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CONSOLIDATED RESULTS FOR THE SECOND QUARTER
THE SIX-MONTH PERIOD SEPTEMBER 30,

FOR IMMEDIATE RELEASE

Tokyo, October 28, 1998- Sony Corporation announced today its consolidated results for both the second quarter and the six-month period ended September 30, 1998.

CONSOLIDATED RESULTS FOR THE SECOND QUARTER

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

	Three months ended September 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue	¥1,638,463	**¥1,751,082**	+ 6.9%	**$ 12,970,978**
Operating income	140,377	**110,043**	- 21.6	**815,133**
Income before income taxes	110,222	**101,336**	- 8.1	**750,637**
Net income	56,113	**45,106**	- 19.6	**334,119**
Net income per share				
Basic	¥ 141.7	**¥ 110.0**	- 22.4%	**$ 0.81**
Diluted	122.1	**98.5**	- 19.3	**0.73**

CONSOLIDATED RESULTS FOR THE SIX-MONTH PERIOD

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

	Six months ended September 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue	¥3,068,800	**¥3,368,380**	+ 9.8%	**$ 24,950,963**
Operating income	237,656	**202,523**	- 14.8	**1,500,170**
Income before income taxes	202,102	**193,435**	- 4.3	**1,432,852**
Net income	90,932	**86,052**	- 5.4	**637,422**
Net income per share				
Basic	¥ 232.0	**¥ 210.1**	- 9.4%	**$ 1.56**
Diluted	198.4	**188.0**	- 5.2	**1.39**

Performance Highlights

Benefiting mainly from growth in the Game business and the depreciation of the yen, Sony's consolidated sales and operating revenue (herein referred to as "sales") for the second quarter ended September 30, 1998 increased 6.9%, compared with the same quarter of the previous year, to ¥1,751 billion ($12,971 million).

Despite strong performance in the Game business and benefit from the yen's depreciation, substantially lower operating income mainly in Electronics and Music businesses, led to a decline in consolidated operating income of 21.6% to ¥110 billion ($815 million). Benefiting from other income, which recorded a foreign exchange gain during the quarter compared to a loss in the previous year, income before income taxes decreased by 8.1% to ¥101 billion ($751 million), and net income decreased 19.6% to ¥45 billion ($334 million). As a result, basic net income per share decreased from ¥141.7 for the previous year to ¥110.0 ($0.81) and diluted net income per share declined from ¥122.1 to ¥98.5 ($0.73) (refer to Note 3 on page 12).

In terms of average foreign exchange rate compared with the previous year, the yen depreciated approximately 16% against the U.S. dollar, 18% against the German mark, and 17% against the British pound. It is estimated that sales and operating income would have been approximately ¥189 billion ($1,400 million) and ¥56 billion ($415 million), respectively, lower than the reported figures, if the value of the yen had remained the same as in the previous year. (Note that these estimates are obtained by simply applying the yen's average exchange rate in the prior fiscal year's second quarter to foreign currency denominated sales, cost of sales, and selling, general and administrative expenses of the quarter under review. Therefore, the estimates do not take into account the effect of foreign exchange fluctuations on prices of products and production and sales costs in each region of the world. Constant currency growth rates discussed in the Performance by Business Segment are also calculated as above.)

Performance by Business Segment

Notes:
- Sales in each business segment include intersegment transactions (refer to Business Segment Information on pages 5 and 6).
- In Electronics, sales and operating revenue by product category represent sales to customers which do not include intersegment transactions (refer to Electronics Sales and Operating Revenue to Customers by Product Category on page 7).

Electronics

During the quarter under review, the Electronics business experienced downward pricing pressure due to intense price competition. In addition, sales were sluggish in Asia (excluding Japan), Russia, Eastern Europe, and Latin America, which experienced financial difficulties. However, the contribution of certain successful products in Japan, sales growth in the United States and Europe, and the positive impact of the yen's depreciation helped to buoy sales by 7.0% (down approximately 4% on a constant currency basis) to ¥1,241 billion ($9,192 million). Operating income declined 29.0% to ¥63 billion ($468 million). The substantial decline was caused by factors including downward price pressure in computer displays, cellular phones, and broadcast- and professional-use equipment, increased depreciation expense in semiconductors, and higher labor and advertising costs. Inventory levels increased at the end of the quarter from the previous year particularly in the United States and Europe in certain product categories due to sluggish sales, preparation for year-end demand, and the depreciation of the yen.

Breaking down Electronics sales to customers by product category, “Audio” products sales grew by 4.3% mainly due to success of MiniDisc systems. Sales expanded 17.6% in the “Video” category, as home-use camcorder sales grew substantially and demand for DVD-Video players in the United States increased. Sales in the “Televisions” category increased 4.6% primarily due to the continued success of the Wega series of color TVs in Japan, which incorporate flat cathode ray tubes, and large screen TVs in the United States. This increase was offset to some extent by lower sales in Latin America and Asia (excluding Japan). In “Information and communications”, while sales were sluggish for computer displays due to intense price competition mainly in the United States, overall sales in this category increased 6.3% on substantial sales growth of VAIO notebook PCs in Japan. Sales growth in “Electronic components and other” was limited to 1.0%, primarily due to sluggishness in semiconductors and electronic components such as cathode ray tubes for computer displays.

Game

During the quarter, sales in the Game business grew 23.1% (up approximately 12% on a constant currency basis) to ¥179 billion ($1,325 million) compared to the same period of the previous year. Despite declines in Japan, demand grew substantially for PlayStation game consoles and software mainly in the United States and Europe. These strong sales, together with the yen’s depreciation, caused operating income in the Game business to jump 51.1% to ¥29 billion ($217 million). Worldwide production shipments of PlayStation game consoles were 5.82 million units during the quarter, and achieved cumulative production shipments of 43.14 million units as of September 30, 1998. Major PlayStation software titles achieving strong sales during the quarter included *XI [sái]* in Japan, *NFL GAMEDAY 99* in the United States, and *Gran Turismo* in Europe.

Music

During the quarter, sales in the Music group increased 10.3% (down approximately 2% on a constant currency basis) to ¥188 billion ($1,391 million), while operating income decreased 74.9% to ¥4.2 billion ($31 million). The profit shortfall is primarily attributable to the poor performance of the Japanese operations. In Japan, despite contributions from international albums, major domestic artist releases performed below expectations. In addition, increased costs in television advertising, marketing and new artist development also negatively impacted the Japanese music business’ profitability. The quarter’s results were also negatively impacted by the timing of new releases as well as retail weakness in certain geographic regions. New releases leading the quarter’s sales included Lauryn Hill’s *The Miseducation of Lauryn Hill,* Korn’s *Follow the Leader* and the *Back to Titanic* and *Armageddon* soundtracks.

Pictures

Sony’s Pictures group revenues decreased 6.7% (down approximately 21% on a constant currency basis) to ¥141 billion ($1,043 million) while operating income increased 5.9% to ¥17 billion ($127 million). The decline in revenues from the prior year is the result of a difficult comparison with last year’s very strong motion picture results and the deconsolidation of the theatrical exhibition business. The increase in operating income is mainly due to increased television syndication profits. The quarter’s results benefited from television syndication revenue from *The Nanny*, *Party of Five* and *Seinfeld*. In addition, the Pictures group’s game shows and soap operas continued to report strong results. In motion pictures, *The Mask of Zorro* was the most notable film released during the quarter.

During the first quarter of this fiscal year, Sony combined its Loews Theatre exhibition business with Cineplex Odeon Corporation to create one of the world’s largest theatrical exhibition companies, Loews Cineplex Entertainment Corporation. As a result of this transaction, Sony no longer consolidates the exhibition results as of the first quarter of the current fiscal year; they are now included on the equity basis.

Insurance

Insurance revenue increased by 1.3% to ¥84 billion ($625 million) compared with the same quarter of the previous year, as a net increase in individual life insurance-in-force was somewhat offset by lower returns on investments. In this segment, operating income was ¥1.5 billion ($11 million), down 24.8% primarily due to lower returns on securities investments and an increase in single premium life insurance policies, which require a greater ratio of reserves for future insurance policy benefits.

Other

While revenue in Sony's Other segment grew, an increased operating loss was caused by the start-up of new businesses such as satellite distribution services.

Non-Consolidated Results (Parent Company Only)

Sony's non-consolidated (parent company only) net sales for the first half of the fiscal year increased 8.7% from the same period of the previous year, to ¥1,317 billion ($9,752 million). However, despite the depreciation of the yen, lower electronics products pricing and higher costs including research and development and advertising costs, caused operating income to decline 17.0%, to ¥57 billion ($424 million). Ordinary income increased 8.0% to ¥79 billion ($586 million) mainly due to higher dividend income from subsidiaries. However, factors including securities investment revaluation losses and accelerated amortization of Japanese pension plans' prior service cost led to a decrease of 1.8% in net income, to ¥46 billion ($341 million).

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Business Segment Information

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

Sales and operating revenue

	Three months ended September 30			
	1997	1998	Change	1998
			%	
Electronics -				
Customers	¥ 1,080,119	**¥ 1,154,126**	+ 6.9	**$ 8,549,081**
Intersegment	79,612	**86,768**		**642,726**
Total	1,159,731	**1,240,894**	+7.0	**9,191,807**
Game -				
Customers	139,968	**173,787**	+ 24.2	**1,287,311**
Intersegment	5,328	**5,084**		**37,659**
Total	145,296	**178,871**	+ 23.1	**1,324,970**
Music -				
Customers	163,184	**178,246**	+ 9.2	**1,320,341**
Intersegment	6,992	**9,478**		**70,207**
Total	170,176	**187,724**	+ 10.3	**1,390,548**
Pictures -				
Customers	150,920	**140,791**	- 6.7	**1,042,896**
Intersegment	3	**18**		**134**
Total	150,923	**140,809**	- 6.7	**1,043,030**
Insurance -				
Customers	83,286	**84,396**	+ 1.3	**625,156**
Intersegment	3	**0**		**0**
Total	83,289	**84,396**	+ 1.3	**625,156**
Other -				
Customers	20,986	**19,736**	- 6.0	**146,193**
Intersegment	41,772	**52,719**		**390,511**
Total	62,758	**72,455**	+ 15.5	**536,704**
Elimination	(133,710)	**(154,067)**	—	**(1,141,237)**
Consolidated	¥ 1,638,463	**¥ 1,751,082**	+ 6.9	**$ 12,970,978**

Electronics intersegment amounts primarily consist of transactions with the Game segment.

Operating income (loss)

	1997	1998	Change	1998
Electronics	¥ 88,878	**¥ 63,133**	- 29.0	**$ 467,652**
Game	19,410	**29,321**	+ 51.1	**217,192**
Music	16,928	**4,246**	- 74.9	**31,452**
Pictures	16,183	**17,138**	+ 5.9	**126,948**
Insurance	1,998	**1,502**	- 24.8	**11,126**
Other	233	**(1,478)**	—	**(10,948)**
Corporate and elimination	(3,253)	**(3,819)**	—	**(28,289)**
Consolidated	¥ 140,377	**¥ 110,043**	-21.6	**$ 815,133**

Business segments have been reported to comply with the Statement of Financial Accounting Standards No. 131 requirements. Accordingly, results for the three months ended September 30, 1997 have been reclassified to conform to the presentation for the three months ended September 30, 1998.

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

Sales and operating revenue	Six months ended September 30 1997	1998	Change %	1998
Electronics -				
Customers	¥ 2,037,365	**¥ 2,233,690**	+ 9.6	**$ 16,545,852**
Intersegment	149,235	**159,129**		**1,178,733**
Total	2,186,600	**2,392,819**	+ 9.4	**17,724,585**
Game -				
Customers	245,996	**304,889**	+ 23.9	**2,258,437**
Intersegment	9,711	**9,974**		**73,882**
Total	255,707	**314,863**	+ 23.1	**2,332,319**
Music -				
Customers	296,531	**345,783**	+ 16.6	**2,561,355**
Intersegment	12,230	**16,545**		**122,556**
Total	308,761	**362,328**	+ 17.3	**2,683,911**
Pictures -				
Customers	301,256	**270,289**	- 10.3	**2,002,141**
Intersegment	148	**18**		**133**
Total	301,404	**270,307**	- 10.3	**2,002,274**
Insurance -				
Customers	141,910	**174,551**	+ 23.0	**1,292,970**
Intersegment	4	**0**		**0**
Total	141,914	**174,551**	+ 23.0	**1,292,970**
Other -				
Customers	45,742	**39,178**	- 14.4	**290,208**
Intersegment	81,853	**102,728**		**760,948**
Total	127,595	**141,906**	+ 11.2	**1,051,156**
Elimination	(253,181)	**(288,394)**	—	**(2,136,252)**
Consolidated	¥ 3,068,800	**¥ 3,368,380**	+ 9.8	**$ 24,950,963**

Electronics intersegment amounts primarily consist of transactions with the Game segment.

Operating income (loss)

	1997	1998	Change %	1998
Electronics	¥ 161,770	**¥ 120,149**	- 25.7	**$ 889,993**
Game	33,374	**53,758**	+ 61.1	**398,207**
Music	21,082	**12,581**	- 40.3	**93,193**
Pictures	22,109	**22,551**	+ 2.0	**167,044**
Insurance	5,934	**3,697**	- 37.7	**27,385**
Other	(224)	**(2,329)**	—	**(17,252)**
Corporate and elimination	(6,389)	**(7,884)**	—	**(58,400)**
Consolidated	¥ 237,656	**¥ 202,523**	- 14.8	**$ 1,500,170**

Business segments have been reported to comply with the Statement of Financial Accounting Standards No. 131 requirements. Accordingly, results for the six months ended September 30, 1997 have been reclassified to conform to the presentation for the six months ended September 30, 1998.

As a result of a change in the accounting period in Pictures, sales for the six-month period ended September 30, 1997 in the segment include the seven-month period from March 1 to September 30, 1997.

Electronics Sales and Operating Revenue to Customers by Product Category

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

	Three months ended September 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue			%	
Audio	¥ 294,632	**¥ 307,166**	+ 4.3	**$ 2,275,304**
Video	220,306	**259,132**	+ 17.6	**1,919,496**
Televisions	166,615	**174,280**	+ 4.6	**1,290,963**
Information and Communications	208,218	**221,308**	+ 6.3	**1,639,318**
Electronic components and other	190,348	**192,240**	+ 1.0	**1,424,000**
Total	¥ 1,080,119	**¥ 1,154,126**	+ 6.9	**$ 8,549,081**

	Six months ended September 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue			%	
Audio	¥ 534,895	**¥ 575,024**	+ 7.5	**$ 4,259,437**
Video	429,757	**501,580**	+ 16.7	**3,715,407**
Televisions	311,796	**342,647**	+ 9.9	**2,538,126**
Information and Communications	390,691	**447,330**	+ 14.5	**3,313,556**
Electronic components and other	370,226	**367,109**	- 0.8	**2,719,326**
Total	¥ 2,037,365	**¥ 2,233,690**	+ 9.6	**$ 16,545,852**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on pages 5 and 6. The Electronics business 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. Operating income information by product category is not available.

Sales and operating revenue by product category for both the second quarter and the six-month periods ended September 30, 1997 have been reclassified to conform to the presentation for the same periods ended September 30, 1998.

Geographic Segment Information

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

	Three months ended September 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue			%	
Japan	¥ 458,269	**¥ 449,077**	- 2.0	**$ 3,326,496**
United States	522,987	**613,985**	+ 17.4	**4,548,037**
Europe	342,528	**406,025**	+ 18.5	**3,007,593**
Other Areas	314,679	**281,995**	- 10.4	**2,088,852**
Total	¥ 1,638,463	**¥ 1,751,082**	+ 6.9	**$ 12,970,978**

	Six months ended September 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue			%	
Japan	¥ 846,837	**¥ 894,769**	+ 5.7	**$ 6,627,919**
United States	958,879	**1,103,752**	+ 15.1	**8,175,941**
Europe	668,927	**801,258**	+ 19.8	**5,935,244**
Other Areas	594,157	**568,601**	- 4.3	**4,211,859**
Total	¥ 3,068,800	**¥ 3,368,380**	+ 9.8	**$ 24,950,963**

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

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Three months ended September 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue:			%	
Net sales	¥ 1,547,314	**¥ 1,656,362**		**$ 12,269,348**
Insurance revenue	83,286	**84,396**		**625,156**
Other operating revenue	7,863	**10,324**		**76,474**
	1,638,463	**1,751,082**	+ 6.9	**12,970,978**
Costs and expenses:				
Cost of sales	1,101,745	**1,170,950**		**8,673,704**
Selling, general and administrative	315,053	**387,194**		**2,868,104**
Insurance expenses	81,288	**82,895**		**614,037**
	1,498,086	**1,641,039**		**12,155,845**
Operating income	140,377	**110,043**	- 21.6	**815,133**
Other income:				
Interest and dividends	4,638	**6,220**		**46,074**
Foreign exchange gain, net	—	**942**		**6,978**
Other	12,858	**19,122**		**141,645**
	17,496	**26,284**		**194,697**
Other expenses:				
Interest	15,142	**14,285**		**105,815**
Foreign exchange loss, net	6,838	**—**		**—**
Other	25,671	**20,706**		**153,378**
	47,651	**34,991**		**259,193**
Income before income taxes	110,222	**101,336**	-8.1	**750,637**
Income taxes	48,583	**53,514**		**396,400**
Income before minority interest	61,639	**47,822**		**354,237**
Minority interest in consolidated subsidiaries	5,526	**2,716**		**20,118**
Net income	¥ 56,113	**¥ 45,106**	- 19.6	**$ 334,119**
Net income per share				
Basic	¥ 141.7	**¥ 110.0**	- 22.4	**$ 0.81**
Diluted	122.1	**98.5**	- 19.3	**0.73**

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Six months ended September 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue:			%	
Net sales	¥ 2,907,436	**¥ 3,172,256**		**$ 23,498,193**
Insurance revenue	141,910	**174,551**		**1,292,970**
Other operating revenue	19,454	**21,573**		**159,800**
	3,068,800	**3,368,380**	+ 9.8	**24,950,963**
Costs and expenses:				
Cost of sales	2,078,929	**2,246,020**		**16,637,185**
Selling, general and administrative	616,239	**748,982**		**5,548,015**
Insurance expenses	135,976	**170,855**		**1,265,593**
	2,831,144	**3,165,857**		**23,450,793**
Operating income	237,656	**202,523**	- 14.8	**1,500,170**
Other income:				
Interest and dividends	9,948	**12,184**		**90,252**
Other	23,351	**39,158**		**290,059**
	33,299	**51,342**		**380,311**
Other expenses:				
Interest	30,293	**26,460**		**196,000**
Foreign exchange loss, net	394	**192**		**1,422**
Other	38,166	**33,778**		**250,207**
	68,853	**60,430**		**447,629**
Income before income taxes	202,102	**193,435**	- 4.3	**1,432,852**
Income taxes	103,212	**101,075**		**748,704**
Income before minority interest	98,890	**92,360**		**684,148**
Minority interest in consolidated subsidiaries	7,958	**6,308**		**46,726**
Net income	¥ 90,932	**¥ 86,052**	- 5.4	**$ 637,422**
Net income per share				
Basic	¥ 232.0	**¥ 210.1**	- 9.4	**$ 1.56**
Diluted	198.4	**188.0**	- 5.2	**1.39**

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

ASSETS	1997	September 30 1998	1998
Current assets:			
Cash and time deposits	¥ 489,893	**¥ 512,370**	**$ 3,795,333**
Marketable securities	101,859	**199,039**	**1,474,363**
Notes and accounts receivable, less allowances	1,100,638	**1,185,230**	**8,779,482**
Inventories	1,018,085	**1,250,947**	**9,266,274**
Other	408,444	**493,040**	**3,652,148**
Total current assets	3,118,919	**3,640,626**	**26,967,600**
Noncurrent inventories — film	240,587	**249,622**	**1,849,052**
Investments and advances	848,547	**942,307**	**6,980,052**
Property, plant and equipment, less depreciation	1,243,666	**1,296,550**	**9,604,074**
Other assets:			
Intangibles	105,923	**126,828**	**939,467**
Goodwill	155,059	**155,081**	**1,148,748**
Deferred insurance acquisition costs	150,041	**181,969**	**1,347,918**
Other	221,371	**324,766**	**2,405,674**
Total other assets	632,394	**788,644**	**5,841,807**
	¥ 6,084,113	**¥ 6,917,749**	**$ 51,242,585**

LIABILITIES AND STOCKHOLDERS' EQUITY

	1997	September 30 1998	1998
Current liabilities:			
Short-term debt	¥ 508,633	**¥ 343,512**	**$ 2,544,533**
Notes and accounts payable, trade	775,485	**819,544**	**6,070,696**
Accounts payable, other and accrued expenses	580,620	**701,208**	**5,194,133**
Accrued income and other taxes	136,940	**158,427**	**1,173,534**
Other	295,712	**347,278**	**2,572,430**
Total current liabilities	2,297,390	**2,369,969**	**17,555,326**
Long-term liabilities:			
Long-term debt	910,747	**1,077,007**	**7,977,829**
Accrued pension and severance costs	154,804	**200,122**	**1,482,385**
Deferred income taxes	172,386	**151,452**	**1,121,867**
Future insurance policy benefits and other	657,976	**822,667**	**6,093,830**
Other	166,401	**215,134**	**1,593,585**
Total long-term liabilities	2,062,314	**2,466,382**	**18,269,496**
Minority interest in consolidated subsidiaries	123,402	**131,136**	**971,378**
Stockholders' equity:			
Common stock, ¥50 par value	387,456	**415,919**	**3,080,881**
Additional paid-in capital	529,438	**558,782**	**4,139,126**
Legal reserve	37,118	**41,008**	**303,763**
Retained earnings	811,081	**999,869**	**7,406,437**
Accumulated other comprehensive income	(163,998)	**(59,753)**	**(442,615)**
Treasury stock, at cost	(88)	**(5,563)**	**(41,207)**
Total stockholders' equity	1,601,007	**1,950,262**	**14,446,385**
	¥ 6,084,113	**¥ 6,917,749**	**$ 51,242,585**

Notes:

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥135=U.S.$1, the approximate Tokyo foreign exchange market rate as of September 30, l998.
2. As of September 30, l998, the Company had 999 consolidated subsidiaries. It has applied the equity accounting method in respect to its 69 affiliated companies.
3. Net income per share amounts were computed based on Statement of Financial Accounting Standards No. 128, "Earnings per Share" (FAS 128), which is effective for both interim and annual periods ended after December 15, 1997. Net income per share amounts for the second quarter and six month periods ended September 30, 1997 have been restated to conform with FAS 128. For the second quarter periods ended September 30, 1997 and 1998, weighted-average shares used for computation of basic net income per share were 395,993 thousand shares and 409,922 thousand shares, respectively, and the weighted-average shares used for diluted net income per share were 464,150 thousand shares and 463,890 thousand shares, respectively. The dilutive effect for both periods mainly resulted from the convertible bonds. For the six month periods ended September 30, 1997 and 1998, weighted-average shares used for computation of basic net income per share were 391,923 thousand shares and 409,579 thousand shares, respectively, and the weighted-average shares used for diluted net income per share were 464,123 thousand shares and 463,937 thousand shares, respectively. The dilutive effect for both periods mainly resulted from the convertible bonds.
4. Sony adopted FAS 130 “Reporting Comprehensive Income” in the first quarter ended June 30, 1998. Comprehensive income is defined in this standard as total changes in stockholders’ equity excluding capital transactions. Sony’s comprehensive income comprises net income plus other comprehensive income representing changes in cumulative translation adjustment, unrealized gain/loss on securities and minimum pension liability adjustment. For the second quarter periods ended September 30, 1997 and 1998, changes in stockholders’ equity, including net income, were an increase of ¥88,406 million and a decrease of ¥9,505 million ($70,407 thousand), respectively, which mainly resulted from the changes in cumulative translation adjustment, representing an increase of ¥45,460 million and a decrease of ¥33,984 million ($251,733 thousand), respectively. For the six month periods ended September 30, 1997 and 1998, changes in stockholders’ equity, including net income, were an increase of ¥40,877 million and an increase of ¥127,565 million ($944,926 thousand), respectively, which mainly resulted from the changes in cumulative translation adjustment, representing a decrease of ¥47,189 million and an increase of ¥50,844 million ($376,622 thousand), respectively.
5. Certain reclassifications of the consolidated statements of income for both the second quarter and the six-month periods ended September 30, 1997, and balance sheets as of September 30, 1997, have been made to conform to the 1998 presentation.

Subsequent events:

On October 28, 1998, Sony Corporation’s board of directors has decided to set up a trust for pension contribution and to transfer certain marketable equity securities held by the Company, except for those of its subsidiaries and affiliated companies, to the trust by the end of the current fiscal year. These securities are classified as available for sale for financial reporting purposes and carried at fair value, and a related unrealized gain/loss is recorded as a separate component of equity. The securities to be held in the trust are qualified as pension assets under FAS 87; therefore, the transfer to the trust would be accounted for as sale and a resultant gain/loss will be recorded through income. The amount of gain/loss to be realized is dependent on the timing of the transfer and stock prices on that date and thus cannot be estimated; however, securities that are expected to be transferred are recorded at fair value on the balance sheet with an unrealized gain of approximately ¥40 billion as of September 30, 1998. Since the above unrealized gain is recorded as accumulated other comprehensive income, the transfer itself will not impact on the amount of comprehensive income.

Other Consolidated Financial Data

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

	Three months ended September 30			
	1997	**1998**	Change	**1998**
Depreciation and amortization*	¥72,925	**¥77,978**	+ 6.9%	**$577,615**
Capital expenditures (additions to fixed assets)	88,758	**86,202**	- 2.9	**638,533**
R&D expenses	80,518	**96,261**	+ 19.6	**713,044**

	Six months ended September 30			
	1997	**1998**	Change	**1998**
Depreciation and amortization*	¥138,551	**¥147,176**	+ 6.2%	**$1,090,193**
Capital expenditures (additions to fixed assets)	167,782	**162,231**	- 3.3	**1,201,711**
R&D expenses	150,246	**176,171**	+ 17.3	**1,304,970**

*Including amortization of deferred insurance acquisition costs.

NON-CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Parent company only)

(Millions of yen)

	Six months ended September 30		
	1997	**1998**	Change
Operating profit and loss			%
Net Sales:			
Japan	¥ 370,781	¥ **373,916**	+0.8
Export	839,897	**942,627**	+12.2
	1,210,679	**1,316,543**	+8.7
Cost of sales	991,841	**1,088,236**	
Selling, general and administrative	149,799	**171,012**	
Operating income	69,038	**57,294**	-17.0
Non-operating profit and loss			
Non-operating profit:			
Interest and dividends	4,521	**15,652**	
Other	30,035	**44,967**	
	34,556	**60,620**	
Non-operating loss:			
Interest	6,915	**7,669**	
Other	23,424	**31,160**	
	30,340	**38,829**	
Ordinary income	73,255	**79,084**	+8.0
Non-recurring loss, net	—	**4,786**	
Income before income taxes	73,255	**74,297**	
Income taxes	26,300	**28,200**	
Net income	¥ 46,955	¥ **46,097**	-1.8

NON-CONSOLIDATED SALES BY PRODUCT CATEGORY

(Parent company only)

(Millions of yen)

	Six months ended September 30		
Net Sales	1997	**1998**	Change
Audio	¥ 292,987	¥ **349,818**	+19.4%
Video	290,019	**329,335**	+13.6
Televisions	70,184	**87,127**	+24.1
Information and communications	220,554	**245,258**	+11.2
Electronic components and other	336,932	**305,002**	-9.5
Total	¥ 1,210,679	¥ **1,316,543**	+8.7

Figures less than ¥1 million have been omitted.

Net sales by product category for the six-month period ended September 30, 1997 have been reclassified to conform to the presentation for the six-month period ended September 30, 1998.

Forecast for the Fiscal Year Ending March 31, 1999

In accordance with Japanese regulations, Sony has issued estimates of its financial results for the fiscal year ending March 31, 1999. These results estimates represent a substantial downward revision from the estimates issued in July 1998.

Consolidated Results		Change from previous year
Sales and operating revenue	¥6,700 billion	-1 %
Operating income	¥370 billion	-29
Income before income taxes	¥360 billion	-21
Net income	¥170 billion	-23

Non-Consolidated Results (parent company only)		Change from previous year
Sales and operating revenue	¥2,450 billion	+2 %
Operating income	¥20 billion	-80
Ordinary income	¥45 billion	-62
Net income	¥30 billion	-61

(Non-consolidated results estimates represent losses for the second half of the current fiscal year)

Major factors affecting business results since the July 1998 forecast include the following:

1. The rapid appreciation of the yen in October is forecast to have a negative impact on consolidated results. The above forecasts are based on an average yen-dollar exchange rate for the remainder of the fiscal year ending March 31, 1999 of around ¥115, compared to the rate used in July 1998 forecasts of around ¥135.
2. In the Electronics business, while sales are forecast to be generally solid for consumer products in Japan, the United States and Europe, sales are expected to decline further due to weak consumption in Asia (excluding Japan), Russia, Eastern Europe, and Latin America, which experienced financial difficulties. Furthermore, profitability is expected to be negatively impacted by intense price competition in computer displays, cellular phones, and broadcast- and professional-use equipment. A lack of improvement in semiconductor markets and higher semiconductor-related depreciation expenses as well as higher research and development and advertising costs are also factors resulting in a forecast of further declines in Electronics profitability compared to the previous fiscal year.
3. In the Game business, despite the yen's appreciation and lower sales in Japan, strong sales growth in the United States and Europe are forecast to cause a slight profit increase in this segment.
4. In the Music business in Japan, despite more aggressive television advertising and marketing, domestic artist releases were less successful than previously anticipated, resulting in a forecast of weaker earnings.

Although forecasting non-consolidated (parent company only) results will experience losses during the second half of the current fiscal year, Sony is stepping up efforts to improve business fundamentals by strengthening the competitiveness of its products, prudent investment decision-making, enhancement of supply chain systems to tighten inventory control, cost reductions, and organizational streamlining. At the same time, Sony may consider a reassessment of export pricing.

For the purposes of pension contribution, marketable equity securities held by Sony Corporation, excluding those of its subsidiaries and affiliated companies, are expected to be transferred to an outside trust by the end of the current fiscal year. In accordance with generally accepted accounting principals in the United States, upon the transfer of the securities to the trust, sales of the securities is recognized as contributions to lump-sum severance indemnities and pension plans, and a gain/loss is realized and recorded at market prices at the time of the transfer. While the amount is not determinable due to fluctuations in stock prices, we estimate the positive impact of this change on Sony's consolidated income before income taxes and net income to be approximately ¥40 billion and ¥20 billion, respectively. These estimates are calculated based on prices of stocks expected to be transferred at the market value as of the end of September 1998, and included in the above forecasts for consolidated results. In addition, in connection with the transfer of securities to the trust as referred to above, fluctuation of future stock prices may affect the forecasts for the consolidated results. In accordance with Japanese accounting standards, the securities transferred to the trust will continue to be considered as assets held and will, therefore, have no impact on Sony's non-consolidated (parent company only) results.

The consolidated results press release and the forecast for the fiscal year contain forward-looking statements based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties. Actual financial results may differ materially depending on a number of factors including, without limitation: general economic conditions in Sony's markets, particularly levels of consumer spending; exchange rates, particularly between the yen and the U.S. dollar, and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; and Sony's ability to continue to win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology (particularly in the Electronics business), and subjective and changing consumer preferences (particularly in the Game, Music and Pictures businesses).