SONY

News & Information

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FINANCIAL RESULTS FOR THE THIRD QUARTER AND THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2000

FOR IMMEDIATE RELEASE

Tokyo, January 25, 2001 -- Sony Corporation announced today its financial results for both the third quarter and the nine-month period ended December 31, 2000.

Consolidated Results for the Third Quarter

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

	Three months ended December 31			
	1999	**2000**	Change	**2000**
Sales and operating revenue	¥ 1,916,009	**¥ 2,110,394**	+10.1%	**$ 18,351**
Operating income	164,204	**146,473**	-10.8	**1,274**
Income before income taxes	165,877	**133,421**	-19.6	**1,160**
Net income	93,628	**72,236**	-22.8	**628**
Per share data*				
Net income				
— Basic	¥ 113.3	**¥ 79.0**	-30.3	**$ 0.69**
— Diluted	101.6	**73.3**	-27.9	**0.64**

Consolidated Results for the Nine-Month Period

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

	Nine months ended December 31			
	1999	**2000**	Change	**2000**
Sales and operating revenue	¥ 5,030,961	**¥ 5,367,258**	+6.7%	**$ 46,672**
Operating income	276,606	**240,749**	-13.0	**2,093**
Income before income taxes	298,662	**250,630**	-16.1	**2,179**
Income before cumulative effect of an accounting change	158,570	**105,415**	-33.5	**917**
Net income	158,570	**3,762**	-97.6	**33**
Per share data*				
Income before cumulative effect of an accounting change				
— Basic	¥ 192.6	**¥ 115.5**	-40.0	**$ 1.00**
— Diluted	173.0	**107.9**	-37.6	**0.94**
Net income				
— Basic	192.6	**4.1**	-97.9	**0.04**
— Diluted	173.0	**5.6**	-96.8	**0.05**

Note I:

i) In June 2000, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC") issued Statement of Position ("SOP") 00-2, "Accounting by Producers or Distributors of Films." SOP 00-2 is effective for fiscal years starting on or after December 16, 2000 with early application encouraged. Sony adopted SOP 00-2 in the first quarter ended June 30, 2000, effective as of April 1, 2000 (refer to page 17). As a result, Sony's operating income, income before income taxes, and net income for the third quarter ended December 31, 2000 each decreased by approximately ¥14.0 billion ($122 million), and for the nine-month period ended December 31, 2000 each decreased by approximately ¥25.5 billion ($222 million). Additionally, Sony's net income for the nine-month period ended December 31, 2000 decreased by ¥101.7 billion ($884 million), reflecting a one-time cumulative effect adjustment in the income statement directly above the caption of "net income" for a change in accounting principle in the first quarter ended June 30, 2000.

ii) On January 5, 2000, the acquisition transactions by way of exchanges of stock, whereby Sony Music Entertainment (Japan) Inc., Sony Chemicals Corporation, and Sony Precision Technology Inc. became wholly-owned subsidiaries of Sony Corporation, were completed. Intangible assets and goodwill realized from these transactions will be amortized over useful lives of up to a maximum of 20 years and recorded in selling, general and administrative expenses. As a result, during the third quarter ended December 31, 2000, operating income and income before income taxes each decreased approximately ¥4.2 billion ($37 million), and net income decreased approximately ¥3.3 billion ($29 million), and during the nine-month period ended December 31, 2000, operating income and income before income taxes each decreased approximately ¥12.6 billion ($110 million), and net income decreased approximately ¥9.9 billion ($86 million).

iii) *Refer to Note 3 on page 16.

Operating Performance Highlights

Note II: During the third quarter ended December 31, 2000, the average value of the yen was ¥108.9 against the U.S. dollar, and ¥94.0 against the euro, which was 4.9% lower against the U.S. dollar and 14.0% higher against the euro, respectively, compared with the level of the third quarter of the previous year. Operating results on a local currency basis described in "Consolidated Results" reflect sales and operating revenue (herein referred to as "sales") and operating income obtained by applying the yen's average exchange rate in the third quarter of the previous year to local currency-denominated sales, cost of sales, and selling, general and administrative expenses, assuming the value of the yen had remained the same. Regarding the U.S. based Music and Pictures businesses, results of worldwide subsidiaries (in case of Music, excluding those of Japan) are consolidated on a U.S. dollar basis. Therefore, regarding such businesses, discussion of operating results on a local currency basis is on a U.S. dollar basis. 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"). Also, 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.

On a local currency basis (refer to Note II above), during the third quarter ended December 31, 2000, results in the Electronics business were strong, while losses were recorded in the Game, Pictures, and Other businesses. Consolidated sales increased approximately 10% compared with the third quarter of the previous year, due to a significant sales increase in the Electronics business and sales increases in the Pictures, Insurance, and Other businesses, although they decreased in the Music business and were essentially unchanged in the Game business. Operating income increased approximately 5% primarily due to a significant increase in the Electronics business and an increase in the Music business, although it decreased in the Insurance business and operating losses were recorded in the Game, Pictures, and Other businesses.

In Sony's financial statements, which in accordance with U.S. GAAP reflect the impact of the translation of financial results and conditions into yen, the currency in which the financial statements are prepared, sales increased 10.1% to ¥2,110.4 billion ($18,351 million) and operating income decreased 10.8% to ¥146.5 billion ($1,274 million) compared with the third quarter of the previous year, due to the negative impact of the yen's strength against the euro, partially offset by the positive impact of the yen's weakness against the U.S. dollar.

Cost of sales during the third quarter increased and the ratio of cost of sales to sales rose. This was because this ratio increased significantly in the Game business, although it decreased in the Pictures business. This ratio in the Pictures business decreased due to the adoption of the new film accounting standard (refer to Note I – i above). Certain expenses, such as advertising expenses, are recorded in selling, general, and administrative expenses from the current fiscal year, rather than being recognized as film inventories and amortized in cost of sales as in previous fiscal years.

Selling, general, and administrative expenses during the third quarter increased. However, the ratio of selling, general, and administrative expenses to sales was almost flat compared with the same quarter of the previous year. This ratio decreased in the Electronics and Music businesses, although it rose in the Game and Pictures businesses. The increase of selling, general, and administrative expenses was principally due to an increase in advertising expenses as a result of the aforementioned effects of the adoption of the new film accounting standard (refer to Note I – i on page 2), amortization expenses for intangible assets and goodwill resulting from acquisition transactions of three listed subsidiaries by way of exchanges of stock (refer to Note I – ii on page 2), and an increase in licensing expenses. However, the increase in selling, general, and administrative expenses was partially offset by an approximately ¥4.9 billion ($43 million) reversal of expense related to stock-price linked incentive compensation previously reserved, reflecting the decrease in Sony Corporation's stock price during the third quarter. Selling, general, and administrative expenses in the third quarter of the previous year included an approximately ¥11.3 billion charge related to the incentive compensation.

Operating Performance Highlights by Business Segment

Note III: The following discussion is based on segment information. Sales and operating revenue in each business segment include intersegment transactions (refer to "Business Segment Information" on pages 9 and 10). In the Electronics business, sales and operating revenue by product category represent sales to customers, which do not include intersegment transactions (refer to "Electronics Sales and Operating Revenue to Customers by Product Category" on page 11).

<u>Electronics</u>

During the third quarter ended December 31, 2000, on a local currency basis (refer to Note II on page 2), sales in the Electronics business increased approximately 22% and operating income increased approximately 80% compared with the third quarter of the previous year. This significant improvement in results was due to higher sales in all geographic segments, especially of semiconductors and digital equipment.

Regarding sales by product category on a local currency basis (refer to Note II on page 2), sales of a number of products, including PCs, video cameras/digital still cameras, semiconductors, color TVs (including large-screen projection TVs), cellular phones, DVD-Video players, and CD-R/RW drives, increased due to favorable demand, although sales of video decks and radio cassette recorders decreased.

Regarding sales by geographic segment on a local currency basis (refer to Note II on page 2), sales increased in all segments. In Japan, sales of PCs, digital still cameras, semiconductors, cellular phones, and broadcast- and professional-use equipment increased, although sales of home-use audio were weak. In the U.S., sales of PCs, color TVs, video cameras/digital still cameras, and DVD-Video players increased. In Europe, sales of video cameras/digital still cameras, PCs, cellular phones, computer displays, and DVD-Video players increased. In Other areas, sales of CD-R/RW drives and semiconductors increased in Asia and sales of home stereos increased in South America.

In Sony's financial statements, which, as discussed above, reflect the impact of the translation of financial results and conditions into yen, due to the aforementioned factors sales increased 21.3% to ¥1,590.4 billion ($13,830 million) and operating income increased 52.8% to ¥131.6 billion ($1,145 million) compared with the third quarter of the previous year, although results were negatively impacted by the yen's strength against the euro, partially offset by the positive impact of the yen's weakness against the U.S. dollar.

Regarding "Electronics Sales and Operating Revenue to Customers by Product Category" (refer to page 11), "Audio" sales decreased 0.5% to ¥266.8 billion ($2,320 million), "Video" sales increased 19.2% to ¥320.6 billion ($2,788 million), "Televisions" sales increased 14.4% to ¥249.4 billion ($2,169 million), "Information and communications" sales increased 30.5% to ¥352.4 billion ($3,064 million), and "Electronic components and other" sales increased 15.8% to ¥234.7 billion ($2,041 million).

Regarding profit performance by product category, profits for the third quarter were primarily derived from sales of video cameras/digital still cameras, semiconductors, color TVs, and audio equipment. Compared with the third quarter of the previous year, the profit performance of semiconductors improved significantly and such categories as broadcast- and professional-use equipment, PCs, and color TVs also improved. Cost of sales in the Electronics business increased principally in raw materials expenses. Selling, general, and administrative expenses also increased, principally in licensing and advertising expenses. However, the ratio of cost of sales to sales was almost flat compared with the same quarter of the previous year and the ratio of selling, general, and administrative expenses to sales decreased, due to the significant sales increase.

Game

During the third quarter ended December 31, 2000, on a local currency basis (refer to Note II on page 2), sales in the Game business were essentially unchanged compared with the third quarter of the previous year and an operating loss was recorded compared with an operating profit in the third quarter of the previous year.

Regarding sales by geographic segment on a local currency basis (refer to Note II on page 2), sales decreased in Japan due to a significant decrease of software sales, although hardware sales increased due to favorable demand for PlayStation 2 and PS one. Sales in the U.S. increased due to an increase of hardware sales reflecting the introduction of PlayStation 2 in October 2000, although software sales decreased. Sales in Europe decreased due to a decrease in software sales, although hardware sales increased reflecting the introduction of PlayStation 2 in November 2000. As a result, overall sales in the Game business were essentially unchanged.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and conditions into yen, sales decreased 2.1% to ¥235.2 billion ($2,045 million), and an operating loss of ¥13.9 billion ($121 million) was recorded compared with operating income of ¥57.5 billion recorded in the third quarter of the previous year, due to the aforementioned factors and the negative impact of the yen's strength against the euro, which was partially offset by the positive impact of the yen's weakness against the U.S. dollar. Operating losses were recorded principally due to the aforementioned sales decrease, especially in software, and start-up expenses for the PlayStation 2 format. Cost of sales in the Game business increased principally in raw materials, such as semiconductors, for PlayStation 2 hardware and depreciation expenses, and selling, general, and administrative expenses also increased. As a result, the ratios of cost of sales and selling, general, and administrative expenses to sales rose.

Total worldwide shipments of PlayStation and PS one hardware were 3.69 million units for the third quarter compared with 6.61 million units for the third quarter of the previous year, resulting in cumulative shipments of 79.61 million units as of December 31, 2000. Worldwide shipments of PlayStation 2 hardware were 2.88 million units for the third quarter, resulting in cumulative shipments of 6.40 million units as of December 31, 2000. Worldwide shipments of PlayStation software (including that from both Sony and third parties under Sony licenses) were 54 million units for the third quarter compared with 82 million units for the third quarter of the previous year, resulting in cumulative shipments of 744 million units as of December 31, 2000. In addition, shipments of PlayStation 2 software (including that from both Sony and third parties under Sony licenses) were 16.9 million units for the third quarter, resulting in cumulative shipments of 24.9 million units as of December 31, 2000.

Music

During the third quarter ended December 31, 2000, on a local currency basis (refer to Note II on page 2), sales in the Music business decreased approximately 15% and operating income increased approximately 7% compared with the third quarter of the previous year.

Regarding the results of Sony Music Entertainment Inc. (herein referred to as "SMEI"), the U.S. based operation, on a local currency basis (refer to Note II on page 2), sales and operating income decreased. The lower results during the quarter were due to continued soft market conditions in a number of international markets, the delayed timing of new releases, increased operating costs associated with accelerated digital media incubation activities, and the strengthening of the U.S.

dollar against foreign currencies. However, sales of several albums were strong, led by Ricky Martin's *Sound Loaded*, Sade's *Lovers Rock* and The Offspring's *Conspiracy of One*. In addition, the ratio of selling, general, and administrative expenses to sales during the quarter improved due to the benefit of global cost reduction initiatives including a reduction in advertising expenses.

In Japan, regarding the results of Sony Music Entertainment (Japan) Inc. (herein referred to as "SMEJ") and its subsidiaries, sales decreased principally due to lower sales of SMEJ and of a subsidiary primarily engaged in sales of character-based products. The lower sales of SMEJ were primarily due to the delayed timing of new releases from artists outside Japan and of new game software manufactured for third parties on a contract basis. However, operating income increased due to the reduction of advertising expenses at SMEJ.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and conditions into yen, overall sales decreased 11.6% to ¥189.2 billion ($1,645 million) and operating income increased 9.0% to ¥23.3 billion ($203 million) compared with the third quarter of the previous year, principally due to the aforementioned factors.

<u>Pictures</u>

During the third quarter ended December 31, 2000, on a local currency basis (refer to Note II on page 2), sales in the Pictures business increased approximately 3% compared with the third quarter of the previous year and an operating loss, caused by the adoption of the new film accounting standard (refer to Note I - i on page 2), was recorded compared with an operating profit in the third quarter of the previous year. The results in the Pictures business consist of the results of Sony Pictures Entertainment, the U.S. based operation (refer to Note II on page 2).

The sales increase was principally due to higher box office revenues from newly released films such as the very successful *Charlie's Angels* as well as *Vertical Limit* in the motion picture business and higher worldwide DVD software sales in the home entertainment business. Regarding profit performance, despite the increased revenues, an operating loss was recorded due to the adoption of the new film accounting standard (refer to Note I - i on page 2) and expenses related to strategic investments in new digital entertainment initiatives.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and conditions into yen, overall sales increased 8.4% to ¥141.3 billion ($1,229 million) and an operating loss of ¥2.3 billion ($20 million) was recorded compared with operating income of ¥7.6 billion recorded in the third quarter of the previous year, principally due to the aforementioned factors. The operating loss during the quarter included the negative impact of approximately ¥14.0 billion ($122 million), which resulted from the adoption of the aforementioned new accounting standard.

<u>Insurance</u>

During the third quarter ended December 31, 2000, regarding the results of Sony Life Insurance Co., Ltd., revenue increased and profit decreased compared with the third quarter of the previous year. The increased revenue was due to a net increase in life insurance-in-force from individual life insurance products such as term-life and medical expense coverage. However, reflecting the weak Japanese stock market during the quarter, the revenue increase was partially offset by revaluation losses from investment under separate account for variable life insurance and variable annuity products. Regarding profit performance, operating profit decreased principally due to the recording of reserves for Life Insurance Policyholders Protection Corporation of Japan and an increase in amortization expenses of deferred insurance acquisition costs. As the profit performance from investment under the aforementioned separate account is solely for the account of policyholders, it does not affect the profit performance of Sony.

Regarding the results of the non-life insurance business conducted by Sony Assurance Inc., losses were recorded since expenses, including for advertising and insurance benefits, were higher than revenue.

As a result, Insurance revenue increased 12.9% to ¥107.1 billion ($931 million) and operating income decreased 21.1% to ¥6.0 billion ($52 million) compared with the third quarter of the previous year.

Other

The Other business includes Sony Finance International, Inc., a leasing and credit financing business subsidiary in Japan; Sony Trading International Corporation, a subsidiary focused on parts trading services business within the Sony group; an advertising agency business in Japan; and location-based entertainment businesses in Japan, the U.S., and Germany.

During the third quarter ended December 31, 2000, sales increased primarily due to an increase in sales of Sony Trading International Corporation, reflecting increases in product demand in the Electronics business. Regarding profit performance, losses were recorded primarily from location-based entertainment businesses in Japan and the U.S., although losses from the location-based entertainment business in the U.S. decreased compared with the third quarter of the previous year.

As a result, sales in the Other business were up 16.2% to ¥109.2 billion ($949 million) compared with the third quarter of the previous year and operating losses decreased from ¥3.8 billion in the third quarter of the previous year to ¥1.7 billion ($15 million).

Consolidated Income before Income Taxes and Net Income

In consolidated results, other income during the third quarter included approximately ¥9.6 billion ($83 million) of gains on issuance of stock by SKY Perfect Communications Inc., which was one of Sony's affiliates accounted for by the equity method until October 2000. On the other hand, other expenses included approximately ¥2.9 billion ($25 million) reserved to close by the end of March 2001 a manufacturing facility in the U.S., where such products as music software in cassette tape format are manufactured. The total negative impact on results of such closing, including such items as selling, general, and administrative expenses, was approximately ¥4.6 billion ($40 million). Other income during the third quarter of the previous year included approximately ¥6.7 billion of gain on sales of securities investments and other, net, primarily from the sales of a music-related subsidiary and a subsidiary engaged in development, production, and support of thin film deposition materials for semiconductors. Additionally, during the third quarter, ¥15.7 billion ($136 million) of foreign exchange loss, net was recorded compared with ¥7.9 billion of foreign exchange gain, net in the third quarter of the previous year. The foreign exchange loss, net during the quarter was due to the revaluation loss recorded, principally in Sony Corporation, Sony Computer Entertainment ("SCE"), and a finance subsidiary in Europe, in connection with foreign exchange forward contracts and foreign currency option contracts entered into to hedge future receivables and payables. This reflected the sudden reversal and the strengthening of the euro against the dollar and the yen.

Income before income taxes decreased 19.6% to ¥133.4 billion ($1,160 million) compared with the third quarter of the previous year due to the factors discussed above. During the third quarter, minority interest in consolidated subsidiaries, which is excluded from income before income taxes, was ¥2.0 billion ($17 million) of minority loss, compared with ¥6.0 billion of minority profit in the third quarter of the previous year. Minority loss relating to Aiwa Co., Ltd. was recorded during the current quarter, while minority profit relating to SMEJ, before acquisition transactions by way of exchanges of stock (refer to Note I – ii on page 2), was recorded in the third quarter of the previous year, due to the favorable results of SCE, which is approximately 50% owned by SMEJ. Net income decreased 22.8% to ¥72.2 billion ($628 million) compared with the third quarter of the previous year, partly because equity in net losses of affiliated companies increased from ¥6.0 billion in the third quarter of the previous year to ¥10.3 billion ($90 million).

Basic net income per share was ¥79.0 ($0.69) compared with net income of ¥113.3 in the third quarter of the previous year. Diluted net income per share was ¥73.3 ($0.64) compared with net income of ¥101.6 in the third quarter of the previous year (refer to Note 3 on page 16).

Results of affiliated companies accounted for by the equity method

Equity affiliates include i) in the Electronics business - S.T. Liquid Crystal Display Corp. ("ST-LCD"), an LCD joint venture in Japan, ii) in the Music business - The Columbia House Company ("CHC"), a direct marketer of music and videos, iii) in the Pictures business - Telemundo, a U.S. based Spanish language television network and station group and Loews Cineplex Entertainment Corporation ("Loews"), a theatrical exhibition company, and iv) in the Other business - a commercial- and other- use facility in Germany.

During the third quarter, equity in net losses of affiliated companies was recorded principally due to approximately ¥3.8 billion ($33 million) losses of Loews, including an additional reserve recorded against the carrying value of Sony's investment in Loews which reflected the continued fall in Loews' stock price during the quarter, and losses of CHC.

Cash Flows

During the nine-month period ended December 31, 2000, in operating activities, Sony generated ¥124.5 billion ($1,083 million), a decrease of ¥129.0 billion ($1,121 million) compared with the nine-month period of the previous year. In investing activities, Sony used ¥445.6 billion ($3,875 million), an increase of ¥137.3 billion ($1,194 million) compared with the nine-month period of the previous year. In financing activities, Sony generated ¥260.8 billion ($2,268 million), an increase of ¥80.5 billion ($700 million) compared with the nine-month period of the previous year. As a result, cash and cash equivalents at end of the third quarter was ¥577.5 billion ($5,021 million), a decrease of ¥107.0 billion ($930 million) compared with the end of the nine-month period of the previous year.

Regarding net cash provided by operating activities during the nine-month period, net income of ¥3.8 billion ($33 million) was recorded. Among adjustments to net income, depreciation and amortization, including amortization of deferred insurance acquisition costs was ¥250.1 billion ($2,174 million), principally in the Electronics and Game businesses. Amortization of film costs was ¥161.0 billion ($1,400 million). Net income included a ¥101.7 billion ($884 million) non-cash one-time cumulative adjustment for adopting the new film accounting standard (refer to Note I – i on page 2). Regarding changes in assets and liabilities, notes and accounts receivable increased by ¥329.8 billion ($2,868 million), principally reflecting sales increases in the Electronics business. Notes and accounts payable increased by ¥161.1 billion ($1,400 million), principally reflecting increases in production in the Electronics business. However, inventories increased by ¥231.4 billion ($2,012 million) primarily in the Electronics business. Future insurance policy benefits and other increased by ¥168.3 billion ($1,463 million), reflecting expansion of the Insurance business.

Regarding net cash used in investing activities during the nine-month period, ¥292.6 billion ($2,545 million) of payments for purchases of fixed assets was recorded, principally in the Electronics, Game, and Other businesses. Payments for investments and advances (other than Insurance business) were ¥88.5 billion ($770 million), consisting of approximately ¥66.0 billion ($574 million) for investments and approximately ¥22.5 billion ($196 million) for advances. Payments for investments included investments in Japan in Tokyu Cable Television and Internet Initiative Japan Inc., an internet service provider, and investment in Europe in CANAL+ Technologies, a developer of digital and interactive TV-related software solutions, and investments in the U.S., which totaled approximately ¥40.0 billion ($348 million), including strategic investments in Transmeta Corporation, a chip manufacturer, and Revolution Studios, a film production company. Payments for advances included loans to CHC. On the other hand, proceeds from sales of securities investment and other and collections of advances (other than insurance business) were ¥43.2 billion ($376 million). Such proceeds from sales of securities investment and other were approximately ¥31.0 billion ($270 million), which included the partial sale of equity of a subsidiary engaged in a television channel operation in India, the sale of a map database service subsidiary in the U.S., and the sale of a subsidiary engaged in the in-flight entertainment business. In addition, ¥25.4 billion ($221 million) of proceeds from sales of fixed assets partly included proceeds from sales of Sony's manufacturing facility in Miyagi prefecture in Japan to Solectron Corporation. In the Insurance business, Sony used ¥201.7 billion ($1,754 million) for payments for investments and advances.

Proceeds from sales of securities investment and other and collections of advances by insurance business were ¥62.3 billion ($542 million).

Regarding net cash provided by financing activities during the nine-month period, proceeds from issuance of long-term debt were ¥189.3 billion ($1,646 million), and short-term borrowings increased by ¥199.4 billion ($1,734 million). The proceeds from issuance of long-term debt included ¥150.0 billion ($1,304 million) from issuance of bonds in Japan by Sony Corporation, aimed at financing capital expenditures for its semiconductor equipment. The increase in short-term borrowings was principally due to seasonal issuances of commercial paper in the U.S.

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Business Segment Information

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

Sales and operating revenue	Three months ended December 31 1999	2000	Change	2000
Electronics				
Customers	¥ 1,227,722	¥ **1,423,957**	+16.0%	$ **12,382**
Intersegment	82,888	**166,462**		**1,448**
Total	1,310,610	**1,590,419**	+21.3	**13,830**
Game				
Customers	231,810	**231,263**	-0.2	**2,011**
Intersegment	8,522	**3,956**		**34**
Total	240,332	**235,219**	-2.1	**2,045**
Music				
Customers	200,204	**178,461**	-10.9	**1,552**
Intersegment	13,779	**10,705**		**93**
Total	213,983	**189,166**	-11.6	**1,645**
Pictures				
Customers	130,230	**141,302**	+8.5	**1,229**
Intersegment	94	**0**		**0**
Total	130,324	**141,302**	+8.4	**1,229**
Insurance				
Customers	94,832	**107,096**	+12.9	**931**
Intersegment	0	**1**		**0**
Total	94,832	**107,097**	+12.9	**931**
Other				
Customers	31,211	**28,315**	-9.3	**246**
Intersegment	62,803	**80,903**		**703**
Total	94,014	**109,218**	+16.2	**949**
Elimination	(168,086)	**(262,027)**	—	**(2,278)**
Consolidated	¥ 1,916,009	¥ **2,110,394**	+10.1	$ **18,351**

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

Operating income (loss)	1999	2000	Change	2000
Electronics	¥ 86,120	¥ **131,628**	+52.8%	$ **1,145**
Game	57,540	**(13,926)**	—	**(121)**
Music	21,427	**23,346**	+9.0	**203**
Pictures	7,624	**(2,327)**	—	**(20)**
Insurance	7,550	**5,960**	-21.1	**52**
Other	(3,799)	**(1,666)**	—	**(15)**
Total	176,462	**143,015**	-19.0	**1,244**
Corporate and elimination	(12,258)	**3,458**	—	**30**
Consolidated	¥ 164,204	¥ **146,473**	-10.8	$ **1,274**

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

Sales and operating revenue	Nine months ended December 31 1999	**2000**	Change	**2000**
Electronics				
Customers	¥ 3,322,315	**¥ 3,730,422**	+12.3%	**$ 32,438**
Intersegment	216,285	**336,488**		**2,926**
Total	3,538,600	**4,066,910**	+14.9	**35,364**
Game				
Customers	480,901	**454,346**	-5.5	**3,951**
Intersegment	20,302	**9,569**		**83**
Total	501,203	**463,915**	-7.4	**4,034**
Music				
Customers	516,470	**424,178**	-17.9	**3,688**
Intersegment	31,382	**29,530**		**257**
Total	547,852	**453,708**	-17.2	**3,945**
Pictures				
Customers	346,389	**363,270**	+4.9	**3,159**
Intersegment	493	**0**		**0**
Total	346,882	**363,270**	+4.7	**3,159**
Insurance				
Customers	277,535	**307,387**	+10.8	**2,673**
Intersegment	0	**3**		**0**
Total	277,535	**307,390**	+10.8	**2,673**
Other				
Customers	87,351	**87,655**	+0.3	**763**
Intersegment	177,702	**221,756**		**1,928**
Total	265,053	**309,411**	+16.7	**2,691**
Elimination	(446,164)	**(597,346)**	—	**(5,194)**
Consolidated	¥ 5,030,961	**¥ 5,367,258**	+6.7	**$ 46,672**

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

Operating income (loss)	1999	**2000**	Change	**2000**
Electronics	¥ 133,577	**¥ 264,207**	+97.8%	**$ 2,297**
Game	103,128	**(32,770)**	—	**(285)**
Music	28,637	**15,045**	-47.5	**131**
Pictures	19,337	**(15,084)**	—	**(131)**
Insurance	21,266	**15,782**	-25.8	**137**
Other	(6,436)	**(5,257)**	—	**(45)**
Total	299,509	**241,923**	-19.2	**2,104**
Corporate and elimination	(22,903)	**(1,174)**	—	**(11)**
Consolidated	¥ 276,606	**¥ 240,749**	-13.0	**$ 2,093**

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			
	1999	**2000**	Change	**2000**
Audio	¥ 268,045	**¥ 266,810**	-0.5%	**$ 2,320**
Video	268,914	**320,616**	+19.2	**2,788**
Televisions	218,074	**249,389**	+14.4	**2,169**
Information and communications	270,042	**352,409**	+30.5	**3,064**
Electronic components and other	202,647	**234,733**	+15.8	**2,041**
Total	¥ 1,227,722	**¥ 1,423,957**	+16.0%	**$ 12,382**

Sales and operating revenue	Nine months ended December 31			
	1999	**2000**	Change	**2000**
Audio	¥ 735,911	**¥ 712,715**	-3.2%	**$ 6,198**
Video	759,345	**846,321**	+11.5	**7,359**
Televisions	529,031	**609,359**	+15.2	**5,299**
Information and communications	772,542	**936,500**	+21.2	**8,143**
Electronic components and other	525,486	**625,527**	+19.0	**5,439**
Total	¥ 3,322,315	**¥ 3,730,422**	+12.3%	**$ 32,438**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on page 9 and 10. The Electronics business is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the sales contributions of the products in this business segment. Operating income information by product category is not available.

Geographic Segment Information

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

Sales and operating revenue	Three months ended December 31			
	1999	**2000**	Change	**2000**
Japan	¥ 577,038	**¥ 647,808**	+12.3%	**$ 5,633**
United States	588,938	**639,649**	+8.6	**5,562**
Europe	461,253	**459,963**	-0.3	**4,000**
Other Areas	288,780	**362,974**	+25.7	**3,156**
Total	¥ 1,916,009	**¥ 2,110,394**	+10.1%	**$ 18,351**

Sales and operating revenue	Nine months ended December 31			
	1999	**2000**	Change	**2000**
Japan	¥ 1,544,416	**¥ 1,758,950**	+13.9%	**$ 15,295**
United States	1,542,437	**1,592,259**	+3.2	**13,846**
Europe	1,150,048	**1,074,651**	-6.6	**9,345**
Other Areas	794,060	**941,398**	+18.6	**8,186**
Total	¥ 5,030,961	**¥ 5,367,258**	+6.7%	**$ 46,672**

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			
	1999	**2000**	Change	**2000**
Sales and operating revenue:			%	
Net sales	¥ 1,804,084	**¥ 1,989,746**		**$ 17,302**
Insurance revenue	94,832	**107,096**		**931**
Other operating revenue	17,093	**13,552**		**118**
	1,916,009	**2,110,394**	+10.1	**18,351**
Costs and expenses:				
Cost of sales	1,272,440	**1,439,006**		**12,513**
Selling, general and administrative	392,083	**423,779**		**3,685**
Insurance expenses	87,282	**101,136**		**879**
	1,751,805	**1,963,921**		**17,077**
Operating income	164,204	**146,473**	-10.8	**1,274**
Other income:				
Interest and dividends	3,971	**4,933**		**43**
Royalty income	3,358	**4,370**		**38**
Foreign exchange gain, net	7,893	**—**		**—**
Gain on sales of securities investments and other, net	6,708	**738**		**6**
Gain on issuances of stock by equity investees	—	**9,551**		**83**
Other	6,122	**13,305**		**116**
	28,052	**32,897**		**286**
Other expenses:				
Interest	10,713	**11,997**		**104**
Loss on sale and disposal of property, plant and equipment	2,891	**2,918**		**25**
Foreign exchange loss, net	—	**15,657**		**136**
Other	12,775	**15,377**		**135**
	26,379	**45,949**		**400**
Income before income taxes	165,877	**133,421**	-19.6	**1,160**
Income taxes	60,268	**52,814**		**459**
Income before minority interest and equity in net losses of affiliated companies	105,609	**80,607**		**701**
Minority interest in consolidated subsidiaries	6,004	**(1,967)**		**(17)**
Equity in net losses of affiliated companies	5,977	**10,338**		**90**
Net income	¥ 93,628	**¥ 72,236**	-22.8	**$ 628**
Per share data				
— Basic	¥ 113.3	**¥ 79.0**	-30.3	**$ 0.69**
— Diluted	101.6	**73.3**	-27.9	**0.64**

(Millions of yen, millions of U.S. dollars, except per share amounts)				
	Nine months ended December 31			
	1999	**2000**	Change	**2000**
Sales and operating revenue:			%	
Net sales	¥ 4,703,533	**¥ 5,015,705**		**$ 43,615**
Insurance revenue	277,535	**307,387**		**2,673**
Other operating revenue	49,893	**44,166**		**384**
	5,030,961	**5,367,258**	+6.7	**46,672**
Costs and expenses:				
Cost of sales	3,389,389	**3,655,580**		**31,788**
Selling, general and administrative	1,108,697	**1,179,324**		**10,255**
Insurance expenses	256,269	**291,605**		**2,536**
	4,754,355	**5,126,509**		**44,579**
Operating income	276,606	**240,749**	-13.0	**2,093**
Other income:				
Interest and dividends	12,983	**15,905**		**138**
Royalty income	13,689	**18,763**		**163**
Foreign exchange gain, net	28,396	**—**		**—**
Gain on sales of securities investments and other, net	21,990	**23,237**		**202**
Gain on issuances of stock by equity investees	—	**17,987**		**156**
Other	25,836	**34,910**		**304**
	102,894	**110,802**		**963**
Other expenses:				
Interest	32,267	**32,568**		**283**
Loss on sale and disposal of property, plant and equipment	8,156	**10,730**		**93**
Foreign exchange loss, net	—	**13,803**		**120**
Other	40,415	**43,820**		**381**
	80,838	**100,921**		**877**
Income before income taxes	298,662	**250,630**	-16.1	**2,179**
Income taxes	112,033	**109,078**		**949**
Income before minority interest, equity in net losses of affiliated companies and cumulative effect of an accounting change	186,629	**141,552**		**1,230**
Minority interest in consolidated subsidiaries	12,324	**(5,842)**		**(52)**
Equity in net losses of affiliated companies	15,735	**41,979**		**365**
Income before cumulative effect of an accounting change	158,570	**105,415**	-33.5	**917**
Cumulative effect of an accounting change (net of income taxes of ¥0 million)	—	**(101,653)**		**(884)**
Net income	¥ 158,570	**¥ 3,762**	-97.6	**$ 33**
Per share data				
Income before cumulative effect of an accounting change				
— Basic	¥ 192.6	**¥ 115.5**	-40.0	**$ 1.00**
— Diluted	173.0	**107.9**	-37.6	**0.94**
Net income				
— Basic	¥ 192.6	**¥ 4.1**	-97.9	**$ 0.04**
— Diluted	173.0	**5.6**	-96.8	**0.05**

Condensed Consolidated Balance Sheets (Unaudited)

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

ASSETS	December 31 1999	March 31 2000	**December 31 2000**	**December 31 2000**
Current assets:				
Cash and time deposits	¥ 694,015	¥ 632,202	**¥ 587,743**	**$ 5,111**
Marketable securities	102,983	107,499	**149,756**	**1,302**
Notes and accounts receivable, less allowances	1,203,546	1,055,469	**1,449,027**	**12,600**
Inventories	799,207	746,550	**1,016,224**	**8,837**
Other	485,530	480,296	**535,439**	**4,656**
Total current assets	3,285,281	3,022,016	**3,738,189**	**32,506**
Film costs	333,513	339,011	**275,450**	**2,395**
Investments and advances	1,071,675	1,075,594	**1,229,466**	**10,691**
Property, plant and equipment, less depreciation	1,238,506	1,255,570	**1,309,922**	**11,391**
Other assets:				
Intangibles	124,712	218,496	**210,703**	**1,832**
Goodwill	120,486	293,777	**298,497**	**2,596**
Deferred insurance acquisition costs	235,249	239,981	**260,081**	**2,262**
Other	279,090	362,752	**396,595**	**3,448**
Total other assets	759,537	1,115,006	**1,165,876**	**10,138**
	¥ 6,688,512	¥ 6,807,197	**¥ 7,718,903**	**$ 67,121**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term debt	¥ 389,621	¥ 214,935	**¥ 488,106**	**$ 4,244**
Notes and accounts payable, trade	812,954	811,031	**981,115**	**8,531**
Accounts payable, other and accrued expenses	657,658	681,458	**755,558**	**6,570**
Accrued income and other taxes	121,232	87,520	**155,859**	**1,355**
Other	341,145	365,398	**376,615**	**3,275**
Total current liabilities	2,322,610	2,160,342	**2,757,253**	**23,975**
Long-term liabilities:				
Long-term debt	894,457	813,828	**836,114**	**7,271**
Accrued pension and severance costs	139,483	129,604	**150,505**	**1,309**
Deferred income taxes	138,335	184,020	**194,887**	**1,695**
Future insurance policy benefits and other	1,068,134	1,124,873	**1,293,133**	**11,245**
Other	176,203	177,059	**197,965**	**1,720**
Total long-term liabilities	2,416,612	2,429,384	**2,672,604**	**23,240**
Minority interest in consolidated subsidiaries	146,766	34,565	**28,749**	**250**
Stockholders' equity:				
Common stock, ¥50 par value	430,037	451,550	**466,642**	**4,058**
Additional paid-in capital	573,809	940,716	**957,028**	**8,322**
Retained earnings	1,271,837	1,223,761	**1,215,636**	**10,571**
Accumulated other comprehensive income	(464,426)	(425,316)	**(371,482)**	**(3,230)**
Treasury stock, at cost	(8,733)	(7,805)	**(7,527)**	**(65)**
Total stockholders' equity	1,802,524	2,182,906	**2,260,297**	**19,656**
	¥ 6,688,512	¥ 6,807,197	**¥ 7,718,903**	**$ 67,121**

Consolidated Statements of Cash Flows (Unaudited)

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

	Nine months ended December 31		
	1999	**2000**	**2000**
Cash flows from operating activities:			
Net income	¥ 158,570	**¥ 3,762**	**$ 33**
Adjustments to reconcile net income to			
net cash provided by operating activities -			
Depreciation and amortization, including amortization of			
deferred insurance acquisition costs	218,894	**250,068**	**2,174**
Amortization of film costs	268,712	**161,012**	**1,400**
Accrual for pension and severance costs, less payments	14,361	**19,295**	**168**
Loss on sale and disposal of property, plant and equipment, net	6,972	**8,578**	**75**
Deferred income taxes	(15,371)	**(17,998)**	**(157)**
Equity in net losses of affiliated companies, net of dividends	16,600	**43,646**	**379**
Cumulative effect of an accounting change	—	**101,653**	**884**
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(316,559)	**(329,832)**	**(2,868)**
Increase in inventories	(96,286)	**(231,386)**	**(2,012)**
Increase in film costs			
(after adjusted cumulative effect of an accounting change)	(316,783)	**(184,631)**	**(1,605)**
Increase in notes and accounts payable	117,205	**161,059**	**1,400**
Increase in accrued income and other taxes	17,508	**59,441**	**517**
Increase in future insurance policy benefits and other	154,197	**168,260**	**1,463**
Increase in deferred insurance acquisition costs	(46,402)	**(50,424)**	**(438)**
Changes in other current assets and liabilities, net	76,490	**50,498**	**439**
Other	(4,616)	**(88,463)**	**(769)**
Net cash provided by operating activities	¥ 253,492	**¥ 124,538**	**$ 1,083**
Cash flows from investing activities:			
Payments for purchases of fixed assets	¥ (267,771)	**¥ (292,646)**	**$ (2,545)**
Proceeds from sales of fixed assets	12,120	**25,443**	**221**
Payments for investments and advances by insurance business	(127,707)	**(201,740)**	**(1,754)**
Payments for investments and advances (other than insurance business)	(85,731)	**(88,535)**	**(770)**
Proceeds from sales of securities investment and other			
and collections of advances by insurance business	65,240	**62,280**	**542**
Proceeds from sales of securities investment and other			
and collections of advances (other than insurance business)	71,123	**43,206**	**376**
Payments for purchases of marketable securities	(39,006)	**(13,114)**	**(114)**
Proceeds from sales of marketable securities	51,438	**23,018**	**200**
(Increase) decrease in time deposits	11,956	**(3,529)**	**(31)**
Net cash used in investing activities	(308,338)	**(445,617)**	**(3,875)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	12,081	**189,306**	**1,646**
Payments of long-term debt	(25,385)	**(104,010)**	**(904)**
Increase in short-term borrowings	215,333	**199,442**	**1,734**
Dividends paid	(20,589)	**(22,774)**	**(198)**
Other	(1,140)	**(1,148)**	**(10)**
Net cash provided by financing activities	180,300	**260,816**	**2,268**
Effect of exchange rate changes on cash and cash equivalents	(33,250)	**11,661**	**101**
Net increae (decrease) in cash and cash equivalents	92,204	**(48,602)**	**(423)**
Cash and cash equivalents at beginning of year	592,210	**626,064**	**5,444**
Cash and cash equivalents at end of the third quarter	¥ 684,414	**¥ 577,462**	**$ 5,021**
Supplemental data:			
Cash paid during nine months ended December 31 for -			
Income taxes	¥ 111,196	**¥ 81,333**	**$ 707**
Interest	¥ 27,017	**¥ 34,230**	**$ 298**
Non-cash investing and financing activities -			
Conversions of convertible debt into common stock and additional			
paid-in capital	¥ 26,168	**¥ 29,698**	**$ 258**

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥115=U.S. $1, the approximate Tokyo foreign exchange market rate as of December 29, 2000.
2. As of December 31, 2000, Sony had 1,082 consolidated subsidiaries. It has applied the equity accounting method in respect to its 84 affiliated companies.
3. Weighted-average shares used for computation of earnings per share are as follows. The dilutive effect mainly resulted from convertible bonds. In accordance with Statement of Financial Accounting Standards No. 128, the computation of diluted net income per share for the nine-month period ended December 31, 2000 uses the same weighted-average shares used for the computation of diluted net income before cumulative effect of an accounting change per share, and reflects the effect of assumed conversion of convertible bonds in diluted net income.

Thousands of shares	**Three months ended December 31**	
	1999	2000
Net income		
— Basic	826,274	914,952
— Diluted	927,619	994,091

Thousands of shares	**Nine months ended December 31**	
	1999	2000
Income before cumulative effect of an accounting change		
— Basic	823,441	913,064
— Diluted	927,670	994,276
Net income		
— Basic	823,441	913,064
— Diluted	927,670	994,276

Basic and diluted net income per share for the three months and the nine months ended December 31, 1999 as well as basic and diluted income before cumulative effect of an accounting change per share for the nine months ended December 31, 1999 are restated to reflect the two-for-one stock split that has become effective on May 19, 2000.

4. Sony's comprehensive income comprises net income and other comprehensive income. Other comprehensive income includes changes in unrealized gain on securities, minimum pension liability adjustment and foreign currency translation adjustments. The comprehensive incomes and other comprehensive incomes for the three-month and the nine-month ended December 31,1999 and 2000, were as follows;

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

	Three months ended December 31			Nine months ended December 31		
	1999	2000	2000	1999	2000	2000
Net income	¥ 93,628	¥ 72,236	$ 628	¥ 158,570	¥ 3,762	$ 33
Other comprehensive income	(48,540)	86,768	755	(194,530)	53,834	468
Unrealized gain on securities	18,737	4,338	38	36,654	(17,634)	(153)
Foreign currency translation adjustments	(67,277)	82,430	717	(231,184)	71,468	621
Comprehensive income	¥ 45,088	¥ 159,004	$ 1,383	¥ (35,960)	¥ 57,596	$ 501

5. Certain reclassifications of the Consolidated Statements of Income for the three-month and the nine-month ended December 31, 1999 have been made to conform to the presentation for the three-month and the nine-month ended December 31, 2000. Certain reclassifications of the Condensed Consolidated Balance Sheets as of December 31,1999 and March 31, 2000 have been made to conform to the presentation as of December 31, 2000.

Adoption of New Film Accounting Standard

In June 2000, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC") issued Statement of Position ("SOP") 00-2, "Accounting by Producers or Distributors of Films" and the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standard ("FAS") 139, "Rescission of FASB Statement No.53 and Amendments to FASB Statement No. 63, 89, and 121" which rescinded FAS 53, "Financial Reporting by Producers and or Distributors of Motion Picture Films." SOP 00-2 significantly changes the accounting rules applicable to all companies, including Sony, in the motion picture and television business. SOP 00-2 is applicable for the fiscal years starting on or after December 16, 2000. Accordingly, Sony would be required to adopt the new accounting standard in its fiscal year starting April 1, 2001. However, as this is now considered a preferable basis of accounting for companies in the motion picture and television business, Sony decided to adopt immediately the new accounting standard retroactive to the beginning of this fiscal year. As such, the results of Sony's motion picture and television business for the three-month and nine-month periods ended December 31, 2000 have been prepared in accordance with the new accounting standard.

Under the new accounting standard, all exploitation costs, such as advertising expenses and marketing costs, for theatrical and television product are expensed as incurred. Another significant change is that the costs for abandoned development projects now must be charged directly to expense. Additionally, all film costs are classified in the balance sheet as a non-current asset. Other provisions in the new accounting standard, such as those relating to revenue recognition, are generally consistent with Sony's previous accounting policies.

Under the previously applicable accounting rules, exploitation costs were deferred and amortized over the life of the film or television product as long as the future revenue streams benefited from these costs. Long-term film revenues, such as those resulting from sales of home videos and broadcasting of films on television, all benefited from advertising incurred during the film's initial distribution in movie theaters. Additionally, abandoned development costs were capitalized as production overhead and expensed over time. In connection with adopting the new accounting standard, the currently deferred portion of the above costs has been removed from Sony's balance sheet, as of the beginning of the fiscal year, in a one-time non-cash accounting adjustment.

The one-time non-cash cumulative adjustment for the change in accounting principle which Sony has recorded as a result of adopting the new accounting standard appears in the income statement directly above the caption of "net income." This charge has no impact on cash flow. The one-time effect of adopting the new accounting standard is ¥101.7 billion ($884 million). Additionally, in the fiscal year ending March 31, 2001, due to the adoption of the new accounting standard, Sony's operating income, income before income taxes, and net income are expected to decrease by approximately $250 to $280 million each. Such items decreased by approximately ¥25.5 billion ($222 million) in the nine-month period ended December 31, 2000 in this regard. This decrease is solely related to adopting the new accounting standard.

Other Consolidated Financial Data

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

	Three months ended December 31			
	1999	**2000**	Change	**2000**
Capital expenditures (additions to fixed assets)	¥ 95,466	**¥ 90,463**	- 5.2%	**$ 787**
Depreciation and amortization expenses*	77,535	**87,207**	+ 12.5	**758**
(Depreciation expenses for tangible assets)	69,642	**67,872**	- 2.5	**590**
R&D expenses	90,569	**100,012**	+ 10.4	**870**

	Nine months ended December 31			
	1999	**2000**	Change	**2000**
Capital expenditures (additions to fixed assets)	¥ 287,872	**¥ 260,239**	- 9.6%	**$ 2,263**
Depreciation and amortization expenses*	218,894	**250,068**	+ 14.2	**2,174**
(Depreciation expenses for tangible assets)	194,394	**192,045**	- 1.2	**1,670**
R&D expenses	284,599	**298,448**	+ 4.9	**2,595**

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

Events and Outlook

Preparation for the Future Issuance of Japanese Version of “Tracking Stock”

In November 2000, Sony Corporation decided to begin preparations to issue a Japanese version of “Tracking Stock” which is intended to be linked to the performance of Sony Communication Network Corporation, a Sony subsidiary which engages in ISP, content, and internet-platform related businesses. After approval by shareholders at an Extraordinary Meeting of Shareholders of the necessary changes in Sony’s Articles of Incorporation, with a view to preparing for the issuance of Tracking Stock as a new class of stock of Sony Corporation, Sony intends to issue the Tracking Stock thereafter in Japan depending upon market conditions.

Acceleration of Net Businesses as a New Growing Area

In the field of electronic money service, which aims to enhance customers’ convenience in the area of personal transactions and settlement, Sony has developed a non-contact IC card named “FeliCa”, which offers a high level of security, and Sony is proceeding with its efforts to standardize and spread this format. In January 2001, eleven companies, including Sony Corporation, Sony Finance International, Inc., NTT DoCoMo, Inc., and The Sakura Bank Limited, established a joint venture company called “bitwallet, Inc.” to promote a prepaid electronic money service called “Edy” in Japan through the use of FeliCa technology. The total capitalization of the company is ¥5.0 billion, 47% of which was provided by Sony group. The company plans to launch an experimental service in March 2001 and a full-scale service in October 2001. Sony group will provide Edy related and system technologies and will develop, manufacture, and market terminals with reader/writer capabilities.

Strengthening and Realignment of the Electronics Business

Regarding focusing on key businesses and consolidation of manufacturing facilities, Sony continues to strive for the optimization of managerial resources in each region worldwide.

In Japan, Sony announced the intended integration of three semiconductor fabrication subsidiaries in the Kyushu region and the establishment of a semiconductor platform company, “Sony Semiconductor Kyushu Corporation” in April 2001. By doing so, Sony aims to realize its EMCS (Engineering, Manufacturing and Customer Services) concept, which was announced in March 2000, in the field of semiconductors. In addition to the above subsidiaries, the new company will horizontally manage semiconductor manufacturing operations within the Sony group, including operations in Japan, such as those of SCE in Nagasaki, and operations outside Japan, such as those in Thailand and the U.S. This company will serve as a semiconductor manufacturing platform company for the entire Sony group.

In Taiwan, as of the end of December 2000, Sony discontinued its manufacturing activity at a subsidiary in Taipei where such products as video deck and DVD-Video players had been produced. Sony plans to liquidate the subsidiary by the end of March 2001. Such functions as overseas procurement by the subsidiary were transferred to a sales subsidiary near Taipei.

Forecast of Consolidated Results

Regarding the forecast of consolidated results for the fiscal year ending March 31, 2001, in addition to the effects of the adoption of the new film accounting standard (refer to page 17), Sony has revised the forecast provided as of October 2000, as described below. Such revision reflects additional factors that were not included in the forecast as of October 2000, such as lower than expected results in the Game business.

Consolidated Results		Change from previous year
Sales and operating revenue	¥7,200 billion	+ 8%
Operating income	¥260 billion	+ 8%
Income before income taxes	¥255 billion	- 4%
Net income	¥5 billion	- 96%

The above forecast includes the following additional factors:

i) Sony is using yen-dollar and yen-euro exchange rates for the fourth quarter of the current fiscal year of approximately 116 yen and 110 yen, respectively.

ii) In connection with hedging transactions, foreign exchange loss, net is expected due to depreciation of the yen in the fourth quarter.

iii) In the Electronics business, although a trend of slowing demand for information technology related products in the U.S. is expected, sales for the current fiscal year are expected to reach the level assumed as of October 2000 because of stronger than expected sales in Japan of such products as cellular phones, digital TVs, and PCs. Although profit performance is expected to be lower for electronic devices and PCs, reflecting weak market conditions, operating income is expected to be higher than the forecast as of October 2000 due principally to the positive impact of the yen's depreciation.

iv) In the Game business, although Sony is continuously increasing production of PlayStation 2 hardware, Sony has revised downward the forecast for production shipments for the current fiscal year from 10.0 million, as of October 2000, to 9.0 million units. Sales of PS one hardware continue to be favorable, especially outside Japan. Software production shipments for the current fiscal year are expected to be slightly lower than the forecast as of October 2000, due to delays in the release dates of certain titles. As a result, compared with the assumption as of October 2000, sales for the Game business as a whole for the current fiscal year are expected to be lower. Regarding profit performance, operating loss is likely to be higher compared with the assumption as of October 2000, principally due to the decrease in production shipments of Sony-produced software.

v) In the Music business, results for the nine-month period of the current fiscal year were lower than Sony's assumption as of October 2000. However, sales and operating income assumptions for the current fiscal year are expected to reach the level of the forecast as of October 2000 due to the expected introduction of several anticipated albums in the fourth quarter.

vi) In the Pictures business, sales for the current fiscal year are expected to be at the same level as those assumed as of October 2000, and operating income is expected to be higher. This is due to higher contribution to results from films released during the third quarter than assumed as of October 2000 and increased worldwide sales of DVD software, partially offset by reduced sales of advertising rights in respect of barter sales for television due to a general weakness in the advertising market.

vii) Included in the revised forecast is an anticipated net loss announced on January 24, 2001 by Aiwa Co., Ltd., an approximately 51% owned consolidated subsidiary of Sony, of ¥37.2 billion, compared with a net loss of ¥21.0 billion included in its forecast provided as of October 25, 2000.

As current inventory levels at manufacturing and sales subsidiaries are above the assumption as of October 2000, Sony is aggressively adjusting inventories toward the end of the current fiscal year.

(For Reference)

Forecast announced in October 2000

Consolidated Results		Change from previous year
Sales and operating revenue	¥7,200 billion	+ 8%
Operating income	¥230 billion	- 4%
Income before income taxes	¥255 billion	- 4%
Net income	¥10 billion	- 92%

(This forecast was estimated using yen-dollar and yen-euro average exchange rates for the period from the third quarter to the end of the fiscal year ending March 31, 2001 of approximately ¥105 and ¥93 respectively.)