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SONY CORP  
Form 6-K  
July 27, 2006

Form 6-K

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the month of July 2006  
Commission File Number: 001-06439

SONY CORPORATION  
(Translation of registrant's name into English)

7-35 KITASHINAGAWA 6-CHOME, SHINAGAWA-KU, TOKYO, JAPAN

(Address of principal executive offices)

The registrant files annual reports under cover of Form 20-F.

Indicate by check mark whether the registrant files or will file annual reports  
under cover of Form 20-F or Form 40-F,

Form 20-F ☒ X

Form 40-F ☐ \_\_

Indicate by check mark whether the registrant by furnishing the information  
contained in this Form is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934,  
Yes No ☒ X

If "Yes" is marked, indicate below the file number assigned to the registrant in  
connection with Rule 12g3-2(b):82-\_\_\_\_\_

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the  
registrant has duly caused this report to be signed on its behalf by the  
undersigned, thereunto duly authorized.

SONY CORPORATION  
(Registrant)

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By: /s/ Nobuyuki Oneda  
(Signature)  
Nobuyuki Oneda  
Executive Vice President and  
Chief Financial Officer

Date: July 27, 2006

List of materials

Documents attached hereto:

i) Press release announcing Consolidated Financial Results for the First Quarter Ended June 30, 2006

Sony Corporation  
6-7-35 Kitashinagawa  
Shinagawa-ku  
Tokyo 141-0001 Japan

News & Information

No: 06-063E  
3:00 P.M. JST, July 27, 2006

## Consolidated Financial Results for the First Quarter Ended June 30, 2006

Tokyo, July 27, 2006 -- Sony Corporation today announced its consolidated results for the first quarter of the fiscal year ending March 31, 2007 (April 1, 2006 to June 30, 2006).

(Billions of yen, millions of U.S. dollars,  
except per share amounts)  
First quarter ended June 30

	2005	2006	Change in Yen	2006*
-----	-----	-----	-----	-----
Sales and operating revenue**	Y1,568.1	Y1,744.2	+11.2%	\$15,167
Operating income (loss)	(6.6)	27.0	-	235
Income before income taxes	12.9	54.0	+318.7	470
Equity in net income (loss) of affiliated companies	(9.1)	3.6	-	32
Net income (loss)	(7.3)	32.3	-	281
Net income (loss) per share of common stock				
- Basic	(Y8.68)	Y32.25	-	\$0.28
- Diluted	(8.68)	30.75	-	0.27

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

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GAAP").

\* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of Y115=U.S.\$1, the approximate Tokyo foreign exchange market rate as of June 30, 2006.

\*\* Effective the first quarter of the fiscal year ending March 31, 2007, Sony reclassified royalty income as a component of sales and operating revenue, rather than as a component of other income as previously recorded. In connection with this reclassification, sales and operating revenue, operating income (loss) and other income for the first quarter of the fiscal year ended March 31, 2006 have been reclassified to conform with the presentation of these items for the first quarter of the fiscal year ending March 31, 2007. Royalty income for the first quarters ended June 30, 2005 and 2006 was Y8.7 billion and Y8.6 billion, respectively. These amounts were recorded primarily within the Electronics segment.

### Consolidated Results for the First Quarter Ended June 30, 2006

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Sales and operating revenue ("sales") increased 11.2% compared with the same quarter of the previous fiscal year; on a local currency basis sales increased 6%. (For all references herein to results on a local currency basis, see Note I.)

Sales within the Electronics segment increased 13.5%. Products such as BRAVIA TM LCD televisions contributed to the sales increase, although there was a decline in sales of such products as CRT and plasma televisions. In the Game segment, sales decreased 29.1% compared to the same quarter of the previous fiscal year primarily as a result of a decrease in hardware unit sales of PlayStation(R)2 ("PS2") and PSP(R) (PlayStation(R) Portable) ("PSP"), as well as a decrease in PS2 software sales. In the Pictures segment, there was a 41.8% increase in revenue mainly due to the success of The Da Vinci Code. In the Financial Services segment, revenue decreased by 19.3% mainly due to a decrease in valuation gains in the general account and the separate account at Sony Life Insurance Co., Ltd. ("Sony Life").

Operating income of Y27.0 billion (\$235 million) was recorded, an improvement of Y33.6 billion compared to the operating loss recorded in the same quarter of the previous fiscal year.

In the Electronics segment, there was a significant improvement compared to the operating loss recorded in the same quarter of the previous fiscal year and operating income was recorded. This was principally a result of an improvement in the cost of sales ratio and a sales increase of such products as BRAVIA LCD televisions, coupled with favorable exchange rates. In the Game segment, although combined profit from the PS2 and PSP businesses was relatively unchanged, operating loss increased primarily as the result of the recording of charges associated with preparation for the launch of the PLAYSTATION(R)3 ("PS3") platform, in addition to continued high research and development costs associated with PS3. In the Pictures segment, an operating loss was recorded primarily as a result of higher marketing costs incurred for upcoming second quarter theatrical releases and lower contributions during the current quarter from the prior fiscal year film slate. In the Financial Services segment, there was a decrease in operating income mainly attributable to

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the decrease in valuation gains in the general account at Sony Life.

Restructuring charges, which are recorded as operating expenses, amounted to ¥10.7 billion (\$93 million) for the quarter compared to ¥15.9 billion for the same quarter of the previous fiscal year. In the Electronics segment, restructuring charges were ¥10.1 billion (\$88 million) compared to ¥15.5 billion in the same quarter of the previous fiscal year.

Income before income taxes increased to ¥54.0 billion (\$470 million), compared to ¥12.9 billion in the same quarter of the previous year, as a result of an improvement in the net effect of other income and expenses, in addition to the significant improvement in operating income (loss). The net effect of other income and expenses improved principally due to the recording of a foreign exchange gain, net, compared to the foreign exchange loss, net, recorded in the same quarter of the previous fiscal year, as well as an increase in gain on sales of securities investments, net. With regard to the gain on change in interest in subsidiaries and equity investees, a gain of ¥18.0 billion (\$157 million) was recorded during the current quarter resulting from the transfer of 51% of the stock in StylingLife Holdings Inc. ("StylingLife"), a holding company that comprised six of Sony's retail businesses, to a wholly-owned subsidiary of Nikko Principal Investments Japan Ltd. However, despite this transaction, gain on change in interest in subsidiaries and equity investees remained relatively unchanged compared to the same quarter of the previous fiscal year, as a ¥17.9 billion gain on change in interest in subsidiaries and equity investees from the sales of a portion of the stock in So-Net M3 Inc., a consolidated subsidiary of Sony Communication Network Corporation ("SCN"), and in DeNA Co., Ltd., an equity affiliate of SCN, was recorded in the same quarter of the previous fiscal year.

Income taxes: During the current quarter, the effective tax rate was 45.8% compared to an effective tax rate of 93.4% in the same quarter of previous year. The effective tax rate of the same quarter of previous year exceeded the Japanese statutory tax rate due primarily to the recording of valuation allowances against deferred tax assets by several of Sony's Japanese and overseas consolidated subsidiaries.

Equity in net income of affiliated companies of ¥3.6 billion (\$32 million) was recorded, an improvement of ¥12.7 billion from the equity in net loss recorded in the same quarter of the previous fiscal year. S-LCD Corporation, a joint-venture with Samsung Electronics Co., Ltd., for the manufacture of amorphous TFT LCD panels, contributed ¥3.4 billion (\$30 million) to equity in net income before the elimination of unrealized intercompany profits as a result of a significant increase in LCD panel shipments, an improvement of ¥11.0 billion compared to the same quarter of the previous fiscal year. Sony recorded equity in net income for Sony Ericsson Mobile Communications AB ("Sony Ericsson") of ¥10.2 billion (\$89 million), an increase of ¥5.6 billion compared to the same quarter of the previous year. An equity in net loss of ¥4.6 billion (\$40 million) was recorded by Sony for SONY BMG MUSIC ENTERTAINMENT ("SONY BMG"), an increase in the amount of equity loss of ¥3.6 billion compared to the same quarter of the previous fiscal year, primarily due to lower sales stemming from the change in timing of several key releases

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into the second half of the calendar year. Sony also recorded equity in net loss of approximately Y2.6 billion (\$22 million) for Metro-Goldwyn-Mayer Inc. ("MGM")\*, an improvement of Y3.9 billion compared to the same quarter of the previous fiscal year. The equity in net loss for MGM includes non-cash interest of Y1.6 billion (\$14 million) on cumulative preferred stock, compared to the Y1.2 billion of non-cash interest on cumulative preferred stock recorded in the same quarter of the previous fiscal year.

\*On April 8, 2005, a consortium led by Sony Corporation of America and its equity partners completed the acquisition of MGM. As part of the acquisition, Sony invested \$257 million in exchange for 20% of the total equity. However, based on the percentage of common stock owned, Sony records 45% of MGM's net income (loss) as equity in net income (loss) of affiliated companies.

As a result, net income of Y32.3 billion (\$281 million) was recorded, an improvement of Y39.6 billion compared to the net loss recorded in the same quarter of the previous fiscal year.

### Operating Performance Highlights by Business Segment

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#### Electronics

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(Billions of yen, millions of U.S. dollars)  
First quarter ended June 30

	2005	2006	Change in Yen	2006
-----	-----	-----	-----	-----
Sales and operating revenue	Y1,128.4	Y1,280.9	+13.5%	\$11,138
Operating income (loss)	(26.7)	47.4	-	412

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

Sales increased by 13.5% compared to the same quarter of the previous fiscal year (a 8% increase on a local currency basis). Sales to outside customers increased 19% compared to the same quarter of the previous fiscal year. There was an increase in sales of products including BRAVIA LCD televisions, which experienced favorable sales in all regions, Cyber-shot TM digital cameras and "VAIO" PCs, where favorable sales of notebook PCs were recorded. On the other hand, there was a decrease in sales of several products including CRT and plasma televisions. CRT televisions experienced a continued shift in demand towards flat panel televisions and new product development of plasma televisions has been terminated.

Operating income of Y47.4 billion (\$412 million) was recorded, an improvement of Y74.1 billion compared with the Y26.7 billion operating loss recorded in the same quarter of the previous fiscal year. This was primarily the result of an improvement in the cost of sales ratio, an increase in sales to outside customers, as well as favorable foreign exchange rates, although

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this was partially offset by an increase in loss on sale, disposal or impairment of fixed assets. With regard to products within the Electronics segment, the improvement was mainly attributable to strong sales of Cyber-shot digital cameras and BRAVIA LCD televisions, as well as "Handycam(R)" video cameras, which experienced increased sales of high value-added models, and broadcast-use equipment, which experienced strong sales of high definition broadcast production equipment. Other products which contributed positively included CRT televisions, where fixed costs have been lowered as a result of previous restructuring activities. This was partially offset by a decrease in contribution from other products including system LSIs, where sales of semiconductors to the Game segment decreased.

Inventory, as of June 30, 2006, was ¥807.6 billion (\$7,023 million), which represents a ¥233.3 billion, or 40.6%, increase compared with the level as of June 30, 2005 and a ¥141.8 billion, or 21.3%, increase compared with the level as of March 31, 2006. This increase was primarily a result of increased LCD television inventory in connection with the expansion of Sony's LCD television business and increased semiconductor inventory in preparation for the PS3 launch.

### Operating Results for Sony Ericsson Mobile Communications AB

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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. In addition, please note that the operating results of Sony Ericsson discussed below are reported on an International Financial Reporting Standards basis, and thereby differ from the operating results reported on a U.S. GAAP basis contained within Sony's equity in net income (loss) of affiliated companies.

Sales for the quarter were Euro 2,272 million, representing a year-on-year increase of Euro 658 million, or 41%. Income before taxes was Euro 211 million and net income was Euro 143 million, representing year-on-year increases of Euro 124 million, and Euro 68 million, respectively. Results were boosted by sales of hit models such as "Walkman(R)" phones and camera phones. As a result, equity in net income of ¥10.2 billion (\$89 million) was recorded by Sony.

### Game

	(Billions of yen, millions of U.S. dollars)			
	First quarter ended June 30			
	2005	2006	Change in	2006
			Yen	
-----	-----	-----	-----	-----
Sales and operating revenue	¥172.8	¥122.5	-29.1%	\$1,065
Operating loss	(5.9)	(26.8)	-	(233)

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

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basis.

Sales decreased 29.1% compared with the same quarter of the previous fiscal year (a 32% decrease on a local currency basis).

Hardware: There was a decrease in sales as a result of lower PS2 and PSP unit sales compared to the same quarter of the previous fiscal year when there was continued strong demand for the new PS2 model. On a regional basis, sales increased in Europe, but decreased in Japan and the U.S.

Software: Although sales from PSP software increased compared to the same quarter of the previous fiscal year, overall software sales decreased in Japan, the U.S. and Europe mainly as a result of a decrease in sales from PS2 software.

The amount of operating loss increased by Y20.9 billion compared with the same quarter of the previous fiscal year. This deterioration was due primarily to the recording of charges associated with preparation for the launch of the PS3 platform, in addition to continued high research and development costs associated with PS3, although combined profit from the PS2 and PSP businesses was relatively unchanged.

Worldwide hardware production shipments:\*

-> PS2: 2.54 million units (a decrease of 0.99 million units)

-> PSP: 2.02 million units (a decrease of 0.07 million units)

Worldwide software production shipments:\*

-> PS2: 33 million units (a decrease of 2 million units)

-> PSP: 9.1 million units (an increase of 4.2 million units)

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

Inventory, as of June 30, 2006, was Y122.0 billion (\$1,061 million), which represents a Y37.9 billion, or 45.1%, increase compared with the level as of June 30, 2005. This increase was primarily a result of the worldwide full-scale deployment of the PSP platform. Inventory, as of June 30, 2006, was a Y10.5 billion, or 9.4%, increase compared with the level as of March 31, 2006.

### Pictures

	(Billions of yen, millions of U.S. dollars)			
	First quarter ended June 30			
	2005	2006	Change in Yen	2006
	-----	-----	-----	-----
Sales and operating revenue	Y144.4	Y204.8	+41.8%	\$1,780
Operating income (loss)	4.2	(1.2)	-	(10)

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 on a U.S. dollar basis. Management analyzes the results of SPE in

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U.S. dollars, so discussion of certain portions of its results are specified as being on "a U.S. dollar basis."

Sales increased 41.8% compared with the same quarter of the previous fiscal year (34% increase on a U.S dollar basis). Sales increased primarily due to the worldwide success of the theatrical release of The Da Vinci Code. Home entertainment revenues also increased due to higher DVD sales of acquired product including Hostel and Final Fantasy VII: Advent Children. Television product revenues increased due to higher advertising and subscription revenues from several international channels.

An operating loss of ¥1.2 billion (\$10 million) was recorded as compared to operating income of ¥4.2 billion in the same quarter of the previous fiscal year. Despite the sales increases noted above, compared to the prior fiscal year's first quarter, an operating loss was recorded primarily as a result of higher marketing costs incurred for upcoming second quarter theatrical releases. In addition, contributions during the current quarter from the prior fiscal year film slate were lower as compared to the same quarter of the previous fiscal year, which included the substantial contribution realized from the DVD release of Hitch. Television operating income declined due to production expenses incurred on new network series for the upcoming fall season partially offset by the higher international channel revenues noted above.

### Financial Services

	(Billions of yen, millions of U.S. dollars)			
	First quarter ended June 30			
	2005	2006	Change in Yen	2006
	-----	-----	-----	-----
Financial service revenue	¥153.8	¥124.1	-19.3%	\$1,079
Operating income	21.9	4.6	-79.1	40

Unless otherwise specified, all amounts are on a U.S. GAAP basis. Therefore, they differ from the results that Sony Life discloses on a Japanese statutory basis.

Financial service revenue decreased 19.3% compared with the same quarter of the previous fiscal year, mainly due to a decrease in revenue at Sony Life. Revenue at Sony Life was ¥98.1 billion (\$853 million), a ¥29.5 billion, or 23.1% decrease compared with the same quarter of the previous fiscal year. The main reason for this decrease was lower valuation gains in the general account and the separate account as a result of unfavorable Japanese stock market conditions.

Operating income decreased by ¥17.3 billion or 79.1% compared with the same quarter of the previous fiscal year, mainly as a result of a decrease in valuation gains in the general account at Sony Life. Although revenue from insurance premiums at Sony Life increased, operating income at Sony Life decreased by ¥19.4 billion or 86.3% to ¥3.1 billion (\$27 million) mainly as a result of a significant decrease in valuation gains from



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convertible bonds held in the general account due to unfavorable Japanese stock market conditions.

### All Other

	(Billions of yen, millions of U.S. dollars)			
	First quarter ended June 30			
	2005	2006	Change in Yen	2006
	-----	-----	-----	-----
Sales and operating revenue	Y93.1	Y88.1	-5.3%	\$766
Operating income	5.2	4.7	-9.6	41

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

Sales decreased 5.3% compared with the same quarter of the previous fiscal year. This sales decrease reflects the fact that, as a result of the transfer of 51% of the stock in StylingLife, a holding company that comprised six of Sony's retail businesses (see the explanation regarding "Income before income taxes"), the consolidated results for the first quarter within All Other only incorporate results for Sony's retail businesses for the first two months of the quarter through May 31, 2006, as well as a decline in sales at Sony Music Entertainment Japan ("SMEJ").

Sales decreased at SMEJ as a result of a decline in album and singles sales compared to the same quarter of the previous fiscal year. This decrease was attributable to the stronger performance of the previous fiscal year's first quarter releases which included THUMP X by PORNO GRAFFITI. Best-selling albums and singles during the current quarter included HOME by Angela Aki, FAITH by HYDE and 1000000000000 by T.M. Revolution.

Operating income of Y4.7 billion (\$41 million) was recorded, representing a slight decline of Y0.5 billion compared with the same quarter of the previous fiscal year. This was principally a result of the lower sales recorded at SMEJ as noted above.

### Operating Results for SONY BMG MUSIC ENTERTAINMENT

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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.

SONY BMG recorded sales revenue of \$872 million, a decrease of \$147 million compared with the same period of the previous fiscal year, a loss before income taxes of \$73 million, a deterioration of \$50 million compared to the same quarter of the previous fiscal year, and a net loss of \$81 million, a deterioration of \$63 million compared with the same period of the previous fiscal year, during the quarter ended June 30, 2006. Loss before income taxes includes \$47 million of restructuring charges, a decrease of \$46 million year-on-year.

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This sales decrease and increased loss before income taxes was a result of a year-on-year decrease in unit sales primarily due to the change in timing of several key releases into the second half of the calendar year, and the continued decline in the overall market. As a result, equity in net loss of Y4.6 billion (\$40 million) was recorded by Sony. Best selling albums during the quarter included the Dixie Chicks' Taking the Long Way and Tool's 10,000 Days.

In August 2004, Sony combined its recorded music business outside of Japan with the recorded music business of Bertelsmann AG, forming SONY BMG, after approval from, among others, the European Commission competition authorities. On December 3, 2004, an association of independent recorded music companies applied for annulment of the decision to clear the merger. On July 13, 2006, the Court of First Instance overruled the Commission's decision to allow the merger to go forward, requiring the Commission to re-examine the merger. While the Commission completes its reexamination, Sony continues to account for the results of Sony BMG under the equity method.

### Cash Flow

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

### Cash Flow - Consolidated (excluding Financial Services segment)

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(Billions of yen, millions of U.S. dollars)  
First quarter ended June 30

Cash flow	2005	2006	Change in Yen	2006
-----	-----	-----	-----	-----
- From operating activities	(Y97.3)	(Y189.1)	Y-91.8	(\$1,644)
- From investing activities	(70.4)	(100.4)	-30.0	(873)
- From financing activities	(28.4)	95.8	+124.3	833
Cash and cash equivalents	519.7	585.5	+65.7	5,091
at beginning of the fiscal				
year				
Cash and cash equivalents	327.7	381.6	+53.9	3,318
as of June 30				

Operating Activities: During the quarter ended June 30, 2006, although net income was recorded, cash flow from operating activities resulted in a net use of cash primarily as a result of an increase of LCD television inventory in connection with the expansion of Sony's LCD television business and semiconductor inventory for use in PS3, both within the Electronics segment. In addition, among other factors, there was also an increase in notes and accounts receivable, trade in connection with the

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increase in sales.

**Investing Activities:** During the quarter ended June 30, 2006, although cash was generated from the transfer of 51% of the stock in StylingLife (see the explanation regarding "Income before income taxes"), cash was used by Sony within the Electronics segment primarily for the purchase of fixed assets, including semiconductor manufacturing equipment.

As a result, the total amount of cash flow from operating activities and from investing activities was a net use of cash of Y289.5 billion (\$2,517 million).

**Financing Activities:** During the quarter ended June 30, 2006, although cash was used to make dividend payments, Y80.0 billion of long-term debt was raised through syndicated bank loans.

**Cash and Cash Equivalents:** The total balance of cash and cash equivalents, accounting for the effect of foreign currency exchange rate fluctuations, was Y381.6 billion (\$3,318 million) as of June 30, 2006, a decrease of Y203.9 billion compared to March 31, 2006 and an increase of Y53.9 billion compared with June 30, 2005.

### Cash Flow - Financial Services segment

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(Billions of yen, millions of U.S. dollars)  
First quarter ended June 30

Cash flow	2005	2006	Change in Yen	2006
-----	-----	-----	-----	-----
- From operating activities	Y8.7	Y91.9	Y+83.3	\$799
- From investing activities	(150.1)	(40.1)	+110.0	(348)
- From financing activities	62.5	9.4	-53.1	81
Cash and cash equivalents at beginning of the fiscal year	259.4	117.6	-141.7	1,023
Cash and cash equivalents as of June 30	180.5	178.8	-1.6	1,555

**Operating Activities:** Net cash from operating activities was generated mainly due to an increase in revenue from insurance premiums, reflecting an increase in insurance-in-force at Sony Life.

**Investing Activities:** Payments for investments and advances exceeded proceeds from maturities of marketable securities, sales of securities investments and collections of advances primarily as a result of investments in mainly Japanese fixed income securities carried out at Sony Life.

**Financing Activities:** In addition to the 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 Y178.8 billion (\$1,555 million) as of June 30, 2006, which was an increase of Y61.2 billion

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compared to March 31, 2006 and a decrease of ¥1.6 billion compared to June 30, 2005.

### Notes

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Note I: During the quarter ended June 30, 2006, the average value of the yen was ¥113.5 against the U.S. dollar and ¥142.3 against the Euro, which was 6.0% lower against the U.S. dollar and 5.8% lower against the Euro, compared with the average rates for the same quarter of the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating income obtained by applying the yen's monthly average exchange rate in the same quarter of the previous fiscal year to local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the current quarter. Local currency basis results 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 local currency basis results provide additional useful analytical information to investors regarding operating performance.

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

### Outlook for the Fiscal Year ending March 31, 2007

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	Current Forecast*	Change from Previous Fiscal Year	April Forecast
	-----	-----	-----
Sales and operating revenue	¥8,230 billion	+10%	¥8,200 billion
Operating income	130 billion	-43	100 billion
(Restructuring charges included within Operating income)	50 billion	-64	50 billion)
Income before income taxes	150 billion	-48	150 billion
Equity in net income of affiliated companies	40 billion	+204	40 billion
Net income	130 billion	+5	130 billion

\*Assumed foreign currency exchange rates for the remainder of the fiscal year: approximately ¥113 to the U.S. dollar and approximately ¥136 to the Euro.

Effective the first quarter of the fiscal year ending March 31, 2007, Sony reclassified royalty income as a component of sales and operating revenue, rather than as a component of other income as previously recorded. In connection with this reclassification, the forecasts for both sales and operating revenue and operating income for the current fiscal year are

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being reclassified from Sony's April 2006 forecast to incorporate ¥30 billion of anticipated royalty income, compared to ¥35.2 billion recorded during the fiscal year ended March 31, 2006. Excluding the impact of this change, Sony's forecast for the current fiscal year is unchanged from that announced on April 27, 2006.

Our forecast for capital expenditures, depreciation and amortization or research and development costs, as per the table below, is unchanged from the forecast of April 27, 2006.

	Forecast -----	Change from previous fiscal year -----
Capital expenditures (additions to fixed assets)	¥460 billion	+20%
Depreciation and amortization*	410 billion	+7
(Depreciation expenses for tangible assets	340 billion	+9)
* Including amortization of intangible assets and amortization of deferred insurance acquisition costs.		
Research and development expenses	550 billion	+3

### 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, which are offered in highly competitive markets characterized by continual new product introductions, rapid development in

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technology and subjective and changing consumer preferences (particularly in the Electronics, Game and Pictures segments, and music business); (iv) Sony's ability to recoup large-scale investment required for technology development, increasing production capacity and by the Game segment for the development and introduction of a new platform; (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 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) 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; and (ix) the success of Sony's joint ventures and alliances. Risks and uncertainties also include the impact of any future events with material unforeseen impacts.

### Business Segment Information (Unaudited)

(Millions of yen, millions of U.S. dollars)				
Three months ended June 30				
Sales and operating revenue	2005	2006	Change	2006
-----	-----	-----	-----	-----
Electronics				
Customers	¥1,034,931	¥1,231,640	+19.0%	\$10,710
Intersegment	93,442	49,252		428
-----	-----	-----		-----
Total	1,128,373	1,280,892	+13.5	11,138
Game				
Customers	165,477	117,026	-29.3	1,018
Intersegment	7,301	5,463		47
-----	-----	-----		-----
Total	172,778	122,489	-29.1	1,065
Pictures				
Customers	144,381	204,751	+41.8	1,780
Intersegment	-	-		-
-----	-----	-----		-----
Total	144,381	204,751	+41.8	1,780
Financial Services				
Customers	148,588	118,540	-20.2	1,031
Intersegment	5,226	5,561		48
-----	-----	-----		-----
Total	153,814	124,101	-19.3	1,079
All Other				
Customers	74,756	72,279	-3.3	628
Intersegment	18,306	15,860		138
-----	-----	-----		-----

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Total	93,062	88,139	-5.3	766
Elimination	(124,275)	(76,136)	-	(661)
-----	-----	-----		-----
Consolidated total	Y1,568,133	Y1,744,236	+11.2%	\$15,167

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)	2005	2006	Change	2006
-----	-----	-----	-----	-----
Electronics	Y(26,677)	Y47,419	-%	\$412
Game	(5,895)	(26,803)	-	(233)
Pictures	4,246	(1,165)	-	(10)
Financial Services	21,923	4,579	-79.1	40
All Other	5,233	4,731	-9.6	41
-----	-----	-----		-----
Total	(1,170)	28,761	-	250
Corporate and elimination	(5,412)	(1,713)	-	(15)
-----	-----	-----		-----
Consolidated total	Y(6,582)	Y27,048	-%	\$235

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

(Millions of yen, millions of U.S. dollars)  
Three months ended June 30

Sales and operating revenue	2005	2006	Change	2006
-----	-----	-----	-----	-----
Audio	Y117,339	Y116,292	-0.9%	\$1,011
Video	251,331	270,181	+7.5	2,349
Televisions	150,047	262,054	+74.6	2,279
Information and Communications	184,176	213,150	+15.7	1,854
Semiconductors	39,373	47,991	+21.9	417
Components	182,830	204,736	+12.0	1,780
Other	109,835	117,236	+6.7	1,020
-----	-----	-----		-----
Total	Y1,034,931	Y1,231,640	+19.0%	\$10,710

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information. 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.

Commencing April 1, 2006, Sony has partly realigned its product category configuration in the Electronics segment. Accordingly, results for the same period of the previous fiscal year have

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been reclassified. The primary change is as shown below;

Main Product	Previous Product Category	New Product Category
-----	-----	-----
Low-temperature polysilicon thin film transistor LCD	"Semiconductors"	-> "Components"
Chemical component	"Other"	-> "Components"

### Geographic Segment Information (Unaudited)

	(Millions of yen, millions of U.S. dollars)			
	Three months ended June 30			
Sales and operating revenue	2005	2006	Change	2006
-----	-----	-----	-----	-----
Japan	Y476,970	Y476,198	-0.2%	\$4,141
United States	418,481	447,917	+7.0	3,895
Europe	331,125	398,852	+20.5	3,468
Other Areas	341,557	421,269	+23.3	3,663
-----	-----	-----	-----	-----
Total	Y1,568,133	Y1,744,236	+11.2%	\$15,167

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

### Consolidated Statements of Income (Unaudited)

	(Millions of yen, millions of U.S. dollars, except per share amounts)			
	Three months ended June 30			
	2005	2006	Change	2006
	-----	-----	-----	-----
Sales and operating revenue:			%	
Net sales	Y1,397,734	Y1,599,536		\$13,909
Financial service revenue	148,588	118,540		1,031
Other operating revenue	21,811	26,160		227
	-----	-----		-----
	1,568,133	1,744,236	+11.2	15,167
Costs and expenses:				
Cost of sales	1,096,776	1,212,079		10,540
Selling, general and administrative	349,476	383,887		3,338
Financial service expenses	126,637	113,951		991
Loss on sale, disposal or	1,826	7,271		63



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impairment of assets, net	----- 1,574,715	----- 1,717,188		----- 14,932
Operating income (loss)	(6,582)	27,048	-	235
Other income:				
Interest and dividends	6,169	7,094		62
Foreign exchange gain, net	-	2,542		22
Gain on sale of securities investments, net	2,141	3,901		34
Gain on change in interest in subsidiaries and equity investees	17,869	18,046		157
Other	5,758	4,767		41
	----- 31,937	----- 36,350		----- 316
Other expenses:				
Interest	4,846	5,411		47
Loss on devaluation of securities investments	800	16		0
Foreign exchange loss, net	1,392	-		-
Other	5,414	3,943		34
	----- 12,452	----- 9,370		----- 81
Income before income taxes	12,903	54,028	+318.7	470
Income taxes	12,051	24,767		216
Income before minority interest and equity in net income of affiliated companies	852	29,261	+3,334.4	254
Minority interest in income (loss) of consolidated subsidiaries	(971)	592		5
Equity in net income (loss) of affiliated companies	(9,086)	3,622		32
Net income (loss)	----- Y(7,263)	----- Y32,291	-	----- \$281
Per share data:				
Common stock				
Net income (loss)				
- Basic	Y(8.68)	Y32.25	-	\$0.28
- Diluted	(8.68)	30.75	-	0.27
Subsidiary tracking stock				

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Net income				
- Basic*	449.14	-	-	-

\* See Note 3.

## Consolidated Balance Sheets (Unaudited)

(Millions of yen, millions of U.S. dollars)				
ASSETS	June 30 2005	March 31 2006	June 30 2006	June 30 2006
Current assets:				
Cash and cash equivalents	¥508,103	¥703,098	¥560,400	\$4,873
Marketable securities	479,801	536,968	461,655	4,014
Notes and accounts receivable, trade	1,021,903	1,075,071	1,125,063	9,783
Allowance for doubtful accounts and sales returns	(82,622)	(89,563)	(85,384)	(742)
Inventories	702,107	804,724	948,126	8,245
Deferred income taxes	131,738	221,311	200,966	1,748
Prepaid expenses and other current assets	433,307	517,915	537,180	4,670
	3,194,337	3,769,524	3,748,006	32,591
Film costs	313,940	360,372	355,609	3,092
Investments and advances:				
Affiliated companies	273,221	285,870	296,261	2,576
Securities	2,746,073	3,234,037	3,235,834	28,138
investments and other				
	3,019,294	3,519,907	3,532,095	30,714
Property, plant and equipment:				
Land	183,007	178,844	179,824	1,564
Buildings	927,776	926,783	945,258	8,220
Machinery and equipment	2,213,789	2,327,676	2,375,891	20,660
Construction in progress	118,638	116,149	105,307	916
Less-Accumulated depreciation	(2,054,443)	(2,160,905)	(2,167,871)	(18,852)
	1,388,767	1,388,547	1,438,409	12,508
Other assets:				
Intangibles, net	192,902	207,034	204,130	1,775
Goodwill	288,028	299,024	292,497	2,543
Deferred insurance acquisition costs	380,238	383,156	385,152	3,349

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Deferred income taxes	242,917	178,751	162,078	1,409
Other	454,050	501,438	407,741	3,547
	-----	-----	-----	-----
	1,558,135	1,569,403	1,451,598	12,623
	-----	-----	-----	-----
	Y9,474,473	Y10,607,753	Y10,525,717	\$91,528
	-----	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	Y54,147	Y142,766	Y81,422	\$708
Current portion of long-term debt	162,969	193,555	188,232	1,637
Notes and accounts payable, trade	758,955	813,332	836,632	7,275
Accounts payable, other and accrued expenses	666,433	854,886	762,463	6,630
Accrued income and other taxes	28,550	87,295	40,328	351
Deposits from customers in the banking business	574,814	599,952	634,950	5,521
Other	439,507	508,442	491,487	4,274
	-----	-----	-----	-----
	2,685,375	3,200,228	3,035,514	26,396
Long-term liabilities:				
Long-term debt	678,303	764,898	868,204	7,550
Accrued pension and severance costs	351,141	182,247	175,042	1,522
Deferred income taxes	76,889	216,497	178,468	1,552
Future insurance policy benefits and other	2,521,860	2,744,321	2,799,808	24,346
Other	244,682	258,609	256,109	2,226
	-----	-----	-----	-----
	3,872,875	4,166,572	4,277,631	37,196
Minority interest in consolidated subsidiaries	27,870	37,101	39,084	340
Stockholders' equity:				
Capital stock	621,717	624,124	624,967	5,434
Additional paid-in capital	1,134,263	1,136,638	1,138,213	9,898
Retained earnings	1,498,227	1,602,654	1,630,569	14,179
Accumulated other comprehensive income	(359,796)	(156,437)	(217,044)	(1,887)
Treasury stock, at cost	(6,058)	(3,127)	(3,217)	(28)
	-----	-----	-----	-----
	2,888,353	3,203,852	3,173,488	27,596
	-----	-----	-----	-----
	Y9,474,473	Y10,607,753	Y10,525,717	\$91,528

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## Consolidated Statements of Cash Flows (Unaudited)

	(Millions of yen, millions of U.S. dollars)		
	Three months ended June 30		
	2005	2006	2006
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	Y(7,263)	Y32,291	\$281
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	88,664	91,265	794
Amortization of film costs	53,654	79,320	690
Accrual for pension and severance costs, less payments	(1,101)	(1,349)	(12)
Loss on sale, disposal or impairment of assets, net	1,826	7,271	63
Gain on sale or loss on devaluation of securities investments, net	(1,341)	(3,885)	(34)
(Gain) Loss on evaluation of marketable securities held in the financial service business for trading purpose	(1,476)	14,994	130
Gain on change in interest in subsidiaries and equity investees	(17,869)	(18,046)	(157)
Deferred income taxes	(2,624)	29,271	255
Equity in net (income) loss of affiliated companies, net of dividends	9,406	(2,935)	(26)
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable, trade	96,786	(64,622)	(562)
Increase in inventories	(64,677)	(155,591)	(1,353)
Increase in film costs	(79,247)	(81,673)	(710)
Increase (Decrease) in notes and accounts payable, trade	(50,570)	26,605	231
Decrease in accrued income and other taxes	(23,849)	(37,680)	(328)
Increase in future insurance policy benefits and other	19,248	25,089	218
Increase in deferred insurance acquisition costs	(16,023)	(14,959)	(130)
(Increase) Decrease in marketable securities held in	(13,956)	23,111	201

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the financial service business for trading purpose			
(Increase) Decrease in	(30,814)	16,521	144
other current assets			
Decrease in other current	(65,074)	(116,126)	(1,010)
liabilities			
Other	17,668	53,196	463
	-----	-----	-----
Net cash used in operating activities	(88,632)	(97,932)	(852)
	-----	-----	-----
Cash flows from investing activities:			
Payments for purchases of fixed assets	(114,074)	(132,167)	(1,149)
Proceeds from sales of fixed assets	7,232	6,437	56
Payments for investments and advances by financial service business	(301,423)	(252,547)	(2,196)
Payments for investments and advances (other than financial service business)	(13,136)	(5,888)	(51)
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	169,551	220,449	1,917
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	6,347	966	8
Proceeds from sales of subsidiaries' and equity investees' stocks	22,199	30,298	263
Other	173	116	1
	-----	-----	-----
Net cash used in investing activities	(223,131)	(132,336)	(1,151)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	717	105,453	917
Payments of long-term debt	(6,644)	(952)	(8)
Increase (Decrease) in short-term borrowings	(11,095)	1,857	16
Increase in deposits from customers in the financial service business	66,162	64,907	564
Increase (Decrease) in call money and bills sold in the banking business	400	(62,700)	(545)
Dividends paid	(12,474)	(12,552)	(109)
Other	(414)	1,811	16
	-----	-----	-----
Net cash provided by financing activities	36,652	97,824	851
	-----	-----	-----

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Effect of exchange rate changes on cash and cash equivalents	4,111	(10,254)	(89)
	-----	-----	-----
Net decrease in cash and cash equivalents	(271,000)	(142,698)	(1,241)
Cash and cash equivalents at beginning of the fiscal year	779,103	703,098	6,114
	-----	-----	-----
Cash and cash equivalents at June 30	Y508,103	Y560,400	\$4,873
	-----	-----	-----

## (Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of Y115 = U.S. \$1, the approximate Tokyo foreign exchange market rate as of June 30, 2006.
2. As of June 30, 2006, Sony had 942 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method in respect to 59 affiliated companies.
3. Through September 30, 2005, Sony calculated and presented per share data separately for Sony's common stock and for the subsidiary tracking stock applying "two-class" method based on Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share". On October 26, 2005, the Board of Directors of Sony Corporation decided to terminate all shares of subsidiary tracking stock with the method of compulsory conversion to shares of Sony's common stock. All shares of subsidiary tracking stock were converted to shares of Sony's common stock on December 1, 2005. As a result of the conversion, earnings per share of the subsidiary tracking stock are not calculated from October 1, 2005.

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 2005	2006
	-----	-----
Net income (loss)		
- Basic	996,087	1,001,206
- Diluted	996,087	1,049,969

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 of the fiscal year ending March 31, 2006 and 2007 were as follows:

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	(Millions of yen, millions of U.S. dollars)		
	First quarter ended June 30		
	2005	2006	2006
	-----	-----	-----
Net income (loss)	Y(7,263)	Y 32,291	\$281
Other comprehensive income (loss):			
Unrealized gains (losses) on securities	8,379	(48,226)	(419)
Unrealized gains (losses) on derivative instruments	1,490	(55)	(0)
Minimum pension liabilities adjustments	(231)	(36)	(0)
Foreign currency translation adjustments	16,241	(12,290)	(107)
	-----	-----	-----
	25,879	(60,607)	(526)
	-----	-----	-----
Comprehensive income (loss)	Y18,616	Y(28,316)	\$(245)
	-----	-----	-----

5. Effective the first quarter of the fiscal year ending March 31, 2007, Sony reclassified royalty income as a component of sales and operating revenue, rather than as a component of other income as previously recorded. In connection with this reclassification, sales and operating revenue, operating income (loss) and other income for the first quarter of the fiscal year ending March 31, 2006 have been reclassified to conform with the presentation of these items for the first quarter of the fiscal year ending March 31, 2007. Royalty income for the first quarter of the fiscal year ending March 31, 2006 and 2007 was Y8.7 billion and Y8.6 billion, respectively. These amounts were recorded primarily within the Electronics segment.
6. In December 2004, the FASB issued FAS No. 123 (revised 2004), "Share-Based Payment" ("FAS No. 123(R)"). This statement requires the use of the fair value based method of accounting for employee stock-based compensation and eliminates the alternative to use of the intrinsic value method prescribed by APB No. 25. With limited exceptions, FAS No. 123(R) requires that the grant-date fair value of share-based payments to employees be expensed over the period the service is received. Sony had accounted for its employee stock-based compensation in accordance with the intrinsic value method prescribed by APB No. 25 and its related interpretations and had disclosed the net effect on net income and net income per share allocated to the common stock if Sony had applied the fair value recognition provisions of FAS No. 123 to stock-based compensation. Sony adopted FAS No. 123(R) on April 1, 2006. Sony elected the modified prospective method of transition prescribed in FAS No. 123(R), which requires that compensation expense be recorded for all unvested stock acquisition rights as the requisite service is rendered beginning with the first period of adoption. As a result of adoption of FAS No. 123(R), Sony's operating income decreased Y700 million for the first quarter of the fiscal year ending March 31, 2007.

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7. In February 2006, the Financial Accounting Standards Board ("FASB") issued FAS No. 155, "Accounting for Certain Hybrid Financial Instruments", an amendment of FAS No. 133 and FAS No. 140. This statement permits an entity to elect fair value remeasurement for any hybrid financial instrument if the hybrid instrument contains an embedded derivative that would otherwise be required to be bifurcated and accounted for separately under FAS No. 133. The election to measure the hybrid instrument at fair value is made on an instrument-by-instrument basis and is irreversible. The statement is effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring after the beginning of an entity's fiscal years beginning after September 15, 2006, with earlier adoption permitted as of the beginning of fiscal year, provided that financial statements for any interim period of that fiscal year have not been issued. Sony early adopted FAS No. 155 on April 1, 2006. As a result of adoption of FAS No. 155, Sony's operating income decreased approximately Y1.6 billion for the first quarter of the fiscal year ending March 31, 2007. Additionally, on April 1, 2006, Sony recognized Y3,785 million of loss (net of income taxes of Y2,148million) as a cumulative-effect adjustment to beginning retained earnings.

### Other Consolidated Financial Data

(Millions of yen, millions of U.S. dollars)  
First quarter ended June 30

	2005	2006	Change	2006
	-----	-----	-----	-----
Capital expenditures (additions to property, plant and equipment)	Y97,983	Y134,056	+36.8%	\$1,166
Depreciation and amortization expenses*	88,664	91,265	+2.9	794
(Depreciation expenses for tangible assets)	(71,881)	(71,002)	-1.2	(617)
R&D expenses	118,388	119,370	+0.8	1,038

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

### Condensed Financial Services Financial Statements (Unaudited)

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



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## Condensed Statements of Income

(Millions of yen, millions of U.S. dollars)				
Three months ended June 30				
Financial Services	2005	2006	Change	2006
	-----	-----	-----	-----
			%	
Financial service revenue	Y153,814	Y124,101	-19.3	\$1,079
Financial service expenses	131,891	119,522	-9.4	1,039
	-----	-----		-----
Operating income	21,923	4,579	-79.1	40
Other income (expenses), net	(117)	(57)	-	(1)
	-----	-----		-----
Income before income taxes	21,806	4,522	-79.3	39
Income taxes and other	9,734	1,401	-85.6	12
	-----	-----		-----
Net income	Y12,072	Y3,121	-74.1	\$27
	-----	-----		-----

(Millions of yen, millions of U.S. dollars)				
Three months ended June 30				
Sony without Financial Services	2005	2006	Change	2006
	-----	-----	-----	-----
			%	
Net sales and operating revenue	Y1,421,493	Y1,628,283	+14.5	\$14,159
Costs and expenses	1,450,404	1,606,130	+10.7	13,966
	-----	-----		-----
Operating income (loss)	(28,911)	22,153	-	193
Other income (expenses), net	20,009	33,465	+67.2	291
	-----	-----		-----
Income (loss) before income taxes	(8,902)	55,618	-	484
Income taxes and other	10,432	20,173	+93.4	176
	-----	-----		-----
Net income (loss)	Y(19,334)	Y35,445	-	\$308
	-----	-----		-----

(Millions of yen, millions of U.S. dollars)				
Three months ended June 30				
Consolidated	2005	2006	Change	2006
	-----	-----	-----	-----
			%	
Financial service revenue	Y148,588	Y118,540	-20.2	\$1,031
Net sales and operating revenue	1,419,545	1,625,696	+14.5	14,136
	-----	-----		-----
Costs and expenses	1,568,133	1,744,236	+11.2	15,167
	1,574,715	1,717,188	+9.0	14,932
	-----	-----		-----
Operating income (loss)	(6,582)	27,048	-	235
Other income (expenses), net	19,485	26,980	+38.5	235
	-----	-----		-----
Income before income taxes	12,903	54,028	+318.7	470
Income taxes and other	20,166	21,737	+7.8	189
	-----	-----		-----
Net income (loss)	Y(7,263)	Y32,291	-	\$281
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## Condensed Balance Sheet

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

Financial Services ASSETS	June 30 2005	March 31 2006	June 30 2006	June 30 2006
Current assets:				
Cash and cash equivalents	Y180,452	Y117,630	Y178,848	\$1,555
Marketable securities	475,728	532,895	454,081	3,948
Other	178,894	200,929	217,525	1,892
	835,074	851,454	850,454	7,395
Investments and advances	2,644,653	3,128,748	3,146,583	27,362
Property, plant and equipment	33,866	37,422	38,056	331
Other assets:				
Deferred insurance acquisition costs	380,238	383,156	385,152	3,349
Other	104,991	164,827	96,223	837
	485,229	547,983	481,375	4,186
	Y3,998,822	Y4,565,607	Y4,516,468	\$39,274
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	Y42,346	Y136,723	Y82,917	\$721
Notes and accounts payable, trade	8,232	11,707	12,516	109
Deposits from customers in the banking business	574,814	599,952	634,950	5,521
Other	112,359	169,956	150,784	1,311
	737,751	918,338	881,167	7,662
Long-term liabilities:				
Long-term debt	134,879	128,097	127,284	1,107
Accrued pension and severance costs	14,685	13,479	13,438	117
Future insurance policy benefits and other	2,521,860	2,744,321	2,799,808	24,346
Other	149,169	173,354	152,709	1,328
	2,820,593	3,059,251	3,093,239	26,898
Minority interest	5,402	4,089	4,123	36

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in consolidated subsidiaries				
Stockholders' equity	435,076	583,929	537,939	4,678
	-----	-----	-----	-----
	Y3,998,822	Y4,565,607	Y4,516,468	\$39,274
	-----	-----	-----	-----

	(Millions of yen, millions of U.S. dollars)			
Sony without Financial Services	June 30 2005	March 31 2006	June 30 2006	June 30 2006
	-----	-----	-----	-----

ASSETS				
Current assets:				
Cash and cash equivalents	Y327,651	Y585,468	Y381,552	\$3,318
Marketable securities	4,073	4,073	7,574	66
Notes and accounts receivable, trade	865,106	973,675	1,023,490	8,900
Other	1,189,093	1,393,306	1,539,698	13,388
	-----	-----	-----	-----
	2,385,923	2,956,522	2,952,314	25,672
Film costs	313,940	360,372	355,609	3,092
Investments and advances	465,380	477,089	470,454	4,091
Investments in Financial Services, at cost	187,400	187,400	187,400	1,630
Property, plant and equipment	1,354,901	1,351,125	1,400,353	12,177
Other assets	1,199,863	1,059,786	1,008,794	8,772
	-----	-----	-----	-----
	Y5,907,407	Y6,392,294	Y6,374,924	\$55,434
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LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	Y191,677	Y225,082	Y220,448	\$1,917
Notes and accounts payable, trade	752,804	804,394	825,028	7,174
Other	1,040,032	1,299,809	1,172,416	10,195
	-----	-----	-----	-----
	1,984,513	2,329,285	2,217,892	19,286
Long-term liabilities:				
Long-term debt	626,821	701,372	804,854	6,999
Accrued pension and severance costs	336,456	168,768	161,604	1,405
Other	296,385	352,457	332,586	2,892
	-----	-----	-----	-----
	1,259,662	1,222,597	1,299,044	11,296
Minority interest in consolidated subsidiaries	22,517	32,623	34,572	301
Stockholders'	2,640,715	2,807,789	2,823,416	24,551

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equity

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Y5,907,407	Y6,392,294	Y6,374,924	\$55,434
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	(Millions of yen, millions of U.S. dollars)			
Consolidated	June 30	March 31	June 30	June 30
ASSETS	2005	2006	2006	2006
-----	-----	-----	-----	-----
Current assets:				
Cash and cash equivalents	Y508,103	Y703,098	Y560,400	\$4,873
Marketable securities	479,801	536,968	461,655	4,014
Notes and accounts receivable, trade	939,281	985,508	1,039,679	9,041
Other	1,267,152	1,543,950	1,686,272	14,663
	-----	-----	-----	-----
	3,194,337	3,769,524	3,748,006	32,591
Film costs	313,940	360,372	355,609	3,092
Investments and advances	3,019,294	3,519,907	3,532,095	30,714
Property, plant and equipment	1,388,767	1,388,547	1,438,409	12,508
Other assets:				
Deferred insurance acquisition costs	380,238	383,156	385,152	3,349
Other	1,177,897	1,186,247	1,066,446	9,274
	-----	-----	-----	-----
	1,558,135	1,569,403	1,451,598	12,623
	-----	-----	-----	-----
	Y9,474,473	Y10,607,753	Y10,525,717	\$91,528
	-----	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	Y217,116	Y336,321	Y269,654	\$2,345
Notes and accounts payable, trade	758,955	813,332	836,632	7,275
Deposits from customers in the banking business	574,814	599,952	634,950	5,521
Other	1,134,490	1,450,623	1,294,278	11,255
	-----	-----	-----	-----
	2,685,375	3,200,228	3,035,514	26,396
Long-term liabilities:				
Long-term debt	678,303	764,898	868,204	7,550
Accrued pension and severance costs	351,141	182,247	175,042	1,522
Future insurance policy benefits and other	2,521,860	2,744,321	2,799,808	24,346
Other	321,571	475,106	434,577	3,778
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	3,872,875	4,166,572	4,277,631	37,196
Minority interest in consolidated subsidiaries	27,870	37,101	39,084	340
Stockholders' equity	2,888,353	3,203,852	3,173,488	27,596
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	Y9,474,473	Y10,607,753	Y10,525,717	\$91,528
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## Condensed Statements of Cash Flows

	(Millions of yen, millions of U.S. dollars)		
	Three months ended June 30		
Financial Services	2005	2006	2006
	-----	-----	-----
Net cash provided by operating activities	Y8,650	Y91,910	\$799
Net cash used in investing activities	(150,060)	(40,061)	(348)
Net cash provided by financing activities	62,491	9,369	81
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(78,919)	61,218	532
Cash and cash equivalents at beginning of the fiscal year	259,371	117,630	1,023
	-----	-----	-----
Cash and cash equivalents at June 30	Y180,452	Y178,848	\$1,555
	-----	-----	-----

	(Millions of yen, millions of U.S. dollars)		
	Three months ended June 30		
Sony without Financial Services	2005	2006	2006
	-----	-----	-----
Net cash used in operating activities	Y(97,332)	Y(189,114)	\$(1,644)
Net cash used in investing activities	(70,426)	(100,376)	(873)
Net cash provided by (used in) financing activities	(28,434)	95,828	833
Effect of exchange rate changes on cash and cash equivalents	4,111	(10,254)	(89)
	-----	-----	-----
Net decrease in cash and cash equivalents	(192,081)	(203,916)	(1,773)
Cash and cash equivalents at beginning of the fiscal year	519,732	585,468	5,091
	-----	-----	-----
Cash and cash equivalents at June 30	Y327,651	Y381,552	\$3,318
	-----	-----	-----

	(Millions of yen, millions of U.S. dollars)		
	Three months ended June 30		
Consolidated	2005	2006	2006

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Net cash used in operating activities	Y(88,632)	Y(97,932)	\$ (852)
Net cash used in investing activities	(223,131)	(132,336)	(1,151)
Net cash provided by financing activities	36,652	97,824	851
Effect of exchange rate changes on cash and cash equivalents	4,111	(10,254)	(89)
Net decrease in cash and cash equivalents	(271,000)	(142,698)	(1,241)
Cash and cash equivalents at beginning of the fiscal year	779,103	703,098	6,114
Cash and cash equivalents at June 30	Y508,103	Y560,400	\$4,873

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