

**Consolidated Financial Results
for the Second Quarter Ended September 30, 2007**

Tokyo, October 25, 2007 -- Sony Corporation today announced its consolidated results for the second quarter of the fiscal year ending March 31, 2008 (July 1, 2007 to September 30, 2007).

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

Second quarter ended September 30

	2006	2007	Change in yen	2007*
Sales and operating revenue	¥1,854.2	¥2,083.0	+12.3%	\$18,113
Operating income (loss)	(20.8)	90.5	-	787
Income (loss) before income taxes	(26.1)	87.9	-	765
Equity in net income of affiliated companies	19.7	21.1	+7.2	184
Net income	1.7	73.7	+4,287.8	641
Net income per share of common stock				
— Basic	¥1.68	¥73.50	+4,275.0	\$0.64
— Diluted	1.60	70.09	+4,280.6	0.61

Unless otherwise specified, all amounts are presented on the basis of Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP").

** U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥115=U.S.\$1, the approximate Tokyo foreign exchange market rate as of September 28, 2007.*

Consolidated Results for the Second Quarter Ended September 30, 2007

Sales and operating revenue ("sales") increased 12.3% (a 9% increase on a local currency basis) compared with the same quarter of the previous fiscal year ("year-on-year"). (For all references herein to sales on a local currency basis, see Note on page 8.)

Electronics segment sales increased 20.7% (a 17% increase on a local currency basis). Products such as BRAVIA™ LCD televisions, VAIO™ PCs and Cyber-shot™ digital cameras contributed to the sales increase; however, sales declined for products such as LCD rear-projection televisions. In the Game segment, sales increased 42.9% year-on-year primarily as a result of the contribution to sales from PLAYSTATION®3 ("PS3"), which was released during the second half of the last fiscal year. In the Pictures segment, there was a 6.4% increase in sales primarily due to higher sales of theatrically released and made-for-television movies in the television market. In the Financial Services segment, revenue decreased by 6.3% year-on-year mainly due to a deterioration in net gains from investments in the separate account and in net valuation gains from convertible bonds in the general account at Sony Life Insurance Co., Ltd. ("Sony Life").

Operating income was ¥90.5 billion (\$787 million) compared to an operating loss of ¥20.8 billion in the second quarter of the previous fiscal year.

In the Electronics segment, operating income increased significantly year-on-year mainly due to a ¥51.2 billion provision recorded in the second quarter of the previous fiscal year for charges related to recalls by certain notebook computer makers and the subsequent global replacement program by Sony and certain notebook computer makers involving battery packs containing Sony-manufactured battery cells. In addition, an increase in sales of semiconductors to the Game segment and the positive impact from the depreciation of the yen against the U.S. dollar and the euro contributed to the increase. In the Game segment, operating loss increased primarily due to the loss arising from strategic pricing of PS3 at points lower than its production cost. In the Pictures segment, operating income improved mainly due to lower marketing expenses as a result of a decrease in the number of theatrical releases during the current quarter. In the Financial Services segment, there was a decrease in operating income mainly attributable to the deterioration in net valuation gains from convertible bonds in the general account at Sony Life. Operating income for the current quarter also includes a gain on the sale of a portion of the site of Sony's former headquarters of ¥60.7 billion (\$528 million).

Restructuring charges, which amounted to ¥18.5 billion (\$161 million) for the quarter compared to ¥5.3 billion for the same quarter of the previous fiscal year, were recorded as operating expenses this quarter. Substantially all of these restructuring charges in both years relate to the Electronics segment.

Income before income taxes was ¥87.9 billion (\$765 million) compared to a loss before income taxes of ¥26.1 billion in the same quarter of the prior fiscal year. Despite an increase of loss on devaluation of securities investments, there was a slight improvement in the net effect of other income and expenses primarily due to the recording of a net foreign exchange gain in the current quarter versus the net foreign exchange loss recorded in the same quarter of the previous fiscal year.

Income taxes: During the current quarter, Sony recorded ¥34.9 billion (\$304 million) of income taxes resulting in an effective tax rate of 39.7%.

Equity in net income of affiliated companies increased 7.2% year-on-year to ¥21.1 billion (\$184 million). Sony recorded equity in net income for Sony Ericsson Mobile Communications AB ("Sony Ericsson") of ¥21.1 billion (\$183 million), a decrease of ¥0.7 billion year-on-year. Sony recorded equity in net loss of ¥0.5 billion (\$4 million) for SONY BMG MUSIC ENTERTAINMENT ("SONY BMG"), an improvement of ¥1.8 billion compared to the same quarter of the previous fiscal year, primarily due to lower marketing, overhead and restructuring costs. Equity in net loss of ¥0.5 billion (\$5 million) was recorded for S-LCD Corporation ("S-LCD"), a joint-venture with Samsung Electronics Co., Ltd., compared to equity in net income of ¥2.9 billion in the same quarter of the previous fiscal year.

Sony did not record any equity gain or loss for Metro-Goldwyn-Mayer Inc. ("MGM") in the current quarter compared to equity in net loss of ¥2.8 billion recorded in the same quarter of the prior fiscal year. As of March 31, 2007, Sony no longer has any book basis in MGM and accordingly, no additional losses are recorded.

As a result of the changes in the items discussed above, **net income** increased ¥72.0 billion year-on-year to ¥73.7 billion (\$641 million).

Operating Performance Highlights by Business Segment

“Sales and operating revenue” in each business segment represents sales and operating revenue recorded before intersegment transactions are eliminated. “Operating income (loss)” in each business segment represents operating income (loss) recorded before intersegment transactions and unallocated corporate expenses are eliminated.

Electronics

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

Second quarter ended September 30

	2006	2007	Change in yen	2007
Sales and operating revenue	¥1,378.4	¥1,663.1	+20.7%	\$14,461
Operating income	8.0	106.9	+1,231.6%	930

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

Sales increased by 20.7% year-on-year (a 17% increase on a local currency basis). Sales to outside customers increased 11.7% year-on-year. There was an increase in sales of products including BRAVIA LCD televisions, which experienced higher sales in all regions, VAIO PCs, which recorded favorable sales outside of Japan, and Cyber-shot digital cameras, which experienced favorable sales in all regions. On the other hand, there was a decrease in sales of products including LCD rear-projection televisions, the market for which is shrinking. There was also a significant increase in intersegment sales mainly due to increased sales of semiconductors to the Game segment.

Operating income of ¥106.9 billion (\$930 million) was recorded, a 1,231.6% increase year-on-year. This was primarily the result of a ¥51.2 billion provision recorded in the second quarter of the previous fiscal year for charges related to the notebook computer battery pack recalls and subsequent global replacement program, as well as an increase in sales and a positive impact from the depreciation of the yen against the U.S. dollar and the euro. With regard to products within the Electronics segment, the improvement was mainly attributable to system LSIs, which saw an increase in sales of semiconductors for PS3, VAIO PCs, and Cyber-shot digital cameras. This was partially offset by a decrease in contribution from other products including LCD rear-projection televisions.

Inventory, as of September 30, 2007, was ¥1,006.6 billion (\$8,753 million), which increased ¥35 billion, or 3.6%, compared with the level as of September 30, 2006 and an increase of ¥78.2 billion, or 8.4%, compared with the level as of June 30, 2007.

Operating Results for Sony Ericsson Mobile Communications AB

The following operating results for Sony Ericsson, which is accounted for by the equity method, are not consolidated in Sony's consolidated financial statements. However, Sony believes that this disclosure provides additional useful analytical information to investors regarding operating performance.

(Millions of euro)

Quarter ended September 30

	2006	2007	Change in euro
Sales and operating revenue	€2,913	€3,108	+7%
Income before income taxes	433	384	-11
Net income	298	267	-10

Sales for the current quarter increased by 7% year-on-year. Results were boosted by sales of successful models such as Walkman® and Cyber-shot phones. Income before income taxes for the current quarter was

€384 million, representing a year-on-year decrease of 11%, which reflects the exceptional quarter Sony Ericsson experienced in 2006. Sony recorded equity in net income of ¥21.1 billion (\$183 million) for the current quarter.

Game

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

Second quarter ended September 30

	2006	2007	Change in yen	2007
Sales and operating revenue	¥170.3	¥243.4	+42.9%	\$2,117
Operating income (loss)	(43.5)	(96.7)	-	(841)

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

Sales increased 42.9% year-on-year (a 38% increase on a local currency basis).

Hardware: Overall hardware sales increased as a result of the contribution to sales from PS3, which was released during the second half of last fiscal year, in addition to increased unit sales of PSP® (PlayStation®Portable) (“PSP”), of which a new slimmer, lighter model was released. Sales of PlayStation®2 (“PS2”) were essentially unchanged year-on-year.

Software: Despite the contribution from PS3 software sales, overall software sales decreased as a result of a decrease in PS2 and PSP software sales.

An **operating loss** of ¥96.7 billion (\$841 million) was recorded, a ¥53.2 billion deterioration year-on-year. This deterioration was primarily due to the loss arising from the strategic pricing of PS3 at points lower than its production cost and the increase in PS3-related inventory write-downs recorded during the current quarter compared to the same quarter of the previous year.

Worldwide hardware unit sales (increase/decrease year-on-year):*

- PS2: 3.28 million units (a decrease of 0.13 million units)
- PSP: 2.58 million units (an increase of 0.56 million units)
- PS3: 1.31 million units

Worldwide software unit sales (decrease year-on-year):*

- PS2: 38.0 million units (a decrease of 9.2 million units)
- PSP: 12.6 million units (a decrease of 0.6 million units)
- PS3: 10.3 million units

*Beginning with the quarter ended June 30, 2007, the method of reporting hardware and software unit sales has been changed from production shipments to recorded sales.

Inventory, as of September 30, 2007, was ¥247.8 billion (\$2,155 million), which represents a ¥59.7 billion, or 31.7%, increase compared with the level as of September 30, 2006. This increase was primarily due to the buildup of finished goods inventory following the introduction of the PS3 platform in Japan, North America, and Europe. Inventory increased by ¥20.8 billion, or 9.2%, compared with the level as of June 30, 2007.

Pictures

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

Second quarter ended September 30

	2006	2007	Change in yen	2007
Sales and operating revenue	¥178.2	¥189.6	+6.4%	\$1,649
Operating income (loss)	(15.3)	2.7	-	23

Unless otherwise specified, all amounts are reported on a U.S. GAAP basis. 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. 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 increased 6.4% year-on-year (a 5% increase on a U.S. dollar basis). Sales increased primarily due to higher sales of theatrically released and made-for-television movies in the television market, as well as higher advertising and subscription revenues from several of SPE’s international channels. This was partially offset by a decrease in theatrical revenues due to fewer films released in the second quarter of the current fiscal year as compared to the same quarter of the prior year. The film that contributed most significantly to revenue during the quarter was *Superbad*.

Operating income of ¥2.7 billion (\$23 million) was recorded as compared to an operating loss of ¥15.3 billion in the same quarter of the previous fiscal year. Operating income benefited from lower marketing expenses due to the fewer number of theatrical releases in the current quarter as well as higher sales of theatrically released and made-for-television movies in the television market, and higher advertising and subscription revenues from several of SPE’s international channels. The results for the current quarter were negatively impacted by the U.S. theatrical underperformance of *Across The Universe*.

Financial Services

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

Second quarter ended September 30

	2006	2007	Change in yen	2007
Financial service revenue	¥168.1	¥157.5	-6.3%	\$1,370
Operating income	24.6	23.1	-5.8	201

In Sony's Financial Services segment, results include Sony Financial Holdings Inc. (“SFH”), Sony Life, Sony Assurance Inc., Sony Bank Inc. and Sony Finance International Inc. Also, unless otherwise specified, all amounts are reported on a U.S. GAAP basis. Therefore, the results of Sony Life shown below differ from the results that SFH and Sony Life disclose on a Japanese statutory basis.

Financial service revenue decreased 6.3% year-on-year due to a decrease in revenue at Sony Life. Revenue at Sony Life was ¥124.5 billion (\$1,083 million), a ¥19.7 billion or 13.6% decrease year-on-year. The main reason for this lower revenue was a deterioration in net gains from investments in the separate account and in net valuation gains from convertible bonds in the general account reflecting a decrease in the stock market this quarter compared with a rise in the market in the same quarter of the previous fiscal year, while there was an increase in insurance premium revenue reflecting an increase in policy amounts in force.

Operating income decreased 5.8% year-on-year as a result of a decrease at Sony Life. Operating income at Sony Life was ¥17.7 billion (\$154 million), a ¥7.9 billion, or 30.9% decrease year-on-year. This decrease was mainly due to a deterioration in net valuation gains from convertible bonds in the general account, which more than offset the positive impact from increased insurance premium revenue at Sony Life.

On October 11, 2007, in connection with the global initial public offering of shares of SFH, the shares of SFH were listed for trading on the First Section of the Tokyo Stock Exchange. Following this global offering, SFH remains a consolidated subsidiary with Sony Corporation as the majority shareholder.

All Other

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

Second quarter ended September 30

	2006	2007	Change in yen	2007
Sales and operating revenue	¥81.5	¥95.2	+16.8%	\$828
Operating income	6.5	10.8	+65.9	94

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

Sales increased 16.8% year-on-year. This increase was mainly due to an increase in album sales year-on-year at Sony Music Entertainment (Japan) Inc. (“SMEJ”) as well as the consolidation of the U.S. music publishing company Famous Music LLC (“Famous Music”) beginning in the current quarter. This business was acquired by Sony’s U.S.-based music publishing subsidiary, Sony/ATV Music Publishing LLC (“Sony/ATV”).

SMEJ’s best-selling albums during the current quarter included *ORANGE* and *RANGE* by ORANGE RANGE, *five-star* by YUKI and *TODAY* by Angela Aki.

Operating income increased 65.9% year-on-year. This increase was principally a result of the increased sales recorded at SMEJ, an increase in trademark royalty income from Sony Ericsson, as well as higher fee revenue from new broadband subscribers at So-net Entertainment Corporation.

Operating Results for SONY BMG MUSIC ENTERTAINMENT

The following operating results for SONY BMG, which is accounted for by the equity method, are not consolidated in Sony’s consolidated financial statements. However, Sony believes that this disclosure provides additional useful analytical information to investors regarding operating performance.

(Millions of U.S. dollars)

Quarter ended September 30

	2006	2007	Change in U.S. dollars
Sales and operating revenue	\$948	\$851	-10%
Income (loss) before income taxes	(31)	8	-
Net income (loss)	(39)	(8)	-

During the quarter ended September 30, 2007, sales at SONY BMG decreased by 10% year-on-year due to the continuing decline in the worldwide physical music market, as well as fewer major artist releases in the current year as compared to the prior year. Despite this decline in revenue, SONY BMG recorded income before income taxes of \$8 million, as compared to a loss before income taxes of \$31 million in the prior year primarily due to lower marketing, overhead and restructuring costs. Income before income taxes includes \$18 million of restructuring charges, a decrease of \$21 million year-on-year. As a result of a number of discrete items recorded in the quarter, including a reduction of deferred tax assets in Germany as a result of a recent tax rate change and a number of return to provision adjustments, SONY BMG recorded a net loss of \$8 million. Sony’s 50% share of the net loss amounting to ¥0.5 billion (\$4 million) was recorded as equity in net income (loss) of affiliated companies. Best selling albums during the quarter included Bruce Springsteen’s *Magic*, Foo Fighters’ *Echoes, Silence, Patience & Grace*, and Kenny Chesney’s *Just Who I Am: Poets & Pirates*.

In August 2004, Sony combined its music business outside Japan with the recorded music business of Bertelsmann AG, forming SONY BMG, upon approval from, among others, the European Commission competition authorities. On December 3, 2004, an association of independent recorded music companies applied for annulment of the decision to clear the merger. On July 13, 2006, the Court of First Instance overruled the Commission's decision to allow the merger to go forward, requiring the Commission to re-examine the merger. On October 3, 2007, the Commission completed its re-examination of the merger and rendered a decision confirming the conclusion reached in 2004 that the transaction raised no competition concerns.

Cash Flows

The following charts show Sony's unaudited condensed statements of cash flows for all segments excluding the Financial Services segment and for the Financial Services segment alone. These separate condensed presentations are not required under U.S. GAAP, which is used in Sony's consolidated financial statements. However, because the Financial Services segment is different in nature from Sony's other segments, Sony believes that these presentations may be useful in understanding and analyzing Sony's consolidated financial statements.

Cash Flows - Consolidated (Excluding Financial Services segment)

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

Six months ended September 30

Cash flows	2006	2007	Change in yen	2007
- From operating activities	¥(191.2)	¥(130.5)	¥+60.7	\$(1,135)
- From investing activities	(217.5)	(154.3)	+63.2	(1,342)
- From financing activities	191.2	219.4	+28.2	1,907
Cash and cash equivalents at beginning of the fiscal year	585.5	522.9	-62.6	4,547
Cash and cash equivalents at September 30	363.9	455.1	+91.2	3,958

Operating Activities: During the six months ended September 30, 2007, although net income was recorded, cash flows from operating activities resulted in a net use of cash due to an increase in inventory mainly within the Electronics and Game segments in preparation for the year-end sales season.

Investing Activities: During the six months ended September 30, 2007, although cash was generated from the sale of a portion of the site of Sony's former headquarters, cash was used for the purchase of fixed assets, principally semiconductor fabrication equipment, within the Electronics segment and the acquisition of U.S. music publishing company Famous Music by Sony/ATV.

As a result, total net cash used by operating activities and used in investing activities during the six months ended September 30, 2007 was ¥284.9 billion (\$2,477 million).

Financing Activities: During the six months ended September 30, 2007, financing was carried out principally through the issuance of commercial paper. These sources were partially offset by cash used to redeem straight bonds and for dividend payments.

Cash and Cash Equivalents: As a result of the above factors, and taking into account the effect of foreign currency exchange rate fluctuations, the total balance of cash and cash equivalents was ¥455.1 billion (\$3,958 million) at September 30, 2007, a decrease of ¥67.7 billion compared to March 31, 2007 and an increase of ¥91.2 billion compared to September 30, 2006.

Cash Flows - Financial Services segment

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

Six months ended September 30

Cash flows	2006	2007	Change in yen	2007
- From operating activities	¥121.8	¥67.1	¥-54.7	\$584
- From investing activities	(113.2)	(388.7)	-275.5	(3,379)
- From financing activities	65.2	216.4	+151.2	1,881
Cash and cash equivalents at beginning of the fiscal year	117.6	277.0	+159.4	2,408
Cash and cash equivalents at September 30	191.4	171.9	-19.6	1,494

Operating Activities: Net cash provided by operating activities was generated due to an increase in revenue from insurance premiums, primarily reflecting an increase in policy amounts in force at Sony Life.

Investing Activities: Payments for investments and advances mainly carried out at Sony Life exceeded proceeds from maturities of marketable securities, sales of securities investments and collections of advances.

Financing Activities: In addition to an increase in policyholders' accounts at Sony Life, there was an increase in deposits from customers in the banking business.

Cash and Cash Equivalents: As a result of the above, the balance of cash and cash equivalents was ¥171.9 billion (\$1,494 million) at September 30, 2007, a decrease of ¥105.2 billion compared to March 31, 2007 and a decrease of ¥19.6 billion compared to September 30, 2006.

Note

During the quarter ended September 30, 2007, the average value of the yen was ¥116.9 against the U.S. dollar and ¥160.4 against the euro, which was 1.4% lower against the U.S. dollar and 8.6% lower against the euro, compared with the average rates for the same quarter of the previous fiscal year. Sales on a local currency basis described herein reflect sales obtained by applying the yen's monthly average exchange rate in the same quarter of the previous fiscal year to local currency-denominated monthly sales in the current quarter. Sales on a local currency basis are not reflected in Sony's financial statements and are not measures conforming with U.S. GAAP. In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that sales on a local currency basis provide additional useful analytical information to investors regarding operating performance.

Rewarding Shareholders

Sony believes that continuously increasing corporate value and providing dividends are essential to rewarding shareholders. It is Sony's policy to utilize retained earnings, after ensuring the perpetuation of stable dividends, to carry out various investments that contribute to an increase in corporate value such as those that ensure future growth and strengthen competitiveness.

An interim cash dividend of ¥12.5 (\$0.11) per share (the same as the amount paid in the previous fiscal year) payable as of December 3, 2007 was approved by the Board of Directors today.

Outlook for the Fiscal Year ending March 31, 2008

Sony's consolidated results forecast for the fiscal year ending March 31, 2008, as announced on July 26, 2007, has been revised as per the table below:

	(Billions of yen)			Change from
	<u>Current</u>	<u>Change from</u>	<u>July</u>	<u>March 31, 2007</u>
	<u>Forecast</u>	<u>July Forecast</u>	<u>Forecast</u>	<u>Actual Results</u>
Sales and operating revenue	¥8,980	+2%	¥8,780	+8%
Operating income	450	+2	440	+527
(Restructuring charges				
recorded as operating expenses	45	+29	35	+16)
Income before income taxes	500	+19	420	+390
Equity in net income of				
affiliated companies	90	+13	80	+14
Net income	330	+3	320	+161

Assumed foreign currency exchange rates for the remainder of the fiscal year: approximately ¥115 to the U.S. dollar and approximately ¥160 to the euro.

The principal reasons for the revisions are as follows:

1. Second quarter results as a whole exceeded our previous July forecast.
2. Sales are expected to slightly exceed the July forecast for the second half. Regarding the operating income forecast for the second half, we expect lower income in the Game segment as compared to our July forecast and certain additional one-time gains that were not incorporated in our July forecast.
3. A ¥10 billion increase in the forecast for restructuring charges compared to the July forecast mainly attributed to additional impairment charges for manufacturing facilities for rear-projection televisions.
4. In connection with the initial public offering of SFH and its concurrent listing on the Tokyo Stock Exchange discussed above, we expect to record a gain in income before income taxes of approximately ¥75 billion and net income of approximately ¥11 billion in the third quarter. However, we also expect consolidated net income to be offset by the expected increase in minority interest arising from the initial public offering of SFH.
5. A ¥10 billion increase in the forecast of equity in net income of affiliated companies mainly due to better than anticipated results during the start-up period of production of 8th generation LCD panels at S-LCD.

Our forecast for capital expenditures, depreciation and amortization, and research and development expenses, as per the table below, is unchanged from the July 26, 2007 forecast.

	(Billions of yen)	
	<u>Forecast</u>	<u>Change from previous fiscal year</u>
Capital expenditures (additions to fixed assets) *	¥440	+6%
Depreciation and amortization**	430	+7
(Depreciation expenses for tangible assets	350	+11)
Research and development expenses	550	+1

* *Investments in S-LCD are not included within the forecast for capital expenditures.*

** *The forecast for depreciation and amortization includes amortization of intangible assets and amortization of deferred insurance acquisition costs.*

Cautionary Statement

Statements made in this release with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may" or "might" and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Sony cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to (i) the global economic environment in which Sony operates, as well as the economic conditions in Sony's markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; (iii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including newly introduced platforms within the Game segment, which are offered in highly competitive markets characterized by continual new product introductions, rapid development in technology and subjective and changing consumer preferences (particularly in the Electronics, Game and Pictures segments, and the music business); (iv) Sony's ability and timing to recoup large-scale investments required for technology development and increasing production capacity; (v) Sony's ability to implement successfully personnel reduction and other business reorganization activities in its Electronics segment; (vi) Sony's ability to implement successfully its network strategy for its Electronics, Game and Pictures segments, and All Other, including the music business, and to develop and implement successful sales and distribution strategies in its Pictures segment and the music business in light of the Internet and other technological developments; (vii) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to correctly prioritize investments (particularly in the Electronics segment); (viii) Sony's ability to maintain product quality (particularly in the Electronics and Game segments); (ix) the success of Sony's joint ventures and alliances; (x) the outcome of pending legal and/or regulatory proceedings; and (xi) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment. Risks and uncertainties also include the impact of any future events with material adverse impacts.

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(Unaudited)
Consolidated Financial Statements
Consolidated Balance Sheets

ASSETS	(Millions of yen, millions of U.S. dollars)				March 31	
	September 30		September 30		2007	
	2006	2007	Change from 2006		2007	2007
Current assets:						
Cash and cash equivalents	¥ 555,330	¥ 626,984	¥ +71,654	+12.9 %	\$ 5,452	¥ 799,899
Marketable securities	471,332	495,143	+23,811	+5.1	4,306	493,315
Notes and accounts receivable, trade	1,233,207	1,429,133	+195,926	+15.9	12,427	1,490,452
Allowance for doubtful accounts and sales returns	(82,340)	(106,207)	-23,867	+29.0	(924)	(120,675)
Inventories	1,152,646	1,262,152	+109,506	+9.5	10,975	940,875
Deferred income taxes	251,374	257,480	+6,106	+2.4	2,239	243,782
Prepaid expenses and other current assets	636,325	1,029,310	+392,985	+61.8	8,951	699,075
	4,217,874	4,993,995	+776,121	+18.4	43,426	4,546,723
Film costs	370,905	319,936	-50,969	-13.7	2,782	308,694
Investments and advances:						
Affiliated companies	339,702	434,159	+94,457	+27.8	3,775	448,169
Securities investments and other	3,310,692	3,636,241	+325,549	+9.8	31,620	3,440,567
	3,650,394	4,070,400	+420,006	+11.5	35,395	3,888,736
Property, plant and equipment:						
Land	172,242	168,985	-3,257	-1.9	1,469	167,493
Buildings	939,040	992,839	+53,799	+5.7	8,633	978,680
Machinery and equipment	2,437,235	2,555,014	+117,779	+4.8	22,218	2,479,308
Construction in progress	93,568	62,710	-30,858	-33.0	545	64,855
Less-Accumulated depreciation	(2,200,498)	(2,366,962)	-166,464	+7.6	(20,582)	(2,268,805)
	1,441,587	1,412,586	-29,001	-2.0	12,283	1,421,531
Other assets:						
Intangibles, net	213,422	274,229	+60,807	+28.5	2,385	233,255
Goodwill	300,627	306,837	+6,210	+2.1	2,668	304,669
Deferred insurance acquisition costs	389,695	399,244	+9,549	+2.5	3,472	394,117
Deferred income taxes	159,563	231,074	+71,511	+44.8	2,009	216,997
Other	399,578	462,559	+62,981	+15.8	4,022	401,640
	1,462,885	1,673,943	+211,058	+14.4	14,556	1,550,678
	¥ 11,143,645	¥ 12,470,860	¥ +1,327,215	+11.9 %	\$ 108,442	¥ 11,716,362
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Short-term borrowings	¥ 247,953	¥ 303,338	¥ +55,385	+22.3 %	\$ 2,638	¥ 52,291
Current portion of long-term debt	111,620	23,797	-87,823	-78.7	207	43,170
Notes and accounts payable, trade	975,543	1,186,260	+210,717	+21.6	10,315	1,179,694
Accounts payable, other and accrued expenses	908,378	974,155	+65,777	+7.2	8,471	968,757
Accrued income and other taxes	26,810	115,347	+88,537	+330.2	1,003	70,286
Deposits from customers in the banking business	682,717	888,443	+205,726	+30.1	7,726	752,367
Other	490,134	485,296	-4,838	-1.0	4,219	485,287
	3,443,155	3,976,636	+533,481	+15.5	34,579	3,551,852
Long-term liabilities:						
Long-term debt	868,231	1,015,239	+147,008	+16.9	8,828	1,001,005
Accrued pension and severance costs	169,667	180,245	+10,578	+6.2	1,567	173,474
Deferred income taxes	238,021	293,538	+55,517	+23.3	2,553	261,102
Future insurance policy benefits and other	2,880,479	3,182,692	+302,213	+10.5	27,676	3,037,666
Other	267,088	277,055	+9,967	+3.7	2,409	281,589
	4,423,486	4,948,769	+525,283	+11.9	43,033	4,754,836
Minority interest in consolidated subsidiaries	40,259	36,597	-3,662	-9.1	318	38,970
Stockholders' equity:						
Capital stock	625,194	629,243	+4,049	+0.6	5,472	626,907
Additional paid-in capital	1,139,185	1,147,507	+8,322	+0.7	9,978	1,143,423
Retained earnings	1,620,312	1,842,655	+222,343	+13.7	16,023	1,719,506
Accumulated other comprehensive income	(144,619)	(106,542)	+38,077	-26.3	(926)	(115,493)
Treasury stock, at cost	(3,327)	(4,005)	-678	+20.4	(35)	(3,639)
	3,236,745	3,508,858	+272,113	+8.4	30,512	3,370,704
	¥ 11,143,645	¥ 12,470,860	¥ +1,327,215	+11.9 %	\$ 108,442	¥ 11,716,362

Consolidated Statements of Income

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

	Second quarter ended September 30				Fiscal year ended March 31	
	2006	2007	Change from 2006		2007	2007
Sales and operating revenue:						
Net sales	¥ 1,667,547	¥ 1,903,932	¥ +236,385	+14.2 %	\$ 16,556	¥ 7,567,359
Financial service revenue	162,198	151,109	-11,089	-6.8	1,314	624,282
Other operating revenue	24,434	27,996	+3,562	+14.6	243	104,054
	1,854,179	2,083,037	+228,858	+12.3	18,113	8,295,695
Costs and expenses:						
Cost of sales	1,286,412	1,504,207	+217,795	+16.9	13,080	5,889,601
Selling, general and administrative	449,250	410,213	-39,037	-8.7	3,567	1,788,427
Financial service expenses	137,623	125,697	-11,926	-8.7	1,093	540,097
(Gain) loss on sale, disposal or impairment of assets, net	1,727	(47,550)	-49,277	-	(414)	5,820
	1,875,012	1,992,567	+117,555	+6.3	17,326	8,223,945
Operating income (loss)	(20,833)	90,470	+111,303	-	787	71,750
Other income:						
Interest and dividends	4,848	5,235	+387	+8.0	46	28,240
Foreign exchange gain, net	—	7,904	+7,904	-	69	—
Gain on sale of securities investments, net	551	—	-551	-	—	14,695
Gain on change in interest in subsidiaries and equity investees	2,029	14	-2,015	-99.3	0	31,509
Other	5,664	4,528	-1,136	-20.1	39	20,738
	13,092	17,681	+4,589	+35.1	154	95,182
Other expenses:						
Interest	5,974	6,493	+519	+8.7	57	27,278
Loss on devaluation of securities investments	734	9,364	+8,630	+1,175.7	81	1,308
Loss on sales of securities investments, net	—	38	+38	-	0	—
Foreign exchange loss, net	6,036	—	-6,036	-	—	18,835
Other	5,637	4,332	-1,305	-23.2	38	17,474
	18,381	20,227	+1,846	+10.0	176	64,895
Income (loss) before income taxes	(26,122)	87,924	+114,046	-	765	102,037
Income taxes	(7,551)	34,879	+42,430	-	304	53,888
Income (loss) before minority interest and equity in net income of affiliated companies	(18,571)	53,045	+71,616	-	461	48,149
Minority interest in income (loss) of consolidated subsidiaries	(530)	476	+1,006	-	4	475
Equity in net income of affiliated companies	19,721	21,146	+1,425	+7.2	184	78,654
Net income	¥ 1,680	¥ 73,715	¥ +72,035	+4,287.8	\$ 641	¥ 126,328
Per share data:						
Common stock						
Net income						
— Basic	¥ 1.68	¥ 73.50	¥ +71.82	+4,275.0	\$ 0.64	¥ 126.15
— Diluted	1.60	70.09	+68.49	+4,280.6	0.61	120.29

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

	Six months ended September 30				Fiscal year ended March 31	
	2006	2007	Change from 2006		2007	2007
Sales and operating revenue:						
Net sales	¥ 3,267,083	¥ 3,672,084	¥ +405,001	+12.4 %	\$ 31,931	¥ 7,567,359
Financial service revenue	280,738	328,161	+47,423	+16.9	2,853	624,282
Other operating revenue	50,594	59,302	+8,708	+17.2	516	104,054
	3,598,415	4,059,547	+461,132	+12.8	35,300	8,295,695
Costs and expenses:						
Cost of sales	2,498,491	2,833,109	+334,618	+13.4	24,636	5,889,601
Selling, general and administrative	833,137	814,337	-18,800	-2.3	7,081	1,788,427
Financial service expenses	251,574	271,118	+19,544	+7.8	2,357	540,097
(Gain) loss on sale, disposal or impairment of assets, net	8,998	(48,810)	-57,808	-	(424)	5,820
	3,592,200	3,869,754	+277,554	+7.7	33,650	8,223,945
Operating income	6,215	189,793	+183,578	+2,953.8	1,650	71,750
Other income:						
Interest and dividends	11,942	14,695	+2,753	+23.1	128	28,240
Gain on sale of securities investments, net	4,452	1,342	-3,110	-69.9	12	14,695
Gain on change in interest in subsidiaries and equity investees	20,075	14	-20,061	-99.9	0	31,509
Other	10,431	10,980	+549	+5.3	95	20,738
	46,900	27,031	-19,869	-42.4	235	95,182
Other expenses:						
Interest	11,385	13,537	+2,152	+18.9	117	27,278
Loss on devaluation of securities investments	750	9,405	+8,655	+1,154.0	82	1,308
Foreign exchange loss, net	3,494	11,012	+7,518	+215.2	96	18,835
Other	9,580	11,188	+1,608	+16.8	97	17,474
	25,209	45,142	+19,933	+79.1	392	64,895
Income before income taxes	27,906	171,682	+143,776	+515.2	1,493	102,037
Income taxes	17,216	74,529	+57,313	+332.9	648	53,888
Income before minority interest and equity in net income of affiliated companies	10,690	97,153	+86,463	+808.8	845	48,149
Minority interest in income of consolidated subsidiaries	62	94	+32	+51.6	1	475
Equity in net income of affiliated companies	23,343	43,111	+19,768	+84.7	375	78,654
Net income	¥ 33,971	¥ 140,170	¥ +106,199	+312.6	\$ 1,219	¥ 126,328
Per share data:						
Common stock						
Net income						
— Basic	¥ 33.93	¥ 139.79	¥ +105.86	+312.0	\$ 1.22	¥ 126.15
— Diluted	32.36	133.22	+100.86	+311.7	1.16	120.29

Consolidated Statements of Changes in Stockholders' Equity

(Millions of yen)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
Balance at March 31, 2006	¥ 624,124	¥ 1,136,638	¥ 1,602,654	¥ (156,437)	¥ (3,127)	¥ 3,203,852
Exercise of stock acquisition rights	478	478				956
Conversion of convertible bonds	592					1,184
Stock based compensation		1,472				1,472
Comprehensive income:						
Net income			33,971			33,971
Cumulative effect of an accounting change, net of tax			(3,785)			(3,785)
Other comprehensive income, net of tax						
Unrealized gains on securities				(21,689)		(21,689)
Unrealized losses on derivative instruments				(1,026)		(1,026)
Minimum pension liability adjustment				(2,647)		(2,647)
Foreign currency translation adjustments				37,180		37,180
Total comprehensive income						42,004
Stock issue costs, net of tax			(11)			(11)
Dividends declared			(12,517)			(12,517)
Purchase of treasury stock					(226)	(226)
Reissuance of treasury stock		5			26	31
Balance at September 30, 2006	¥ 625,194	¥ 1,139,185	¥ 1,620,312	¥ (144,619)	¥ (3,327)	¥ 3,236,745
Balance at March 31, 2007	¥ 626,907	¥ 1,143,423	¥ 1,719,506	¥ (115,493)	¥ (3,639)	¥ 3,370,704
Exercise of stock acquisition rights	2,237	2,307				4,544
Conversion of convertible bonds	99	99				198
Stock based compensation		1,671				1,671
Comprehensive income:						
Net income			140,170			140,170
Cumulative effect of an accounting change, net of tax			(4,452)			(4,452)
Other comprehensive income, net of tax						
Unrealized gains on securities				6,668		6,668
Unrealized losses on derivative instruments				421		421
Pension liability adjustment				544		544
Foreign currency translation adjustments				1,318		1,318
Total comprehensive income						144,669
Stock issue costs, net of tax			(32)			(32)
Dividends declared			(12,537)			(12,537)
Purchase of treasury stock					(387)	(387)
Reissuance of treasury stock		7			21	28
Balance at September 30, 2007	¥ 629,243	¥ 1,147,507	¥ 1,842,655	¥ (106,542)	¥ (4,005)	¥ 3,508,858

(Millions of U.S. dollars)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
Balance at March 31, 2007	\$ 5,451	\$ 9,943	\$ 14,952	\$ (1,004)	\$ (32)	\$ 29,310
Exercise of stock acquisition rights	20	20				40
Conversion of convertible bonds	1	1				2
Stock based compensation		14				14
Comprehensive income:						
Net income			1,219			1,219
Cumulative effect of an accounting change, net of tax			(39)			(39)
Other comprehensive income, net of tax						
Unrealized gains on securities				58		58
Unrealized losses on derivative instruments				4		4
Pension liability adjustment				5		5
Foreign currency translation adjustments				11		11
Total comprehensive income						1,258
Stock issue costs, net of tax			(0)			(0)
Dividends declared			(109)			(109)
Purchase of treasury stock					(3)	(3)
Reissuance of treasury stock		0			0	0
Balance at September 30, 2007	\$ 5,472	\$ 9,978	\$ 16,023	\$ (926)	\$ (35)	\$ 30,512

(Millions of yen)

	Common stock	Additional paid- in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
Balance at March 31, 2006	¥ 624,124	¥ 1,136,638	¥ 1,602,654	¥ (156,437)	¥ (3,127)	¥ 3,203,852
Exercise of stock acquisition rights	2,175	2,175				4,350
Conversion of convertible bonds	608	608				1,216
Stock based compensation		3,993				3,993
Comprehensive income:						
Net income			126,328			126,328
Cumulative effect of an accounting change, net of tax			(3,785)			(3,785)
Other comprehensive income, net of tax						
Unrealized gains on securities				(14,708)		(14,708)
Unrealized losses on derivative instruments				974		974
Minimum pension liability adjustment				(2,754)		(2,754)
Foreign currency translation adjustments				86,313		86,313
Total comprehensive income						192,368
Stock issue costs, net of tax			(22)			(22)
Dividends declared			(25,042)			(25,042)
Purchase of treasury stock					(558)	(558)
Reissuance of treasury stock		9			46	55
Adoption of FAS No.158, net of tax				(9,508)		(9,508)
Other			19,373	(19,373)		—
Balance at March 31, 2007	¥ 626,907	¥ 1,143,423	¥ 1,719,506	¥ (115,493)	¥ (3,639)	¥ 3,370,704

Consolidated Statements of Cash Flows

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

	Six months ended September 30			Fiscal year
	2006	2007	2007	ended March 31
Cash flows from operating activities:				
Net income	¥ 33,971	¥ 140,170	\$ 1,219	¥ 126,328
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization, including amortization of deferred insurance acquisition costs	184,919	204,576	1,779	400,009
Amortization of film costs	148,714	163,160	1,419	368,382
Stock-based compensation expense	1,468	1,798	16	3,838
Accrual for pension and severance costs, less payments	(8,479)	(10,468)	(91)	(22,759)
(Gain) loss on sale, disposal or impairment of assets, net	8,998	(48,810)	(424)	5,820
Gain on sale or loss on devaluation of securities investments, net	(3,702)	8,063	70	(13,387)
(Gain) loss on revaluation of marketable securities held in the financial service business for trading purpose, net	3,864	4,114	36	(11,857)
Gain on change in interest in subsidiaries and equity investees	(20,075)	(14)	(0)	(31,509)
Deferred income taxes	(4,575)	(17,605)	(153)	(13,193)
Equity in net (income) losses of affiliated companies, net of dividends	(21,987)	2,410	21	(68,179)
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable, trade	(154,431)	47,824	416	(357,891)
Increase in inventories	(338,190)	(320,912)	(2,791)	(119,202)
Increase in film costs	(157,992)	(181,942)	(1,582)	(320,079)
Increase in notes and accounts payable, trade	159,742	6,249	54	362,079
Increase (decrease) in accrued income and other taxes	(49,918)	55,494	483	(14,396)
Increase in future insurance policy benefits and other	76,270	78,603	684	172,498
Increase in deferred insurance acquisition costs	(30,152)	(33,172)	(288)	(61,563)
(Increase) decrease in marketable securities held in the financial service business for trading purpose	18,874	(45,649)	(397)	31,732
Increase in other current assets	(26,462)	(95,484)	(831)	(35,133)
Increase in other current liabilities	37,034	28,464	247	73,222
Other	69,334	(55,904)	(487)	86,268
Net cash provided by (used in) operating activities	(72,775)	(69,035)	(600)	561,028
Cash flows from investing activities:				
Payments for purchases of fixed assets	(258,061)	(232,311)	(2,020)	(527,515)
Proceeds from sales of fixed assets	25,098	73,898	643	87,319
Payments for investments and advances by financial service business	(470,577)	(939,979)	(8,174)	(914,754)
Payments for investments and advances (other than financial service business)	(32,751)	(71,472)	(621)	(100,152)
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	374,782	569,844	4,955	679,772
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	4,139	44,735	389	22,828
Proceeds from sales of subsidiaries' and equity investees' stocks	32,165	928	7	43,157
Other	667	5,506	48	(6,085)
Net cash used in investing activities	(324,538)	(548,851)	(4,773)	(715,430)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	125,047	22,867	199	270,780
Payments of long-term debt	(103,479)	(23,697)	(206)	(182,374)
Increase in short-term borrowings	187,021	242,231	2,106	6,096
Increase in deposits from customers in the financial service business	142,793	202,568	1,761	273,435
Increase (decrease) in call money and bills sold in the banking business	(87,700)	14,000	122	(100,700)
Dividends paid	(12,514)	(12,537)	(109)	(25,052)
Proceeds from issuance of shares under stock-based compensation plans	2,140	4,742	41	5,566
Other	309	(2,982)	(25)	152
Net cash provided by financing activities	253,617	447,192	3,889	247,903
Effect of exchange rate changes on cash and cash equivalents	(4,072)	(2,221)	(19)	3,300
Net increase (decrease) in cash and cash equivalents	(147,768)	(172,915)	(1,503)	96,801
Cash and cash equivalents at beginning of the fiscal year	703,098	799,899	6,955	703,098
Cash and cash equivalents at the end of the period	¥ 555,330	¥ 626,984	\$ 5,452	¥ 799,899

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥115 = U.S. \$1, the approximate Tokyo foreign exchange market rate as of September 28, 2007.
2. As of September 30, 2007, Sony had 990 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method for 63 affiliated companies.
3. Weighted-average number of outstanding shares used for computation of earnings per share of common stock are as follows. The dilutive effect in the weighted-average number of outstanding shares mainly resulted from convertible bonds.

	(Thousands of shares)	
	Second quarter ended September 30	
<u>Weighted-average number of outstanding shares</u>	<u>2006</u>	<u>2007</u>
Net income		
— Basic	1,001,293	1,002,981
— Diluted	1,049,549	1,051,680

	(Thousands of shares)	
	Six months ended September 30	
<u>Weighted-average number of outstanding shares</u>	<u>2006</u>	<u>2007</u>
Net income		
— Basic	1,001,250	1,002,739
— Diluted	1,049,803	1,052,172

4. In September 2005, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (“AcSEC”) issued the Statement of Position (“SOP”) 05-1, “Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts.” SOP 05-1 provides guidance on accounting for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in FAS No. 97, “Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sales of Investments.” Sony adopted SOP 05-1 on April 1, 2007. The adoption of SOP 05-1 did not have a material impact on Sony’s results of operations and financial position.
5. In March 2006, the Financial Accounting Standards Board (“FASB”) issued FAS No. 156, “Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140.” This statement amends FAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities” with respect to the accounting for separately recognized servicing assets and servicing liabilities. Sony adopted FAS No. 156 on April 1, 2007. The adoption of FAS No. 156 did not have a material impact on Sony’s results of operations and financial position.
6. In June 2006, the FASB issued FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109.”
 FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS No. 109, “Accounting for Income Taxes.” FIN No. 48 prescribes a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.
 Sony adopted FIN No. 48 effective April 1, 2007. As a result of the adoption of FIN No. 48, a charge against beginning retained earnings totaling ¥4,452 million (\$36 million) was recorded. As of April 1, 2007, total unrecognized tax benefits were ¥223,857 million (\$1,820 million). If Sony were to prevail on all unrecognized tax benefits recorded, ¥129,632 million (\$1,054 million) of the ¥223,857 million would reduce the effective tax rate. Given the uncertainty regarding when tax authorities will complete their examinations, the items subject to their examinations and the possible outcomes of their examinations, an accurate estimate of significant increases or decreases that may occur within the next twelve months cannot be made at this time. Based on the items of which Sony is aware, any change to the unrecognized tax benefits that, if recognized, would affect the effective tax rate is not expected to be significant.

Interest associated with a liability for unrecognized tax benefits is included in interest expense. At April 1, 2007, Sony had an accrual of ¥7,899 million (\$64 million) related to interest recorded as accrued expenses (before any tax benefits related thereto). Penalties associated with income taxes are recorded within income tax expense. At April 1, 2007, Sony had an accrual of ¥3,696 million (\$30 million) related to penalties recorded as a component of other non-current liabilities.

For the second quarter and the six-months ended September 30, 2007, there were no material changes to the tax assets and liabilities resulting in a significant change to the effective income tax rate for the respective periods attributed to changes in Sony's uncertain tax positions under FIN No. 48.

Sony is subject to income tax examinations for Japan and various foreign tax jurisdictions for tax years from 1998 through 2007.

7. In June 2006, the Emerging Issues Task Force (“EITF”) issued EITF Issue No. 06-3, “How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement.” EITF Issue No. 06-3 requires disclosure of the accounting policy for any tax assessed by a governmental authority that is imposed concurrently on a specific revenue-producing transaction between a seller and a customer. EITF Issue No. 06-3 should be applied to financial reports for interim and annual reporting periods beginning after December 15, 2006. Sony adopted EITF Issue No. 06-3 on April 1, 2007. The adoption of EITF Issue No. 06-3 did not have a material impact on Sony’s results of operations and financial position.

Other Consolidated Financial Data

	(Millions of yen, millions of U.S. dollars)			
	Second quarter ended September 30			
	2006	2007	Change	2007
Capital expenditures (additions to property, plant and equipment)	¥ 90,024	¥ 75,797	-15.8%	\$ 659
Depreciation and amortization expenses*	93,654	100,572	+7.4	875
(Depreciation expenses for tangible assets)	(74,490)	(82,311)	+10.5	(716)
Research and development expenses	143,485	131,741	-8.2	1,146

	(Millions of yen, millions of U.S. dollars)			
	Six months ended September 30			
	2006	2007	Change	2007
Capital expenditures (additions to property, plant and equipment)	¥ 224,080	¥ 170,798	-23.8%	\$ 1,485
Depreciation and amortization expenses*	184,919	204,576	+10.6	1779
(Depreciation expenses for tangible assets)	(145,492)	(158,587)	+9.0	(1,379)
Research and development expenses	262,855	257,724	-2.0	2,241

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

Business Segment Information

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

Second quarter ended September 30

Sales and operating revenue	2006	2007	Change	2007
Electronics				
Customers	¥ 1,286,026	¥ 1,436,773	+11.7 %	\$ 12,494
Intersegment	92,364	226,287		1,967
Total	1,378,390	1,663,060	+20.7	14,461
Game				
Customers	162,571	229,232	+41.0	1,993
Intersegment	7,749	14,192		124
Total	170,320	243,424	+42.9	2,117
Pictures				
Customers	178,153	188,820	+6.0	1,642
Intersegment	—	776		7
Total	178,153	189,596	+6.4	1,649
Financial Services				
Customers	162,198	151,109	-6.8	1,314
Intersegment	5,903	6,395		56
Total	168,101	157,504	-6.3	1,370
All Other				
Customers	65,231	77,103	+18.2	670
Intersegment	16,255	18,094		158
Total	81,486	95,197	+16.8	828
Elimination	(122,271)	(265,744)	—	(2,312)
Consolidated total	¥ 1,854,179	¥ 2,083,037	+12.3 %	\$ 18,113

Electronics intersegment amounts primarily consist of transactions with the Game segment, Pictures segment and All Other.

All Other intersegment amounts primarily consist of transactions with the Electronics and Game segments.

Operating income (loss)	2006	2007	Change	2007
Electronics	¥ 8,027	¥ 106,888	+1,231.6 %	\$ 930
Game	(43,527)	(96,686)	—	(841)
Pictures	(15,277)	2,698	—	23
Financial Services	24,567	23,137	-5.8	201
All Other	6,497	10,779	+65.9	94
Total	(19,713)	46,816	—	407
Corporate and elimination	(1,120)	43,654	—	380
Consolidated total	¥ (20,833)	¥ 90,470	— %	\$ 787

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

Sales and operating revenue	Six months ended September 30			
	2006	2007	Change	2007
Electronics				
Customers	¥ 2,517,666	¥ 2,752,822	+9.3 %	\$ 23,938
Intersegment	141,616	339,567		2,952
Total	2,659,282	3,092,389	+16.3	26,890
Game				
Customers	279,597	413,141	+47.8	3,592
Intersegment	13,212	26,865		234
Total	292,809	440,006	+50.3	3,826
Pictures				
Customers	382,904	420,218	+9.7	3,654
Intersegment	—	776		7
Total	382,904	420,994	+9.9	3,661
Financial Services				
Customers	280,738	328,161	+16.9	2,853
Intersegment	11,464	14,183		124
Total	292,202	342,344	+17.2	2,977
All Other				
Customers	137,510	145,205	+5.6	1,263
Intersegment	32,115	34,169		297
Total	169,625	179,374	+5.7	1,560
Elimination	(198,407)	(415,560)	—	(3,614)
Consolidated total	¥ 3,598,415	¥ 4,059,547	+12.8 %	\$ 35,300

Electronics intersegment amounts primarily consist of transactions with the Game segment, Pictures segment and All Other.

All Other intersegment amounts primarily consist of transactions with the Electronics and Game segments.

Operating income (loss)	2006	2007	Change	2007
Electronics	¥ 55,446	¥ 190,969	+244.4 %	\$ 1,660
Game	(70,330)	(125,892)	—	(1,095)
Pictures	(16,442)	5,949	—	52
Financial Services	29,146	56,890	+95.2	495
All Other	11,228	18,533	+65.1	161
Total	9,048	146,449	+1,518.6	1,273
Corporate and elimination	(2,833)	43,344	—	377
Consolidated total	¥ 6,215	¥ 189,793	+2,953.8 %	\$ 1,650

Electronics Sales and Operating Revenue to Customers by Product Category

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

Second quarter ended September 30				
Sales and operating revenue	2006	2007	Change	2007
Audio	¥ 121,655	¥ 128,998	+6.0 %	\$ 1,122
Video	282,920	316,024	+11.7	2,748
Televisions	251,486	309,300	+23.0	2,690
Information and Communications	220,341	268,800	+22.0	2,337
Semiconductors	52,482	54,032	+3.0	470
Components	221,335	219,750	-0.7	1,911
Other	135,807	139,869	+3.0	1,216
Total	¥ 1,286,026	¥ 1,436,773	+11.7 %	\$ 12,494

Six months ended September 30				
Sales and operating revenue	2006	2007	Change	2007
Audio	¥ 237,947	¥ 254,489	+7.0 %	\$ 2,213
Video	553,101	653,412	+18.1	5,682
Televisions	513,540	544,509	+6.0	4,735
Information and Communications	433,491	500,870	+15.5	4,355
Semiconductors	100,473	111,192	+10.7	967
Components	426,071	412,121	-3.3	3,584
Other	253,043	276,229	+9.2	2,402
Total	¥ 2,517,666	¥ 2,752,822	+9.3 %	\$ 23,938

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on pages F-9 and F-10. The Electronics segment 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 product categories in this business segment.

Geographic Segment Information

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

Second quarter ended September 30				
Sales and operating revenue	2006	2007	Change	2007
Japan	¥ 497,433	¥ 518,627	+4.3 %	\$ 4,510
United States	479,469	509,802	+6.3	4,433
Europe	417,019	491,666	+17.9	4,275
Other Areas	460,258	562,942	+22.3	4,895
Total	¥ 1,854,179	¥ 2,083,037	+12.3 %	\$ 18,113

Six months ended September 30				
Sales and operating revenue	2006	2007	Change	2007
Japan	¥ 973,631	¥ 1,035,131	+6.3 %	\$ 9,001
United States	927,386	978,526	+5.5	8,509
Europe	815,871	967,946	+18.6	8,417
Other Areas	881,527	1,077,944	+22.3	9,373
Total	¥ 3,598,415	¥ 4,059,547	+12.8 %	\$ 35,300

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

Condensed Financial Services Financial Statements

The results of the Financial Services segment are included in Sony's consolidated financial statements. The following schedules show unaudited condensed financial statements for the Financial Services segment and all other segments excluding Financial Services. These presentations are not required under U.S. GAAP, which is used by Sony to prepare its consolidated financial statements. However, because the Financial Services segment is different in nature from Sony's other segments, Sony believes that a comparative presentation may be useful in understanding and analyzing Sony's consolidated financial statements. Transactions between the Financial Services segment and Sony without Financial Services are eliminated in the consolidated figures shown below.

Condensed Balance Sheet

Financial Services		(Millions of yen, millions of U.S. dollars)			March 31 2007
		2006	September 30 2007	2007	
ASSETS					
Current assets:					
Cash and cash equivalents	¥	191,438	¥ 171,861	\$ 1,494	¥ 277,048
Marketable securities		468,256	492,143	4,280	490,237
Other		274,626	569,917	4,956	321,969
		<u>934,320</u>	<u>1,233,921</u>	<u>10,730</u>	<u>1,089,254</u>
Investments and advances		3,223,872	3,538,870	30,773	3,347,897
Property, plant and equipment		39,427	38,217	332	38,671
Other assets:					
Deferred insurance acquisition costs		389,695	399,244	3,472	394,117
Other		97,983	102,398	890	107,703
		<u>487,678</u>	<u>501,642</u>	<u>4,362</u>	<u>501,820</u>
	¥	<u>4,685,297</u>	<u>¥ 5,312,650</u>	<u>\$ 46,197</u>	<u>¥ 4,977,642</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term borrowings	¥	67,548	¥ 75,128	\$ 653	¥ 48,688
Notes and accounts payable, trade		12,601	14,192	123	13,159
Deposits from customers in the banking business		682,717	888,443	7,726	752,367
Other		113,157	142,004	1,235	143,245
		<u>876,023</u>	<u>1,119,767</u>	<u>9,737</u>	<u>957,459</u>
Long-term liabilities:					
Long-term debt		129,415	119,760	1,041	129,484
Accrued pension and severance costs		13,222	6,640	58	8,773
Future insurance policy benefits and other		2,880,479	3,182,692	27,676	3,037,666
Other		197,307	218,818	1,903	204,317
		<u>3,220,423</u>	<u>3,527,910</u>	<u>30,678</u>	<u>3,380,240</u>
Minority interest in consolidated subsidiaries		4,228	5,310	46	5,145
Stockholders' equity		584,623	659,663	5,736	634,798
	¥	<u>4,685,297</u>	<u>¥ 5,312,650</u>	<u>\$ 46,197</u>	<u>¥ 4,977,642</u>

Sony without Financial Services		(Millions of yen, millions of U.S. dollars)			March 31
		September 30			
ASSETS		2006	2007	2007	
Current assets:					
Cash and cash equivalents	¥	363,892	¥ 455,123	\$ 3,958	¥ 522,851
Marketable securities		3,076	3,000	26	3,078
Notes and accounts receivable, trade		1,132,099	1,305,752	11,354	1,343,128
Other		1,825,897	2,033,075	17,679	1,625,914
		<u>3,324,964</u>	<u>3,796,950</u>	<u>33,017</u>	<u>3,494,971</u>
Film costs		370,905	319,936	2,782	308,694
Investments and advances		506,433	604,661	5,258	623,342
Investments in Financial Services, at cost		187,400	187,400	1,630	187,400
Property, plant and equipment		1,402,160	1,374,369	11,951	1,382,860
Other assets		1,018,696	1,220,908	10,616	1,100,795
	¥	<u>6,810,558</u>	<u>7,504,224</u>	<u>\$ 65,254</u>	<u>¥ 7,098,062</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term borrowings	¥	329,624	¥ 287,867	\$ 2,503	¥ 80,944
Notes and accounts payable, trade		963,939	1,173,483	10,204	1,167,324
Other		1,324,318	1,439,763	12,520	1,392,333
		<u>2,617,881</u>	<u>2,901,113</u>	<u>25,227</u>	<u>2,640,601</u>
Long-term liabilities:					
Long-term debt		802,173	939,223	8,167	925,259
Accrued pension and severance costs		156,445	173,605	1,509	164,701
Other		358,479	422,385	3,674	410,354
		<u>1,317,097</u>	<u>1,535,213</u>	<u>13,350</u>	<u>1,500,314</u>
Minority interest in consolidated subsidiaries		35,593	30,270	263	32,808
Stockholders' equity		2,839,987	3,037,628	26,414	2,924,339
	¥	<u>6,810,558</u>	<u>7,504,224</u>	<u>\$ 65,254</u>	<u>¥ 7,098,062</u>

Consolidated		(Millions of yen, millions of U.S. dollars)			March 31
		September 30			
ASSETS		2006	2007	2007	
Current assets:					
Cash and cash equivalents	¥	555,330	¥ 626,984	\$ 5,452	¥ 799,899
Marketable securities		471,332	495,143	4,306	493,315
Notes and accounts receivable, trade		1,150,867	1,322,926	11,504	1,369,777
Other		2,040,345	2,548,942	22,164	1,883,732
		<u>4,217,874</u>	<u>4,993,995</u>	<u>43,426</u>	<u>4,546,723</u>
Film costs		370,905	319,936	2,782	308,694
Investments and advances		3,650,394	4,070,400	35,395	3,888,736
Property, plant and equipment		1,441,587	1,412,586	12,283	1,421,531
Other assets:					
Deferred insurance acquisition costs		389,695	399,244	3,472	394,117
Other		1,073,190	1,274,699	11,084	1,156,561
		<u>1,462,885</u>	<u>1,673,943</u>	<u>14,556</u>	<u>1,550,678</u>
	¥	<u>11,143,645</u>	<u>12,470,860</u>	<u>\$ 108,442</u>	<u>¥ 11,716,362</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term borrowings	¥	359,573	¥ 327,135	\$ 2,845	¥ 95,461
Notes and accounts payable, trade		975,543	1,186,260	10,315	1,179,694
Deposits from customers in the banking business		682,717	888,443	7,726	752,367
Other		1,425,322	1,574,798	13,693	1,524,330
		<u>3,443,155</u>	<u>3,976,636</u>	<u>34,579</u>	<u>3,551,852</u>
Long-term liabilities:					
Long-term debt		868,231	1,015,239	8,828	1,001,005
Accrued pension and severance costs		169,667	180,245	1,567	173,474
Future insurance policy benefits and other		2,880,479	3,182,692	27,676	3,037,666
Other		505,109	570,593	4,962	542,691
		<u>4,423,486</u>	<u>4,948,769</u>	<u>43,033</u>	<u>4,754,836</u>
Minority interest in consolidated subsidiaries		40,259	36,597	318	38,970
Stockholders' equity		3,236,745	3,508,858	30,512	3,370,704
	¥	<u>11,143,645</u>	<u>12,470,860</u>	<u>\$ 108,442</u>	<u>¥ 11,716,362</u>

Condensed Statements of Income

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

Second quarter ended September 30

	2006	2007	Change	2007
Financial Services				
Financial service revenue	¥ 168,101	¥ 157,504	-6.3 %	\$ 1,370
Financial service expenses	143,534	134,367	-6.4	1,169
Operating income	24,567	23,137	-5.8	201
Other income (expenses), net	(138)	(72)	—	(0)
Income before income taxes	24,429	23,065	-5.6	201
Income taxes and other	8,841	11,766	+33.1	103
Net income	¥ 15,588	¥ 11,299	-27.5 %	\$ 98

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

Second quarter ended September 30

	2006	2007	Change	2007
Sony without Financial Services				
Net sales and operating revenue	¥ 1,694,094	¥ 1,934,650	+14.2 %	\$ 16,823
Costs and expenses	1,739,841	1,867,724	+7.4	16,241
Operating income (loss)	(45,747)	66,926	—	582
Other income (expenses), net	(4,806)	(2,067)	—	(18)
Income before income taxes (loss)	(50,553)	64,859	—	564
Income taxes and other	(36,645)	2,444	—	21
Net income (loss)	¥ (13,908)	¥ 62,415	— %	\$ 543

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

Second quarter ended September 30

	2006	2007	Change	2007
Consolidated				
Financial service revenue	¥ 162,198	¥ 151,109	-6.8 %	\$ 1,314
Net sales and operating revenue	1,691,981	1,931,928	+14.2	16,799
	1,854,179	2,083,037	+12.3	18,113
Costs and expenses	1,875,012	1,992,567	+6.3	17,326
Operating income (loss)	(20,833)	90,470	—	787
Other income (expenses), net	(5,289)	(2,546)	—	(22)
Income before income taxes (loss)	(26,122)	87,924	—	765
Income taxes and other	(27,802)	14,209	—	124
Net income	¥ 1,680	¥ 73,715	+4,287.8 %	\$ 641

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

	Six months ended September 30			
	2006	2007	Change	2007
Financial service revenue	¥ 292,202	¥ 342,344	+17.2 %	\$ 2,977
Financial service expenses	263,056	285,454	+8.5	2,482
Operating income	29,146	56,890	+95.2	495
Other income (expenses), net	(195)	(155)	—	(2)
Income before income taxes	28,951	56,735	+96.0	493
Income taxes and other	9,926	25,456	+156.5	221
Net income	¥ 19,025	¥ 31,279	+64.4 %	\$ 272

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

	Six months ended September 30			
	2006	2007	Change	2007
Net sales and operating revenue	¥ 3,322,377	¥ 3,736,125	+12.5 %	\$ 32,488
Costs and expenses	3,345,971	3,604,021	+7.7	31,339
Operating income (loss)	(23,594)	132,104	—	1,149
Other income (expenses), net	28,659	(10,583)	—	(92)
Income before income taxes	5,065	121,521	+2,299.2	1,057
Income taxes and other	(16,156)	6,057	—	53
Net income	¥ 21,221	¥ 115,464	+444.1 %	\$ 1,004

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

	Six months ended September 30			
	2006	2007	Change	2007
Financial service revenue	¥ 280,738	¥ 328,161	+16.9 %	\$ 2,853
Net sales and operating revenue	3,317,677	3,731,386	+12.5	32,447
	3,598,415	4,059,547	+12.8	35,300
Costs and expenses	3,592,200	3,869,754	+7.7	33,650
Operating income	6,215	189,793	+2,953.8	1,650
Other income (expenses), net	21,691	(18,111)	—	(157)
Income before income taxes	27,906	171,682	+515.2	1,493
Income taxes and other	(6,065)	31,512	—	274
Net income	¥ 33,971	¥ 140,170	+312.6 %	\$ 1,219

Condensed Statements of Cash Flows

Financial Services

	(Millions of yen, millions of U.S. dollars)		
	Six months ended September 30		
	<u>2006</u>	<u>2007</u>	<u>2007</u>
Net cash provided by operating activities	¥ 121,798	¥ 67,118	\$ 584
Net cash used in investing activities	(113,193)	(388,669)	(3,379)
Net cash provided by financing activities	65,203	216,364	1,881
Net increase (decrease) in cash and cash equivalents	73,808	(105,187)	(914)
Cash and cash equivalents at beginning of the fiscal year	117,630	277,048	2,408
Cash and cash equivalents at the end of the period	¥ 191,438	¥ 171,861	\$ 1,494

Sony without Financial Services

	(Millions of yen, millions of U.S. dollars)		
	Six months ended September 30		
	<u>2006</u>	<u>2007</u>	<u>2007</u>
Net cash used in operating activities	¥ (191,169)	¥ (130,514)	\$ (1,135)
Net cash used in investing activities	(217,499)	(154,348)	(1,342)
Net cash provided by financing activities	191,164	219,355	1,907
Effect of exchange rate changes on cash and cash equivalents	(4,072)	(2,221)	(19)
Net decrease in cash and cash equivalents	(221,576)	(67,728)	(589)
Cash and cash equivalents at beginning of the fiscal year	585,468	522,851	4,547
Cash and cash equivalents at the end of the period	¥ 363,892	¥ 455,123	\$ 3,958

Consolidated

	(Millions of yen, millions of U.S. dollars)		
	Six months ended September 30		
	<u>2006</u>	<u>2007</u>	<u>2007</u>
Net cash used in operating activities	¥ (72,775)	¥ (69,035)	\$ (600)
Net cash used in investing activities	(324,538)	(548,851)	(4,773)
Net cash provided by financing activities	253,617	447,192	3,889
Effect of exchange rate changes on cash and cash equivalents	(4,072)	(2,221)	(19)
Net decrease in cash and cash equivalents	(147,768)	(172,915)	(1,503)
Cash and cash equivalents at beginning of the fiscal year	703,098	799,899	6,955
Cash and cash equivalents at the end of the period	¥ 555,330	¥ 626,984	\$ 5,452