

SONY CORP
Form 6-K
October 29, 2008
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 2008
Commission File Number: 001-06439

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

1-7-1 KONAN, MINATO-KU, TOKYO, 108-0075, 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

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

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)

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

Date: October 29, 2008

List of materials

Documents attached hereto:

- i) Press release announcing Consolidated Financial Results for the Second Quarter Ended September 30, 2008.
-

1-7-1 Konan, Minato-ku
Tokyo 108-0075 Japan
News & Information

No: 08-139E

3:00 P.M. JST, October 29, 2008

Consolidated Financial Results
for the Second Quarter Ended September 30, 2008

Tokyo, October 29, 2008 -- Sony Corporation today announced its consolidated results for the second quarter ended September 30, 2008 (July 1, 2008 to September 30, 2008).

1 Consolidated sales decreased 0.5% year-on-year; local currency sales increased 5%.
1 Operating income decreased due to the impact from the decline in the Japanese stock market on the Financial Services segment and a ¥60.7 billion gain on sale of a portion of the former headquarters site recorded in the same quarter of the previous fiscal year.

(Billions of yen, millions of U.S. dollars, except per share amounts)
Second quarter ended September 30

| | 2007 | 2008 | Change in yen | 2008* |
|---------------------------------------------------------------------------------------|-----------|-----------|------------------|-----------|
| Sales and operating revenue | ¥ 2,083.0 | ¥ 2,072.3 | -0.5% | \$ 19,926 |
| Operating income ** | 111.6 | 11.0 | -90.1 | 106 |
| (Equity in net income of affiliated companies recorded within operating income) | 21.1 | 1.1 | -94.6 | 11 |
| Income before income taxes ** | 109.1 | 7.3 | -93.3 | 70 |
| Net income | 73.7 | 20.8 | -71.8 | 200 |

Net income per share of
common stock

| | | | | |
|-----------|---------|---------|-------|---------|
| — Basic | ¥ 73.50 | ¥ 20.74 | -71.8 | \$ 0.20 |
| — Diluted | 70.09 | 19.83 | -71.7 | 0.19 |

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

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥104=U.S. \$1, the approximate Tokyo foreign exchange market rate as of September 30, 2008.

** Effective from the first quarter of the fiscal year ending March 31, 2009, Sony revised the presentation of its financial information to ensure that it is consistent with the way management views its consolidated operations. Since Sony considers Sony Ericsson Mobile Communications AB (“Sony Ericsson”), S-LCD Corporation (“S-LCD”) and SONY BMG MUSIC ENTERTAINMENT (“SONY BMG”) (which together constitute a majority of Sony’s equity investments) to be integral to Sony’s operations, Sony determined that the most appropriate method to report equity in net income or loss of all affiliated companies was as a component of operating income. Of the above equity affiliates, the equity earnings from Sony Ericsson and S-LCD are recorded within the operating income of the Electronics segment and the equity earnings from SONY BMG are recorded within All Other. In connection with this reclassification, consolidated operating income, operating income of each segment and consolidated income before

income taxes for all prior periods have been reclassified to conform with the current quarter presentation.

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Due to the above noted change in presentation of operating income to include equity in net income of affiliated companies, “sales and operating revenue less costs and expenses” is equivalent to the definition of operating income under the previous presentation. For purposes of assisting investors comparing Sony’s current information with information under the prior presentation, the table below reconciles sales and operating revenue less costs and expenses to operating income as presented above:

(Billions of yen)

Second quarter ended September 30

| | 2007 | | 2008 | |
|-----------------------------------------------------|------|-------|------|------|
| Sales and operating revenue less costs and expenses | ¥ | 90.5 | ¥ | 9.9 |
| Equity in net income of affiliated companies | | 21.1 | | 1.1 |
| Operating income | ¥ | 111.6 | ¥ | 11.0 |

Sales and operating revenue less costs and expenses is not a presentation in accordance with U.S. GAAP. It is presented as supplemental information for transition purposes and should be considered in addition to, not as a substitute for, Sony’s operating income and net income.

Consolidated Results for the Second Quarter Ended September 30, 2008

Sales and operating revenue (“sales”) decreased 0.5% compared to the same quarter of the previous fiscal year (“year-on-year”).

Electronics segment sales decreased 0.6% year-on-year due to the negative impact from the appreciation of the yen against the U.S. dollar despite higher sales of certain products, primarily BRAVIA LCD televisions and VAIO™ PCs. In the Game segment, sales increased 10.3% year-on-year primarily as a result of an increase in sales of PLAYSTATION®3 (“PS3”) and PSP® (PlayStation Portable) (“PSP”). In the Pictures segment, there was a 3.4% increase in sales year-on-year due to higher motion picture revenues, primarily from the strong worldwide theatrical performance of Hancock. In the Financial Services segment, although revenue from insurance premiums at Sony Life Insurance Co., Ltd. (“Sony Life”) increased, segment revenue decreased by 36.1% year-on-year due to the impact of a significant decline in the Japanese stock market.

On a local currency basis, consolidated sales increased 5% year-on-year. For references to sales on a local currency basis, see Note on page 8.

Operating income decreased 90.1% year-on-year. One of the factors causing the year-on-year decrease in operating income was a more than ¥40 billion (\$385 million) impact from the decline in the Japanese stock market on the Financial Services segment. Additionally, operating income for the same quarter of the previous fiscal year included a ¥60.7 billion gain on the sale of a portion of Sony’s former headquarters site.

In the Electronics segment, operating income decreased significantly, mainly due to the deterioration of the cost of sales ratio, reflecting a decline in unit selling prices and a decrease in equity in net income for Sony Ericsson. In the Game segment, operating loss decreased significantly year-on-year primarily due to PS3 hardware cost reductions and increased sales of PS3 software, as well as strong sales of PSP hardware. In the Pictures segment, operating income increased mainly due to the increase in motion picture revenues described above. In the Financial Services segment, operating income decreased significantly year-on-year due to a deterioration in profitability at Sony Life resulting from the significant decline in the Japanese stock market.

Restructuring charges of ¥0.9 billion (\$9 million) were recorded as operating expenses this quarter compared to ¥18.5 billion in the same quarter of the previous fiscal year.

Equity in net income of affiliated companies recorded within operating income decreased 94.6% year-on-year to ¥1.1 billion (\$11 million). Sony recorded equity in net loss for Sony Ericsson of ¥1.6 billion (\$15 million), compared to equity in net income of ¥21.1 billion in the same quarter of the previous fiscal year primarily due to a shift of the product mix to lower priced phones. Sony also recorded equity in net loss of ¥3.1 billion (\$30 million) for SONY BMG, a deterioration of ¥2.6 billion year-on-year, reflecting the impact of the timing of new releases, the continued decline of the worldwide physical music market and higher restructuring costs. Equity in net income of ¥2.6 billion (\$25 million) was recorded for S-LCD, a joint-venture with Samsung Electronics Co., Ltd., compared to equity in net loss of ¥0.5 billion in the same quarter of the previous fiscal year.

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Income before income taxes was ¥7.3 billion (\$70 million), a year-on-year decrease of 93.3%, due to the decrease in operating income discussed above.

Income taxes: During the quarter, Sony recorded an income tax benefit amounting to ¥8.9 billion (\$86 million). The benefit resulted from the utilization of tax credits and a reversal of tax reserves principally due to the favorable outcome of tax audits and litigation at certain Sony subsidiaries outside of Japan.

Minority interest in loss of consolidated subsidiaries was ¥4.6 billion (\$44 million), compared with ¥0.5 billion income in the same quarter of the previous fiscal year. Minority interest in loss was recorded during the quarter due to the recording of a loss at Sony Life. Sony Life is a consolidated subsidiary of Sony Financial Holdings Inc. (“SFH”), in which Sony’s ownership decreased from 100% to 60% as a result of the global initial public offering of SFH shares in October 2007.

As a result of the changes in the items discussed above, net income decreased 71.8% year-on-year to ¥20.8 billion (\$200 million).

Operating Performance Highlights by Business Segment

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

Electronics

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

Second quarter ended September 30

| | 2007 | 2008 | Change in yen | 2008 |
|-----------------------------|-----------|-----------|------------------|-----------|
| Sales and operating revenue | ¥ 1,663.1 | ¥ 1,653.3 | -0.6% | \$ 15,897 |
| Operating income | 127.2 | 75.6 | -40.5 | 727 |

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

Sales decreased by 0.6% year-on-year (a 5% increase on a local currency basis) to ¥1,653.3 billion (\$15,897 million) despite higher sales of certain products, primarily BRAVIA LCD televisions, which saw increased unit sales in all regions, VAIO PCs, which saw increased sales outside of Japan, and “ ” digital single-lens reflex cameras. This was more than offset by the negative impact from the appreciation of the yen against the U.S. dollar. Sales to outside customers increased 1.7% year-on-year.

Operating income decreased by 40.5% year-on-year to ¥75.6 billion (\$727 million). This decrease was largely due to a deterioration of the cost of sales ratio as a result of a decline in unit selling prices and a decrease in equity in net income for Sony Ericsson. With regard to products within the Electronics segment, while profitability improved for BRAVIA LCD televisions and image sensors, profit decreased for Cyber-shot™ compact digital cameras, which were impacted by a decrease in unit sales due to slowing market growth and price declines, VAIO PCs, which were impacted by severe competition and lower prices, and Handycam® video cameras, which saw a decrease in sales due to the contraction of the market.

Inventory, as of September 30, 2008, was ¥1,086.5 billion (\$10,447 million), an increase of ¥79.9 billion, or 7.9%, compared with the level as of September 30, 2007 and an increase of ¥70.5 billion, or 6.9%, compared with the level as of June 30, 2008.

Operating Results for Sony Ericsson Mobile Communications AB

The following operating results for Sony Ericsson, which is accounted for by the equity method as Sony Corporation's ownership percentage is 50%, 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 of Sony. As previously stated, the equity earnings of Sony Ericsson are included in operating income of the Electronics segment.

(Millions of euro)
Quarter ended September 30

| | 2007 | 2008 | Change in euro |
|-----------------------------|---------|---------|-------------------|
| Sales and operating revenue | € 3,108 | € 2,808 | -10% |
| Income (loss) before taxes | 384 | (13) | - |
| Net income (loss) | 267 | (18) | - |

Sales for the quarter ended September 30, 2008 decreased 10% year-on-year mainly due to the impact of exchange rate fluctuations, as well as a shift of the product mix to lower priced phones. Loss before taxes of €13 million was recorded, a significant deterioration year-on-year, due to continued price pressure at a time of adverse cost trends in the supplier base and strong competition particularly in Europe, which more than offset the contribution of new products introduced at the end of the quarter ended June 30, 2008.

Game

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

Second quarter ended September 30

| | 2007 | 2008 | Change in yen | 2008 |
|-----------------------------|---------|---------|------------------|----------|
| Sales and operating revenue | ¥ 243.4 | ¥ 268.5 | +10.3% | \$ 2,582 |
| Operating income (loss) | (96.7) | (39.5) | - | (379) |

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

Sales increased 10.3% year-on-year (a 15% increase on a local currency basis) to ¥268.5 billion (\$2,582 million).

Hardware: Overall hardware sales increased as a result of an increase in sales of PS3 and PSP. Sales of PlayStation®2 ("PS2") decreased year-on-year.

Software: Despite an increase in PS3 and PSP software sales, overall software sales decreased as a result of a decrease in PS2 software sales.

An operating loss of ¥39.5 billion (\$379 million) was reported, an improvement of ¥57.2 billion year-on-year. The decrease in operating loss in the current quarter was primarily due to PS3 hardware cost reductions and increased sales of PS3 software, as well as strong sales of PSP hardware.

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

—>PS2: 2.50 million units (a decrease of 0.78 million units)

--> PSP: 3.18 million units (an increase of 0.60 million units)

—>PS3: 2.43 million units (an increase of 1.12 million units)

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

--> PS2: 23.1 million units (a decrease of 14.9 million units)
 -->PSP: 11.8 million units (a decrease of 0.8 million units)
 -->PS3: 21.1 million units (an increase of 10.7 million units)

Inventory, as of September 30, 2008, was ¥243.2 billion (\$2,338 million), which represents a ¥4.6 billion decrease compared with the level as of September 30, 2007. Inventory increased by ¥83.7 billion, or 52.5%, compared with the level as of June 30, 2008, due to increased inventory of PS3 and PSP hardware for the holiday sales season.

Pictures

(Billions of yen, millions of U.S. dollars)
 Second quarter ended September 30

| | 2007 | 2008 | Change in Yen | 2008 |
|-----------------------------|---------|---------|------------------|----------|
| Sales and operating revenue | ¥ 189.6 | ¥ 196.1 | +3.4% | \$ 1,885 |
| Operating income | 3.7 | 11.0 | +199.9 | 106 |

Unless otherwise specified, all amounts are reported on a U.S. GAAP basis. The results presented above are a yen-translation of the results of Sony Pictures Entertainment (“SPE”), a U.S. based operation which aggregates the results of its worldwide subsidiaries. Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results are specified as being on “a U.S. dollar basis.”

Sales increased 3.4% year-on-year (13% increase on a U.S. dollar basis). Sales increased due to higher motion picture revenues, primarily from the strong worldwide theatrical performance of Hancock. In the same quarter of the prior year, there was no similar major theatrical release. Other notable releases that contributed to the current quarter’s motion picture revenues included the theatrical releases of Step Brothers and Pineapple Express as well as the home entertainment releases of 21 and Vantage Point.

Operating income of ¥11.0 billion (\$106 million) was recorded, a 199.9% increase year-on-year. Operating income benefited from the higher motion picture revenues discussed above as well as higher equity income from the sale of a European cable television channel by an equity affiliate.

Financial Services

(Billions of yen, millions of U.S. dollars)
 Second quarter ended September 30

| | 2007 | 2008 | Change in yen | 2008 |
|---------------------------|---------|---------|------------------|--------|
| Financial service revenue | ¥ 157.5 | ¥ 100.7 | -36.1% | \$ 968 |
| Operating income (loss) | 23.1 | (25.3) | - | (243) |

In Sony's Financial Services segment, results include SFH and SFH's consolidated subsidiaries such as Sony Life, Sony Assurance Inc. and Sony Bank Inc. (“Sony Bank”), as well as Sony Finance International Inc. Unless otherwise specified, all amounts are reported on a U.S. GAAP basis. Therefore, the results of Sony Life shown below differ from the results that SFH and Sony Life disclose on a Japanese statutory basis. As a result of the global initial public offering of SFH shares in October 2007, Sony Corporation’s ownership percentage in SFH is 60%. Consolidated results for SFH continue to be presented in Sony’s consolidated financial statements along with a minority interest component.

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Financial service revenue decreased 36.1% year-on-year due to a decrease in revenue at Sony Life. Revenue at Sony Life was ¥72.8 billion (\$700 million), a ¥51.6 billion or 41.5% decrease year-on-year. Revenue decreased year-on-year due to increased net valuation losses from convertible bonds and impairment losses on equity securities in the general account and net losses from investments in the separate account, brought on by a significant decline in the Japanese stock market. Partially offsetting this was an increase in revenue from insurance premiums reflecting an increase in insurance-in-force.

An operating loss of ¥25.3 billion (\$243 million) was recorded as the result of a deterioration in profitability at Sony Life. The operating loss at Sony Life was ¥25.5 billion (\$245 million), compared to operating income of ¥17.7 billion in the same quarter of the previous fiscal year. This decrease was mainly due to increased net valuation losses from convertible bonds and impairment losses on equity securities in the general account which more than offset the contribution from increased revenue from insurance premiums at Sony Life.

All Other

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

Second quarter ended September 30

| | 2007 | 2008 | Change in yen | 2008 |
|-----------------------------|--------|--------|------------------|--------|
| Sales and operating revenue | ¥ 95.2 | ¥ 90.3 | -5.2% | \$ 868 |
| Operating income | 10.6 | 3.5 | -66.7 | 34 |

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

Sales decreased 5.2% year-on-year. Although sales of So-net Entertainment Corporation increased due to higher fee revenue from broadband connection services, especially fiber-optic, overall segment sales decreased due to a decrease in sales at Sony Music Entertainment (Japan) Inc. (“SMEJ”).

Sales at SMEJ decreased year-on-year mainly due to a decrease in album sales resulting from a decline in the physical music market. SMEJ’s best-selling albums during the quarter included PANIC FANCY by ORANGE RANGE and COLOR CHANGE! by CRYSTAL KAY.

Operating income decreased 66.7% year-on-year primarily due to the decreased sales at SMEJ discussed above and a deterioration in equity in net income (loss) for SONY BMG.

Operating Results for SONY BMG MUSIC ENTERTAINMENT

The following operating results for SONY BMG, accounted for by the equity method as Sony Corporation’s ownership percentage during the quarter ended September 30, 2008 was 50%, 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 of Sony. As previously stated, the equity earnings of SONY BMG have been included in operating income of All Other.

| | 2007 | 2008 | Change in U.S. dollars |
|-----------------------------------|--------|--------|------------------------------|
| Sales and operating revenue | \$ 851 | \$ 762 | -11% |
| Income (loss) before income taxes | 8 | (45) | - |

| | | | |
|-------------------|-----|------|---|
| Net income (loss) | (8) | (57) | - |
| 6 | | | |

During the quarter ended September 30, 2008, sales at SONY BMG decreased by 11% year-on-year primarily due to the timing of new releases combined with the continued decline in the worldwide physical music market not being offset by growth in digital product sales. SONY BMG recorded a loss before income taxes of \$45 million for the quarter ended September 30, 2008 compared to income before income taxes of \$8 million that was recorded in the same quarter of the previous fiscal year. The loss for the period reflects the impact of the lower revenue as well as a year-on-year increase in restructuring costs of \$4 million. Best selling releases during the quarter included Kings of Leon's Only by the Night, AC/DC's No Bull, and Paul Potts' One Chance.

On October 1, 2008, Sony completed the previously announced acquisition of Bertelsmann AG's ("Bertelsmann") 50% stake in SONY BMG. The music company, to be called Sony Music Entertainment (SME), became a wholly owned subsidiary of Sony. The transaction was structured as follows: First, a portion of Bertelsmann's interest in SONY BMG was redeemed for approximately \$600 million of cash by SONY BMG. Sony then purchased the remaining interest from Bertelsmann for approximately \$600 million. As a result, Bertelsmann received approximately \$900 million in value for its 50% stake plus \$300 million of its share of cash on SONY BMG's balance sheet. Sony views this as approximately \$600 million net cash cost as it did not consolidate SONY BMG's cash. In addition, Bertelsmann acquired a limited amount (less than 1% of SONY BMG's revenues in calendar year 2007) of selected European music catalog assets from SONY BMG. The parties also will continue to share the company's manufacturing and distribution requirements between Sony's manufacturing subsidiary, Sony DADC, and Bertelsmann's services company, Arvato Digital Services GmbH ("Arvato"), by extending agreements with Arvato for additional terms of up to six years. Effective October 1, 2008, SONY BMG will be consolidated by Sony.

Cash Flows

For Consolidated Statements of Cash Flows, charts showing Sony's cash flow information for all segments, all segments excluding the Financial Services segment and the Financial Services segment alone, please refer to pages F-4 and F12, respectively.

Operating Activities: During the six months ended September 30, 2008, there was a net cash outflow of ¥144.1 billion (\$1,385 million) in operating activities, an increase of ¥75.0 billion, or 108.7% year-on-year. For all segments excluding the Financial Services segment, ¥257.1 billion (\$2,471 million) of net cash was used in operating activities, an increase of ¥126.6 billion, or 97.0% year-on-year. The Financial Services segment had a net cash inflow of ¥116.4 billion (\$1,119 million) from operating activities, an increase of ¥49.3 billion, or 73.4% year-on-year.

During the six months ended September 30, 2008, with respect to all segments excluding the Financial Services segment, the major cash outflow factors included increases in inventory, particularly within the Electronics and Game segments, and income tax payments. This exceeded cash inflow, which included an increase in notes and accounts payable, trade and a cash contribution from net income, after taking into account depreciation and amortization. The Financial Services segment generated net cash mainly from an increase in revenue from insurance premiums reflecting a steady increase in insurance-in-force at Sony Life.

Compared with the same period of the previous fiscal year, within all segments excluding the Financial Services segment, net cash used increased mainly as a result of an increase in income tax payments. Within the Financial Services segment, net cash generated increased year-on-year mainly due to an increase in revenue from insurance premiums reflecting a steady increase in insurance-in-force at Sony Life.

Investing Activities: During the six months ended September 30, 2008, Sony used ¥488.1 billion (\$4,693 million) of net cash in investing activities, a decrease of ¥60.7 billion, or 11.1% year-on-year. For all segments excluding the Financial Services segment, ¥170.9 billion (\$1,644 million) of net cash was used in investing activities, an increase of ¥16.6 billion, or 10.7% year-on-year. The Financial Services segment used ¥334.0 billion (\$3,211 million) in net cash, a decrease of ¥54.7 billion, or 14.1% year-on-year.

During the six months ended September 30, 2008, with respect to all segments excluding the Financial Services segment, payments for items such as purchases of manufacturing equipment in the Electronics segment and the acquisitions of Gracenote, Inc. and 2waytraffic N.V. exceeded proceeds generated mainly from the sales of semiconductor fabrication equipment. Within the Financial Services segment, payments for investments carried out at Sony Life, and payments for advances carried out at Sony Bank, where operations are expanding, exceeded proceeds mainly from the maturities and sales of marketable securities and collections of advances.

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Compared with the same period of the previous fiscal year, net cash used in investing activities increased within all segments excluding the Financial Services segment. The net cash outflows for the six months ended September 30, 2008, as described above, exceeded the prior year's net cash outflows which were partially offset by the proceeds from the sale of a portion of Sony's former headquarters site. On the other hand, net cash used in investing activities within the Financial Services segment decreased year-on-year mainly due to a decrease in payments for investments, carried out primarily at Sony Life.

In all segments excluding the Financial Services segment, net cash used by operating and investing activities combined was ¥428.0 billion (\$4,116 million), an increase of ¥143.2 billion compared to net cash used of ¥284.9 billion in the same period of the previous fiscal year.

Financing Activities: During the six months ended September 30, 2008, ¥236.6 billion (\$2,275 million) of net cash was provided by financing activities, a decrease of ¥210.6 billion, or 47.1% year-on-year. For all segments excluding the Financial Services segment, there was a net cash inflow of ¥2.9 billion (\$28 million) in financing activities, a decrease of ¥216.5 billion compared to a net cash inflow of ¥219.4 billion in the same period of the previous fiscal year. This was primarily due to an issuance of commercial paper in the same period of the previous fiscal year. There was no similar issuance this fiscal year. In the Financial Services segment, as a result of an increase in policyholder accounts at Sony Life and an increase in deposits from customers at Sony Bank, financing activities generated ¥247.1 billion (\$2,376 million) of net cash, an increase of ¥30.8 billion, or 14.2% year-on-year.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in the exchange rate, the total outstanding balance of cash and cash equivalents at September 30, 2008 was ¥700.9 billion (\$6,740 million), a decrease of ¥385.5 billion, or 35.5% compared with the balance as of March 31, 2008. This is an increase of ¥73.9 billion, or 11.8% compared with the balance as of September 30, 2007. The outstanding balance of cash and cash equivalents of all segments excluding the Financial Services segment, was ¥533.7 billion (\$5,131 million), a decrease of ¥415.1 billion, or 43.7% compared with the balance as of March 31, 2008. This is an increase of ¥78.5 billion, or 17.3% compared with the balance as of September 30, 2007. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was ¥167.3 billion (\$1,608 million), an increase of ¥29.5 billion, or 21.5% compared with the balance as of March 31, 2008. This is a decrease of ¥4.6 billion, or 2.7% compared with the balance as of September 30, 2007.

Note

During the quarter ended September 30, 2008, the average value of the yen was ¥106.7 against the U.S. dollar and ¥160.4 against the euro, which was 9.6% higher against the U.S. dollar and remained flat against the euro, compared with the average rates for the same quarter of the previous fiscal year.

Sales on a local currency basis described herein reflect sales obtained by applying the yen's monthly average exchange rate in the same quarter of the previous fiscal year to local currency-denominated monthly sales in the current quarter. Sales on a local currency basis are not reflected in Sony's consolidated financial statements and are not measures conforming with U.S. GAAP. Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that disclosing sales information on a local currency basis provides additional useful analytical information to investors regarding operating performance of Sony.

Outlook for the Fiscal Year ending March 31, 2009

Our forecast for the fiscal year ending March 31, 2009, as revised on October 23, 2008, is as per the table below:

| | (Billions of yen) | | Change from March 31, 2008 |
|---------------------------------------------------|---------------------|-------|----------------------------------|
| | Current Forecast | | Actual Results |
| Sales and operating revenue | ¥ | 9,000 | +1% |
| Operating income | | 200 | -58 |
| (Equity in net income of affiliated companies) | | 0 | -100 |
| Income before income taxes | | 210 | -63 |
| Net income | | 150 | -59 |

Assumed foreign currency exchange rates for the second half of the fiscal year: approximately ¥100 to the U.S. dollar and approximately ¥140 to the euro.

This forecast is based on management's current expectations and is subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in this forecast due to a variety of factors. See "Cautionary Statement" below.

As noted above, our current forecast was prepared based on assumed foreign currency exchange rates of approximately ¥100 to the U.S. dollar and approximately ¥140 to the euro. Although Sony has hedged a portion of its sales for the second half of the fiscal year, the unprecedented foreign exchange rate fluctuations occurring in most currencies since the current forecast was prepared may further negatively impact the current forecast.

As is our policy, the effects of gains and losses on investments held by Sony Life due to market fluctuations since the end of the quarter, September 30, 2008, have not been incorporated within the above forecast as we cannot predict where the financial markets will be at the end of the fiscal year ended March 31, 2009. Accordingly, these market fluctuations could further negatively impact the current forecast.

Our forecast for capital expenditures, depreciation and amortization, and research and development expenses, as per the table below, is unchanged from the forecast announced on July 29, 2008.

| | (Billions of yen) | | Change from previous fiscal year |
|-------------------------------------------------------|-------------------|-----|----------------------------------------|
| | July Forecast | | |
| Capital expenditures (additions to fixed assets) * | ¥ | 430 | +28% |
| Depreciation and amortization** | | 420 | -2 |
| (Depreciation expenses for tangible assets) | | 330 | 0 |
| Research and development expenses | | 540 | +4 |

* Investments in equity affiliates are not included within the forecast for capital expenditures.

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

Cautionary Statement

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

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(Unaudited)
Consolidated Financial Statements
Consolidated Balance Sheets

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

| ASSETS | September 30 | | Change from 2007 | | March 31 | |
|---------------------------------------------------|--------------|-------------|------------------|--------|----------|-------------|
| | 2007 | 2008 | 2007 | 2008 | 2008 | 2008 |
| Current assets: | | | | | | |
| Cash and cash equivalents | ¥ 626,984 | ¥ 700,923 | ¥ +73,939 | +11.8% | \$ 6,740 | ¥ 1,086,431 |
| Call loan in the banking business | 271,638 | 325,765 | +54,127 | +19.9 | 3,132 | 352,569 |
| Marketable securities | 495,143 | 475,158 | -19,985 | -4.0 | 4,569 | 427,709 |
| Notes and accounts receivable, trade | 1,429,133 | 1,206,065 | -223,068 | -15.6 | 11,597 | 1,183,620 |
| Allowance for doubtful accounts and sales returns | (106,207) | (71,974) | +34,233 | -32.2 | (692) | (93,335) |
| Inventories | 1,262,152 | 1,365,392 | +103,240 | +8.2 | 13,129 | 1,021,595 |
| Deferred income taxes | 257,480 | 230,419 | -27,061 | -10.5 | 2,216 | 237,073 |
| Prepaid expenses and other current assets | 757,672 | 897,764 | +140,092 | +18.5 | 8,631 | 794,001 |
| | 4,993,995 | 5,129,512 | +135,517 | +2.7 | 49,322 | 5,009,663 |
| Film costs | 319,936 | 324,118 | +4,182 | +1.3 | 3,117 | 304,243 |
| Investments and advances: | | | | | | |
| Affiliated companies | 434,159 | 333,236 | -100,923 | -23.2 | 3,204 | 381,188 |
| Securities investments and other | 3,636,241 | 4,187,704 | +551,463 | +15.2 | 40,267 | 3,954,460 |
| | 4,070,400 | 4,520,940 | +450,540 | +11.1 | 43,471 | 4,335,648 |
| Property, plant and equipment: | | | | | | |
| Land | 168,985 | 157,888 | -11,097 | -6.6 | 1,518 | 158,289 |
| Buildings | 992,839 | 911,878 | -80,961 | -8.2 | 8,768 | 903,116 |
| Machinery and equipment | 2,555,014 | 2,417,791 | -137,223 | -5.4 | 23,248 | 2,483,016 |
| Construction in progress | 62,710 | 80,480 | +17,770 | +28.3 | 774 | 55,740 |
| Less-Accumulated depreciation | (2,366,962) | (2,339,054) | +27,908 | -1.2 | (22,491) | (2,356,812) |
| | 1,412,586 | 1,228,983 | -183,603 | -13.0 | 11,817 | 1,243,349 |
| Other assets: | | | | | | |
| Intangibles, net | 274,229 | 307,447 | +33,218 | +12.1 | 2,956 | 263,490 |
| Goodwill | 306,837 | 341,207 | +34,370 | +11.2 | 3,281 | 304,423 |
| Deferred insurance acquisition costs | 399,244 | 401,324 | +2,080 | +0.5 | 3,859 | 396,819 |
| Deferred income taxes | 231,074 | 210,915 | -20,159 | -8.7 | 2,028 | 198,666 |
| Other | 462,559 | 507,970 | +45,411 | +9.8 | 4,884 | 496,438 |

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| | | | | | | |
|-------------------------------------------------------|--------------|--------------|------------|----------|------------|--------------|
| | 1,673,943 | 1,768,863 | +94,920 | +5.7 | 17,008 | 1,659,836 |
| | ¥ 12,470,860 | ¥ 12,972,416 | ¥ +501,556 | +4.0% | \$ 124,735 | ¥ 12,552,739 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Short-term borrowings | ¥ 303,338 | ¥ 71,215 | ¥ -232,123 | -76.5% | \$ 685 | ¥ 63,224 |
| Current portion of long-term debt | 23,797 | 378,313 | +354,516 | +1,489.8 | 3,638 | 291,879 |
| Notes and accounts payable, trade | 1,186,260 | 1,228,377 | +42,117 | +3.6 | 11,811 | 920,920 |
| Accounts payable, other and accrued expenses | 974,155 | 987,859 | +13,704 | +1.4 | 9,499 | 896,598 |
| Accrued income and other taxes | 115,347 | 51,318 | -64,029 | -55.5 | 493 | 200,803 |
| Deposits from customers in the banking business | 888,443 | 1,338,223 | +449,780 | +50.6 | 12,868 | 1,144,399 |
| Other | 485,296 | 456,412 | -28,884 | -6.0 | 4,388 | 505,544 |
| | 3,976,636 | 4,511,717 | +535,081 | +13.5 | 43,382 | 4,023,367 |
| Long-term liabilities: | | | | | | |
| Long-term debt | 1,015,239 | 649,414 | -365,825 | -36.0 | 6,244 | 729,059 |
| Accrued pension and severance costs | 180,245 | 221,084 | +40,839 | +22.7 | 2,126 | 231,237 |
| Deferred income taxes | 293,538 | 238,631 | -54,907 | -18.7 | 2,295 | 268,600 |
| Future insurance policy benefits and other | 3,182,692 | 3,420,503 | +237,811 | +7.5 | 32,889 | 3,298,506 |
| Other | 277,055 | 236,521 | -40,534 | -14.6 | 2,275 | 260,032 |
| | 4,948,769 | 4,766,153 | -182,616 | -3.7 | 45,829 | 4,787,434 |
| Minority interest in consolidated subsidiaries | | | | | | |
| | 36,597 | 262,630 | +226,033 | +617.6 | 2,525 | 276,849 |
| Stockholders' equity: | | | | | | |
| Capital stock | 629,243 | 630,765 | +1,522 | +0.2 | 6,065 | 630,576 |
| Additional paid-in capital | 1,147,507 | 1,153,571 | +6,064 | +0.5 | 11,092 | 1,151,447 |
| Retained earnings | 1,842,655 | 2,085,045 | +242,390 | +13.2 | 20,049 | 2,059,361 |
| Accumulated other comprehensive income | (106,542) | (432,571) | -326,029 | +306.0 | (4,160) | (371,527) |
| Treasury stock, at cost | (4,005) | (4,894) | -889 | +22.2 | (47) | (4,768) |
| | 3,508,858 | 3,431,916 | -76,942 | -2.2 | 32,999 | 3,465,089 |
| | ¥ 12,470,860 | ¥ 12,972,416 | ¥ +501,556 | +4.0% | \$ 124,735 | ¥ 12,552,739 |

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Consolidated Statements of Income

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

| | 2007 | Three months ended September 30 2008 | Change from 2007 | | 2008 | Fiscal year ended March 31 2008 |
|-----------------------------------------------------------------|-------------|-----------------------------------------|------------------|----------|-----------|------------------------------------------|
| Sales and operating revenue: | | | | | | |
| Net sales | ¥ 1,903,932 | ¥ 1,950,289 | ¥ +46,357 | +2.4% | \$ 18,753 | ¥ 8,201,839 |
| Financial service revenue | 151,109 | 97,469 | -53,640 | -35.5 | 937 | 553,216 |
| Other operating revenue | 27,996 | 24,547 | -3,449 | -12.3 | 236 | 116,359 |
| | 2,083,037 | 2,072,305 | -10,732 | -0.5 | 19,926 | 8,871,414 |
| Costs and expenses: | | | | | | |
| Cost of sales | 1,504,207 | 1,514,812 | +10,605 | +0.7 | 14,566 | 6,290,022 |
| Selling, general and administrative | 410,213 | 419,888 | +9,675 | +2.4 | 4,037 | 1,714,445 |
| Financial service expenses | 125,697 | 121,641 | -4,056 | -3.2 | 1,170 | 530,306 |
| (Gain) loss on sale, disposal or impairment of assets, net | (47,550) | 6,061 | +53,611 | - | 58 | (37,841) |
| | 1,992,567 | 2,062,402 | +69,835 | +3.5 | 19,831 | 8,496,932 |
| Equity in net income of affiliated companies | 21,146 | 1,145 | -20,001 | -94.6 | 11 | 100,817 |
| Operating income | 111,616 | 11,048 | -100,568 | -90.1 | 106 | 475,299 |
| Other income: | | | | | | |
| Interest and dividends | 5,235 | 6,531 | +1,296 | +24.8 | 63 | 34,272 |
| Foreign exchange gain, net | 7,904 | — | -7,904 | - | — | 5,571 |
| Gain on sale of securities investments, net | — | 319 | +319 | - | 3 | 5,504 |
| Gain on change in interest in subsidiaries and equity investees | 14 | 336 | +322 | +2,300.0 | 3 | 82,055 |
| Other | 4,528 | 6,620 | +2,092 | +46.2 | 64 | 22,045 |
| | 17,681 | 13,806 | -3,875 | -21.9 | 133 | 149,447 |
| Other expenses: | | | | | | |
| Interest | 6,493 | 6,611 | +118 | +1.8 | 64 | 22,931 |
| Loss on devaluation of securities | 9,364 | 502 | -8,862 | -94.6 | 5 | 13,087 |

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| | | | | | | | | | |
|-----------------------------------------------------------------|----------|----------|-----------|-------|---------|-----------|--|--|--|
| investments | | | | | | | | | |
| Loss on sale of securities | | | | | | | | | |
| investments, net | 38 | — | -38 | - | — | — | | | |
| Foreign exchange loss, net | — | 6,803 | +6,803 | - | 65 | — | | | |
| Other | 4,332 | 3,631 | -701 | -16.2 | 35 | 21,594 | | | |
| | 20,227 | 17,547 | -2,680 | -13.2 | 169 | 57,612 | | | |
| Income before income taxes | 109,070 | 7,307 | -101,763 | -93.3 | 70 | 567,134 | | | |
| Income taxes | 34,879 | (8,935) | -43,814 | - | (86) | 203,478 | | | |
| Income before minority interest | 74,191 | 16,242 | -57,949 | -78.1 | 156 | 363,656 | | | |
| Minority interest in income (loss) of consolidated subsidiaries | 476 | (4,574) | -5,050 | - | (44) | (5,779) | | | |
| Net income | ¥ 73,715 | ¥ 20,816 | ¥ -52,899 | -71.8 | \$ 200 | ¥ 369,435 | | | |
| Per share data: | | | | | | | | | |
| Common stock | | | | | | | | | |
| Net income | | | | | | | | | |
| — Basic | ¥ 73.50 | ¥ 20.74 | ¥ -52.76 | -71.8 | \$ 0.20 | ¥ 368.33 | | | |
| — Diluted | 70.09 | 19.83 | -50.26 | -71.7 | 0.19 | 351.10 | | | |

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

| | 2007 | Six months ended September 30 2008 | Change from 2007 | | 2008 | Fiscal year ended March 31 2008 |
|-----------------------------------------------------------------|-------------|---------------------------------------|------------------|----------|-----------|------------------------------------------|
| Sales and operating revenue: | | | | | | |
| Net sales | ¥ 3,672,084 | ¥ 3,725,551 | ¥ +53,467 | +1.5% | \$ 35,823 | ¥ 8,201,839 |
| Financial service revenue | 328,161 | 275,851 | -52,310 | -15.9 | 2,652 | 553,216 |
| Other operating revenue | 59,302 | 49,947 | -9,355 | -15.8 | 480 | 116,359 |
| | 4,059,547 | 4,051,349 | -8,198 | -0.2 | 38,955 | 8,871,414 |
| Costs and expenses: | | | | | | |
| Cost of sales | 2,833,109 | 2,882,477 | +49,368 | +1.7 | 27,716 | 6,290,022 |
| Selling, general and administrative | 814,337 | 814,137 | -200 | -0.0 | 7,828 | 1,714,445 |
| Financial service expenses | 271,118 | 269,425 | -1,693 | -0.6 | 2,591 | 530,306 |
| (Gain) loss on sale, disposal or impairment of assets, net | (48,810) | 4,208 | +53,018 | - | 41 | (37,841) |
| | 3,869,754 | 3,970,247 | +100,493 | +2.6 | 38,176 | 8,496,932 |
| Equity in net income of affiliated companies | 43,111 | 3,385 | -39,726 | -92.1 | 33 | 100,817 |
| Operating income | 232,904 | 84,487 | -148,417 | -63.7 | 812 | 475,299 |
| Other income: | | | | | | |
| Interest and dividends | 14,695 | 14,313 | -382 | -2.6 | 138 | 34,272 |
| Foreign exchange gain, net | — | — | — | - | — | 5,571 |
| Gain on sale of securities investments, net | 1,342 | 461 | -881 | -65.6 | 4 | 5,504 |
| Gain on change in interest in subsidiaries and equity investees | 14 | 324 | +310 | +2,214.3 | 3 | 82,055 |
| Other | 10,980 | 11,803 | +823 | +7.5 | 114 | 22,045 |
| | 27,031 | 26,901 | -130 | -0.5 | 259 | 149,447 |
| Other expenses: | | | | | | |
| Interest | 13,537 | 11,427 | -2,110 | -15.6 | 110 | 22,931 |
| Loss on devaluation of securities investments | 9,405 | 1,442 | -7,963 | -84.7 | 14 | 13,087 |
| Foreign exchange loss, net | 11,012 | 19,730 | +8,718 | +79.2 | 190 | — |
| Other | 11,188 | 8,560 | -2,628 | -23.5 | 82 | 21,594 |
| | 45,142 | 41,159 | -3,983 | -8.8 | 396 | 57,612 |

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| | | | | | | |
|-----------------------------------------------------------------|-----------|----------|-----------|----------|---------|-----------|
| Income before income taxes | 214,793 | 70,229 | -144,564 | -67.3 | 675 | 567,134 |
| Income taxes | 74,529 | 10,066 | -64,463 | -86.5 | 97 | 203,478 |
| Income before minority interest | 140,264 | 60,163 | -80,101 | -57.1 | 578 | 363,656 |
| Minority interest in income (loss) of consolidated subsidiaries | 94 | 4,370 | +4,276 | +4,548.9 | 42 | (5,779) |
| Net income | ¥ 140,170 | ¥ 55,793 | ¥ -84,377 | -60.2 | \$ 536 | ¥ 369,435 |
| Per share data: | | | | | | |
| Common stock | | | | | | |
| Net income | | | | | | |
| — Basic | ¥ 139.79 | ¥ 55.60 | ¥ -84.19 | -60.2 | \$ 0.53 | ¥ 368.33 |
| — Diluted | 133.22 | 53.11 | -80.11 | -60.1 | 0.51 | 351.10 |

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Consolidated Statements of Cash Flows

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

| | Six months ended September 30 | | | Fiscal year ended March 31 |
|--------------------------------------------------------------------------------------------------------------|-------------------------------|-----------|---------|----------------------------------|
| | 2007 | 2008 | 2008 | 2008 |
| Cash flows from operating activities: | | | | |
| Net income | ¥ 140,170 | ¥ 55,793 | \$ 536 | ¥ 369,435 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization, including amortization of deferred insurance acquisition costs | 204,576 | 195,026 | 1,875 | 428,010 |
| Amortization of film costs | 163,160 | 125,271 | 1,205 | 305,468 |
| Stock-based compensation expense | 1,798 | 1,967 | 19 | 4,130 |
| Accrual for pension and severance costs, less payments | (10,468) | (11,143) | (107) | (17,589) |
| (Gain) loss on sale, disposal or impairment of assets, net | (48,810) | 4,208 | 41 | (37,841) |
| Gain on sale or loss on devaluation of securities investments, net | 8,063 | 981 | 10 | 7,583 |
| Loss on revaluation of marketable securities held in the financial service business for trading purpose, net | 4,114 | 26,312 | 253 | 56,543 |
| Gain on change in interest in subsidiaries and equity investees | (14) | (324) | (3) | (82,055) |
| Deferred income taxes | (17,605) | (36,937) | (355) | 20,040 |
| Equity in net (income) losses of affiliated companies, net of dividends | 2,410 | 28,164 | 271 | (13,527) |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in notes and accounts receivable, trade | 47,824 | (43,857) | (422) | 185,651 |
| Increase in inventories | (320,912) | (364,438) | (3,504) | (140,725) |
| Increase in film costs | (181,942) | (135,025) | (1,298) | (353,343) |
| Increase (decrease) in notes and accounts payable, trade | 6,249 | 297,840 | 2,864 | (235,459) |
| Increase (decrease) in accrued income and other taxes | 55,494 | (137,391) | (1,321) | 138,872 |
| Increase in future insurance policy benefits and other | 78,603 | 78,754 | 757 | 166,356 |
| Increase in deferred insurance acquisition costs | (33,172) | (35,122) | (338) | (62,951) |
| Increase in marketable securities held in the financial service | (45,649) | (26,057) | (251) | (57,271) |

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| | | | | |
|---------------------------------------------------------------------------------|-----------|-----------|---------|-------------|
| business for trading purpose | | | | |
| Increase in other current assets | (95,484) | (230,880) | (2,220) | (24,312) |
| Increase (decrease) in other current liabilities | 28,464 | (1,379) | (13) | 51,838 |
| Other | (55,904) | 64,159 | 616 | 48,831 |
| Net cash provided by (used in) operating activities | (69,035) | (144,078) | (1,385) | 757,684 |
| Cash flows from investing activities: | | | | |
| Payments for purchases of fixed assets | (232,311) | (236,183) | (2,271) | (474,552) |
| Proceeds from sales of fixed assets | 73,898 | 139,867 | 1,345 | 144,741 |
| Payments for investments and advances by financial service business | (939,979) | (823,116) | (7,915) | (2,283,491) |
| Payments for investments and advances (other than financial service business) | (71,472) | (73,226) | (704) | (103,082) |
| Proceeds from maturities of marketable securities, sales of securities | 569,844 | 500,942 | 4,817 | 1,441,496 |
| investments and collections of advances by financial service business | | | | |
| Proceeds from maturities of marketable securities, sales of securities | 44,735 | 4,016 | 39 | 51,947 |
| investments and collections of advances (other than financial service business) | | | | |
| Proceeds from sales of subsidiaries' and equity investees' stocks | 928 | — | — | 307,133 |
| Other | 5,506 | (406) | (4) | 5,366 |
| Net cash used in investing activities | (548,851) | (488,106) | (4,693) | (910,442) |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of long-term debt | 22,867 | 12,055 | 116 | 31,093 |
| Payments of long-term debt | (23,697) | (9,408) | (91) | (34,701) |
| Increase in short-term borrowings, net | 242,231 | 12,237 | 118 | 15,838 |
| Increase in deposits from customers in the financial service business, net | 202,568 | 237,183 | 2,281 | 485,965 |
| Increase in call money and bills sold in the banking business, net | 14,000 | — | — | — |

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| | | | | |
|-----------------------------------------------------------------------|-----------|-----------|----------|-------------|
| Dividends paid | (12,537) | (12,517) | (121) | (25,098) |
| Proceeds from issuance of shares under stock-based compensation plans | 4,742 | 378 | 4 | 7,484 |
| Proceeds from issuance of stocks by subsidiaries | — | — | — | 28,943 |
| Other | (2,982) | (3,343) | (32) | (4,006) |
| Net cash provided by financing activities | 447,192 | 236,585 | 2,275 | 505,518 |
| Effect of exchange rate changes on cash and cash equivalents | (2,221) | 10,091 | 97 | (66,228) |
| Net increase (decrease) in cash and cash equivalents | (172,915) | (385,508) | (3,706) | 286,532 |
| Cash and cash equivalents at beginning of the fiscal year | 799,899 | 1,086,431 | 10,446 | 799,899 |
| Cash and cash equivalents at the end of the period | ¥ 626,984 | ¥ 700,923 | \$ 6,740 | ¥ 1,086,431 |

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Business Segment
Information

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

Three months ended September 30

| Sales and operating revenue | 2007 | 2008 | Change | 2008 |
|-----------------------------|--------------------|--------------------|--------------|------------------|
| Electronics | | | | |
| Customers | ¥ 1,436,773 | ¥ 1,461,081 | +1.7% | \$ 14,049 |
| Intersegment | 226,287 | 192,229 | | 1,848 |
| Total | 1,663,060 | 1,653,310 | -0.6 | 15,897 |
| Game | | | | |
| Customers | 229,232 | 245,427 | +7.1 | 2,360 |
| Intersegment | 14,192 | 23,119 | | 222 |
| Total | 243,424 | 268,546 | +10.3 | 2,582 |
| Pictures | | | | |
| Customers | 188,820 | 196,079 | +3.8 | 1,885 |
| Intersegment | 776 | — | | — |
| Total | 189,596 | 196,079 | +3.4 | 1,885 |
| Financial Services | | | | |
| Customers | 151,109 | 97,469 | -35.5 | 937 |
| Intersegment | 6,395 | 3,234 | | 31 |
| Total | 157,504 | 100,703 | -36.1 | 968 |
| All Other | | | | |
| Customers | 77,103 | 72,249 | -6.3 | 695 |
| Intersegment | 18,094 | 18,033 | | 173 |
| Total | 95,197 | 90,282 | -5.2 | 868 |
| Elimination | (265,744) | (236,615) | - | (2,274) |
| Consolidated total | ¥ 2,083,037 | ¥ 2,072,305 | -0.5% | \$ 19,926 |

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

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

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

| Operating income (loss) | 2007 | 2008 | Change | 2008 |
|---------------------------|------------------|-----------------|---------------|---------------|
| Electronics | ¥ 127,221 | ¥ 75,646 | -40.5% | \$ 727 |
| Game | (96,686) | (39,465) | - | (379) |
| Pictures | 3,664 | 10,987 | +199.9 | 106 |
| Financial Services | 23,137 | (25,279) | - | (243) |
| All Other | 10,626 | 3,542 | -66.7 | 34 |
| Total | 67,962 | 25,431 | -62.6 | 245 |
| Corporate and elimination | 43,654 | (14,383) | - | (139) |
| Consolidated total | ¥ 111,616 | ¥ 11,048 | -90.1% | \$ 106 |

The 2007 segment disclosure above has been revised to reflect the reclassification discussed in Note 5.

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

| Sales and operating revenue | 2007 | 2008 | Change | 2008 |
|-----------------------------|--------------------|--------------------|--------------|------------------|
| Electronics | | | | |
| Customers | ¥ 2,752,822 | ¥ 2,811,672 | +2.1% | \$ 27,035 |
| Intersegment | 339,567 | 280,752 | | 2,700 |
| Total | 3,092,389 | 3,092,424 | +0.0 | 29,735 |
| Game | | | | |
| Customers | 413,141 | 460,419 | +11.4 | 4,427 |
| Intersegment | 26,865 | 37,742 | | 363 |
| Total | 440,006 | 498,161 | +13.2 | 4,790 |
| Pictures | | | | |
| Customers | 420,218 | 355,717 | -15.3 | 3,420 |
| Intersegment | 776 | — | | — |
| Total | 420,994 | 355,717 | -15.5 | 3,420 |
| Financial Services | | | | |
| Customers | 328,161 | 275,851 | -15.9 | 2,652 |
| Intersegment | 14,183 | 7,877 | | 76 |
| Total | 342,344 | 283,728 | -17.1 | 2,728 |
| All Other | | | | |
| Customers | 145,205 | 147,690 | +1.7 | 1,421 |
| Intersegment | 34,169 | 34,731 | | 333 |
| Total | 179,374 | 182,421 | +1.7 | 1,754 |
| Elimination | (415,560) | (361,102) | - | (3,472) |
| Consolidated total | ¥ 4,059,547 | ¥ 4,051,349 | -0.2% | \$ 38,955 |

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

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

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

| Operating income (loss) | 2007 | 2008 | Change | 2008 |
|----------------------------------|------------------|-----------------|---------------|---------------|
| Electronics | ¥ 230,752 | ¥ 119,997 | -48.0% | \$ 1,154 |
| Game | (125,892) | (34,047) | - | (327) |
| Pictures | 8,303 | 2,725 | -67.2 | 26 |
| Financial Services | 56,890 | 5,298 | -90.7 | 51 |
| All Other | 19,507 | 10,264 | -47.4 | 98 |
| Total | 189,560 | 104,237 | -45.0 | 1,002 |
| Corporate and elimination | 43,344 | (19,750) | - | (190) |
| Consolidated total | ¥ 232,904 | ¥ 84,487 | -63.7% | \$ 812 |

The 2007 segment disclosure above has been revised to reflect the reclassification discussed in Note 5.

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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 | 2007 | 2008 | Change | 2008 |
|--------------------------------|-------------|-------------|--------|-----------|
| Audio | ¥ 128,998 | ¥ 121,592 | -5.7% | \$ 1,169 |
| Video | 316,024 | 297,262 | -5.9 | 2,858 |
| Televisions | 309,300 | 364,492 | +17.8 | 3,505 |
| Information and Communications | 269,755 | 277,749 | +3.0 | 2,671 |
| Semiconductors | 56,707 | 59,123 | +4.3 | 568 |
| Components | 216,120 | 211,631 | -2.1 | 2,035 |
| Other | 139,869 | 129,232 | -7.6 | 1,243 |
| Total | ¥ 1,436,773 | ¥ 1,461,081 | +1.7% | \$ 14,049 |

Six months ended September 30

| Sales and operating revenue | 2007 | 2008 | Change | 2008 |
|--------------------------------|-------------|-------------|--------|-----------|
| Audio | ¥ 254,489 | ¥ 235,161 | -7.6% | \$ 2,261 |
| Video | 653,412 | 612,676 | -6.2 | 5,891 |
| Televisions | 544,509 | 676,030 | +24.2 | 6,500 |
| Information and Communications | 502,755 | 506,817 | +0.8 | 4,873 |
| Semiconductors | 116,257 | 117,873 | +1.4 | 1,134 |
| Components | 405,171 | 400,505 | -1.2 | 3,851 |
| Other | 276,229 | 262,610 | -4.9 | 2,525 |
| Total | ¥ 2,752,822 | ¥ 2,811,672 | +2.1% | \$ 27,035 |

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

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.

Commencing April 1, 2008, Sony has partially realigned its product category configuration in the Electronics segment. Accordingly, results for the same period of the previous fiscal year have been reclassified.

Geographic Segment Information

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

Three months ended September 30

| Sales and operating revenue | 2007 | 2008 | Change | 2008 |
|-----------------------------|-------------|-------------|--------|-----------|
| Japan | ¥ 518,627 | ¥ 418,852 | -19.2% | \$ 4,027 |
| United States | 509,802 | 495,842 | -2.7 | 4,768 |
| Europe | 491,666 | 519,418 | +5.6 | 4,994 |
| Other Areas | 562,942 | 638,193 | +13.4 | 6,137 |
| Total | ¥ 2,083,037 | ¥ 2,072,305 | -0.5% | \$ 19,926 |

Six months ended September 30

| Sales and operating revenue | 2007 | 2008 | Change | 2008 |
|-----------------------------|-------------|-------------|--------|-----------|
| Japan | ¥ 1,035,131 | ¥ 938,165 | -9.4% | \$ 9,021 |
| United States | 978,526 | 929,342 | -5.0 | 8,936 |
| Europe | 967,946 | 981,107 | +1.4 | 9,433 |
| Other Areas | 1,077,944 | 1,202,735 | +11.6 | 11,565 |
| Total | ¥ 4,059,547 | ¥ 4,051,349 | -0.2% | \$ 38,955 |

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

F-7

Condensed Financial Services Financial Statements

The results of the Financial Services segment are included in Sony's consolidated financial statements. The following schedules show unaudited condensed financial statements for the Financial Services segment and all other segments excluding Financial Services.

These presentations are not in accordance with U.S. GAAP, which is used by Sony to prepare its consolidated financial statements.

However, because the Financial Services segment is different in nature from Sony's other segments, Sony believes that a comparative presentation may be useful in understanding and analyzing Sony's consolidated financial statements.

Transactions between the Financial Services segment and Sony without Financial Services are eliminated in the consolidated figures shown below.

Condensed Balance Sheet

| | | (Millions of yen, millions of U.S. dollars) | | | |
|-------------------------------------------------|---|---------------------------------------------|-------------|-----------|-------------|
| Financial Services | | September 30 | | March 31 | |
| ASSETS | | 2007 | 2008 | 2008 | 2008 |
| Current assets: | | | | | |
| Cash and cash equivalents | ¥ | 171,861 | ¥ 167,266 | \$ 1,608 | ¥ 137,721 |
| Call loan in the banking business | | 271,638 | 325,765 | 3,132 | 352,569 |
| Marketable securities | | 492,143 | 471,873 | 4,537 | 424,709 |
| Other | | 298,279 | 278,878 | 2,682 | 290,120 |
| | | 1,233,921 | 1,243,782 | 11,959 | 1,205,119 |
| Investments and advances | | 3,538,870 | 4,119,099 | 39,607 | 3,879,877 |
| Property, plant and equipment | | 38,217 | 30,277 | 291 | 38,512 |
| Other assets: | | | | | |
| Deferred insurance acquisition costs | | 399,244 | 401,324 | 3,859 | 396,819 |
| Other | | 102,398 | 119,410 | 1,148 | 105,332 |
| | | 501,642 | 520,734 | 5,007 | 502,151 |
| | | ¥ 5,312,650 | ¥ 5,913,892 | \$ 56,864 | ¥ 5,625,659 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Short-term borrowings | ¥ | 75,128 | ¥ 66,297 | \$ 637 | ¥ 44,408 |
| Notes and accounts payable, trade | | 14,192 | 15,995 | 154 | 16,376 |
| Deposits from customers in the banking business | | 888,443 | 1,338,223 | 12,868 | 1,144,399 |
| Other | | 142,004 | 182,187 | 1,752 | 157,773 |
| | | 1,119,767 | 1,602,702 | 15,411 | 1,362,956 |
| Long-term liabilities: | | | | | |
| Long-term debt | | 119,760 | 107,103 | 1,030 | 111,771 |
| Future insurance policy benefits and other | | 3,182,692 | 3,420,503 | 32,889 | 3,298,506 |
| Other | | 225,458 | 190,330 | 1,829 | 211,130 |
| | | 3,527,910 | 3,717,936 | 35,748 | 3,621,407 |
| Minority interest in consolidated subsidiaries | | 5,310 | 1,018 | 10 | 919 |
| Stockholders' equity | | 659,663 | 592,236 | 5,695 | 640,377 |
| | | ¥ 5,312,650 | ¥ 5,913,892 | \$ 56,864 | ¥ 5,625,659 |

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| | | (Millions of yen, millions of U.S. dollars) | | | |
|------------------------------------------------|--|---------------------------------------------|-------------|-----------|-------------|
| Sony without Financial Services | | September 30 | | | March 31 |
| ASSETS | | 2007 | 2008 | 2008 | 2008 |
| Current assets: | | | | | |
| Cash and cash equivalents | | ¥ 455,123 | ¥ 533,657 | \$ 5,132 | ¥ 948,710 |
| Marketable securities | | 3,000 | 3,285 | 32 | 3,000 |
| Notes and accounts receivable, trade | | 1,305,752 | 1,127,982 | 10,846 | 1,083,489 |
| Other | | 2,033,075 | 2,273,177 | 21,856 | 1,801,468 |
| | | 3,796,950 | 3,938,101 | 37,866 | 3,836,667 |
| | | | | | |
| Film costs | | 319,936 | 324,118 | 3,117 | 304,243 |
| Investments and advances | | 604,661 | 458,430 | 4,408 | 518,536 |
| Investments in Financial Services, at cost | | 187,400 | 116,843 | 1,123 | 116,843 |
| Property, plant and equipment | | 1,374,369 | 1,198,706 | 11,526 | 1,204,837 |
| Other assets | | 1,220,908 | 1,294,230 | 12,445 | 1,203,849 |
| | | ¥ 7,504,224 | ¥ 7,330,428 | \$ 70,485 | ¥ 7,184,975 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Short-term borrowings | | ¥ 287,867 | ¥ 434,406 | \$ 4,177 | ¥ 339,485 |
| Notes and accounts payable, trade | | 1,173,483 | 1,213,959 | 11,673 | 906,281 |
| Other | | 1,439,763 | 1,319,743 | 12,690 | 1,452,756 |
| | | 2,901,113 | 2,968,108 | 28,540 | 2,698,522 |
| | | | | | |
| Long-term liabilities: | | | | | |
| Long-term debt | | 939,223 | 570,192 | 5,483 | 650,969 |
| Accrued pension and severance costs | | 173,605 | 213,533 | 2,053 | 223,203 |
| Other | | 422,385 | 360,443 | 3,465 | 394,779 |
| | | 1,535,213 | 1,144,168 | 11,001 | 1,268,951 |
| | | | | | |
| Minority interest in consolidated subsidiaries | | 30,270 | 41,773 | 402 | 37,509 |
| Stockholders' equity | | 3,037,628 | 3,176,379 | 30,542 | 3,179,993 |
| | | ¥ 7,504,224 | ¥ 7,330,428 | \$ 70,485 | ¥ 7,184,975 |

| | | (Millions of yen, millions of U.S. dollars) | | | |
|--------------------------------------|--|---------------------------------------------|-----------|----------|-------------|
| Consolidated | | September 30 | | | March 31 |
| ASSETS | | 2007 | 2008 | 2008 | 2008 |
| Current assets: | | | | | |
| Cash and cash equivalents | | ¥ 626,984 | ¥ 700,923 | \$ 6,740 | ¥ 1,086,431 |
| Call loan in the banking business | | 271,638 | 325,765 | 3,132 | 352,569 |
| Marketable securities | | 495,143 | 475,158 | 4,569 | 427,709 |
| Notes and accounts receivable, trade | | 1,322,926 | 1,134,091 | 10,905 | 1,090,285 |
| Other | | 2,277,304 | 2,493,575 | 23,976 | 2,052,669 |
| | | 4,993,995 | 5,129,512 | 49,322 | 5,009,663 |
| | | | | | |
| Film costs | | 319,936 | 324,118 | 3,117 | 304,243 |
| Investments and advances | | 4,070,400 | 4,520,940 | 43,471 | 4,335,648 |
| Property, plant and equipment | | 1,412,586 | 1,228,983 | 11,817 | 1,243,349 |
| Other assets: | | | | | |
| Deferred insurance acquisition costs | | 399,244 | 401,324 | 3,859 | 396,819 |
| Other | | 1,274,699 | 1,367,539 | 13,149 | 1,263,017 |
| | | 1,673,943 | 1,768,863 | 17,008 | 1,659,836 |

¥ 12,470,860 ¥ 12,972,416 \$ 124,735 ¥ 12,552,739

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | | | |
|-----------------------------------|-----------|-----------|----------|-----------|
| Short-term borrowings | ¥ 327,135 | ¥ 449,528 | \$ 4,322 | ¥ 355,103 |
| Notes and accounts payable, trade | 1,186,260 | | | |