SONY

News & Information

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RESULTS FOR THE SECOND QUARTER AND THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 1999

FOR IMMEDIATE RELEASE

Tokyo, October 27, 1999 -- Sony Corporation announced today its results for both the second quarter and the six-month period ended September 30, 1999.

CONSOLIDATED RESULTS FOR THE SECOND QUARTER

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

	Three months ended September 30			
	1998	**1999**	Change	**1999**
Sales and operating revenue	¥ 1,752,211	**¥ 1,632,700**	- 6.8%	**$ 15,259**
Operating income	111,172	**70,166**	- 36.9	**656**
Income before income taxes	102,465	**89,962**	- 12.2	**841**
Net income	45,106	**46,515**	+ 3.1	**435**
Net income per share				
Basic	¥ 110.0	**¥ 113.0**	+ 2.7%	**$ 1.06**
Diluted	98.5	**101.7**	+ 3.2	**0.95**

CONSOLIDATED RESULTS FOR THE SIX-MONTH PERIOD

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

	Six months ended September 30			
	1998	**1999**	Change	**1999**
Sales and operating revenue	¥ 3,370,473	**¥ 3,114,952**	- 7.6%	**$ 29,112**
Operating income	204,616	**112,402**	- 45.1	**1,050**
Income before income taxes	195,528	**132,785**	- 32.1	**1,241**
Net income	86,052	**64,942**	- 24.5	**607**
Net income per share				
Basic	¥ 210.1	**¥ 158.0**	- 24.8%	**$ 1.48**
Diluted	188.0	**142.8**	- 24.0	**1.33**

Note: Effective with the first quarter ended June 30, 1999, equity in net earnings (losses) of affiliated companies, which were previously included in sales and operating revenue, are shown separately. As a result, sales and operating revenue, operating income, and income before income taxes figures for both the second quarter and the six-month period ended September 30, 1998 have been restated to conform to the 1999 presentation.

Performance Highlights

During the second quarter ended September 30, 1999, largely due to the substantial appreciation of the yen, Sony's consolidated sales and operating revenue (herein referred to as "sales") decreased 6.8% to ¥1,633 billion ($15,259 million) and operating income decreased 36.9% to ¥70.2 billion ($656 million), compared with the second quarter of the previous year.

In the Electronics business, results on a local currency basis increased in every geographical segment. However, due to the large negative impact of the appreciation of the yen, reported sales and operating income in this business substantially declined. Sales and operating income in the Game, Music, and Pictures businesses also declined, and the Other business recorded an operating loss. Revenue and operating income of the Insurance business increased.

Income before income taxes decreased 12.2% to ¥90.0 billion ($841 million), compared with the second quarter of the previous year. Other income in the second quarter included a foreign exchange gain, net, of approximately ¥18.6 billion ($174 million), and a gain of approximately ¥6.1 billion ($57 million) relating to certain investment securities in the U.S. Net income increased 3.1% to ¥46.5 billion ($435 million). This increase was primarily due to the reduction in the Japanese corporate statutory income tax rate, effective April 1, 1999, and comparably higher effective tax rates in the second quarter of the previous year relating to losses from certain subsidiaries. Equity in net losses of affiliated companies during the second quarter was ¥4.3 billion ($40 million), compared with ¥1.1 billion during the second quarter of the previous year.

Basic net income per share for the second quarter was ¥113.0 ($1.06), compared with ¥110.0 in the second quarter of the previous year. Diluted net income per share was ¥101.7 ($0.95), compared with ¥98.5 in the second quarter of the previous year.

In terms of foreign exchange rates, the average value of the yen during the second quarter was ¥112.7 against the U.S. dollar, and ¥117.7 against the euro. Compared with the second quarter of the previous year, the yen appreciated 23.3% and 30.7% against the U.S. dollar and euro, respectively. This rise in the value of the yen had a significant negative impact on the reported financial results translated into yen. (For comparative purposes only, for the second quarter of the previous year, the euro is hypothetically computed based on the German mark.) It is estimated that if the value of the yen had remained the same, sales would have increased by approximately 9% and operating income would have increased by approximately 25%, compared with the second quarter of the previous year. These estimates are obtained by applying the yen's average exchange rate in the second quarter of the previous year to foreign currency-denominated sales, cost of sales, and selling, general and administrative expenses. (Constant currency growth rates discussed below in Results by Business Segment are calculated in the same way.)

Results by Business Segment

Note: The following discussion is based on segment information. Sales and operating revenue in each business segment include intersegment transactions (refer to Business Segment Information on pages 6 and 7). In the Electronics business, sales and operating revenue by product category represent sales to customers, which do not include intersegment transactions (refer to Electronics Sales and Operating Revenue to Customers by Product Category on page 8).

Electronics

In the Electronics business during the second quarter, results were strong on a local currency basis. However, substantially impacted by the yen's appreciation, reported sales declined 5.0% to ¥1,179 billion ($11,014 million) and operating income declined 46.7% to ¥33.4 billion ($312 million), compared with the second quarter of the previous year. By product, sales of audio equipment declined substantially. Sales of cellular phones also substantially decreased, reflecting the discontinuation of sales and marketing in the U.S. However, sales of home-use PCs increased significantly, and those of digital AV equipment continued to be strong as well. While cellular phones recorded a loss, performance improved in such products as home-use PCs, optical data recording systems, and semiconductors.

Breaking down Electronics sales to customers by product category, "Audio" sales decreased 17.0%. Sales of radio-cassette tape recorders, home stereos, and car audio decreased significantly, principally due to the appreciation of the yen and intensified price competition. "Video" sales decreased 1.0%. This was mainly due to sales declines of home-use video decks and broadcast- and professional-use equipment, reflecting appreciation of the yen and intensified price competition. Despite substantially increased sales of digital camcorders, overall sales of home-use camcorders decreased slightly due to significantly lower sales of analog camcorders. Sales of products such as digital still cameras and DVD-Video players continued to be strong, principally in the U.S. and Western Europe. "Televisions" sales fell 2.3%. This was principally due to the appreciation of the yen and a sales decline of projection TVs, which recorded higher sales in the second quarter of the previous year, mainly in the U.S. and Western Europe. Sales of color TVs increased due to higher sales in the U.S. and Asia, despite lower sales in Europe. "Information and communications" sales increased 13.8%. Sales of home-use PCs were significantly stronger, and sales of optical data recording systems such as CD-RW drives were also strong. Sales of cellular phones in Japan were notably stronger, however, such sales substantially declined and losses continued to be recorded in the U.S., mainly as a result of the discontinuation of sales and marketing mentioned above. "Electronic components and other" sales fell 12.9%. Sales of electronic components such as CRTs for computer displays decreased. On the other hand, sales of semiconductors increased, and performance improved as demand for digital AV equipment and information and communications equipment strengthened.

On a constant currency basis, sales would have increased approximately 11% and operating income would have increased approximately 35%, compared with the second quarter of the previous year.

On a local currency basis, sales in the Electronics business increased. This was due to strong sales in Japan, the U.S., and Europe, and a sales recovery in Asia (excluding Japan), despite continuing weak sales in parts of Latin America and Russia. Also, notably strong sales of home-use PCs, digital camcorders, and color TVs contributed to this sales increase.

Game

Sales in the Game business decreased 18.4% to ¥146 billion ($1,364 million), and operating income decreased 4.2% to ¥28.1 billion ($262 million), compared with the second quarter of the previous year. Although software sales increased, overall sales decreased primarily due to the yen's appreciation and a reduced price of game consoles. Operating income also decreased mainly due to the appreciation of the yen.

While production shipments of game consoles increased substantially in Europe, they decreased in the U.S. Worldwide shipments were 6.81 million units for the second quarter compared with 5.82 million units for the second quarter of the previous year, resulting in cumulative shipments of 65.21 million units as of September 30, 1999. Total production shipments of software have continued to rise, reflecting the increased aggregate number of game consoles in use. Worldwide shipments of software (including both Sony and third parties under Sony licenses) were 48 million units for the second quarter compared with 41 million units for the second quarter of the previous year, resulting in cumulative shipments of 510 million units as of September 30, 1999. During the second quarter, software titles from Sony achieving strong growth included *Minnano-Golf 2* and *Dokodemo-Issyo*.

On a constant currency basis, sales would have decreased approximately 4% and operating income would have increased approximately 48%, compared with the second quarter of the previous year.

Music

During the second quarter, sales in the Music business decreased 12.8% to ¥164 billion ($1,530 million) and operating income decreased 37.7% to ¥2.6 billion ($25 million), compared with the second quarter of the previous year. Significant factors in the second quarter's decline were the impact of translation from local currencies to the higher yen, delays in releases of new albums, and increases in talent, marketing and promotion expenditures in the Music business excluding Japan. The best sellers in the second quarter included Ricky Martin's self-titled English language album. The best sellers in Japan were two simultaneously released albums, *ark* and *ray*, by L'Arc~en~Ciel.

On a constant currency basis, sales would have been virtually flat and operating income would have decreased approximately 28%, compared with the second quarter of the previous year.

Pictures

During the second quarter, sales in the Pictures business decreased 19.0% to ¥114 billion ($1,067 million), and operating income decreased 49.5% to ¥8.7 billion ($82 million), compared with the second quarter of the previous year. The sales decline was primarily due to the impact of translation from local currencies to the higher yen. Operating income in the second quarter was negatively impacted by the currency translation, the comparative underperformance of the second quarter film release slate, and less contribution from television syndication activity. In Motion Pictures, the second quarter benefited from the U.S. box office success of *Big Daddy,* which held strong after its opening in late June, and the successful release of *Blue Streak* in September, but suffered losses from the box office performances of *Jakob the Liar, Dick,* and *Muppets From Space*. In Television, operating income was lower because the second quarter of the previous year included particularly strong second cycle syndication sales of *Seinfeld*. Current second quarter syndication activity, while less strong than in the previous second quarter, included the second cycle syndication sales of *Married … With Children*.

On a constant currency basis, sales would have been virtually flat and operating income would have decreased approximately 35%, compared with the second quarter of the previous year.

Insurance

Insurance revenue during the second quarter increased 11.7% to ¥94.3 billion ($881 million), and operating income increased 469.7 % to ¥8.6 billion ($80 million), compared with the second quarter of the previous year. This was due to an increase in life insurance-in-force, mainly of individual life insurance policies, which are high margin products.

Sony Assurance Inc, a wholly owned subsidiary of Sony Corporation, received a non-life insurance business license in Japan in September 1999, and commenced business. Since the end of September 1999, Sony Assurance Inc has been marketing automobile insurance products directly through the telephone and the internet.

Other

Sales in the Other business were up by 19.3% to ¥88.3 billion ($825 million), compared with the second quarter of the previous year. The business, however, posted an operating loss of ¥3.9 billion ($37 million). The increase in sales was principally due to the consolidation of a new subsidiary from the current first quarter, and higher sales from a financial subsidiary in Japan whose major business is leasing and credit financing. The operating loss was primarily due to expenses incurred in the U.S., both in the start-up of a location-based entertainment complex and in internet-related businesses.

Results of affiliated companies accounted for by the equity method

Equity affiliates include i) in the Electronics business – S.T. Liquid Crystal Display Corp. ("ST-LCD"), an LCD joint venture in Japan, ii) in the Music business – The Columbia House Company, a direct marketer of music and videos, iii) in the Pictures business – Telemundo, a U.S. based Spanish language television network and station group and Loews Cineplex Entertainment Corporation, a theatrical exhibition company, and iv) in the Other business – parts of satellite distribution services related businesses in Japan and the development of a location-based entertainment complex in Europe. During the second quarter, losses were primarily from ST-LCD, Telemundo, and the satellite distribution services related businesses in Japan.

Non-Consolidated Results (Parent Company Only)

Non-consolidated (parent company only) results deteriorated due to the substantial appreciation of the yen. For the first half of the current fiscal year, net sales decreased 1.4%, to ¥1,298 billion ($12,133 million), operating income decreased 71.1%, to ¥16.5 billion ($155 million), ordinary income decreased 59.1%, to ¥32.4 billion ($303 million), and net income decreased 54.0%, to ¥21.2 billion ($198 million), compared with the first half of the previous year.

On a constant currency basis, sales would have increased approximately 8% and operating income would have increased approximately 39%, compared with the first half of the previous year.

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Business Segment Information

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

Three months ended September 30

Sales and operating revenue		1998	1999	Change	1999
Electronics					
	Customers	¥ 1,153,543	**¥ 1,100,617**	- 4.6%	**$ 10,286**
	Intersegment	86,768	**77,935**		**728**
	Total	1,240,311	**1,178,552**	- 5.0	**11,014**
Game					
	Customers	173,787	**140,363**	- 19.2	**1,312**
	Intersegment	5,084	**5,566**		**52**
	Total	178,871	**145,929**	-18.4	**1,364**
Music					
	Customers	178,209	**153,785**	- 13.7	**1,437**
	Intersegment	9,478	**9,916**		**93**
	Total	187,687	**163,701**	-12.8	**1,530**
Pictures					
	Customers	140,948	**114,098**	- 19.0	**1,067**
	Intersegment	18	**29**		**0**
	Total	140,966	**114,127**	- 19.0	**1,067**
Insurance					
	Customers	84,396	**94,272**	+ 11.7	**881**
	Intersegment	0	**0**		**0**
	Total	84,396	**94,272**	+ 11.7	**881**
Other					
	Customers	21,328	**29,565**	+ 38.6	**276**
	Intersegment	52,719	**58,753**		**549**
	Total	74,047	**88,318**	+ 19.3	**825**
Elimination		(154,067)	**(152,199)**	—	**(1,422)**
Consolidated		¥ 1,752,211	**¥ 1,632,700**	- 6.8%	**$ 15,259**

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

Operating income (loss)	1998	1999	Change	1999
Electronics	¥ 62,550	**¥ 33,364**	- 46.7%	**$ 312**
Game	29,321	**28,089**	- 4.2	**262**
Music	4,209	**2,624**	- 37.7	**25**
Pictures	17,295	**8,737**	- 49.5	**82**
Insurance	1,502	**8,557**	+ 469.7	**80**
Other	114	**(3,910)**	—	**(37)**
Total	114,991	**77,461**	- 32.6	**724**
Corporate and elimination	(3,819)	**(7,295)**	—	**(68)**
Consolidated	¥ 111,172	**¥ 70,166**	- 36.9%	**$ 656**

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

Six months ended September 30

Sales and operating revenue		1998	**1999**	Change	**1999**
Electronics					
	Customers	¥ 2,231,248	**¥ 2,094,593**	- 6.1%	**$ 19,576**
	Intersegment	159,129	**133,397**		**1,247**
	Total	2,390,377	**2,227,990**	- 6.8	**20,823**
Game					
	Customers	304,889	**249,091**	- 18.3	**2,328**
	Intersegment	9,974	**11,780**		**110**
	Total	314,863	**260,871**	- 17.1	**2,438**
Music					
	Customers	345,609	**316,265**	- 8.5	**2,956**
	Intersegment	16,545	**17,603**		**164**
	Total	362,154	**333,868**	- 7.8	**3,120**
Pictures					
	Customers	271,829	**215,273**	- 20.8	**2,012**
	Intersegment	18	**55**		**1**
	Total	271,847	**215,328**	- 20.8	**2,013**
Insurance					
	Customers	174,551	**182,704**	+ 4.7	**1,707**
	Intersegment	0	**0**		**0**
	Total	174,551	**182,704**	+ 4.7	**1,707**
Other					
	Customers	42,347	**57,026**	+ 34.7	**533**
	Intersegment	102,728	**115,243**		**1,077**
	Total	145,075	**172,269**	+ 18.7	**1,610**
Elimination		(288,394)	**(278,078)**	—	**(2,599)**
Consolidated		¥ 3,370,473	**¥ 3,114,952**	- 7.6%	**$ 29,112**

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

Operating income (loss)	1998	**1999**	Change	**1999**
Electronics	¥ 117,707	**¥ 47,457**	- 59.7%	**$ 444**
Game	53,758	**45,588**	- 15.2	**426**
Music	12,407	**7,210**	- 41.9	**67**
Pictures	24,091	**12,990**	- 46.1	**121**
Insurance	3,697	**13,716**	+ 271.0	**128**
Other	840	**(3,914)**	—	**(37)**
Total	212,500	**123,047**	- 42.1	**1,149**
Corporate and elimination	(7,884)	**(10,645)**	—	**(99)**
Consolidated	¥ 204,616	**¥ 112,402**	- 45.1%	**$ 1,050**

Electronics Sales and Operating Revenue to Customers by Product Category

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

Three months ended September 30

Sales and operating revenue	1998	**1999**	Change	**1999**
Audio	¥ 307,166	¥ **254,992**	- 17.0%	$ **2,383**
Video	259,132	**256,543**	- 1.0	**2,398**
Televisions	174,280	**170,273**	- 2.3	**1,591**
Information and communications	221,308	**251,922**	+ 13.8	**2,354**
Electronic components and other	191,657	**166,887**	- 12.9	**1,560**
Total	¥ 1,153,543	¥ **1,100,617**	- 4.6%	$ **10,286**

Six months ended September 30

Sales and operating revenue	1998	**1999**	Change	**1999**
Audio	¥ 575,024	¥ **467,866**	- 18.6%	$ **4,373**
Video	501,580	**490,431**	- 2.2	**4,584**
Televisions	342,647	**310,957**	- 9.2	**2,906**
Information and communications	447,330	**502,500**	+ 12.3	**4,696**
Electronic components and other	364,667	**322,839**	- 11.5	**3,017**
Total	¥ 2,231,248	¥ **2,094,593**	- 6.1%	$ **19,576**

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on pages 6 and 7. The Electronics business is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the sales contributions of the products in this business segment. Operating income information by product category is not available.

Geographic Segment Information

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

Three months ended September 30

Sales and operating revenue	1998	**1999**	Change	**1999**
Japan	¥ 450,904	¥ **501,734**	+ 11.3%	$ **4,689**
United States	612,887	**518,923**	- 15.3	**4,850**
Europe	406,138	**344,441**	- 15.2	**3,219**
Other Areas	282,282	**267,602**	- 5.2	**2,501**
Total	¥ 1,752,211	¥ **1,632,700**	- 6.8%	$ **15,259**

Six months ended September 30

Sales and operating revenue	1998	**1999**	Change	**1999**
Japan	¥ 898,121	¥ **967,379**	+ 7.7%	$ **9,041**
United States	1,101,906	**953,499**	- 13.5	**8,911**
Europe	801,453	**688,795**	- 14.1	**6,438**
Other Areas	568,993	**505,279**	- 11.2	**4,722**
Total	¥ 3,370,473	¥ **3,114,952**	- 7.6%	$ **29,112**

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

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Three months ended September 30			
	1998	**1999**	Change	**1999**
Sales and operating revenue:			%	
Net sales	¥ 1,656,362	**¥ 1,522,060**		**$ 14,225**
Insurance revenue	84,396	**94,271**		**881**
Other operating revenue	11,453	**16,369**		**153**
	1,752,211	**1,632,700**	- 6.8	**15,259**
Costs and expenses:				
Cost of sales	1,170,950	**1,109,545**		**10,370**
Selling, general and administrative	387,194	**367,257**		**3,432**
Insurance expenses	82,895	**85,732**		**801**
	1,641,039	**1,562,534**		**14,603**
Operating income	111,172	**70,166**	- 36.9	**656**
Other income:				
Interest and dividends	6,220	**3,811**		**36**
Foreign exchange gain, net	942	**18,637**		**174**
Other	19,122	**27,340**		**255**
	26,284	**49,788**		**465**
Other expenses:				
Interest	14,285	**10,457**		**98**
Other	20,706	**19,535**		**182**
	34,991	**29,992**		**280**
Income before income taxes	102,465	**89,962**	-12.2	**841**
Income taxes	53,514	**34,708**		**324**
Income before minority interest and equity in net losses of affiliated companies	48,951	**55,254**		**517**
Minority interest in consolidated subsidiaries	2,716	**4,479**		**42**
Equity in net losses of affiliated companies	1,129	**4,260**		**40**
Net income	¥ 45,106	**¥ 46,515**	+ 3.1	**$ 435**
Net income per share				
Basic	¥ 110.0	**¥ 113.0**	+ 2.7	**$ 1.06**
Diluted	98.5	**101.7**	+ 3.2	**0.95**

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Six months ended September 30			
	1998	**1999**	Change	**1999**
Sales and operating revenue:			%	
Net sales	¥ 3,172,256	**¥ 2,899,449**		**$ 27,098**
Insurance revenue	174,551	**182,703**		**1,707**
Other operating revenue	23,666	**32,800**		**307**
	3,370,473	**3,114,952**	- 7.6	**29,112**
Costs and expenses:				
Cost of sales	2,246,020	**2,116,949**		**19,785**
Selling, general and administrative	748,982	**716,614**		**6,698**
Insurance expenses	170,855	**168,987**		**1,579**
	3,165,857	**3,002,550**		**28,062**
Operating income	204,616	**112,402**	- 45.1	**1,050**
Other income:				
Interest and dividends	12,184	**9,012**		**84**
Foreign exchange gain, net	—	**20,503**		**192**
Other	39,158	**45,946**		**429**
	51,342	**75,461**		**705**
Other expenses:				
Interest	26,460	**21,554**		**201**
Foreign exchange loss, net	192	**—**		**—**
Other	33,778	**33,524**		**313**
	60,430	**55,078**		**514**
Income before income taxes	195,528	**132,785**	- 32.1	**1,241**
Income taxes	101,075	**51,765**		**484**
Income before minority interest and equity in net losses of affiliated companies	94,453	**81,020**		**757**
Minority interest in consolidated subsidiaries	6,308	**6,320**		**59**
Equity in net losses of affiliated companies	2,093	**9,758**		**91**
Net income	¥ 86,052	**¥ 64,942**	- 24.5	**$ 607**
Net income per share				
Basic	¥ 210.1	**¥ 158.0**	- 24.8	**$ 1.48**
Diluted	188.0	**142.8**	- 24.0	**1.33**

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

		September 30	
ASSETS	1998	**1999**	**1999**
Current assets:			
Cash and time deposits	¥ 512,370	**¥ 615,523**	**$ 5,753**
Marketable securities	199,039	**103,335**	**966**
Notes and accounts receivable, less allowances	1,185,230	**1,022,273**	**9,554**
Inventories	1,250,947	**969,411**	**9,060**
Other	493,040	**481,236**	**4,497**
Total current assets	3,640,626	**3,191,778**	**29,830**
Noncurrent inventories — film	249,622	**242,034**	**2,262**
Investments and advances	942,307	**1,021,556**	**9,547**
Property, plant and equipment, less depreciation	1,296,550	**1,243,230**	**11,619**
Other assets:			
Intangibles	126,828	**124,471**	**1,163**
Goodwill	155,081	**125,579**	**1,174**
Deferred insurance acquisition costs	181,969	**221,799**	**2,073**
Other	324,766	**283,769**	**2,652**
Total other assets	788,644	**755,618**	**7,062**
	¥ 6,917,749	**¥ 6,454,216**	**$ 60,320**

LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	¥ 343,512	**¥ 248,206**	**$ 2,320**
Notes and accounts payable, trade	819,544	**834,097**	**7,795**
Accounts payable, other and accrued expenses	701,208	**650,609**	**6,080**
Accrued income and other taxes	158,427	**107,607**	**1,006**
Other	347,278	**337,375**	**3,153**
Total current liabilities	2,369,969	**2,177,894**	**20,354**
Long-term liabilities:			
Long-term debt	1,077,007	**945,134**	**8,833**
Accrued pension and severance costs	200,122	**135,364**	**1,265**
Deferred income taxes	151,452	**129,497**	**1,210**
Future insurance policy benefits and other	822,667	**1,009,930**	**9,439**
Other	215,134	**168,269**	**1,573**
Total long-term liabilities	2,466,382	**2,388,194**	**22,320**
Minority interest in consolidated subsidiaries	131,136	**141,699**	**1,324**
Stockholders' equity:			
Common stock, ¥50 par value	415,919	**424,617**	**3,969**
Additional paid-in capital	558,782	**568,164**	**5,310**
Retained earnings	1,040,877	**1,178,208**	**11,011**
Accumulated other comprehensive income	(59,753)	**(415,886)**	**(3,887)**
Treasury stock, at cost	(5,563)	**(8,674)**	**(81)**
Total stockholders' equity	1,950,262	**1,746,429**	**16,322**
	¥ 6,917,749	**¥ 6,454,216**	**$ 60,320**

Notes:

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥107=U.S.$1, the approximate Tokyo foreign exchange market rate as of September 30, 1999. Effective with the second quarter ended September 30, 1999, the presentation in U.S. dollar was changed to millions of U.S. dollars.
2. As of September 30, 1999, Sony had 1,060 consolidated subsidiaries. It has applied the equity accounting method with respect to its 71 affiliated companies.
3. Weighted-average shares used for computation of basic net income per share for the three months ended September 30, 1998 and 1999 were 409,922 thousand shares and 411,758 thousand shares, respectively, and the weighted-average shares used for diluted net income per share for the three months ended September 1998 and 1999 were 463,890 thousand shares and 463,828 thousand shares, respectively. Weighted-average shares used for computation of basic net income per share for the six months ended September 30, 1998 and 1999 were 409,579 thousand shares and 411,012 thousand shares, respectively, and the weighted-average shares used for diluted net income per share for the six months ended September 1998 and 1999 were 463,937 thousand shares and 463,813 thousand shares, respectively. The dilutive effect for all periods mainly resulted from convertible bonds.
4. Comprehensive income comprises net income plus other comprehensive income representing changes in foreign currency translation adjustments, unrealized gains on securities, and minimum pension liability adjustments. Comprehensive income for the three-month periods ended September 30, 1998 and 1999 were ¥ (9,505) million and ¥ (98,282) million ($ (919) million), respectively. The changes in foreign currency translation adjustments included in the other comprehensive income were a decrease of ¥33,984 million and a decrease of ¥157,407 million ($1,471 million), respectively. Comprehensive income for the six-month periods ended September 30, 1998 and 1999 were ¥127,565 million and ¥ (81,048) million ($ (757) million), respectively. The changes in foreign currency translation adjustments included in the other comprehensive income were an increase of ¥50,844 million and a decrease of ¥163,907 million ($1,532 million), respectively.
5. Effective with the first quarter ended June 30, 1999, equity in net earnings (losses) of affiliated companies, which were previously included in sales and operating revenue, are shown separately. As a result, sales and operating revenue, operating income, and income before income taxes figures for the second quarter as well as the six-month period ended September 30, 1999 have been restated to conform to the 1999 presentation. Certain items in the consolidated balance sheet as of September 30, 1998 have been restated to conform to the 1999 presentation.

Proposed motion picture accounting change:

In October 1998, the Accounting Standards Executive Committee ("AcSEC") of the American Institute of Certified Public Accountants issued an exposure draft of a proposed Statement of Position, "Accounting by Producers and Distributors of Films" ("Exposure Draft") which, if adopted as issued, would significantly change the current accounting for the motion picture and television business. The Exposure Draft proposes, among many changes, that theatrical advertising expense be amortized over a significantly shorter period, that advertising expenses for other markets be expensed as incurred, and that revenue from television syndication contracts be recognized over the contract period rather than upon initial availability of the product to the licensee. The transition from Sony's current accounting practices to those required by the Exposure Draft would result in a cumulative charge to Sony's results of operations in the period of adoption, although there would be no cash flow impact. Comments on the Exposure Draft are being reviewed by AcSEC and the Financial Accounting Standards Board. Depending on the nature, scope, and merits of the comment letters, the Exposure Draft may be modified in part or in its entirety. Accordingly, the impact to Sony is not currently known, as it may vary significantly depending on the final Statement of Position as well as the exact date it becomes effective. For illustrative purposes, if the Exposure Draft were implemented as issued without change, as of September 30, 1999, the cumulative non-cash charge would be approximately $950 million. The date of issuance of the final Statement of Position has not yet been determined; however, as currently drafted, the earliest required implementation date for Sony would be April 1, 2000.

Other Consolidated Financial Data

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

	Three months ended September 30			
	1998	**1999**	Change	**1999**
Depreciation and amortization*	¥ 77,978	**¥ 72,853**	- 6.6%	**$ 681**
Capital expenditures (additions to fixed assets)	86,202	**99,000**	+ 14.8	**925**
R&D expenses	96,261	**103,813**	+ 7.8	**970**

	Six months ended September 30			
	1998	**1999**	Change	**1999**
Depreciation and amortization*	¥ 147,176	**¥141,359**	- 4.0%	**$ 1,321**
Capital expenditures (additions to fixed assets)	162,231	**192,406**	+ 18.6	**1,798**
R&D expenses	176,171	**194,030**	+ 10.1	**1,813**

*Including amortization of deferred insurance acquisition costs

NON-CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Parent company only)

(Millions of yen)

	Six months ended September 30		
	1998	**1999**	Change
Operating profit and loss:			%
Net Sales:			
Japan	¥ 373,916	¥ **409,851**	+ 9.6
Export	942,627	**888,341**	- 5.8
	1,316,543	**1,298,192**	-1.4
Cost of sales	1,088,236	**1,107,693**	
Selling, general and administrative	171,012	**173,950**	
Operating income	57,294	**16,548**	- 71.1
Non-operating profit and loss:			
Non-operating profit:			
Interest and dividends	15,652	**8,933**	
Other	44,967	**44,666**	
	60,620	**53,600**	
Non-operating loss:			
Interest	7,669	**7,051**	
Other	31,160	**30,741**	
	38,829	**37,792**	
Ordinary income	79,084	**32,355**	- 59.1
Non-recurring loss, net	4,786	**3,257**	
Income before income taxes	74,297	**29,098**	
Income taxes			
Current	28,200	**15,500**	
Deferred		**(7,620)**	
Net income	¥ 46,097	¥ **21,218**	- 54.0

COMPOSITION OF NET SALES BY PRODUCT GROUP

(Parent company only)

(Millions of yen)

	Six months ended September 30		
	1998	**1999**	Change
Audio	¥ 349,818	¥ **279,130**	- 20.2%
Video	329,335	**340,686**	+ 3.4
Televisions	87,127	**86,528**	- 0.7
Information and communications	245,258	**328,430**	+ 33.9
Electronic components and other	305,002	**263,416**	- 13.6
Net Sales	¥ 1,316,543	¥ **1,298,192**	- 1.4

Notes: Figures less than ¥1 million have been omitted.

Strategies and Outlook

Update

In connection with the realignment of Sony's group architecture aimed at achieving Value Creation Management, the following steps have been taken since the announcement of the first quarter consolidated results.

Strengthening the Electronics Business

Establishment of a New Network Company:
In October 1999, Sony merged the B&P Company with Digital Network Solutions (DNS) to establish a new network company, the Communication System Solutions Network Company (CSNC). By combining B&P's technical expertise and marketing power in broadcast and professional equipment markets, and DNS's network related expertise and service experience, Sony aims to expand current businesses and to develop new businesses in the coming digital network era.

Consolidation of Manufacturing Facilities:
In the U.S., Sony announced during the second quarter the transfer of finishing operations of VHS video cassette tapes to Mexico by the end of March 2000 from a manufacturing facility in Alabama, which will focus on manufacturing digital recording media. Sony also announced the transfer of production of professional- and broadcast-use equipment in Florida to Japan and Europe by the end of December 1999. In Asia, Sony merged its video and color television plants in Malaysia and also merged six companies in Singapore, including manufacturing facilities, both effective in October 1999. Sony continues to review restructuring its other manufacturing facilities and to streamline its supply chain, in order to counteract foreign exchange fluctuations, to improve profitability, and to reduce inventory.

Digital Network:
Sony will introduce in December 1999 "MagicGate Memory Stick," a small IC recording media equipped with copyright protection technology, along with a portable headphone stereo, "Memory Stick Walkman," which functions with that media. This IC recording media allows the recording of electronically distributed music.

In the U.S., Sony and TiVo, Inc. ("TiVo") announced the formation of a strategic alliance relating to manufacturing of hard-disk based personal video recorders that enable users to time-shift their favorite television shows and create a customized television lineup for viewing at any time. As a result of this alliance, Sony's entertainment content is expected to be added to the TiVo Personal Television Service in the future. Also, Sony and Cablevision Systems Corporation announced plans to develop and deploy a new-generation digital broadband communications platform that will permit the offering of an array of advanced interactive services, including video-on-demand.

Privatizing Three Sony Group Subsidiaries

On October 1, 1999, Sony Corporation entered into stock exchange agreements with each of Sony Music Entertainment (Japan) Inc., Sony Chemicals Corporation, and Sony Precision Technology Inc. upon enactment of the amended Commercial Code of Japan, which permits such stock exchange. Subject to approval at extraordinary general meetings of shareholders to be held on November 26, 1999, such three companies will become wholly owned subsidiaries of Sony Corporation on January 5, 2000.

Strengthening Group Management

As part of "Value Creation Management," in order to promote management which focuses on creation of shareholder value, Sony is moving forward to introduce EVA* in each Sony group business unit. EVA* is a measurement tool for evaluating performance, which reflects the cost of capital.

*EVA (Economic Value Added) is a trademark of Stern Stewart & Co.

PlayStation2

Sony Computer Entertainment Inc. plans to launch "PlayStation2" on March 4, 2000 in Japan, in summer 2000 in Asia, and in fall 2000 in the U.S. and Europe. It has vastly improved graphics processing and rendering capabilities, backward compatibility with "PlayStation" software, and a DVD-Video playback function. It aims to bring together movies, music, and games to form a new world of computer entertainment. Cumulative capital expenditures for the system's semiconductors, the "Emotion Engine" and the "Graphics Synthesizer," are currently estimated at approximately ¥130 billion, roughly a ¥10 billion increase from the original estimate.

Forecast for the Consolidated Results

In regards to the forecast for the consolidated results for the fiscal year ending March 31, 2000, in consideration of the following additional factors, which were not included in the original forecast announced in April 1999, operating income is expected to decrease. However, income before income taxes and net income are expected to increase slightly, compared with the original forecast.

i) In preparing the current forecast, Sony is using average market yen-dollar and yen-euro exchange rates for the second half of the fiscal year ending March 31, 2000 of approximately ¥105 and ¥115, respectively. However, current hedging would be expected to result in foreign exchange gains.

ii) During the first half of the fiscal year, results were positively impacted by very strong sales of home-use PCs and digital AV equipment although supply pressures in the areas of LCDs and semiconductors slightly impacted such sales.

iii) Gains relating to certain investment securities in the U.S. were realized in the first half of the fiscal year (refer to page 2).

iv) Additional expenses were incurred relating to the discontinuation of engineering, sales, and marketing of cellular phones in the U.S. in the first half of the fiscal year.

v) There is not expected to be any direct material impact on Sony's consolidated results from the Taiwan earthquake of September 1999.

Note: In accordance with the separation of equity in net earnings (losses) of affiliated companies (refer to Note on page 1), sales and operating revenue, operating income, and income before income taxes are expected to increase slightly, however, there will be no impact on net income. The effect is excluded from the changes in the revised forecast.

The Year 2000 Issue

Regarding the Year 2000 issue, the following progress has been made since the statement included in the Annual Report for the fiscal year ended March 31, 1999.

1) State of Readiness:

In the field of broadcast- and professional- use equipment, major issues have been resolved. In internal information systems and non-IT systems such as production equipment, remediation of major systems is expected to be completed by the end of October 1999. Integrated tests including verification of operating environments by multiple IPL (Initial Program Loading) date setting have been conducted as planned. Replacement of third party software and hardware, such as operating systems which are continuously upgraded, is being carried out as needed.

2) Costs:

Regarding internal information systems, with respect to expected total costs of approximately ¥9.4 billion relating to such items as systems modifications, expected total costs of approximately ¥8.1 billion was incurred as of the end of September 1999. Similarly, with respect to approximately ¥13.0 billion relating to such items as systems replacement, including enhancement of functionality of current systems, approximately ¥11.7 billion was incurred. Regarding Sony products, total costs of approximately ¥0.8 billion are currently expected.

3) Contingency Plan:

Regarding Sony products, customer service support will continue to be offered during the changeover period. Also, an internal communication structure will be established to respond to customers who may experience unforeseen problems. Regarding parts supply, Sony has been identifying the higher risk parts and raw material vendors and is considering such countermeasures as increasing inventory. Regarding internal information systems, Sony will secure the operation of e-mail systems and will establish a structure for checking the operation of data center communication links and a structure for internal emergency communications for the changeover period. Regarding the transactions which involve financial settlement with banks, Sony is evaluating each country's readiness of financial systems towards the Year 2000 issue and may avoid certain financial settlements during the changeover period according to the degree of risk by accelerating payment and delaying receipt.