

News & Information

Consolidated Financial Results for the Third Quarter ended December 31, 2002

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Sony Achieves Record Quarterly Sales and Net Income

Pictures, Electronics and Game Segments Contribute to Profitability

Tokyo, January 29, 2003 -- Sony Corporation announced today its consolidated results for the third quarter ended December 31, 2002 (October 1, 2002 to December 31, 2002).

Highlights

- For the three months ended December 31, 2002, consolidated sales increased slightly year on year to achieve a quarterly record for Sony of ¥2,307.7 billion (\$19.2 billion). Operating income increased ¥40.9 billion year on year to ¥199.5 billion (\$1.7 billion). Net income reached ¥125.4 billion (\$1.05 billion), the highest quarterly net income Sony has ever recorded. The depreciation of the yen against the euro had a positive impact on results.
- In the Pictures business, strong home entertainment sales of motion pictures, including *Spider-Man* and *Men in Black II*, that had strong theatrical performances earlier in the year, resulted in a significant increase in sales and operating income.
- In the Electronics segment, although sales decreased due to the severe operating environment, the strong performance of components, semiconductors and consumer audio-visual products, which resulted from an improvement in profit structure, resulted in an increase in total operating income.
- In the Game segment, the market penetration of hardware continued to expand as hardware unit sales, primarily in the U.S. and Europe, increased significantly during the quarter. As a result, software sales worldwide increased, and this enabled the segment to again achieve the high level of sales and operating income recorded in the same quarter of the previous year.
- Cash flow was positive throughout the nine months ended December 31, 2002, a significant improvement over the same period of the previous year. This was due to an increase in the operating income of the Electronics, Game, and Pictures businesses. Total interest-bearing debt on December 31, 2002 was lower than as of December 31, 2001 and as of March 31, 2002.
- Based on management's belief that uncertain market conditions and the implementation of additional restructuring initiatives will make the fourth quarter a difficult one, Sony has not changed its forecast for the fiscal year ending March 31, 2003, which was announced in October 2002.

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

Third quarter ended December 31

	2001	2002	Change	2002*
Sales and operating revenue	¥2,279.3	¥2,307.7	+1.2%	\$19,231
Operating income	158.6	199.5	+25.8	1,663
Income before income taxes	119.3	201.9	+69.3	1,683
Net income	64.0	125.4	+95.9	1,045
Net income per share for common stock				
— Basic	¥69.72	¥136.19	+95.3	\$1.13
— Diluted	64.87	126.05	+94.3	1.05

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120=U.S.\$1, the approximate Tokyo foreign exchange market rate as of December 30, 2002.

Remarks by Nobuyuki Idei, Chairman and CEO of Sony Corporation

Despite prior concerns that sales over the year-end selling season, especially in the U.S., would be slow, Sony performed relatively well, achieving record sales and net income for the third quarter of the fiscal year.

The Pictures business recorded its largest ever sales and operating income for the third quarter, as earlier box office hits continued to generate profits through their release on DVD and VHS. In the Game business, PlayStation 2's strong market position was further strengthened by a large increase in unit sales of both PlayStation 2 hardware and software.

Although its sales decreased, the Electronics business made a significant contribution to operating income with restructuring initiatives leading to an improvement in profitability. Through further reductions in inventory and other initiatives, we will continue to work to build upon our achievements to date. In the Music business, which has been impacted by industry-wide difficulties, we welcome Mr. Andrew Lack as the new Chairman and CEO of U.S.-based Sony Music Entertainment. I look forward to his exercising considerable expertise in improving financial results.

Consolidated Results for the Third Quarter

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

Sales were ¥2,307.7 billion (\$19.2 billion), a slight increase year on year (almost flat on a local currency basis - see Note I on page 8).

- Although sales in the Pictures segment increased by ¥98.0 billion, sales to external customers in the Electronics segment decreased by ¥59.7 billion.

Operating income of ¥199.5 billion (\$1,663 million) was recorded, an increase of ¥40.9 billion, or 25.8%, year on year (7% increase on a local currency basis).

- Operating income in the Pictures segment increased ¥31.4 billion due to the contribution of record home entertainment sales mainly from summer 2002 theatrical releases. The Electronics segment achieved a ¥10.1 billion increase in operating income due to the depreciation of the yen against the euro and further cost reductions. Operating income in the Game segment increased ¥5.3 billion because of the strength of software sales, the depreciation of the yen against the euro, and continuing reductions in the cost of manufacturing hardware.
- Selling, general and administrative expenses increased ¥24.1 billion mainly as a result of an increase in advertising and marketing expenses in the Pictures segment in support of increased sales.

Income before income taxes was ¥201.9 billion (\$1,683 million), an increase of ¥82.6 billion, or 69.3%, year on year.

- Income before income taxes increased because operating income increased ¥40.9 billion, other income increased ¥6.2 billion and other expenses decreased ¥35.5 billion.
 - Other income increased due to a ¥2.8 billion (\$24 million) foreign exchange gain.
 - Other expenses decreased because of the absence of the ¥30.7 billion foreign exchange loss recorded in the same quarter of the previous year, and because interest expense decreased by ¥3.2 billion due to lower interest rates and reduced outstanding debt.

Net income of ¥125.4 billion (\$1,045 million) was recorded, an increase of ¥61.4 billion, or 95.9%, year on year.

- The significant improvement occurred as a result of the increase in income before income taxes discussed above and a decrease in losses from affiliates accounted for under the equity method.
 - Equity in net losses of affiliated companies decreased ¥6.9 billion to ¥10.0 billion (\$83 million).
 - ~ This decrease was mainly due to a reduction in losses at Sony Ericsson Mobile Communications, AB (“SEMC”) and at American Video Glass Company (“AVGC”), a joint venture in the U.S. which produces glass components for televisions. Losses at SEMC decreased ¥3.2 billion to ¥4.2 billion (\$35 million). Compared with a loss in the same quarter of the previous year, AVGC improved ¥1.9 billion to record a small profit.
- Partially offsetting the improvement was a ¥26.5 billion increase to ¥65.5 billion yen (\$546 million) in income taxes due to the increase in income before taxes mentioned above.

Operating Performance Highlights by Business Segment

Electronics

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

Third quarter ended December 31

	2001	2002	Change	2002
Sales and operating revenue	¥1,539.7	¥1,468.2	- 4.6%	\$12,235
Operating income	72.0	82.1	+14.1	685

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

Sales were ¥1,468.2 billion (\$12.2 billion), a decrease of 4.6% year on year (6% decrease on a local currency basis).

- On a product category basis, sales increased in “Semiconductors” by 33.5%, in “Components” by 7.5%, and in “Video” by 3.0%.
- Sales decreased in “Information and Communications” by 18.2% and “Audio” by 9.6%.
 - On a local currency basis:
 - ~ Products with significant increases in sales were digital still cameras (“Cybershot”), semiconductors (especially CCDs and LCDs, which increased due to higher demand for digital still cameras and personal digital assistants), projection televisions, plasma televisions and personal digital assistants (“CLIE”).
 - ~ Products with significant decreases in sales were VAIO PCs, CRT computer displays and CRT televisions.
 - ~ On a geographic basis, sales in Other areas increased, while sales in the U.S., Europe and Japan decreased.

Operating income was ¥82.1 billion (\$685 million), an increase of ¥10.1 billion, or 14.1%, year on year (10% decrease on a local currency basis).

- Despite the negative impact of the decrease in sales, the following factors led to the increase in profit:
 - The depreciation of the yen against the euro.

- An improvement in the profitability of such business as CRTs for computer displays, where a reduction in fixed costs led to greater financial viability, and semiconductors, where utilization at manufacturing facilities increased.
- The following product categories achieved an increase in profitability: “Components,” in which CRTs for computer displays, recording media and battery businesses benefited from structural changes, “Audio” in which home theatre products performed well, and “Televisions” in which large screen televisions performed well. “Semiconductors” changed from loss to profit, mainly due to the strong performance of CCDs. However, “Information and Communications” turned from profit to loss due to the deterioration of the profit performance of PCs.

Regarding the performance during the quarter of the Aiwa business, sales decreased and the implementation of restructuring initiatives led to an operating loss. Sony merged with Aiwa Co., Ltd. on December 1, 2002 (see Note III on page 8).

Inventory as of December 31, 2002 was ¥506.5 billion (\$4,221 million), a ¥120.9 billion, or 19.3%, decrease compared with the level as of December 31, 2001.

Game

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

Third quarter ended December 31

	2001	2002	Change	2002
Sales and operating revenue	¥383.2	¥384.1	+ 0.3%	\$3,201
Operating income	66.4	71.7	+ 7.9	597

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

Sales were ¥384.1 billion (\$3,201 million), almost flat year on year (4% decrease on a local currency basis).

- Hardware sales decreased, but software sales increased, compared with the same quarter of the previous year.
 - Unit sales of both PlayStation 2 and PS one hardware decreased in Japan, but increased significantly in other areas, particularly the U.S. and Europe. Strategic price reductions in all major regions led to a year on year decrease in sales revenue in the U.S. and Japan, although sales revenue increased in Europe.
 - Software sales increased worldwide due to an increase in PlayStation 2 software unit sales resulting from the continuing market penetration of PlayStation 2 hardware. (Worldwide hardware production shipments of PlayStation 2 were 49.59 million units as of December 31, 2002 on a cumulative basis.)
- Worldwide hardware production shipments:*
 - PS 2: 8.03 million units (an increase of 2.61 million units)
 - PS one: 3.02 million units (an increase of 1.99 million units)
- Worldwide software production shipments:*
 - PS 2: 79.00 million units (an increase of 26.30 million units)
 - PlayStation: 22.00 million units (a decrease of 16.00 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.

Operating income was ¥71.7 billion (\$597 million), an increase of ¥5.3 billion, or 7.9%, year on year (12% decrease on a local currency basis).

- Strong software sales worldwide led to an overall increase in operating income. Although hardware sales decreased due to strategic price reductions in all major regions, the positive impact of the depreciation of the yen against the euro, in addition to continued reduction of manufacturing costs, resulted in only a slight negative impact on operating income.

Inventory as of December 31, 2002 was ¥144.7 billion (\$1,206 million), a ¥4.4 billion, or 3.1%, increase compared with the level as of December 31, 2001.

Music

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

Third quarter ended December 31

	2001	2002	Change	2002
Sales and operating revenue	¥205.5	¥198.8	- 3.3%	\$1,657
Operating income	23.1	20.9	- 9.5	174

The amounts presented above are the sum of the yen-translated results of Sony Music Entertainment Inc. ("SMEI"), a U.S.-based operation which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis, and the results of Sony Music Entertainment (Japan) Inc. ("SMEJ"), a Japan based operation which aggregates results in yen.

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

Sales were ¥198.8 billion (\$1,657 million), a decrease of 3.3% year on year (3% decrease on a local currency basis). Of the Music segment's sales, 74% were generated by SMEI, and 26% were generated by SMEJ.

- SMEI's sales (on a U.S. dollar basis) decreased 1%.
 - Sales decreased because continuing difficult market conditions caused a decline in record sales in many regions worldwide.
 - Partially offsetting this decline was increased DVD software manufacturing sales to the Pictures and Game segments.
 - Titles that contributed the most to sales were Jennifer Lopez's *This is Me...Then* and Dixie Chicks' *Home*.
- SMEJ's sales decreased 8%.
 - Sales decreased because of the continued contraction of the record industry.
 - Titles that contributed the most to sales were Chemistry's *Second to None* and The Gospellers' *aCappella*.

Operating income was ¥20.9 billion (\$174 million), a decrease of ¥2.2 billion, or 9.5% year on year (9% decrease on a local currency basis).

- SMEI's operating income (on a U.S. dollar basis) decreased 10% as compared to the same quarter of the prior year.
 - Operating income declined as a result of the decrease in record sales, higher talent-related expenses, and increased costs recorded for ongoing restructuring activities, including continuing worldwide headcount reductions.
 - Partially offsetting this decrease was a decrease in advertising and promotion expenses, increased income generated by the increased DVD software manufacturing activity, and savings realized from SMEI's previously implemented cost savings initiatives.
- SMEJ's operating income decreased 6% as compared to the same quarter of the prior year.
 - Although a reduction in advertising and promotion expenses led to a decrease in selling, general and administrative expenses, the drop in record sales resulted in a decline in operating income.

Pictures

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

Third quarter ended December 31

	2001	2002	Change	2002
Sales and operating revenue	¥158.4	¥256.3	+ 61.9%	\$2,136
Operating income	0.3	31.7	+10,761.3	264

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

Sales were ¥256.3 billion (\$2,136 million), an increase of 61.9% year on year (64% increase on a U.S dollar basis).

- The reasons for the substantial increase in sales (on a U.S. dollar basis) were:
 - Record SPE home entertainment sales as a result of the releases of *Spider-Man*, *Men in Black II*, *xXx*, *Stuart Little 2*, and *Mr. Deeds*.
 - ~ Over 40 million initial DVD and VHS units of *Spider-Man* were shipped worldwide during the quarter.
 - Higher television revenues primarily from a library sale to a cable channel of the television program *The Nanny* and higher advertising revenues from *Wheel of Fortune*.

Operating income was ¥31.7 billion (\$264 million), an increase of ¥31.4 billion year on year.

- The reasons for the increase in profitability were:
 - Substantially higher home entertainment revenues, as noted above, driven by SPE’s successful summer 2002 theatrical release slate.
 - Higher television operating income from the increased revenues noted above.
 - The absence of a television restructuring charge recorded in the prior year.
- Partially offsetting the increase in profitability was:
 - The disappointing theatrical performance of *I Spy*.

Financial Services

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

Third quarter ended December 31

	2001	2002	Change	2002
Financial Service revenue	¥127.1	¥133.9	+ 5.4%	\$1,116
Operating income	2.1	3.6	+72.4	30

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

Financial Service revenue was ¥133.9 billion (\$1,116 million), an increase of 5.4% year on year.

- Revenue increased primarily due to an increase in revenue at Sony Life Insurance Co., Ltd. (“Sony Life”).
 - Revenue increased because valuation gains and losses from investments in the general account improved compared to a loss recorded on Argentine government bonds in the same quarter of the previous year, and because insurance revenue rose due to an increase in insurance-in-force.
 - The above revenue gains were partially offset by an increase in valuation losses from investments in the separate account, which resulted from the stock market downturn. Valuation gains and losses from investments in the separate account accrue directly to the account of policyholders and, therefore, do not affect operating income.
- In addition, the following factors affected Financial Services segment revenue:
 - Revenue at Sony Assurance Inc. increased due to higher insurance revenue brought about by an expansion in insurance-in-force.
 - Revenue at Sony Finance International, Inc. (“Sony Finance”) was almost flat year on year.
 - Revenue at Sony Bank increased only slightly reflecting the severe market environment though the total balance of deposited funds increased.

Operating income increased ¥1.5 billion or 72.4% year on year to ¥3.6 billion (\$30 million).

- Operating income increased primarily due to the improvement in valuation gains and losses from investments in the general account and increase in insurance revenue.
- In addition, the following factors affected Financial Services segment operating income:
 - Losses at Sony Assurance Inc. decreased due to an increase in insurance revenue and a decrease in payments for insurance benefits.

- Operating income at Sony Finance was almost flat year on year.
- Sony Bank, which began operations in June 2001, recorded a loss similar to that of the same quarter in the previous year.

Other

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

Third quarter ended December 31

	2001	2002	Change	2002
Sales and operating revenue	¥53.0	¥64.1	+ 21.0%	\$535
Operating income (loss)	(3.5)	(6.6)	-	(55)

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

Sales were ¥64.1 billion (\$535 million), an increase of 21.0% year on year.

- Sales of NACS-related businesses (see Note II on page 8) and sales at an advertising agency business subsidiary in Japan increased.

In terms of profitability, an operating loss of ¥6.6 billion (\$55 million) was recorded compared with an operating loss of ¥3.5 billion in the same quarter of the previous year, a deterioration of ¥3.2 billion year on year.

- Losses increased at NACS-related businesses in the aggregate, mainly because of losses incurred in connection with the creation of a platform business for the networked era, although operating income was recorded at Sony Communication Network Corporation.

Cash Flow

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

Nine months ended December 31

	2001	2002	Difference	2002
Cash flow				
- From operating activities	¥330.8	¥503.1	¥ + 172.3	\$4,192
- From investing activities	(590.9)	(404.6)	+ 186.3	(3,371)
- From financing activities	366.7	40.5	- 326.2	338
Cash and cash equivalents as of December 31	744.2	798.6	+ 54.4	6,655

Cash provided by operating activities for the nine months ended December 31, 2002 was ¥503.1 billion (\$4,192 million), an increase of ¥172.3 billion.

- While cash was used for an increase in notes and accounts receivable during the nine months, the contribution to profit of the Electronics, Game and Pictures businesses and an increase in notes and accounts payable caused cash generated from operating activities to exceed expenditures.
- Although the amount of increase in notes and accounts receivable increased and inventories changed from a decrease to an increase, leading to a decrease in cash provided by operating activities, an increase in the operating income of the Electronics, Game and Pictures businesses, and a change from a decrease to an increase in notes and accounts payable contributed to the increase in cash provided by operating activities compared with the same period of the previous year.

Cash used in investing activities for the nine months was ¥404.6 billion (\$3,371 million), a decrease of ¥186.3 billion.

- The use of cash derived primarily from the fact that, reflecting an increase in assets under management in the life insurance and banking businesses, investments and advances of ¥686.8 billion (\$5,723 million)

exceeded sales and maturities of securities investments and collections of advances of ¥386.0 billion (\$3,216 million) in the Financial Services business.

- In addition, ¥203.6 billion (\$1,696 million) was used to purchase fixed assets, primarily in the Electronics business but, as a result of the prioritization of investments, the figure decreased by ¥89.6 billion compared with the same nine months of the previous fiscal year. Cash proceeds of ¥127.4 billion (\$1,062 million) were also generated from the sales of securities investments and collections of advances, including ¥88.4 billion* from the sale of equity in Telemundo Communications Group, Inc. and its subsidiaries, a U.S. based television network and station group.
(*The U.S. dollar amount of the cash proceeds recorded on the sale of Telemundo was \$679 million.)

Cash provided by financing activities for the nine months was ¥40.5 billion (\$338 million), a decrease of ¥326.2 billion.

- Although cash was used during the nine months to pay down borrowings of the Sony group as a whole and ¥23.0 billion (\$191 million) in dividends were paid, cash was provided by a ¥106.5 billion (\$887 million) increase in deposits from customers in the banking business.

Notes

Note I: During the third quarter ended December 31, 2002, the average value of the yen was ¥121.58 against the U.S. dollar and ¥121.05 against the euro, which was 0.8% higher against the U.S. dollar and 9.8% lower against the euro, compared with the average rate for the third quarter of the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating revenue (“sales”) and operating income obtained by applying the yen’s average exchange rate in the third quarter of the previous fiscal year to local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the third quarter of the current fiscal year. Local currency basis results are not reflected in Sony’s financial statements and are not measures conforming with Generally Accepted Accounting Principles in the U.S. (“U.S. GAAP”). In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that local currency basis results provide additional useful information to investors regarding operating performance.

Note II: Commencing with the first quarter ended June 30, 2002, Sony has partly realigned its business segment configuration and Electronics segment product category configuration. In accordance with this realignment, results of the third quarter of the previous fiscal year have been reclassified to conform to the presentation for the third quarter of the current fiscal year. Sales of related businesses in the Network Application and Contents Service Sector (“NACS”), established in April 2002 to enhance network businesses, are included in the “Other” segment. In addition to Sony Communication Network Corporation, which was originally contained in the “Other” segment, NACS-related businesses include an in-house oriented information system service business and an IC card business formerly contained in the “Other” category of the Electronics segment.

Note III: On October 1, 2002, Sony implemented a share exchange as a result of which Aiwa Co., Ltd. became a wholly-owned subsidiary. As a result of this share exchange, Sony issued 2,502,491 new shares, the minority interest in Aiwa was eliminated from the balance sheet, and additional paid-in capital increased ¥15.9 billion. On December 1, 2002, Sony absorbed Aiwa by merger. The merger had no effect on Sony’s financial statements.

Note IV: “Sales and operating revenue” in each business segment represents sales and operating revenue recorded before intersegment transactions are eliminated. “Operating income” in each business segment represents operating income recorded before intersegment transactions and unallocated corporate expenses are eliminated. “Sales on a product category basis” in the Electronics segment represents only sales of products to external customers, i.e. those sales recorded after intersegment and intercategory transactions have been eliminated.

Other Matters

In November 2002, Sony Corporation of America, a subsidiary of Sony Corporation, together with other investors, executed a definitive agreement to acquire all of the outstanding common stock of InterTrust Technologies Corporation (“InterTrust”) for approximately \$453 million. In January 2003, the acquisition of InterTrust by Sony Corporation of America, Koninklijke Philips Electronics N.V. of Holland, and another investor was successfully completed. InterTrust is a leading holder of intellectual property in digital rights management. The objective of this transaction fits with Sony’s network strategy which is to enable wide access to secure digital content through networks.

In January 2003, Sony and Telefonaktiebolaget LM Ericsson announced that they will each invest an additional 150 million euro in SEMC to strengthen its financial position.

Outlook for the Fiscal Year ending March 31, 2003

Despite the solid results that Sony achieved in the third quarter, we believe that the business environment in which Sony operates will remain unstable because of the uncertain economic outlook and waning consumer confidence. Due to these uncertainties in the market, and the implementation of restructuring, we believe that the fourth quarter will be a difficult one. Therefore we have not changed our October forecast.

		<u>Change from previous year</u>
Sales and operating revenue	¥7,600 billion	Unchanged
Operating income	280 billion	+ 108%
Income before income taxes	310 billion	+ 234
Net income	180 billion	+ 1,076

Assumed exchange rates for the fourth quarter: approximately ¥120 to the dollar and ¥125 to the euro.
(Exchange rates assumed in October for the third quarter: approximately ¥120 to the dollar and ¥115 to the euro.)

No change was made in capital expenditures and depreciation and amortization.

Capital expenditures (additions to fixed assets)	¥280 billion	- 14%
Depreciation and amortization*	350 billion	- 1
(Depreciation expenses for tangible assets)	260 billion	- 13)

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

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 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 or financial performance. 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 (particularly in the Electronics business), and subjective and changing consumer preferences (particularly in the Game, Music, and Pictures businesses); (iv) Sony's ability to implement successfully the restructuring initiatives in its Electronics, Music and Pictures businesses and its network strategy for its Electronics, Music, Pictures, and Game businesses; (v) Sony's ability to compete and develop and implement successful sales and distribution strategies in light of Internet and other technological developments in its Music and Pictures businesses; (vi) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to prioritize investments (particularly in the Electronics business); (vii) the success of Sony's joint ventures and alliances; and (viii) the outcome of contingencies. Risks and uncertainties also include the impact of any future events with material unforeseen impacts.

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Business Segment Information (Unaudited)

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

Sales and operating revenue	Three months ended December 31			
	2001	2002	Change	2002
Electronics				
Customers	¥ 1,402,933	¥ 1,343,231	-4.3%	\$ 11,194
Intersegment	136,765	125,017		1,041
Total	1,539,698	1,468,248	-4.6	12,235
Game				
Customers	378,747	377,027	-0.5	3,142
Intersegment	4,412	7,096		59
Total	383,159	384,123	+0.3	3,201
Music				
Customers	188,715	173,354	-8.1	1,445
Intersegment	16,811	25,488		212
Total	205,526	198,842	-3.3	1,657
Pictures				
Customers	158,358	256,332	+61.9	2,136
Intersegment	0	0		0
Total	158,358	256,332	+61.9	2,136
Financial Services				
Customers	119,952	127,132	+6.0	1,059
Intersegment	7,102	6,755		57
Total	127,054	133,887	+5.4	1,116
Other				
Customers	30,601	30,657	+0.2	255
Intersegment	22,411	33,483		280
Total	53,012	64,140	+21.0	535
Elimination	(187,501)	(197,839)	—	(1,649)
Consolidated total	¥ 2,279,306	¥ 2,307,733	+1.2%	\$ 19,231

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

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

Other intersegment amounts primarily consist of transactions with the Electronics business.

Operating income (loss)	2001	2002	Change	2002
Electronics	¥ 72,008	¥ 82,146	+14.1%	\$ 685
Game	66,410	71,664	+7.9	597
Music	23,096	20,902	-9.5	174
Pictures	292	31,715	+10,761.3	264
Financial Services	2,063	3,557	+72.4	30
Other	(3,469)	(6,622)	—	(55)
Total	160,400	203,362	+26.8	1,695
Corporate and elimination	(1,789)	(3,846)	—	(32)
Consolidated total	¥ 158,611	¥ 199,516	+25.8%	\$ 1,663

Commencing with the first quarter ended June 30, 2002, Sony has partly realigned its business segment configuration. In accordance with this change, results of the previous year have been reclassified to conform to the presentation for the current year.

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

Sales and operating revenue	Nine months ended December 31			
	2001	2002	Change	2002
Electronics				
Customers	¥ 3,611,799	¥ 3,547,650	-1.8%	\$ 29,564
Intersegment	422,126	367,505		3,062
Total	4,033,925	3,915,155	-2.9	32,626
Game				
Customers	768,789	772,559	+0.5	6,438
Intersegment	12,106	15,134		126
Total	780,895	787,693	+0.9	6,564
Music				
Customers	447,695	422,598	-5.6	3,522
Intersegment	41,460	61,290		510
Total	489,155	483,888	-1.1	4,032
Pictures				
Customers	441,065	615,530	+39.6	5,129
Intersegment	0	0		0
Total	441,065	615,530	+39.6	5,129
Financial Services				
Customers	342,179	371,493	+8.6	3,096
Intersegment	21,285	20,620		172
Total	363,464	392,113	+7.9	3,268
Other				
Customers	82,180	89,439	+8.8	745
Intersegment	67,597	91,609		764
Total	149,777	181,048	+20.9	1,509
Elimination	(564,574)	(556,158)	—	(4,634)
Consolidated total	¥ 5,693,707	¥ 5,819,269	+2.2%	\$ 48,494

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

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

Other intersegment amounts primarily consist of transactions with the Electronics business.

Operating income (loss)	2001	2002	Change	2002
Electronics	¥ 50,188	¥ 157,524	+213.9%	\$ 1,313
Game	67,357	99,022	+47.0	825
Music	22,232	5,027	-77.4	42
Pictures	19,660	50,882	+158.8	424
Financial Services	11,346	20,314	+79.0	169
Other	(11,418)	(21,269)	—	(177)
Total	159,365	311,500	+95.5	2,596
Corporate and elimination	(1,142)	(9,593)	—	(80)
Consolidated total	¥ 158,223	¥ 301,907	+90.8%	\$ 2,516

Commencing with the first quarter ended June 30, 2002, Sony has partly realigned its business segment configuration. In accordance with this change, results of the previous year have been reclassified to conform to the presentation for the current year.

Electronics Sales and Operating Revenue to Customers by Product Category

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

Sales and operating revenue	Three months ended December 31			
	2001	2002	Change	2002
Audio	¥ 238,422	¥ 215,565	-9.6%	\$ 1,797
Video	249,742	257,274	+3.0	2,144
Televisions	280,968	283,956	+1.1	2,366
Information and Communications	307,593	251,718	-18.2	2,098
Semiconductors	39,595	52,844	+33.5	440
Components	134,759	144,855	+7.5	1,207
Other	151,854	137,019	-9.8	1,142
Total	¥ 1,402,933	¥ 1,343,231	-4.3%	\$ 11,194

Sales and operating revenue	Nine months ended December 31			
	2001	2002	Change	2002
Audio	¥ 599,073	¥ 548,962	-8.4%	\$ 4,575
Video	648,973	676,462	+4.2	5,637
Televisions	623,013	666,683	+7.0	5,556
Information and Communications	854,607	715,741	-16.2	5,964
Semiconductors	136,967	152,257	+11.2	1,269
Components	384,127	404,412	+5.3	3,370
Other	365,039	383,133	+5.0	3,193
Total	¥ 3,611,799	¥ 3,547,650	-1.8%	\$ 29,564

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on page F-1 F-2. 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. In addition, commencing with the first quarter ended June 30, 2002, Sony has partly realigned its product category configuration in the Electronics business. In accordance with this change, results of the previous year have been reclassified to conform to the presentations for the current year.

Sales of mobile phones are no longer recorded in the "Information and Communications" category as of the third quarter ended December 31, 2001. From the third quarter of the previous year, sales of mobile phones manufactured for Sony Ericsson Mobile Communications, AB are recorded in the "Other" product category.

Geographic Segment Information (Unaudited)

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

Sales and operating revenue	Three months ended December 31			
	2001	2002	Change	2002
Japan	¥ 606,985	¥ 576,943	-4.9%	\$ 4,808
United States	774,706	748,374	-3.4	6,236
Europe	538,073	591,181	+9.9	4,927
Other Areas	359,542	391,235	+8.8	3,260
Total	¥ 2,279,306	¥ 2,307,733	+1.2%	\$ 19,231

Sales and operating revenue	Nine months ended December 31			
	2001	2002	Change	2002
Japan	¥ 1,662,078	¥ 1,575,947	-5.2%	\$ 13,133
United States	1,886,116	1,922,199	+1.9	16,018
Europe	1,200,604	1,302,616	+8.5	10,855
Other Areas	944,909	1,018,507	+7.8	8,488
Total	¥ 5,693,707	¥ 5,819,269	+2.2%	\$ 48,494

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 December 31			
	2001	2002	Change	2002
			%	
Sales and operating revenue				
Net sales	¥ 2,149,813	¥ 2,166,684		\$ 18,056
Financial service revenue	119,952	127,132		1,059
Other operating revenue	9,541	13,917		116
	<u>2,279,306</u>	<u>2,307,733</u>	+1.2	<u>19,231</u>
Costs and expenses				
Cost of sales	1,550,162	1,507,867		12,566
Selling, general and administrative	452,643	476,775		3,972
Financial service expenses	117,890	123,575		1,030
	<u>2,120,695</u>	<u>2,108,217</u>		<u>17,568</u>
Operating income	158,611	199,516	+25.8	1,663
Other income				
Interest and dividends	3,973	3,340		28
Royalty income	4,849	5,581		47
Foreign exchange gain, net	—	2,840		24
Other	4,729	8,009		66
	<u>13,551</u>	<u>19,770</u>		<u>165</u>
Other expenses				
Interest	9,842	6,673		56
Loss on devaluation of securities investments	2,789	1,720		14
Foreign exchange loss, net	30,748	—		—
Other	9,494	8,993		75
	<u>52,873</u>	<u>17,386</u>		<u>145</u>
Income before income taxes	<u>119,289</u>	<u>201,900</u>	+69.3	<u>1,683</u>
Income taxes	39,038	65,536		546
Income before minority interest and equity in net losses of affiliated companies	<u>80,251</u>	<u>136,364</u>	+69.9	<u>1,137</u>
Minority interest in income (loss) of consolidated subsidiaries	(706)	928		9
Equity in net losses of affiliated companies	16,934	10,005		83
Net income	<u>¥ 64,023</u>	<u>¥ 125,431</u>	+95.9	<u>\$ 1,045</u>
Per share data:				
Common stock				
Net income				
— Basic	¥ 69.72	¥ 136.19	+95.3	\$ 1.13
— Diluted	64.87	126.05	+94.3	1.05
Subsidiary tracking stock				
Net income (loss)				
— Basic	(4.06)	1.11	—	0.01

Consolidated Statements of Income (Unaudited)

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

	Nine months ended December 31			
	2001	2002	Change	2002
			%	
Sales and operating revenue				
Net sales	¥ 5,325,076	¥ 5,412,892		\$ 45,107
Financial service revenue	342,179	371,493		3,096
Other operating revenue	26,452	34,884		291
	<u>5,693,707</u>	<u>5,819,269</u>	+2.2	<u>48,494</u>
Costs and expenses				
Cost of sales	3,926,022	3,838,888		31,991
Selling, general and administrative	1,278,629	1,327,295		11,061
Financial service expenses	330,833	351,179		2,926
	<u>5,535,484</u>	<u>5,517,362</u>		<u>45,978</u>
Operating income	158,223	301,907	+90.8	2,516
Other income				
Interest and dividends	11,618	10,161		85
Royalty income	18,743	22,246		185
Foreign exchange gain, net	—	2,192		18
Gain on sale of securities investments, net	317	70,870		591
Other	25,647	24,672		206
	<u>56,325</u>	<u>130,141</u>		<u>1,085</u>
Other expenses				
Interest	32,539	20,063		167
Loss on devaluation of securities investments	13,615	17,925		149
Foreign exchange loss, net	30,963	—		—
Other	31,859	26,697		224
	<u>108,976</u>	<u>64,685</u>		<u>540</u>
Income before income taxes	105,572	367,363	+248.0	3,061
Income taxes	74,119	104,243		869
Income before minority interest, equity in net losses of affiliated companies and cumulative effect of accounting changes	31,453	263,120	+736.5	2,192
Minority interest in income (loss) of consolidated subsidiaries	(9,635)	6,671		55
Equity in net losses of affiliated companies	26,298	29,786		248
Income before cumulative effect of accounting changes	14,790	226,663	+1,432.5	1,889
Cumulative effect of accounting changes (2001: Net of income taxes of ¥2,975 million)	5,978	—		—
Net income	<u>¥ 20,768</u>	<u>¥ 226,663</u>	+991.4	<u>\$ 1,889</u>
Per share data:				
Common stock				
Income before cumulative effect of accounting changes				
— Basic	¥ 16.12	¥ 246.46	+1,428.9	\$ 2.05
— Diluted	16.07	228.77	+1,323.6	1.91
Net income				
— Basic	22.63	246.46	+989.1	2.05
— Diluted	22.56	228.77	+914.1	1.91
Subsidiary tracking stock				
Net income (loss)				
— Basic	(4.90)	27.88	—	0.23

Consolidated Balance Sheets (Unaudited)

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

ASSETS	December 31 2001	March 31 2002	December 31 2002	December 31 2002
Current assets:				
Cash and cash equivalents	¥ 744,167	¥ 683,800	¥ 798,635	\$ 6,655
Time deposits	8,329	5,176	6,103	51
Marketable securities	155,163	162,147	218,448	1,820
Notes and accounts receivable, trade	1,532,626	1,363,652	1,635,099	13,626
Allowance for doubtful accounts and sales returns	(120,543)	(120,826)	(152,518)	(1,271)
Inventories	816,114	673,437	701,068	5,842
Deferred income taxes	151,669	134,299	149,865	1,249
Prepaid expenses and other current assets	435,506	435,527	493,120	4,110
	3,723,031	3,337,212	3,849,820	32,082
Film costs	352,197	313,054	275,801	2,298
Investments and advances:				
Affiliated companies	125,279	131,068	72,479	604
Securities investments and other	1,469,205	1,566,739	1,745,558	14,546
	1,594,484	1,697,807	1,818,037	15,150
Property, plant and equipment:				
Land	187,476	195,292	189,518	1,579
Buildings	888,820	891,436	873,645	7,280
Machinery and equipment	2,257,331	2,216,347	2,118,062	17,651
Construction in progress	64,586	66,825	61,588	513
Less-Accumulated depreciation	(1,961,927)	(1,958,234)	(1,927,595)	(16,063)
	1,436,286	1,411,666	1,315,218	10,960
Other assets:				
Intangibles, net	228,113	245,639	258,229	2,152
Goodwill	312,977	317,240	291,412	2,428
Deferred insurance acquisition costs	295,533	308,204	326,401	2,720
Other	497,417	554,973	656,430	5,471
	1,334,040	1,426,056	1,532,472	12,771
	¥ 8,440,038	¥ 8,185,795	¥ 8,791,348	\$ 73,261
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥ 453,100	¥ 113,277	¥ 80,608	\$ 672
Current portion of long-term debt	22,488	240,786	230,479	1,921
Notes and accounts payable, trade	789,339	767,625	896,089	7,467
Accounts payable, other and accrued expenses	896,884	869,533	889,754	7,415
Accrued income and other taxes	113,293	105,470	172,238	1,435
Deposits from customers in the banking business	63,602	106,472	213,881	1,782
Other	413,617	355,333	377,343	3,145
	2,752,323	2,558,496	2,860,392	23,837
Long-term liabilities:				
Long-term debt	1,052,778	838,617	811,151	6,760
Accrued pension and severance costs	231,900	299,089	317,514	2,646
Deferred income taxes	160,317	159,573	162,379	1,353
Future insurance policy benefits and other	1,569,068	1,680,418	1,848,136	15,401
Other	252,625	255,824	282,878	2,357
	3,266,688	3,233,521	3,422,058	28,517
Minority interest in consolidated subsidiaries	31,913	23,368	22,220	185
Stockholders' equity:				
Capital stock	476,031	476,106	476,261	3,969
Additional paid-in capital	968,147	968,223	984,181	8,202
Retained earnings	1,226,219	1,209,262	1,424,413	11,870
Accumulated other comprehensive income	(273,788)	(275,593)	(388,895)	(3,242)
Treasury stock, at cost	(7,495)	(7,588)	(9,282)	(77)
	2,389,114	2,370,410	2,486,678	20,722
	¥ 8,440,038	¥ 8,185,795	¥ 8,791,348	\$ 73,261

Consolidated Statements of Cash Flows (Unaudited)

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

Nine months ended December 31

	2001	2002	2002
Cash flows from operating activities:			
Net income	¥ 20,768	¥ 226,663	\$ 1,889
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	262,179	255,684	2,131
Amortization of film costs	165,105	232,727	1,939
Accrual for pension and severance costs, less payments	8,922	20,125	168
Loss on sale, disposal or impairment of long-lived assets, net	23,099	23,539	196
Gain on sales of securities investments, net	(317)	(70,870)	(591)
Deferred income taxes	(29,698)	(65,648)	(547)
Equity in net losses of affiliated companies, net of dividends	28,938	30,880	257
Cumulative effect of accounting changes	(5,978)	—	—
Changes in assets and liabilities:			
Increase in notes and accounts receivable, trade	(52,521)	(298,009)	(2,483)
(Increase) decrease in inventories	150,272	(41,752)	(348)
Increase in film costs	(197,605)	(226,738)	(1,889)
Increase (decrease) in notes and accounts payable, trade	(149,850)	139,788	1,165
Increase (decrease) in accrued income and other taxes	(44,042)	69,970	583
Increase in future insurance policy benefits and other	203,054	167,718	1,398
Increase in deferred insurance acquisition costs	(53,848)	(49,808)	(415)
Changes in other current assets and liabilities, net	51,479	35,476	296
Other	(49,189)	53,321	443
Net cash provided by operating activities	<u>330,768</u>	<u>503,066</u>	<u>4,192</u>
Cash flows from investing activities:			
Payments for purchases of fixed assets	(293,123)	(203,552)	(1,696)
Proceeds from sales of fixed assets	34,216	23,567	196
Payments for investments and advances by financial service business	(469,028)	(686,800)	(5,723)
Payments for investments and advances (other than financial service business)	(78,465)	(49,961)	(416)
Proceeds from sales of securities investments, maturities of marketable securities and collections of advances by financial service business	190,585	385,984	3,216
Proceeds from sales of securities investments, maturities of marketable securities and collections of advances (other than financial service business)	26,560	127,389	1,062
Increase in time deposits	(1,641)	(1,196)	(10)
Net cash used in investing activities	<u>(590,896)</u>	<u>(404,569)</u>	<u>(3,371)</u>
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	223,888	10,506	88
Payments of long-term debt	(163,992)	(23,101)	(193)
Increase (decrease) in short-term borrowings	239,434	(22,147)	(185)
Increase in deposits from customers in the banking business	63,602	106,462	887
Proceeds from issuance of subsidiary tracking stock	9,529	—	—
Dividends paid	(22,951)	(22,965)	(191)
Other	17,195	(8,219)	(68)
Net cash provided by financing activities	<u>366,705</u>	<u>40,536</u>	<u>338</u>
Effect of exchange rate changes on cash and cash equivalents	<u>30,345</u>	<u>(24,198)</u>	<u>(202)</u>
Net increase in cash and cash equivalents	136,922	114,835	957
Cash and cash equivalents at beginning of the year	607,245	683,800	5,698
Cash and cash equivalents at end of the third quarter	<u>¥ 744,167</u>	<u>¥ 798,635</u>	<u>\$ 6,655</u>

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120 = U.S.\$1, the approximate Tokyo foreign exchange market rate as of December 30, 2002.
2. As of December 31, 2002, Sony had 1,050 consolidated subsidiaries. It has applied the equity accounting method in respect to its 83 affiliated companies.
3. Sony calculates and presents per share data separately for Sony's Common stock and for the subsidiary tracking stock which is linked to the economic value of Sony Communication Network Corporation, based on Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share". The holders of the tracking stock have the right to participate in earnings, together with common stock holders. Accordingly, Sony calculates per share data by the "two-class" method based on FAS No.128. Under this method, basic net income per share for each class of stock is calculated based on the earnings allocated to each class of stock for the applicable period, divided by the weighted-average number of outstanding shares in each class during the applicable period. The earnings allocated to the subsidiary tracking stock are determined based on the subsidiary tracking stockholders' economic interest in the targeted subsidiary's earnings available for dividends. The earnings allocated to Common stock are calculated by subtracting the earnings allocated to the subsidiary tracking stock from Sony's net income for the period.

Weighted-average shares used for computation of earnings per share of Common stock are as follows. The dilutive effect mainly resulted from convertible bonds. In accordance with FAS No.128, the computation of diluted net income per share for the nine months ended December 31, 2001 uses the same weighted-average shares used for the computation of diluted income before cumulative effect of accounting changes per share, and reflects the effect of the assumed conversion of convertible bonds in diluted net income.

Weighted-average shares

(Thousands of shares)

Three months ended December 31

	<u>2001</u>	<u>2002</u>
Net income		
— Basic	918,470	920,961
— Diluted	996,345	999,828

Weighted-average shares

(Thousands of shares)

Nine months ended December 31

	<u>2001</u>	<u>2002</u>
Income before cumulative effect of accounting changes and net income		
— Basic	918,450	919,337
— Diluted	921,407	998,275

Weighted-average shares used for computation of earnings per share of the subsidiary tracking stock for the three months and nine months ended December 31, 2001 and 2002 are 3,072 thousand shares. There were no potentially dilutive securities for the subsidiary tracking stock outstanding at December 31, 2001 and 2002.

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 liability adjustment and foreign currency translation adjustments. Net income, other comprehensive income (loss) and comprehensive income for the three months and nine months ended December 31, 2001 and 2002 were as follows:

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

	Three months ended December 31			Nine months ended December 31		
	2001	2002	2002	2001	2002	2002
Net income	¥ 64,023	¥ 125,431	\$ 1,045	¥ 20,768	¥ 226,663	\$ 1,889
Other comprehensive income (loss) :						
Unrealized gains (losses) on securities	(9,251)	(744)	(6)	(35,913)	(8,173)	(68)
Unrealized gains (losses) on derivative instruments	1,087	(1,066)	(9)	2,821	(3,414)	(28)
Foreign currency translation adjustments	131,886	(12,467)	(104)	87,871	(101,715)	(848)
	123,722	(14,277)	(119)	54,779	(113,302)	(944)
Comprehensive income	¥ 187,745	¥ 111,154	\$ 926	¥ 75,547	¥ 113,361	\$ 945

5. On April 1, 2001, Sony adopted FAS No.133, "Accounting for Derivative Instruments and Hedging Activities" as amended by FAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No.133". As a result of the adoption of the new standard, Sony recorded a one-time non-cash after-tax unrealized gain of ¥1,089 million in accumulated other comprehensive income in the consolidated balance sheet, as well as an after-tax gain of ¥5,978 million in the cumulative effect of accounting changes in the consolidated statement of income.
6. In the fourth quarter of the year ended March 31, 2002, Sony adopted Emerging Issues Task Force Issue No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products", retroactive to April 1, 2001. As a result of the adoption of new statement, certain cooperative advertising and product placement costs previously classified as selling, general and administrative expenses for the three months and nine months ended December 31, 2001 have been reclassified as a reduction of revenues to conform to the presentation for the three months and nine months ended December 31, 2002.

7. Adoption of New Accounting Standards

Impairment or Disposal of Long-Lived Assets

On April 1, 2002, Sony adopted FAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement establishes a single accounting model for long-lived assets to be disposed of by sale and modifies the accounting and disclosure rules for discontinued operations. The adoption of this statement did not have an impact on Sony's results of operations and financial position.

FAS No.145, "Rescission of FASB Statements No.4, 44 and 64, Amendment of FASB Statement No.13, and Technical Corrections"

In April 2002, the Financial Accounting Standards Board issued FAS No.145. This statement rescinds certain authoritative pronouncements and amends, clarifies or describes the applicability of others, effective for fiscal years beginning or transactions occurring after May 15, 2002, with early adoption encouraged. Sony elected early adoption of this statement retroactive to the beginning of the fiscal year. The adoption of this statement did not have an impact on Sony's results of operations and financial position.

Other Consolidated Financial Data

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

Three months ended December 31

	2001	2002	Change	2002
Capital expenditures (additions to fixed assets)	¥ 75,160	¥ 56,937	-24.2%	\$ 474
Depreciation and amortization expenses*	94,603	88,716	-6.2	739
(Depreciation expenses for tangible assets)	(77,572)	(70,304)	(-9.4)	(586)
R&D expenses	98,918	105,564	+6.7	880

Nine months ended December 31

	2001	2002	Change	2002
Capital expenditures (additions to fixed assets)	¥ 254,594	¥ 184,631	-27.5%	\$ 1,539
Depreciation and amortization expenses*	262,179	255,684	-2.5	2,131
(Depreciation expenses for tangible assets)	(215,646)	(205,136)	(-4.9)	(1,709)
R&D expenses	325,283	311,749	-4.2	2,598

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