 30 2003	March 31 2004	June 30 2004	June 30 2004
	(Millions of yen, millions of U.S. dollars)			
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 357,867	¥ 592,895	¥ **309,206**	$ **2,863**
Marketable securities	4,925	4,072	**4,075**	**38**
Notes and accounts receivable, trade	976,757	943,590	**935,065**	**8,658**
Other	1,288,524	1,151,879	**1,274,358**	**11,799**
	2,628,073	2,692,436	**2,522,704**	**23,358**
Film costs	306,072	256,740	**259,792**	**2,405**
Investments and advances	372,682	358,629	**423,858**	**3,925**
Investments in Financial Services, at cost	176,905	176,905	**197,073**	**1,825**
Property, plant and equipment	1,260,087	1,324,211	**1,330,866**	**12,323**
Other assets	1,261,742	1,251,901	**1,272,866**	**11,786**
	¥ 6,005,561	¥ 6,060,822	¥ **6,007,159**	$ **55,622**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 260,389	¥ 409,766	¥ **373,908**	$ **3,462**
Notes and accounts payable, trade	766,841	773,221	**757,236**	**7,011**
Other	1,182,370	1,190,563	**1,144,546**	**10,598**
	2,209,600	2,373,550	**2,275,690**	**21,071**
Long-term liabilities:				
Long-term debt	802,706	775,233	**777,738**	**7,201**
Accrued pension and severance costs	498,017	358,199	**366,465**	**3,393**
Other	309,526	348,946	**331,854**	**3,073**
	1,610,249	1,482,378	**1,476,057**	**13,667**
Minority interest in consolidated subsidiaries	13,390	17,554	**17,567**	**163**
Stockholders' equity	2,172,322	2,187,340	**2,237,845**	**20,721**
	¥ 6,005,561	¥ 6,060,822	¥ **6,007,159**	$ **55,622**

Consolidated	June 30	March 31	**June 30**	**June 30**
	(Millions of yen, millions of U.S. dollars)			
ASSETS	2003	2004	**2004**	**2004**
Current assets:				
Cash and cash equivalents	¥ 663,700	¥ 849,211	**¥ 498,587**	**$ 4,617**
Marketable securities	230,028	274,748	**494,219**	**4,576**
Notes and accounts receivable, trade	1,051,088	1,011,189	**1,003,829**	**9,295**
Other	1,399,843	1,228,207	**1,332,597**	**12,338**
	3,344,659	3,363,355	**3,329,232**	**30,826**
Film costs	306,072	256,740	**259,792**	**2,405**
Investments and advances	2,069,055	2,512,950	**2,554,759**	**23,655**
Property, plant and equipment	1,304,928	1,365,044	**1,371,685**	**12,701**
Other assets:				
Deferred insurance acquisition costs	331,738	349,194	**363,401**	**3,365**
Other	1,256,523	1,243,379	**1,270,858**	**11,768**
	1,588,261	1,592,573	**1,634,259**	**15,133**
	¥ 8,612,975	¥ 9,090,662	**¥ 9,149,727**	**$ 84,720**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 295,479	¥ 475,017	**¥ 457,873**	**$ 4,240**
Notes and accounts payable, trade	771,521	778,773	**762,582**	**7,061**
Deposits from customers in the banking business	284,669	378,851	**413,654**	**3,830**
Other	1,276,641	1,349,574	**1,286,522**	**11,912**
	2,628,310	2,982,215	**2,920,631**	**27,043**
Long-term liabilities:				
Long-term debt	806,606	777,649	**781,089**	**7,232**
Accrued pension and severance costs	507,114	368,382	**377,213**	**3,493**
Future insurance policy benefits and other	1,980,437	2,178,626	**2,265,008**	**20,972**
Other	342,288	382,930	**364,551**	**3,376**
	3,636,445	3,707,587	**3,787,861**	**35,073**
Minority interest in consolidated subsidiaries	19,082	22,858	**23,287**	**216**
Stockholders' equity	2,329,138	2,378,002	**2,417,948**	**22,388**
	¥ 8,612,975	¥ 9,090,662	**¥ 9,149,727**	**$ 84,720**

Condensed Statements of Cash Flows

Financial Services

	(Millions of yen, millions of U.S. dollars) Three months ended June 30		
	2003	**2004**	**2004**
Net cash provided by operating activities	¥ 66,074	**¥ 50,544**	**$ 468**
Net cash used in investing activities	(76,094)	**(209,778)**	**(1,942)**
Net cash provided by financing activities	41,310	**92,299**	**855**
Net increase (decrease) in cash and cash equivalents	31,290	**(66,935)**	**(619)**
Cash and cash equivalents at beginning of the fiscal year	274,543	**256,316**	**2,373**
Cash and cash equivalents at June 30	¥ 305,833	**¥ 189,381**	**$ 1,754**

Sony without Financial Services

	(Millions of yen, millions of U.S. dollars) Three months ended June 30		
	2003	**2004**	**2004**
Net cash used in operating activities	¥ (138,365)	**¥ (72,863)**	**$ (675)**
Net cash used in investing activities	(55,744)	**(174,929)**	**(1,620)**
Net cash provided by (used in) financing activities	113,655	**(49,135)**	**(455)**
Effect of exchange rate changes on cash and cash equivalents	(194)	**13,238**	**123**
Net decrease in cash and cash equivalents	(80,648)	**(283,689)**	**(2,627)**
Cash and cash equivalents at beginning of the fiscal year	438,515	**592,895**	**5,490**
Cash and cash equivalents at June 30	¥ 357,867	**¥ 309,206**	**$ 2,863**

Consolidated

	(Millions of yen, millions of U.S. dollars) Three months ended June 30		
	2003	**2004**	**2004**
Net cash used in operating activities	¥ (72,152)	**¥ (22,484)**	**$ (208)**
Net cash used in investing activities	(129,494)	**(376,027)**	**(3,482)**
Net cash provided by financing activities	152,482	**34,649**	**321**
Effect of exchange rate changes on cash and cash equivalents	(194)	**13,238**	**123**
Net decrease in cash and cash equivalents	(49,358)	**(350,624)**	**(3,246)**
Cash and cash equivalents at beginning of the fiscal year	713,058	**849,211**	**7,863**
Cash and cash equivalents at June 30	¥ 663,700	**¥ 498,587**	**$ 4,617**