

SONY



SONY
headquarters



Q1 FY2004
Consolidated Results
(Quarter Ended June 30, 2004)

Sony Corporation Investor Relations

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

Q1 FY04 Consolidated Results

	Q1 FY03	Q1 FY04	change	(bln yen) Change (LC basis*)
Sales & operating revenue	1,603.8	1,612.1	+0.5 %	+5 %
Operating income	16.7	9.8	-41.4 %	+27 %
Income before income taxes	35.8	6.6	-81.5 %	
Equity in net income (loss) of affiliates	-9.7	20.1	+29.9 bln yen	
Net income	1.1	23.3	+1,975.3 %	
Restructuring expenses	6.5	12.0	+5.5 bln yen	

*Local currency (LC) basis: change that would have occurred if no change in exchange rates year on year

<u>Foreign exchange impact</u>	Average Rate	Q1 FY03	Q1 FY04
Sales and operating revenue: approx -66.2 bln yen	1\$	117 yen	109 yen
Operating income: approx -11.4 bln yen	1 Euro	133 yen	131 yen

Q1 FY04 Earnings Highlights

- ✓ Local currency sales and operating income increased 5% and 27%, respectively (impact of yen appreciation caused operating income to decline in yen terms)
- ✓ Operating income in Q1 exceeded the company's April forecast
- ✓ Net income increased substantially, contribution from Sony Ericsson
- ✓ Strong growth achieved in key products including flat panel TVs, digital still cameras, rear projection LCD TVs and semiconductors
- ✓ Hugely successful *Spider-Man 2* breaks records
- ✓ Sony maintains full year forecasts, including 60% year-on-year growth in operating income

Current Business Topics

Sony launched Connect online music download service on May 4th in the US and July 5th in Europe



CONNECT



Music from Connect can now be downloaded to Hi-MD Walkman, HDD Network Walkman, VAIO Pocket Music Player and other Sony devices

Cyber-shot digital still camera T1 maintained #1 market share in Japan for 6 consecutive months and achieved #1 position in US in May (*volume basis*)



Spider-Man 2 broke opening day box office records with revenue of \$40.5 million and has earned \$328.5 million in the US as of July 25th

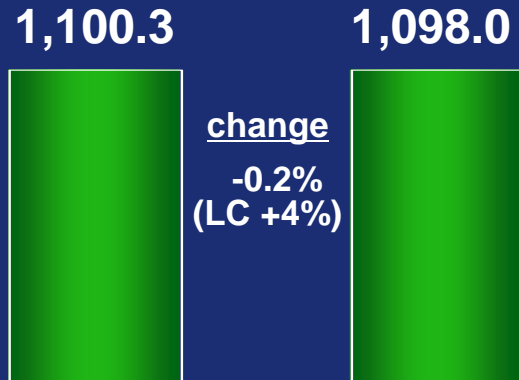
Sony and Bertelsmann obtained regulatory approval in Europe for the merger of their recorded music businesses

Sony BMG

Electronics Q1 FY04

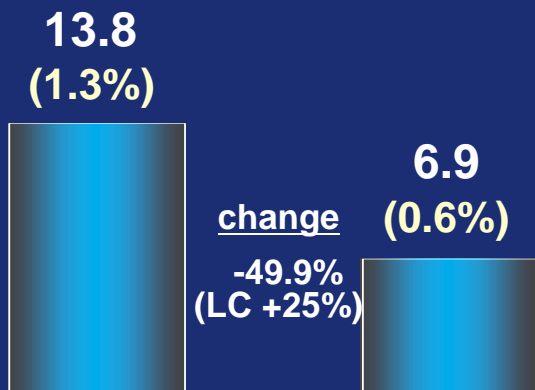
(bln yen)

SALES



- Sales were negatively impacted by the shift of PS2 manufacturing to third parties
- Growth in flat panel TVs, digital still cameras and rear projection LCD TVs contributed to an increase in sales to outside customers

OPERATING INCOME



- Decline caused by yen appreciation and higher restructuring costs
- Included restructuring charges of 10.7 bln yen in Q1 FY04, compared to 4.6 billion yen in Q1 FY03

Q1 FY03

Q1 FY04

Includes intersegment transactions; "LC" is local currency comparison; % under operating income amount is margin

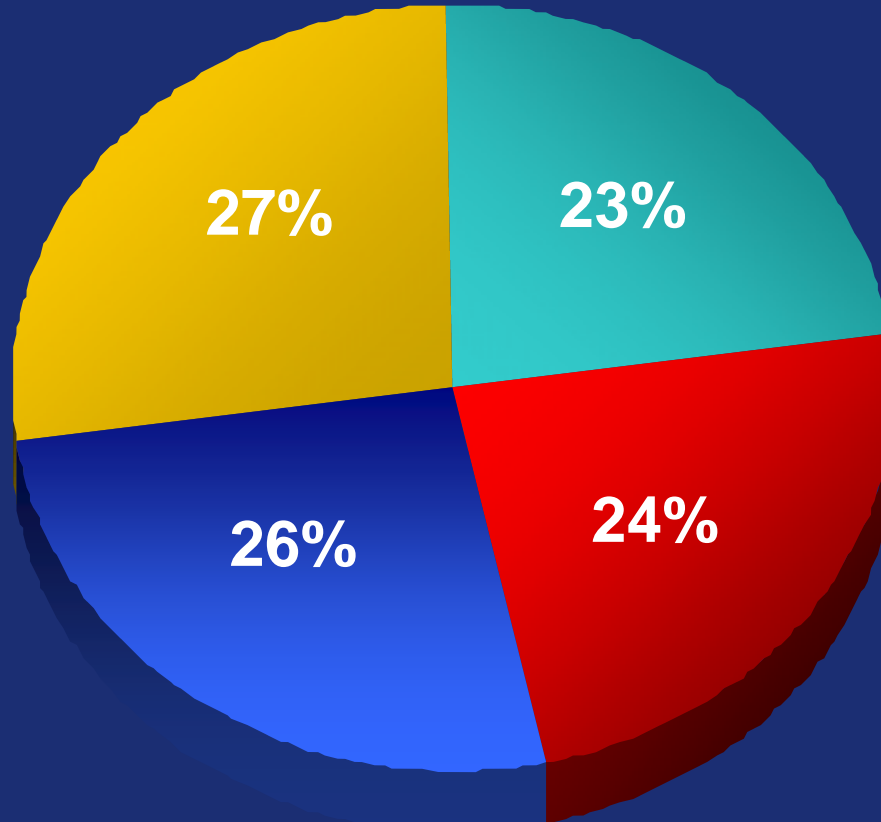
Electronics Sales by Area Q1 FY04

Other Areas
+21%
(LC +29%)

Increase:
Digital still cameras,
video cameras,
PC drives

Europe
+11%
(LC +13%)

Increase:
Cellular phones,
flat panel TVs,
digital still cameras



Sales to outside customers
excluding other operating revenue
1,082.7 bln yen, +4% (LC +8%)

Japan
-5%

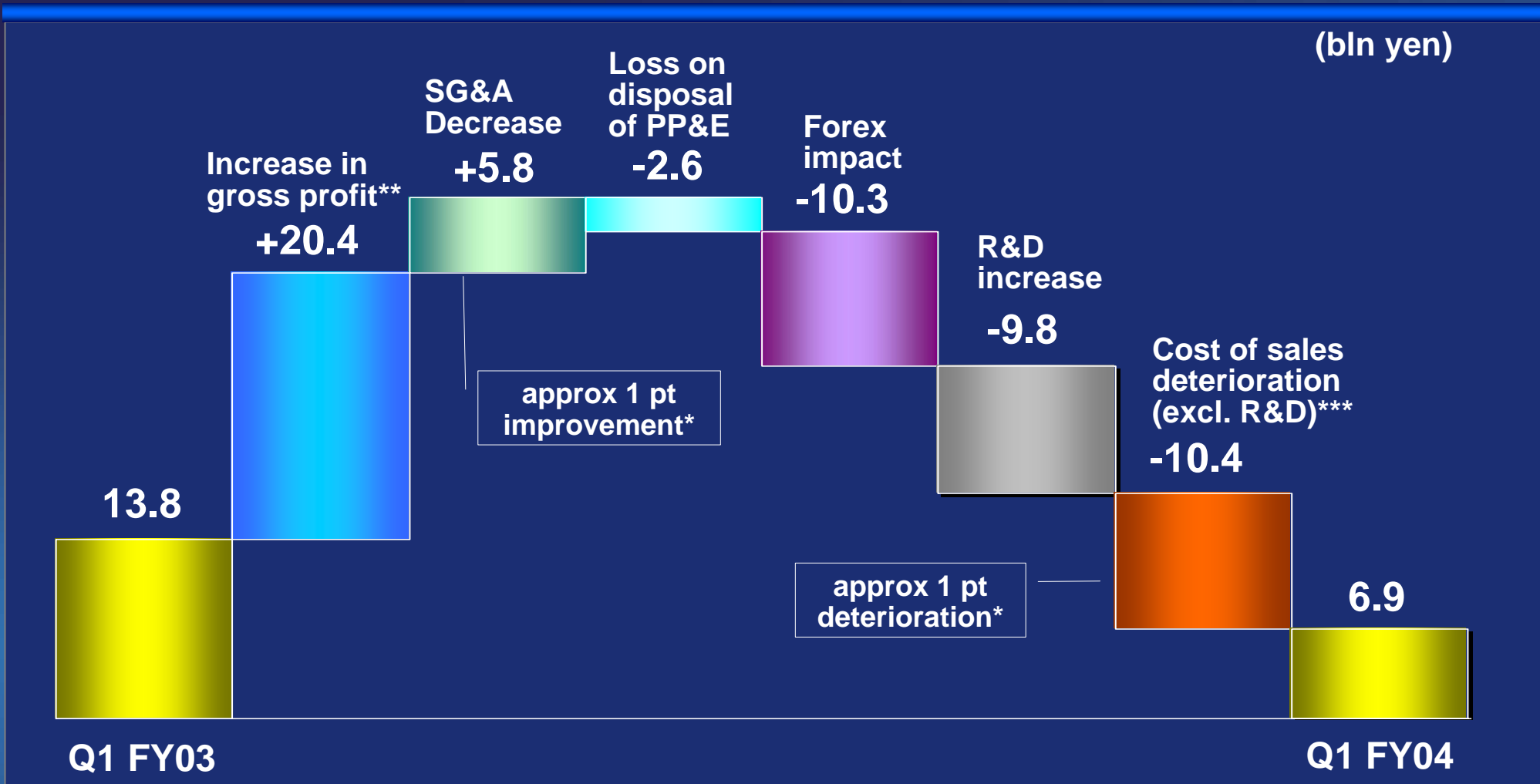
Decrease:
Cellular phones,
VAIO PCs

USA
-9%
(LC -1%)

Increase:
Projection TVs
Decrease:
CRT TVs

Based on location of customer (yen basis); change over year earlier period;
“LC” is local currency comparison; sales are to outside customers and exclude
operating revenue

Electronics: Operating Profit Breakdown Q1 FY04



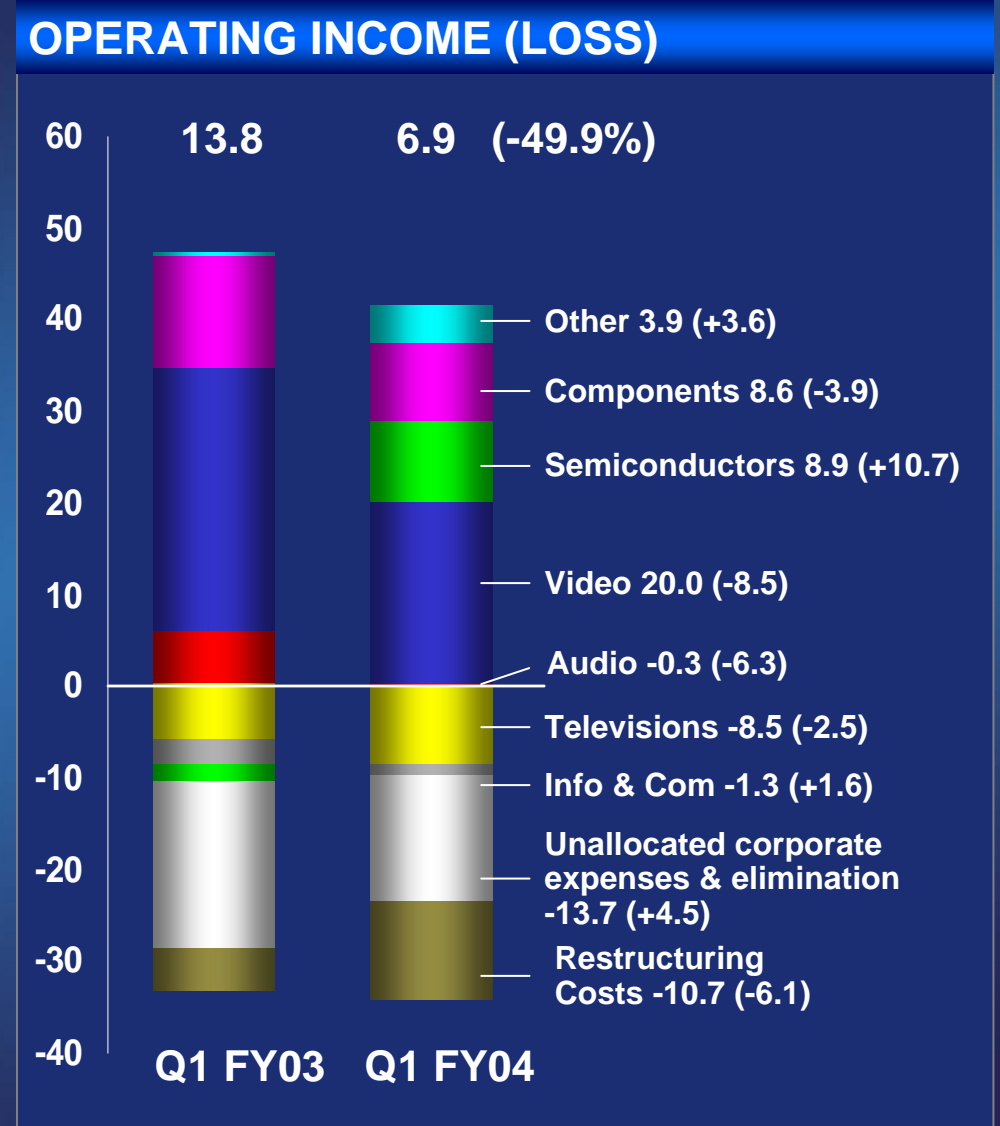
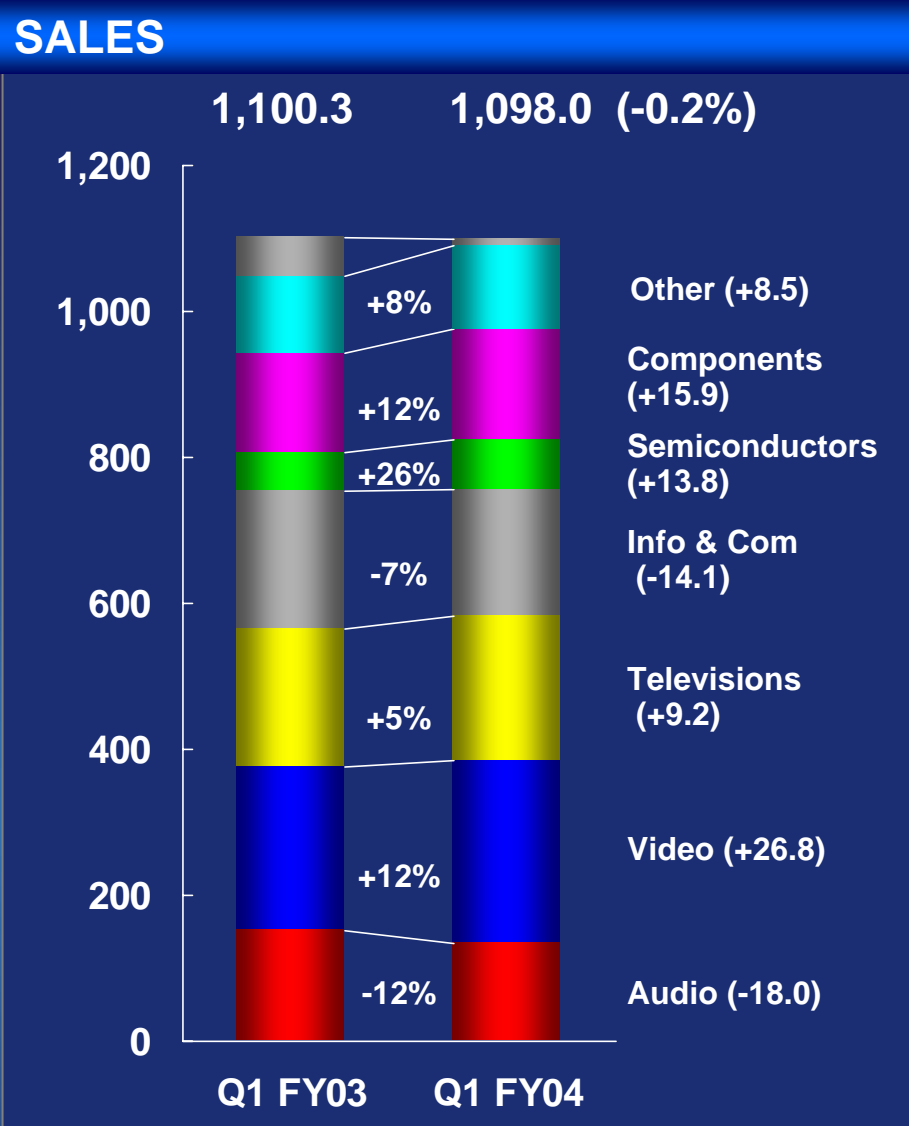
*Revenue basis compared to last fiscal year

**Increase in gross profit from the increase in sales = (increase in sales) X (year earlier period's gross margin); change in profit is the sum of gross profit of intersegment sales and sales to outside customers, calculated separately.

***Cost of sales = (point change in cost of sales ratio) X (year earlier period's sales); change in cost of sales is the sum of gross profit of intersegment sales and sales to outside customers, calculated separately.

Electronics Performance by Category Q1 FY04

(bln yen)



•() Bln yen change
 •Category sales data excludes intercategory transactions

Electronics Inventory Levels by Area

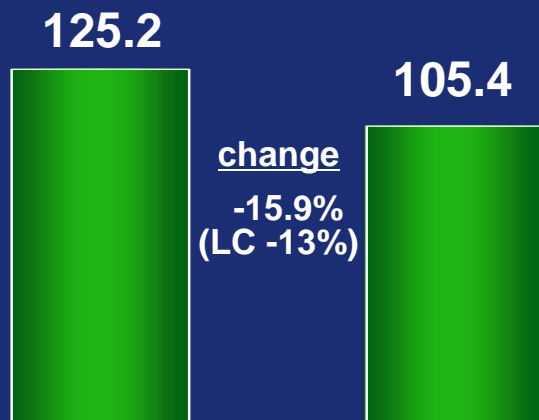


- Line graph: Days supply (average inventory in quarter divided by average daily sales in quarter)
- Inventory figures and days supply between Q1'01 to Q4'01 have been restated to reflect business segment changes
- Inventory figures between Q1'03 to Q4'03 have been restated to reflect business segment changes

Game Q1 FY04

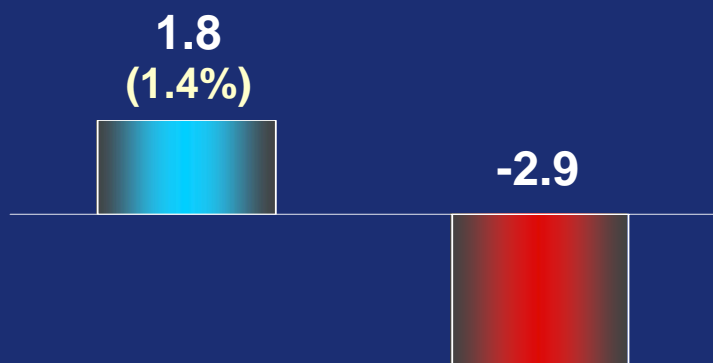
(bln yen)

SALES



- Hardware: Declined on lower units and strategic price cuts
- Software: Increased on contribution from PS2 software despite decline in PS software

OPERATING INCOME (LOSS)



- Impacted by lower hardware sales and decline in sales of software published by Sony Computer Entertainment

Q1 FY03

Q1 FY04

Includes intersegment transactions; "LC" is local currency comparison; % under operating income amount is margin

PlayStation H/W Production Shipments & Forecast



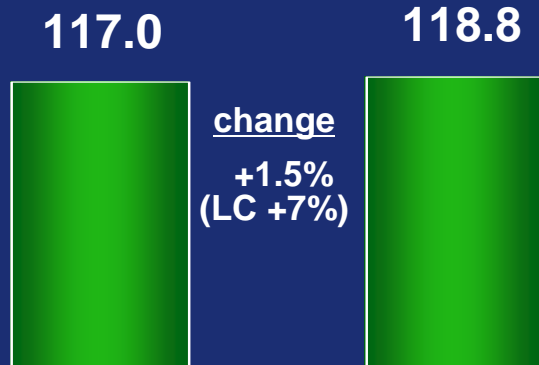
PlayStation Software Shipments & Forecast



Music Q1 FY04

(bln yen)

SALES



- SMEI: Increased local currency sales driven by key releases from Gretchen Wilson, Prince and Anastacia
- SMEJ: Factors including higher revenue associated with artists' live concerts contributed to higher sales

OPERATING LOSS



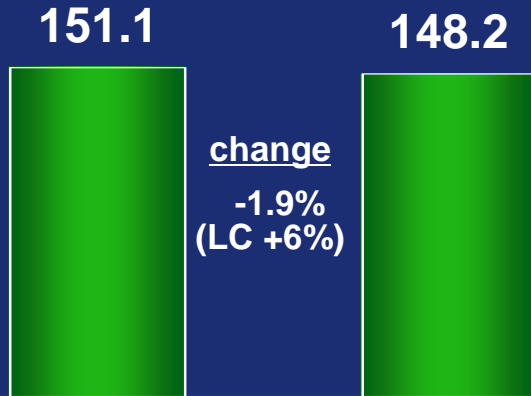
- SMEI: Loss declined substantially on higher music product sales and benefit from prior restructuring activities
- SMEJ: Profit increased substantially due to improvement in cost of sales ratio

Includes intersegment transactions; "LC" is local currency comparison

Pictures Q1 FY04

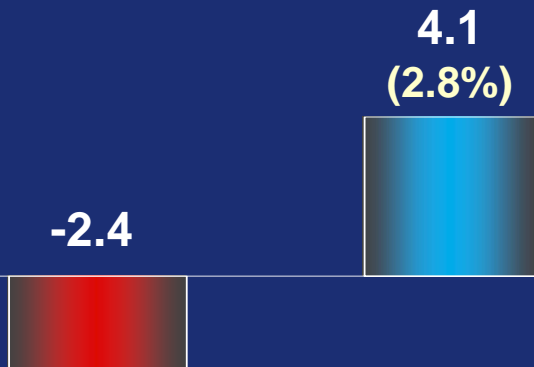
(bln yen)

SALES



- Sales on a local currency basis increased on higher home entertainment revenue
- Major theatrical releases included *Spider-Man 2* (US release: June 30), *Hellboy* and *13 Going on 30*

OPERATING INCOME (LOSS)



- Benefit from the successful performance of home entertainment and theatrical releases
- Advertising and promotional expenses decreased

Q1 FY03

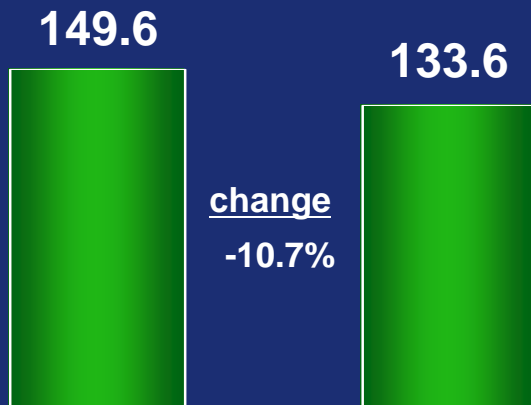
Q1 FY04

Includes intersegment transactions; "LC" is local currency comparison; % under operating income amount is margin

Financial Services Q1 FY04

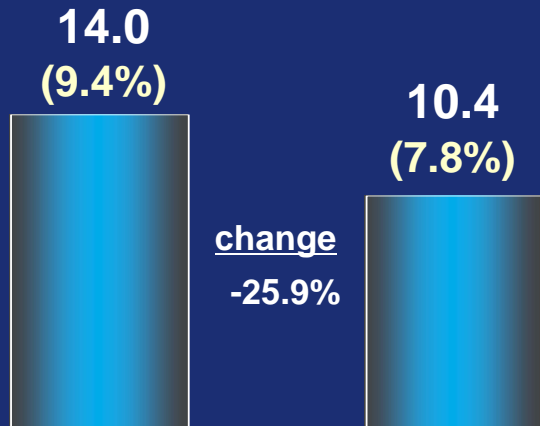
(bln yen)

FINANCIAL SERVICES REVENUE



- Primarily due to a change in revenue recognition method and lower valuation gains at Sony Life
- Excluding the impact of revenue recognition change, revenue was unchanged

OPERATING INCOME



- Primarily due to increase in insurance claims paid, higher dividends and adoption of new accounting policy at Sony Life

Q1 FY03

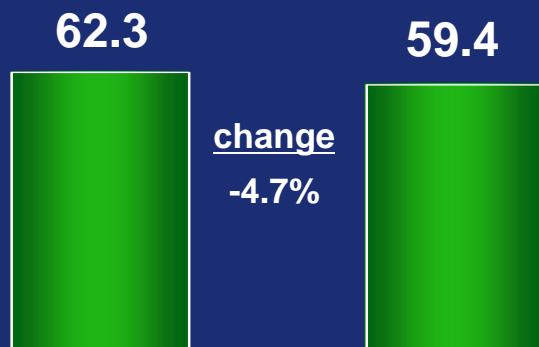
Q1 FY04

Includes intersegment transactions; % under operating income amount is margin

Other Q1 FY04

(bln yen)

SALES



- Primary factor was lower intersegment sales at a Japanese subsidiary involved in advertising agency business

OPERATING INCOME (LOSS)



- Q1 of prior year included one-time gain of 7.7 bln yen on sale of rights relating to a portion of Sony Card portfolio

Q1 FY03

Q1 FY04

Includes intersegment transactions; % under operating income amount is margin

Sony Ericsson Mobile Communications



Sony Ericsson

	Apr-Jun '04	YoY Change
Sales (mln euro)	1,504	+34 %
Income before tax	113	+215 mln euro
Net income	89	+177 mln euro
Number of units shipped (mln units)	10.4	+55 %
Sony share in earnings (bln yen)*	5.8	+11.6 bln yen

* Sony accounts for Sony Ericsson, a 50:50 joint venture, by the equity method with 50% of net income recorded as net income in Sony's consolidated statements of income.

FY04 Forecast

(bln yen)

As of July 28, 2004	FY03	FY04	YoY change
Sales & operating revenue	7,496.4	7,550.0	+1%
Operating income	98.9	160.0	+62%
Income before income taxes	144.1	160.0	+11%
Net income	88.5	100.0	+13%
Restructuring expenses	168.1	130.0	-23%
Capital Expenditures	378.3	410.0	+8%
(for semiconductors)	175.0	190.0	+9%
Depreciation & Amortization*	366.3	370.0	+1%
(dep. for tangible assets)	286.9	290.0	+1%
Research & Development Expense	514.5	550.0	+7%

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

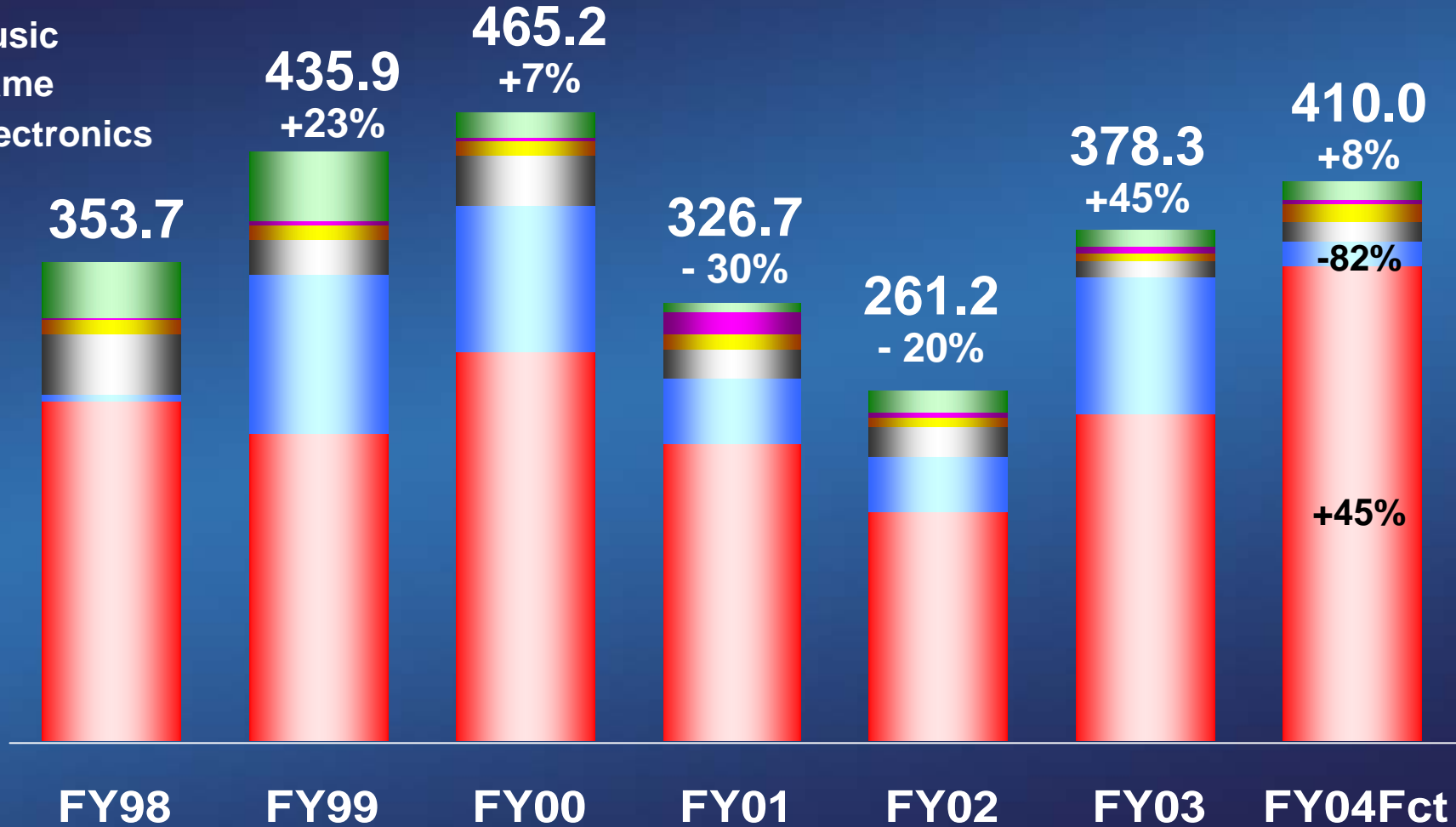
Foreign Exchange

	FY03 Actual	Q2-Q4 Assumption
1 \$	112 yen	105 yen
1 Euro	131 yen	125 yen

FY04 Capital Expenditures Forecast

(bln yen)

- Other
- Financial Services
- Pictures
- Music
- Game
- Electronics

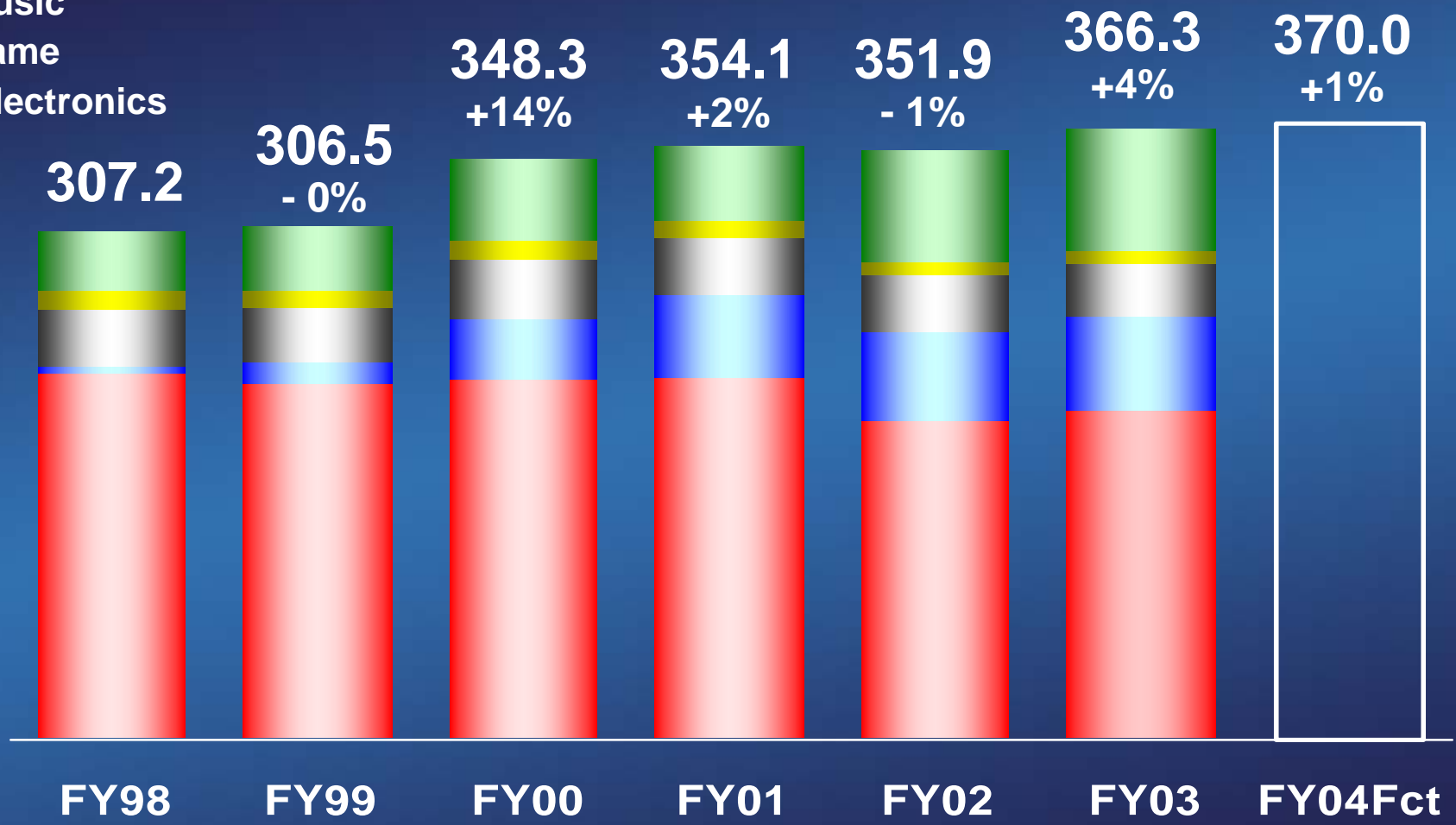


% is change over prior year

FY04 Depreciation & Amortization Forecast

(bln yen)

- Other
- Pictures
- Music
- Game
- Electronics



Including amortization of intangible assets and amortization of deferred insurance acquisition costs; % is change over prior year

Supplemental Information for Q1 FY2004 Earnings

1. Unit Sales/Shipments

(mln units)

	FY00	FY01	FY02	FY03	FY04 FCT	
					Previous	Current
Video Camera	5.5	5.4	5.8	6.6	7.0	7.0
Digital Still Camera	2.6	3.4	5.6	10.0	15.0	15.0
DVD Player	4.0	5.0	7.0	8.5	9.3	9.3
DVD Recorder	-	-	0.02	0.65	2.0	2.0
LCD+PDP TV	-	-	-	0.64	1.0	1.0
CRT Television	11.3	10.0	10.0	9.4	9.4	9.4
VAIO PC	2.5	3.5	3.1	3.2	3.7	3.7
Desktop	0.8	1.4	1.2	1.3	1.3	1.3
Notebook	1.7	2.1	1.9	1.9	2.4	2.4
Outside Japan	1.1	1.8	1.8	2.1	2.5	2.5
Japan	1.4	1.7	1.3	1.1	1.2	1.2

2. Exchange Rates Trends

(yen)

	FY03					FY04				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
US\$										
Average market rate	117	117	108	106	112	109				
Weighted average market rate*	117	117	108	106	112	108				
Forward contract rate	118	117	113	107	114	108				
Euro										
Average market rate	133	131	128	133	131	131				
Weighted average market rate*	133	130	127	133	131	131				
Forward contract rate	131	133	131	129	131	132				

*Rates based upon the net export amounts of each month

3. Key Financial Indicators (Consolidated)

	FY99	FY00	FY01	FY02	FY03
Sales Growth (%)	-1.7	9.4	3.6	-1.4	0.3
Operating Income Growth (%)	-34.0	1.0	-40.3	37.7	-46.7
Operating Income Margin (%)	3.3	3.1	1.8	2.5	1.3
Net Income Margin (%)	1.8	0.2	0.2	1.5	1.2
ROA (%)	1.9	0.2	0.2	1.4	1.0
ROE (%)	6.1	0.7	0.7	5.0	3.8
EPS basic (yen)	144.6	18.3	16.7	125.7	96.0
EPS diluted (yen)	131.7	19.3	16.7	118.2	90.9
PER (x, basic)	100.3	485.5	400.7	33.4	45.4
PER (x, diluted)	110.1	461.6	401.9	35.5	48.0
PBR (x)	6.0	3.5	2.6	1.7	1.7
EBITDA (billion yen)*	612.8	657.2	483.3	626.9	538.2
Free Cash Flow (billion yen)**	---	-264.4	67.1	358.2	48.6
Stock Price (fiscal year end, yen)	14,500	8,900	6,700	4,200	4,360

*Operating Income + Interest paid + Depreciation & amortization

**Cash flows from Operating activities + Cash flows from Investing activities