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CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND THE NINE-MONTH PERIOD ENDED DECEMBER 31, 1998

FOR IMMEDIATE RELEASE

Tokyo, January 27, 1999 - Sony Corporation announced today its consolidated results for the third quarter and the nine-month period ended December 31, 1998.

CONSOLIDATED RESULTS FOR THE THIRD QUARTER

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

	Three months ended December 31			
	1997	1998	Change	1998
Sales and operating revenue	¥2,012,723	¥1,947,953	- 3.2%	\$ 16,792,698
Operating income	223,655	179,417	- 19.8	1,546,698
Income before income taxes	214,251	232,002	+ 8.3	2,000,017
Net income	110,377	112,319	+ 1.8	968,267
Net income per share				
Basic	¥ 274.4	¥ 274.0	- 0.1%	\$ 2.36
Diluted	239.0	243.5	+ 1.9	2.10

CONSOLIDATED RESULTS FOR THE NINE-MONTH PERIOD

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

	Nine months ended December 31			
	1997	1998	Change	1998
Sales and operating revenue	¥5,081,523	¥5,316,333	+ 4.6%	\$ 45,830,457
Operating income	461,311	381,940	- 17.2	3,292,586
Income before income taxes	416,353	425,437	+ 2.2	3,667,560
Net income	201,309	198,371	- 1.5	1,710,095
Net income per share				
Basic	¥ 509.2	¥ 484.2	- 4.9%	\$ 4.17
Diluted	437.4	431.5	- 1.3	3.72

Note: Income before income taxes and net income figures for the third quarter and nine months ended December 31, 1998 include gains of ¥58.7 billion (\$506 million) and ¥30.7 billion (\$265 million), respectively, which resulted from a contribution of securities to an outside trust for employee retirement benefit purposes (refer to Note 3 on page 12).

Performance Highlights

For the third quarter, consolidated sales and operating revenue (herein referred to as “sales”) declined 3.2% compared to the same quarter of the previous year, to ¥1,948 billion (\$16,793 million) and operating income decreased 19.8% to ¥179 billion (\$1,547 million). The declines were primarily due to unfavorable results in the Electronics business. In Electronics, intensified price competition, lower sales, and the impact of production decreases caused sales and operating income to significantly decline. In addition, sales were negatively impacted by the yen’s appreciation during the quarter, especially the rapid appreciation that took place in October 1998. Sales were also down substantially in the Pictures business, which had a difficult comparison with the previous year’s very strong results, although operating income increased due principally to contributions from home video sales and television shows. The Game and Music businesses achieved significantly higher sales and operating income.

Income before income taxes increased 8.3% to ¥232 billion (\$2,000 million) and net income increased 1.8% to ¥112 billion (\$968 million). Despite significantly lower operating income, income before income taxes and net income increased due to a gain on securities realized as a result of a contribution of marketable equity securities held by Sony Corporation to an outside trust for employee retirement benefit purposes. As a result, income before income taxes and net income recorded a one-time gain during the quarter of ¥58.7 billion (\$506 million) and ¥30.7 billion (\$265 million), respectively (refer to Note 3 on page 12). Basic net income per share during the quarter was ¥274.0 (\$2.36) compared to ¥274.4 in the third quarter of the previous year and diluted net income per share was ¥243.5 (\$2.10) compared to ¥239.0 in the third quarter of the previous year (refer to Note 4 on page 12).

In terms of average foreign exchange rate compared with the previous year, the yen appreciated approximately 5% against the U.S. dollar and 4% against the British pound during the third quarter. During the same period, however, the yen depreciated approximately 1% against the German mark. It is estimated that sales would have been approximately ¥54 billion (\$466 million) higher than the reported figure and operating income would have been ¥2 billion (\$17 million) lower than the reported figure, 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 third 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). In addition to the impact calculated above, recent volatility of the yen exchange rate has made it more difficult to manage global material procurement, manufacturing, and sales activities as planned, and has adversely affected Sony’s business results.

Performance by Business Segment

- Notes:
- Sales in each business segment include intersegment transactions (refer to Business Segment Information on pages 5 and 6).
 - 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 7).

Electronics

Sales in the Electronics business declined 7.4% (down approximately 5% on a constant currency basis) to ¥1,279 billion (\$11,029 million). Declining sales prices and lower sales (particularly in products such

as home stereos, cellular phones, and computer displays) combined with the yen's appreciation caused Electronics sales to decline. Breaking down Electronics sales to customers by product category, "Audio" products experienced lower sales of home stereos in regions suffering from difficult economic conditions, including Latin America, Asia (excluding Japan), Russia, and Eastern Europe, and intensified price competition in the United States and Western Europe. As a result, sales in "Audio" decreased by 14.0%. Sales expanded 8.7% in the "Video" category, as sales of digital still cameras, DVD-Video players, and home-use camcorders grew mainly in the United States and Western Europe. Sales in the "Televisions" category fell 4.5% as Asia (excluding Japan), Latin America, and Russia experienced significantly lower sales. However, sales in "Televisions" benefited from strong sales in Japan of Wega series color TVs, which incorporate flat cathode ray tubes, and increased sales of Wega and other large screen TVs in the United States. In "Information and communications", sales of cellular phones declined substantially. The decline is due to factors including new product introduction delays and the impact of correcting power emission levels in certain types of phones in the United States. Computer display sales fell in the United States, Japan, and Western Europe due to factors including a decline in prices. However, these declines were partially offset by substantial sales growth of VAIO series PCs in Japan. As a result, sales in "Information and communications" decreased by 7.8%. Sales in "Electronic components and other" fell 24.2%, due to lower sales of semiconductors and electronic components. Overall, operating income in the Electronics business fell 48.5% to ¥67.5 billion (\$582 million). The large decline in operating income was primarily caused by lower sales of cellular phones, computer displays, and semiconductors.

In inventories, the reduction in inventory valuation caused by the yen's appreciation, combined with adjustments in production levels, resulted in slightly lower Electronics inventory levels compared to the end of the same period of the previous year.

Game

Sales in the Game business increased 11.6% (up approximately 15% on a constant currency basis) to ¥314 billion (\$2,707 million). In PlayStation game consoles, sales continued to increase in the United States and Europe while sales in Japan decreased from the previous year. In PlayStation software, steady sales growth continued in Japan, the United States, and Europe. Worldwide production shipments of game consoles were 7.56 million units during the quarter, and achieved cumulative production shipments of 50.7 million units as of December 31, 1998. Software titles achieving strong sales during the quarter included *CRASH BANDICOOT: WARPED*. Operating income in the Game business increased 33.1% to ¥78.4 billion (\$676 million). Despite the negative impact of the yen's appreciation on game consoles shipped from Japan to the United States and Europe, growth in game console sales in the United States and Europe combined with strong software sales contributed to the substantial increase in operating income.

Music

During the quarter, sales in the Music group increased 16.3% (up approximately 20% on a constant currency basis) to ¥236 billion (\$2,036 million), and operating income increased 22.2% to ¥29.7 billion (\$256 million). Brisk sales growth in the United States and Europe contributed to the quarter's strong results. Several highly successful releases from major artists during the quarter produced strong sales, including Mariah Carey's *#1's*, Celine Dion's *These Are Special Times* and George Michael's *Ladies and Gentlemen, The Best of George Michael*. Continued sales of recent releases from Lauryn Hill, Will Smith, and Dixie Chicks also contributed to the quarter's results. In Japan, while successful releases from international artists including Mariah Carey and Celine Dion benefited results, the contribution was offset by lower-than-anticipated sales of releases from domestic artists.

Pictures

During the quarter, sales in the Pictures group decreased 16.0% (down approximately 12% on a constant currency basis) to ¥136 billion (\$1,170 million). The decline in sales from the prior year is due principally to fewer and less successful theatrical releases by comparison with last year's strong motion picture revenue and the deconsolidation of the theatrical exhibition business (For comparative purposes, it is estimated that sales in the Pictures business would have declined by 8.4% compared to the same quarter of the previous year, if the impact of the theatrical exhibition operations revenue is removed from the reported figures). Despite the sales decline, operating income increased 11.9% to ¥9.2 billion (\$79 million). Operating income increased because of increased contributions from home video titles acquired from third parties and strong results from the international theatrical release and home video sales of *The Mask of Zorro*. Operating income also benefited from steady profit increases in the television business, primarily from game shows such as *Wheel of Fortune* and soap operas such as *The Young & the Restless*. However, the quarter's profits were partially offset by start-up losses on investments, including Telemundo Group, Inc., a U.S. based Spanish language television network, and other international cable channel investments.

During the first quarter of this fiscal year, 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.

Insurance

In the Insurance business, revenue increased 0.9% to ¥74.5 billion (\$643 million) compared to the same quarter of the previous year. Despite significantly higher individual and group insurance-in-force in the Japanese life insurance business during the quarter, increased revenue was reduced by lower returns on investments. Lower returns on investments were caused by substantially increased revaluation losses on certain bond investments held for trading purposes due to a rapid drop in bond prices in Japan. The Insurance business recorded an operating loss for the quarter, compared to operating income in the same quarter of the previous year. The operating loss was primarily caused by lower returns on investments as described above.

Other

Revenue in Sony's Other segment grew by 22.4% to ¥75.4 billion (\$650 million). However, the size of the operating loss grew compared to the same period of the previous year. The operating loss was primarily due to the start-up of new businesses such as satellite distribution services in Japan and internet related businesses in the United States.

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Business Segment Information

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

Three months ended December 31

Sales and operating revenue	1997	1998	Change	1998
			%	
Electronics -				
Customers	¥ 1,291,870	¥ 1,182,923	- 8.4	\$ 10,197,612
Intersegment	90,048	96,423		831,233
Total	1,381,918	1,279,346	- 7.4	11,028,845
Game -				
Customers	275,199	306,204	+ 11.3	2,639,690
Intersegment	6,066	7,759		66,888
Total	281,265	313,963	+ 11.6	2,706,578
Music -				
Customers	191,660	224,596	+ 17.2	1,936,172
Intersegment	11,504	11,622		100,190
Total	203,164	236,218	+ 16.3	2,036,362
Pictures -				
Customers	161,455	135,782	- 15.9	1,170,535
Intersegment	147	(9)		(78)
Total	161,602	135,773	- 16.0	1,170,457
Insurance -				
Customers	73,840	74,536	+ 0.9	642,552
Intersegment	2	1		8
Total	73,842	74,537	+ 0.9	642,560
Other -				
Customers	18,699	23,912	+ 27.9	206,137
Intersegment	42,877	51,484		443,828
Total	61,576	75,396	+ 22.4	649,965
Elimination	(150,644)	(167,280)	—	(1,442,069)
Consolidated	¥ 2,012,723	¥ 1,947,953	- 3.2	\$ 16,792,698

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

Operating income (loss)

Electronics	¥ 131,220	¥ 67,523	- 48.5	\$ 582,095
Game	58,920	78,447	+ 33.1	676,267
Music	24,308	29,705	+ 22.2	256,077
Pictures	8,202	9,176	+ 11.9	79,103
Insurance	7,921	(171)	—	(1,474)
Other	(3,542)	(3,790)	—	(32,672)
Corporate and elimination	(3,374)	(1,473)	—	(12,698)
Consolidated	¥ 223,655	¥ 179,417	- 19.8	\$ 1,546,698

Business segments have been reported to comply with the Statement of Financial Accounting Standards No. 131 requirements. Accordingly, results for the three months ended December 31, 1997 have been reclassified to conform to the presentation for the three months ended December 31, 1998.

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

Nine months ended December 31

Sales and operating revenue	1997	1998	Change	1998
			%	
Electronics -				
Customers	¥ 3,329,235	¥ 3,416,613	+ 2.6	\$ 29,453,560
Intersegment	239,283	255,552		2,203,035
Total	3,568,518	3,672,165	+ 2.9	31,656,595
Game -				
Customers	521,195	611,093	+ 17.2	5,268,043
Intersegment	15,777	17,733		152,871
Total	536,972	628,826	+ 17.1	5,420,914
Music -				
Customers	488,191	570,379	+ 16.8	4,917,060
Intersegment	23,734	28,167		242,819
Total	511,925	598,546	+ 16.9	5,159,879
Pictures -				
Customers	462,711	406,071	- 12.2	3,500,612
Intersegment	295	9		78
Total	463,006	406,080	- 12.3	3,500,690
Insurance -				
Customers	215,750	249,087	+ 15.5	2,147,302
Intersegment	6	1		8
Total	215,756	249,088	+ 15.4	2,147,310
Other -				
Customers	64,441	63,090	- 2.1	543,880
Intersegment	124,730	154,212		1,329,413
Total	189,171	217,302	+ 14.9	1,873,293
Elimination	(403,825)	(455,674)	—	(3,928,224)
Consolidated	¥ 5,081,523	¥ 5,316,333	+ 4.6	\$ 45,830,457

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

Operating income (loss)

Electronics	¥ 292,990	¥ 187,672	- 35.9	\$ 1,617,862
Game	92,294	132,205	+ 43.2	1,139,698
Music	45,390	42,286	- 6.8	364,534
Pictures	30,311	31,727	+ 4.7	273,509
Insurance	13,855	3,526	- 74.6	30,397
Other	(3,766)	(6,119)	—	(52,750)
Corporate and elimination	(9,763)	(9,357)	—	(80,664)
Consolidated	¥ 461,311	¥ 381,940	- 17.2	\$ 3,292,586

Business segments have been reported to comply with the Statement of Financial Accounting Standards No. 131 requirements. Accordingly, results for the nine months ended December 31, 1997 have been reclassified to conform to the presentation for the nine months ended December 31, 1998.

As a result of a change in the accounting period in Pictures, sales for the nine-month period ended December 31, 1997 in the segment include the ten-month period from March 1 to December 31, 1997.

Electronics Sales and Operating Revenue to Customers by Product Category

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

Three months ended December 31				
	1997	1998	Change	1998
Sales and operating revenue			%	
Audio	¥ 345,435	¥ 297,196	- 14.0	\$ 2,562,034
Video	240,495	261,489	+ 8.7	2,254,215
Televisions	231,094	220,583	- 4.5	1,901,578
Information and communications	266,949	246,045	- 7.8	2,121,078
Electronic components and other	207,897	157,610	- 24.2	1,358,707
Total	¥ 1,291,870	¥ 1,182,923	- 8.4	\$ 10,197,612

Nine months ended December 31				
	1997	1998	Change	1998
Sales and operating revenue			%	
Audio	¥ 880,330	¥ 872,220	- 0.9	\$ 7,519,138
Video	670,252	763,069	+ 13.8	6,578,181
Televisions	542,890	563,230	+ 3.7	4,855,431
Information and communications	657,640	693,375	+ 5.4	5,977,371
Electronic components and other	578,123	524,719	- 9.2	4,523,439
Total	¥ 3,329,235	¥ 3,416,613	+ 2.6	\$ 29,453,560

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on pages 5 and 6. 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.

Sales and operating revenue by product category for both the third quarter and the nine-month periods ended December 31, 1997 have been reclassified to conform to the presentation for the same periods ended December 31, 1998.

Geographic Segment Information

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

Three months ended December 31

	1997	1998	Change	1998
Sales and operating revenue			%	
Japan	¥ 513,124	¥ 536,900	+ 4.6	\$ 4,628,448
United States	626,639	611,236	- 2.5	5,269,276
Europe	518,830	527,298	+ 1.6	4,545,672
Other Areas	354,130	272,519	- 23.0	2,349,302
Total	¥ 2,012,723	¥ 1,947,953	- 3.2	\$ 16,792,698

Nine months ended December 31

	1997	1998	Change	1998
Sales and operating revenue			%	
Japan	¥ 1,359,961	¥ 1,431,669	+ 5.3	\$ 12,341,974
United States	1,585,518	1,714,988	+ 8.2	14,784,379
Europe	1,187,757	1,328,556	+ 11.9	11,453,069
Other Areas	948,287	841,120	- 11.3	7,251,035
Total	¥ 5,081,523	¥ 5,316,333	+ 4.6	\$ 45,830,457

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 December 31

	1997	1998	Change	1998
			%	
Sales and operating revenue:				
Net sales	¥ 1,928,410	¥ 1,861,212		\$ 16,044,931
Insurance revenue	73,840	74,536		642,552
Other operating revenue	10,473	12,205		105,215
	<u>2,012,723</u>	<u>1,947,953</u>	- 3.2	<u>16,792,698</u>
Costs and expenses:				
Cost of sales	1,349,381	1,298,070		11,190,259
Selling, general and administrative	373,768	395,760		3,411,724
Insurance expenses	65,919	74,706		644,017
	<u>1,789,068</u>	<u>1,768,536</u>		<u>15,246,000</u>
Operating income	223,655	179,417	- 19.8	1,546,698
Other income:				
Interest and dividends	5,242	4,691		40,440
Foreign exchange gain, net	6,845	7,020		60,517
Gain on securities contribution to employee retirement benefit trust	—	58,698		506,017
Other	10,075	9,271		79,923
	<u>22,162</u>	<u>79,680</u>		<u>686,897</u>
Other expenses:				
Interest	16,891	12,122		104,500
Other	14,675	14,973		129,078
	<u>31,566</u>	<u>27,095</u>		<u>233,578</u>
Income before income taxes	214,251	232,002	+ 8.3	2,000,017
Income taxes	96,898	112,429		969,216
Income before minority interest	117,353	119,573		1,030,801
Minority interest in consolidated subsidiaries	6,976	7,254		62,534
Net income	<u>¥ 110,377</u>	<u>¥ 112,319</u>	+ 1.8	<u>\$ 968,267</u>
Net income per share				
Basic	¥ 274.4	¥ 274.0	- 0.1	\$ 2.36
Diluted	239.0	243.5	+ 1.9	2.10

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Nine months ended December 31			
	1997	1998	Change	1998
			%	
Sales and operating revenue:				
Net sales	¥ 4,835,846	¥ 5,033,468		\$ 43,391,965
Insurance revenue	215,750	249,087		2,147,302
Other operating revenue	29,927	33,778		291,190
	<u>5,081,523</u>	<u>5,316,333</u>	+ 4.6	<u>45,830,457</u>
Costs and expenses:				
Cost of sales	3,428,310	3,544,090		30,552,500
Selling, general and administrative	990,007	1,144,742		9,868,466
Insurance expenses	201,895	245,561		2,116,905
	<u>4,620,212</u>	<u>4,934,393</u>		<u>42,537,871</u>
Operating income	461,311	381,940	- 17.2	3,292,586
Other income:				
Interest and dividends	15,190	16,875		145,474
Foreign exchange gain, net	6,452	6,828		58,862
Gain on securities contribution to employee retirement benefit trust	—	58,698		506,017
Other	32,510	48,429		417,492
	<u>54,152</u>	<u>130,830</u>		<u>1,127,845</u>
Other expenses:				
Interest	47,184	38,582		332,604
Other	51,926	48,751		420,267
	<u>99,110</u>	<u>87,333</u>		<u>752,871</u>
Income before income taxes	416,353	425,437	+ 2.2	3,667,560
Income taxes	200,110	213,504		1,840,551
Income before minority interest	216,243	211,933		1,827,009
Minority interest in consolidated subsidiaries	14,934	13,562		116,914
Net income	<u>¥ 201,309</u>	<u>¥ 198,371</u>	- 1.5	<u>\$ 1,710,095</u>
Net income per share				
Basic	¥ 509.2	¥ 484.2	- 4.9	\$ 4.17
Diluted	437.4	431.5	- 1.3	3.72

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

ASSETS	December 31		
	1997	1998	1998
Current assets:			
Cash and time deposits	¥ 525,219	¥ 453,415	\$ 3,908,750
Marketable securities	197,805	156,295	1,347,371
Notes and accounts receivable, less allowances	1,321,348	1,316,582	11,349,845
Inventories	981,139	968,585	8,349,870
Other	459,111	442,888	3,818,000
Total current assets	3,484,622	3,337,765	28,773,836
Noncurrent inventories — film	261,600	222,321	1,916,560
Investments and advances	864,869	932,578	8,039,466
Property, plant and equipment, less depreciation	1,278,495	1,216,413	10,486,319
Other assets:			
Intangibles	112,867	118,477	1,021,354
Goodwill	163,238	133,040	1,146,897
Deferred insurance acquisition costs	158,307	190,202	1,639,672
Other	232,721	299,556	2,582,379
Total other assets	667,133	741,275	6,390,302
	¥ 6,556,719	¥ 6,450,352	\$ 55,606,483
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	¥ 622,872	¥ 214,627	\$ 1,850,233
Notes and accounts payable, trade	781,890	777,280	6,700,690
Accounts payable, other and accrued expenses	673,959	652,751	5,627,164
Accrued income and other taxes	163,955	135,438	1,167,569
Other	293,411	318,820	2,748,448
Total current liabilities	2,536,087	2,098,916	18,094,104
Long-term liabilities:			
Long-term debt	924,412	1,086,800	9,368,965
Accrued pension and severance costs	161,709	121,790	1,049,914
Deferred income taxes	157,773	135,011	1,163,888
Future insurance policy benefits and other	698,518	863,613	7,444,940
Other	193,411	197,531	1,702,853
Total long-term liabilities	2,135,823	2,404,745	20,730,560
Minority interest in consolidated subsidiaries	128,771	135,444	1,167,621
Stockholders' equity:			
Common stock, ¥50 par value	390,717	416,336	3,589,104
Additional paid-in capital	533,032	559,201	4,820,698
Legal reserve	37,389	41,792	360,276
Retained earnings	921,186	1,111,416	9,581,172
Accumulated other comprehensive income	(126,141)	(311,938)	(2,689,121)
Treasury stock, at cost	(145)	(5,560)	(47,931)
Total stockholders' equity	1,756,038	1,811,247	15,614,198
	¥ 6,556,719	¥ 6,450,352	\$ 55,606,483

Notes:

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥116=U.S.\$1, the approximate Tokyo foreign exchange market rate as of December 30, 1998.
2. As of December 31, 1998, the Company had 1,010 consolidated subsidiaries. It has applied the equity accounting method in respect to its 73 affiliated companies.
3. In December 1998, the Company contributed certain marketable equity securities, not including those of its subsidiaries and affiliated companies, to an employee retirement benefit trust. The securities held in this trust are qualified as plan assets under US GAAP. Upon contribution to the trust, the net unrealized gain of these securities was realized as a non-cash transaction and was disclosed as "gain on securities contribution to employee retirement benefit trust" on the income statement. Since the unrealized gain, net of tax, had already been recorded as accumulated other comprehensive income, the contribution itself did not impact the amount of comprehensive income.
4. Net income per share amounts were computed based on Statement of Financial Accounting Standards No. 128, "Earnings per Share" (FAS 128). For the third quarter periods ended December 31, 1997 and 1998, weighted-average shares used for computation of basic net income per share were 402,221 thousand shares and 409,924 thousand shares, respectively, and the weighted-average shares used for diluted net income per share were 464,190 thousand shares and 463,713 thousand shares, respectively. The dilutive effect for both periods mainly resulted from convertible bonds. For the nine-month periods ended December 31, 1997 and 1998, weighted-average shares used for computation of basic net income per share were 395,356 thousand shares and 409,694 thousand shares, respectively, and the weighted-average shares used for diluted net income per share were 464,146 thousand shares and 463,862 thousand shares, respectively. The dilutive effect for both periods mainly resulted from convertible bonds.
5. Sony 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. Sony's comprehensive income comprises net income plus other comprehensive income representing changes in cumulative translation adjustment, unrealized gain/loss on securities and minimum pension liability adjustment. For the third quarter periods ended December 31, 1997 and 1998, changes in stockholders' equity, including net income, were an increase of ¥148,234 million and a decrease of ¥139,866 million (\$1,205,741 thousand), respectively, which mainly resulted from the changes in cumulative translation adjustment, representing an increase of ¥63,168 million and a decrease of ¥216,027 million (\$1,862,302 thousand), respectively. For the nine-month periods ended December 31, 1997 and 1998, changes in stockholders' equity, including net income, were an increase of ¥189,111 million and a decrease of ¥12,301 million (\$106,043 thousand), respectively, which mainly resulted from the changes in cumulative translation adjustment, representing an increase of ¥15,979 million and a decrease of ¥165,183 million (\$1,423,991 thousand), respectively.
6. Certain reclassifications of the consolidated statements of income for both the third quarter and the nine-month periods ended December 31, 1997, and balance sheets as of December 31, 1997, have been made to conform to the 1998 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" ("the 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. For Sony, the transition from the Company's current accounting practices to those required by the Exposure Draft would result in a cumulative charge to results of operations in the period of adoption, although there is no cash flow impact. Comments on the Exposure Draft will be reviewed by AcSEC and the Financial Accounting Standards Board in the forthcoming months. 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 the Company is not presently 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 December 31, 1998, the cumulative non-cash charge would be approximately \$900 million (\$2.20 basic net income per share and \$1.90 diluted net income per share). 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 the Company would be April 1, 2000.

Other Consolidated Financial Data

	(Millions of yen, thousands of U.S. dollars)			
	Three months ended December 31			
	1997	1998	Change	1998
Depreciation and amortization*	¥78,345	¥78,191	- 0.2%	\$674,060
Capital expenditures (additions to fixed assets)	83,262	82,462	- 1.0	710,879
R&D expenses	79,598	85,734	+ 7.7	739,086
	Nine months ended December 31			
	1997	1998	Change	1998
Depreciation and amortization*	¥216,896	¥225,367	+ 3.9%	\$1,942,819
Capital expenditures (additions to fixed assets)	251,044	244,693	- 2.5	2,109,422
R&D expenses	229,844	261,905	+ 13.9	2,257,802

*Including amortization of deferred insurance acquisition costs.

Forecast for the Fiscal Year Ending March 31, 1999

Sony has issued estimates of its financial results for the fiscal year ending March 31, 1999. These results estimates represent a downward revision from the estimates issued in October 1998. The estimates are based on an average market yen-dollar exchange rate for the remainder of the fiscal year ending March 31, 1999 of approximately ¥115.

<u>Consolidated Results</u>		<u>Change from previous year</u>
Sales and operating revenue	¥6,700 billion	-1%
Operating income	¥340 billion	-35
Income before income taxes	¥360 billion	-21
Net income	¥160 billion	-28

<u>Non-Consolidated Results (parent company only)</u>		<u>Change from previous year</u>
Sales and operating revenue	¥2,450 billion	+2%
Operating income	¥15 billion	-85
Ordinary income	¥45 billion	-62
Net income	¥30 billion	-61

Major factors affecting business results since the October 1998 forecast include the following:

1. In the Electronics business, particularly in product areas such as cellular phones and computer displays in the United States and Europe, price declines and lower sales were worse than anticipated. Additionally, a lack of improvement in the outlook for sales in regions suffering economic difficulties such as Russia, Latin America, and Asia combined with lower gross margins due to downward production adjustments are expected to result in a substantial decline in profitability.
2. In the Game business, profitability is expected to continue to improve as a result of higher sales in the United States and Europe.
3. In the Insurance business, returns on investments in Japan substantially worsened during the third quarter.
4. Forecasts also take into account that a gain on securities realized as a result of the contribution of marketable equity securities held by Sony Corporation to an outside trust was larger than the gain forecast in October 1998.

Statements made in the consolidated results press release and the forecast for the fiscal year with respect to Sony's plans, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony which are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties. Potential risks and uncertainties include, 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).