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SONY CORP
Form 6-K
October 27, 2005

Form 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of October 2005
Commission File Number: 001-06439

SONY CORPORATION
(Translation of registrant's name into English)

7-35 KITASHINAGAWA 6-CHOME, SHINAGAWA-KU, TOKYO, JAPAN

(Address of principal executive offices)

The registrant files annual reports under cover of Form 20-F.

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F,

Form 20-F X

Form 40-F ___

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, Yes No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82-_____

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SONY CORPORATION
(Registrant)

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By: /s/ Nobuyuki Oneda
 (Signature)
 Nobuyuki Oneda
 Executive Vice President and
 Chief Financial Officer

Date: October 27, 2005

List of materials

Documents attached hereto:

- i) Press release announcing Sony Corporation's Consolidated Financial Results for the Second Quarter Ended September 30, 2005

Sony Corporation
 6-7-35 Kitashinagawa
 Shinagawa-ku
 Tokyo 141-0001 Japan

No: 05-063E
 3:00 P.M. JST,
 October 27, 2005

Consolidated Financial Results for the Second Quarter Ended September 30, 2005

Tokyo, October 27, 2005 -- Sony Corporation today announced its consolidated results for the second quarter ended September 30, 2005 (July 1, 2005 to September 30, 2005).

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

| | Second quarter ended September 30 | | | |
|---|-----------------------------------|----------|------------------|----------|
| | 2004 | 2005 | Change in Yen | 2005* |
| ----- | ----- | ----- | ----- | ----- |
| Sales and operating revenue | Y1,702.3 | Y1,703.0 | +0.0% | \$15,071 |
| Operating income | 43.4 | 65.9 | +51.9 | 583 |
| Income before income taxes | 63.3 | 95.4 | +50.8 | 844 |
| Equity in net income (loss) of affiliated companies | 6.1 | (2.6) | - | (23) |
| Net income | 53.2 | 28.5 | -46.5 | 252 |
| Net income per share of common stock | | | | |
| - Basic | Y57.50 | Y28.63 | -50.2 | \$0.25 |
| - Diluted | 51.47 | 27.32 | -46.9 | 0.24 |

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of Y113=U.S.\$1, the approximate

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Tokyo foreign exchange market rate as of September 30, 2005.

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

Consolidated Results for the Second Quarter Ended September 30, 2005

Sales and operating revenue ("sales") remained almost unchanged compared with the same quarter of the previous fiscal year; on a local currency basis sales decreased 1%. (For all references herein to results on a local currency basis, see Note I.) This reflects a decrease in sales resulting from the establishment of SONY BMG MUSIC ENTERTAINMENT ("SONY BMG") (please refer to Note to Operating Performance Highlights by Business Segment).

Sales within the Electronics segment remained largely unchanged compared with the same quarter of the previous fiscal year. In terms of product categories within the Electronics segment, although sales of LCD flat panel televisions and video cameras increased, there was a decrease in sales of CRT televisions, plasma televisions and digital cameras. In the Game segment, sales increased 79.1% as a result of the contribution from hardware and software sales of the PlayStation Portable ("PSP"). In the Pictures segment, there was a 17.2% decrease in revenue primarily due to lower theatrical revenues. In the Financial Services segment, revenue increased by 39.7% mainly due to an improvement in gains and losses on investments at Sony Life Insurance Co., Ltd. ("Sony Life").

Operating income increased 51.9% (a 34% increase on a local currency basis) compared with the same quarter of the previous fiscal year. This includes a one time gain of Y73.5 billion (\$650 million), which resulted from the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund. Of this, a gain of Y63.9 billion (\$565 million) was recorded within the Electronics segment. In addition, restructuring charges, which were recorded as operating expenses, for the second quarter amounted to Y32.9 billion (\$291 million) compared to Y18.8 billion in the same quarter of the previous fiscal year. In the Electronics segment, restructuring charges were Y32.3 billion (\$286 million) compared to Y15.6 billion in the same quarter of the previous fiscal year.

In the Electronics segment, although there was a decrease in sales to outside customers, operating income was recorded solely as a result of a gain resulting from the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund. In the Game segment, operating income was recorded in association with the favorable growth of the PSP business. In the Pictures segment, disappointing theatrical revenues resulted in an operating loss. In the Financial Services segment, there was a significant increase in operating income mainly attributable to the increase in gains on investments at Sony Life.

Income before income taxes increased 50.8% compared to the same quarter of the previous fiscal year. An improvement in the net effect of other income and other expenses was mainly the result of a gain of Y20.7 billion (\$183 million) on the change in interest resulting from the sale of a portion of stock in Monex

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Beans Holdings, Inc. ("Monex Beans"), previously an equity affiliate of Sony. In the same quarter of the previous year, Sony also recognized a gain of Y9.0 billion from a change in interest in subsidiaries and equity investees resulting from the establishment of Monex Beans, and a Y4.2 billion gain resulting from the initial public offering of So-net M3 Inc., a consolidated subsidiary of Sony Communications Network Corporation ("SCN").

Income taxes: During the current quarter, Sony recorded Y65.1 billion (\$576 million) of income tax expense, resulting in an effective tax rate of 68.3%. This effective tax rate exceeded the Japanese statutory tax rate due primarily to the recording of both an additional tax provision for undistributed earnings of foreign subsidiaries and additional valuation allowances against deferred tax assets.

Equity in net loss of affiliated companies of Y2.6 billion (\$23 million) was recorded, a Y8.7 billion deterioration compared to the same quarter of the previous fiscal year.

An equity loss of Y2.8 billion (\$25 million) was recorded for S-LCD Corporation, a joint-venture with Samsung Electronics Co., Ltd. ("S-LCD"), for the manufacture of amorphous TFT LCD panels. Sony also recorded equity in net loss of approximately Y4.4 billion (\$39 million) for Metro-Goldwyn-Mayer Inc. ("MGM")* and of Y3.2 billion (\$29 million) for SONY BMG. The equity in net loss for MGM includes non-cash interest of Y1.5 billion (\$13 million) on cumulative preferred stock. This equity in net loss is subject to adjustment reflecting the final allocation of the purchase price for the acquisition.

Sony Ericsson Mobile Communications AB ("Sony Ericsson") contributed Y7.0 billion (\$62 million) to equity in net income, an increase of Y1.0 billion compared to the same quarter of the previous fiscal year.

*On April 8, 2005, a consortium led by Sony Corporation of America and its equity partners completed the acquisition of MGM. As part of the acquisition, Sony invested \$257 million in exchange for 20% of the total equity. However, based on the percentage of common stock owned, Sony records 45% of MGM's net income (loss) as equity in net income (loss) of affiliated companies.

Net income, as a result, decreased 46.5% compared to the same quarter of the previous fiscal year.

Operating Performance Highlights by Business Segment

Note: As of August 1, 2004, Sony and Bertelsmann AG combined their recorded music businesses in a joint venture. The newly formed company, SONY BMG, is 50% owned by each parent company. Under U.S. GAAP, SONY BMG is accounted for by Sony using the equity method and, since August 1, 2004, 50% of net profits or losses of this business have been included under "Equity in net income (loss) of affiliated companies."

In connection with the establishment of this joint venture, Sony's non-Japan based disc manufacturing and physical distribution businesses, formerly included within the Music segment, have been reclassified to the Electronics segment to

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recognize the new management reporting structure whereby Sony's Electronics segment has now assumed responsibility for these businesses. Effective April 1, 2005, a similar change was made with respect to Sony's Japan based disc manufacturing business. Results for the three and six month periods ended September 30, 2004 in the Electronics segment have been restated to account for these reclassifications.

Effective April 1, 2005, Sony no longer breaks out its music business as a reportable segment as it no longer meets the materiality threshold. Accordingly, the results for Sony's music business are now included within the Other segment and the prior year's results have been reclassified to the Other segment for comparative purposes. Results for the first quarter and first half of this fiscal year in the Other segment include the results of Sony Music Entertainment Inc.'s ("SMEI") music publishing business and Sony Music Entertainment (Japan) Inc. ("SMEJ"), excluding Sony's Japan based disc manufacturing business which, as noted above, has been reclassified to the Electronics segment. However, results for the same periods of the previous fiscal year in the Other segment include the consolidated results for SMEI's recorded music business for the period through July 31, 2004, as well as the results for SMEI's music publishing business and SMEJ excluding Sony's Japan based disc manufacturing business.

Electronics

| | (Billions of yen, millions of U.S. dollars) | | | |
|-----------------------------|---|----------|-----------|----------|
| | Second quarter ended September 30 | | | |
| | 2004 | 2005 | Change in | 2005 |
| | | | Yen | |
| ----- | ----- | ----- | ----- | ----- |
| Sales and operating revenue | Y1,219.4 | Y1,216.1 | -0.3% | \$10,762 |
| Operating income | 7.1 | 17.3 | +144.6 | 153 |

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

Sales remained largely unchanged (a 2% decrease on a local currency basis). Sales to outside customers decreased 7.8% compared to the same quarter of the previous fiscal year. There was a decline in sales of CRT televisions which experienced a continued shift in demand towards flat panel televisions, plasma televisions and digital cameras, which both faced intense business competition. On the other hand, there was an increase in sales of several products including LCD flat panel televisions, which experienced increased sales in the U.S. and Europe, as well as DVD "Handycam" video cameras, which saw increased sales in all geographic areas, and digital high-definition "Handycam" video cameras, which saw increased sales in Japan.

Operating income increased by Y10.2 billion or 144.6% compared with the same quarter of the previous fiscal year. Despite the decline in sales to outside customers as a result of the aforementioned factors, as well as an increase in the loss on impairment of assets particularly with regard to CRT television

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manufacturing facilities primarily in the U.S, there was an increase in income solely as a result of a Y63.9 billion (\$565 million) gain, which resulted from the transfer to the Japanese government of the substitutional portion of Sony's Employee Pension Fund. With regard to products within the Electronics segment, products which had a negative impact on operating income included CRT televisions, which experienced a significant decrease in sales, CCDs and LCD televisions, which were both impacted by a decline in unit selling prices. On the other hand, "Handycam" video cameras experienced an increase in operating income due to good sales performance.

Inventory, as of September 30, 2005, was Y642.4 billion (\$5,685 million), a Y46.1 billion, or 6.7%, decrease compared with the level as of September 30, 2004 and a Y68.8 billion, or 12.0%, increase compared with the level as of June 30, 2005.

Operating Results for Sony Ericsson Mobile Communications AB

The following operating results for Sony Ericsson, which is accounted for by the equity method, are not consolidated in Sony's consolidated financial statements. However, Sony believes that this disclosure provides additional useful analytical information to investors regarding operating performance. In addition, please note that the operating results of Sony Ericsson discussed below are reported on an International Financial Reporting Standards basis, and thereby differ from the operating results reported on a U.S. GAAP basis contained within Sony's equity in net income (loss) of affiliated companies.

Sales for the quarter were Euro 2,055 million, representing a year-on-year increase of Euro 377 million, or 22%, boosted by hit models such as 2 megapixel auto-focus camera phones and the "Walkman" phone. Units shipped in the quarter reached 13.8 million, a 29% increase compared to the same period last year, higher than market growth. Income before taxes was Euro 151 million and net income was Euro 104 million, which represents a year-on-year increase of Euro 15 million, or 11%, and Euro 14 million, or 16%, respectively. As a result, equity in net income of Y7.0 billion (\$62 million) was recorded by Sony.

Game

| | (Billions of yen, millions of U.S. dollars) | | | |
|-----------------------------|---|--------|------------------|---------|
| | Second quarter ended September 30 | | | |
| | 2004 | 2005 | Change in Yen | 2005 |
| ----- | ----- | ----- | ----- | ----- |
| Sales and operating revenue | Y119.6 | Y214.2 | +79.1% | \$1,896 |
| Operating income (loss) | (0.0) | 8.2 | - | 73 |

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

Sales increased 79.1% compared with the same quarter of the previous fiscal year (a 77% increase on a local currency basis).

Hardware: In addition to the significant contribution to sales

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from PSP, an increase of PlayStation 2 ("PS2") unit sales in Europe and the U.S. compared to the same quarter of the previous fiscal year resulted in a significant increase in sales in all geographic areas.

Software: Overall software sales increased as a result of the contribution to sales from PSP software, despite a decrease in PS2 software sales. On a regional basis, revenue significantly increased in Japan and Europe, although it slightly decreased in the U.S.

Operating income of Y8.2 billion (\$73 million) was recorded compared to a very small operating loss in the same quarter of the previous fiscal year mainly due to the favorable performance of the PS2 and PSP businesses. This was partially offset by an increase in selling, general and administrative expenses mainly reflecting advertising and marketing expenses associated with the launch of PSP incurred during the quarter, as well as continued aggressive research and development spending associated with the PLAYSTATION 3 business.

Worldwide hardware production shipments:*

-> PS2: 5.01 million units (an increase of 3.02 million units)

-> PSP: 3.75 million units**

Worldwide software production shipments:*

-> PS2: 50 million units (a decrease of 6 million units)

-> PSP: 9.0 million units**

*Production shipment units of hardware and software are counted upon shipment of the products from manufacturing bases. Sales of such products are recognized when the products are delivered to customers.

**There were no sales of PSP during the same quarter of the previous fiscal year.

Inventory, as of September 30, 2005, was Y114.9 billion (\$1,017 million), a Y61.5 billion, or 115.2%, increase compared with the level as of September 30, 2004 and a Y30.9 billion, or 36.7%, increase compared with the level as of June 30, 2005.

Pictures

| | (Billions of yen, millions of U.S. dollars) | | | |
|-----------------------------|---|--------|-----------|---------|
| | Second quarter ended September 30 | | | |
| | 2004 | 2005 | Change in | 2005 |
| | | | Yen | |
| ----- | ----- | ----- | ----- | ----- |
| Sales and operating revenue | Y191.7 | Y158.9 | -17.2% | \$1,406 |
| Operating income (loss) | 27.4 | (6.6) | - | (59) |

The results presented above are a yen-translation of the results of Sony Pictures Entertainment ("SPE"), a U.S. based operation which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis. Management analyzes the results of SPE in U.S. dollars, so discussions of certain portions of its results are specified as being on "a U.S. dollar basis."

Sales decreased 17.2% compared with the same quarter of the previous fiscal year (18% decrease on a U.S dollar basis).

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Sales, on a U.S. dollar basis, decreased primarily due to lower theatrical revenues as a result of the strong performance of Spider-Man 2 in the prior year's second quarter coupled with the current year's disappointing performance of Stealth.

An operating loss of Y6.6 billion (\$59 million) was recorded as compared to operating income of Y27.4 billion in the same quarter of the previous fiscal year. The decrease is due to the same factors contributing to the revenue decrease discussed above. In addition, marketing costs related to forthcoming theatrical releases were significantly higher than those incurred in the prior year's second quarter. Television operating income decreased due to the comparative lack of major syndication revenues recognized on library product during the quarter.

Financial Services

| | (Billions of yen, millions of U.S. dollars) | | | |
|---------------------------|---|--------|-----------|---------|
| | Second quarter ended September 30 | | | |
| | 2004 | 2005 | Change in | 2005 |
| | | | Yen | |
| | | | | |
| Financial service revenue | Y125.9 | Y175.9 | +39.7% | \$1,556 |
| Operating income | 14.9 | 40.0 | +169.1 | 354 |

Unless otherwise specified, all amounts are on a U.S. GAAP basis. Therefore, they differ from the results that Sony Life discloses on a Japanese statutory basis.

Financial service revenue was Y175.9 billion (\$1,556 million), a 39.7% increase compared with the same quarter of the previous fiscal year, mainly due to an increase in revenue at Sony Life. Revenue at Sony Life was Y153.3 billion (\$1,356 million), a Y47.4 billion, or 44.7% increase compared with the same quarter of the previous fiscal year. The reasons for this increase were an improvement in gains and losses from investments and an increase in revenue from insurance premiums reflecting a stable increase of insurance-in-force.

Operating income was Y40.0 billion (\$354 million), a Y25.2 billion, or 169.1% increase compared with the same quarter of the previous fiscal year, mainly as a result of an improvement in gains and losses on investments in the general account at Sony Life, primarily resulting from an improvement in valuation gains from stock conversion rights in convertible bonds. As a result of the abovementioned factors, operating income at Sony Life increased by Y21.5 billion or 121.9% to Y39.1 billion (\$346 million).

Other

| | (Billions of yen, millions of U.S. dollars) | | | |
|--|---|------|-----------|------|
| | Second quarter ended September 30 | | | |
| | 2004 | 2005 | Change in | 2005 |
| | | | Yen | |
| | | | | |

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| | | | | |
|-----------------------------|--------|--------|--------|-------|
| Sales and operating revenue | Y112.9 | Y100.0 | -11.4% | \$885 |
| Operating income | 0.7 | 7.7 | +972.7 | 69 |

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

Sales decreased 11.4% compared with the same quarter of the previous year. Sales in the Other segment for the second quarter of the current fiscal year incorporate the results of Sony's music businesses (please refer to Note to Operating Performance Highlights by Business Segment) which include both SMEI's music publishing business and SMEJ. There was a decrease in sales within the Other segment reflecting the fact that the results for the same quarter of the previous fiscal year in the Other segment incorporated the results for SMEI's recorded music business for only the month of July 2004, as it was combined as of August 1, 2004 with Bertelsmann AG's recorded music business to form the SONY BMG joint venture.

Sales at SMEJ decreased compared to the same quarter of the previous fiscal year due to the absence in the current quarter of a best selling album compared to the same quarter of the previous fiscal year when Porno Graffitti's two greatest hits albums were successful releases. Best selling singles during the quarter included GLAMOROUS SKY by NANA starring MIKA NAKASHIMA, Kizuna by ORANGE RANGE and the best selling DVD SHOGO HAMADA Visual Collection "Flash & Shadow" by Shogo Hamada also contributed to sales.

Excluding sales recorded within Sony's music business, there was an increase in sales within the Other segment. This increase was mainly the result of favorable sales recorded at SCN, where contents businesses performed well during the quarter.

Operating income of Y7.7 billion (\$69 million) was recorded, representing an increase of Y7.0 billion compared to the same quarter of the previous fiscal year. This increase was mainly the result of the recording of a gain resulting from the transfer to the Japanese government of the substitutional portion of the Employee Pension Fund at several businesses within the segment including SMEJ.

Operating Results for SONY BMG MUSIC ENTERTAINMENT

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

SONY BMG recorded sales revenue of \$936 million, loss before income taxes of \$58 million, and a net loss of \$60 million during the quarter ended September 30, 2005. Loss before income taxes includes \$43 million of restructuring charges and also reflects harsh market conditions in many territories worldwide, most notably the U.S., Germany, the U.K., Italy, Spain and Australia. As a result, equity in net loss of Y3.2 billion (\$29 million) was recorded by Sony.

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Cash Flow

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

Cash Flow - Excluding Financial Services segment

| | (Billions of yen, millions of U.S. dollars) | | | |
|---------------------------------|---|---------|---------|---------|
| | Six months ended September 30 | | | |
| Cash flow | 2004 | 2005 | Change | 2005 |
| ----- | ----- | ----- | ----- | ----- |
| | | | in Yen | |
| - From operating activities | Y35.0 | (Y91.9) | Y-126.9 | (\$813) |
| - From investing activities | (330.1) | (145.1) | +185.0 | (1,284) |
| - From financing activities | (25.6) | 97.1 | +122.7 | 859 |
| Cash and cash equivalents | 592.9 | 519.7 | -73.2 | 4,599 |
| at beginning of the fiscal year | | | | |
| Cash and cash equivalents | 290.1 | 393.9 | +103.8 | 3,486 |
| as of September 30 | | | | |

Operating Activities: During the six months ended September 30, 2005, in addition to the recording of a net loss, compared with the net income recorded in the same period of the previous fiscal year, there was an increase in inventory mainly within the Electronics and Game segments resulting from increased production in anticipation of the year-end sales season.

Investing Activities: During the six months ended September 30, 2005, Sony carried out capital investments mainly in relation to semiconductor manufacturing facilities. In addition, Sony also carried out the sale of securities investments. In the same period of the previous fiscal year, in addition to investment in semiconductor manufacturing facilities, Sony also carried out investment towards S-LCD.

As a result, the total amount of cash flow from operating activities and from investing activities was a use of cash of Y237.0 billion (\$2,097 million).

Financing Activities: During the six months ended September 30, 2005, financing was carried out through the issuance of commercial paper and straight bonds. The proceeds from the issuance of a total of Y120 billion in straight bonds in Japan, including Y50 billion of bonds with a maturity of 5 years, Y40 billion with a maturity of 7 years and Y30 billion with a maturity of 10 years, was used by Sony to redeem a portion of its existing bonds.

Cash and Cash Equivalents: In addition to the aforementioned

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information, the total balance of cash and cash equivalents, accounting for the effect of foreign currency exchange rate fluctuations, decreased Y125.8 billion compared to March 31, 2005, and increased by Y103.8 billion compared to September 30, 2004, to Y393.9 billion (\$3,486 million) as of September 30, 2005.

Cash Flow - Financial Services segment

| (Billions of yen, millions of U.S. dollars) | | | | |
|---|---------|---------|------------------|---------|
| Six months ended September 30 | | | | |
| Cash flow | 2004 | 2005 | Change in Yen | 2005 |
| ----- | ----- | ----- | ----- | ----- |
| - From operating activities | Y83.6 | Y50.9 | Y-32.6 | \$451 |
| - From investing activities | (344.7) | (261.9) | +82.7 | (2,318) |
| - From financing activities | 164.3 | 138.9 | -25.4 | 1,229 |
| Cash and cash equivalents at beginning of the fiscal year | 256.3 | 259.4 | +3.1 | 2,295 |
| Cash and cash equivalents as of September 30 | 159.5 | 187.3 | +27.7 | 1,657 |

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

Investing Activities: Payments for investments and advances exceeded proceeds from maturities of marketable securities, sales of securities investments and collections of advances primarily as a result of investments in mainly Japanese fixed income securities carried out at Sony Life, as well as an increase in advance payments for housing loans and investments in marketable securities at Sony Bank.

Financing Activities: Net cash from financing activities was generated as a result of an increase in policyholders' accounts at Sony Life and an increase in deposits from customers in the banking business.

Cash and Cash Equivalents: As a result of the above, cash and cash equivalents decreased Y72.1 billion compared to March 31, 2005, and increased Y27.7 billion compared to September 30, 2004, to Y187.3 billion (\$1,657 million) as of September 30, 2005.

Notes

Note I: During the quarter ended September 30, 2005, the average value of the yen was Y110.3 against the U.S. dollar and Y134.2 against the Euro, which was 1.2% lower against the U.S. dollar and 1.0% lower against the Euro, compared with the average rates for the same quarter of the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating income obtained by applying the yen's average exchange rate in the same quarter of the previous fiscal year to

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local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the current quarter. Local currency basis results are not reflected in Sony's financial statements and are not measures conforming with U.S. GAAP. In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that local currency basis results provide additional useful analytical information to investors regarding operating performance.

Note II: "Sales and operating revenue" in each business segment represents sales and operating revenue recorded before intersegment transactions are eliminated. "Operating income" in each business segment represents operating income recorded before intersegment transactions and unallocated corporate expenses are eliminated.

Note III: In the third quarter ended December 31, 2004, Sony adopted Emerging Issues Task Force ("EITF") Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share." As a result of adopting EITF Issue No. 04-8, diluted earnings per share of net income (loss) for the three and six months ended September 30, 2004 have been restated (see Note 9 regarding EITF Issue No. 04-8).

Outlook for the Fiscal Year ending March 31, 2006

 On September 22, 2005, Sony announced organizational restructuring and adjusted its forecast to reflect additional restructuring costs to be incurred. Subsequent to this, Sony realized a gain that was higher than anticipated from the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund. At this point in time, however, we have not revised our forecast for the fiscal year ending March 31, 2006 from the forecast announced on September 22, 2005, as stated below, since there continue to be many uncertainties in the business environment for the second half of the fiscal year.

The forecast announced on September 22, 2005

| | Forecast | Change from previous fiscal year |
|--|----------------|--|
| | ----- | ----- |
| Sales and operating revenue | Y7,250 billion | +1% |
| Operating income (loss) | (20 billion) | - |
| (Restructuring charges included within operating income) | 140 billion | +56% |
| Income before income taxes | 40 billion | -75% |
| Equity in net income (loss) of affiliated companies | (8 billion) | - |
| Net income (loss) | (10 billion) | - |

Assumed foreign currency exchange rates for the second half of the fiscal year: approximately Y107 to the U.S. dollar and approximately Y130 to the Euro.

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Our forecast for capital expenditures, depreciation and amortization or research and development costs, as per the table below, is unchanged from the forecast of April 27, 2005.

The forecast announced on April 27, 2005

| | Forecast | Change from previous fiscal year |
|---|--------------|--|
| | ----- | ----- |
| Capital expenditures (additions to fixed assets) | Y410 billion | +15% |
| Depreciation and amortization* | 390 billion | +5 |
| (Depreciation expenses for tangible assets | 320 billion | +6) |
| Research and development expenses | 520 billion | +4 |

*Including amortization of intangible assets and amortization of deferred insurance acquisition costs.

In addition, as was announced on April 26, 2005, Sony is considering the possibility of an initial public offering of SCN common stock. However, the impact of such an offering on Sony's financial results is not reflected within this forecast.

Cautionary Statement

Statements made in this release with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "may" or "might" and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Sony cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to (i) the global economic environment in which Sony operates, as well as the economic conditions in Sony's markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, the Euro and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; (iii) Sony's ability to continue to design and develop and win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid

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development in technology and subjective and changing consumer preferences (particularly in the Electronics, Game and Pictures segments, and music business); (iv) Sony's ability to implement successfully personnel reduction and other business reorganization activities in its Electronics segment and music business; (v) Sony's ability to implement successfully its network strategy for its Electronics, Pictures and Other segments, including the music business, and to develop and implement successful sales and distribution strategies in its Pictures segment and music business in light of the Internet and other technological developments; (vi) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to correctly prioritize investments (particularly in the Electronics segment); (vii) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful Asset Liability Management in the Financial Services segment; and (viii) the success of Sony's joint ventures and alliances. Risks and uncertainties also include the impact of any future events with material unforeseen impacts.

Business Segment Information (Unaudited)

| (Millions of yen, millions of U.S. dollars) | | | | |
|---|------------|------------|--------|---------|
| Three months ended September 30 | | | | |
| Sales and operating revenue | 2004 | 2005 | Change | 2005 |
| ----- | ----- | ----- | ----- | ----- |
| Electronics | | | | |
| Customers | Y1,182,004 | Y1,090,250 | -7.8% | \$9,648 |
| Intersegment | 37,351 | 125,825 | | 1,114 |
| ----- | ----- | ----- | | ----- |
| Total | 1,219,355 | 1,216,075 | -0.3 | 10,762 |
| Game | | | | |
| Customers | 114,874 | 203,994 | +77.6 | 1,805 |
| Intersegment | 4,771 | 10,252 | | 91 |
| ----- | ----- | ----- | | ----- |
| Total | 119,645 | 214,246 | +79.1 | 1,896 |
| Pictures | | | | |
| Customers | 191,742 | 158,855 | -17.2 | 1,406 |
| Intersegment | 0 | 0 | | 0 |
| ----- | ----- | ----- | | ----- |
| Total | 191,742 | 158,855 | -17.2 | 1,406 |
| Financial Services | | | | |
| Customers | 119,643 | 170,103 | +42.2 | 1,505 |
| Intersegment | 6,219 | 5,779 | | 51 |
| ----- | ----- | ----- | | ----- |
| Total | 125,862 | 175,882 | +39.7 | 1,556 |
| Other | | | | |
| Customers | 94,009 | 79,794 | -15.1 | 707 |
| Intersegment | 18,849 | 20,238 | | 178 |
| ----- | ----- | ----- | | ----- |
| Total | 112,858 | 100,032 | -11.4 | 885 |

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| | | | | |
|--------------------|------------|------------|-------|----------|
| Elimination | (67,190) | (162,094) | - | (1,434) |
| ----- | ----- | ----- | | ----- |
| Consolidated total | Y1,702,272 | Y1,702,996 | +0.0% | \$15,071 |

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

| Operating income (loss) | 2004 | 2005 | Change | 2005 |
|---------------------------|---------|---------|---------|-------|
| ----- | ----- | ----- | ----- | ----- |
| Electronics | Y7,063 | Y17,273 | +144.6% | \$153 |
| Game | (11) | 8,220 | - | 73 |
| Pictures | 27,418 | (6,633) | - | (59) |
| Financial Services | 14,881 | 40,046 | +169.1 | 354 |
| Other | 722 | 7,745 | +972.7 | 69 |
| ----- | ----- | ----- | | ----- |
| Total | 50,073 | 66,651 | +33.1 | 590 |
| Corporate and elimination | (6,688) | (734) | - | (7) |
| ----- | ----- | ----- | | ----- |
| Consolidated total | Y43,385 | Y65,917 | +51.9% | \$583 |

Commencing April 1, 2005, Sony has partly realigned its business segment configuration. Results of the previous year have been reclassified to conform to the presentations for the current quarter (see notes 5 and 6).

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

Six months ended September 30

| Sales and operating revenue | 2004 | 2005 | Change | 2005 |
|-----------------------------|------------|------------|--------|----------|
| ----- | ----- | ----- | ----- | ----- |
| Electronics | | | | |
| Customers | Y2,288,163 | Y2,113,735 | -7.6% | \$18,706 |
| Intersegment | 62,473 | 217,593 | | 1,925 |
| ----- | ----- | ----- | | ----- |
| Total | 2,350,636 | 2,331,328 | -0.8 | 20,631 |
| Game | | | | |
| Customers | 214,935 | 369,471 | +71.9 | 3,270 |
| Intersegment | 10,075 | 17,553 | | 155 |
| ----- | ----- | ----- | | ----- |
| Total | 225,010 | 387,024 | +72.0 | 3,425 |
| Pictures | | | | |
| Customers | 339,933 | 303,236 | -10.8 | 2,684 |
| Intersegment | 0 | 0 | | 0 |
| ----- | ----- | ----- | | ----- |
| Total | 339,933 | 303,236 | -10.8 | 2,684 |
| Financial Services | | | | |

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| | | | | |
|--------------------|------------|------------|-------|----------|
| Customers | 247,349 | 318,691 | +28.8 | 2,820 |
| Intersegment | 12,137 | 11,005 | | 98 |
| ----- | ----- | ----- | | ----- |
| Total | 259,486 | 329,696 | +27.1 | 2,918 |
| Other | | | | |
| Customers | 224,030 | 157,296 | -29.8 | 1,391 |
| Intersegment | 36,528 | 38,179 | | 339 |
| ----- | ----- | ----- | | ----- |
| Total | 260,558 | 195,475 | -25.0 | 1,730 |
| Elimination | (121,213) | (284,330) | - | (2,517) |
| ----- | ----- | ----- | | ----- |
| Consolidated total | Y3,314,410 | Y3,262,429 | -1.6% | \$28,871 |

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

| Operating income (loss) | 2004 | 2005 | Change | 2005 |
|------------------------------|----------|-----------|---------|----------|
| ----- | ----- | ----- | ----- | ----- |
| Electronics | Y15,340 | Y(19,007) | - | \$ (168) |
| Game | (2,892) | 2,325 | - | 21 |
| Pictures | 31,519 | (2,387) | - | (21) |
| Financial Services | 25,284 | 61,969 | +145.1% | 548 |
| Other | (2,470) | 12,640 | - | 112 |
| ----- | ----- | ----- | | ----- |
| Total | 66,781 | 55,540 | -16.8 | 492 |
| Corporate and elimination | (13,622) | (4,905) | - | (44) |
| ----- | ----- | ----- | | ----- |
| Consolidated total | Y53,159 | Y50,635 | -4.7% | \$ 448 |

Commencing April 1, 2005, Sony has partly realigned its business segment configuration. Results of the previous year have been reclassified to conform to the presentations for the current quarter (see notes 5 and 6).

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 | 2004 | 2005 | Change | 2005 |
| ----- | ----- | ----- | ----- | ----- |
| Audio | Y147,025 | Y129,605 | -11.8% | \$1,147 |
| Video | 245,876 | 247,327 | +0.6 | 2,189 |
| Televisions | 211,099 | 171,731 | -18.6 | 1,520 |
| Information and Communications | 189,494 | 183,781 | -3.0 | 1,626 |
| Semiconductors | 74,992 | 61,909 | -17.4 | 548 |

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| | | | | |
|------------|------------|------------|-------|---------|
| Components | 160,381 | 156,279 | -2.6 | 1,383 |
| Other | 153,137 | 139,618 | -8.8 | 1,235 |
| ----- | ----- | ----- | | ----- |
| Total | Y1,182,004 | Y1,090,250 | -7.8% | \$9,648 |

| | Six months ended September 30 | | | |
|--------------------------------|-------------------------------|------------|--------|----------|
| Sales and operating revenue | 2004 | 2005 | Change | 2005 |
| ----- | ----- | ----- | ----- | ----- |
| Audio | Y 281,411 | Y 246,944 | -12.2% | \$2,185 |
| Video | 497,081 | 498,400 | +0.3 | 4,411 |
| Televisions | 400,167 | 322,036 | -19.5 | 2,850 |
| Information and Communications | 371,630 | 367,087 | -1.2 | 3,249 |
| Semiconductors | 141,902 | 115,555 | -18.6 | 1,023 |
| Components | 312,091 | 307,304 | -1.5 | 2,719 |
| Other | 283,881 | 256,409 | -9.7 | 2,269 |
| ----- | ----- | ----- | | ----- |
| Total | Y2,288,163 | Y2,113,735 | -7.6% | \$18,706 |

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information. The Electronics segment is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the product categories in this business segment. In addition, commencing April 1, 2005, Sony has partly realigned its product category configuration in the Electronics segment. Accordingly, results of the previous year have been restated (see note 7).

Geographic Segment Information (Unaudited)

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

| | Three months ended September 30 | | | |
|-----------------------------|---------------------------------|------------|--------|----------|
| Sales and operating revenue | 2004 | 2005 | Change | 2005 |
| ----- | ----- | ----- | ----- | ----- |
| Japan | Y490,764 | Y503,388 | +2.6% | \$4,455 |
| United States | 457,670 | 436,297 | -4.7 | 3,861 |
| Europe | 360,270 | 368,910 | +2.4 | 3,265 |
| Other Areas | 393,568 | 394,401 | +0.2 | 3,490 |
| ----- | ----- | ----- | | ----- |
| Total | Y1,702,272 | Y1,702,996 | +0.0% | \$15,071 |

| | Six months ended September 30 | | | |
|-----------------------------|-------------------------------|------------|--------|----------|
| Sales and operating revenue | 2004 | 2005 | Change | 2005 |
| ----- | ----- | ----- | ----- | ----- |
| Japan | Y975,396 | Y971,660 | -0.4% | \$8,599 |
| United States | 875,966 | 854,778 | -2.4 | 7,564 |
| Europe | 735,603 | 700,033 | -4.8 | 6,195 |
| Other Areas | 727,445 | 735,958 | +1.2 | 6,513 |
| ----- | ----- | ----- | | ----- |
| Total | Y3,314,410 | Y3,262,429 | -1.6% | \$28,871 |

Classification of Geographic Segment Information shows sales and

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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 | | | | |
| | 2004 | 2005 | Change | 2005 |
| | ----- | ----- | ----- | ----- |
| Sales and operating revenue: | | | % | |
| Net sales | ¥1,568,026 | ¥1,517,412 | | \$13,429 |
| Financial service revenue | 119,643 | 170,103 | | 1,505 |
| Other operating revenue | 14,603 | 15,481 | | 137 |
| | ----- | ----- | | ----- |
| | 1,702,272 | 1,702,996 | +0.0 | 15,071 |
| Costs and expenses: | | | | |
| Cost of sales | 1,184,124 | 1,179,803 | | 10,441 |
| Selling, general and administrative | 361,683 | 300,279 | | 2,657 |
| Financial service expenses | 105,216 | 130,228 | | 1,153 |
| Loss on sale, disposal or impairment of assets, net | 7,864 | 26,769 | | 237 |
| | ----- | ----- | | ----- |
| | 1,658,887 | 1,637,079 | | 14,488 |
| Operating income | 43,385 | 65,917 | +51.9 | 583 |
| Other income: | | | | |
| Interest and dividends | 3,109 | 4,674 | | 41 |
| Royalty income | 11,458 | 8,638 | | 76 |
| Foreign exchange gain, net | - | 326 | | 3 |
| Gain on sale of securities investments, net | 1,337 | 4,259 | | 38 |
| Gain on change in interest in subsidiaries and equity investees | 13,188 | 20,662 | | 183 |
| Other | 5,834 | 5,068 | | 45 |
| | ----- | ----- | | ----- |
| | 34,926 | 43,627 | | 386 |
| Other expenses: | | | | |
| Interest | 7,031 | 7,135 | | 63 |
| Loss on devaluation of securities investments | 1,382 | 2,144 | | 19 |
| Foreign exchange loss, net | 251 | - | | - |
| Other | 6,386 | 4,882 | | 43 |
| | ----- | ----- | | ----- |

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| | | | | |
|---|---------|---------|-------|--------|
| | 15,050 | 14,161 | | 125 |
| | ----- | ----- | | ----- |
| Income before income taxes | 63,261 | 95,383 | +50.8 | 844 |
| Income taxes | 16,203 | 65,143 | | 576 |
| | ----- | ----- | | ----- |
| Income before minority interest and equity in net income (loss) of affiliated companies | 47,058 | 30,240 | -35.7 | 268 |
| Minority interest in income (loss) of consolidated subsidiaries | (49) | (837) | | (7) |
| Equity in net income (loss) of affiliated companies | 6,103 | (2,609) | | (23) |
| | ----- | ----- | | ----- |
| Net income | Y53,210 | Y28,468 | -46.5 | \$252 |
| | ----- | ----- | | ----- |
| Per share data: | | | | |
| Common stock | | | | |
| Net income | | | | |
| - Basic | Y57.50 | Y28.63 | -50.2 | \$0.25 |
| - Diluted | 51.47 | 27.32 | -46.9 | 0.24 |
| Subsidiary tracking stock | | | | |
| Net income (loss) | | | | |
| - Basic | 4.25 | (19.90) | - | (0.18) |

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

| | Six months ended | | September 30 | |
|--|------------------|------------|--------------|----------|
| | 2004 | 2005 | Change | 2005 |
| | ----- | ----- | ----- | ----- |
| Sales and operating revenue: | | | | % |
| Net sales | Y3,039,147 | Y2,915,146 | | \$25,798 |
| Financial service revenue | 247,349 | 318,691 | | 2,820 |
| Other operating revenue | 27,914 | 28,592 | | 253 |
| | ----- | ----- | | ----- |
| | 3,314,410 | 3,262,429 | -1.6 | 28,871 |
| Costs and expenses: | | | | |
| Cost of sales | 2,287,395 | 2,276,579 | | 20,147 |
| Selling, general and administrative expenses | 738,620 | 649,755 | | 5,750 |
| Financial service expenses | 222,510 | 256,865 | | 2,273 |
| Loss on sale, disposal or impairment of | 12,726 | 28,595 | | 253 |

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| | | | | |
|--|-----------|-----------|-------|--------|
| assets, net | ----- | ----- | | ----- |
| | 3,261,251 | 3,211,794 | | 28,423 |
| Operating income | 53,159 | 50,635 | -4.7 | 448 |
| Other income: | | | | |
| Interest and dividends | 8,090 | 10,843 | | 96 |
| Royalty income | 17,119 | 17,338 | | 153 |
| Gain on sale of securities investments, net | 2,026 | 6,400 | | 57 |
| Gain on change in interest in subsidiaries and equity investees | 13,495 | 38,531 | | 341 |
| Other | 12,683 | 10,826 | | 96 |
| | ----- | ----- | | ----- |
| | 53,413 | 83,938 | | 743 |
| Other expenses: | | | | |
| Interest | 14,558 | 11,981 | | 106 |
| Loss on devaluation of securities investments | 2,313 | 2,944 | | 26 |
| Foreign exchange loss, net | 5,934 | 1,066 | | 10 |
| Other | 13,892 | 10,296 | | 91 |
| | ----- | ----- | | ----- |
| | 36,697 | 26,287 | | 233 |
| | ----- | ----- | | ----- |
| Income before income taxes | 69,875 | 108,286 | +55.0 | 958 |
| Income taxes | 14,361 | 77,194 | | 683 |
| | ----- | ----- | | ----- |
| Income before minority interest, equity in net income (loss) of affiliated companies and cumulative effect of an accounting change | 55,514 | 31,092 | -44.0 | 275 |
| Minority interest in income (loss) of consolidated subsidiaries | 572 | (1,808) | | (16) |
| Equity in net income (loss) of affiliated companies | 26,245 | (11,695) | | (103) |
| | ----- | ----- | | ----- |
| Income before cumulative effect of an accounting change | 81,187 | 21,205 | -73.9 | 188 |
| Cumulative effect of an accounting change | (4,713) | - | | - |

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(2004: Net of
income taxes of
¥2,675 million)

| | | | | |
|---|---------------------------|---------------------------|---------|-------------------------|
| Net income | ----- ¥76,474 ----- | ----- ¥21,205 ----- | -72.3 | ----- \$188 ----- |
| Per share data: | | | | |
| Common stock | | | | |
| Income before cumulative effect of an accounting change | | | | |
| - Basic | ¥87.70 | ¥ - | - | \$ - |
| - Diluted | 78.77 | - | - | - |
| Net income | | | | |
| - Basic | 82.61 | 19.95 | -75.9 | 0.18 |
| - Diluted | 74.26 | 19.01 | -74.4 | 0.17 |
| Subsidiary tracking stock | | | | |
| Net income | | | | |
| - Basic | 18.12 | 430.74 | 2,277.2 | 3.81 |

Additional Paid-in Capital and Retained Earnings (Unaudited)

The following information shows change in additional paid-in capital for the six months ended September 30, 2004 and 2005 and change in retained earnings for the six months ended September 30, 2004 and 2005.

Sony discloses this supplemental information in accordance with disclosure requirements of the Japanese Securities and Exchange Law, to which Sony, as a Japanese public company, is subject.

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

| | Six months ended September 30 | | |
|--------------------------------------|-------------------------------|------------|----------|
| | 2004 | 2005 | 2005 |
| | ----- | ----- | ----- |
| Additional Paid-in Capital: | | | |
| Balance, beginning of year | ¥992,817 | ¥1,134,222 | \$10,037 |
| Conversion of convertible bonds | 26 | - | - |
| Exercise of stock acquisition rights | - | 16 | 0 |
| Stock based compensation | - | 66 | 1 |
| Reissuance of treasury stock | (342) | - | - |
| | ----- | ----- | ----- |
| Balance as of September 30 | ¥992,501 | ¥1,134,304 | \$10,038 |

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

| | Six months ended September 30 | | |
|--------------------------------------|-------------------------------|------------|----------|
| | 2004 | 2005 | 2005 |
| | ----- | ----- | ----- |
| Retained Earnings: | | | |
| Balance, beginning of year | ¥1,367,060 | ¥1,506,082 | \$13,328 |
| Net income | 76,474 | 21,205 | 188 |
| Cash dividends | (11,573) | (12,456) | (110) |
| Reissuance of treasury stock | (237) | (1,349) | (12) |
| Common stock issue costs, net of tax | (5) | (759) | (7) |
| | ----- | ----- | ----- |
| Balance as of September 30 | ¥1,431,719 | ¥1,512,723 | \$13,387 |

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Consolidated Balance Sheets (Unaudited)

| | (Millions of yen, millions of U.S. dollars) | | | |
|---|---|------------------|----------------------|----------------------|
| ASSETS | September 30 2004 | March 31 2005 | September 30 2005 | September 30 2005 |
| | ----- | ----- | ----- | ----- |
| Current assets: | | | | |
| Cash and cash equivalents | Y 449,626 | Y 779,103 | Y 581,200 | \$ 5,143 |
| Time deposits | 3,325 | 1,492 | 1,857 | 16 |
| Marketable securities | 533,373 | 460,202 | 508,017 | 4,496 |
| Notes and accounts receivable, trade | 1,133,252 | 1,113,071 | 1,087,120 | 9,621 |
| Allowance for doubtful accounts and sales returns | (76,966) | (87,709) | (78,352) | (693) |
| Inventories | 781,361 | 631,349 | 805,856 | 7,131 |
| Deferred income taxes | 128,595 | 141,154 | 138,160 | 1,223 |
| Prepaid expenses and other current assets | 463,670 | 517,509 | 551,019 | 4,876 |
| | ----- | ----- | ----- | ----- |
| | 3,416,236 | 3,556,171 | 3,594,877 | 31,813 |
| Film costs | 270,090 | 278,961 | 343,998 | 3,044 |
| Investments and advances: | | | | |
| Affiliated companies | 252,966 | 252,905 | 263,524 | 2,332 |
| Securities investments and other | 2,410,396 | 2,492,784 | 2,900,196 | 25,666 |
| | ----- | ----- | ----- | ----- |
| | 2,663,362 | 2,745,689 | 3,163,720 | 27,998 |
| Property, plant and equipment: | | | | |
| Land | 186,168 | 182,900 | 181,130 | 1,603 |
| Buildings | 929,142 | 925,796 | 936,291 | 8,286 |
| Machinery and equipment | 2,096,564 | 2,192,038 | 2,304,687 | 20,395 |
| Construction in progress | 144,570 | 92,611 | 90,822 | 804 |
| Less-Accumulated depreciation | (1,973,005) | (2,020,946) | (2,133,025) | (18,876) |
| | ----- | ----- | ----- | ----- |
| | 1,383,439 | 1,372,399 | 1,379,905 | 12,212 |
| Other assets: | | | | |
| Intangibles, net | 208,251 | 187,024 | 192,688 | 1,705 |
| Goodwill | 274,662 | 283,923 | 291,021 | 2,575 |

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| | | | | |
|---|-------------|-------------|--------------|-----------|
| Deferred insurance acquisition costs | 366,983 | 374,805 | 384,917 | 3,406 |
| Deferred income taxes | 177,973 | 240,396 | 205,019 | 1,814 |
| Other | 492,160 | 459,732 | 452,169 | 4,002 |
| | ----- | ----- | ----- | ----- |
| | 1,520,029 | 1,545,880 | 1,525,814 | 13,502 |
| | ----- | ----- | ----- | ----- |
| | Y 9,253,156 | Y 9,499,100 | Y 10,008,314 | \$ 88,569 |
| | ----- | ----- | ----- | ----- |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | Y 158,151 | Y 63,396 | Y 202,882 | \$ 1,795 |
| Current portion of long-term debt | 452,986 | 166,870 | 165,091 | 1,461 |
| Notes and accounts payable, trade | 826,719 | 806,044 | 854,982 | 7,566 |
| Accounts payable, other and accrued expenses | 731,145 | 746,466 | 756,985 | 6,699 |
| Accrued income and other taxes | 42,968 | 55,651 | 33,211 | 294 |
| Deposits from customers in the banking business | 451,231 | 546,718 | 591,540 | 5,235 |
| Other | 371,978 | 424,223 | 489,937 | 4,336 |
| | ----- | ----- | ----- | ----- |
| | 3,035,178 | 2,809,368 | 3,094,628 | 27,386 |
| Long-term liabilities: | | | | |
| Long-term debt | 677,262 | 678,992 | 690,320 | 6,109 |
| Accrued pension and severance costs | 325,664 | 352,402 | 221,915 | 1,964 |
| Deferred income taxes | 67,470 | 72,227 | 143,793 | 1,273 |
| Future insurance policy benefits and other | 2,314,369 | 2,464,295 | 2,598,208 | 22,993 |
| Other | 267,809 | 227,631 | 234,321 | 2,073 |
| | ----- | ----- | ----- | ----- |
| | 3,652,574 | 3,795,547 | 3,888,557 | 34,412 |
| Minority interest in consolidated subsidiaries | 24,171 | 23,847 | 25,947 | 230 |
| Stockholders' equity: | | | | |
| Capital stock | 480,293 | 621,709 | 621,724 | 5,502 |
| Additional paid-in capital | 992,501 | 1,134,222 | 1,134,304 | 10,038 |

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| | | | | |
|--|-------------|-------------|--------------|-----------|
| Retained earnings | 1,431,719 | 1,506,082 | 1,512,723 | 13,387 |
| Accumulated other comprehensive income | (357,467) | (385,675) | (266,656) | (2,360) |
| Treasury stock, at cost | (5,813) | (6,000) | (2,913) | (26) |
| | ----- | ----- | ----- | ----- |
| | 2,541,233 | 2,870,338 | 2,999,182 | 26,541 |
| | ----- | ----- | ----- | ----- |
| | Y 9,253,156 | Y 9,499,100 | Y 10,008,314 | \$ 88,569 |
| | ----- | ----- | ----- | ----- |

Consolidated Statements of Cash Flows (Unaudited)

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

Six months ended September 30

2004 2005 2005

----- ----- -----

Cash flows from operating activities:

| | | | |
|--|----------|----------|--------|
| Net income | Y 76,474 | Y 21,205 | \$ 188 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization, including amortization of deferred insurance acquisition costs | 176,704 | 181,416 | 1,605 |
| Amortization of film costs | 127,305 | 170,624 | 1,510 |
| Accrual for pension and severance costs, less payments | 11,269 | (3,503) | (31) |
| Gain on the transfer to the Japanese Government of the substitutional portion of employee pension fund | - | (73,472) | (650) |
| Loss on sale, disposal or impairment of assets, net | 12,726 | 28,595 | 253 |
| Gain on sale or loss on devaluation of securities investments, net | 287 | (3,456) | (31) |
| Gain on change in interest in subsidiaries and equity investees | (13,495) | (38,531) | (341) |
| Deferred income taxes | (11,274) | 67,569 | 598 |
| Equity in net (income) losses of affiliated companies, net of dividends | (25,661) | 12,443 | 110 |
| Cumulative effect of an accounting change | 4,713 | - | - |
| Changes in assets and liabilities: | | | |

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| | | | |
|--|-----------|-----------|---------|
| Increase in notes and accounts receivable, trade | (43,346) | (22,704) | (201) |
| Increase in inventories | (109,507) | (158,851) | (1,406) |
| Increase in film costs | (127,647) | (218,406) | (1,933) |
| Increase in notes and accounts payable, trade | 48,286 | 39,971 | 354 |
| Decrease in accrued income and other taxes | (13,669) | (22,790) | (202) |
| Increase in future insurance policy benefits and other | 63,841 | 62,113 | 550 |
| Increase in deferred insurance acquisition costs | (32,597) | (32,080) | (284) |
| Increase in marketable securities held in the financial service business for trading purpose | (16,270) | (13,216) | (117) |
| Increase in other current assets | (47,262) | (58,603) | (519) |
| Increase (decrease) in other current liabilities | (20,970) | 18,029 | 160 |
| Other | 52,000 | 2,750 | 25 |
| | ----- | ----- | ----- |
| Net cash provided by (used in) operating activities | 111,907 | (40,897) | (362) |
| Cash flows from investing activities: | | | |
| Payments for purchases of fixed assets | (251,558) | (234,310) | (2,074) |
| Proceeds from sales of fixed assets | 18,397 | 9,978 | 88 |
| Payments for investments and advances by financial service business | (723,732) | (712,454) | (6,305) |
| Payments for investments and advances (other than financial service business) | (136,082) | (15,217) | (135) |
| Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business | 401,202 | 471,167 | 4,170 |
| Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business) | 19,973 | 50,293 | 445 |
| Other | 1,046 | 15,875 | 141 |
| | ----- | ----- | ----- |
| Net cash used in investing activities | (670,754) | (414,668) | (3,670) |
| | ----- | ----- | ----- |
| Cash flows from financing | | | |

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| | | | |
|---|-----------|-----------|----------|
| activities: | | | |
| Proceeds from issuance of long-term debt | 9,589 | 121,280 | 1,073 |
| Payments of long-term debt | (53,511) | (115,563) | (1,023) |
| Increase in short-term borrowings | 31,221 | 101,073 | 894 |
| Increase in deposits from customers in the financial service business | 129,335 | 116,856 | 1,034 |
| Increase in call money and bills sold in the banking business | 35,209 | 31,500 | 279 |
| Dividends paid | (11,441) | (12,368) | (109) |
| Other | 956 | 753 | 7 |
| | ----- | ----- | ----- |
| Net cash provided by financing activities | 141,358 | 243,531 | 2,155 |
| | ----- | ----- | ----- |
| Effect of exchange rate changes on cash and cash equivalents | 17,904 | 14,131 | 125 |
| | ----- | ----- | ----- |
| Net decrease in cash and cash equivalents | (399,585) | (197,903) | (1,752) |
| Cash and cash equivalents at beginning of the fiscal year | 849,211 | 779,103 | 6,895 |
| | ----- | ----- | ----- |
| Cash and cash equivalents at September 30 | Y 449,626 | Y 581,200 | \$ 5,143 |
| | ----- | ----- | ----- |

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of Y113 = U.S. \$1, the approximate Tokyo foreign exchange market rate as of September 30, 2005.
2. As of September 30, 2005, Sony had 920 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method in respect to 56 affiliated companies.
3. Sony calculates and presents per share data separately for Sony's common stock and for the subsidiary tracking stock which is linked to the economic value of Sony Communication Network Corporation, based on Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share". The holders of the tracking stock have the right to participate in earnings, together with common stock holders. Accordingly, Sony calculates per share data by the "two-class" method based on FAS No.128. Under this method, basic net income per share for each class of stock is calculated based on the earnings allocated to each class of stock for the applicable period, divided by the weighted-average number of outstanding shares in each class during the applicable period. The earnings allocated to the subsidiary tracking stock are determined based on the subsidiary tracking stockholders' economic interest in the targeted subsidiary's earnings available for dividends or change in accumulated losses that do not include those of the targeted subsidiary's subsidiaries. The earnings allocated to common stock are calculated by subtracting the earnings allocated to

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the subsidiary tracking stock from Sony's net income for the period.

Weighted-average shares used for computation of earnings per share of common stock are as follows. The dilutive effect in the weighted-average shares for the three months and six months ended September 30, 2004 and 2005 mainly resulted from convertible bonds.

| Weighted-average shares | (Thousands of shares) | |
|-------------------------|---------------------------------|-----------|
| | Three months ended September 30 | |
| | 2004 | 2005 |
| Net income | ----- | ---- |
| - Basic | 925,227 | 996,523 |
| - Diluted | 1,045,097 | 1,044,215 |

| Weighted-average shares | (Thousands of shares) | |
|--|-------------------------------|-----------|
| | Six months ended September 30 | |
| | 2004 | 2005 |
| | ---- | ---- |
| Income before cumulative effect of an accounting change and net income | | |
| - Basic | 925,091 | 996,305 |
| - Diluted | 1,045,007 | 1,044,040 |

By adopting the Emerging Issues Task Force ("EITF") Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share", issued in July 2004, diluted earnings per share of income before cumulative effect of an accounting change and net income for the three months and six months ended September 30, 2004 were retroactively restated (see Note 9).

Weighted-average shares used for computation of earnings per share of the subsidiary tracking stock for the three months and six months ended September 30, 2004 are 3,072 thousand shares. Weighted-average shares used for the three months and six months ended September 30, 2005 are 3,083 and 3,077 thousand shares, respectively. There were no potentially dilutive securities or options granted for earnings per share of the subsidiary tracking stock.

4. Sony's comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income includes changes in unrealized gains or losses on securities, unrealized gains or losses on derivative instruments, minimum pension liabilities adjustments and foreign currency translation adjustments. Net income, other comprehensive income and comprehensive income for the three months and six months ended September 30, 2004 and 2005 were as follows:

| | |
|---|------------------|
| (Millions of yen, millions of U.S. dollars) | |
| Three months ended | Six months ended |
| September 30 | September 30 |

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| | 2004 | 2005 | 2005 | 2004 | 2005 | 2005 |
|---|----------|----------|---------|----------|----------|---------|
| Net income | Y53,210 | Y28,468 | \$252 | Y76,474 | Y21,205 | \$188 |
| Other comprehensive income: | | | | | | |
| Unrealized gains (losses) on securities | 2,649 | 24,595 | 218 | (12,514) | 32,974 | 292 |
| Unrealized gains (losses) on derivative instruments | (151) | (758) | (7) | (2,413) | 732 | 6 |
| Minimum pension liabilities adjustments | 21,316 | 31,663 | 280 | 20,953 | 31,432 | 278 |
| Foreign currency translation adjustments | 56,243 | 37,640 | 333 | 86,466 | 53,881 | 477 |
| | 80,057 | 93,140 | 824 | 92,492 | 119,019 | 1,053 |
| Comprehensive income | Y133,267 | Y121,608 | \$1,076 | Y168,966 | Y140,224 | \$1,241 |

5. As of August 1, 2004, Sony and Bertelsmann AG combined their recorded music businesses in a joint venture. In connection with the establishment of this joint venture, the non-Japan based disc manufacturing and physical distribution businesses, formerly included within the Music segment, have been reclassified to "Other" category in the Electronics segment. In addition, effective April 1, 2005, a similar change was made with respect to the Japan based disc manufacturing businesses. Results for the same period of the previous year in the Electronics segment have been restated to account for these reclassifications.

As a result of these changes in the Music segment, Sony no longer breaks out the Music segment as a reportable segment as it no longer meets the materiality threshold. Effective April 1, 2005, results for the Music segment are included within the Other segment. Accordingly, results for the same period of the previous year in the Electronics and the Other segments have been restated to conform to the presentation for this year.

6. In July 2004, in order to establish a more efficient and coordinated semiconductor supply structure, the Sony group has integrated its semiconductor manufacturing business by transferring Sony Computer Entertainment's semiconductor manufacturing operation from the Game segment to the Electronics segment. As a result of this transfer, sales revenue and expenditures associated with this operation are now recorded within the "Semiconductor" category in the Electronics segment. The results for the three months ended June 30, 2004 have not been restated as such comparable figures cannot be practically obtained given that it was not operated as a separate line of

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business within the Game segment. This integration of the semiconductor manufacturing businesses is a part of Sony's semiconductor strategy of utilizing semiconductor technologies and manufacturing equipment originally developed or designed for the Game business within the Sony group as a whole.

7. Commencing April 1, 2005, Sony has partly realigned its product category configuration in the Electronics segment. Accordingly, results for the same period of the previous year have been reclassified. The primary change is as shown below:

| Main Product | Previous Product Category | New Product Category |
|--------------------------------|---------------------------|-------------------------------------|
| Professional -use projector | "Televisions" --> | "Information and Communications" |

8. In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts". SOP 03-1 requires insurance enterprises to record additional reserves for long-duration life insurance contracts with minimum guarantee or annuity receivable options. Additionally, SOP 03-1 provides guidance for the presentation of separate accounts. This statement is effective for fiscal years beginning after December 15, 2003. Sony adopted SOP 03-1 on April 1, 2004. As a result of the adoption of SOP 03-1, Sony's operating income for the six months ended September 30, 2004 decreased by Y968 million. Additionally, on April 1, 2004, Sony recognized Y4,713 million of loss (net of income taxes of Y2,675 million) as a cumulative effect of an accounting change.

9. In July 2004, the EITF issued EITF Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share". In accordance with FAS No.128, Sony had not included in the computation of diluted earnings per share ("EPS") the number of potential common stock upon the conversion of contingently convertible debt instruments ("Co-Cos") that have not met the conditions to exercise the stock acquisition rights. EITF Issue No. 04-8 requires that the maximum number of common stock that could be issued upon the conversion of Co-Cos be included in diluted EPS computations from the date of issuance regardless of whether the conditions to exercise the rights have been met. EITF Issue No. 04-8 is effective for reporting periods ending after December 15, 2004. Sony adopted EITF Issue No. 04-8 during the quarter ended December 31, 2004. As a result of the adoption of EITF Issue No. 04-8, Sony's diluted EPS of income before cumulative effect of an accounting change and net income for the three months and six months ended September 30, 2004 were restated. Sony's diluted EPS of net income for the three months ended September 30, 2004 decreased by Y2.29, compared to those before adopting EITF Issue No. 04-8. Sony's diluted EPS of income before cumulative effect of an accounting change and net income for the six months ended September 30, 2004 decreased by Y3.52 and Y3.32, respectively, compared to those before adopting EITF Issue No. 04-8.

10. In December 2004, the FASB issued FAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29". This statement requires that exchanges of productive

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assets be accounted for at fair value unless fair value cannot be reasonably determined or the transaction lacks commercial substance. This statement is effective for nonmonetary asset exchanges occurring in the fiscal periods beginning after June 15, 2005. Sony adopted FAS No.153 during the quarter ended September 30, 2005. The adoption of FAS No.153 did not have a material impact on Sony's results of operations and financial position.

Other Consolidated Financial Data

| | (Millions of yen, millions of U.S. dollars) | | | |
|--|---|-----------|--------|----------|
| | Three months ended September 30 | | | |
| | 2004 | 2005 | Change | 2005 |
| | ----- | ----- | ----- | ----- |
| Capital expenditures (additions to property, plant and equipment) | Y 90,051 | Y 87,798 | -2.5% | \$ 777 |
| Depreciation and amortization expenses* | 91,173 | 92,752 | +1.7 | 821 |
| (Depreciation expenses for tangible assets) | (72,579) | (74,845) | +3.1 | (662) |
| R&D expenses | 127,018 | 131,369 | +3.4 | 1,163 |
| | Six months ended September 30 | | | |
| | 2004 | 2005 | Change | 2005 |
| | ----- | ----- | ----- | ----- |
| Capital expenditures (additions to property, plant and equipment) | Y 178,122 | Y 185,781 | +4.3% | \$ 1,644 |
| Depreciation and amortization expenses* | 176,704 | 181,416 | +2.7 | 1,605 |
| (Depreciation expenses for tangible assets) | (141,486) | (146,726) | +3.7 | (1,298) |
| R&D expenses | 250,600 | 249,757 | -0.3 | 2,210 |

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

Condensed Financial Services Financial Statements (Unaudited)

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

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Condensed Statements of Income (Millions of yen, millions of U.S. dollars)
 ----- Three months ended September 30

| Financial Services | | 2004 | | 2005 | Change | | 2005 |
|------------------------------|---|---------|---|---------|--------|----|-------|
| | | ----- | | ----- | ---- | | ----- |
| | | | | | % | | |
| Financial service revenue | Y | 125,862 | Y | 175,882 | +39.7 | \$ | 1,556 |
| Financial service expenses | | 110,981 | | 135,836 | +22.4 | | 1,202 |
| Operating income | | 14,881 | | 40,046 | +169.1 | | 354 |
| Other income (expenses), net | | 8,955 | | 23,351 | +160.8 | | 207 |
| Income before income taxes | | 23,836 | | 63,397 | +166.0 | | 561 |
| Income taxes and other | | 9,632 | | 23,555 | +144.5 | | 208 |
| Net income | Y | 14,204 | Y | 39,842 | +180.5 | \$ | 353 |

(Millions of yen, millions of U.S. dollars)
 ----- Three months ended September 30

| Sony without Financial Services | | 2004 | | 2005 | Change | | 2005 |
|---------------------------------|---|-----------|---|-----------|-----------|----|--------|
| | | ----- | | ----- | ---- | | ----- |
| | | | | | % | | |
| Net sales and operating revenue | Y | 1,584,969 | Y | 1,535,125 | -3.1 | \$ | 13,585 |
| Costs and expenses | | 1,556,733 | | 1,509,731 | -3.0 | | 13,360 |
| Operating income | | 28,236 | | 25,394 | -10.1 | | 225 |
| Other income (expenses), net | | 17,688 | | 6,461 | -63.5 | | 57 |
| Income before income taxes | | 45,924 | | 31,855 | -30.6 | | 282 |
| Income taxes and other | | 418 | | 43,361 | +10,273.4 | | 384 |
| Net income (loss) | Y | 45,506 | Y | (11,506) | - | \$ | (102) |

(Millions of yen, millions of U.S. dollars)
 ----- Three months ended September 30

| Consolidated | | 2004 | | 2005 | Change | | 2005 |
|---------------------------------|---|-----------|---|-----------|--------|----|--------|
| | | ----- | | ----- | ---- | | ----- |
| | | | | | % | | |
| Financial service revenue | Y | 119,643 | Y | 170,103 | +42.2 | \$ | 1,505 |
| Net sales and operating revenue | | 1,582,629 | | 1,532,893 | -3.1 | | 13,566 |
| Costs and expenses | | 1,702,272 | | 1,702,996 | +0.0 | | 15,071 |
| Operating income | | 1,658,887 | | 1,637,079 | -1.3 | | 14,488 |
| Other income | | 43,385 | | 65,917 | +51.9 | | 583 |
| | | 19,876 | | 29,466 | +48.2 | | 261 |

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| | | | | | | |
|----------------------------|---|--------|---|--------|--------|--------|
| (expenses), net | | | | | | |
| | | ----- | | ----- | | ----- |
| Income before income taxes | | 63,261 | | 95,383 | +50.8 | 844 |
| Income taxes and other | | 10,051 | | 66,915 | +565.8 | 592 |
| | | ----- | | ----- | | ----- |
| Net income | Y | 53,210 | Y | 28,468 | -46.5 | \$ 252 |
| | | ----- | | ----- | | ----- |

(Millions of yen, millions of U.S. dollars)
Condensed Statements of Income Six months ended September 30

| | | | | | | |
|---|---|---------|---|---------|--------|----------|
| Financial Services | | 2004 | | 2005 | Change | 2005 |
| | | ----- | | ----- | | ----- |
| | | | | | % | |
| Financial service revenue | Y | 259,486 | Y | 329,696 | +27.1 | \$ 2,918 |
| Financial service expenses | | 234,202 | | 267,727 | +14.3 | 2,370 |
| | | ----- | | ----- | | ----- |
| Operating income | | 25,284 | | 61,969 | +145.1 | 548 |
| Other income (expenses), net | | 8,893 | | 23,234 | +161.3 | 206 |
| | | ----- | | ----- | | ----- |
| Income before income taxes | | 34,177 | | 85,203 | +149.3 | 754 |
| Income taxes and other | | 13,458 | | 33,289 | +147.4 | 295 |
| | | ----- | | ----- | | ----- |
| Income before cumulative effect of an accounting change | | 20,719 | | 51,914 | +150.6 | 459 |
| Cumulative effect of an accounting change | | (4,713) | | - | - | - |
| | | ----- | | ----- | | ----- |
| Net income | Y | 16,006 | Y | 51,914 | +224.3 | \$ 459 |
| | | ----- | | ----- | | ----- |

(Millions of yen, millions of U.S. dollars)
Six months ended September 30

| | | | | | | |
|---------------------------------|---|-----------|---|-----------|--------|-----------|
| Sony without Financial Services | | 2004 | | 2005 | Change | 2005 |
| | | ----- | | ----- | | ----- |
| | | | | | % | |
| Net sales and operating revenue | Y | 3,071,378 | Y | 2,947,918 | -4.0 | \$ 26,088 |
| Costs and expenses | | 3,043,660 | | 2,960,161 | -2.7 | 26,196 |
| | | ----- | | ----- | | ----- |
| Operating income (loss) | | 27,718 | | (12,243) | - | (108) |
| Other income (expenses), net | | 14,479 | | 35,196 | +143.1 | 311 |
| | | ----- | | ----- | | ----- |
| Income before income taxes | | 42,197 | | 22,953 | -45.6 | 203 |
| Income taxes and other | | (24,771) | | 53,793 | - | 476 |
| | | ----- | | ----- | | ----- |
| Net income (loss) | Y | 66,968 | Y | (30,840) | - | \$ (273) |
| | | ----- | | ----- | | ----- |

(Millions of yen, millions of U.S. dollars)
Consolidated Six months ended September 30

| | | | | | | |
|--------------|--|------|--|------|--------|------|
| Consolidated | | 2004 | | 2005 | Change | 2005 |
|--------------|--|------|--|------|--------|------|

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| | | ----- | | ----- | | ----- | | ----- |
|---|---|-----------|---|-----------|--------|-------|----|--------|
| Financial service revenue | Y | 247,349 | Y | 318,691 | +28.8 | % | \$ | 2,820 |
| Net sales and operating revenue | | 3,067,061 | | 2,943,738 | -4.0 | | | 26,051 |
| | | ----- | | ----- | | | | ----- |
| Costs and expenses | | 3,314,410 | | 3,262,429 | -1.6 | | | 28,871 |
| | | 3,261,251 | | 3,211,794 | -1.5 | | | 28,423 |
| | | ----- | | ----- | | | | ----- |
| Operating income | | 53,159 | | 50,635 | -4.7 | | | 448 |
| Other income (expenses), net | | 16,716 | | 57,651 | +244.9 | | | 510 |
| | | ----- | | ----- | | | | ----- |
| Income before income taxes | | 69,875 | | 108,286 | +55.0 | | | 958 |
| Income taxes and other | | (11,312) | | 87,081 | - | | | 770 |
| | | ----- | | ----- | | | | ----- |
| Income before cumulative effect of an accounting change | | 81,187 | | 21,205 | -73.9 | | | 188 |
| Cumulative effect of an accounting change | | (4,713) | | - | - | | | - |
| | | ----- | | ----- | | | | ----- |
| Net income | Y | 76,474 | Y | 21,205 | -72.3 | % | \$ | 188 |
| | | ----- | | ----- | | | | ----- |

Condensed Balance Sheets

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

| Financial Services ASSETS | September 30 2004 | March 31 2005 | September 30 2005 | September 30 2005 |
|--------------------------------------|----------------------|------------------|----------------------|----------------------|
| | ----- | ----- | ----- | ----- |
| Current assets: | | | | |
| Cash and cash equivalents | Y 159,523 | Y 259,371 | Y 187,269 | \$ 1,657 |
| Marketable securities | 529,302 | 456,130 | 503,946 | 4,460 |
| Other | 164,919 | 274,690 | 204,377 | 1,809 |
| | ----- | ----- | ----- | ----- |
| | 853,744 | 990,191 | 895,592 | 7,926 |
| Investments and advances | 2,297,300 | 2,378,966 | 2,788,864 | 24,680 |
| Property, plant and equipment | 39,828 | 38,551 | 34,053 | 301 |
| Other assets: | | | | |
| Deferred insurance acquisition costs | 366,983 | 374,805 | 384,917 | 3,406 |
| Other | 102,369 | 103,004 | 122,102 | 1,081 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|---|-------------|-------------|-------------|-----------|
| | 469,352 | 477,809 | 507,019 | 4,487 |
| | ----- | ----- | ----- | ----- |
| | Y 3,660,224 | Y 3,885,517 | Y 4,225,528 | \$ 37,394 |
| | ----- | ----- | ----- | ----- |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current | | | | |
| liabilities: | | | | |
| Short-term borrowings | Y 117,715 | Y 45,358 | Y 70,862 | \$ 627 |
| Notes and accounts payable, trade | 7,378 | 7,099 | 10,643 | 94 |
| Deposits from customers in the banking business | 451,231 | 546,718 | 591,540 | 5,235 |
| Other | 96,269 | 109,438 | 147,191 | 1,303 |
| | ----- | ----- | ----- | ----- |
| | 672,593 | 708,613 | 820,236 | 7,259 |
| Long-term liabilities: | | | | |
| Long-term debt | 137,249 | 135,750 | 131,507 | 1,164 |
| Accrued pension and severance costs | 11,163 | 14,362 | 13,641 | 121 |
| Future insurance policy benefits and other | 2,314,369 | 2,464,295 | 2,598,208 | 22,993 |
| Other | 130,237 | 142,272 | 158,976 | 1,406 |
| | ----- | ----- | ----- | ----- |
| | 2,593,018 | 2,756,679 | 2,902,332 | 25,684 |
| Minority interest in consolidated subsidiaries | 5,567 | 5,476 | 4,279 | 38 |
| Stockholders' equity | 389,046 | 414,749 | 498,681 | 4,413 |
| | ----- | ----- | ----- | ----- |
| | Y 3,660,224 | Y 3,885,517 | Y 4,225,528 | \$ 37,394 |
| | ----- | ----- | ----- | ----- |

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

| Sony without Financial Services ASSETS | September 30 2004 | March 31 2005 | September 30 2005 | September 30 2005 |
|---|----------------------|------------------|----------------------|----------------------|
| | ----- | ----- | ----- | ----- |
| Current | | | | |

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| | | | | |
|--|-------------|-------------|-------------|-----------|
| assets: | | | | |
| Cash and cash equivalents | Y 290,103 | Y 519,732 | Y 393,931 | \$ 3,486 |
| Marketable securities | 4,071 | 4,072 | 4,071 | 36 |
| Notes and accounts receivable, trade | 989,216 | 952,692 | 1,000,575 | 8,855 |
| Other | 1,294,395 | 1,116,353 | 1,317,568 | 11,660 |
| | ----- | ----- | ----- | ----- |
| | 2,577,785 | 2,592,849 | 2,716,145 | 24,037 |
| Film costs | 270,090 | 278,961 | 343,998 | 3,044 |
| Investments and advances | 500,041 | 445,446 | 464,700 | 4,112 |
| Investments in Financial Services, at cost | 187,400 | 187,400 | 187,400 | 1,658 |
| Property, plant and equipment | 1,343,611 | 1,333,848 | 1,345,852 | 11,911 |
| Other assets | 1,165,449 | 1,189,398 | 1,106,129 | 9,789 |
| | ----- | ----- | ----- | ----- |
| | Y 6,044,376 | Y 6,027,902 | Y 6,164,224 | \$ 54,551 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | Y 508,649 | Y 204,027 | Y 311,405 | \$ 2,756 |
| Notes and accounts payable, trade | 822,333 | 801,252 | 847,049 | 7,496 |
| Other | 1,057,377 | 1,132,201 | 1,144,494 | 10,128 |
| | ----- | ----- | ----- | ----- |
| | 2,388,359 | 2,137,480 | 2,302,948 | 20,380 |
| Long-term liabilities: | | | | |
| Long-term debt | 671,067 | 627,367 | 638,502 | 5,650 |
| Accrued pension and severance costs | 314,500 | 338,040 | 208,274 | 1,843 |
| Other | 302,589 | 263,520 | 304,974 | 2,700 |
| | ----- | ----- | ----- | ----- |
| | 1,288,156 | 1,228,927 | 1,151,750 | 10,193 |
| Minority interest in consolidated subsidiaries | 18,704 | 18,471 | 21,717 | 192 |
| Stockholders' equity | 2,349,157 | 2,643,024 | 2,687,809 | 23,786 |

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Y 6,044,376 Y 6,027,902 Y 6,164,224 \$ 54,551

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

| Consolidated | September 30 | March 31 | September 30 | September 30 |
|---|--------------|-------------|--------------|--------------|
| ASSETS | 2004 | 2005 | 2005 | 2005 |
| | ----- | ----- | ----- | ----- |
| Current assets: | | | | |
| Cash and cash equivalents | Y 449,626 | Y 779,103 | Y 581,200 | \$ 5,143 |
| Marketable securities | 533,373 | 460,202 | 508,017 | 4,496 |
| Notes and accounts receivable, trade | 1,056,286 | 1,025,362 | 1,008,768 | 8,928 |
| Other | 1,376,951 | 1,291,504 | 1,496,892 | 13,246 |
| | ----- | ----- | ----- | ----- |
| | 3,416,236 | 3,556,171 | 3,594,877 | 31,813 |
| Film costs | 270,090 | 278,961 | 343,998 | 3,044 |
| Investments and advances | 2,663,362 | 2,745,689 | 3,163,720 | 27,998 |
| Property, plant and equipment | 1,383,439 | 1,372,399 | 1,379,905 | 12,212 |
| Other assets: | | | | |
| Deferred insurance acquisition costs | 366,983 | 374,805 | 384,917 | 3,406 |
| Other | 1,153,046 | 1,171,075 | 1,140,897 | 10,096 |
| | ----- | ----- | ----- | ----- |
| | 1,520,029 | 1,545,880 | 1,525,814 | 13,502 |
| | ----- | ----- | ----- | ----- |
| | Y 9,253,156 | Y 9,499,100 | Y 10,008,314 | \$ 88,569 |
| | ----- | ----- | ----- | ----- |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | Y 611,137 | Y 230,266 | Y 367,973 | \$ 3,256 |
| Notes and accounts payable, trade | 826,719 | 806,044 | 854,982 | 7,566 |
| Deposits from customers in the banking business | 451,231 | 546,718 | 591,540 | 5,235 |
| Other | 1,146,091 | 1,226,340 | 1,280,133 | 11,329 |
| | ----- | ----- | ----- | ----- |
| | 3,035,178 | 2,809,368 | 3,094,628 | 27,386 |

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| | | | | |
|--|-------------|-------------|--------------|-----------|
| Long-term liabilities: | | | | |
| Long-term debt | 677,262 | 678,992 | 690,320 | 6,109 |
| Accrued pension and severance costs | 325,664 | 352,402 | 221,915 | 1,964 |
| Future insurance policy benefits and other | 2,314,369 | 2,464,295 | 2,598,208 | 22,993 |
| Other | 335,279 | 299,858 | 378,114 | 3,346 |
| | ----- | ----- | ----- | ----- |
| | 3,652,574 | 3,795,547 | 3,888,557 | 34,412 |
| Minority interest in consolidated subsidiaries | 24,171 | 23,847 | 25,947 | 230 |
| Stockholders' equity | 2,541,233 | 2,870,338 | 2,999,182 | 26,541 |
| | ----- | ----- | ----- | ----- |
| | Y 9,253,156 | Y 9,499,100 | Y 10,008,314 | \$ 88,569 |

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

| Condensed Statements of Cash Flows | Six months ended September 30 | | |
|---|-------------------------------|-----------|----------|
| ----- | 2004 | 2005 | 2005 |
| | ----- | ----- | ----- |
| Financial Services | | | |
| Net cash provided by operating activities | Y 83,562 | Y 50,949 | \$ 451 |
| Net cash used in investing activities | (344,674) | (261,946) | (2,318) |
| Net cash provided by financing activities | 164,319 | 138,895 | 1,229 |
| | ----- | ----- | ----- |
| Net decrease in cash and cash equivalents | (96,793) | (72,102) | (638) |
| Cash and cash equivalents at beginning of the fiscal year | 256,316 | 259,371 | 2,295 |
| | ----- | ----- | ----- |
| Cash and cash equivalents at September 30 | Y 159,523 | Y 187,269 | \$ 1,657 |
| | ----- | ----- | ----- |

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

| | Six months ended September 30 | | |
|---------------------------------|-------------------------------|-------|-------|
| | 2004 | 2005 | 2005 |
| | ----- | ----- | ----- |
| Sony without Financial Services | | | |

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| | | | |
|--|-----------|------------|----------|
| Net cash provided by (used in) operating activities | Y 34,975 | Y (91,879) | \$ (813) |
| Net cash used in investing activities | (330,078) | (145,119) | (1,284) |
| Net cash provided by (used in) financing activities | (25,593) | 97,066 | 859 |
| Effect of exchange rate changes on cash and cash equivalents | 17,904 | 14,131 | 125 |
| | ----- | ----- | ----- |
| Net decrease in cash and cash equivalents | (302,792) | (125,801) | (1,113) |
| Cash and cash equivalents at beginning of the fiscal year | 592,895 | 519,732 | 4,599 |
| | ----- | ----- | ----- |
| Cash and cash equivalents at September 30 | Y 290,103 | Y 393,931 | \$ 3,486 |
| | ----- | ----- | ----- |

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

| Consolidated | Six months ended September 30 | | |
|--|-------------------------------|------------|----------|
| | 2004 | 2005 | 2005 |
| | ----- | ----- | ----- |
| Net cash provided by (used in) operating activities | Y 111,907 | Y (40,897) | \$ (362) |
| Net cash used in investing activities | (670,754) | (414,668) | (3,670) |
| Net cash provided by financing activities | 141,358 | 243,531 | 2,155 |
| Effect of exchange rate changes on cash and cash equivalents | 17,904 | 14,131 | 125 |
| | ----- | ----- | ----- |
| Net decrease in cash and cash equivalents | (399,585) | (197,903) | (1,752) |
| Cash and cash equivalents at beginning of the fiscal year | 849,211 | 779,103 | 6,895 |
| | ----- | ----- | ----- |
| Cash and cash equivalents at September 30 | Y 449,626 | Y 581,200 | \$ 5,143 |
| | ----- | ----- | ----- |

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| | | |
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|--|--|---|

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