

The Sony logo is displayed in white, bold, uppercase letters against a solid orange background.

# Third Quarter FY2004

## Consolidated Results

(Three months ended December 31, 2004)

*Sony Corporation Investor Relations*

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## Q3 FY04 Earnings Highlights

Pictures and Financial Services segments achieved growth in Q3 FY04 operating income, while Game and Electronics segments declined

The PlayStation Portable ("PSP") handheld video game system was launched in Japan – 510,000 hardware and 1.3 mln software units shipped by Dec 31



Highly successful *Spider-Man 2* and *Seinfeld* DVD/VHS combine for more than 30 mln unit shipments in the quarter

SMEJ results were strong with #1 market share, and Sony BMG recorded net profit inclusive of restructuring costs



Sony Ericsson achieved a 56% growth in number of units shipped and a 204% increase in income before taxes

Recent improved profit performance and outlook at certain US subsidiaries allowed a reversal of valuation allowances against deferred tax assets which lowered tax expense and caused net income to increase significantly

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## Q3 FY04 Consolidated Results

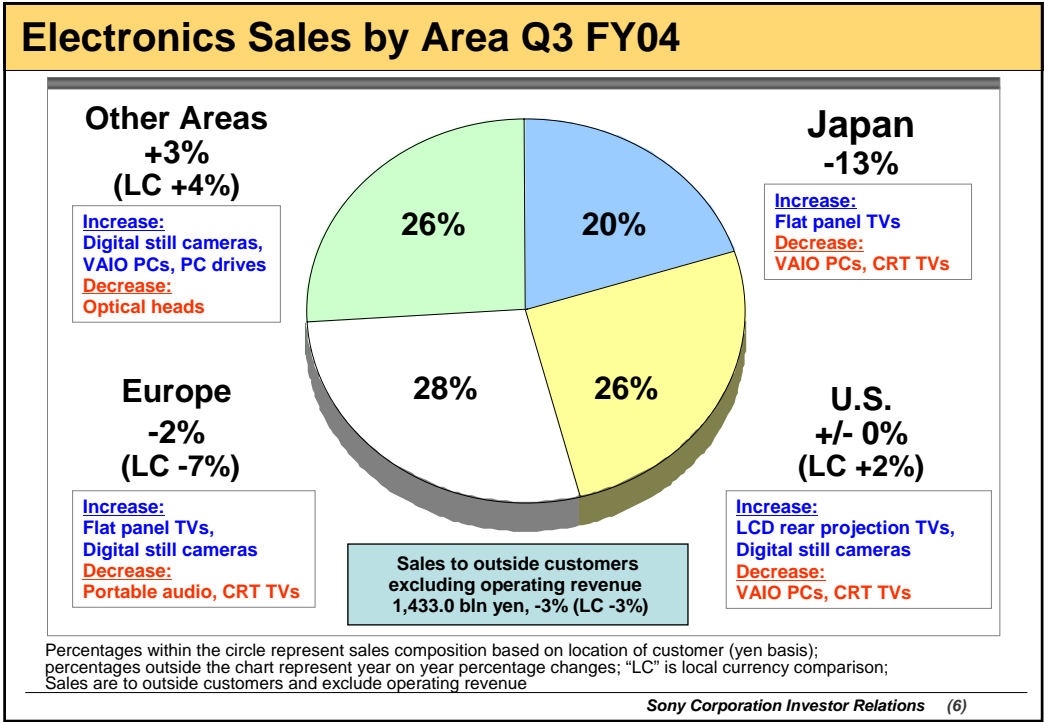
	Q3 FY03	Q3 FY04	Change	Change (LC basis*)
				(bln yen)
Sales & operating revenue	2,323.4	2,148.2	-7.5 %	-8 %
Operating income	158.8	138.2	-13.0 %	-19 %
Income before income taxes	157.8	149.2	-5.4 %	
Equity in net income of affiliates	3.1	2.3	-23.5 %	
Net income	92.6	143.8	+55.3 %	
Restructuring charges**	53.6	10.5	-43.1 bln yen	
<b>Foreign exchange impact</b>				
	Average Rate	Q3 FY03	Q3 FY04	
Sales & operating revenue:				
approx. +3.3 bln yen	1\$	108 yen	105 yen	
Operating income:				
approx. +9.5 bln yen	1 Euro	128 yen	136 yen	

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

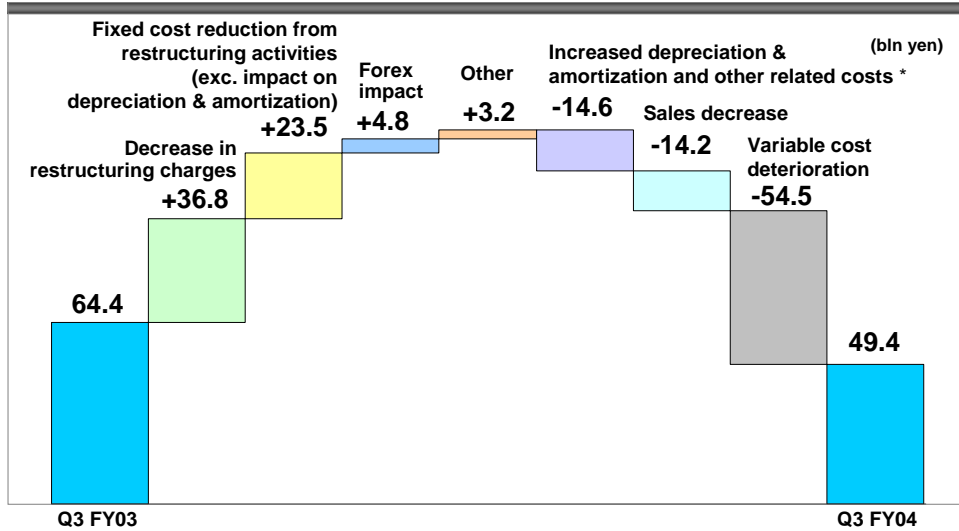
\*\* Restructuring charges are incorporated in operating expenses.

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Electronics Q3 FY04		Sony Ericsson	
Sony's Electronics Segment (bln yen)		(bln yen)	
<b>SALES</b>		<b>SALES</b>	
<p>1,524.4 1,510.8 change -0.9% (LC -1%)</p>	<ul style="list-style-type: none"> <li>Increase: flat panel TVs, digital still cameras and LCD rear projection TVs</li> <li>Decrease: CRT TVs, portable audio and optical heads</li> </ul>	<p>183.9 272.7 change* +40%</p>	
<b>OPERATING INCOME</b>		<b>INCOME BEFORE TAXES</b>	
<p>64.4 (4.2%) 49.4 (3.3%) change -23.3% (LC -31%)</p>	<ul style="list-style-type: none"> <li>Operating income decreased due to cost of sales ratio deterioration as a result of decline in unit selling prices</li> <li>Included restructuring charges of 10.4 bln yen in Q3 FY04, compared to 47.2 bln yen in Q3 FY03</li> </ul>	<p>5.9 19.0 change* +204%</p>	
<p>Q3 FY03                      Q3 FY04</p> <p>Includes intersegment transactions; "LC" is local currency comparison; % under operating income is operating margin</p>		<p>Oct-Dec '03    Oct-Dec '04</p> <p>The above sales and income before taxes are the results of 50:50 joint venture Sony Ericsson. Oct-Dec '03 and '04 figures are converted, for convenience, at 1 euro = 128 yen and 136 yen, respectively. *Change(%) is calculated on a euro basis.</p>	
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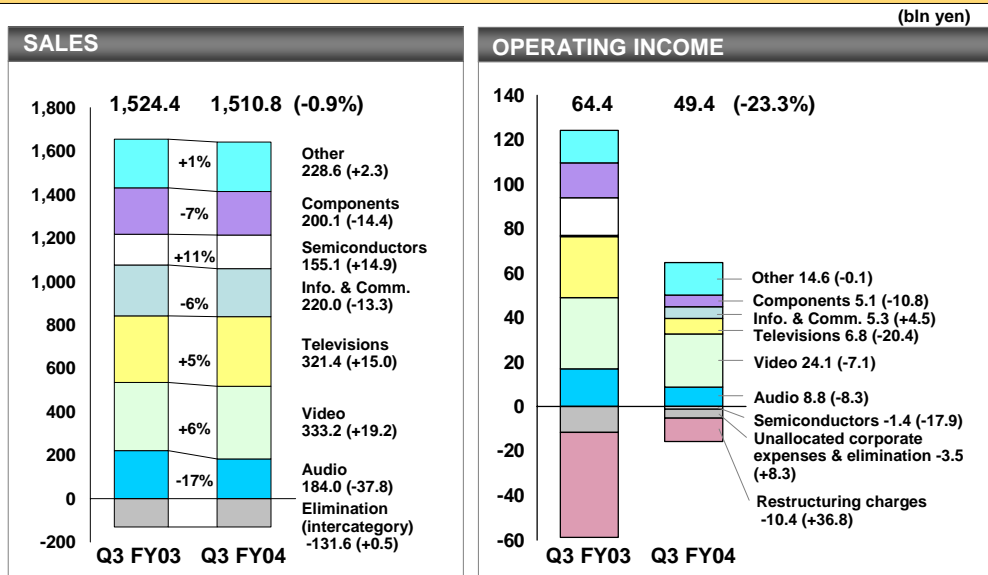
## Electronics Operating Income Breakdown Q3 FY04



\* The basis for the calculation of depreciation, amortization and other related costs for the same quarter of the previous year excludes the impact of the transfer of disc manufacturing from the Music segment in Q2 FY04.

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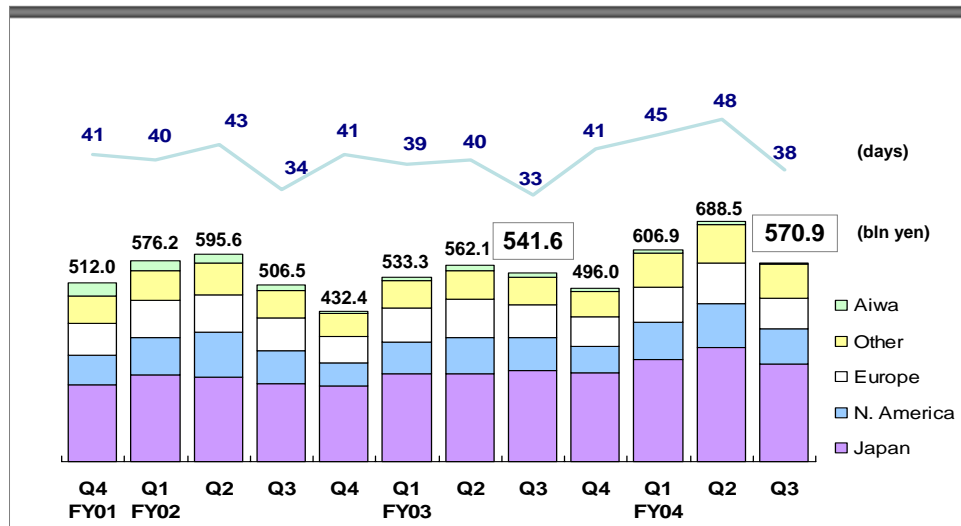
## Electronics Performance by Category Q3 FY04



\* ( ) Change from the same quarter of the previous year in bln yen

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## Electronics Inventory Levels by Area



- Bar graph: Inventory levels (bln yen)
- Line graph: Inventory turnover (average beginning & ending inventory during the quarter divided by average daily sales in the quarter).
- Inventory figures between Q1 FY03 to Q1 FY04 have been restated to reflect business segment changes in Q2 FY04.

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## Sony Ericsson Mobile Communications

 Sony Ericsson		Oct-Dec '04	Change
<b>Number of units shipped</b>	(mln units)	<b>12.6</b>	<b>+56 %</b>
<b>Sales</b>	(mln euros)	<b>2,005</b>	<b>+40 %</b>
<b>Income before taxes</b>		<b>140</b>	<b>+204 %</b>
<b>Net income</b>		<b>55</b>	<b>+28 %</b>
<b>Equity in net income recorded by Sony</b>	(bln yen)	<b>3.1</b>	<b>+11 %</b>

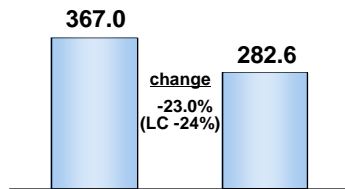
- Sony accounts for Sony Ericsson, a 50:50 joint venture, by the equity method with 50% of net income recorded as equity in net income of affiliates in Sony's consolidated statements of income.
- Operating results of Sony Ericsson are reported on an International Financial Reporting Standards basis, and thereby differ from the operating results reported on a US GAAP basis contained within Sony's equity in net income of affiliated companies.

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## Game Q3 FY04

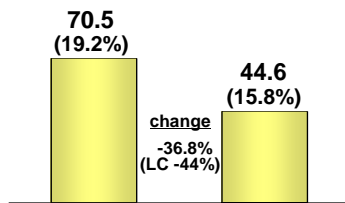
(bln yen)

### SALES



- Hardware: Sales decreased due to lower PS2 unit sales and strategic price reductions in Japan, the U.S. and Europe
- Software: Sales increased due to contribution from PS2 software

### OPERATING INCOME



- Operating income decreased mainly due to the decline in hardware sales revenue, despite the increase in software sales revenue

Q3 FY03

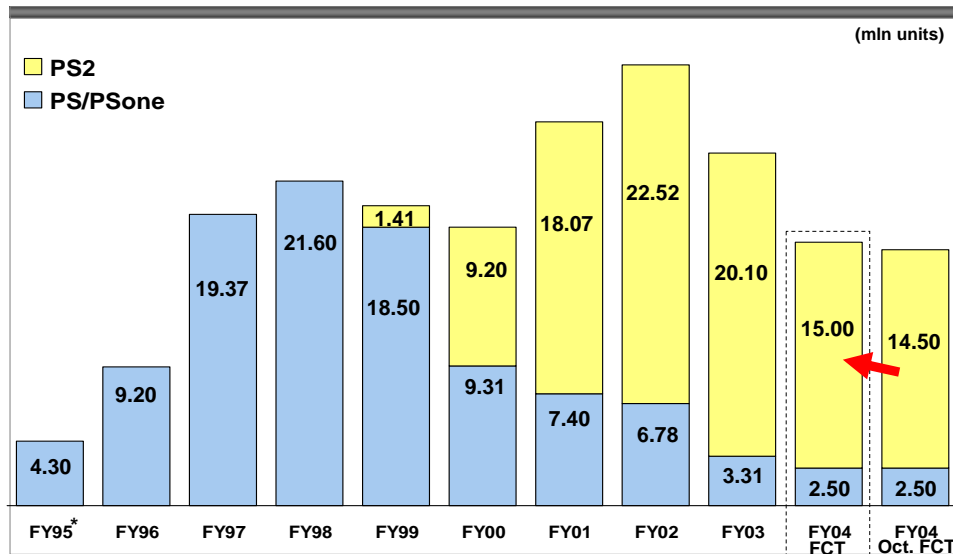
Q3 FY04

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

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## PlayStation H/W Production Shipments & Forecast

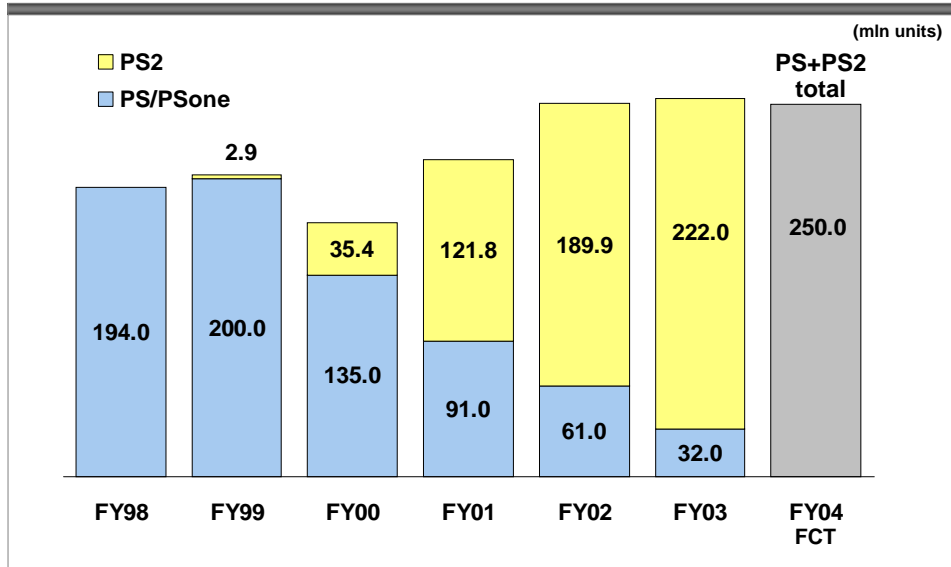
(mln units)



\*Cumulative between Dec '94 to Mar '96

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## PlayStation S/W Production Shipments & Forecast



Sony Corporation Investor Relations (13)

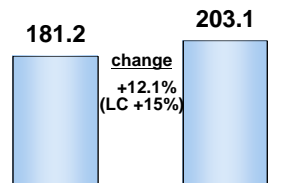
Music Q3 FY04		Sony BMG	
Sony's Consolidated Music Segment (bln yen)		(bln yen)	
<b>SALES</b>		<b>SALES</b>	
<p>141.1 change -60.1% (LC -60%) 56.3</p>	<ul style="list-style-type: none"> <li>Recorded music sales at SMEI were transferred to Sony BMG</li> <li>Sales composition: 86% from SMEJ and remaining 14% from SMEI</li> </ul>	<p>158.2</p>	
<b>OPERATING INCOME</b>		<b>INCOME BEFORE INCOME TAXES</b>	
<p>16.1 (11.4%) change -25.6% (LC -26%) 12.0 (21.2%)</p>	<ul style="list-style-type: none"> <li>SMEJ income increased on higher sales and an improved cost of sales ratio</li> </ul>	<p>3.7 Oct-Dec '04</p>	<p>Above sales and income before income taxes are the results of Sony's 50:50 joint venture Sony BMG and figures are converted at 1 US\$ = 105 yen. Above income before income taxes included restructuring charges of \$168 mln (approximately 17.6 bln yen).</p>
Includes intersegment transactions; "LC" is local currency comparison; % under operating income is operating margin			

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## Pictures Q3 FY04

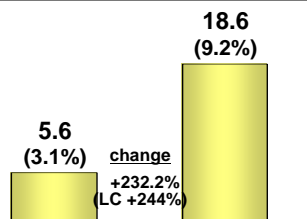
(bln yen)

### SALES



- *Spider-Man 2* and *Seinfeld* led strong home entertainment revenues

### OPERATING INCOME



- *Spider-Man 2* home entertainment and the theatrical performance of *The Grudge* contributed to higher operating income

Q3 FY03

Q3 FY04

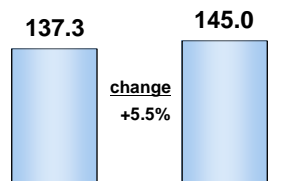
Includes intersegment transactions; "LC" is local currency comparison; % under operating income is operating margin

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## Financial Services Q3 FY04

(bln yen)

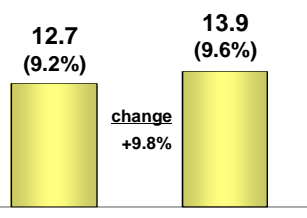
### FINANCIAL SERVICES REVENUE



- Revenue increased due to an increase in revenue at Sony Life

**Sony Life Revenue**  
Q3 FY04: 121.8 bln yen (+3.6%)

### OPERATING INCOME



- Operating income increased mainly due to an improvement in profitability at Sony Bank

**Sony Life Operating Income**  
Q3 FY04: 14.0 bln yen (+2.0%)

Q3 FY03

Q3 FY04

Includes intersegment transactions; % under operating income is operating margin

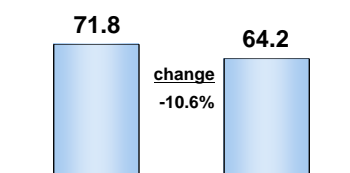
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## Other Q3 FY04

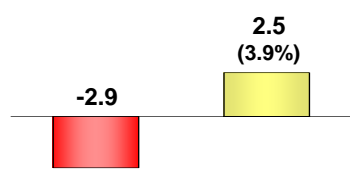
(bln yen)

### SALES



- Primary factor was a decrease in intersegment sales due to contract changes at a Japanese subsidiary involved in the advertising agency business

### OPERATING INCOME (LOSS)



- Improvement was mainly due to the sales of a retail and showroom building in Japan, and from cost reductions at several businesses in the segment, including Sony Communication Network

Q3 FY03

Q3 FY04

Includes intersegment transactions; % under operating income is operating margin

Sony Corporation Investor Relations (17)

## Forecast for FY04 Consolidated Results

As of January 27, 2005	FY03	FY04 Fct	Change	(bln yen)
<b>Sales &amp; operating revenue</b>	<b>7,496.4</b>	<b>7,150.0</b>	<b>-5%</b>	
<b>Operating income</b>	<b>98.9</b>	<b>110.0</b>	<b>+11%</b>	
<b>Income before income taxes</b>	<b>144.1</b>	<b>140.0</b>	<b>-3%</b>	
Equity in net income of affiliates	1.7	24.0	+1,312%	
<b>Net income</b>	<b>88.5</b>	<b>150.0</b>	<b>+69%</b>	
<b>Restructuring charges*</b>	<b>168.1</b>	<b>100.0</b>	<b>-41%</b>	
<b>Capital Expenditures**</b>	<b>378.3</b>	<b>370.0</b>	<b>-2%</b>	
(for semiconductors)	175.0	160.0	-9%	
<b>Depreciation &amp; Amortization***</b>	<b>366.3</b>	<b>370.0</b>	<b>+1%</b>	
(depreciation for tangible assets)	286.9	290.0	+1%	
<b>Research &amp; Development Expense</b>	<b>514.5</b>	<b>550.0</b>	<b>+7%</b>	
<b>Foreign Exchange Rate</b>	<i>FY03 Actual</i>	<i>Q4 FY04 Assumption</i>		
1 \$	112 yen	approx. 103 yen		
1 Euro	131 yen	approx. 136 yen		

\* Restructuring charges are included within operating income.

\*\* Includes downward revision of 40 bln yen from the previous forecast, of which 30 bln yen is for semiconductors.

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

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## Platforms for Future Improvement

### 1. Strengthening our Display business

Differentiating our SXRD and LCD TV products  
 Strengthening our small- and mid-sized lineup  
 Improving our cost-competitiveness



LCD TV



SXRD RPJ

### 2. Strengthening our Digital Imaging business

Bringing HD to the video camera market  
 Expanding our DVD camcorder lineup  
 Proposing new product groups



HDV-Cam



DVD-Cam



New DSC

### 3. Establishing the Connect Company

Launching a worldwide download business  
 encompassing service, content, and hardware

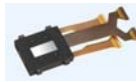


Network WM



### 4. Investing in Semiconductors and Key Devices

Continuing our investment in semiconductors and key devices, the "core engine" for generating added value and product differentiation



SXRD Device



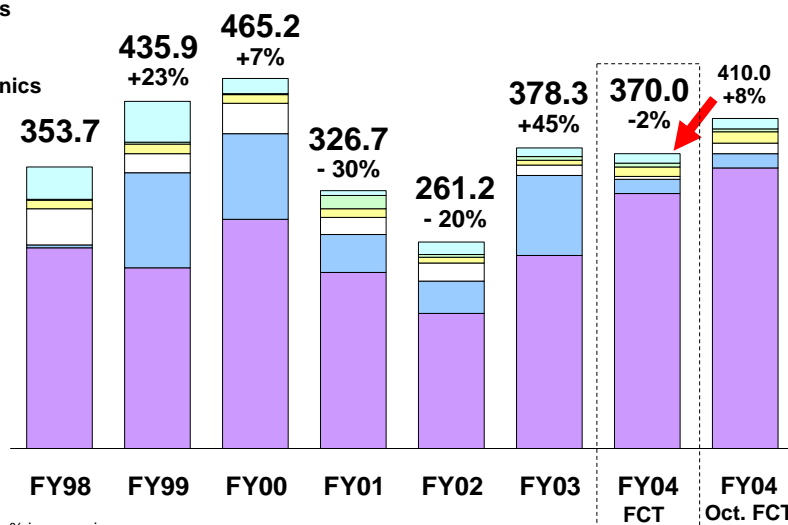
LCD-Driver

Sony Corporation Investor Relations

## FY04 Capital Expenditures Forecast



(bln yen)



% is over prior year

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## FY04 Depreciation & Amortization Forecast

(bln yen)

- Others
- Pictures
- Music
- Game
- Electronics

