SONY

# News & Information

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## Consolidated Financial Results for the Fiscal Year ended March 31, 2002

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# Largest Consolidated Sales Recorded
## Operating Income Down 40% Year on Year

Tokyo, April 25, 2002 -- Sony Corporation announced today its consolidated results for the fiscal year ended March 31, 2002 (April 1, 2001 to March 31, 2002).

## Highlights

- Aided by the depreciation of the yen, Sony achieved the largest consolidated sales in our history, ¥7,578.3 billion ($57 billion), on a U.S. GAAP basis, despite the difficult global economic environment in the fiscal year. However, operating income fell sharply and net income fell 8.6%.
- The Game business recovered. Strong sales of PlayStation 2 hardware and software led to significant increases in sales and operating income.
- In the Electronics business, sales decreased 3.0% and a ¥8.2 billion ($62 million) loss was recorded compared with operating income of ¥247.1 billion in the previous fiscal year. Through tighter control of inventory in all regions, inventory was reduced ¥277.6 billion ($2,087 million), or 35.1%, year on year.
- The Pictures business' operating performance improved significantly due to a more profitable film slate including strong worldwide DVD software sales.
- In the fiscal year ending March 31, 2003, we forecast sales to increase 6% to ¥8,000 billion ($60 billion) and operating income to increase significantly to ¥280 billion ($2,105 million).

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

| | Year ended March 31 | | | |
|---|---|---|---|---|
| | 2001 | **2002** | Change | **2002*** |
| Sales and operating revenue | ¥7,314.8 | **¥7,578.3** | + 3.6% | **$56,979** |
| Operating income | 225.3 | **134.6** | - 40.3 | **1,012** |
| Income before income taxes | 265.9 | **92.8** | - 65.1 | **698** |
| Income before cumulative effect of accounting changes | 121.2 | **9.3** | - 92.3 | **70** |
| Net income | 16.8 | **15.3** | - 8.6 | **115** |
| Per share of common stock | | | | |
| Income before cumulative effect of accounting changes | | | | |
| — Basic | ¥132.64 | **¥10.21** | - 92.3 | **$0.08** |
| — Diluted | 124.36 | **10.18** | - 91.8 | **0.08** |
| Net income | | | | |
| — Basic | 18.33 | **16.72** | - 8.8 | **0.13** |
| — Diluted | 19.28 | **16.67** | - 13.5 | **0.13** |

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of \133=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 29, 2002.

## Remarks by Nobuyuki Idei, Chairman and CEO of Sony Corporation

The global economic environment in which Sony operates continued to show weakness during the fiscal year, reflecting the further economic slowdown and decline in consumer demand around the world. As a result of these challenges, Sony had no choice but to revise downward twice the forecast we issued at the beginning of the fiscal year. Nevertheless, at the end of the fiscal year, we were able to achieve results that surpassed our most recent forecast.

In response to the difficult business environment, Sony took several steps to improve our performance in the Electronics, Pictures and Music segments such as the prioritization and concentration of our businesses, a reduction of fixed costs, and a reinforcement of our inventory management. In order to strengthen our mobile handset business, we established a joint venture with Ericsson on October 1, 2001, and that venture is now progressing in a satisfactory manner. Regarding Aiwa Co., Ltd., we decided to privatize the company on October 1, 2002 with the goal of developing a new brand strategy.

The PlayStation 2 business gained stature during the fiscal year as a platform that generates a positive return through the steady penetration of its hardware and the frequent release of attractive software. As a result, in the Game segment, sales exceeded the ¥1,000 billion ($7,519 million) mark and profitability significantly increased. During the fiscal year, the second year since its launch, the PlayStation 2 business entered its harvest stage. Going forward, in addition to expanding the Game business, we will increase profitability by fully utilizing the business-opportunity-expanding potential of all the hardware in the Sony Group.

Since we expect the severe economic environment to continue in the next fiscal year, we aim to raise our level of profitability through the further restructuring of the entire Sony Group. Sony has a variety of businesses under its umbrella: Electronics, Game, Music, Pictures, Internet Communication Services and Financial Services. By utilizing this unique structure and through the mutual cooperation between these businesses, we will work to provide consumers with attractive contents, services and hardware, and we will strive to enhance corporate value.

## Consolidated Results for the Fiscal Year

**Note I**: During the fiscal year ended March 31, 2002, the average value of the yen was ¥124.1 against the U.S. dollar and ¥109.1 against the euro, which was 11.7% lower against the U.S. dollar and 9.3% lower against the euro, compared with the previous fiscal year. Operating results on a local currency basis described in the following pages reflect sales and operating revenue ("sales") and operating income (loss) obtained by applying the yen's average exchange rate in the previous fiscal year to local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the fiscal year. Local currency basis results are not reflected in Sony's financial statements and are not measures conforming with Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP"). In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that local currency basis results provide additional useful information to investors regarding operating performance.

**Note II**: Commencing with the first quarter ended June 30, 2001, Sony has partly realigned its business segment configuration. In accordance with this change, results of the previous fiscal year have been reclassified to conform to the presentation for the fiscal year ended March 31, 2002.

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

Sales were ¥7,578.3 billion ($57 billion), an increase of 3.6% year on year (4% decrease on a local currency basis).

- Sales in our Electronics segment declined 3.0% due to weak market conditions and intensified price competition. However, due to a 51.9% increase in sales in the Game segment, we achieved our highest sales ever recorded.

Operating income was ¥134.6 billion ($1,012 million), a decrease of ¥90.7 billion, or 40.3%, year on year.

- In the Game segment, operating income increased ¥134.0 billion. In the Electronics segment, an operating loss of ¥ 8.2 billion ($62 million) was recorded compared to operating income of ¥ 247.1 billion in the previous year, a decrease of ¥255.3 billion.
- Profitability in the Game segment significantly increased because:

- → The PlayStation 2 (“PS 2”) business had a significant increase in sales.
- → The cost of manufacturing the PS 2 declined due to cost reduction initiatives.
- In the Electronics segment, despite the positive impact of the depreciation of the yen, weak market conditions around the world and our implementation of restructuring initiatives led to a significant decline in profitability.
- Selling, general and administrative expenses during the fiscal year increased ¥129.8 billion, primarily due to the impact of the yen’s depreciation and higher personnel expenses.

Income before income taxes was ¥92.8 billion ($698 million), a decrease of ¥173.1 billion, or 65.1%, year on year.

- In addition to the drop in operating income, other income decreased ¥71.3 billion and other expenses increased ¥11.1 billion.
  - → Other income decreased because, in the previous fiscal year, Sony recorded a ¥41.7 billion gain from the sale of stock in subsidiaries including a subsidiary engaged in a television channel operation in India.
  - → Other expenses increased because net foreign exchange losses increased ¥16.1 billion in association with foreign exchange contracts; the yen’s depreciation exceeded our contracted rate.

Net income was ¥15.3 billion ($115 million), a decrease of ¥1.5 billion, or 8.6%, year on year.

- Income taxes decreased ¥50.3 billion, and equity in net losses of affiliated companies decreased ¥10.0 billion. Moreover, ¥104.5 billion was recorded for a cumulative effect of accounting changes in the previous fiscal year. Income before cumulative effect of accounting changes decreased 92.3%.
  - → Equity in net losses of affiliated companies decreased because:
    - ~ In the previous fiscal year, Sony recorded a ¥25.0 billion equity in net loss, which includes an impairment loss for the entire carrying value of its investment, in regards to Loews Cineplex Entertainment Corporation, a theatrical exhibition company.
    - ~ On the other hand, in the fiscal year, Sony recorded a ¥7.4 billion ($56 million) loss for our portion of the loss generated by Sony Ericsson Mobile Communications, a mobile handset joint venture established in October 2001.
  - → Changes in accounting standards were adopted in the first quarter of the fiscal year ended March 31, 2001 and were made for one-time cumulative effect adjustments primarily in the Pictures business.
  - → The effective income tax rate was 70.3% (the rate in the previous year was 43.5%).
    - ~ Compared with the previous fiscal year, the effective tax rate increased because losses expanded at subsidiaries such as Aiwa Co., Ltd. (“Aiwa”) and certain consolidated subsidiaries in the U.S. that are not expected to be able to utilize their loss carryforwards for tax purposes within the period set aside for those carryforwards.

Statement of Financial Accounting Standards No.142, “Goodwill and Other Intangible Assets” adopted in the first quarter of the fiscal year ended March 31, 2002 (refer to Note 7 in the consolidated financial statements portion of this release) had a ¥20.1 billion ($151 million) positive effect on operating income and income before income taxes, and an ¥18.9 billion ($142 million) positive effect on net income.

- By segment, the change in accounting standard positively affected the Electronics business ¥3.0 billion ($23 million), the Game business ¥10.5 billion ($79 million), the Music business ¥3.4 billion ($26 million), and the Pictures business ¥3.2 billion ($24 million).

## Operating Performance Highlights by Business Segment

**Note III**: “Sales and operating revenue” in each business segment represents sales and operating revenue recorded before intersegment transactions are eliminated. “Operating income” in each business segment represents operating income recorded before intersegment transactions and unallocated corporate expenses are eliminated.

**Note IV:** Sales of mobile handsets are no longer recorded in the “Information and Communications” product category of the Electronics segment as of the second half of the fiscal year. From the second half, sales of mobile handsets manufactured for Sony Ericsson Mobile Communications, established in October 2001, are recorded in the “Other” product category of the Electronics segment.

## *Electronics*

| | | (Billions of yen, millions of U.S. dollars) | | |
|---|---|---|---|---|
| | | **Year ended March 31** | | |
| | 2001 | **2002** | Change | **2002** |
| Sales and operating revenue | ¥5,473.4 | **¥5,310.4** | - 3.0% | **$39,928** |
| Operating income (loss) | 247.1 | **(8.2)** | | **(62)** |

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

Sales were ¥5,310.4 billion ($40 billion), a decrease of 3.0% year on year (10% decrease on a local currency basis).

- On a product category basis, sales increased in "Televisions" by 6.3%, in "Video" by 1.9%, and in "Information and Communications" (in the case where mobile handsets are excluded, see Note IV), by 1.1%. Within the "Information and Communications" category, VAIO PCs increased 16.1%.
- Sales decreased in "Semiconductors" by 23.3%, in "Components" by 6.5%, in "Audio" by 1.2%, and in "Other" (which contains Aiwa) by 11.5%.
  - → On a local currency basis:
    - ~ Products with significant decreases in sales were semiconductors and OEM businesses, including computer displays and data storage devices. Products with increases in sales included VAIO PCs, personal digital assistants ("CLIE"), digital still cameras, and projection TVs.
    - ~ On a geographic basis, sales in all regions declined.

In terms of profitability, an operating loss of ¥8.2 billion ($62 million) was recorded compared with operating income of ¥247.1 billion in the previous fiscal year, a decrease of ¥255.3 billion year on year.

- Reasons why a loss was recorded include:
  - → A worldwide drop in market prices.
  - → A decline in demand for semiconductors and OEM products such as PC peripherals.
  - → Restructuring charges of ¥85 billion including Aiwa.
  - → Losses in the mobile handset business.
  - → Losses at Aiwa.
- On a product category basis, "Audio," in which Net MD devices and Home Theater systems were particularly well received, increased in profitability while "Semiconductors" and "Information and Communications" (refer to Note IV) significantly decreased in profitability.

Inventory at the end of the fiscal year was ¥513.4 billion ($3,860 million), a ¥277.6 billion, or 35.1%, decrease year on year.

- By strengthening the supply chain management system that controls the procurement of raw materials, production, and inventory in response to actual changes in demand throughout Sony, particularly through the establishment of Sony EMCS Corporation in April 2001, we reduced inventory significantly.

## *Game*

| | | (Billions of yen, millions of U.S. dollars) | | |
|---|---|---|---|---|
| | | **Year ended March 31** | | |
| | 2001 | **2002** | Change | **2002** |
| Sales and operating revenue | ¥660.9 | **¥1,003.7** | + 51.9% | **$7,547** |
| Operating income (loss) | (51.1) | **82.9** | | **623** |

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

Sales were ¥1,003.7 billion ($7,547 million), an increase of 51.9% year on year (40% increase on a local currency basis).

- Due to strong demand for PlayStation 2 ("PS 2") hardware and software, we attained record sales. However, sales of PS one hardware and software decreased.
  - → On a geographic and local currency basis, sales increased slightly in Japan and significantly in the U.S. and Europe.
    - ~ In terms of hardware, sales of PS 2 were strong around the world, with significant increases in the U.S. and Europe.
    - ~ Software sold well in the U.S. and Europe. In Japan, sales decreased slightly.
- Worldwide hardware production shipments:
  - → PS 2: 18.07 million units (an increase of 8.87 million units)
  - → PS one: 7.40 million units (a decrease of 1.91 million units)
- Worldwide software unit production shipments:
  - → PS 2: 121.80 million units (an increase of 86.40 million units)
  - → PlayStation: 91.00 million units (a decrease of 44.00 million units)
    - ~ In terms of total software unit sales, PS 2 titles represented 57%, an increase from the 21% recorded last fiscal year.

In terms of profitability, operating income of ¥82.9 billion ($623 million) was recorded compared with an operating loss of ¥51.1 billion in the previous fiscal year, an increase of ¥134.0 billion year on year.

- Reductions in the cost of manufacturing PS 2 hardware and the yen's depreciation led to an improvement in gross margins. This improvement, along with an increase in gross margins of software, led to the large improvement in profitability.

Inventory at the end of the fiscal year was ¥119.0 billion ($895 million), a ¥14.3 billion, or 13.7%, increase year on year.

## *Music*

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

| | Year ended March 31 | | | |
|---|---|---|---|---|
| | 2001 | **2002** | Change | **2002** |
| Sales and operating revenue | ¥612.1 | **¥642.8** | + 5.0% | **$4,833** |
| Operating income | 20.5 | **20.2** | - 1.6 | **152** |

*The amounts presented above are the sum of the yen-translated results of Sony Music Entertainment Inc. ("SMEI" - a U.S. based operation which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis) and the results of Sony Music Entertainment (Japan) Inc. ("SMEJ" - a Japan based operation which aggregates results in yen). Management analyzes the results of SMEI in U.S. dollars, so discussion of certain portions of its results are specified as being on "a U.S. dollar basis."*

Sales were ¥642.8 billion ($4,833 million), an increase of 5.0% year on year (3% decrease on a local currency basis). 69% of the Music segment's sales were generated by SMEI. 31% of sales were generated by SMEJ.

- On a U.S. dollar basis, SMEI's sales decreased 4%.
  - → This was due to the contraction of the global music industry, an increase in digital piracy and the negative impact of the September 11th terrorist attacks in the U.S.
  - → Destiny Child's *Survivor*, Shakira's *Laundry Service*, Michael Jackson's *Invincible*, and Jennifer Lopez's *J. Lo* were some of the best selling albums.
- Sales of SMEJ increased 2%.
  - → Chemistry's *The way we are*, GOSPELLERS' *Love Notes*, and Ken Hirai's *gaining through losing* were some of the best selling albums.

Operating income was ¥20.2 billion ($152 million), a decrease of ¥0.3 billion, or 1.6%, year on year (3% decrease on a local currency basis).

- On a U.S. dollar basis, SMEI's operating income decreased 20%.
  - → The revenue-reducing factors noted above and costs incurred for ongoing restructuring activities – including the reduction in the number of worldwide employees, the rationalization of digital media

initiatives and portfolio investments, and the settlement of certain significant industry-wide litigation – were the primary reasons for the decline in operating income.
  - → On the other hand, the benefit of aggressive worldwide restructuring and cost reduction initiatives partially offset the drop in operating income. During the fiscal year, total restructuring charges of $68 million were recorded, primarily for headcount reductions and lease termination costs.
- Operating income of SMEJ increased 18%.
  - → Despite the decline of the music industry, a reduction of selling, general and administrative expenses, particularly advertising expenses, and a recording of a gain on sale of long-lived assets from the sale of a studio facility led to an increase in operating income.

## *Pictures*

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

| | Year ended March 31 | | | |
|---|---|---|---|---|
| | 2001 | **2002** | Change | **2002** |
| Sales and operating revenue | ¥555.2 | **¥635.8** | + 14.5% | **$4,781** |
| Operating income | 4.3 | **31.3** | + 624.6 | **235** |

*The results presented above are a yen-translation of the results of Sony Pictures Entertainment (SPE - a U.S. based operation which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis). Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results are specified as being on "a U.S. dollar basis."*

Sales were ¥635.8 billion ($4,781 million), an increase of 14.5% year on year (2% increase on a U.S dollar basis).

- The reasons for the increase in sales (on a U.S. dollar basis) were:
  - → *A Knight's Tale*, *America's Sweethearts*, and *Black Hawk Down* were some of the strongest performers.
  - → Strong DVD software sales of prior fiscal year films such as *Crouching Tiger, Hidden Dragon* and *Vertical Limit* also contributed to the increase in sales.
  - → The game shows *Wheel of Fortune* and *Jeopardy!* continued their successful runs.
- The increase in sales was partially offset (on a U.S. dollar basis) due to:
  - → Fewer network television shows
  - → Lower advertising sales.

Operating income was ¥31.3 billion ($235 million), an increase of ¥27.0 billion, or 624.6%, year on year (952% increase on a U.S. dollar basis).

- The reasons for the increase in operating income (on a U.S. dollar basis) were:
  - → Consistent profitability from the film slate, with the exception of two major loss films, *Ali* and *Riding in Cars With Boys*, including the strong performance of DVD software in the worldwide home entertainment market.
  - → The recording of an insurance recovery for losses on previous years' released films.
  - → Lower deficits on network television shows due to the consolidation of U.S. television operations.
- Partially offsetting the increase in operating income (on a U.S. dollar basis) were:
  - → A one-time restructuring charge of $67 million recorded in connection with the consolidation of U.S. television operations.
  - → A provision with respect to income recorded from a licensee of feature film and television product.
  - → A weak advertising sales market.

## *Financial Services*

| | | | | |
|---|---|---|---|---|
| | (Billions of yen, millions of U.S. dollars) | | | |
| | Year ended March 31 | | | |
| | 2001 | **2002** | Change | **2002** |
| Financial service revenue | ¥478.8 | **¥512.2** | + 7.0% | **$3,852** |
| Operating income | 17.4 | **22.1** | + 27.0 | **166** |

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

Financial service revenue was ¥512.2 billion ($3,852 million), an increase of 7.0% year on year.

- An increase in insurance revenue brought about by an increase in insurance-in-force from individual life insurance products at Sony Life Insurance Co., Ltd. ("Sony Life") greatly contributed to the increase in segment revenue. An increase in newly acquired insurance-in-force at Sony Assurance Inc. also contributed to the increase in revenue.
- Revenue declined at Sony Finance International, Inc ("Sony Finance").

Operating income was ¥22.1 billion ($166 million), an increase of ¥4.7 billion, or 27.0%, year on year.

- Despite the impact of an impairment loss on Argentine bonds, operating income at Sony Life increased due to the significant increase in insurance revenue that accompanies the increase in insurance-in-force from individual life insurance products. Because revaluation losses from interest rate swaps decreased, Sony Finance's operating income also increased.
- Losses at Sony Assurance Inc. decreased over the course of the fiscal year.
- Sony Bank Inc. recorded a loss primarily due to start-up expenses.

## *Other*

| | | | | |
|---|---|---|---|---|
| | (Billions of yen, millions of U.S. dollars) | | | |
| | Year ended March 31 | | | |
| | 2001 | **2002** | Change | **2002** |
| Sales and operating revenue | ¥156.4 | **¥146.4** | - 6.4% | **$1,100** |
| Operating income (loss) | (9.4) | **(8.6)** | | **(64)** |

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

Sales were ¥146.4 billion ($1,100 million), a decrease of 6.4% year on year.

- Sales declined at an advertising agency business subsidiary in Japan.

In terms of profitability, an operating loss of ¥8.6 billion ($64 million) was recorded compared with an operating loss of ¥9.4 billion in the previous year, an improvement of ¥0.8 billion year on year.

- The loss was recorded primarily due to losses at our location-based entertainment businesses in Japan and the U.S., and at Sony Communication Network Corporation.

## Consolidated Results for the Fourth Quarter ended March 31, 2002

**Note V:** During the fourth quarter ended March 31, 2002, the average value of the yen was ¥131.5 against the U.S. dollar and ¥114.6 against the euro, which was 11.0% lower against the U.S. dollar and 6.2% lower against the euro, compared with the fourth quarter of the previous fiscal year.

Sales were ¥1,884.6 billion ($14 billion), a decrease of 2.3% compared with the fourth quarter of the previous year (9% decrease on a local currency basis).

- Sales in the Game segment increased as a result of the successful PlayStation 2 ("PS 2") business. However, in the Electronics segment, a significant decrease in sales was recorded due to weak market conditions.

In terms of profitability, an operating loss of ¥23.6 billion ($177 million) was recorded compared with an operating loss of ¥3.2 billion in the fourth quarter of the previous year, a deterioration of ¥20.4 billion (¥47.6 billion decrease on a local currency basis).

- The loss in the Electronics segment increased significantly due to weak market conditions around the world and an increase in restructuring expenses.
- The operating performance of the Game segment significantly improved as a result of the successful PS 2 business.

In terms of income (loss) before income taxes, a loss of ¥12.8 billion ($96 million) was recorded compared with income of ¥16 billion in the fourth quarter of the previous year.

- In addition to the increase in operating loss, other income decreased ¥19 billion, while other expenses decreased ¥10.7 billion.
  - → Other income decreased because, in the fourth quarter of the previous year, a gain on sales of securities investments and other, net and gains from the contribution of securities to employee retirement benefit trusts were recorded.
  - → Other expenses decreased because of a decrease in interest expense.

In terms of net income (loss), a loss of ¥5.5 billion ($41 million) was recorded compared with income of ¥15.8 billion in the fourth quarter of the previous year.

- Income taxes decreased ¥16.2 billion and equity in net losses of affiliated companies increased ¥5.7 billion.
  - → Equity in net losses of affiliated companies increased because of the increase in losses of The Columbia House Company, a direct marketer of music and videos, and S.T. Liquid Crystal Display Corp, a LCD joint venture.

## Cash Flow

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

| | Year ended March 31 | | | |
|---|---|---|---|---|
| | 2001 | **2002** | Difference | **2002** |
| Cash flow | | | | |
| - From operating activities | ¥544.8 | **¥737.6** | ¥ + 192.8 | **$5,546** |
| - From investing activities | (719.0) | **(767.1)** | - 48.1 | **(5,768)** |
| - From financing activities | 134.4 | **85.0** | - 49.4 | **639** |
| Cash and cash equivalents as of March 31 | 607.2 | **683.8** | + 76.6 | **5,141** |

Cash provided by operating activities increased ¥192.8 billion.

- Inventory that increased in the previous fiscal year decreased due to improved inventory control primarily in the Electronics segment.
- Notes and accounts receivable that increased in the previous fiscal year decreased due to a decrease of sales in the Electronics segment.

Cash used in investing activities increased ¥48.1 billion.

- Reflecting the increase of assets during the fiscal year under management in the life insurance and banking businesses, payments for investments and advances by the financial service business increased.

Cash provided by financing activities decreased ¥49.4 billion.

- Despite an increase in deposits from customers in the banking business that started in the fiscal year, short-term borrowings that increased during the previous fiscal year decreased during the fiscal year.

## Rewarding Shareholders

A year-end cash dividend of ¥12.5 ($0.09) per share of Sony Corporation common stock will be subject to approval at the ordinary general meeting of shareholders, which will be held on June 20, 2002. Sony Corporation has already paid ¥12.5 per share to each shareholder; accordingly the annual cash dividend per share will be ¥25.0.

Sony believes that by continuously increasing corporate value, its shareholders can be rewarded. Accordingly, as for retained earnings, Sony plans to utilize them to carry out various investments that are indispensable for ensuring future growth and strengthening competitiveness.

## Numbers of Employees

Sony reduced the number of employees, primarily in the Electronics and Music businesses. As a result, the number of employees at the end of March 2002 was approximately 168,000, a decrease of approximately 13,700 from the end of March 2001.

## Outlook for the Fiscal Year ending March 31, 2003

Regarding the forecast for the fiscal year ending March 31, 2003, despite our projection that the uncertain global operating environment will continue, we expect to achieve the following results based on an assumption that performance will improve in the latter half of the fiscal year.

| | | Change from previous year |
|---|---|---|
| Sales and operating revenue | ¥8,000 billion | + 6% |
| Operating income | 280 billion | + 108 |
| Income before income taxes | 310 billion | + 234 |
| Net income | 150 billion | + 880 |
| Capital expenditures (additions to fixed assets) | ¥280 billion | - 14% |
| Depreciation and amortization* | 350 billion | - 1 |
| (Depreciation expenses for tangible assets) | (260 billion) | (- 13) |

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

- Assumed exchange rates: approximately ¥130 to the dollar, approximately ¥115 to the euro.
- The above forecast includes the following principal factors:
  - → Electronics segment
    - ~ Despite the assumption of a slight decrease in sales, a significant increase in operating income.
    - ~ An improvement in the operating income of our brand business through the strengthening of our television and display device businesses, the enhancing of our network-capable products, and the augmenting of our cost competitiveness.
    - ~ An expansion of our charge coupled device and high temperature poli-silicon liquid crystal display ("LCD") enterprises in our semiconductor business, and a strengthening of our low temperature poli-silicon LCD and battery enterprises in our device business.
    - ~ An improvement in our broadcast and professional use equipment business.
    - ~ Continued losses at Aiwa in part due to further restructuring efforts.
  - → Game segment
    - ~ An increase in sales as a result of increase of software sales in line with the further penetration of PlayStation 2 ("PS 2") hardware.
    - ~ An increase in operating income continued strong increase in software sales and further reductions in the manufacturing cost of PS 2 hardware.
  - → Music segment
    - ~ An increase in sales as a result of the strength of the new release schedule.
    - ~ An improvement in operating income through further implementation of restructuring initiatives.
  - → Pictures segment
    - ~ An expected increase in sales due to the release of major motion pictures.

- ~ An increase in operating income of our cable television oriented business.
- ~ An improvement in operating income through further implementation of restructuring initiatives.

→ Financial Services segment

- ~ An increase in sales is expected due to an increase in insurance-in-force from individual insurance products in both the life insurance and non-life insurance businesses.
- ~ Although losses are expected to continue to be recorded in the non-life insurance business and the banking business, operating income is expected to increase due to the increase in insurance-in-force from individual life insurance products in the life insurance business.

→ Regarding income before income taxes, we expect to realize a gain of approximately $500 million from the sale of Sony's equity in Telemundo Communications Group, Inc., a U.S.-based Spanish language television network and station group, which was completed on April 12, 2002.

- Regarding capital expenditures, we plan to prioritize investments, primarily in the Electronics segment.

**Cautionary Statement**

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

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## Business Segment Information

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

| Sales and operating revenue | 2001 | 2002 | Change | 2002 |
|---|---|---|---|---|
| | | **Year ended March 31** | | |
| Electronics | | | | |
| Customers | ¥ 4,999,428 | **¥ 4,793,039** | -4.1% | **$ 36,038** |
| Intersegment | 473,966 | **517,407** | | **3,890** |
| Total | 5,473,394 | **5,310,446** | -3.0 | **39,928** |
| Game | | | | |
| Customers | 646,147 | **986,529** | +52.7 | **7,418** |
| Intersegment | 14,769 | **17,185** | | **129** |
| Total | 660,916 | **1,003,714** | +51.9 | **7,547** |
| Music | | | | |
| Customers | 571,003 | **588,191** | +3.0 | **4,422** |
| Intersegment | 41,110 | **54,649** | | **411** |
| Total | 612,113 | **642,840** | +5.0 | **4,833** |
| Pictures | | | | |
| Customers | 555,227 | **635,841** | +14.5 | **4,781** |
| Intersegment | 0 | **0** | | **0** |
| Total | 555,227 | **635,841** | +14.5 | **4,781** |
| Financial Services | | | | |
| Customers | 447,147 | **483,313** | +8.1 | **3,634** |
| Intersegment | 31,677 | **28,932** | | **218** |
| Total | 478,824 | **512,245** | +7.0 | **3,852** |
| Other | | | | |
| Customers | 95,872 | **91,345** | -4.7 | **686** |
| Intersegment | 60,526 | **55,042** | | **414** |
| Total | 156,398 | **146,387** | -6.4 | **1,100** |
| Elimination | (622,048) | **(673,215)** | — | **(5,062)** |
| Consolidated total | ¥ 7,314,824 | **¥ 7,578,258** | +3.6% | **$ 56,979** |

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

| Operating income (loss) | 2001 | 2002 | Change | 2002 |
|---|---|---|---|---|
| Electronics | ¥ 247,083 | **¥ (8,237)** | —% | **$ (62)** |
| Game | (51,118) | **82,915** | — | **623** |
| Music | 20,502 | **20,175** | -1.6 | **152** |
| Pictures | 4,315 | **31,266** | +624.6 | **235** |
| Financial Services | 17,432 | **22,134** | +27.0 | **166** |
| Other | (9,374) | **(8,584)** | — | **(64)** |
| Total | 228,840 | **139,669** | -39.0 | **1,050** |
| Corporate and elimination | (3,494) | **(5,038)** | — | **(38)** |
| Consolidated total | ¥ 225,346 | **¥ 134,631** | -40.3% | **$ 1,012** |

Commencing with the first quarter ended June 30, 2001, Sony has partly realigned its business segment configuration. In accordance with this change, results of the previous year have been reclassified to conform to the presentation for the year ended March 31, 2002 .

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

| Sales and operating revenue | Three months ended March 31 2001 | 2002 | Change | 2002 |
|---|---|---|---|---|
| Electronics | | | | |
| Customers | ¥ 1,257,237 | **¥ 1,165,630** | -7.3% | **$ 8,764** |
| Intersegment | 176,112 | **92,813** | | **698** |
| Total | 1,433,349 | **1,258,443** | -12.2 | **9,462** |
| Game | | | | |
| Customers | 186,220 | **217,740** | +16.9 | **1,637** |
| Intersegment | 5,200 | **5,079** | | **38** |
| Total | 191,420 | **222,819** | +16.4 | **1,675** |
| Music | | | | |
| Customers | 146,825 | **140,496** | -4.3 | **1,056** |
| Intersegment | 11,580 | **13,189** | | **99** |
| Total | 158,405 | **153,685** | -3.0 | **1,155** |
| Pictures | | | | |
| Customers | 191,957 | **194,776** | +1.5 | **1,465** |
| Intersegment | 0 | **0** | | **0** |
| Total | 191,957 | **194,776** | +1.5 | **1,465** |
| Financial Services | | | | |
| Customers | 124,965 | **141,134** | +12.9 | **1,061** |
| Intersegment | 11,076 | **7,647** | | **57** |
| Total | 136,041 | **148,781** | +9.4 | **1,118** |
| Other | | | | |
| Customers | 21,981 | **24,775** | +12.7 | **186** |
| Intersegment | 16,105 | **12,848** | | **97** |
| Total | 38,086 | **37,623** | -1.2 | **283** |
| Elimination | (220,073) | **(131,576)** | — | **(989)** |
| Consolidated total | ¥ 1,929,185 | **¥ 1,884,551** | -2.3% | **$ 14,169** |

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

| Operating income (loss) | 2001 | 2002 | Change | 2002 |
|---|---|---|---|---|
| Electronics | ¥ (9,221) | **¥ (53,090)** | —% | **$ (399)** |
| Game | (16,234) | **15,558** | — | **117** |
| Music | 8,581 | **(2,057)** | — | **(15)** |
| Pictures | 19,469 | **11,606** | -40.4 | **87** |
| Financial Services | 1,222 | **10,788** | +782.8 | **81** |
| Other | (4,638) | **(3,136)** | — | **(24)** |
| Total | (821) | **(20,331)** | — | **(153)** |
| Corporate and elimination | (2,330) | **(3,261)** | — | **(24)** |
| Consolidated total | ¥ (3,151) | **¥ (23,592)** | — | **$ (177)** |

Commencing with the first quarter ended June 30, 2001, Sony has partly realigned its business segment configuration. In accordance with this change, results of the previous year have been reclassified to conform to the presentation for the quarter ended March 31, 2002 .

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

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

| Sales and operating revenue | Year ended March 31 2001 | 2002 | Change | 2002 |
|---|---|---|---|---|
| Audio | ¥ 756,393 | **¥ 747,469** | -1.2% | **$ 5,620** |
| Video | 791,465 | **806,401** | +1.9 | **6,063** |
| Televisions | 703,698 | **747,877** | +6.3 | **5,623** |
| Information and communications | 1,322,818 | **1,227,685** | -7.2 | **9,231** |
| Semiconductors | 237,668 | **182,276** | -23.3 | **1,371** |
| Components | 612,520 | **572,465** | -6.5 | **4,304** |
| Other | 574,866 | **508,866** | -11.5 | **3,826** |
| Total | ¥ 4,999,428 | **¥ 4,793,039** | -4.1% | **$ 36,038** |

| Sales and operating revenue | Three months ended March 31 2001 | 2002 | Change | 2002 |
|---|---|---|---|---|
| Audio | ¥ 179,471 | **¥ 148,396** | -17.3% | **$ 1,116** |
| Video | 165,670 | **157,428** | -5.0 | **1,183** |
| Televisions | 164,792 | **193,286** | +17.3 | **1,453** |
| Information and communications | 402,672 | **329,532** | -18.2 | **2,478** |
| Semiconductors | 60,620 | **45,309** | -25.3 | **341** |
| Components | 152,648 | **154,274** | +1.1 | **1,160** |
| Other | 131,364 | **137,405** | +4.6 | **1,033** |
| Total | ¥ 1,257,237 | **¥ 1,165,630** | -7.3% | **$ 8,764** |

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on pages 11 and 12. The Electronics business is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the sales contributions of the products in this business segment. In addition, commencing with the first quarter ended June 30, 2001, Sony has partly realigned its product category configuration in the Electronics business.
In accordance with this change, results of the previous year have been reclassified to conform to the presentation for the current quarter. Sales of mobile phones are no longer recorded in the "Information and Communications" category as of the third quarter of the current fiscal year. From the third quarter, sales of mobile phones manufactured for Sony Ericsson Mobile Communications are recorded in the "Other" product category.

## Geographic Segment Information

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

| Sales and operating revenue | Year ended March 31 2001 | 2002 | Change | 2002 |
|---|---|---|---|---|
| Japan | ¥ 2,400,777 | **¥ 2,248,115** | -6.4% | **$ 16,903** |
| United States | 2,179,833 | **2,461,523** | +12.9 | **18,508** |
| Europe | 1,473,780 | **1,609,111** | +9.2 | **12,098** |
| Other Areas | 1,260,434 | **1,259,509** | -0.1 | **9,470** |
| Total | ¥ 7,314,824 | **¥ 7,578,258** | +3.6% | **$ 56,979** |

| Sales and operating revenue | Three months ended March 31 2001 | 2002 | Change | 2002 |
|---|---|---|---|---|
| Japan | ¥ 635,993 | **¥ 586,037** | -7.9% | **$ 4,407** |
| United States | 580,646 | **575,407** | -0.9 | **4,326** |
| Europe | 394,225 | **408,507** | +3.6 | **3,071** |
| Other Areas | 318,321 | **314,600** | -1.2 | **2,365** |
| Total | ¥ 1,929,185 | **¥ 1,884,551** | -2.3% | **$ 14,169** |

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

## Consolidated Statements of Income and Retained Earnings

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

| | Year ended March 31 2001 | 2002 | Change % | 2002 |
|---|---|---|---|---|
| **Sales and operating revenue:** | | | | |
| Net sales | ¥ 6,829,003 | ¥ **7,058,755** | | $ **53,073** |
| Financial Service revenue | 447,147 | **483,313** | | **3,634** |
| Other operating revenue | 38,674 | **36,190** | | **272** |
| | 7,314,824 | **7,578,258** | +3.6 | **56,979** |
| **Costs and expenses:** | | | | |
| Cost of sales | 5,046,694 | **5,239,592** | | **39,395** |
| Selling, general and administrative | 1,613,069 | **1,742,856** | | **13,104** |
| Financial service expenses | 429,715 | **461,179** | | **3,468** |
| | 7,089,478 | **7,443,627** | | **55,967** |
| **Operating income** | 225,346 | **134,631** | -40.3 | **1,012** |
| **Other income:** | | | | |
| Interest and dividends | 18,541 | **16,021** | | **120** |
| Royalty income | 29,302 | **33,512** | | **252** |
| Gain on sales of securities investments and other, net | 41,708 | **1,398** | | **11** |
| Gain on issuances of stock by equity investees | 18,030 | **503** | | **4** |
| Other | 60,073 | **44,894** | | **337** |
| | 167,654 | **96,328** | | **724** |
| **Other expenses:** | | | | |
| Interest | 43,015 | **36,436** | | **274** |
| Loss on devaluation of securities investments | 4,230 | **18,458** | | **139** |
| Foreign exchange loss, net | 15,660 | **31,736** | | **239** |
| Other | 64,227 | **51,554** | | **386** |
| | 127,132 | **138,184** | | **1,038** |
| **Income before income taxes** | 265,868 | **92,775** | -65.1 | **698** |
| Income taxes | 115,534 | **65,211** | | **490** |
| **Income before minority interest, equity in net losses of affiliated companies and cumulative effect of accounting changes** | 150,334 | **27,564** | | **208** |
| Minority interest in income (loss) of consolidated subsidiaries | (15,348) | **(16,240)** | | **(121)** |
| Equity in net losses of affiliated companies | 44,455 | **34,472** | | **259** |
| **Income before cumulative effect of accounting changes** | 121,227 | **9,332** | -92.3 | **70** |
| Cumulative effect of accounting changes (2001:Including ¥491million income tax expense 2002:Net of income taxes of ¥2,975million) | (104,473) | **5,978** | | **45** |
| **Net income** | ¥ 16,754 | ¥ **15,310** | -8.6 | $ **115** |
| **Retained earnings:** | | | | |
| Balance, beginning of year | ¥ 1,223,761 | ¥ **1,217,110** | | $ **9,151** |
| Net income | 16,754 | **15,310** | | **115** |
| Cash dividends | (22,939) | **(22,992)** | | **(173)** |
| Common stock issue costs, net of tax | (466) | **(166)** | | **(1)** |
| Balance, end of year | ¥ 1,217,110 | ¥ **1,209,262** | | $ **9,092** |
| **Per share data:** | | | | |
| Common stock | | | | |
| Income before cumulative effect of accounting changes | | | | |
| — Basic | ¥ 132.64 | ¥ **10.21** | -92.3 | $ **0.08** |
| — Diluted | 124.36 | **10.18** | -91.8 | **0.08** |
| Net income | | | | |
| — Basic | 18.33 | **16.72** | -8.8 | **0.13** |
| — Diluted | 19.28 | **16.67** | -13.5 | **0.13** |
| Subsidiary tracking stock | | | | |
| Net income (loss) | | | | |
| — Basic | — | **(15.87)** | — | **(0.12)** |

## Consolidated Statements of Income (Unaudited)

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

| | Three months ended March 31 | | | |
|---|---|---|---|---|
| | 2001 | **2002** | Change | **2002** |
| **Sales and operating revenue:** | | | % | |
| Net sales | ¥ 1,794,917 | ¥ **1,733,679** | | $ **13,035** |
| Financial service revenue | 124,965 | **141,134** | | **1,061** |
| Other operating revenue | 9,303 | **9,738** | | **73** |
| | 1,929,185 | **1,884,551** | -2.3 | **14,169** |
| **Costs and expenses:** | | | | |
| Cost of sales | 1,372,362 | **1,313,570** | | **9,876** |
| Selling, general and administrative | 436,231 | **464,227** | | **3,490** |
| Financial service expenses | 123,743 | **130,346** | | **980** |
| | 1,932,336 | **1,908,143** | | **14,346** |
| **Operating income (loss)** | (3,151) | **(23,592)** | — | **(177)** |
| **Other income:** | | | | |
| Interest and dividends | 2,636 | **4,403** | | **33** |
| Royalty income | 10,539 | **14,769** | | **111** |
| Gain on sales of securities investments and other, net | 18,471 | **1,081** | | **8** |
| Other | 27,358 | **19,750** | | **149** |
| | 59,004 | **40,003** | | **301** |
| **Other expenses:** | | | | |
| Interest | 10,447 | **3,897** | | **29** |
| Loss on devaluation of securities investments | 1,279 | **4,843** | | **36** |
| Foreign exchange loss, net | 1,857 | **773** | | **6** |
| Other | 26,287 | **19,695** | | **149** |
| | 39,870 | **29,208** | | **220** |
| **Income (loss) before income taxes** | 15,983 | **(12,797)** | — | **(96)** |
| Income taxes | 7,251 | **(8,908)** | | **(67)** |
| **Income (loss) before minority interest and equity in net losses of affiliated companies** | 8,732 | **(3,889)** | | **(29)** |
| Minority interest in income (loss) of consolidated subsidiaries | (9,506) | **(6,605)** | | **(49)** |
| Equity in net losses of affiliated companies | 2,476 | **8,174** | | **61** |
| **Net income (loss)** | ¥ 15,762 | ¥ **(5,458)** | — | $ **(41)** |
| **Per share data** | | | | |
| Common stock | | | | |
| Net income (loss) | | | | |
| — Basic | ¥ 17.20 | ¥ **(5.91)** | — | $ **(0.04)** |
| — Diluted | 16.46 | **(5.91)** | — | **(0.04)** |
| Subsidiary tracking stock | | | | |
| Net income (loss) | | | | |
| — Basic | — | **(10.97)** | — | **(0.08)** |

## Consolidated Balance Sheets

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

| ASSETS | March 31 2001 | March 31 2002 | 2002 |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | ¥ 607,245 | **¥ 683,800** | **$ 5,141** |
| Time deposits | 5,909 | **5,176** | **39** |
| Marketable securities | 90,094 | **162,147** | **1,219** |
| Notes and accounts receivable, trade | 1,404,952 | **1,363,652** | **10,253** |
| Allowance for doubtful accounts and sales returns | (109,648) | **(120,826)** | **(908)** |
| Inventories | 942,876 | **673,437** | **5,063** |
| Deferred income taxes | 141,473 | **134,299** | **1,010** |
| Prepaid expenses and other current assets | 394,573 | **435,527** | **3,275** |
| Total current assets | 3,477,474 | **3,337,212** | **25,092** |
| Film costs | 297,617 | **313,054** | **2,354** |
| Investments and advances | | | |
| Affiliated companies | 104,032 | **131,068** | **985** |
| Securities investments and other | 1,284,956 | **1,566,739** | **11,780** |
| | 1,388,988 | **1,697,807** | **12,765** |
| Property, plant and equipment | | | |
| Land | 190,394 | **195,292** | **1,468** |
| Buildings | 828,554 | **891,436** | **6,703** |
| Machinery and equipment | 2,113,005 | **2,216,347** | **16,664** |
| Construction in progress | 165,047 | **66,825** | **503** |
| Less – Accumulated depreciation | (1,862,701) | **(1,958,234)** | **(14,724)** |
| | 1,434,299 | **1,411,666** | **10,614** |
| Other assets: | | | |
| Intangibles, net | 221,289 | **245,639** | **1,847** |
| Goodwill, net | 305,159 | **317,240** | **2,385** |
| Deferred insurance acquisition costs | 270,022 | **308,204** | **2,317** |
| Other | 433,118 | **554,973** | **4,173** |
| | 1,229,588 | **1,426,056** | **10,722** |
| | ¥ 7,827,966 | **¥ 8,185,795** | **$ 61,547** |

| LIABILITIES AND STOCKHOLDERS' EQUITY | 2001 | 2002 | 2002 |
|---|---|---|---|
| Current liabilities: | | | |
| Short-term borrowings | ¥ 185,535 | **¥ 113,277** | **$ 852** |
| Current portion of long-term debt | 170,838 | **240,786** | **1,810** |
| Notes and accounts payable, trade | 925,021 | **767,625** | **5,772** |
| Accounts payable, other and accrued expenses | 807,532 | **869,533** | **6,538** |
| Accrued income and other taxes | 133,031 | **105,470** | **793** |
| Deposits from customers in the banking business | — | **106,472** | **801** |
| Other | 424,783 | **355,333** | **2,671** |
| Total current liabilities | 2,646,740 | **2,558,496** | **19,237** |
| Long-term liabilities: | | | |
| Long-term debt | 843,687 | **838,617** | **6,305** |
| Accrued pension and severance costs | 220,787 | **299,089** | **2,249** |
| Deferred income taxes | 175,148 | **159,573** | **1,200** |
| Future insurance policy benefits and other | 1,366,013 | **1,680,418** | **12,635** |
| Other | 241,101 | **255,824** | **1,922** |
| | 2,846,736 | **3,233,521** | **24,311** |
| Minority interest in consolidated subsidiaries | 19,037 | **23,368** | **176** |
| Stockholders' equity: | | | |
| Capital stock | 472,002 | **476,106** | **3,580** |
| Additional paid-in capital | 962,401 | **968,223** | **7,280** |
| Retained earnings | 1,217,110 | **1,209,262** | **9,092** |
| Accumulated other comprehensive income | (328,567) | **(275,593)** | **(2,072)** |
| Treasury stock, at cost | (7,493) | **(7,588)** | **(57)** |
| | 2,315,453 | **2,370,410** | **17,823** |
| | ¥ 7,827,966 | **¥ 8,185,795** | **$ 61,547** |

## Consolidated Statements of Cash Flows

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

| | Year ended March 31 | | |
|---|---|---|---|
| | 2001 | **2002** | **2002** |
| Cash flows from operating activities: | | | |
| Net income | ¥ 16,754 | **¥ 15,310** | **$ 115** |
| Adjustments to reconcile net income to | | | |
| net cash provided by operating activities - | | | |
| Depreciation and amortization, including amortization of | | | |
| deferred insurance acquisition costs | 348,268 | **354,135** | **2,663** |
| Amortization of film costs | 244,649 | **242,614** | **1,824** |
| Accrual for pension and severance costs, less payments | 21,759 | **14,995** | **113** |
| Loss on sale,disposal or impairment of long-lived assets,net | 24,304 | **49,862** | **375** |
| Deferred income taxes | (5,579) | **(49,719)** | **(374)** |
| Equity in net losses of affiliated companies, net of dividends | 47,219 | **37,537** | **282** |
| Cumulative effect of accounting changes | 104,473 | **(5,978)** | **(45)** |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in notes and accounts receivable | (177,484) | **111,301** | **837** |
| (Increase) decrease in inventories | (103,085) | **290,872** | **2,187** |
| Increase in film costs | | | |
| (after adjusted cumulative effect of accounting changes) | (269,004) | **(236,072)** | **(1,775)** |
| Increase (decrease) in notes and accounts payable | 95,213 | **(172,626)** | **(1,298)** |
| Increase (decrease) in accrued income and other taxes | 38,749 | **(39,589)** | **(298)** |
| Increase in future insurance policy benefits and other | 241,140 | **314,405** | **2,364** |
| Increase in deferred insurance acquisition costs | (68,927) | **(71,522)** | **(538)** |
| Changes in other current assets and liabilities, net | 71,193 | **(13,875)** | **(104)** |
| Other | (84,875) | **(104,054)** | **(782)** |
| Net cash provided by operating activities | 544,767 | **737,596** | **5,546** |
| Cash flows from investing activities: | | | |
| Payments for purchases of fixed assets | (468,019) | **(388,514)** | **(2,921)** |
| Proceeds from sales of fixed assets | 26,704 | **37,434** | **281** |
| Payments for investments and advances by financial service business | (329,319) | **(705,796)** | **(5,307)** |
| Payments for investments and advances (other than financial service business) | (119,816) | **(89,580)** | **(674)** |
| Proceeds from sales of securities investment and other | | | |
| and collections of advances by financial service business | 93,226 | **345,112** | **2,595** |
| Proceeds from sales of securities investment and other | | | |
| and collections of advances (other than financial service business) | 64,381 | **25,080** | **189** |
| Payments for purchases of marketable securities | (17,002) | **(964)** | **(7)** |
| Proceeds from sales of marketable securities | 29,883 | **8,889** | **67** |
| Decrease in time deposits | 914 | **1,222** | **9** |
| Net cash used in investing activities | (719,048) | **(767,117)** | **(5,768)** |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 195,118 | **228,999** | **1,722** |
| Payments of long-term debt | (143,258) | **(171,739)** | **(1,291)** |
| Increase (decrease) in short-term borrowings | 106,245 | **(78,104)** | **(587)** |
| Increase in deposits from customers in the banking business | - | **106,472** | **801** |
| Proceeds from issuance of subsidiary tracking stock | - | **9,529** | **72** |
| Dividends paid | (22,774) | **(22,951)** | **(173)** |
| Other | (889) | **12,834** | **95** |
| Net cash provided by financing activities | 134,442 | **85,040** | **639** |
| Effect of exchange rate changes on cash and cash equivalents | 21,020 | **21,036** | **158** |
| Net increase (decrease) in cash and cash equivalents | (18,819) | **76,555** | **575** |
| Cash and cash equivalents at beginning of year | 626,064 | **607,245** | **4,566** |
| Cash and cash equivalents at end of year | ¥ 607,245 | **¥ 683,800** | **$ 5,141** |
| Supplemental data: | | | |
| Cash paid during the year for- | | | |
| Income taxes | ¥ 93,629 | **¥ 148,154** | **$ 1,114** |
| Interest | ¥ 47,806 | **¥ 35,371** | **$ 266** |
| Non-cash investing and financing activities - | | | |
| Conversions of convertible debt into common stock and additional | | | |
| paid-in capital | ¥ 40,294 | **¥ 323** | **$ 2** |

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥133=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 29, 2002.

2. As of March 31, 2002, Sony had 1,068 consolidated subsidiaries. It has applied the equity accounting method in respect to its 98 affiliated companies.

3. On June 20, 2001, Sony Corporation issued shares of Subsidiary tracking stock in Japan, the economic value of which is intended to be linked to the economic value of Sony Communication Network Corporation ("SCN"), a directly and indirectly wholly owned subsidiary of Sony Corporation which is engaged in Internet-related services. Sony calculates and presents per share data separately for Sony's Common stock and for Subsidiary tracking stock, based on Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share." Holders of tracking stock have the right to participate in earnings, together with common stock holders. Accordingly, Sony calculates per share data by the "two-class" method based on FAS No.128. Under this method, basic net income per share for each class of stock is calculated based on the earnings allocated to each class of stock for the applicable period, divided by the weighted-average number of outstanding shares in each class during the applicable period. The earnings allocated to Subsidiary tracking stock are determined by the portion of SCN's earnings available for dividends from the date of issuance attributable to Subsidiary tracking stockholders. The earnings allocated to Common stock are calculated by subtracting the earnings allocated to Subsidiary tracking stock from Sony's net income for the period.

   Weighted-average shares used for computation of earnings per share of Common stock are as follows. The dilutive effect mainly resulted from convertible bonds. In accordance with FAS No.128 the computation of diluted net income per share for the year ended March 31, 2001 and 2002 uses the same weighted-average shares used for the computation of diluted income before cumulative effect of accounting changes per share, and reflects the effect of assumed conversion of convertible bonds in diluted net income. No additional shares were included in the computation of diluted net loss per share for the three months ended March 31, 2002 because to do so would have been antidilutive.

| Weighted-average shares | **(Thousands of shares) Year ended March 31** | |
|---|---|---|
| | 2001 | 2002 |
| Income before cumulative effect of accounting changes and net income | | |
| — Basic | 913,932 | 918,462 |
| — Diluted | 994,234 | 921,234 |

| Weighted-average shares | **Three months ended March 31** | |
|---|---|---|
| | 2001 | 2002 |
| Net income (loss) | | |
| — Basic | 916,534 | 918,498 |
| — Diluted | 994,049 | 918,498 |

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

4. Sony's comprehensive income comprises net income and other comprehensive income. Other comprehensive income includes changes in unrealized gains or losses on securities, unrealized gains or losses on derivative instruments, minimum pension liability adjustment and foreign currency translation adjustments. The net income, other comprehensive income and comprehensive income for the year and the three months ended March 31, 2001 and 2002 were as follows;

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

| | Year ended March 31 | | | Three months ended March 31 | | |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2002 | 2001 | 2002 | 2002 |
| Net income (loss) | ¥ 16,754 | ¥ 15,310 | $ 115 | ¥ 15,762 | ¥ (5,458) | $ (41) |
| Other comprehensive income (loss) | 96,749 | 52,974 | 398 | 42,915 | (1,805) | (14) |
| Unrealized gains (losses) on securities | (17,399) | (21,519) | (162) | 235 | 14,394 | 108 |
| Unrealized losses on derivative instruments | - | (711) | (5) | - | (3,532) | (27) |
| Minimum pension liabilities adjustment | (46,134) | (22,228) | (167) | (46,134) | (22,228) | (167) |
| Foreign currency translation adjustments | 160,282 | 97,432 | 732 | 88,814 | 9,561 | 72 |
| Comprehensive income (loss) | ¥ 113,503 | ¥ 68,284 | $ 513 | ¥ 58,677 | ¥ (7,263) | $ (55) |

5. In the fourth quarter ended March 31, 2001, Sony adopted Staff Accounting Bulletin ("SAB") No.101, "Revenue Recognition in Financial Statements" issued by the Securities and Exchange Commission, effective as of April 1, 2000. As a result, in the first quarter ended June 30, 2000, a one-time non-cash cumulative effect adjustment of ¥2,821 million was recorded in the income statement directly above the caption of "net income" for a change in accounting principle, which resulted in a decrease of net income in the year ended March 31, 2001 by the same amount.
6. In the first quarter ended June 30, 2000, Sony adopted Statement of Position 00-2, "Accounting by Producers or Distributors of Films" issued by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants. As a result, in the first quarter ended June 30, 2000, a ¥101,653 million loss derived from a one-time non-cash cumulative effect adjustment was recorded in the income statement directly above the caption of "Net income" for a change in accounting principle.
7. Adoption of New Accounting Standards

Derivative instruments and hedging activities

On April 1, 2001, Sony adopted FAS No.133, "Accounting for Derivative Instruments and Hedging Activities" as amended by FAS No.138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB statement No.133." FAS No.133, as amended, establishes accounting and reporting standards for derivative instruments. Specifically, FAS No.133 requires an entity to recognize all derivatives, including certain derivative instruments embedded in other contracts, as either assets or liabilities in the balance sheet and to measure those instruments at fair value. Additionally, the fair value adjustments will affect either stockholders' equity or net income depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

As a result of the adoption of the new standard, Sony's Operating income, Income before income taxes and Net income for the year ended March 31, 2002 decreased by ¥3,007 million ($23 million), ¥3,441million ($26 million) and ¥2,167million ($16 million), respectively.
For the three months ended March 31, 2002, Sony's operating loss decreased by ¥609 million ($5 million), Loss before income taxes increased by ¥134 million ($1 million) and Net loss decreased by ¥277 million ($2 million). Additionally, on April 1, 2001, Sony recorded a one-time non-cash after-tax unrealized gain of ¥1,089 million ($8 million) in accumulated other comprehensive income in the consolidated balance sheet, as well as an after-tax gain of ¥5,978 million ($45 million) in the cumulative effect of accounting changes in the consolidated statement of income.

Accounting for Business Combinations and Goodwill and Other Intangible Assets

In July 2001, the Financial Accounting Standards Board issued FAS No. 141 "Business Combinations" and FAS No. 142 "Goodwill and Other Intangible Assets". FAS No.141 supersedes Accounting Principles Board Opinion ("APB") No. 16 "Business Combinations" and FAS No. 38 "Accounting for Preacquisition Contingencies of Purchased Enterprises". Under FAS No. 141, all business combinations are required to be accounted for under a single method, the purchase method. This new statement prohibits the use of the pooling-of-interests method, which was previously permitted under APB No. 16, for business combinations initiated after June 30, 2001. FAS No. 142 supersedes APB No. 17 "Intangible Assets". This new statement addresses the accounting for acquired goodwill and other intangible assets. FAS No. 142 is effective for fiscal years beginning after December 15, 2001, but allows for early adoption for those companies with fiscal years beginning after March 15, 2001. As FAS 142 is now considered the preferable basis of accounting for goodwill and intangible assets, Sony decided to early adopt this new accounting standard retroactive to the beginning of the fiscal year.

Under FAS No. 142, goodwill and certain other intangible assets that are determined to have an indefinite life will no longer be amortized, but rather will be tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Upon the adoption of this new Statement, Sony reassessed the useful lives of its intangible assets and determined that certain intangible assets including trademarks have indefinite lives and as a result, will no longer be amortized. At April 1, 2001, intangible assets having an indefinite life totaled ¥76,029 million ($572 million). In the first quarter ended June 30, 2001, Sony completed the transitional impairment test for these intangible assets and determined that the fair value of these assets is in excess of the current carrying amount. Accordingly, no impairment loss was recorded for intangible assets upon the adoption of FAS 142. During the second quarter ended September 30, 2001, Sony has also completed the transitional impairment test for existing goodwill as required by FAS No. 142. Sony has determined that the fair value of each reporting unit which includes goodwill is in excess of the carrying amount. Accordingly, no impairment loss was recorded for goodwill upon the adoption of FAS 142.

As a result of the adoption of FAS No. 142, Sony's Operating income and Income before income taxes for the year ended March 31, 2002 increased by ¥20,114 million ($151 million) and Income before cumulative effect of accounting changes as well as Net income increased by ¥18,932 million ($142 million). Sony's operating loss and Loss before income taxes for the three months ended March 31, 2002 decreased by ¥5,225 million ($39 million) and Loss before cumulative effect of accounting changes as well as Net loss decreased by ¥4,939million ($37 million).

Amounts previously reported for Income before cumulative effect of accounting changes, Net income and basic and diluted earnings per share (EPS) for the year and three months ended March 31, 2001 are reconciled to amounts adjusted to exclude the amortization expense related to goodwill and indefinite-lived intangible assets as follows:

(Millions of yen, except per share amounts)

| | Year ended March 31,2001 | Three months ended March 31,2001 |
|---|---|---|
| Reported Income before cumulative effect of accounting changes | ¥ 121,227 | |
| Add back: | | |
| Goodwill amortization | 14,968 | |
| Intangible asset amortization | 2,348 | |
| Adjusted Income before cumulative effect of accounting changes | ¥ 138,543 | |
| Reported Net income | ¥ 16,754 | ¥ 15,762 |
| Add back: | | |
| Goodwill amortization | 14,968 | 4,372 |
| Intangible asset amortization | 2,348 | 587 |
| Adjusted Net income | ¥ 34,070 | ¥ 20,721 |
| Per share data: | | |
| Income before cumulative effect of accounting changes | | |
| Reported Basic EPS | ¥ 132.64 | |
| Add back: | | |
| Goodwill amortization | 16.38 | |
| Intangible asset amortization | 2.57 | |
| Adjusted Basic EPS | ¥ 151.59 | |
| Reported Diluted EPS | ¥ 124.36 | |
| Add back: | | |
| Goodwill amortization | 15.05 | |
| Intangible asset amortization | 2.36 | |
| Adjusted Diluted EPS | ¥ 141.77 | |

| | | | | |
|---|---|---|---|---|
| Net income | | | | |
| Reported Basic EPS | ¥ | 18.33 | ¥ | 17.20 |
| Add back: | | | | |
| Goodwill amortization | | 16.38 | | 4.77 |
| Intangible asset amortization | | 2.57 | | 0.64 |
| Adjusted Basic EPS | ¥ | 37.28 | ¥ | 22.61 |
| | | | | |
| Reported Diluted EPS | ¥ | 19.28 | ¥ | 16.46 |
| Add back: | | | | |
| Goodwill amortization | | 15.05 | | 4.40 |
| Intangible asset amortization | | 2.36 | | 0.59 |
| Adjusted Diluted EPS | ¥ | 36.69 | ¥ | 21.45 |

Accounting for “consideration” to a reseller

In the fourth quarter ended March 31,2002, Sony adopted Emerging Issues Task Force (“EITF”) Issue No.00-25, “Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor’s Products ” issued by Emerging Issues Task Force of Financial Accounting Standards Board, effective as of April 1,2001. As a result, certain “considerations” which were previously recorded in selling, general and administrative expenses are now recorded as reduction of net sales. The adoption of EITF Issue No.00-25 did not have a material effect on Sony’s consolidated financial statements.

**Other Consolidated Financial Data**

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

| | Year ended March 31 | | | |
|---|---|---|---|---|
| | 2001 | **2002** | Change | **2002** |
| Capital expenditures (additions to fixed assets) | ¥ 465,209 | **¥ 326,734** | -29.8% | **$ 2,457** |
| Depreciation and amortization expenses* | 348,268 | **354,135** | +1.7 | **2,663** |
| (Depreciation expenses for tangible assets) | (270,252) | **(297,581)** | (+10.1) | **(2,237)** |
| R&D expenses | 416,708 | **433,214** | +4.0 | **3,257** |

| | Three months ended March 31 | | | |
|---|---|---|---|---|
| | 2001 | **2002** | Change | **2002** |
| Capital expenditures (additions to fixed assets) | ¥ 204,970 | **¥ 72,140** | -64.8% | **$ 542** |
| Depreciation and amortization expenses* | 98,200 | **91,956** | -6.4 | **691** |
| (Depreciation expenses for tangible assets) | (78,207) | **(81,935)** | (+4.8) | **(616)** |
| R&D expenses | 118,260 | **107,931** | -8.7 | **812** |

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

**Condensed Financial Services Balance Sheet (Unaudited)**

The following schedule shows unaudited condensed balance sheets for the Financial Services and for Sony without Financial Services. While this presentation is not required under U.S. GAAP used in Sony's consolidated financial statements, because the Financial Services is different in nature from Sony's Electronics, Game, Music, and Pictures segment, Sony believes that this type of comparative presentation helps the understanding and analysis of Sony's consolidated balance sheet.

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

| | Financial Services | | | Sony without Financial Services | | |
|---|---|---|---|---|---|---|
| | March 31 | | | March 31 | | |
| | 2001 | **2002** | **2002** | 2001 | **2002** | **2002** |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | ¥ 307,245 | **¥ 327,262** | **$ 2,460** | ¥ 300,000 | **¥ 356,538** | **$ 2,681** |
| Marketable securities | 77,905 | **157,363** | **1,183** | 12,189 | **4,784** | **36** |
| Other current assets | 146,967 | **142,051** | **1,069** | 2,716,845 | **2,412,799** | **18,141** |
| Investments and advances | 1,104,739 | **1,388,556** | **10,440** | 405,312 | **420,226** | **3,160** |
| Investments in Financial Services | — | **—** | **—** | 160,189 | **170,189** | **1,280** |
| Deferred insurance acquisition costs | 270,022 | **308,204** | **2,317** | — | **—** | **—** |
| Other long-lived assets | 167,356 | **172,616** | **1,298** | 2,567,381 | **2,702,352** | **20,318** |
| | ¥2,074,234 | **¥2,496,052** | **$ 18,767** | ¥6,161,916 | **¥6,066,888** | **$ 45,616** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | |
| Deposits from customers in the banking business | ¥ — | **¥ 106,472** | **$ 801** | ¥ — | **¥ —** | **$ —** |
| Future insurance policy benefits and other | 1,366,013 | **1,680,418** | **12,635** | — | **—** | **—** |
| Other liabilities and minority interest in consolidated subsidiaries | 404,019 | **390,976** | **2,939** | 3,987,328 | **3,834,544** | **28,831** |
| Total liabilities and Minority interest in consolidated subsidiaries | 1,770,032 | **2,177,866** | **16,375** | 3,987,328 | **3,834,544** | **28,831** |
| Stockholders' equity | 304,202 | **318,186** | **2,392** | 2,174,588 | **2,232,344** | **16,785** |
| | ¥2,074,234 | **¥2,496,052** | **$ 18,767** | ¥6,161,916 | **¥6,066,888** | **$ 45,616** |