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SONY CORP
Form 6-K
January 26, 2006

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 January 2006
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: January 26 2006

List of materials

Documents attached hereto:

- i) Press Release Announcing Consolidated Financial Results for the Third Quarter Ended December 31, 2005

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

No: 06-007E
3:00 P.M. JST, January 26, 2006

Consolidated Financial Results for the Third Quarter Ended December 31, 2005

Tokyo, January 26, 2006 -- Sony Corporation today announced its consolidated results for the third quarter ended December 31, 2005 (October 1, 2005 to December 31, 2005).

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

Third quarter ended December 31

	2004	2005	Change in Yen	2005*
-----	-----	-----	-----	-----
Sales and operating revenue	Y2,148.2	Y2,367.6	+10.2%	\$20,064
Operating income	138.2	202.8	+46.8	1,719
Income before income taxes	149.2	225.9	+51.4	1,914
Equity in net income of affiliated companies	2.3	19.5	+735.6	165
Net income	143.8	168.9	+17.5	1,432
Net income per share of common stock				
- Basic	Y155.32	Y169.36	+9.0	\$1.44
- Diluted	138.08	161.60	+17.0	1.37

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* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of Y118=U.S.\$1, the approximate Tokyo foreign exchange market rate as of December 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 Third Quarter Ended December 31, 2005

Sales and operating revenue ("sales") increased by 10.2% compared with the same quarter of the previous fiscal year; on a local currency basis sales increased 3%. (For all references herein to results on a local currency basis, see Note I.)

Sales within the Electronics segment increased by 4.7% compared with the same quarter of the previous fiscal year (a 2% decrease on a local currency basis). In terms of product categories within the Electronics segment, sales of LCD televisions, LCD rear-projection televisions and flash memory and hard drive Walkman(R) digital audio players increased, while there was a decrease in sales of CRT and plasma televisions. In the Game segment, sales increased 48.3% as a result of the contribution from hardware and software sales of PSP(R) (PlayStation(R) Portable) ("PSP"). In the Pictures segment, sales decreased 0.4%, a 10% decrease on a U.S. dollar basis (please refer to the note regarding the Pictures segment), compared with the same quarter of the prior fiscal year primarily due to the significant home entertainment contribution of Spider-Man 2 in the prior fiscal year's third quarter and lower theatrical revenues from the underperformance of The Legend of Zorro and Zathura. In the Financial Services segment, revenue increased by 31.3% compared to the same quarter of the previous fiscal year mainly due to an improvement in gains and losses on investments primarily at Sony Life Insurance Co., Ltd. ("Sony Life").

Operating income increased 46.8% (a 30% increase on a local currency basis) compared with the same quarter of the previous fiscal year. Within the Electronics segment, an improvement in the cost of sales ratio, as well as favorable foreign exchange rates, resulted in an increase in operating income. In the Game segment, operating income increased primarily due to the steady expansion of the PSP platform in all geographic areas. In the Pictures segment, a small operating loss was recorded due to the factors noted above for sales and operating revenue. 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.

Restructuring charges, which were recorded as operating expenses, for the third quarter amounted to Y14.7 billion (\$125 million) compared to Y10.5 billion in the same quarter of the previous fiscal year. In the Electronics segment, restructuring charges were Y14.6 billion (\$124 million) compared to Y10.5 billion in the same quarter of the previous fiscal year.

Income before income taxes increased 51.4% 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 Y19.0 billion (\$161 million) on the change in interest resulting from the initial public offering of Sony

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Communication Network Corporation ("SCN").

Income taxes: During the third quarter of the current fiscal year, Sony recorded Y75.7 billion (\$642 million) of income tax expense, resulting in an effective tax rate of 33.5%. This effective tax rate was lower than the Japanese statutory tax rate primarily as a result of an increase in profits at foreign subsidiaries subject to lower rates of tax. In the same quarter of the previous fiscal year, valuation allowances at Sony's U.S. subsidiaries were reversed resulting in an effective tax rate of 4.7%.

Equity in net income of affiliated companies of Y19.5 billion (\$165 million) was recorded, a Y17.2 billion increase compared to the same quarter of the previous fiscal year.

Sony recorded equity income of Y10.3 billion (\$87 million) for SONY BMG MUSIC ENTERTAINMENT ("SONY BMG") and Y9.8 billion (\$83 million) for Sony Ericsson Mobile Communications AB ("Sony Ericsson"). However, Sony also recorded equity in net loss of approximately Y2.4 billion (\$20 million) for Metro-Goldwyn-Mayer Inc. ("MGM")*. 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. In addition, Sony recorded equity income of Y1.0 billion (\$8 million) for S-LCD Corporation, a joint-venture with Samsung Electronics Co., Ltd. ("S-LCD").

*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, was Y168.9 billion (\$1,432 million), an increase of 17.5% 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 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 nine month periods ended December 31, 2004 in the Electronics segment have been restated to account for these

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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 fiscal year's results have been reclassified to the Other segment for comparative purposes. Results for the three and nine month periods ended December 31, 2005 and the three month period ended December 31, 2004 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 nine month period ended December 31, 2004 in the Other segment include the consolidated results for SMEI's recorded music business for the period through August 1, 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)			
	Third quarter ended December 31			
	2004	2005	Change in Yen	2005
Sales and operating revenue	Y1,524.6	Y1,595.8	+4.7%	\$13,523
Operating income	50.5	78.9	+56.2	668

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

Sales increased by 4.7% compared to the same quarter of the previous fiscal year (a 2% decrease on a local currency basis). Sales to outside customers increased 2.5% compared to the same quarter of the previous fiscal year. There was an increase in sales of several products including LCD televisions, following the launch of the new BRAVIA™ models, which experienced increased sales in all geographic areas, as well as LCD rear-projection televisions, which saw increased sales in the U.S., and flash memory and hard drive Walkman digital audio players, which saw increased sales in all geographic areas. On the other hand, there was a decline in sales of CRT televisions which experienced a continued shift in demand towards flat panel televisions, as well as plasma televisions, which faced intense business competition. By geographic area, declining sales in Japan and Europe were offset by increased sales in Other Areas and the U.S.

Operating income increased by Y28.4 billion or 56.2% compared with the same quarter of the previous fiscal year, due to an improvement in the cost of sales ratio associated with enhanced

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product appeal and cost reductions, as well as favorable foreign exchange rates. With regard to products within the Electronics segment, products which had a positive impact on operating income included "VAIO" PCs, which experienced an increase in operating profit margin mainly due to favorable notebook PC sales and cost reductions, "Handycam(R)" video cameras, which experienced an increase in sales of DVD and high definition video cameras, and broadcast-use equipment, which experienced good sales performance of high definition broadcast production equipment. On the other hand, CRT televisions experienced a decrease in operating income due to a significant decrease in sales.

Inventory, as of December 31, 2005, was Y598.8 billion (\$5,075 million), a Y27.9 billion, or 4.9%, increase compared with the level as of December 31, 2004 and a Y43.6 billion, or 6.8%, decrease compared with the level as of September 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 2,310 million, an increase of Euro 305 million, or 15%, compared with the same quarter of the previous fiscal year, boosted by hit models such as camera phones and "Walkman" phones. Units shipped in the quarter reached 16.1 million, a 28% increase compared to the same period last fiscal year. Income before taxes was Euro 206 million and net income was Euro 144 million, which represents a year-on-year increase of Euro 66 million, or 47%, and Euro 89 million, or 162%, respectively. As a result, equity in net income of Y9.8 billion (\$83 million) was recorded by Sony.

Game

-----	(Billions of yen, millions of U.S. dollars)			
	Third quarter ended December 31			
	2004	2005	Change in Yen	2005
-----	-----	-----	-----	-----
Sales and operating revenue	Y282.6	Y419.2	+48.3%	\$3,553
Operating income	44.6	67.8	+52.1	575

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

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Sales increased 48.3% compared with the same quarter of the previous fiscal year (a 42% increase on a local currency basis).

Hardware: There was a significant increase in sales in all geographic areas primarily due to a significant contribution to sales from PSP, which experienced favorable growth in all geographic areas. In addition, PlayStation 2 ("PS2") continued its favorable performance, experiencing sales on a par with those in the same quarter of the previous fiscal year. 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 increased in the U.S. and Europe, although it decreased in Japan.

Operating income of Y67.8 billion (\$575 million) was recorded, an increase of Y23.2 billion or 52.1% compared with the same quarter of the previous fiscal year mainly due to the steady expansion of the PSP platform in all geographic areas, as well as the continued favorable performance of the PS2 business. This increase was partially offset by continued aggressive research and development spending associated with PLAYSTATION(R) 3, as well as an increase in advertising and promotion expenses incurred during the quarter.

Worldwide hardware production shipments:*

-> PS2: 5.36 million units (a decrease of 2.03 million units)
-> PSP: 6.22 million units (an increase of 5.71 million units)

Worldwide software production shipments:*

-> PS2: 93 million units (a decrease of 16 million units)
-> PSP: 14.5 million units (an increase of 13.2 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.

Inventory, as of December 31, 2005, was Y103.9 billion (\$881 million), a Y58.5 billion, or 128.8%, increase compared with the level as of December 31, 2004 and a Y11.0 billion, or 9.5%, decrease compared with the level as of September 30, 2005.

Pictures

-----	(Billions of yen, millions of U.S. dollars)			
	Third quarter ended December 31			
	2004	2005	Change in Yen	2005
-----	-----	-----	-----	-----
Sales and operating revenue	Y203.1	Y202.2	-0.4%	\$1,714
Operating income (loss)	18.6	(0.4)	-	(3)

The results presented above are a yen-translation of the results of Sony Pictures Entertainment ("SPE"), a U.S. based operation

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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 0.4% compared with the same quarter of the previous fiscal year (a 10% decrease on a U.S dollar basis). Sales on a U.S. dollar basis decreased primarily due to the significant home entertainment contribution of Spider-Man 2 in the prior fiscal year's third quarter and lower theatrical revenues from the underperformance of The Legend of Zorro and Zathura. Although there were no comparable releases to Spider-Man 2 in the third quarter of this fiscal year, the home entertainment releases of Christmas with the Kranks and The Exorcism of Emily Rose contributed to the current quarter's revenues.

An operating loss of Y0.4 billion (\$3 million) was recorded as compared to operating income of Y18.6 billion in the same quarter of the previous fiscal year. The decrease was due to the lack of a comparable Spider-Man 2 home entertainment operating profit contribution in the current fiscal year's third quarter combined with losses recorded from the underperformance in the current quarter on the films noted above.

Financial Services

	(Billions of yen, millions of U.S. dollars)			
	Third quarter ended December 31			
	2004	2005	Change in Yen	2005
Financial service revenue	Y145.0	Y190.4	+31.3%	\$1,613
Operating income	13.9	47.0	+238.4	399

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 Y190.4 billion (\$1,613 million), a 31.3% 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 Y167.2 billion (\$1,417 million), a Y45.4 billion, or 37.3% 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 an increase of insurance-in-force.

Operating income was Y47.0 billion (\$399 million), a Y33.1 billion, or 238.4% 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

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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 Y34.1 billion or 243.8% to Y48.0 billion (\$407 million).

Other

	(Billions of yen, millions of U.S. dollars)			
	Third quarter ended December 31			
	2004	2005	Change in Yen	2005
Sales and operating revenue	Y109.3	Y118.1	+8.1%	\$1,001
Operating income	13.4	14.9	+11.0	126

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

Sales increased 8.1% compared with the same quarter of the previous fiscal year. This increase was mainly due to strong sales at a business within the segment engaged in the production and marketing of animation products, at a Japanese subsidiary involved in the advertising agency business, and at SMEJ.

Sales at SMEJ increased compared to the same quarter of the previous fiscal year primarily as a result of increased album and single sales. Best selling albums during the quarter included Ken Hirai 10th Anniversary Complete Single Collection '95- '05 "Uta Baka" by Ken Hirai, BEST by Mika Nakashima, and NATURAL by ORANGE RANGE.

Operating income of Y14.9 billion (\$126 million) was recorded, representing an increase of Y1.5 billion compared to the same quarter of the previous fiscal year. Despite the recording of a gain related to the sale of a retail and showroom building in Japan during the same quarter of the previous fiscal year, this increase was mainly the result of cost reductions at network related businesses within Sony Corporation and an improvement in the cost of sales ratio and the higher sales, as noted above, at 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 \$1,496 million, a less than 1% year-on-year decline, income before income taxes of \$252 million, an increase of \$217 million year-on-year, and net income of \$178 million, an increase of \$157 million year-on-year, during the quarter ended December 31, 2005. Income before income taxes included \$47 million of restructuring

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charges. Despite continued sluggish market conditions in a number of territories worldwide, the significant year-on-year increase in income before income taxes was due to a \$121 million year-on-year reduction in restructuring charges, the realization of incremental cost savings and the success of several releases in the marketplace. Best selling albums during the quarter included Il Divo's Ancora, Kelly Clarkson's Breakaway and Kenny Chesney's The Road and The Radio. As a result, equity in net income of ¥10.3 billion (\$87 million) was recorded by Sony.

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)
Nine months ended December 31

Cash flow	2004	2005	Change in Yen	2005
-----	-----	-----	-----	-----
- From operating activities	¥230.8	¥45.2	¥-185.6	\$383
- From investing activities	(414.7)	(205.4)	+209.3	(1,741)
- From financing activities	(35.4)	50.9	+86.3	432
Cash and cash equivalents at beginning of the fiscal year	592.9	519.7	-73.2	4,405
Cash and cash equivalents as of December 31	378.1	438.7	+60.6	3,717

Operating Activities: During the nine months ended December 31, 2005, net cash was generated mainly as a result of the recording of net income resulting primarily from the contribution of the Game segment, and from the Electronics segment during the year-end sales season.

Investing Activities: During the nine months ended December 31, 2005, although Sony purchased fixed assets mainly within the Electronics segment consisting primarily of semiconductor manufacturing facilities, Sony carried out the sale of a portion of stock resulting from the initial public offering of SCN and the sale of securities investments. In the same period of the previous fiscal year, in addition to investment in semiconductor

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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 during the nine months ended December 31, 2005 was a use of cash of Y160.2 billion (\$1,358 million).

Financing Activities: During the nine months ended December 31, 2005, although Sony redeemed a portion of its long-term debt including bonds, financing was carried out through the issuance of straight bonds and commercial paper.

Cash and Cash Equivalents: In addition to the aforementioned information, the total balance of cash and cash equivalents, accounting for the effect of foreign currency exchange rate fluctuations, decreased Y81.1 billion compared to March 31, 2005, and increased by Y60.6 billion compared to December 31, 2004, to Y438.7 billion (\$3,717 million) as of December 31, 2005.

Cash Flow - Financial Services segment

	(Billions of yen, millions of U.S. dollars)			
	Nine months ended December 31			
Cash flow	2004	2005	Change in Yen	2005
-----	-----	-----	-----	-----
- From operating activities	Y114.5	Y78.3	Y-36.2	\$664
- From investing activities	(455.2)	(369.9)	+85.3	(3,135)
- From financing activities	281.7	208.7	-73.0	1,768
Cash and cash equivalents at beginning of the fiscal year	256.3	259.4	+3.1	2,198
Cash and cash equivalents as of December 31	197.2	176.4	-20.8	1,495

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

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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 Y83.0 billion compared to March 31, 2005, and decreased Y20.8 billion compared to December 31, 2004, to Y176.4 billion (\$1,495 million) as of December 31, 2005.

Notes

Note I: During the quarter ended December 31, 2005, the average value of the yen was Y116.4 against the U.S. dollar and Y137.9 against the Euro, which was 9.8% lower against the U.S. dollar and 1.7% 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 monthly average exchange rate in the same quarter of the previous fiscal year to 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.

Outlook for the Fiscal Year ending March 31, 2006

Sony's consolidated operating results forecast for the fiscal year ending March 31, 2006 has been revised as per the table below:

	Current Forecast -----	Change from September Forecast -----	September Forecast -----
Sales and operating revenue	Y7,400 billion	+2%	Y7,250 billion
Operating income (loss)	100 billion	-	(20 billion)
(Restructuring charges included within			
Operating income	140 billion	unchanged	140 billion)
Income before income taxes	190 billion	+375%	40 billion
Equity in net	5 billion	-	(8 billion)

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income (loss) of affiliated companies			
Net income (loss)	70 billion	-	(10 billion)

Assumed foreign currency exchange rates for the fourth quarter of the fiscal year: approximately Y114 to the U.S. dollar and approximately Y138 to the Euro.

The principal reason for this revision is that, in addition to the higher than anticipated depreciation of the yen during the third quarter of the current fiscal year, operating results during the third quarter were higher than forecast mainly within the Electronics and Financial Services segments. Within the Electronics segment, the television business in particular performed significantly better than anticipated, as did the "VAIO" PC business. On the other hand, the performance of the Pictures segment for the third quarter of the current fiscal year was lower than expected.

The revision to income before income taxes, in addition to the above, reflects the change in interest resulting from SCN's initial public offering. In addition, the revision to equity in net income (loss) of affiliated companies is a result of better than anticipated results in particular at S-LCD and Sony Ericsson.

Although the factors set out above had a positive effect on operating results during the third quarter, Sony continues to operate in an uncertain global business environment during the fourth quarter of the fiscal year.

Our forecast for research and development costs has been revised down by Y10 billion since our forecast of April 27, 2005 as per the table below. However, our forecast for capital expenditures and depreciation and amortization is unchanged from the forecast of 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	510 billion	+2

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

Cautionary Statement

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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 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)

Sales and

Three months ended December 31

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operating revenue	2004	2005	Change	2005
-----	-----	-----	-----	-----
Electronics				
Customers	Y1,444,257	Y1,480,466	+2.5%	\$12,546
Intersegment	80,373	115,288		977
-----	-----	-----		-----
Total	1,524,630	1,595,754	+4.7	13,523
Game				
Customers	273,599	402,925	+47.3	3,415
Intersegment	9,022	16,321		138
-----	-----	-----		-----
Total	282,621	419,246	+48.3	3,553
Pictures				
Customers	203,097	202,241	-0.4	1,714
Intersegment	-	-		-
-----	-----	-----		-----
Total	203,097	202,241	-0.4	1,714
Financial Services				
Customers	139,479	184,586	+32.3	1,564
Intersegment	5,483	5,805		49
-----	-----	-----		-----
Total	144,962	190,391	+31.3	1,613
Other				
Customers	87,753	97,344	+10.9	825
Intersegment	21,571	20,801		176
-----	-----	-----		-----
Total	109,324	118,145	+8.1	1,001
Elimination	(116,449)	(158,215)	-	(1,340)
-----	-----	-----		-----
Consolidated total	Y2,148,185	Y2,367,562	+10.2%	\$20,064

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	Y50,519	Y78,888	+56.2%	\$668
Game	44,574	67,819	+52.1	575
Pictures	18,646	(378)	-	(3)
Financial Services	13,904	47,048	+238.4	399
Other	13,383	14,858	+11.0	126
-----	-----	-----		-----
Total	141,026	208,235	+47.7	1,765
Corporate and elimination	(2,853)	(5,414)	-	(46)
-----	-----	-----		-----
Consolidated total	Y138,173	Y202,821	+46.8%	\$1,719

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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).

Business Segment Information (Unaudited)

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

Sales and operating revenue	Nine months ended December 31			
	2004	2005	Change	2005
-----	-----	-----	-----	-----
Electronics				
Customers	Y3,739,558	Y3,600,837	-3.7%	\$30,516
Intersegment	143,517	333,332		2,824
-----	-----	-----		-----
Total	3,883,075	3,934,169	+1.3	33,340
Game				
Customers	488,534	772,396	+58.1	6,546
Intersegment	19,097	33,874		287
-----	-----	-----		-----
Total	507,631	806,270	+58.8	6,833
Pictures				
Customers	543,030	505,477	-6.9	4,284
Intersegment	-	-		-
-----	-----	-----		-----
Total	543,030	505,477	-6.9	4,284
Financial Services				
Customers	386,828	503,277	+30.1	4,265
Intersegment	17,620	16,810		143
-----	-----	-----		-----
Total	404,448	520,087	+28.6	4,408
Other				
Customers	304,645	248,004	-18.6	2,101
Intersegment	58,968	59,301		503
-----	-----	-----		-----
Total	363,613	307,305	-15.5	2,604
Elimination	(239,202)	(443,317)	-	(3,757)
-----	-----	-----		-----
Consolidated total	Y5,462,595	Y5,629,991	+3.1%	\$47,712

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

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-----	-----	-----	-----	-----
Electronics	Y66,184	Y60,955	-7.9%	\$517
Game	41,682	70,144	+68.3	594
Pictures	50,165	(2,765)	-	(23)
Financial Services	39,188	109,017	+178.2	924
Other	10,588	26,460	+149.9	224
-----	-----	-----	-----	-----
Total	207,807	263,811	+27.0	2,236
Corporate and elimination	(16,475)	(10,355)	-	(88)
-----	-----	-----	-----	-----
Consolidated total	Y191,332	Y253,456	+32.5%	\$2,148

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 period (see Notes 5 and 6).

Electronics Sales and Operating Revenue to Customers by Product Category

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

Sales and operating revenue	Three months ended December 31			
	2004	2005	Change	2005
-----	-----	-----	-----	-----
Audio	Y183,977	Y184,559	+0.3%	\$1,564
Video	330,815	313,082	-5.4	2,653
Televisions	307,762	359,248	+16.7	3,044
Information and Communications	228,407	220,157	-3.6	1,866
Semiconductors	53,755	63,974	+19.0	542
Components	164,746	185,575	+12.6	1,573
Other	174,795	153,871	-12.0	1,304
-----	-----	-----	-----	-----
Total	Y1,444,257	Y1,480,466	+2.5%	\$12,546

Sales and operating revenue	Nine months ended December 31			
	2004	2005	Change	2005
-----	-----	-----	-----	-----
Audio	Y465,388	Y431,503	-7.3%	\$3,657
Video	828,197	812,041	-2.0	6,882
Televisions	707,628	680,725	-3.8	5,769
Information and Communications	601,784	589,317	-2.1	4,994
Semiconductors	195,657	179,529	-8.2	1,521
Components	476,837	492,879	+3.4	4,177
Other	464,067	414,843	-10.6	3,516
-----	-----	-----	-----	-----
Total	Y3,739,558	Y3,600,837	-3.7%	\$30,516

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

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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)

Sales and operating revenue	Three months ended December 31			
	2004	2005	Change	2005
Japan	Y605,877	Y610,939	+0.8%	\$5,177
United States	576,459	659,222	+14.4	5,587
Europe	548,235	619,456	+13.0	5,250
Other Areas	417,614	477,945	+14.4	4,050
Total	Y2,148,185	Y2,367,562	+10.2%	\$20,064

Sales and operating revenue	Nine months ended December 31			
	2004	2005	Change	2005
Japan	Y1,581,273	Y1,582,599	+0.1%	\$13,412
United States	1,452,425	1,514,000	+4.2	12,831
Europe	1,283,838	1,319,489	+2.8	11,182
Other Areas	1,145,059	1,213,903	+6.0	10,287
Total	Y5,462,595	Y5,629,991	+3.1%	\$47,712

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

Consolidated Statements of Income (Unaudited)

(Millions of yen, millions of U.S. dollars, except per share amounts)
Three months ended December 31

	2004	2005	Change	2005
Sales and operating revenue:			%	
Net sales	Y1,996,676	Y2,165,618		\$18,353
Financial service revenue	139,479	184,586		1,564
Other operating revenue	12,030	17,358		147
	2,148,185	2,367,562	+10.2	20,064
Costs and expenses:				
Cost of sales	1,489,359	1,574,321		13,342
Selling, general and administrative	393,269	447,277		3,790
Financial service	125,609	137,337		1,164

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expenses				
Loss on sale, disposal or impairment of assets, net	1,775	5,806		49
	-----	-----		-----
	2,010,012	2,164,741		18,345
Operating income	138,173	202,821	+46.8	1,719
Other income:				
Interest and dividends	2,427	6,633		56
Royalty income	4,898	7,524		64
Foreign exchange gain, net	5,381	-		-
Gain on sale of securities investments, net	3,425	2,447		21
Gain on change in interest in subsidiaries and equity investees	1,612	18,946		160
Other	5,924	5,254		44
	-----	-----		-----
	23,667	40,804		345
Other expenses:				
Interest	7,265	7,983		68
Loss on devaluation of securities investments	106	171		1
Foreign exchange loss, net	-	2,223		19
Other	5,244	7,342		62
	-----	-----		-----
	12,615	17,719		150
Income before income taxes	149,225	225,906	+51.4	1,914
Income taxes	7,017	75,749		641
	-----	-----		-----
Income before minority interest and equity in net income of affiliated companies	142,208	150,157	+5.6	1,273
Minority interest in income of consolidated subsidiaries	728	715		6
Equity in net income of affiliated companies	2,334	19,502		165
	-----	-----		-----
Net income	Y143,814	Y168,944	+17.5	\$1,432
	-----	-----		-----
Per share data:				
Common stock				
Net income				
- Basic	Y155.32	Y169.36	+9.0	\$1.44
- Diluted	138.08	161.60	+17.0	1.37
Subsidiary tracking stock				
Net income				
- Basic *	27.29	-	-	-

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* See Note 3.

(Millions of yen, millions of U.S. dollars, except per share amounts)				
Nine months ended December 31				
	2004	2005	Change	2005
	-----	-----	-----	-----
Sales and operating revenue:			%	
Net sales	Y5,035,823	Y5,080,764		\$43,057
Financial service revenue	386,828	503,277		4,265
Other operating revenue	39,944	45,950		390
	-----	-----		-----
	5,462,595	5,629,991	+3.1	47,712
Costs and expenses:				
Cost of sales	3,776,754	3,850,900		32,635
Selling, general and administrative	1,131,889	1,097,032		9,297
Financial service expenses	348,119	394,202		3,341
Loss on sale, disposal or impairment of assets, net	14,501	34,401		291
	-----	-----		-----
	5,271,263	5,376,535		45,564
Operating income	191,332	253,456	+32.5	2,148
Other income:				
Interest and dividends	10,517	17,476		148
Royalty income	22,017	24,862		211
Gain on sale of securities investments, net	5,451	8,847		75
Gain on change in interest in subsidiaries and equity investees	15,107	57,477		487
Other	18,607	16,080		136
	-----	-----		-----
	71,699	124,742		1,057
Other expenses:				
Interest	21,823	19,964		169
Loss on devaluation of securities investments	2,419	3,115		26
Foreign exchange loss, net	553	3,289		28
Other	19,136	17,638		150
	-----	-----		-----
	43,931	44,006		373
Income before income taxes	219,100	334,192	+52.5	2,832
Income taxes	21,378	152,943		1,296
	-----	-----		-----
Income before minority interest, equity in net income of affiliated	197,722	181,249	-8.3	1,536

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companies and cumulative
effect of an accounting
change

Minority interest in income (loss) of consolidated subsidiaries	1,300	(1,093)		(9)
Equity in net income of affiliated companies	28,579	7,807		66
Income before cumulative effect of an accounting change	225,001	190,149	-15.5	1,611
Cumulative effect of an accounting change (2004: Net of income taxes of Y2,675 million)	(4,713)	-		-
Net income	Y220,288	Y190,149	-13.7	\$1,611
Per share data:				
Common stock				
Income before cumulative effect of an accounting change				
- Basic	Y243.04	Y-	-	\$-
- Diluted	216.87	-	-	-
Net income				
- Basic	237.95	189.45	-20.4	1.61
- Diluted	212.36	180.76	-14.9	1.53
Subsidiary tracking stock				
Net income				
- Basic *	45.41	-	-	-

* See Note 3.

Consolidated Balance Sheets (Unaudited)

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

	December 31 2004	March 31 2005	December 31 2005	December 31 2005
ASSETS				
Current assets:				
Cash and cash equivalents	Y575,341	Y779,103	Y615,072	\$5,212
Time deposits	2,485	1,492	1,830	16
Marketable securities	540,177	460,202	527,689	4,472
Notes and accounts receivable, trade	1,383,540	1,113,071	1,448,520	12,276
Allowance for	(97,979)	(87,709)	(100,516)	(852)

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doubtful accounts and sales returns				
Inventories	653,790	631,349	751,545	6,369
Deferred income taxes	121,938	141,154	177,123	1,501
Prepaid expenses and other current assets	489,047	517,509	568,831	4,820
	-----	-----	-----	-----
	3,668,339	3,556,171	3,990,094	33,814
Film costs	263,157	278,961	371,895	3,152
Investments and advances:				
Affiliated companies	262,287	252,905	299,996	2,542
Securities investments and other	2,501,026	2,492,784	3,083,230	26,129
	-----	-----	-----	-----
	2,763,313	2,745,689	3,383,226	28,671
Property, plant and equipment:				
Land	182,133	182,900	182,297	1,545
Buildings	912,906	925,796	954,464	8,089
Machinery and equipment	2,102,492	2,192,038	2,370,265	20,087
Construction in progress	141,645	92,611	76,774	651
Less-Accumulated depreciation	(1,978,404)	(2,020,946)	(2,202,122)	(18,663)
	-----	-----	-----	-----
	1,360,772	1,372,399	1,381,678	11,709
Other assets:				
Intangibles, net	209,385	187,024	194,959	1,652
Goodwill	270,645	283,923	296,601	2,514
Deferred insurance acquisition costs	373,288	374,805	389,933	3,305
Deferred income taxes	224,694	240,396	183,349	1,554
Other	465,869	459,732	474,700	4,023
	-----	-----	-----	-----
	1,543,881	1,545,880	1,539,542	13,048
	-----	-----	-----	-----
	Y9,599,462	Y9,499,100	Y10,666,435	\$90,394
	-----	-----	-----	-----

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Short-term borrowings	Y207,504	Y63,396	Y198,969	\$1,686
Current portion of long-term debt	450,305	166,870	200,763	1,701
Notes and accounts payable, trade	848,643	806,044	925,997	7,847
Accounts payable, other and accrued expenses	771,552	746,466	828,850	7,024
Accrued income and other taxes	79,282	55,651	93,721	794
Deposits from	512,800	546,718	601,446	5,097

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customers in the banking business				
Other	408,991	424,223	487,502	4,133
	-----	-----	-----	-----
	3,279,077	2,809,368	3,337,248	28,282
Long-term liabilities:				
Long-term debt	637,063	678,992	650,514	5,513
Accrued pension and severance costs	328,562	352,402	222,834	1,888
Deferred income taxes	66,949	72,227	193,193	1,637
Future insurance policy benefits and other	2,383,749	2,464,295	2,680,265	22,714
Other	242,628	227,631	248,953	2,110
	-----	-----	-----	-----
	3,658,951	3,795,547	3,995,759	33,862
Minority interest in consolidated subsidiaries	24,140	23,847	37,014	314
Stockholders' equity:				
Capital stock	480,348	621,709	621,775	5,269
Additional paid-in capital	992,556	1,134,222	1,134,289	9,613
Retained earnings	1,575,526	1,506,082	1,681,691	14,252
Accumulated other comprehensive income	(405,232)	(385,675)	(138,330)	(1,172)
Treasury stock, at cost	(5,904)	(6,000)	(3,011)	(26)
	-----	-----	-----	-----
	2,637,294	2,870,338	3,296,414	27,936
	-----	-----	-----	-----
	¥9,599,462	¥9,499,100	¥10,666,435	\$90,394
	-----	-----	-----	-----

Consolidated Statements of Cash Flows (Unaudited)

(Millions of yen, millions of U.S. dollars)
 Nine months ended December 31

	2004	2005	2005
	-----	-----	-----
Cash flows from operating activities:			
Net income	¥220,288	¥190,149	\$1,611
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	268,740	278,259	2,358

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Amortization of film costs	206,925	190,603	1,615
Accrual for pension and severance costs, less payments	14,475	(4,146)	(35)
Gain on the transfer to the Japanese Government of the substitutional portion of employee pension fund	-	(73,472)	(623)
Loss on sale, disposal or impairment of assets, net	14,501	34,401	291
Gain on sale or loss on devaluation of securities investments, net	(3,032)	(5,732)	(49)
Gain on change in interest in subsidiaries and equity investees	(15,107)	(57,477)	(487)
Deferred income taxes	(57,349)	80,709	684
Equity in net income of affiliated companies, net of dividends	(27,851)	(4,160)	(35)
Cumulative effect of an accounting change	4,713	-	-
Changes in assets and liabilities:			
Increase in notes and accounts receivable, trade	(288,539)	(325,032)	(2,754)
(Increase) Decrease in inventories	5,099	(90,694)	(769)
Increase in film costs	(217,185)	(251,836)	(2,134)
Increase in notes and accounts payable, trade	77,125	104,058	882
Increase in accrued income and other taxes	23,073	27,061	229
Increase in future insurance policy benefits and other	100,665	110,014	932
Increase in deferred insurance acquisition costs	(48,882)	(47,667)	(404)
Increase in marketable securities held in the financial service business for trading purpose	(23,138)	(29,896)	(253)
Increase in other current assets	(59,213)	(66,110)	(560)
Increase in other current liabilities	96,528	101,471	860
Other	47,009	(36,241)	(306)
	-----	-----	-----
Net cash provided by operating activities	338,845	124,262	1,053
	-----	-----	-----
Cash flows from investing activities:			
Payments for purchases of fixed assets	(345,073)	(326,200)	(2,765)
Proceeds from sales of fixed assets	27,504	11,632	99
Payments for investments and advances by financial service business	(998,760)	(1,061,286)	(8,994)
Payments for investments and	(143,382)	(20,944)	(177)

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advances (other than financial service business)			
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	573,218	722,132	6,120
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	22,534	22,202	188
Proceeds from sales of subsidiaries' and equity investees' stocks	3,162	72,045	611
Other	1,709	(198)	(2)
	-----	-----	-----
Net cash used in investing activities	(859,088)	(580,617)	(4,920)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	10,286	127,653	1,082
Payments of long-term debt	(86,516)	(132,776)	(1,125)
Increase in short-term borrowings	64,356	73,731	625
Increase in deposits from customers in the financial service business	222,735	160,348	1,359
Increase in call money and bills sold in the banking business	53,012	52,800	447
Dividends paid	(23,049)	(24,853)	(211)
Proceeds from issuance of stocks by subsidiaries	3,463	6,937	59
Other	(2,395)	245	2
	-----	-----	-----
Net cash provided by financing activities	241,892	264,085	2,238
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	4,481	28,239	238
	-----	-----	-----
Net decrease in cash and cash equivalents	(273,870)	(164,031)	(1,391)
Cash and cash equivalents at beginning of the fiscal year	849,211	779,103	6,603
	-----	-----	-----
Cash and cash equivalents at December 31	Y575,341	Y615,072	\$5,212
	-----	-----	-----

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of Y118 = U.S. \$1, the approximate Tokyo foreign exchange market rate as of December 30, 2005.

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2. As of December 31, 2005, Sony had 928 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 subsidiary 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.

On October 26, 2005, the Board of Directors of Sony Corporation decided to terminate all shares of subsidiary tracking stock with the method of compulsory conversion to shares of Sony's common stock. All shares of subsidiary tracking stock were converted to shares of Sony's common stock on December 1, 2005. As a result of the conversion, earnings per share of the subsidiary tracking stock for the three months and nine months ended December 31, 2005 are not calculated. The earnings allocated to common stock for the three months and nine months ended December 31, 2005 are calculated by subtracting the earnings allocated to the subsidiary tracking stock for the two months and eight months ended November 30, 2005, respectively.

Weighted-average number of outstanding shares used for computation of earnings per share of common stock are as follows. The dilutive effect in the weighted-average number of outstanding shares for the three months and nine months ended December 31, 2004 and 2005 mainly resulted from convertible bonds.

Weighted-average number of outstanding shares -----	(Thousands of shares) Three months ended December 31	
-----	2004	2005
Net income	-----	-----
- Basic	925,368	997,683
- Diluted	1,045,178	1,045,558

Weighted-average number of outstanding shares -----	(Thousands of shares) Nine months ended December 31	
-----	2004	2005
Income before cumulative effect of an accounting change and net income	-----	-----
- Basic	925,183	996,764
- Diluted	1,045,037	1,044,546

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Weighted-average number of outstanding shares used for computation of earnings per share of the subsidiary tracking stock for the three months and nine months ended December 31, 2004 are 3,072 thousand shares. 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 nine months ended December 31, 2004 and 2005 were as follows:

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

	Three months ended December 31			Nine months ended December 31		
	2004	2005	2005	2004	2005	2005
Net income	Y143,814	Y168,944	\$1,432	Y220,288	Y190,149	\$1,611
Other comprehensive income:						
Unrealized gains (losses) on securities	(1,779)	49,614	420	(14,293)	82,588	700
Unrealized gains (losses) on derivative instruments	2,532	272	2	119	1,004	9
Minimum pension liabilities adjustments	7,582	(3)	(0)	28,535	31,429	266
Foreign currency translation adjustments	(56,100)	78,443	665	30,366	132,324	1,121
	(47,765)	128,326	1,087	44,727	247,345	2,096
Comprehensive income	Y96,049	Y297,270	\$2,519	Y265,015	Y437,494	\$3,707

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

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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, 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 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 nine months ended December 31, 2004 decreased by Y968 million. Additionally, on April 1, 2004,

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Sony recognized ¥4,713 million of loss (net of income taxes of ¥2,675 million) as a cumulative effect of an accounting change.

9. 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 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 December 31

	2004	2005	Change	2005
	-----	-----	-----	-----
Capital expenditures (additions to property, plant and equipment)	¥78,700	¥76,139	-3.3%	\$645
Depreciation and amortization expenses*	92,036	96,843	+5.2	821
(Depreciation expenses for tangible assets)	(75,594)	(79,780)	+5.5	(676)
R&D expenses	119,430	121,668	+1.9	1,031
Nine months ended December 31				
	2004	2005	Change	2005
	-----	-----	-----	-----
Capital expenditures (additions to property, plant and equipment)	¥256,822	¥261,920	+2.0%	\$2,220
Depreciation and amortization expenses*	268,740	278,259	+3.5	2,358
(Depreciation expenses for tangible assets)	(217,080)	(226,506)	+4.3	(1,920)
R&D expenses	370,030	371,425	+0.4	3,148

* 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

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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 Statements of Income

Financial Services	(Millions of yen, millions of U.S. dollars)			
	Three months ended December 31			
	2004	2005	Change	2005
	-----	-----	-----	-----
			%	
Financial service revenue	Y144,962	Y190,392	+31.3	\$1,613
Financial service expenses	131,058	143,344	+9.4	1,214
Operating income	----- 13,904	----- 47,048	+238.4	----- 399
Other income (expenses), net	861	1,412	+64.0	12
Income before income taxes	----- 14,765	----- 48,460	+228.2	----- 411
Income taxes and other	5,399	17,539	+224.9	149
Net income	----- Y9,366	----- Y30,921	+230.1	----- \$262

Sony without Financial Services	(Millions of yen, millions of U.S. dollars)			
	Three months ended December 31			
	2004	2005	Change	2005
	-----	-----	-----	-----
			%	
Net sales and operating revenue	Y2,012,140	Y2,184,904	+8.6	\$18,516
Costs and expenses	1,888,195	2,029,297	+7.5	17,197
Operating income	----- 123,945	----- 155,607	+25.5	----- 1,319
Other income (expenses), net	10,516	21,840	+107.7	185
Income before income taxes	----- 134,461	----- 177,447	+32.0	----- 1,504
Income taxes and other	13	39,424	+303,161.5	334
Net income	----- Y134,448	----- Y138,023	+2.7	----- \$1,170

Consolidated	(Millions of yen, millions of U.S. dollars)			
	Three months ended December 31			
	2004	2005	Change	2005
	-----	-----	-----	-----

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			%	
Financial service revenue	Y139,479	Y184,586	+32.3	\$1,564
Net sales and operating revenue	2,008,706	2,182,976	+8.7	18,500
	-----	-----		-----
Costs and expenses	2,148,185	2,367,562	+10.2	20,064
	2,010,012	2,164,741	+7.7	18,345
	-----	-----		-----
Operating income	138,173	202,821	+46.8	1,719
Other income (expenses), net	11,052	23,085	+108.9	195
	-----	-----		-----
Income before income taxes	149,225	225,906	+51.4	1,914
Income taxes and other	5,411	56,962	+952.7	482
	-----	-----		-----
Net income	Y143,814	Y168,944	+17.5	\$1,432
	-----	-----		-----

Condensed Statements of Income

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

Nine months ended December 31

Financial Services	2004	2005	Change	2005
			%	
	-----	-----	-----	-----
Financial service revenue	Y404,448	Y520,088	+28.6	\$4,408
Financial service expenses	365,260	411,071	+12.5	3,484
	-----	-----		-----
Operating income	39,188	109,017	+178.2	924
Other income (expenses), net	9,754	24,646	+152.7	209
	-----	-----		-----
Income before income taxes	48,942	133,663	+173.1	1,133
Income taxes and other	18,857	50,827	+169.5	431
	-----	-----		-----
Income before cumulative effect of an accounting change	30,085	82,836	+175.3	702
Cumulative effect of an accounting change	(4,713)	-	-	-
	-----	-----		-----
Net income	Y25,372	Y82,836	+226.5	\$702
	-----	-----		-----

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

Nine months ended December 31

Sony without Financial Services	2004	2005	Change	2005
			%	
	-----	-----	-----	-----
Net sales and operating revenue	Y5,083,519	Y5,132,822	+1.0	\$43,498
Costs and expenses	4,931,856	4,989,458	+1.2	42,283
	-----	-----		-----
Operating income	151,663	143,364	-5.5	1,215

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Other income (expenses), net	24,995	57,035	+128.2	483
	-----	-----		-----
Income before income taxes	176,658	200,399	+13.4	1,698
Income taxes and other	(24,758)	93,216	-	790
	-----	-----		-----
Net income	Y201,416	Y107,183	-46.8	\$908
	-----	-----		-----

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

Consolidated	Nine months ended December 31			
	2004	2005	Change	2005
	-----	-----	-----	-----
			%	
Financial service revenue	Y386,828	Y503,277	+30.1	\$4,265
Net sales and operating revenue	5,075,767	5,126,714	+1.0	43,447
	-----	-----		-----
	5,462,595	5,629,991	+3.1	47,712
Costs and expenses	5,271,263	5,376,535	+2.0	45,564
	-----	-----		-----
Operating income	191,332	253,456	+32.5	2,148
Other income (expenses), net	27,768	80,736	+190.8	684
	-----	-----		-----
Income before income taxes	219,100	334,192	+52.5	2,832
Income taxes and other	(5,901)	144,043	-	1,221
	-----	-----		-----
Income before cumulative effect of an accounting change	225,001	190,149	-15.5	1,611
Cumulative effect of an accounting change	(4,713)	-	-	-
	-----	-----		-----
Net income	Y220,288	Y190,149	-13.7	\$1,611
	-----	-----		-----

Condensed Balance Sheet

	(Millions of yen, millions of U.S. dollars)			
Financial Services	December	March	December	December
	31	31	31	31
	2004	2005	2005	2005
	-----	-----	-----	-----
Current assets:				
Cash and cash equivalents	Y197,245	Y259,371	Y176,411	\$1,495
Marketable securities	536,099	456,130	523,612	4,437
Other	207,810	274,690	206,092	1,747
	-----	-----	-----	-----
	941,154	990,191	906,115	7,679
Investments and advances	2,383,676	2,378,966	2,962,820	25,109
Property, plant and equipment	38,686	38,551	36,339	308

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Other assets:				
Deferred insurance acquisition costs	373,288	374,805	389,933	3,305
Other	103,539	103,004	141,837	1,201
	-----	-----	-----	-----
	476,827	477,809	531,770	4,506
	-----	-----	-----	-----
	Y3,840,343	Y3,885,517	Y4,437,044	\$37,602
	-----	-----	-----	-----

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Short-term borrowings	Y141,777	Y45,358	Y94,848	\$804
Notes and accounts payable, trade	8,747	7,099	12,142	103
Deposits from customers in the banking business	512,800	546,718	601,446	5,097
Other	108,416	109,438	128,119	1,085
	-----	-----	-----	-----
	771,740	708,613	836,555	7,089
Long-term liabilities:				
Long-term debt	136,472	135,750	134,785	1,142
Accrued pension and severance costs	11,518	14,362	13,614	115
Future insurance policy benefits and other	2,383,749	2,464,295	2,680,265	22,714
Other	135,749	142,272	192,240	1,631
	-----	-----	-----	-----
	2,667,488	2,756,679	3,020,904	25,602
Minority interest in consolidated subsidiaries	5,560	5,476	4,054	34
Stockholders' equity	395,555	414,749	575,531	4,877
	-----	-----	-----	-----
	Y3,840,343	Y3,885,517	Y4,437,044	\$37,602
	-----	-----	-----	-----

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

Sony without Financial Services ASSETS	December 31 2004	March 31 2005	December 31 2005	December 31 2005
	-----	-----	-----	-----
Current assets:				
Cash and cash equivalents	Y378,096	Y519,732	Y438,661	\$3,717
Marketable securities	4,078	4,072	4,077	35
Notes and accounts receivable, trade	1,212,422	952,692	1,337,504	11,335
Other	1,156,326	1,116,353	1,334,372	11,308
	-----	-----	-----	-----
	2,750,922	2,592,849	3,114,614	26,395
Film costs	263,157	278,961	371,895	3,152
Investments and	504,131	445,446	502,252	4,256

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advances				
Investments in Financial Services, at cost	187,400	187,400	187,400	1,588
Property, plant and equipment	1,322,086	1,333,848	1,345,339	11,401
Other assets	1,183,216	1,189,398	1,083,003	9,178
	-----	-----	-----	-----
	Y6,210,912	Y6,027,902	Y6,604,503	\$55,970
	-----	-----	-----	-----

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Short-term borrowings	Y537,924	Y204,027	Y321,783	\$2,727
Notes and accounts payable, trade	842,852	801,252	916,700	7,769
Other	1,160,417	1,132,201	1,296,755	10,989
	-----	-----	-----	-----
	2,541,193	2,137,480	2,535,238	21,485
Long-term liabilities:				
Long-term debt	630,981	627,367	595,784	5,049
Accrued pension and severance costs	317,044	338,040	209,220	1,773
Other	273,839	263,520	323,070	2,738
	-----	-----	-----	-----
	1,221,864	1,228,927	1,128,074	9,560
Minority interest in consolidated subsidiaries	18,680	18,471	32,571	276
Stockholders' equity	2,429,175	2,643,024	2,908,620	24,649
	-----	-----	-----	-----
	Y6,210,912	Y6,027,902	Y6,604,503	\$55,970
	-----	-----	-----	-----

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

Consolidated	December 31 2004	March 31 2005	December 31 2005	December 31 2005
ASSETS				
	-----	-----	-----	-----
Current assets:				
Cash and cash equivalents	Y575,341	Y779,103	Y615,072	\$5,212
Marketable securities	540,177	460,202	527,689	4,472
Notes and accounts receivable, trade	1,285,561	1,025,362	1,348,004	11,424
Other	1,267,260	1,291,504	1,499,329	12,706
	-----	-----	-----	-----
	3,668,339	3,556,171	3,990,094	33,814
Film costs	263,157	278,961	371,895	3,152
Investments and advances	2,763,313	2,745,689	3,383,226	28,671
Property, plant and equipment	1,360,772	1,372,399	1,381,678	11,709
Other assets:				
Deferred insurance	373,288	374,805	389,933	3,305

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acquisition costs				
Other	1,170,593	1,171,075	1,149,609	9,743
	-----	-----	-----	-----
	1,543,881	1,545,880	1,539,542	13,048
	-----	-----	-----	-----
	Y9,599,462	Y9,499,100	Y10,666,435	\$90,394
	-----	-----	-----	-----

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Short-term borrowings	Y657,809	Y230,266	Y399,732	\$3,388
Notes and accounts payable, trade	848,643	806,044	925,997	7,847
Deposits from customers in the banking business	512,800	546,718	601,446	5,097
Other	1,259,825	1,226,340	1,410,073	11,950
	-----	-----	-----	-----
	3,279,077	2,809,368	3,337,248	28,282
Long-term liabilities:				
Long-term debt	637,063	678,992	650,514	5,513
Accrued pension and severance costs	328,562	352,402	222,834	1,888
Future insurance policy benefits and other	2,383,749	2,464,295	2,680,265	22,714
Other	309,577	299,858	442,146	3,747
	-----	-----	-----	-----
	3,658,951	3,795,547	3,995,759	33,862
Minority interest in consolidated subsidiaries	24,140	23,847	37,014	314
Stockholders' equity	2,637,294	2,870,338	3,296,414	27,936
	-----	-----	-----	-----
	Y9,599,462	Y9,499,100	Y10,666,435	\$90,394
	-----	-----	-----	-----

Condensed Statements of Cash Flows

	(Millions of yen, millions of U.S. dollars)		
	Nine months ended December 31		
Financial Services	2004	2005	2005
	-----	-----	-----
Net cash provided by operating activities	Y114,487	Y78,296	\$664
Net cash used in investing activities	(455,219)	(369,939)	(3,135)
Net cash provided by financing activities	281,661	208,683	1,768
	-----	-----	-----
Net decrease in cash and cash equivalents	(59,071)	(82,960)	(703)
Cash and cash equivalents at beginning of the fiscal year	256,316	259,371	2,198
	-----	-----	-----
Cash and cash equivalents at December 31	Y197,245	Y176,411	\$1,495
	-----	-----	-----

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	(Millions of yen, millions of U.S. dollars)		
Sony without Financial Services	Nine months ended December 31		
	2004	2005	2005
	-----	-----	-----
Net cash provided by operating activities	Y230,785	Y45,207	\$383
Net cash used in investing activities	(414,690)	(205,433)	(1,741)
Net cash provided by (used in) financing activities	(35,375)	50,916	432
Effect of exchange rate changes on cash and cash equivalents	4,481	28,239	238
	-----	-----	-----
Net decrease in cash and cash equivalents	(214,799)	(81,071)	(688)
Cash and cash equivalents at beginning of the fiscal year	592,895	519,732	4,405
	-----	-----	-----
Cash and cash equivalents at December 31	Y378,096	Y438,661	\$3,717
	-----	-----	-----

	(Millions of yen, millions of U.S. dollars)		
Consolidated	Nine months ended December 31		
	2004	2005	2005
	-----	-----	-----
Net cash provided by operating activities	Y338,845	Y124,262	\$1,053
Net cash used in investing activities	(859,088)	(580,617)	(4,920)
Net cash provided by financing activities	241,892	264,085	2,238
Effect of exchange rate changes on cash and cash equivalents	4,481	28,239	238
	-----	-----	-----
Net decrease in cash and cash equivalents	(273,870)	(164,031)	(1,391)
Cash and cash equivalents at beginning of the fiscal year	849,211	779,103	6,603
	-----	-----	-----
Cash and cash equivalents at December 31	Y575,341	Y615,072	\$5,212
	-----	-----	-----

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