SONY

# News & Information

1-7-1 Konan, Minato-ku
Tokyo 108-0075 Japan

No: 07-066E
3:00 P.M. JST, July 26, 2007

# Consolidated Financial Results for the First Quarter Ended June 30, 2007

Tokyo, July 26, 2007 -- Sony Corporation today announced its consolidated results for the first quarter of the fiscal year ending March 31, 2008 (April 1, 2007 to June 30, 2007).

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| | 2006 | **2007** | Change in Yen | **2007*** |
| Sales and operating revenue | ¥1,744.2 | **¥1,976.5** | +13.3% | **$16,069** |
| Operating income | 27.0 | **99.3** | +267.2 | **808** |
| Income before income taxes | 54.0 | **83.8** | + 55.0 | **681** |
| Equity in net income of affiliated companies | 3.6 | **22.0** | +506.4 | **178** |
| Net income | 32.3 | **66.5** | +105.8 | **540** |
| Net income per share of common stock | | | | |
| — Basic | ¥32.25 | **¥66.29** | +105.6 | **$0.54** |
| — Diluted | 30.75 | **63.14** | +105.3 | **0.51** |

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

* *U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥123=U.S.$1, the approximate Tokyo foreign exchange market rate as of June 29, 2007.*

## Consolidated Results for the First Quarter Ended June 30, 2007

**Sales and operating revenue ("sales")** increased 13.3% (a 7% increase on a local currency basis) compared with the same quarter of the previous fiscal year. (For all references herein to sales on a local currency basis, see Note on page 8.)

Electronics segment sales increased 11.6% (a 4% increase on a local currency basis). Products such as Cyber-shot™ digital cameras, BRAVIA™ LCD televisions and Handycam® video cameras contributed to the sales increase; however, sales declined for products such as LCD rear-projection televisions and CRT televisions. In the Game segment, sales increased 60.5% compared to the same quarter of the previous fiscal year primarily as a result of the contribution to sales from PLAYSTATION®3 ("PS3"), which was released during the second half of last fiscal year. In the Pictures segment, there was a 13.0% increase in revenue mainly due to the highly successful worldwide theatrical performance of *Spider-Man 3*. In the Financial Services segment, revenue increased by 48.9% mainly due to an improvement in both valuation gains (losses) from convertible bonds in the general account and gains (losses) from investments in the separate account at Sony Life Insurance Co., Ltd. ("Sony Life").

**Operating income** increased 267.2% to ¥99.3 billion ($808 million) compared to the same quarter of the previous fiscal year.

In the Electronics segment, operating income increased 77.3% compared to the same quarter of the previous fiscal year. This was primarily due to a positive impact from the depreciation of the yen versus the U.S. dollar and the Euro, as well as an increase in sales of semiconductors to the Game segment. In the Game segment, the operating loss increased primarily due to the loss arising from strategic pricing of PS3 at points lower than its production cost. In the Pictures segment, operating income was recorded compared to an operating loss recorded in the same quarter of the previous fiscal year primarily as a result of higher sales in the home entertainment market of prior fiscal year films as well as lower overall theatrical marketing expenses on upcoming summer releases incurred in the current quarter. In the Financial Services segment, there was an increase in operating income mainly attributable to the above-mentioned improvement in valuation gains (losses) from convertible bonds in the general account at Sony Life.

Restructuring charges, which are recorded as operating expenses, amounted to ¥3.4 billion ($28 million) for the quarter compared to ¥10.7 billion for the same quarter of the previous fiscal year. In the Electronics segment, restructuring charges were ¥2.6 billion ($21 million) compared to ¥10.1 billion in the same quarter of the previous fiscal year.

**Income before income taxes** increased 55.0% compared to the same quarter in the previous fiscal year due to the increase in operating income mentioned above, although there was a decrease in the net effect of other income and expenses. The lower net effect of other income and expenses was a result of the recording of a net foreign exchange loss in the current quarter versus the net foreign exchange gain recorded in the same quarter of the previous fiscal year. In addition, there was a gain of ¥18.0 billion recorded for the change in ownership interests in subsidiaries and investees during the same quarter in the previous fiscal year from the sale of a majority ownership interest in StylingLife Holdings Inc. (“StylingLife”), a holding company comprised of Sony’s six retail businesses.

**Income taxes**: During the current quarter, Sony recorded ¥39.7 billion ($322 million) of income taxes resulting in an effective tax rate of 47.3%. The effective tax rate for the current quarter exceeded the Japanese statutory tax rate primarily due to the recording of an additional tax provision for the undistributed earnings of Sony Ericsson Mobile Communications AB (“Sony Ericsson”).

**Equity in net income of affiliated companies** increased 506.4% to ¥22.0 billion ($178 million) compared to the same quarter of the previous fiscal year. Sony recorded equity in net income for Sony Ericsson of ¥17.7 billion ($144 million), an increase of ¥7.5 billion compared to the same quarter of the previous year. Sony also recorded equity in net income of ¥1.2 billion ($10 million) for SONY BMG MUSIC ENTERTAINMENT (“SONY BMG”), an improvement of ¥5.8 billion from the equity in net loss recorded in the same quarter of the previous fiscal year, primarily due to lower marketing, overhead and restructuring expenses as well as a gain on the sale of an interest in a joint venture of SONY BMG. Equity in net income of ¥1.5 billion ($12 million) was recorded for S-LCD Corporation, a joint-venture with Samsung Electronics Co., Ltd., an improvement of ¥1.8 billion compared to the same quarter of the previous fiscal year.

Sony did not record any equity gain or loss for Metro-Goldwyn-Mayer Inc. (“MGM”) during the current quarter compared to equity in net loss of ¥2.6 billion recorded in the same quarter of the prior fiscal year. As of March 31, 2007, Sony no longer has any book basis in MGM and accordingly, no additional losses are recorded.

As a result of the changes in the items discussed above, **net income** increased 105.8% to ¥66.5 billion ($540 million) compared to the same quarter of the previous fiscal year.

## Operating Performance Highlights by Business Segment

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

# *Electronics*

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| | 2006 | **2007** | Change in Yen | **2007** |
| Sales and operating revenue | ¥1,280.9 | **¥1,429.3** | +11.6% | **$11,621** |
| Operating income | 47.4 | **84.1** | +77.3% | **684** |

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

**Sales** increased by 11.6% compared to the same quarter of the previous fiscal year (a 4% increase on a local currency basis). Sales to outside customers increased 6.9% compared to the same quarter of the previous fiscal year. There was an increase in sales of products including "Cyber-shot" digital cameras, which experienced favorable sales in all regions, "BRAVIA" LCD televisions, which experienced higher unit sales outside of Japan, and Handycam® video cameras, which recorded increased sales primarily in the U.S. and Europe. On the other hand, there was a decrease in sales of several products including LCD rear-projection televisions and CRT televisions, as the market for such products is shrinking.

**Operating income** of ¥84.1 billion ($684 million) was recorded, a 77.3% increase compared to the same quarter of the previous fiscal year. This was primarily the result of a positive impact from the depreciation of the yen versus the U.S. dollar and the Euro, as well as an increase in sales. With regard to products within the Electronics segment, the improvement was mainly attributable to "Cyber-shot" digital cameras, system LSIs, which saw a contribution from the sales of semiconductors for PS3, and Handycam® video cameras. This was partially offset by a decrease in contribution from other products including "BRAVIA" LCD televisions, due to unit price declines.

**Inventory**, as of June 30, 2007, was ¥928.4 billion ($7,548 million), which increased ¥120.8 billion, or 15.0%, compared with the level as of June 30, 2006 and an increase of ¥202.6 billion, or 27.9%, compared with the level as of March 31, 2007.

### *Operating Results for Sony Ericsson Mobile Communications AB*

*The following operating results for Sony Ericsson, which is accounted for by the equity method, are not consolidated in Sony's consolidated financial statements. However, Sony believes that this disclosure provides additional useful analytical information to investors regarding operating performance.*

(Millions of Euros)

| | Quarter ended June 30 | | |
|---|---|---|---|
| | 2006 | **2007** | Change in Euros |
| Sales and operating revenue | €2,272 | **€3,112** | +37% |
| Income before income taxes | 211 | **327** | +55 |
| Net income | 143 | **220** | +54 |

Sales for the current quarter increased by 37% compared to the same period of the previous year. Results were boosted by sales of successful models such as Walkman® and "Cyber-shot" phones. As a result, Sony recorded equity in net income of ¥17.7 billion ($144 million).

# *Game*

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

**First quarter ended June 30**

| | 2006 | **2007** | Change in Yen | **2007** |
|---|---|---|---|---|
| Sales and operating revenue | ¥122.5 | **¥196.6** | +60.5% | **$1,598** |
| Operating income (loss) | (26.8) | **(29.2)** | - | **(237)** |

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

**Sales** increased 60.5% compared with the same quarter of the previous fiscal year (a 49% increase on a local currency basis).

Hardware: Overall hardware sales increased as a result of the contribution to sales from PS3, which was released during the second half of last fiscal year, in addition to increased unit sales of PlayStation®2 ("PS2") and PSP® (PlayStation®Portable) ("PSP").

Software: Overall software sales increased as a result of the contribution from PS3 software sales, in addition to an increase in PS2 software sales.

An **operating loss** of ¥29.2 billion ($237 million) was recorded, a ¥2.4 billion deterioration compared to the same quarter of the previous fiscal year. This deterioration was primarily due to the loss arising from the strategic pricing of PS3 at points lower than its production cost, although operating income from software increased due to further hardware penetration in the market.

Worldwide hardware unit sales (increase compared to the same quarter of the previous fiscal year):*
- → PS2: 2.70 million units (an increase of 0.37 million units)
- → PSP: 2.14 million units (an increase of 0.73 million units)
- → PS3: 0.71 million units

Worldwide software unit sales (increase/decrease compared to the same quarter of the previous fiscal year):*
- → PS2: 31.1 million units (a decrease of 1.6 million units)
- → PSP: 9.9 million units (an increase of 0.6 million units)
- → PS3: 4.7 million units

*Beginning with the quarter ended June 30, 2007, the method of reporting hardware and software unit sales has been changed from production shipments to recorded sales.

**Inventory,** as of June 30, 2007, was ¥227.0 billion ($1,846 million), which represents a ¥105.0 billion, or 86.1%, increase compared with the level as of June 30, 2006. This increase was primarily due to the buildup of finished goods inventory following the introduction of the PS3 platform in Japan, North America, and Europe. Inventory increased by ¥28.2 billion, or 14.2%, compared with the level as of March 31, 2007.

## *Pictures*

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| | 2006 | **2007** | Change in Yen | **2007** |
| Sales and operating revenue | ¥204.8 | **¥231.4** | +13.0% | **$1,881** |
| Operating income (loss) | (1.2) | **3.3** | - | **26** |

*Unless otherwise specified, all amounts are reported on a U.S. GAAP basis. The results presented above are a yen-translation of the results of Sony Pictures Entertainment ("SPE"), a U.S. based operation which aggregates the results of its worldwide subsidiaries. Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results are specified as being on "a U.S. dollar basis."*

**Sales** increased 13.0% compared with the same quarter of the previous fiscal year (a 7% increase on a U.S. dollar basis). Sales increased primarily due to the highly successful worldwide theatrical performance of *Spider-Man 3* combined with growth in advertising revenues from several of SPE's international channels.

**Operating income** of ¥3.3 billion ($26 million) was recorded as compared to an operating loss of ¥1.2 billion in the same quarter of the previous fiscal year. The current quarter's results benefited from sales in the home entertainment market of such films as *Casino Royale* and *Stomp the Yard* that were released in the prior fiscal year. Operating income also benefited from lower theatrical marketing expenses incurred for upcoming summer releases compared to the same quarter of the prior year. These benefits were partially offset by the U.S. theatrical under-performance of *Surf's Up* and lower home entertainment sales from acquired third-party product.

## *Financial Services*

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| | 2006 | **2007** | Change in Yen | **2007** |
| Financial service revenue | ¥124.1 | **¥184.8** | +48.9% | **$1,503** |
| Operating income | 4.6 | **33.8** | +637.1 | **274** |

*In Sony's Financial Services segment, results include Sony Financial Holdings Inc., Sony Life, Sony Assurance Inc., Sony Bank Inc. and Sony Finance International Inc. Also, unless otherwise specified, all amounts are reported on a U.S. GAAP basis. Therefore, they differ from the results that Sony Life discloses on a Japanese statutory basis.*

**Financial service revenue** increased 48.9% compared with the same quarter of the previous fiscal year, due to an increase in revenue at Sony Life. Revenue at Sony Life was ¥161.8 billion ($1,316 million), a ¥63.7 billion or 64.9% increase compared with the same quarter of the previous fiscal year. The main reason for this higher revenue was an improvement in both valuation gains (losses) from convertible bonds in the general account and gains (losses) from investments in the separate account, and an increase in insurance premium revenue reflecting an increase in policy amounts in force.

**Operating income** increased 637.1% compared with the same quarter of the previous fiscal year as a result of a significant increase in operating income at Sony Life. Operating income at Sony Life was ¥34.6 billion ($281 million), a ¥31.5 billion, or 1,018.0% increase compared with the same quarter of the previous fiscal year, due to the above-mentioned improvement in valuation gains (losses) from convertible bonds in the general account, and an increase in insurance premium revenue reflecting an increase in policy amounts in force.

## *All Other*

| | (Billions of yen, millions of U.S. dollars) | | | |
|---|---|---|---|---|
| | First quarter ended June 30 | | | |
| | 2006 | **2007** | Change in Yen | **2007** |
| Sales and operating revenue | ¥88.1 | **¥84.2** | -4.5% | **$684** |
| Operating income | 4.7 | **7.8** | +63.9 | **63** |

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

**Sales** decreased 4.5% compared with the same quarter of the previous fiscal year. This sales decrease is due to the fact that two months of consolidated results for six of Sony's retail businesses were included within All Other in the same quarter of the previous fiscal year. However, the results of these businesses were deconsolidated as of June 1, 2006 due to the sale by Sony Corporation of its majority ownership interest in StylingLife, a holding company comprised of the above-mentioned six retail businesses, during the first quarter of the previous fiscal year.

Sales increased at Sony Music Entertainment (Japan) Inc. ("SMEJ") mainly as a result of an increase in consignment sales of non-SMEJ titles and album sales compared to the same quarter of the previous fiscal year. Best-selling albums and singles during the current quarter included *CAN'T BUY MY LOVE* by YUI, *ALL YOURS* by Crystal Kay and *EPopMAKING~Pop tono Sogu~* by BEAT CRUSADERS.

**Operating income** increased 63.9% compared with the same quarter of the previous fiscal year. This increase was principally a result of the increased sales recorded at SMEJ as well as higher fee revenue from new subscribers at So-net Entertainment Corporation.

### *Operating Results for SONY BMG MUSIC ENTERTAINMENT*

*The following operating results for SONY BMG, which is accounted for by the equity method, are not consolidated in Sony's consolidated financial statements. However, Sony believes that this disclosure provides additional useful analytical information to investors regarding operating performance.*

| | (Millions of U.S. dollars) | | |
|---|---|---|---|
| | Quarter ended June 30 | | |
| | 2006 | **2007** | Change in U.S. Dollars |
| Sales and operating revenue | $872 | **$875** | +0.3% |
| Income (loss) before income taxes | (73) | **31** | - |
| Net income (loss) | (81) | **21** | - |

During the quarter ended June 30, 2007, sales at SONY BMG increased by 0.3% compared to the same quarter of the previous year due to the strength of several releases combined with the growth in digital sales being offset by the decline in the worldwide physical music market. SONY BMG recorded income before income taxes of $31 million, as compared to a loss before income taxes of $73 million in the same quarter of the previous fiscal year. Income before income taxes includes $29 million of restructuring charges, a decrease of $18 million year-on-year. Though sales were essentially unchanged from the prior year, profitability improved primarily due to lower marketing, overhead and restructuring expenses as well as a gain on the sale of an interest in a joint venture of SONY BMG. As a result, Sony recorded equity in net income of ¥1.2 billion ($10 million). Best selling releases during the quarter included Avril Lavigne's *The Best Damn Thing*, Kelly Clarkson's *My December* and R. Kelly's *Double Up*.

## Cash Flows

*The following charts show Sony's unaudited condensed statements of cash flows 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 Flows - Consolidated (Excluding Financial Services segment)

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| Cash flows | 2006 | **2007** | Change in Yen | **2007** |
| - From operating activities | ¥(189.1) | **¥(135.9)** | ¥+53.3 | **$(1,104)** |
| - From investing activities | (100.4) | **(110.7)** | -10.3 | **(900)** |
| - From financing activities | 95.8 | **37.9** | -57.9 | **308** |
| Cash and cash equivalents at beginning of the fiscal year | 585.5 | **522.9** | -62.6 | **4,251** |
| Cash and cash equivalents at June 30 | 381.6 | **327.1** | -54.4 | **2,660** |

**Operating Activities**: During the current quarter, despite a decrease in notes and accounts receivable, trade, cash flows from operating activities resulted in a net use of cash. This was due primarily to increased inventory in the Electronics segment of LCD televisions and of semiconductors for the PS3, as well as a result of a decrease in notes and accounts payable, trade.

**Investing Activities**: During the current quarter, net cash used within the Electronics segment was for the purchase of fixed assets, principally semiconductor fabrication equipment, and part of the investment in S-LCD with respect to the manufacturing facilities for 8th generation TFT LCD panels.

As a result, total net cash used by operating activities and used in investing activities during the current quarter was ¥246.5 billion ($2,004 million).

**Financing Activities**: During the current quarter, an increase in short-term borrowings was partially offset by dividend payments.

**Cash and Cash Equivalents**: As a result of the above factors, and taking into account the effect of foreign currency exchange rate fluctuations, the total balance of cash and cash equivalents was ¥327.1 billion ($2,660 million) at June 30, 2007, which was a decrease of ¥195.7 billion compared to March 31, 2007 and a decrease of ¥54.4 billion compared to June 30, 2006.

Cash Flows - Financial Services segment

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| Cash flows | 2006 | **2007** | Change in Yen | **2007** |
| - From operating activities | ¥91.9 | **¥41.6** | ¥-50.4 | **$338** |
| - From investing activities | (40.1) | **(291.3)** | -251.2 | **(2,368)** |
| - From financing activities | 9.4 | **95.9** | +86.6 | **780** |
| Cash and cash equivalents at beginning of the fiscal year | 117.6 | **277.0** | +159.4 | **2,252** |
| Cash and cash equivalents at June 30 | 178.8 | **123.2** | -55.6 | **1,002** |

**Operating Activities:** Net cash provided by operating activities was generated due to an increase in revenue from insurance premiums, primarily reflecting an increase in policy amounts in force at Sony Life.

**Investing Activities**: Payments for investments and advances mainly carried out at Sony Life exceeded proceeds from maturities of marketable securities, sales of securities investments and collections of advances.

**Financing Activities:** In addition to an increase in policyholders' accounts at Sony Life, there was an increase in deposits from customers in the banking business.

**Cash and Cash Equivalents**: As a result of the above, the balance of cash and cash equivalents was ¥123.2 billion ($1,002 million) at June 30, 2007, which was a decrease of ¥153.8 billion compared to March 31, 2007 and a decrease of ¥55.6 billion compared to June 30, 2006.

## Note

During the quarter ended June 30, 2007, the average value of the yen was ¥119.8 against the U.S. dollar and ¥161.2 against the Euro, which was 5.3% lower against the U.S. dollar and 11.8% lower against the Euro, compared with the average rates for the same quarter of the previous fiscal year. Sales on a local currency basis described herein reflect sales obtained by applying the yen's monthly average exchange rate in the same quarter of the previous fiscal year to local currency-denominated monthly sales in the current quarter. Sales on a local currency basis are not reflected in Sony's financial statements and are not measures conforming with U.S. GAAP. In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that sales on a local currency basis provide additional useful analytical information to investors regarding operating performance.

## Outlook for the Fiscal Year ending March 31, 2008

Our forecast for the fiscal year ending March 31, 2008, is unchanged from the forecast of May 16, 2007 as per the table below.

In addition to first quarter operating results that exceeded Sony's May forecast, the assumed foreign currency exchange rates for the second quarter and thereafter have been revised to reflect a decline in value of the yen compared to the May forecast. However, we are more cautious about the business environment for the remainder of the fiscal year for the Electronics and Game segments compared to our May forecast.

| | | Change from previous fiscal year |
|---|---|---|
| Sales and operating revenue | ¥8,780 billion | +6% |
| Operating income | 440 billion | +513 |
| (Restructuring charges recorded as operating expenses | 35 billion | -10) |
| Income before income taxes | 420 billion | +312 |
| Equity in net income of affiliated companies | 80 billion | +2 |
| Net income | 320 billion | +153 |

| | | |
|---|---|---|
| Capital expenditures (additions to fixed assets)* | ¥440 billion | +6 |
| Depreciation and amortization** | 430 billion | +7 |
| (Depreciation expenses for tangible assets) | (350 billion) | (+11) |
| Research and development expenses | 550 billion | +1 |

* *Investments in S-LCD are not included within the forecast for capital expenditures.*

** *The forecast for depreciation and amortization includes amortization of intangible assets and amortization of deferred insurance acquisition costs.*

Assumed foreign currency exchange rates for the remainder of the fiscal year: approximately ¥117 to the U.S. dollar and approximately ¥158 to the Euro.

**Cautionary Statement**

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

Investor Relations Contacts:

| Tokyo | New York | London |
|---|---|---|
| Tatsuyuki Sonoda | Sam Levenson/Justin Hill/ Miki Emura | Shinji Tomita |
| +81-(0)3-6748-2180 | +1-212-833-6722 | +44-(0)20-7444-9713 |

Home Page: http://www.sony.net/IR/

**(Unaudited)**
**Consolidated Balance Sheets**

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

| ASSETS | June 30 2006 | June 30 2007 | Change from 2006 | | June 30 2007 | March 31 2007 |
|---|---|---|---|---|---|---|
| Current assets: | | | | | | |
| Cash and cash equivalents | ¥ 560,400 | ¥ **450,368** | ¥ -110,032 | -19.6 % | $ **3,662** | ¥ 799,899 |
| Marketable securities | 461,655 | **516,014** | +54,359 | +11.8 | **4,195** | 493,315 |
| Notes and accounts receivable, trade | 1,125,063 | **1,268,374** | +143,311 | +12.7 | **10,312** | 1,490,452 |
| Allowance for doubtful accounts and sales returns | (85,384) | **(110,843)** | -25,459 | +29.8 | **(901)** | (120,675) |
| Inventories | 948,126 | **1,189,195** | +241,069 | +25.4 | **9,668** | 940,875 |
| Deferred income taxes | 200,966 | **230,458** | +29,492 | +14.7 | **1,874** | 243,782 |
| Prepaid expenses and other current assets | 537,180 | **780,428** | +243,248 | +45.3 | **6,344** | 699,075 |
| | 3,748,006 | **4,323,994** | +575,988 | +15.4 | **35,154** | 4,546,723 |
| Film costs | 355,609 | **309,841** | -45,768 | -12.9 | **2,519** | 308,694 |
| Investments and advances: | | | | | | |
| Affiliated companies | 296,261 | **467,121** | +170,860 | +57.7 | **3,798** | 448,169 |
| Securities investments and other | 3,235,834 | **3,668,091** | +432,257 | +13.4 | **29,822** | 3,440,567 |
| | 3,532,095 | **4,135,212** | +603,117 | +17.1 | **33,620** | 3,888,736 |
| Property, plant and equipment: | | | | | | |
| Land | 179,824 | **169,454** | -10,370 | -5.8 | **1,378** | 167,493 |
| Buildings | 945,258 | **1,004,770** | +59,512 | +6.3 | **8,169** | 978,680 |
| Machinery and equipment | 2,375,891 | **2,554,261** | +178,370 | +7.5 | **20,766** | 2,479,308 |
| Construction in progress | 105,307 | **63,996** | -41,311 | -39.2 | **520** | 64,855 |
| Less-Accumulated depreciation | (2,167,871) | **(2,343,545)** | -175,674 | +8.1 | **(19,053)** | (2,268,805) |
| | 1,438,409 | **1,448,936** | +10,527 | +0.7 | **11,780** | 1,421,531 |
| Other assets: | | | | | | |
| Intangibles, net | 204,130 | **234,848** | +30,718 | +15.0 | **1,909** | 233,255 |
| Goodwill | 292,497 | **310,842** | +18,345 | +6.3 | **2,527** | 304,669 |
| Deferred insurance acquisition costs | 385,152 | **398,619** | +13,467 | +3.5 | **3,241** | 394,117 |
| Deferred income taxes | 162,078 | **221,162** | +59,084 | +36.5 | **1,798** | 216,997 |
| Other | 407,741 | **481,505** | +73,764 | +18.1 | **3,915** | 401,640 |
| | 1,451,598 | **1,646,976** | +195,378 | +13.5 | **13,390** | 1,550,678 |
| | ¥ 10,525,717 | ¥ **11,864,959** | ¥ +1,339,242 | +12.7 % | $ **96,463** | ¥ 11,716,362 |

| LIABILITIES AND STOCKHOLDERS' EQUITY | June 30 2006 | June 30 2007 | Change from 2006 | | June 30 2007 | March 31 2007 |
|---|---|---|---|---|---|---|
| Current liabilities: | | | | | | |
| Short-term borrowings | ¥ 81,422 | ¥ **104,960** | ¥ +23,538 | +28.9 % | $ **853** | ¥ 52,291 |
| Current portion of long-term debt | 188,232 | **40,652** | -147,580 | -78.4 | **331** | 43,170 |
| Notes and accounts payable, trade | 836,632 | **974,084** | +137,452 | +16.4 | **7,919** | 1,179,694 |
| Accounts payable, other and accrued expenses | 762,463 | **885,328** | +122,865 | +16.1 | **7,198** | 968,757 |
| Accrued income and other taxes | 40,328 | **66,069** | +25,741 | +63.8 | **537** | 70,286 |
| Deposits from customers in the banking business | 634,950 | **796,578** | +161,628 | +25.5 | **6,476** | 752,367 |
| Other | 491,487 | **518,165** | +26,678 | +5.4 | **4,213** | 485,287 |
| | 3,035,514 | **3,385,836** | +350,322 | +11.5 | **27,527** | 3,551,852 |
| Long-term liabilities: | | | | | | |
| Long-term debt | 868,204 | **1,024,604** | +156,400 | +18.0 | **8,330** | 1,001,005 |
| Accrued pension and severance costs | 175,042 | **190,590** | +15,548 | +8.9 | **1,550** | 173,474 |
| Deferred income taxes | 178,468 | **280,114** | +101,646 | +57.0 | **2,277** | 261,102 |
| Future insurance policy benefits and other | 2,799,808 | **3,117,406** | +317,598 | +11.3 | **25,345** | 3,037,666 |
| Other | 256,109 | **283,167** | +27,058 | +10.6 | **2,302** | 281,589 |
| | 4,277,631 | **4,895,881** | +618,250 | +14.5 | **39,804** | 4,754,836 |
| Minority interest in consolidated subsidiaries | 39,084 | **37,902** | -1,182 | -3.0 | **308** | 38,970 |
| Stockholders' equity: | | | | | | |
| Capital stock | 624,967 | **629,019** | +4,052 | +0.6 | **5,114** | 626,907 |
| Additional paid-in capital | 1,138,213 | **1,146,403** | +8,190 | +0.7 | **9,320** | 1,143,423 |
| Retained earnings | 1,630,569 | **1,782,895** | +152,326 | +9.3 | **14,495** | 1,719,506 |
| Accumulated other comprehensive income | (217,044) | **(9,105)** | +207,939 | -95.8 | **(74)** | (115,493) |
| Treasury stock, at cost | (3,217) | **(3,872)** | -655 | +20.4 | **(31)** | (3,639) |
| | 3,173,488 | **3,545,340** | +371,852 | +11.7 | **28,824** | 3,370,704 |
| | ¥ 10,525,717 | ¥ **11,864,959** | ¥ +1,339,242 | +12.7 % | $ **96,463** | ¥ 11,716,362 |

## Consolidated Statements of Income

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

| | First quarter ended June 30 | | | | | Fiscal year ended March 31 |
|---|---|---|---|---|---|---|
| | 2006 | **2007** | Change from 2006 | | **2007** | 2007 |
| **Sales and operating revenue:** | | | | | | |
| Net sales | ¥ 1,599,536 | ¥ **1,768,152** | ¥ +168,616 | +10.5 % | $ **14,375** | ¥ 7,567,359 |
| Financial service revenue | 118,540 | **177,052** | +58,512 | +49.4 | **1,440** | 624,282 |
| Other operating revenue | 26,160 | **31,306** | +5,146 | +19.7 | **254** | 104,054 |
| | 1,744,236 | **1,976,510** | +232,274 | +13.3 | **16,069** | 8,295,695 |
| **Costs and expenses:** | | | | | | |
| Cost of sales | 1,212,079 | **1,328,902** | +116,823 | +9.6 | **10,804** | 5,889,601 |
| Selling, general and administrative | 383,887 | **404,124** | +20,237 | +5.3 | **3,285** | 1,788,427 |
| Financial service expenses | 113,951 | **145,421** | +31,470 | +27.6 | **1,182** | 540,097 |
| (Gain) loss on sale, disposal or impairment of assets, net | 7,271 | **(1,260)** | -8,531 | - | **(10)** | 5,820 |
| | 1,717,188 | **1,877,187** | +159,999 | +9.3 | **15,261** | 8,223,945 |
| **Operating income** | 27,048 | **99,323** | +72,275 | +267.2 | **808** | 71,750 |
| **Other income:** | | | | | | |
| Interest and dividends | 7,094 | **9,460** | +2,366 | +33.4 | **77** | 28,240 |
| Foreign exchange gain, net | 2,542 | — | -2,542 | - | — | — |
| Gain on sale of securities investments, net | 3,901 | **1,380** | -2,521 | -64.6 | **11** | 14,695 |
| Gain on change in interest in subsidiaries and equity investees | 18,046 | — | -18,046 | - | — | 31,509 |
| Other | 4,767 | **6,452** | +1,685 | +35.3 | **53** | 20,738 |
| | 36,350 | **17,292** | -19,058 | -52.4 | **141** | 95,182 |
| **Other expenses:** | | | | | | |
| Interest | 5,411 | **7,044** | +1,633 | +30.2 | **57** | 27,278 |
| Loss on devaluation of securities investments | 16 | **41** | +25 | +156.3 | **1** | 1,308 |
| Foreign exchange loss, net | — | **18,916** | +18,916 | - | **154** | 18,835 |
| Other | 3,943 | **6,856** | +2,913 | +73.9 | **56** | 17,474 |
| | 9,370 | **32,857** | +23,487 | +250.7 | **268** | 64,895 |
| **Income before income taxes** | 54,028 | **83,758** | +29,730 | +55.0 | **681** | 102,037 |
| Income taxes | 24,767 | **39,650** | +14,883 | +60.1 | **322** | 53,888 |
| **Income before minority interest and equity in net income of affiliated companies** | 29,261 | **44,108** | +14,847 | +50.7 | **359** | 48,149 |
| Minority interest in income (loss) of consolidated subsidiaries | 592 | **(382)** | -974 | - | **(3)** | 475 |
| Equity in net income of affiliated companies | 3,622 | **21,965** | +18,343 | +506.4 | **178** | 78,654 |
| **Net income** | ¥ 32,291 | ¥ **66,455** | ¥ +34,164 | +105.8 | $ **540** | ¥ 126,328 |
| **Per share data:** | | | | | | |
| Common stock | | | | | | |
| Net income | | | | | | |
| — Basic | ¥ 32.25 | ¥ **66.29** | ¥ +34.04 | +105.6 | $ **0.54** | ¥ 126.15 |
| — Diluted | 30.75 | **63.14** | +32.39 | +105.3 | **0.51** | 120.29 |

**Consolidated Statements of Cash Flows**

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

| | First quarter ended June 30 | | | Fiscal year ended March 31 |
|---|---|---|---|---|
| | 2006 | **2007** | **2007** | 2007 |
| Cash flows from operating activities: | | | | |
| Net income | ¥ 32,291 | ¥ **66,455** | $ **540** | ¥ 126,328 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization, including amortization of deferred insurance acquisition costs | 91,265 | **104,004** | **846** | 400,009 |
| Amortization of film costs | 79,320 | **90,232** | **734** | 368,382 |
| Stock-based compensation expense | 750 | **898** | **7** | 3,838 |
| Accrual for pension and severance costs, less payments | (1,349) | **(3,133)** | **(25)** | (22,759) |
| (Gain) loss on sale, disposal or impairment of assets, net | 7,271 | **(1,260)** | **(10)** | 5,820 |
| Gain on sale or loss on devaluation of securities investments, net | (3,885) | **(1,339)** | **(10)** | (13,387) |
| (Gain) loss on revaluation of marketable securities held in the financial service business for trading purpose, net | 14,994 | **(10,633)** | **(86)** | (11,857) |
| Gain on change in interest in subsidiaries and equity investees | (18,046) | **—** | **—** | (31,509) |
| Deferred income taxes | 29,271 | **23,859** | **194** | (13,193) |
| Equity in net (income) losses of affiliated companies, net of dividends | (2,935) | **22,926** | **186** | (68,179) |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in notes and accounts receivable, trade | (64,622) | **260,600** | **2,119** | (357,891) |
| Increase in inventories | (155,591) | **(210,163)** | **(1,709)** | (119,202) |
| Increase in film costs | (81,673) | **(78,213)** | **(636)** | (320,079) |
| Increase (decrease) in notes and accounts payable, trade | 26,605 | **(216,799)** | **(1,763)** | 362,079 |
| Decrease in accrued income and other taxes | (37,680) | **(28,151)** | **(229)** | (14,396) |
| Increase in future insurance policy benefits and other | 25,089 | **48,311** | **393** | 172,498 |
| Increase in deferred insurance acquisition costs | (14,959) | **(17,355)** | **(141)** | (61,563) |
| (Increase) decrease in marketable securities held in the financial service business for trading purpose | 23,111 | **(17,047)** | **(139)** | 31,732 |
| (Increase) decrease in other current assets | 16,521 | **(24,912)** | **(203)** | (35,133) |
| Increase (decrease) in other current liabilities | (116,126) | **(68,725)** | **(559)** | 73,222 |
| Other | 52,446 | **(33,496)** | **(273)** | 86,268 |
| Net cash provided by (used in) operating activities | (97,932) | **(93,941)** | **(764)** | 561,028 |
| Cash flows from investing activities: | | | | |
| Payments for purchases of fixed assets | (132,167) | **(104,344)** | **(848)** | (527,515) |
| Proceeds from sales of fixed assets | 6,437 | **8,466** | **69** | 87,319 |
| Payments for investments and advances by financial service business | (252,547) | **(497,598)** | **(4,046)** | (914,754) |
| Payments for investments and advances (other than financial service business) | (5,888) | **(26,318)** | **(214)** | (100,152) |
| Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business | 220,449 | **217,601** | **1,769** | 679,772 |
| Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business) | 966 | **1,968** | **16** | 22,828 |
| Proceeds from sales of subsidiaries' and equity investees' stocks | 30,298 | **928** | **7** | 43,157 |
| Other | 116 | **(508)** | **(3)** | (6,085) |
| Net cash used in investing activities | (132,336) | **(399,805)** | **(3,250)** | (715,430) |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of long-term debt | 105,453 | **23,447** | **191** | 270,780 |
| Payments of long-term debt | (952) | **(6,081)** | **(49)** | (182,374) |
| Increase in short-term borrowings | 1,857 | **30,800** | **250** | 6,096 |
| Increase in deposits from customers in the financial service business | 64,907 | **75,077** | **610** | 273,435 |
| Increase (decrease) in call money and bills sold in the banking business | (62,700) | **18,000** | **146** | (100,700) |
| Dividends paid | (12,552) | **(12,562)** | **(102)** | (25,052) |
| Proceeds from issuance of shares under stock-based compensation plans | 1,685 | **4,285** | **35** | 5,566 |
| Other | 126 | **(1,619)** | **(13)** | 152 |
| Net cash provided by financing activities | 97,824 | **131,347** | **1,068** | 247,903 |
| Effect of exchange rate changes on cash and cash equivalents | (10,254) | **12,868** | **105** | 3,300 |
| Net increase (decrease) in cash and cash equivalents | (142,698) | **(349,531)** | **(2,841)** | 96,801 |
| Cash and cash equivalents at beginning of the fiscal year | 703,098 | **799,899** | **6,503** | 703,098 |
| Cash and cash equivalents at the end of the period | ¥ 560,400 | ¥ **450,368** | $ **3,662** | ¥ 799,899 |

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥123 = U.S. $1, the approximate Tokyo foreign exchange market rate as of June 29, 2007.

2. As of June 30, 2007, Sony had 963 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method in respect to 62 affiliated companies.

3. Weighted-average number of outstanding shares used for computation of earnings per share of common stock are as follows. The dilutive effect in the weighted-average number of outstanding shares mainly resulted from convertible bonds.

| Weighted-average number of outstanding shares | (Thousands of shares) | |
|---|---|---|
| | **First quarter ended June 30** | |
| | 2006 | **2007** |
| Net income | | |
| — Basic | 1,001,206 | **1,002,496** |
| — Diluted | 1,049,969 | **1,052,584** |

4. Sony's comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income includes changes in unrealized gains or losses on securities, unrealized gains or losses on derivative instruments, minimum pension liabilities adjustments and foreign currency translation adjustments. Net income, other comprehensive income and comprehensive income for the first quarter ended June 30, 2006 and 2007 were as follows:

| | (Millions of yen, millions of U.S. dollars) | | |
|---|---|---|---|
| | **First quarter ended June 30** | | |
| | 2006 | **2007** | **2007** |
| Net income | ¥ 32,291 | **¥ 66,455** | **$ 540** |
| Other comprehensive income (loss): | | | |
| Unrealized losses on securities | (48,226) | **(4,900)** | **(40)** |
| Unrealized gains (losses) on derivative instruments | (55) | **644** | **5** |
| Minimum pension liabilities adjustments | (36) | **-** | **-** |
| Pension liabilities adjustments | - | **(1,516)** | **(12)** |
| Foreign currency translation adjustments | (12,290) | **112,160** | **912** |
| | (60,607) | **106,388** | **865** |
| Comprehensive income (loss) | ¥ (28,316) | **¥ 172,843** | **$ 1,405** |

5. In September 2005, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC") issued the Statement of Position ("SOP") 05-1, "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts." SOP 05-1 provides guidance on accounting for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in FAS No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sales of Investments." Sony adopted SOP 05-1 on April 1, 2007. The adoption of SOP 05-1 did not have a material impact on Sony's results of operations and financial position.

6. In March 2006, the Financial Accounting Standards Board ("FASB") issued FAS No. 156, "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140." This statement amends FAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" with respect to the accounting for separately recognized servicing assets and servicing liabilities. Sony adopted FAS No. 156 on April 1, 2007. The adoption of FAS No. 156 did not have a material impact on Sony's results of operations and financial position.

7. In June 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS No. 109, "Accounting for Income Taxes." FIN No. 48 prescribes a

minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Sony adopted FIN No. 48 effective April 1, 2007. As a result of the adoption of FIN No. 48, Sony's opening retained earnings decreased by ¥4,452 million ($36 million). As of April 1, 2007, total unrecognized tax benefits were ¥223,857 million ($1,820 million). If Sony were to prevail on all unrecognized tax benefits recorded, ¥129,632 million ($1,054 million) of the ¥223,857 million would reduce the effective tax rate. Sony does not anticipate any significant increases and decreases in unrecognized tax benefits within the next twelve months.

Interest associated with unrecognized tax benefits is included in interest expense. At April 1, 2007, Sony had an accrual of ¥7,899 million ($64 million) related to interest recorded as accrued expenses (before any tax benefits related thereto).

Penalties associated with income taxes are recorded within income tax expense. At April 1, 2007, Sony had an accrual of ¥3,696 million ($30 million) related to penalties recorded as a component of other non-current liabilities.

As of April 1, 2007, Sony is subject to income tax examinations for Japan and various foreign tax jurisdictions for tax years from 1998 through 2007.

8. In June 2006, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement." EITF Issue No. 06-3 requires disclosure of the accounting policy for any tax assessed by a governmental authority that is imposed concurrently on a specific revenue-producing transaction between a seller and a customer. EITF Issue No. 06-3 should be applied to financial reports for interim and annual reporting periods beginning after December 15, 2006. Sony adopted EITF Issue No. 06-3 on April 1, 2007. The adoption of EITF Issue No. 06-3 did not have a material impact on Sony's results of operations and financial position.

## Other Consolidated Financial Data

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| | 2006 | **2007** | Change | **2007** |
| Capital expenditures (additions to property, plant and equipment) | ¥ 134,056 | **¥ 95,001** | -29.1% | **$ 772** |
| Depreciation and amortization expenses* | 91,265 | **104,004** | +14.0 | **846** |
| (Depreciation expenses for tangible assets) | (71,002) | **(76,276)** | +7.4 | **(620)** |
| R&D expenses | 119,370 | **125,983** | +5.5 | **1,024** |

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

## Business Segment Information

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

| Sales and operating revenue | First quarter ended June 30 2006 | 2007 | Change | 2007 |
|---|---|---|---|---|
| Electronics | | | | |
| Customers | ¥ 1,231,640 | ¥ **1,316,049** | +6.9 % | $ **10,700** |
| Intersegment | 49,252 | **113,280** | | **921** |
| Total | 1,280,892 | **1,429,329** | +11.6 | **11,621** |
| Game | | | | |
| Customers | 117,026 | **183,909** | +57.2 | **1,495** |
| Intersegment | 5,463 | **12,673** | | **103** |
| Total | 122,489 | **196,582** | +60.5 | **1,598** |
| Pictures | | | | |
| Customers | 204,751 | **231,398** | +13.0 | **1,881** |
| Intersegment | — | **—** | | **—** |
| Total | 204,751 | **231,398** | +13.0 | **1,881** |
| Financial Services | | | | |
| Customers | 118,540 | **177,052** | +49.4 | **1,440** |
| Intersegment | 5,561 | **7,788** | | **63** |
| Total | 124,101 | **184,840** | +48.9 | **1,503** |
| All Other | | | | |
| Customers | 72,279 | **68,102** | -5.8 | **553** |
| Intersegment | 15,860 | **16,075** | | **131** |
| Total | 88,139 | **84,177** | -4.5 | **684** |
| Elimination | (76,136) | **(149,816)** | - | **(1,218)** |
| Consolidated total | ¥ 1,744,236 | ¥ **1,976,510** | +13.3 % | $ **16,069** |

Electronics intersegment amounts primarily consist of transactions with the Game segment, Pictures segment and All Other.
All Other intersegment amounts primarily consist of transactions with the Electronics and Game segments.

| Operating income (loss) | 2006 | 2007 | Change | 2007 |
|---|---|---|---|---|
| Electronics | ¥ 47,419 | ¥ **84,081** | +77.3 % | $ **684** |
| Game | (26,803) | **(29,206)** | - | **(237)** |
| Pictures | (1,165) | **3,251** | - | **26** |
| Financial Services | 4,579 | **33,753** | +637.1 | **274** |
| All Other | 4,731 | **7,754** | +63.9 | **63** |
| Total | 28,761 | **99,633** | +246.4 | **810** |
| Corporate and elimination | (1,713) | **(310)** | - | **(2)** |
| Consolidated total | ¥ 27,048 | ¥ **99,323** | +267.2 % | $ **808** |

### Electronics Sales and Operating Revenue to Customers by Product Category

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| **Sales and operating revenue** | 2006 | **2007** | Change | **2007** |
| Audio | ¥ 116,292 | ¥ **125,491** | +7.9 % | $ **1,020** |
| Video | 270,181 | **337,388** | +24.9 | **2,743** |
| Televisions | 262,054 | **235,209** | -10.2 | **1,912** |
| Information and Communications | 213,150 | **232,070** | +8.9 | **1,887** |
| Semiconductors | 47,991 | **57,160** | +19.1 | **465** |
| Components | 204,736 | **192,371** | -6.0 | **1,564** |
| Other | 117,236 | **136,360** | +16.3 | **1,109** |
| Total | ¥ 1,231,640 | ¥ **1,316,049** | +6.9 % | $ **10,700** |

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on pages F-6.
The Electronics segment is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the product categories in this business segment.

### Geographic Segment Information

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| **Sales and operating revenue** | 2006 | **2007** | Change | **2007** |
| Japan | ¥ 476,198 | ¥ **516,504** | +8.5 % | $ **4,199** |
| United States | 447,917 | **468,724** | +4.6 | **3,811** |
| Europe | 398,852 | **476,280** | +19.4 | **3,872** |
| Other Areas | 421,269 | **515,002** | +22.3 | **4,187** |
| Total | ¥ 1,744,236 | ¥ **1,976,510** | +13.3 % | $ **16,069** |

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

## Condensed Financial Services Financial Statements

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

## Condensed Balance Sheet

| | (Millions of yen, millions of U.S. dollars) | | | |
|---|---|---|---|---|
| **Financial Services** | June 30 | March 31 | **June 30** | **June 30** |
| **ASSETS** | 2006 | 2007 | **2007** | **2007** |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 178,848 | ¥ 277,048 | ¥ **123,243** | $ **1,002** |
| Marketable securities | 454,081 | 490,237 | **513,011** | **4,171** |
| Other | 217,525 | 321,969 | **375,214** | **3,050** |
| | 850,454 | 1,089,254 | **1,011,468** | **8,223** |
| Investments and advances | 3,149,420 | 3,347,897 | **3,570,916** | **29,032** |
| Property, plant and equipment | 38,056 | 38,671 | **38,275** | **311** |
| Other assets: | | | | |
| Deferred insurance acquisition costs | 385,152 | 394,117 | **398,619** | **3,241** |
| Other | 96,223 | 107,703 | **106,158** | **863** |
| | 481,375 | 501,820 | **504,777** | **4,104** |
| | ¥ 4,519,305 | ¥ 4,977,642 | ¥ **5,125,436** | $ **41,670** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | ¥ 82,917 | ¥ 48,688 | ¥ **70,163** | $ **570** |
| Notes and accounts payable, trade | 12,516 | 13,159 | **13,620** | **111** |
| Deposits from customers in the banking business | 634,950 | 752,367 | **796,578** | **6,476** |
| Other | 150,784 | 143,245 | **128,889** | **1,048** |
| | 881,167 | 957,459 | **1,009,250** | **8,205** |
| Long-term liabilities: | | | | |
| Long-term debt | 127,284 | 129,484 | **127,485** | **1,036** |
| Accrued pension and severance costs | 13,438 | 8,773 | **8,464** | **69** |
| Future insurance policy benefits and other | 2,799,808 | 3,037,666 | **3,117,406** | **25,345** |
| Other | 149,649 | 204,317 | **213,650** | **1,737** |
| | 3,090,179 | 3,380,240 | **3,467,005** | **28,187** |
| Minority interest in consolidated subsidiaries | 4,123 | 5,145 | **5,116** | **42** |
| Stockholders' equity | 543,836 | 634,798 | **644,065** | **5,236** |
| | ¥ 4,519,305 | ¥ 4,977,642 | ¥ **5,125,436** | $ **41,670** |

## Sony without Financial Services

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

| ASSETS | June 30 2006 | March 31 2007 | **June 30 2007** | **June 30 2007** |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 381,552 | ¥ 522,851 | **¥ 327,125** | **$ 2,660** |
| Marketable securities | 7,574 | 3,078 | **3,003** | **24** |
| Notes and accounts receivable, trade | 1,023,490 | 1,343,128 | **1,132,128** | **9,204** |
| Other | 1,539,698 | 1,625,914 | **1,892,992** | **15,390** |
| | 2,952,314 | 3,494,971 | **3,355,248** | **27,278** |
| Film costs | 355,609 | 308,694 | **309,841** | **2,519** |
| Investments and advances | 467,617 | 623,342 | **643,114** | **5,229** |
| Investments in Financial Services, at cost | 187,400 | 187,400 | **187,400** | **1,524** |
| Property, plant and equipment | 1,400,353 | 1,382,860 | **1,410,661** | **11,469** |
| Other assets | 1,005,734 | 1,100,795 | **1,192,812** | **9,697** |
| | ¥ 6,369,027 | ¥ 7,098,062 | **¥ 7,099,076** | **$ 57,716** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | ¥ 220,448 | ¥ 80,944 | **¥ 113,603** | **$ 924** |
| Notes and accounts payable, trade | 825,028 | 1,167,324 | **961,723** | **7,819** |
| Other | 1,172,416 | 1,392,333 | **1,351,164** | **10,985** |
| | 2,217,892 | 2,640,601 | **2,426,490** | **19,728** |
| Long-term liabilities: | | | | |
| Long-term debt | 804,854 | 925,259 | **948,058** | **7,708** |
| Accrued pension and severance costs | 161,604 | 164,701 | **182,126** | **1,481** |
| Other | 332,586 | 410,354 | **420,924** | **3,421** |
| | 1,299,044 | 1,500,314 | **1,551,108** | **12,610** |
| Minority interest in consolidated subsidiaries | 34,572 | 32,808 | **31,769** | **258** |
| Stockholders' equity | 2,817,519 | 2,924,339 | **3,089,709** | **25,120** |
| | ¥ 6,369,027 | ¥ 7,098,062 | **¥ 7,099,076** | **$ 57,716** |

## Consolidated

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

| ASSETS | June 30 2006 | March 31 2007 | **June 30 2007** | **June 30 2007** |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 560,400 | ¥ 799,899 | **¥ 450,368** | **$ 3,662** |
| Marketable securities | 461,655 | 493,315 | **516,014** | **4,195** |
| Notes and accounts receivable, trade | 1,039,679 | 1,369,777 | **1,157,531** | **9,411** |
| Other | 1,686,272 | 1,883,732 | **2,200,081** | **17,886** |
| | 3,748,006 | 4,546,723 | **4,323,994** | **35,154** |
| Film costs | 355,609 | 308,694 | **309,841** | **2,519** |
| Investments and advances | 3,532,095 | 3,888,736 | **4,135,212** | **33,620** |
| Property, plant and equipment | 1,438,409 | 1,421,531 | **1,448,936** | **11,780** |
| Other assets: | | | | |
| Deferred insurance acquisition costs | 385,152 | 394,117 | **398,619** | **3,241** |
| Other | 1,066,446 | 1,156,561 | **1,248,357** | **10,149** |
| | 1,451,598 | 1,550,678 | **1,646,976** | **13,390** |
| | ¥ 10,525,717 | ¥ 11,716,362 | **¥ 11,864,959** | **$ 96,463** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | ¥ 269,654 | ¥ 95,461 | **¥ 145,612** | **$ 1,184** |
| Notes and accounts payable, trade | 836,632 | 1,179,694 | **974,084** | **7,919** |
| Deposits from customers in the banking business | 634,950 | 752,367 | **796,578** | **6,476** |
| Other | 1,294,278 | 1,524,330 | **1,469,562** | **11,948** |
| | 3,035,514 | 3,551,852 | **3,385,836** | **27,527** |
| Long-term liabilities: | | | | |
| Long-term debt | 868,204 | 1,001,005 | **1,024,604** | **8,330** |
| Accrued pension and severance costs | 175,042 | 173,474 | **190,590** | **1,550** |
| Future insurance policy benefits and other | 2,799,808 | 3,037,666 | **3,117,406** | **25,345** |
| Other | 434,577 | 542,691 | **563,281** | **4,579** |
| | 4,277,631 | 4,754,836 | **4,895,881** | **39,804** |
| Minority interest in consolidated subsidiaries | 39,084 | 38,970 | **37,902** | **308** |
| Stockholders' equity | 3,173,488 | 3,370,704 | **3,545,340** | **28,824** |
| | ¥ 10,525,717 | ¥ 11,716,362 | **¥ 11,864,959** | **$ 96,463** |

## Condensed Statements of Income

### Financial Services

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| | 2006 | **2007** | Change | **2007** |
| Financial service revenue | ¥ 124,101 | ¥ **184,840** | +48.9 % | $ **1,503** |
| Financial service expenses | 119,522 | **151,087** | +26.4 | **1,229** |
| **Operating income** | 4,579 | **33,753** | +637.1 | **274** |
| Other income (expenses), net | (57) | **(83)** | — | **(0)** |
| **Income before income taxes** | 4,522 | **33,670** | +644.6 | **274** |
| Income taxes and other | 1,085 | **13,690** | +1,161.8 | **112** |
| **Net income** | ¥ 3,437 | ¥ **19,980** | +481.3 % | $ **162** |

### Sony without Financial Services

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| | 2006 | **2007** | Change | **2007** |
| Net sales and operating revenue | ¥ 1,628,283 | ¥ **1,801,475** | +10.6 % | $ **14,646** |
| Costs and expenses | 1,606,130 | **1,736,297** | +8.1 | **14,116** |
| **Operating income** | 22,153 | **65,178** | +194.2 | **530** |
| Other income (expenses), net | 33,465 | **(8,516)** | — | **(69)** |
| **Income before income taxes** | 55,618 | **56,662** | +1.9 | **461** |
| Income taxes and other | 20,489 | **3,613** | -82.4 | **30** |
| **Net income** | ¥ 35,129 | ¥ **53,049** | +51.0 % | $ **431** |

### Consolidated

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

| | First quarter ended June 30 | | | |
|---|---|---|---|---|
| | 2006 | **2007** | Change | **2007** |
| Financial service revenue | ¥ 118,540 | ¥ **177,052** | +49.4 % | $ **1,440** |
| Net sales and operating revenue | 1,625,696 | **1,799,458** | +10.7 | **14,629** |
| | 1,744,236 | **1,976,510** | +13.3 | **16,069** |
| Costs and expenses | 1,717,188 | **1,877,187** | +9.3 | **15,261** |
| **Operating income** | 27,048 | **99,323** | +267.2 | **808** |
| Other income (expenses), net | 26,980 | **(15,565)** | — | **(127)** |
| **Income before income taxes** | 54,028 | **83,758** | +55.0 | **681** |
| Income taxes and other | 21,737 | **17,303** | -20.4 | **141** |
| **Net income** | ¥ 32,291 | ¥ **66,455** | +105.8 % | $ **540** |

## Condensed Statements of Cash Flows

### Financial Services

| | (Millions of yen, millions of U.S. dollars) First quarter ended June 30 | | |
|---|---|---|---|
| | 2006 | **2007** | **2007** |
| Net cash provided by operating activities | ¥ 91,910 | ¥ **41,551** | $ **338** |
| Net cash used in investing activities | (40,061) | **(291,286)** | **(2,368)** |
| Net cash provided by financing activities | 9,369 | **95,930** | **780** |
| Net increase (decrease) in cash and cash equivalents | 61,218 | **(153,805)** | **(1,250)** |
| Cash and cash equivalents at beginning of the fiscal year | 117,630 | **277,048** | **2,252** |
| Cash and cash equivalents at the end of the period | ¥ 178,848 | ¥ **123,243** | $ **1,002** |

### Sony without Financial Services

| | (Millions of yen, millions of U.S. dollars) First quarter ended June 30 | | |
|---|---|---|---|
| | 2006 | **2007** | **2007** |
| Net cash used in operating activities | ¥ (189,114) | ¥ **(135,851)** | $ **(1,104)** |
| Net cash used in investing activities | (100,376) | **(110,684)** | **(900)** |
| Net cash provided by financing activities | 95,828 | **37,941** | **308** |
| Effect of exchange rate changes on cash and cash equivalents | (10,254) | **12,868** | **105** |
| Net decrease in cash and cash equivalents | (203,916) | **(195,726)** | **(1,591)** |
| Cash and cash equivalents at beginning of the fiscal year | 585,468 | **522,851** | **4,251** |
| Cash and cash equivalents at the end of the period | ¥ 381,552 | ¥ **327,125** | $ **2,660** |

### Consolidated

| | (Millions of yen, millions of U.S. dollars) First quarter ended June 30 | | |
|---|---|---|---|
| | 2006 | **2007** | **2007** |
| Net cash used in operating activities | ¥ (97,932) | ¥ **(93,941)** | $ **(764)** |
| Net cash used in investing activities | (132,336) | **(399,805)** | **(3,250)** |
| Net cash provided by financing activities | 97,824 | **131,347** | **1,068** |
| Effect of exchange rate changes on cash and cash equivalents | (10,254) | **12,868** | **105** |
| Net decrease in cash and cash equivalents | (142,698) | **(349,531)** | **(2,841)** |
| Cash and cash equivalents at beginning of the fiscal year | 703,098 | **799,899** | **6,503** |
| Cash and cash equivalents at the end of the period | ¥ 560,400 | ¥ **450,368** | $ **3,662** |