No: 98-065E
Date: July 29, 1998

CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 1998

FOR IMMEDIATE RELEASE

Tokyo, July 29, 1998 -- Sony Corporation announced today its consolidated results for the first quarter ended June 30, 1998.

CONSOLIDATED RESULTS FOR THE FIRST QUARTER

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

	Three months ended June 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue	¥1,430,337	**¥1,617,298**	+ 13.1%	**$ 11,470,199**
Operating income	97,279	**92,480**	- 4.9	**655,887**
Income before income taxes	91,880	**92,099**	+ 0.2	**653,184**
Net income	34,819	**40,946**	+ 17.6	**290,397**
Net income per share				
Basic	¥ 89.8	**¥ 100.1**	+ 11.5%	**$ 0.71**
Diluted	76.3	**89.5**	+ 17.3	**0.63**

Performance Highlights

Benefiting from strong growth in the Game, Music and Insurance business groups and the depreciation of the yen, Sony’s consolidated sales and operating revenue (herein referred to as "sales") for the first quarter ended June 30, 1998 increased 13.1%, compared with the same quarter of the previous year, to ¥1,617 billion ($11,470 million).

While operating income benefits were associated with the yen’s depreciation, the weakening of the yen and other Asian currencies combined with intense competition caused downward pricing pressure. This pricing pressure, higher labor and advertising costs in the Electronics, Game and Music businesses, and increased insurance expenses caused operating income to decline 4.9% to ¥92 billion ($656 million). By business segment, a decline in profitability in the Electronics business during the quarter more than offset significantly increased operating income contributions from the Game and Music businesses. While other income and expenses experienced a foreign exchange loss during the quarter, compared to a gain in the previous year, income before income taxes increased 0.2% to ¥92 billion ($653 million), mainly benefiting from an other income gain as a result of a theatre exhibition operations merger in the Pictures business. Net income grew 17.6% to ¥41 billion ($290 million), mainly benefiting from a decrease of tax expenses resulting from an improvement in earnings at certain loss-making subsidiaries in the United States and the reduction of the Japanese statutory income tax rate. As a result, basic net income per share increased from ¥89.8 for the previous year to ¥100.1 ($0.71) and diluted net income per share grew from ¥76.3 to ¥89.5 ($0.63) (refer to Note 3 on page 9).

In terms of average foreign exchange rate compared with the previous year, the yen depreciated approximately 12% against the U.S. dollar, 8% against the German mark, and 13% against the British pound. It is estimated that sales and operating income would have been approximately ¥118 billion ($837 million) and ¥45 billion ($319 million), respectively, lower than the reported figures, if the value of the yen had remained the same as in the previous year. (Note that these estimates are obtained by simply applying the yen's average exchange rate in the prior fiscal year's first quarter to foreign currency denominated sales, cost of sales, and selling, general and administrative expenses of the quarter under review. Therefore, the estimates do not take into account the effect of foreign exchange fluctuations on prices of products and production and sales costs in each region of the world. Constant currency growth rates discussed in the Performance by Business Segment are also calculated as above.)

Performance by Business Segment

Notes:
- Sales in each business segment include intersegment transactions (refer to Business Segment Information on page 5).
- In Electronics, sales and operating revenue by product category represent sales to customers which do not include intersegment transactions (refer to Electronics Sales and Operating Revenue to Customers by Product Category on page 6).

Electronics

During the quarter under review, the Electronics business experienced downward pricing pressure due to intense competition worldwide and sluggish sales in Brazil, Eastern Europe, and Asia, including China. However, the yen's depreciation and higher sales in Japan from hit products helped to buoy sales by 12.2% (up approximately 5% on a constant currency basis) to ¥1,152 billion ($8,170 million). Operating income declined 21.8% to ¥57 billion ($404 million). The decline was caused by factors including higher labor and advertising costs, a decline in profitability in semiconductors resulting from increased depreciation costs, and more intense price competition in broadcast- and professional-use equipment, computer displays, and cellular phones. At the end of the quarter, inventory levels in certain product categories experiencing intense price competition increased slightly from the previous year, particularly in the United States and Europe, due to weak sales and the depreciation of the yen.

Breaking down Electronics sales to customers by product category, "Audio" products sales grew by 11.5% mainly on the success of MiniDisc systems. Sales also expanded 15.8% in the "Video" category, as demand grew for home-use camcorders in the United States and Europe. The "Televisions" category experienced sluggish sales in Brazil, China, and Southeast Asia, which suffered from stagnant markets caused by currency declines. However, sales in this category increased 16.0%, benefiting from the continued success of the Wega series of color TVs in Japan, which incorporate flat cathode ray tubes, and strong demand related to the World Cup soccer tournament. In "Information and communications", while sales were sluggish due to price competition in cellular phones in Europe, computer displays, and peripherals, overall sales in this category increased 23.9% on sales growth of

VAIO notebook PCs and cellular phones in Japan. In “Electronic components and other”, sales declined 2.8% primarily due to lower sales in semiconductors and electronic components such as optical pickups.

Game

During the quarter, sales in the Game business grew 23.2% (up approximately 14% on a constant currency basis) to ¥136 billion ($964 million) compared to the same period of the previous year. Despite declines in Japan, demand grew substantially for PlayStation game consoles and software mainly in the United States and Europe. Strong sales of software mainly in the United States and Europe caused operating income in the Game business to jump 75.0% to ¥24 billion ($173 million). Worldwide production shipments of PlayStation game consoles reached 4.5 million units during the quarter, and achieved cumulative production shipments of 37.32 million units as of June 30, 1998. PlayStation major hit software titles during the quarter included *XI [sái]* in Japan and *Gran Turismo* in the United States and Europe.

Music

Sony’s Music group had a strong quarter as revenues increased 26.0% (up approximately 16% on a constant currency basis) to ¥175 billion ($1,238 million) and operating income increased 100.6% to ¥8.3 billion ($59 million). Operating income benefited mainly from increased license fees during the quarter from a new direct marketing arrangement. Hit releases during the quarter included Gloria Estefan’s *gloria!*, Ricky Martin’s *Vuelve* and the *Godzilla* soundtrack. The strong carryover sales of Celine Dion’s *Let’s Talk About Love*, the *Titanic* soundtrack, Savage Garden’s self-titled debut album and Will Smith’s *Big Willie Style* also contributed to the quarter’s results. In Japan, while the new management structure is working to develop new and established artists, the operating environment remains challenging. In Japan, artists contributing to sales during the quarter included JUDY AND MARY and TUBE.

Pictures

Sony’s Pictures group results declined from the prior year primarily due to a change in accounting periods and the deconsolidation of the theatrical exhibition business. Revenues decreased 13.9% (down approximately 24% on a constant currency basis) to ¥129 billion ($918 million) and operating income decreased 8.7% to ¥5.4 billion ($38 million). As a result of a change in the accounting period last year, the comparative quarter ended June 30, 1997 includes four months of activity.

The quarter’s results included strong performances from the home video releases of prior year films such as *Men in Black*, *My Best Friend’s Wedding*, *As Good As It Gets* and *Spice World*. The current quarter also included revenues from the release of *Godzilla*; however, its effect on operating income was not significant. In television, continuing syndication revenues from *Seinfeld* contributed to the quarter’s results.

During the quarter, Sony combined its Loews Theatre exhibition business with Cineplex Odeon Corporation to create one of the world’s largest theatrical exhibition companies, Loews Cineplex Entertainment Corporation. As a result of this transaction, Sony no longer consolidates the exhibition results; they are now included on the equity basis. A gain of approximately $36 million was recorded on the combination and is included in other income. Revenues from theatrical exhibition operations during the first quarter ended June 30, 1997 were approximately $98 million.

Insurance

Insurance revenue increased 53.8% to ¥90 billion ($639 million) compared with the same quarter of the previous year, reflecting the expansion of Sony's life insurance business in Japan and a substantial increase in single premium policies in advance of a revision in the guaranteed return rate on policies. In this segment, operating income was ¥2.2 billion ($16 million), down 44.2% primarily due to an increase in single premium life insurance policies which require a greater ratio of reserves for future insurance policy benefits, lower returns on securities investments, an increase in amortization of deferred insurance acquisition costs, and higher expenses such as benefit payments.

Other

While revenue in Sony's Other segment grew somewhat, an increased operating loss was caused by the start-up of new businesses such as satellite distribution services.

-

Contact:
Capital Market and Investor Relations
Sony Corporation
(03) 5448-2180

Business Segment Information

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

Sales and operating revenue	Three months ended June 30 1997	1998	Change	1998
			%	
Electronics -				
Customers	¥ 957,246	**¥ 1,079,564**	+ 12.8	**$ 7,656,482**
Intersegment	69,623	**72,361**		**513,199**
Total	1,026,869	**1,151,925**	+ 12.2	**8,169,681**
Game -				
Customers	106,028	**131,102**	+ 23.6	**929,801**
Intersegment	4,383	**4,890**		**34,681**
Total	110,411	**135,992**	+ 23.2	**964,482**
Music -				
Customers	133,347	**167,537**	+ 25.6	**1,188,206**
Intersegment	5,238	**7,067**		**50,120**
Total	138,585	**174,604**	+ 26.0	**1,238,326**
Pictures -				
Customers	150,336	**129,498**	- 13.9	**918,426**
Intersegment	145	**0**		**0**
Total	150,481	**129,498**	- 13.9	**918,426**
Insurance -				
Customers	58,624	**90,155**	+ 53.8	**639,397**
Intersegment	1	**0**		**0**
Total	58,625	**90,155**	+ 53.8	**639,397**
Other -				
Customers	24,756	**19,442**	- 21.5	**137,887**
Intersegment	40,081	**50,009**		**354,674**
Total	64,837	**69,451**	+ 7.1	**492,561**
Elimination	(119,471)	**(134,327)**	—	**(952,674)**
Consolidated	¥ 1,430,337	**¥ 1,617,298**	+ 13.1	**$ 11,470,199**

Electronics intersegment amounts primarily consist of transactions with the Game segment.

Operating income (loss)	1997	1998	Change	1998
Electronics	¥ 72,892	**¥ 57,016**	- 21.8	**$ 404,369**
Game	13,964	**24,437**	+ 75.0	**173,312**
Music	4,154	**8,335**	+ 100.6	**59,114**
Pictures	5,926	**5,413**	- 8.7	**38,390**
Insurance	3,936	**2,195**	- 44.2	**15,567**
Other	(457)	**(851)**	—	**(6,035)**
Corporate and elimination	(3,136)	**(4,065)**	—	**(28,830)**
Consolidated	¥ 97,279	**¥ 92,480**	- 4.9	**$ 655,887**

Business segments have been reported to comply with the Statement of Financial Accounting Standards No. 131 requirements. Accordingly, results for the three months ended June 30, 1997 have been reclassified to conform to the presentation for the three months ended June 30, 1998.

As a result of a change in the accounting period in Pictures, sales for the three-month period ended June 30, 1997 in the segment include the four-month period from March 1 to June 30, 1997.

Electronics Sales and Operating Revenue to Customers by Product Category

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

	Three months ended June 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue			%	
Audio	¥ 240,263	¥ **267,858**	+ 11.5	$ **1,899,702**
Video	209,451	**242,448**	+ 15.8	**1,719,489**
Televisions	145,181	**168,367**	+ 16.0	**1,194,092**
Information and communications	182,473	**226,022**	+ 23.9	**1,602,993**
Electronic components and other	179,878	**174,869**	- 2.8	**1,240,206**
Total	¥ 957,246	¥ **1,079,564**	+ 12.8	$ **7,656,482**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on page 5. The Electronics business is managed as a single operating segment by the company's management. However, the company believes that the information in this table is useful to investors in understanding the sales contributions of the products in this business segment. Operating income information by product category is not available.

Sales and operating revenue by product category for the three-month period ended June 30, 1997 have been reclassified to conform to the presentation for the three-month period ended June 30, 1998.

Geographic Segment Information

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

	Three months ended June 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue			%	
Japan	¥ 388,568	¥ **445,692**	+ 14.7	$ **3,160,936**
United States	435,892	**489,767**	+ 12.4	**3,473,525**
Europe	326,399	**395,233**	+ 21.1	**2,803,071**
Other Areas	279,478	**286,606**	+ 2.6	**2,032,667**
Total	¥ 1,430,337	¥ **1,617,298**	+ 13.1	$ **11,470,199**

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

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Millions of yen, thousands of U.S. dollars, except per share amounts)

	Three months ended June 30			
	1997	**1998**	Change	**1998**
Sales and operating revenue:			%	
Net sales	¥ 1,360,122	**¥ 1,515,894**		**$ 10,751,022**
Insurance revenue	58,624	**90,155**		**639,397**
Other operating revenue	11,591	**11,249**		**79,780**
	1,430,337	**1,617,298**	+ 13.1	**11,470,199**
Costs and expenses:				
Cost of sales	977,184	**1,075,070**		**7,624,610**
Selling, general and administrative	301,186	**361,788**		**2,565,872**
Insurance expenses	54,688	**87,960**		**623,830**
	1,333,058	**1,524,818**		**10,814,312**
Operating income	97,279	**92,480**	- 4.9	**655,887**
Other income:				
Interest and dividends	5,310	**5,964**		**42,298**
Foreign exchange gain, net	6,444	**—**		**—**
Other	10,522	**20,255**		**143,652**
	22,276	**26,219**		**185,950**
Other expenses:				
Interest	15,151	**12,175**		**86,348**
Foreign exchange loss, net	—	**1,134**		**8,043**
Other	12,524	**13,291**		**94,262**
	27,675	**26,600**		**188,653**
Income before income taxes	91,880	**92,099**	+ 0.2	**653,184**
Income taxes	54,629	**47,561**		**337,312**
Income before minority interest	37,251	**44,538**		**315,872**
Minority interest in consolidated subsidiaries	2,432	**3,592**		**25,475**
Net income	¥ 34,819	**¥ 40,946**	+ 17.6	**$ 290,397**
Net income per share				
Basic	¥ 89.8	**¥ 100.1**	+ 11.5	**$ 0.71**
Diluted	76.3	**89.5**	+ 17.3	**0.63**

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

ASSETS		June 30	
	1997	**1998**	**1998**
Current assets:			
Cash and time deposits	¥ 432,545	**¥ 531,655**	**$ 3,770,603**
Marketable securities	85,765	**166,331**	**1,179,653**
Notes and accounts receivable, less allowances	947,139	**1,086,917**	**7,708,631**
Inventories	920,210	**1,189,529**	**8,436,376**
Other	375,558	**494,392**	**3,506,326**
Total current assets	2,761,217	**3,468,824**	**24,601,589**
Noncurrent inventories — film	234,116	**263,863**	**1,871,369**
Investments and advances	817,851	**928,347**	**6,584,021**
Property, plant and equipment, less depreciation	1,205,599	**1,301,820**	**9,232,766**
Other assets:			
Intangibles	102,763	**129,979**	**921,837**
Goodwill	148,601	**163,262**	**1,157,886**
Deferred insurance acquisition costs	157,653	**171,745**	**1,218,050**
Other	183,173	**279,486**	**1,982,170**
Total other assets	592,190	**744,472**	**5,279,943**
	¥ 5,610,973	**¥ 6,707,326**	**$ 47,569,688**

LIABILITIES AND STOCKHOLDERS' EQUITY	1997	1998	1998
Current liabilities:			
Short-term debt	¥ 386,894	**¥ 253,661**	**$ 1,799,014**
Notes and accounts payable, trade	696,945	**794,256**	**5,633,022**
Accounts payable, other and accrued expenses	481,960	**649,329**	**4,605,170**
Accrued income and other taxes	98,132	**106,837**	**757,709**
Other	266,455	**361,378**	**2,562,965**
Total current liabilities	1,930,386	**2,165,461**	**15,357,880**
Long-term liabilities:			
Long-term debt	1,013,619	**1,095,478**	**7,769,347**
Accrued pension and severance costs	148,022	**196,727**	**1,395,227**
Deferred income taxes	185,772	**167,126**	**1,185,291**
Future insurance policy benefits and other	622,367	**774,397**	**5,492,177**
Other	145,347	**210,021**	**1,489,511**
Total long-term liabilities	2,115,127	**2,443,749**	**17,331,553**
Minority interest in consolidated subsidiaries	118,894	**128,921**	**914,333**
Stockholders' equity:			
Common stock, ¥50 par value	349,393	**414,478**	**2,939,560**
Additional paid-in capital	491,475	**556,701**	**3,948,234**
Legal reserve	36,086	**39,686**	**281,461**
Retained earnings	766,034	**966,344**	**6,853,504**
Accumulated other comprehensive income	(196,291)	**(5,142)**	**(36,468)**
Treasury stock, at cost	(131)	**(2,872)**	**(20,369)**
Total stockholders' equity	1,446,566	**1,969,195**	**13,965,922**
	¥ 5,610,973	**¥ 6,707,326**	**$ 47,569,688**

Notes:

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥141=U.S.$1, the approximate Tokyo foreign exchange market rate as of June 30, l998.
2. As of June 30, l998, the Company had 979 consolidated subsidiaries. It has applied the equity accounting method in respect to its 65 affiliated companies.
3. Net income per share amounts were computed based on Statement of Financial Accounting Standards No. 128, "Earnings per Share" (FAS 128), which is effective for both interim and annual periods ended after December 15, 1997. Net income per share amounts for the first quarter ended June 30, 1997 have been restated to conform with FAS 128. Weighted-average shares used for computation of basic net income per share for the three months ended June 30, 1997 and 1998 were 387,853 thousand shares and 409,236 thousand shares, respectively, and the weighted-average shares used for diluted net income per share for the three months ended June 30,1997 and 1998 were 464,097 thousand shares and 463,973 thousand shares, respectively. The dilutive effect for both periods mainly resulted from the convertible bonds.
4. The company adopted FAS 130 “Reporting Comprehensive Income” in the first quarter ended June 30, 1998. Comprehensive income is defined in this standard as total changes in stockholders’ equity excluding capital transactions. The company’s comprehensive income comprises net income plus other comprehensive income representing changes in cumulative translation adjustment, unrealized gain on securities and minimum pension liability adjustment. These changes in stockholders’ equity, including net income, for the three month periods ended June 30, 1997 and 1998 were a decrease of ¥47,529 million and an increase of ¥137,070 million ($972,128 thousand), respectively, which mainly resulted from the changes in cumulative translation adjustment, representing a decrease of ¥92,649 million and an increase of ¥84,828 million ($601,617 thousand), respectively.
5. Certain reclassifications of the consolidated statements of income for the three-month period ended June 30, 1997, and balance sheets as of June 30, 1997, have been made to conform to the 1998 presentation.

Other Consolidated Financial Data

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

	Three months ended June 30			
	1997	**1998**	Change	**1998**
Depreciation and amortization*	¥65,626	**¥69,198**	+ 5.4%	**$490,766**
Capital expenditures (additions to fixed assets)	79,024	**76,029**	- 3.8	**539,213**
R&D expenses	69,728	**79,910**	+ 14.6	**566,738**

*Including amortization of deferred insurance acquisition costs

Forecast for the Fiscal Year Ending March 31, 1999

In accordance with Japanese regulations, Sony has issued estimates of its financial results for the fiscal year ending March 31, 1999. The estimates, which are partially revised from the estimates issued in May 1998, are based on an average yen-dollar exchange rate for the remainder of the fiscal year ending March 31, 1999 of around ¥135. The estimates, which are summarized below, are subject to quarterly revision. Despite an expected increase in sales, profit is forecast to be down from the previous fiscal year. Significant factors in estimates of business results are as follows:

1. In the Electronics business, while sales in areas such as Brazil and Asia are forecast to be sluggish, sales are expected to increase overall due to sales growth in Japan, the United States and Europe and the yen's depreciation. However, intense price competition in broadcast- and professional-use equipment, computer displays, and cellular phones; as well as a lack of improvement in semiconductor markets make it difficult to maintain profit levels of the previous fiscal year.

2. In the Game business, despite sales growth in the United States and Europe as well as the yen's depreciation, lower sales in Japan and an increase in R&D expenses are forecast to cause a slight profit decline in this segment.

3. New business areas such as satellite broadcasting remain in start-up stages and cannot be expected to contribute to profit during the current fiscal year.

In this environment, Sony is continuing to work toward improving our business results by efforts such as strengthening the competitiveness of our products, carefully selecting investments, and raising the efficiency and effectiveness of our management through enhancement of our supply chain systems, mainly in the Electronics business.

Consolidated Results		Change from previous year
Sales and operating revenue	¥7,100 billion	+5 %
Operating income	¥470 billion*	-10
Income before income taxes	¥420 billion*	-7
Net income	¥215 billion*	-3

Non-Consolidated Results (parent company only)		Change from previous year
Net sales	¥2,550 billion	+6 %
Operating income	¥100 billion*	-1
Ordinary income	¥115 billion*	-3
Net income	¥75 billion*	-2

* Unchanged from estimates announced in May 1998 which were based on an average yen-dollar exchange rate for the fiscal year of around ¥125.

These estimates are forward-looking statements based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties. Actual financial results may differ materially depending on a number of factors including, without limitation: general economic conditions in Sony's markets, particularly levels of consumer spending; exchange rates, particularly between the yen and the U.S. dollar, and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; and Sony's ability to continue to win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology (particularly in the Electronics business), and subjective and changing consumer preferences (particularly in the Game, Music and Pictures businesses).