SONY

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RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2000

FOR IMMEDIATE RELEASE

Tokyo, July 26, 2000 -- Sony Corporation announced today its consolidated results for the first quarter ended June 30, 2000.

Consolidated Results

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

	Three months ended June 30			
	1999	**2000**	Change	**2000**
Sales and operating revenue	¥ 1,482,252	**¥ 1,561,762**	+ 5.4 %	**$ 14,874**
Operating income	42,236	**33,742**	- 20.1	**321**
Income before income taxes	42,823	**39,136**	- 8.6	**373**
Income before cumulative effect of an accounting change	18,427	**13,360**	- 27.5	**127**
Net income (loss)	18,427	**(88,293)**	—	**(841)**
Per share data*				
Income before cumulative effect of an accounting change				
— Basic	¥ 22.5	**¥ 14.7**	- 34.7	**$ 0.14**
— Diluted	20.6	**14.0**	- 32.0	**0.13**
Net income (loss)				
— Basic	¥ 22.5	**¥ (96.9)**	—	**$ (0.92)**
— Diluted	20.6	**(88.2)**	—	**(0.84)**

Note I:

i) In June 2000, the Accounting Standards Executive Committee (“AcSEC”) of the American Institute of Certified Public Accountants 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 12). As a result, Sony’s operating income, income before income taxes, and net income for the first quarter ended June 30, 2000 each decreased by ¥6.3 billion ($60 million). Additionally, Sony’s net income for the first quarter decreased by ¥101.7 billion ($968 million) reflecting a one-time cumulative effect adjustment for a change in accounting principle.

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 the useful lives of up to a maximum of 20 years and recorded in selling, general and administrative expenses. As a result, during the first quarter ended June 30, 2000, operating income and income before income taxes each decreased approximately ¥4.2 billion ($40 million), and net income decreased approximately ¥3.3 billion ($31 million).

iii)*Refer to Note 3 on page 12.

Operating Performance Highlights

Note II: During the first quarter ended June 30, 2000, the average value of the yen was ¥105.7 against the U.S. dollar, and ¥98.2 against the euro, which was 13.5% and 28.8% higher against the U.S. dollar and euro, respectively, compared with the level of the first quarter of the previous year. Operating results on a local currency basis described in "Consolidated Results" show results of sales and operating revenue (herein referred to as "sales") and operating income obtained by applying the yen's average exchange rate in the first 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.

Regarding consolidated results for the first quarter ended June 30, 2000, principally due to favorable results in the Electronics business, sales increased approximately 17% and operating income increased approximately 124% on a local currency basis (refer to Note II above) compared with the first quarter of the previous year. In addition to the increase in Electronics, sales also increased in the Pictures, Insurance, and Other businesses, while sales in the Game business remained flat and those in the Music business decreased. Regarding profit performance, although operating losses were recorded in the Game, Music, Pictures, and Other businesses, operating income increased in the Electronics and Insurance businesses.

In Sony's financial statements, which in accordance with U.S. GAAP reflect the impact of the translation of financial results and condition into yen, the currency in which the financial statements are prepared, sales for the first quarter ended June 30, 2000 increased 5.4% to ¥1,561.8 billion ($14,874 million) and operating income decreased 20.1% to ¥33.7 billion ($321 million), compared with the first quarter of the previous year, as both were negatively impacted by the yen's appreciation.

Operating income during the first quarter included, in addition to the effect of the adoption of the new film accounting standard (refer to Note I – i on page 1), an approximately ¥4.6 billion ($44 million) reversal of a stock-price linked incentive compensation charge formerly incurred. This reversal was due to the decline in Sony Corporation's stock price during the first quarter.

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 page 7). 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 8).

<u>Electronics</u>

During the first quarter ended June 30, 2000, on a local currency basis (refer to Note II above), sales in the Electronics business increased approximately 25% and operating income increased approximately 702% compared with the first quarter of the previous year. This was due to higher sales in all geographic segments and improved profitability resulting from higher sales for products, especially for semiconductors.

Regarding results by product category on a local currency basis (refer to Note II above), sales of such products as PCs, digital still cameras, color TVs, semiconductors, home stereos, and DVD-Video players increased due to favorable demand.

Regarding results by geographic segment on a local currency basis (refer to Note II above), results were favorably affected by increased sales in almost all regions. In Japan, sales of such products as PCs, semiconductors, and digital still cameras increased. In the U.S., although sales of cellular phones decreased due to the discontinuation of such business in that market, those of such products as PCs, digital still cameras, and color TVs increased. In Europe, sales of such products as PCs, color TVs, home stereos, and digital still cameras increased. In Other areas, sales of such products as CD-R/RW and optical pickups increased in Asia and those of such products as color TVs increased in South America.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and condition into yen, sales increased 11.7% to ¥1,172.3 billion ($11,165 million) and operating income increased 291.9% to ¥55.2 billion ($526 million), compared with the first quarter of the previous year, due to the aforementioned factors, which were partially offset by the impact of the yen's appreciation. Regarding "Electronics Sales and Operating Revenue to Customers by Product Category" (refer to page 8), "Audio" sales decreased 0.8% to ¥211.2 billion ($2,011 million), "Video" sales increased 4.4% to ¥244.1 billion ($2,325 million), "Televisions" sales increased 14.8% to ¥161.5 billion ($1,538 million), "Information and communications" sales increased 13.5% to ¥284.3 billion ($2,708 million), and "Electronic components and other" sales increased 23.4% to ¥192.4 billion ($1,832 million). Regarding profit performance, that of such products as semiconductors, PCs, and color TVs improved principally due to favorable sales. Profit of home-use video cameras decreased slightly compared with the first quarter of the previous year although the amount contributed to overall profit was significant.

Game

During the first quarter ended June 30, 2000, on a local currency basis (refer to Note II on page 2), sales in the Game business were almost flat. However, an operating loss was recorded compared with an operating profit in the first quarter of the previous year. In Japan, although hardware and software sales of PlayStation (the term PlayStation excludes PlayStation 2) decreased, overall sales increased significantly due to higher hardware and software sales of PlayStation 2. However, in the U.S. and Europe, sales of PlayStation hardware and software decreased significantly due to hardware supply shortages reflecting tightness of certain parts. As a result, overall sales were almost flat. Operating losses were recorded principally due to start-up expenses for the PlayStation 2 format and the aforementioned significant decreases in sales in the U.S. and Europe.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and condition into yen, sales decreased 6.3% to ¥107.7 billion ($1,026 million), and operating losses of ¥16.0 billion ($153 million) were recorded, while operating income of ¥17.5 billion was recorded in the first quarter of the previous year, due to the aforementioned factors and the yen's appreciation.

Worldwide shipments of PlayStation hardware were 0.63 million units for the first quarter compared with 3.98 million units for the first quarter of the previous year, resulting in cumulative shipments of 73.55 million units as of June 30, 2000. Worldwide shipments of PlayStation 2 hardware were 1.13 million units for the first quarter, resulting in cumulative shipments of 2.54 million units as of June 30, 2000. Worldwide shipments of PlayStation software (including both Sony and third parties under Sony licenses) were 20 million units for the first quarter compared with 32 million units for the first quarter of the previous year, resulting in cumulative shipments of 650 million units as of June 30, 2000. In addition, shipments of PlayStation 2 software (including both Sony and third parties under Sony licenses) were 1.7 million units for the first quarter, resulting in cumulative shipments of 4.6 million units as of June 30, 2000.

Music

During the first quarter ended June 30, 2000, on a local currency basis (refer to Note II on page 2), sales in the Music business decreased approximately 16% and an operating loss was recorded compared with an operating profit in the first 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 decreased and operating losses were recorded. Results in the first quarter were negatively impacted by the timing of new releases, soft market conditions in a number of international markets, and the strengthening of the

U.S. dollar against foreign currencies. Best sellers during the first quarter included Pearl Jam's *Binaural*, Destiny Child's *The Writing's on the Wall*, and Cypress Hill's *Skull and Bones*.

In Japan, regarding the results of Sony Music Entertainment (Japan) Inc. (herein referred to as "SMEJ") and its subsidiaries, sales and profit decreased due to fewer successful albums in the first quarter, although SMEJ reduced advertising expenses. Best sellers in Japan during the first quarter included *TUBEst* by TUBE.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and condition into yen, sales decreased 23.2% to ¥130.7 billion ($1,244 million), and operating losses of ¥5.0 billion ($47 million) were recorded, while operating income of ¥4.6 billion was recorded in the first quarter of the previous year, due to the aforementioned factors and the yen's appreciation.

Pictures

During the first quarter ended June 30, 2000, on a local currency basis (refer to Note II on page 2), sales in the Pictures business increased approximately 21%. However, an operating loss was recorded compared with an operating profit in the first quarter of the previous year.

Regarding the results of Sony Pictures Entertainment, the U.S. based operation, on a local currency basis (refer to Note II on page 2) operating losses were recorded although sales increased. The sales increase was primarily due to strong home video sales. Operating losses were primarily due to the adoption of the new film accounting standard (refer to page 12) and losses recorded on several films released during the first quarter.

Under the new accounting standard, certain costs that were previously capitalized are now recorded as expenses when incurred. Operating income in the first quarter would have been ¥6.3 billion ($60 million) higher under the old accounting standard, as compared to the new accounting standard. Sony is providing this information in order to compare the current year's results to the previous year's reported results that were prepared on the old accounting standard.

Motion picture operating results were adversely affected by the film losses of the first quarter, including *I Dreamed of Africa* and *Running Free*. In the home video business, sales and profit increased due to strong home video sales of last fiscal year's hit film *Stuart Little*, as well as continued strong DVD format sales. Results for the first quarter also include the results of a U.S. online game business which has been transferred into the Pictures business effective as of April 1, 2000. Its results were previously included in the Other business.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and condition into yen, sales increased 6.7% to ¥108.6 billion ($1,034 million) compared with the first quarter of the previous year. However, operating losses of ¥5.6 billion ($53 million) were recorded, while operating income of ¥3.6 billion was recorded in the first quarter of the previous year, due to the aforementioned factors and the yen's appreciation.

Insurance

During the first quarter ended June 30, 2000, regarding the results of Sony Life Insurance Co., Ltd., revenue and profit increased. This was due to a net increase in life insurance-in-force from individual life insurance products such as term-life and medical expense coverage and gains from revaluation of investment securities held for trading purposes. However, regarding the results of non-life insurance business conducted by Sony Assurance Inc., losses were recorded due to start-up expenses, such as advertising, being higher than revenue.

As a result, Insurance revenue increased 16.6% to ¥103.1 billion ($982 million), and operating income increased 32.4% to ¥6.8 billion ($65 million) compared with the first quarter of the previous year.

Other

The Other business consists of various operating activities, including a leasing and credit financing business in Japan, a business focused on parts trading services within the Sony group, certain satellite distribution services businesses in Japan, an advertising agency business in Japan, and location-based entertainment businesses in Japan, the U.S., and Germany.

During the first quarter ended June 30, 2000, sales increased due to an increase in sales of a business focused on parts trading services within the Sony group and the starting of operation of the location-based entertainment business in Japan which was newly consolidated in the Other segment. However, regarding profit performance, losses were recorded primarily from location-based entertainment businesses in Japan and the U.S. and certain satellite distribution services businesses in Japan.

As a result, sales in the Other business were up 14.8% to ¥95.8 billion ($912 million) compared with the first quarter of the previous year. However, operating losses of ¥2.6 billion ($25 million) were recorded, while operating income of ¥0.7 billion was recorded in the first quarter of the previous year.

Consolidated Income before Income Taxes and Net Income (Loss)

In consolidated results, other income during the first quarter included approximately ¥15.1 billion ($144 million) of gains, principally from 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 merger of a subsidiary engaged in the electronic component sales business in Japan. Other income in the first quarter of the previous year included approximately ¥4.3 billion of gains on the sale of investment securities and equity of certain subsidiaries. Additionally, approximately ¥1.4 billion ($13 million) of foreign exchange loss, net, was recorded during the first quarter while approximately ¥1.9 billion of foreign exchange gain, net, was recorded in the first quarter of the previous year.

Income before income taxes decreased 8.6% to ¥39.1 billion ($373 million) compared with the first quarter of the previous year due to the decrease in operating income, principally due to the adoption of the new film accounting standard (refer to Note I – i on page 1) as well as the other factors discussed above. Equity in net losses of affiliated companies increased from ¥5.5 billion in the first quarter of the previous year to ¥7.2 billion ($68 million). Net loss of ¥88.3 billion ($841 million) was recorded, principally as a result of a one-time cumulative adjustment in the income statement directly above the caption of "net income" by adopting the new film accounting standard.

Basic net loss per share was ¥96.9 ($0.92) compared with net income of ¥22.5 in the first quarter of the previous year. Diluted net loss per share was ¥88.2 ($0.84) compared with net income of ¥20.6 in the first quarter of the previous year (refer to Note 3 on page 12).

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 – satellite distribution services businesses in Japan and a commercial- and other- use facility in Germany.

During the first quarter, equity in net losses of affiliated companies increased principally due to increases in losses of CHC, Loews, and the commercial- and other- use facility in Germany.

Cash Flows

During the first quarter ended June 30, 2000, in operating activities, Sony used ¥26.7 billion ($255 million) which was an increase of ¥12.6 billion ($120 million) compared with the first quarter of the previous year. In investing activities, Sony used ¥146.1 billion ($1,392 million) which was an increase of ¥81.7 billion ($778 million) compared with the first quarter of the previous year. In financing activities, Sony generated ¥113.5 billion ($1,081 million) which was an increase of ¥68.7 billion ($654 million) compared with the first quarter of the previous year. As a result, cash and cash equivalents at end of quarter was ¥564.5 billion ($5,376 million) which was an increase of ¥6.3 billion ($60 million) compared with the first quarter of the previous year.

Regarding net cash used in operating activities during the quarter, net loss of ¥88.3 billion ($841 million) was recorded. Among adjustments to net loss, depreciation and amortization expenses (including amortization of deferred insurance acquisition costs) were ¥79.8 billion ($760 million) principally in the Electronics and Game businesses. Net loss included a ¥101.7 billion ($968 million) non-cash one-time cumulative adjustment for adopting the new film accounting standard (refer to Note I – i on page 1). Regarding changes in assets and liabilities, inventories increased by ¥127.3 billion ($1,213 million) principally in the Electronics business. However, notes and accounts payable increased by ¥53.6 billion ($510 million) and future insurance policy benefits and other increased by ¥64.5 billion ($614 million), reflecting expansion of the Insurance business.

Regarding net cash used in investing activities during the quarter, payments for purchases of fixed assets increased to ¥102.9 billion ($980 million) principally in the Electronics, Game, and Other businesses. Payments for investments and advances (other than Insurance business) were ¥40.6 billion ($386 million). The breakdown is approximately ¥22.2 billion ($211 million) for investments and ¥18.4 billion ($175 million) for advances. Payments for investments included approximately ¥14.0 billion ($133 million) of strategic investment by Sony's U.S. headquarters in venture companies such as Transmeta Corporation. Payments for advances included loans to CHC and ST-LCD. On the other hand, proceeds from sales of investment securities and collections of advances (other than Insurance business) were ¥22.9 billion ($218 million). Such proceeds from sales of investment securities included the partial sale of equity of a subsidiary engaged in a television channel operation in India and the sale of a map database service subsidiary in the U.S. In addition, in the Insurance business, Sony used ¥54.3 billion ($517 million) for payments for investments and advances.

Regarding net cash provided by financing activities during the quarter, short-term borrowings increased by ¥136.4 billion ($1,299 million). This was principally due to issuance of commercial paper in Japan and the U.S.

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Business Segment Information

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

Sales and operating revenue	1999	2000	Change	2000
	Three months ended June 30			
Electronics				
Customers	¥ 993,976	**1,093,458**	+ 10.0 %	**$ 10,414**
Intersegment	55,462	**78,837**		**751**
Total	1,049,438	**1,172,295**	+ 11.7	**11,165**
Game				
Customers	108,728	**104,917**	- 3.5	**999**
Intersegment	6,214	**2,815**		**27**
Total	114,942	**107,732**	- 6.3	**1,026**
Music				
Customers	162,480	**122,073**	- 24.9	**1,163**
Intersegment	7,687	**8,585**		**81**
Total	170,167	**130,658**	- 23.2	**1,244**
Pictures				
Customers	101,508	**108,552**	+ 6.9	**1,034**
Intersegment	229	**0**		**0**
Total	101,737	**108,552**	+ 6.7	**1,034**
Insurance				
Customers	88,432	**103,098**	+ 16.6	**982**
Intersegment	0	**0**		**0**
Total	88,432	**103,098**	+ 16.6	**982**
Other				
Customers	27,128	**29,664**	+ 9.3	**282**
Intersegment	56,287	**66,125**		**630**
Total	83,415	**95,789**	+ 14.8	**912**
Elimination	(125,879)	**(156,362)**		**(1,489)**
Consolidated	¥ 1,482,252	**¥ 1,561,762**	+ 5.4 %	**$ 14,874**

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	¥ 14,093	**¥ 55,226**	+ 291.9 %	**$ 526**
Game	17,499	**(16,037)**	—	**(153)**
Music	4,586	**(4,958)**	—	**(47)**
Pictures	3,588	**(5,577)**	—	**(53)**
Insurance	5,159	**6,832**	+ 32.4	**65**
Other	661	**(2,634)**	—	**(25)**
Total	45,586	**32,852**	- 27.9	**313**
Corporate and elimination	(3,350)	**890**	—	**8**
Consolidated	¥ 42,236	**¥ 33,742**	- 20.1 %	**$ 321**

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 June 30 1999	2000	Change	2000
Audio	¥ 212,874	¥ **211,177**	- 0.8 %	$ **2,011**
Video	233,888	**244,140**	+ 4.4	**2,325**
Televisions	140,684	**161,462**	+ 14.8	**1,538**
Information and communications	250,578	**284,312**	+ 13.5	**2,708**
Electronic components and other	155,952	**192,367**	+ 23.4	**1,832**
Total	¥ 993,976	¥ **1,093,458**	+ 10.0 %	$ **10,414**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on page 7. 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 June 30 1999	2000	Change	2000
Japan	¥ 465,645	¥ **554,189**	+ 19.0 %	$ **5,278**
United States	434,576	**427,978**	- 1.5	**4,076**
Europe	344,354	**310,207**	- 9.9	**2,954**
Other Areas	237,677	**269,388**	+ 13.3	**2,566**
Total	¥ 1,482,252	¥ **1,561,762**	+ 5.4 %	$ **14,874**

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

Consolidated Statements of Income (Unaudited)

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

	Three months ended June 30			
	1999	**2000**	Change	**2000**
Sales and operating revenue:			%	
Net sales	¥ 1,377,389	**¥ 1,443,181**		**$ 13,745**
Insurance revenue	88,432	**103,098**		**982**
Other operating revenue	16,431	**15,483**		**147**
	1,482,252	**1,561,762**	+ 5.4	**14,874**
Costs and expenses:				
Cost of sales	1,007,404	**1,072,466**		**10,214**
Selling, general and administrative	349,357	**359,288**		**3,422**
Insurance expenses	83,255	**96,266**		**917**
	1,440,016	**1,528,020**		**14,553**
Operating income	42,236	**33,742**	- 20.1	**321**
Other income:				
Interest and dividends	5,201	**4,408**		**42**
Royalty income	3,069	**3,168**		**30**
Foreign exchange gain, net	1,866	**—**		**—**
Gain on sale of securities investments and other, net	4,337	**15,127**		**144**
Other	11,200	**9,024**		**86**
	25,673	**31,727**		**302**
Other expenses:				
Interest	11,097	**9,476**		**90**
Loss on sale and disposal of property, plant and equipment	1,289	**1,183**		**11**
Foreign exchange loss, net	—	**1,355**		**13**
Other	12,700	**14,319**		**136**
	25,086	**26,333**		**250**
Income before income taxes	42,823	**39,136**	- 8.6	**373**
Income taxes	17,057	**18,164**		**173**
Income before minority interest, equity in net losses of affiliated companies and cumulative effect of an accounting change	25,766	**20,972**		**200**
Minority interest in consolidated subsidiaries	1,841	**452**		**5**
Equity in net losses of affiliated companies	5,498	**7,160**		**68**
Income before cumulative effect of an accounting change	18,427	**13,360**	- 27.5	**127**
Cumulative effect of an accounting change (net of income taxes of ¥0 million)	—	**(101,653)**		**(968)**
Net income (loss)	¥ 18,427	**¥ (88,293)**	—	**$ (841)**
Per share data				
Income before cumulative effect of an accounting change				
— Basic	¥ 22.5	**¥ 14.7**	- 34.7	**$ 0.14**
— Diluted	20.6	**14.0**	- 32.0	**0.13**
Net income (loss)				
— Basic	¥ 22.5	**¥ (96.9)**	—	**$ (0.92)**
— Diluted	20.6	**(88.2)**	—	**(0.84)**

Condensed Consolidated Balance Sheets (Unaudited)

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

ASSETS	June 30 1999	March 31 2000	**June 30 2000**	**June 30 2000**
Current assets:				
Cash and time deposits	¥ 570,129	¥ 632,202	**¥ 569,586**	**$ 5,425**
Marketable securities	100,799	107,499	**109,634**	**1,044**
Notes and accounts receivable, less allowances	1,012,869	1,055,469	**1,052,861**	**10,027**
Inventories	851,391	746,550	**868,070**	**8,267**
Other	501,353	480,296	**447,178**	**4,259**
Total current assets	3,036,541	3,022,016	**3,047,329**	**29,022**
Film costs	364,236	339,011	**240,045**	**2,286**
Investments and advances	1,013,025	1,075,594	**1,134,667**	**10,806**
Property, plant and equipment, less depreciation	1,277,414	1,255,570	**1,262,520**	**12,024**
Other assets:				
Intangibles	126,979	218,496	**215,021**	**2,048**
Goodwill	139,033	293,777	**289,644**	**2,759**
Deferred insurance acquisition costs	210,754	239,981	**245,808**	**2,341**
Other	287,276	362,752	**372,883**	**3,551**
Total other assets	764,042	1,115,006	**1,123,356**	**10,699**
	¥ 6,455,258	¥ 6,807,197	**¥ 6,807,917**	**$ 64,837**

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30 1999	March 31 2000	**June 30 2000**	**June 30 2000**
Current liabilities:				
Short-term debt	¥ 189,551	¥ 214,935	**¥ 361,519**	**$ 3,443**
Notes and accounts payable, trade	774,306	811,031	**862,542**	**8,215**
Accounts payable, other and accrued expenses	657,502	681,458	**607,468**	**5,785**
Accrued income and other taxes	80,329	87,520	**95,045**	**905**
Other	349,875	365,398	**307,345**	**2,927**
Total current liabilities	2,051,563	2,160,342	**2,233,919**	**21,275**
Long-term liabilities:				
Long-term debt	1,028,689	813,828	**769,138**	**7,325**
Accrued pension and severance costs	133,331	129,604	**137,845**	**1,313**
Deferred income taxes	124,666	184,020	**172,328**	**1,641**
Future insurance policy benefits and other	958,218	1,124,873	**1,189,327**	**11,327**
Other	176,374	177,059	**176,527**	**1,681**
Total long-term liabilities	2,421,278	2,429,384	**2,445,165**	**23,287**
Minority interest in consolidated subsidiaries	138,902	34,565	**33,610**	**320**
Stockholders' equity:				
Common stock, ¥50 par value	417,679	451,550	**461,713**	**4,397**
Additional paid-in capital	560,542	940,716	**951,965**	**9,067**
Retained earnings	1,142,018	1,223,761	**1,135,176**	**10,811**
Accumulated other comprehensive income	(271,089)	(425,316)	**(445,867)**	**(4,246)**
Treasury stock, at cost	(5,635)	(7,805)	**(7,764)**	**(74)**
Total stockholders' equity	1,843,515	2,182,906	**2,095,223**	**19,955**
	¥ 6,455,258	¥ 6,807,197	**¥ 6,807,917**	**$ 64,837**

Consolidated Statements of Cash Flows (Unaudited)

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

	Three months ended June 30		
	1999	**2000**	**2000**
Cash flows from operating activities:			
Net income (loss)	¥ 18,427	¥ **(88,293)**	$ **(841)**
Adjustments to reconcile net income (loss) to net cash used in operating activities -			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	68,506	**79,816**	**760**
Amortization of film costs	76,698	**50,501**	**481**
Accrual for pension and severance costs, less payments	4,274	**8,440**	**80**
Loss on sale and disposal of property, plant and equipment, net	1,060	**889**	**9**
Deferred income taxes	(21,955)	**(30,726)**	**(293)**
Equity in net losses of affiliated companies, net of dividends	5,873	**7,694**	**73**
Cumulative effect of an accounting change	—	**101,653**	**968**
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(2,846)	**(3,216)**	**(30)**
Increase in inventories	(81,564)	**(127,318)**	**(1,213)**
Increase in film costs (after adjusted cumulative effect of an accounting change)	(91,742)	**(55,427)**	**(528)**
Increase in notes and accounts payable	51,535	**53,578**	**510**
Increase (decrease) in accrued income and other taxes	(30,722)	**5,929**	**57**
Increase in future insurance policy benefits and other	44,281	**64,454**	**614**
Increase in deferred insurance acquisition costs	(14,205)	**(16,394)**	**(156)**
Changes in other current assets and liabilities, net	(22,275)	**(58,086)**	**(553)**
Other	(19,460)	**(20,241)**	**(193)**
Net cash used in operating activities	¥ (14,115)	¥ **(26,747)**	$ **(255)**
Cash flows from investing activities:			
Payments for purchases of fixed assets	¥ (59,427)	¥ **(102,870)**	$ **(980)**
Proceeds from sales of fixed assets	3,214	**3,617**	**34**
Payments for investments and advances by insurance business	(53,365)	**(54,316)**	**(517)**
Payments for investments and advances (other than insurance business)	(41,370)	**(40,564)**	**(386)**
Proceeds from sales of investment securities and collections of advances by insurance business	30,407	**16,436**	**156**
Proceeds from sales of investment securities and collections of advances (other than insurance business)	27,205	**22,893**	**218**
Payments for purchases of marketable securities	(14,892)	**(2,023)**	**(19)**
Proceeds from sales of marketable securities	31,262	**9,671**	**92**
Decrease in time deposits	12,492	**1,025**	**10**
Net cash used in investing activities	(64,474)	**(146,131)**	**(1,392)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	4,442	**2,391**	**23**
Payments of long-term debt	(10,628)	**(14,007)**	**(134)**
Increase in short-term borrowings	61,134	**136,409**	**1,299**
Dividends paid	(10,272)	**(11,354)**	**(108)**
Other	191	**83**	**1**
Net cash provided by financing activities	44,867	**113,522**	**1,081**
Effect of exchange rate changes on cash and cash equivalents	(265)	**(2,184)**	**(21)**
Net decrease in cash and cash equivalents	(33,987)	**(61,540)**	**(587)**
Cash and cash equivalents at beginning of the first quarter	592,210	**626,064**	**5,963**
Cash and cash equivalents at end of the first quarter	¥ 558,223	¥ **564,524**	$ **5,376**
Supplemental data:			
Cash paid during three months ended June 30 for -			
Income taxes	¥ 66,905	¥ **44,597**	$ **425**
Interest	¥ 7,754	¥ **8,130**	$ **77**
Non-cash investing and financing activities -			
Conversions of convertible debt into common stock and additional paid-in capital	¥ 2,437	¥ **19,987**	$ **190**

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥105=U.S$1, the approximate Tokyo foreign exchange market rate as of June 30, 2000.
2. As of June 30, 2000, Sony had 1,100 consolidated subsidiaries. It has applied the equity accounting method in respect to its 85 affiliated companies.
3. Weighted-average shares used for computation of basic income before cumulative effect of an accounting change per share and basic net income per share for the three months ended June 30, 1999 was 820,531 thousand shares, and the weighted-average shares used for diluted income before cumulative effect of an accounting change per share and diluted net income per share for the three months ended June 30, 1999 was 927,484 thousand shares. The dilutive effect mainly resulted from convertible bonds. Weighted-average shares used for computation of basic income before cumulative effect of an accounting change per share and basic net loss per share for the three months ended June 30, 2000 was 910,890 thousand shares, and the weighted-average shares used for diluted income before cumulative effect of an accounting change per share and diluted net loss per share for the three months ended June 30, 2000 was 994,449 thousand shares. The dilutive effect mainly resulted from convertible bonds. In accordance with Statement of Financial Accounting Standards No. 128, the weighted-average shares used for the computation of diluted net loss per share for the three months ended June 30, 2000 is the same as the weighted-average shares used for the computation of diluted net income before cumulative effect of an accounting change per share for the three months ended June 30, 2000.

   Basic and diluted income before cumulative effect of an accounting change per share as well as basic and diluted net income per share for the three months ended June 30, 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 cumulative translation adjustment, unrealized gain/loss on securities and minimum pension liability adjustment. For the three months ended June 30, 1999 and 2000, comprehensive incomes were ¥17,234 million and ¥(108,844) million ($(1,037) million), respectively. Main changes in other comprehensive income were resulted from cumulative translation adjustment, which were a decrease of ¥6,500 million and a decrease of ¥13,774 million ($ 131 million) respectively.
5. Certain reclassification of the financial statements for the three months ended June 30, 1999 have been made to conform to the presentation for the three months ended June 30, 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 fiscal years starting on or after December 16, 2000. Accordingly, Sony will 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 has 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 first quarter ending June 30, 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 will be 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 will be 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 ($968 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. This decrease is solely related to adopting the new accounting standard and will not impact how Sony manages its day-to-day motion picture and television businesses.

Other Consolidated Financial Data

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

	Three months ended June 30			
	1999	**2000**	Change	**2000**
Depreciation and amortization*	¥ 68,506	**¥ 79,816**	+ 16.5%	**$760**
Capital expenditures (additions to fixed assets)	93,406	**81,616**	**-** 12.6	**777**
R&D expenses	90,217	**90,337**	+ 0.1	**860**

*Including amortization of deferred insurance acquisition costs

Strategies and Outlook

Update

Acceleration of Net Business as a New Growing Area

In June 2000, Sony, Tokyu Corporation, and Tokyu Cable Television ("Tokyu Cable") announced that they had reached an agreement in principle to collaborate in order to develop a broadband network. Based on such agreement, Sony will acquire 10% of Tokyu Cable's outstanding shares, which are currently owned by Tokyu Corporation. Also, regarding additional financing of Tokyu Cable, the three parties will discuss available options including Sony's underwriting of additional Tokyu Cable shares. Utilizing Tokyu Cable's existing cable television infrastructure, Sony plans to create content and to design and operate the platform. Sony also plans to accelerate developing the technology for various home-gateways for the broadband Internet and to develop the Sony group's broadband network service businesses in the near future based on devices such as PlayStation 2.

In July 2000, Sony launched a corporate broadband Internet service ("bit-drive") in Japan using WLL, or wireless local loop access system.

Strengthening Electronics Business

Sony recognizes that it is important to create new engineering and manufacturing systems directly linked to the market in order to maintain competitiveness in the Electronics business. To achieve this goal, Sony will gradually reorganize a major portion of work relating to design and manufacture by utilizing new platform companies currently planned to be established in the near future. In line with this project, Sony aims to establish in April 2001 a platform company in Japan that will be engaged in the design and manufacture of finished electronic products. Also, Sony is considering how to establish the most efficient design and manufacturing system in the areas of semiconductors and electronic devices in Japan and in facilities in countries outside Japan. In August 2000, aiming at strengthening the competitiveness of the battery business, Sony intends to merge a battery manufacturing subsidiary and an electronic components manufacturing subsidiary to establish a new subsidiary. As a key manufacturing facility of the battery business within the Sony group, this new subsidiary is intended to strengthen the designing and manufacturing systems for and to improve the quality of the most-advanced batteries for next-generation digital equipment.

Also, Sony recognizes that in order to grow in the future it is important to establish e-platforms to realize services in the digital broadcasting era in which broadcasting and telecommunication (Internet) technologies converge. To achieve this goal, Sony, Matsushita Electric Industrial Co., Ltd., and Toshiba Corporation intend to work jointly on basic technologies, including standards setting for hard-disk equipped storage datacasting receivers, which are expected to be core devices in the digital broadcasting era. Through these activities, the three companies aim to realize new business models in the digital broadcasting era such as providing various interactive services by allowing instant access and retrieval of necessary data.

In addition, in the area of mobile terminals, based on development with Palm Computing, Inc. ("Palm"), Sony intends to launch compact and lightweight personal entertainment organizers, which incorporate Palm OS® software in September 2000 in Japan. The terminal, equipped with a Memory Stick slot, would allow the management of data such as schedules and address lists, the display and handling of images, and interfacing with PCs. It also would allow the utilization of networks to send e-mail messages and browse web pages by connecting to a wireless phone. Sony plans to commercialize Memory Stick expansion modules with various usages, such as digital imaging devices, Global Positioning Systems, and wireless communications devices. Sony seeks to position mobile terminals as one of its strategic products in the broadband network era to provide new platforms where customers can easily enjoy a variety of content.

In the area of next-generation display equipment, in July 2000, aiming at the development of high-brightness, high-contrast large-scale projectors, Sony entered into an exclusive licensing agreement with Silicon Light Machines ("SLM"), which holds Grating Light Valve™ ("GLV™") technology utilizing lasers as a light source. Sony also acquired the exclusive developing, manufacturing, and marketing rights for GLV devices and GLV products for most display applications. The agreement provides that in the initial six months of the agreement, SLM will conduct a transfer program of GLV technology to Sony. After that time, Sony will seek to initially concentrate its efforts to develop GLV-based projectors for the industrial market, and then seek to develop such projectors for the consumer market.

Forecast of Consolidated Results

Due to the adoption of the new film accounting standards (refer to page 12), net income for the fiscal year will decrease by ¥101.7 billion ($968 million) reflecting a one-time non-cash cumulative effect adjustment for a change in accounting principle. In addition to the one-time cumulative effect adjustment, in the fiscal year ending March 31, 2001, due to the adoption of the new accounting standard, operating income, income before income taxes, and net income are expected to decrease by approximately $250 to $280 million each. As a result, Sony has revised the forecast for the fiscal year ending March 31, 2001 which was announced in April 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%

The above forecast includes the following factors:

i) Sony is using yen-dollar and yen-euro average exchange rates for the period from the second quarter to the end of the fiscal year ending March 31, 2001 of approximately ¥103 and ¥100 respectively.

ii) In the Electronics business, results are expected to improve principally in digital products. However, parts supply pressures may result in a loss of sales opportunities, and such expenses as research and development, labor, advertising, and licensing are expected to increase.

iii) In the Game business, although sales of PlayStation hardware and software, entering into their sixth year since their initial introduction, have decreased significantly, overall sales in the Game business are expected to increase due to the introduction of PlayStation 2 hardware and software, as well as the launch of PS one, a new-styled PlayStation console. However, regarding profit performance, while Sony anticipates future cost savings to result from capital expenditures for the production of semiconductors, such savings will not be significantly reflected in results for the current fiscal year. Also, research and development expenses relating to PlayStation 2 and increased depreciation from the aforementioned capital expenditures are expected to pressure profits in the current fiscal year, and thus a decrease in operating income is expected.

iv) In the Music business, the market environment is expected to continue to be relatively flat due to the saturation of the CD configuration in developed markets, ongoing effects of worldwide piracy, continued diversification in customers' preferences, and pricing pressures. In the U.S. based Music business, despite both sluggish sales in the U.S. and soft market conditions in a number of international territories where Sony expected recoveries and also the strengthening of the U.S. dollar against foreign currencies, Sony is seeking to improve results by making efforts to increase sales. Expenses associated with pursuing digital media initiatives are expected to affect profitability negatively. In the music business in Japan, cost reductions in such areas as advertising expenses are expected to improve profitability.

v) In the Pictures business, in the motion pictures group, although revenue is expected to increase due to releases of certain event films during the fiscal year ending March 31, 2001, losses on films released in the first quarter are expected to impact negatively the fiscal year's profit performance. In the home video group, Sony intends to increase video sales by focusing on the

DVD format. In the television group, a decrease in the number of continuing network television series is expected to adversely affect revenues during the fiscal year. Expenses relating to development of new interactive services that combine digital technology and film and television assets, and other strategic investments are also expected to affect profit negatively.

vi) In the Insurance business, although the life insurance business faces increasing competition due to deregulation and a continuation of the difficult environment for managing assets, Sony seeks to expand the business through offering products suitable for customers' needs and further strengthening of sales forces. Start-up losses are expected in the non-life insurance business, which commenced operations in September 1999.

vii) In the Other business, losses are expected to be recorded due to weak results in such businesses as location-based entertainment businesses in Japan, the U.S., and Germany.

viii) Amortization expenses in connection with the acquisitions of minority interests through exchanges of stock in January 2000 will negatively affect profit for and after the fiscal year ending March 31, 2001.

ix) In the fiscal year ending March 31, 2001, the amount of gains on sales of investment securities and equity of subsidiaries is expected to increase compared with the previous year.

x) In the fiscal year ending March 31, 2001, losses of certain affiliated companies are expected to decrease. In particular, equity losses from The Columbia House Company are expected to decrease from the previous year, which included the shortened amortization periods and the impairment of deferred advertising and certain other expenses.

(For reference)

Forecast announced in April 2000 (before adoption of the new film accounting standard)

Consolidated Results		Change from previous year
Sales and operating revenue	¥7,000 billion	+ 5%
Operating income	¥255 billion	+ 6%
Income before income taxes	¥240 billion	- 9%
Net income	¥120 billion	virtually flat

(This forecast was estimated using yen-dollar and yen-euro average exchange rates for the fiscal year ending March 31, 2001 of approximately ¥105 and ¥103 respectively.)

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. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them. Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to (i) general 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; and (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).