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### RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2000

FOR IMMEDIATE RELEASE

Tokyo, April 28, 2000 -- Sony Corporation announced today its consolidated and non-consolidated results for the fiscal year ended March 31, 2000.

### CONSOLIDATED RESULTS FOR THE YEAR

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

	1999	Year ended March 31		2000
		2000	Change	
Sales and operating revenue	¥ 6,804,182	¥ <b>6,686,661</b>	- 1.7%	\$ <b>63,082</b>
Operating income	348,212	<b>240,627</b>	- 30.9	<b>2,270</b>
Income before income taxes	377,691	<b>264,310</b>	- 30.0	<b>2,493</b>
Net income	179,004	<b>121,835</b>	- 31.9	<b>1,149</b>
Net income per share				
Basic*	¥ 436.9	¥ <b>289.2</b>	- 33.8%	\$ <b>2.73</b>
Diluted*	391.0	<b>263.4</b>	- 32.6	<b>2.48</b>

### Consolidated Results

Note I:

- i) Effective with the fiscal year ended March 31, 2000, equity in net earnings (losses) of affiliated companies, which were previously included in sales and operating revenue, are shown separately below income before income taxes. As a result, sales and operating revenue, operating income, and income before income taxes figures for the fiscal year ended March 31, 1999 have been restated to conform to the presentation for the fiscal year ended March 31, 2000.
- ii) Income before income taxes and net income figures for the fiscal year ended March 31, 1999 included gains of ¥58.7 billion and ¥30.7 billion, respectively, which resulted from a contribution of securities to an outside trust for employee retirement benefit purposes (refer to Note 3 on page 16).
- iii)\*Refer to Note 4 on page 16.

## Operating Performance Highlights

Note II: During the year ended March 31, 2000, the average value of the yen was ¥110.6 against the U.S. dollar, and ¥113.9 against the euro, which was 14.8% and 24.9% higher against the U.S. dollar and euro, respectively, compared with the level of the previous year. (For comparative purposes only, the euro until December 1998 is hypothetically computed based on the German mark.) Operating results on a local currency basis described in “Consolidated Results” show results of sales and operating revenue (herein referred to as “sales”) and operating income obtained by applying the yen’s average exchange rate in the previous year to local currency-denominated sales, cost of sales, and selling, general and administrative expenses, assuming the value of the yen had remained the same. Regarding the U.S. based Music and Pictures businesses, results of worldwide subsidiaries (in case of Music, excluding those of Japan) are consolidated on a U.S. dollar basis. Therefore, regarding such businesses, discussion of operating results on a local currency basis is on a U.S. dollar basis. Local currency basis results are not reflected in Sony’s financial statements and are not measures conforming with Generally Accepted Accounting Principles in the U.S. (“U.S. GAAP”). Also, 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 information to investors regarding operating performance.

During the fiscal year ended March 31, 2000, although economic growth was sluggish in parts of South America such as Brazil, the U.S. economy continued to expand, and the Western European economy steadily advanced. Eastern Europe and Russia bottomed out and Asia continued its recovery. In Japan, although a clear economic recovery could not be seen, demand relating to information and communication areas was favorable. Under such market conditions, Sony’s sales increased approximately 9% and operating income increased approximately 39% on a local currency basis (refer to Note II) compared with the previous year.

In Sony’s financial statements, which in accordance with U.S. GAAP reflect the impact of the translation of financial results and condition into yen, the currency in which the financial statements are prepared, sales for the fiscal year ended March 31, 2000 decreased 1.7% to ¥6,687 billion (\$63,082 million), and operating income decreased 30.9% to ¥241 billion (\$2,270 million), compared with the previous year, due to the yen’s appreciation.

## Operating Performance Highlights by Business Segment

Note III: The following discussion is based on segment information. Sales and operating revenue in each business segment include intersegment transactions (refer to “Business Segment Information” on page 8 to page 9). In the Electronics business, sales and operating revenue by product category represent sales to customers, which do not include intersegment transactions (refer to “Electronics Sales and Operating Revenue to Customers by Product Category” on page 10).

### Electronics

During the year, on a local currency basis (refer to Note II), in the Electronics business sales increased approximately 13% and operating income increased approximately 132% compared with the previous year. This was due to improved profitability principally from higher demand for such products as PCs and digital AV equipment and increases in sales in all geographic segments, along with improved efficiencies in manufacturing plants.

Looking at results by product category on a local currency basis (refer to Note II), sales of such products as PCs (principally in the notebook category), color TVs (including projection TVs), home-use video cameras, digital still cameras, DVD-Video players, semiconductors, computer peripherals, and computer displays increased significantly. Sales of MD format headphone stereos increased, while those of compact-cassette format headphone stereos decreased. Sales of DV- and Digital 8-format home-use video cameras increased significantly, while those of 8mm format home-use video cameras decreased. Furthermore, due to higher demand for recording of large amounts of digital data, sales of CD-R/RW drives increased significantly, while those of CD-ROM drives decreased. Sales of cellular phones decreased due to the termination of production in the U.S. brought about by the discontinuation of the business, excluding research and development and after-sales service in that market.

Looking at results by geographic segment on a local currency basis (refer to Note II on page 2), results were favorably affected by increased sales in most regions except for South America. In Japan, sales of such products as PCs, cellular phones, and semiconductors increased, while those of AV products such as color TVs and home-use video decks decreased. In the U.S., sales of such products as PCs, color TVs, digital still cameras, DVD-Video players, home-use video cameras, computer peripherals, and computer displays increased, while those of cellular phones decreased. In Europe, sales of such products as PCs, home-use video cameras, home stereos, and DVD-Video players increased in Western Europe. In Other areas, sales of such products as color TVs, semiconductors, and home stereos increased in Asia.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and condition into yen, sales increased 1.1% to ¥4,720 billion (\$44,525 million), and operating income decreased 9.5% to ¥119 billion (\$1,119 million), compared with the previous year, due to the yen's appreciation. In "Electronics Sales and Operating Revenue to Customers by Product Category" (refer to page 10), "Audio" sales decreased 12.8%, while sales in "Video" "Televisions", "Information and communications", and "Electronic components and other" increased 0.8%, 1.6%, 15.2%, and 2.8%, respectively. Regarding profit performance, that of such products as color TVs and broadcast- and professional-use equipment deteriorated, while that of semiconductors, computer peripherals, optical devices, and PCs improved. The performance of color TVs was negatively affected by increases in research and development expenses in connection with broadcast digitization, and that of broadcast- and professional-use equipment was negatively affected by an increased number of competitors and severe price competition. In cellular phones, although significant losses were recorded due to additional expenses related to the discontinuation of the business in the U.S. as noted above, the amount of losses decreased compared with the previous year.

### Game

During the year, on a local currency basis (refer to Note II on page 2), in the Game business sales decreased approximately 6% and operating income decreased approximately 5% compared with the previous year. Sales fell due to such factors as decreased shipments of PlayStation hardware in Japan and the U.S., reflecting high penetration ratios, as well as strategic price reductions of the hardware in certain areas, although hardware shipments in Europe increased. The overall decrease in sales remained small, even during the introduction period of a new format, due to higher sales of software mainly in the U.S. and Europe reflecting the increased penetration of PlayStation hardware. Profit decreased compared with the previous year due to the start-up expenses of PlayStation2, which was introduced in Japan in March 2000.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and condition into yen, sales decreased 16.5% to ¥655 billion (\$6,177 million), and operating income decreased 43.3% to ¥77.4 billion (\$730 million), compared with the previous year, due to the yen's appreciation.

Worldwide shipments of PlayStation hardware were 18.5 million units for the year compared with 21.6 million units for the previous year, resulting in cumulative shipments of 72.92 million units as of March 31, 2000. Cumulative shipments of PlayStation2 hardware were 1.41 million units for the year. Worldwide shipments of PlayStation software (including both Sony and third parties under Sony licenses) were 200 million units for the year compared with 194 million units for the previous year, resulting in cumulative shipments of 630 million units as of March 31, 2000. In addition, cumulative shipments of PlayStation2 software were 2.9 million units. During the year, software titles from Sony achieving strong growth included *Gran Turismo 2* and *Minna-no-Golf 2*.

### Music

During the year, on a local currency basis (refer to Note II on page 2), in the Music business sales increased approximately 3% and operating income decreased approximately 14% compared with the previous year.

Regarding results of Sony Music Entertainment Inc. (herein referred to as "SMEI"), the U.S. based operation, on a local currency basis (refer to Note II on page 2) sales increased and profit

decreased. While sales decreased in Europe and Brazil, overall sales reached record levels due to higher sales in the U.S. Hit albums during the year included Ricky Martin's self-titled English language album, Celine Dion's *All the Way - A Decade of Song*, Mariah Carey's *Rainbow*, and Dixie Chicks' *Fly*. Profit decreased due to inclusion in the previous year of a one-time license contract fee for direct marketing results that did not reoccur as well as expenses incurred in advancing SMEI's digital media initiatives.

In Japan, regarding results of Sony Music Entertainment (Japan) Inc. (herein referred to as "SMEJ") and its subsidiaries, although overall sales decreased slightly, profit performance improved. This was principally due to higher sales of SMEJ. Hit albums in Japan during the year included *ark* and *ray* by L'Arc~en~Ciel.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and condition into yen, sales decreased 6.8% to ¥707 billion (\$6,669 million), and operating income decreased 22.4% to ¥28.4 billion (\$268 million), compared with the previous year, due to the yen's appreciation.

In March 2000, Sony, Time Warner Inc., and CDNOW Inc., which develops services for selling music and video software via the internet, announced termination of a merger plan of CDNOW Inc. with Columbia House Company, equally owned by Sony and Time Warner Inc. At the same time, the companies announced an agreement to commit a total of \$51 million to CDNOW Inc. (50% of which is from Sony), by providing \$21 million in cash as an equity investment in addition to an existing \$30 million loan commitment.

## Pictures

During the year, on a local currency basis (refer to Note II on page 2), in the Pictures business sales increased approximately 3% and operating income increased approximately 3% compared with the previous year.

Regarding results of Sony Pictures Entertainment, the U.S. based operation, on a local currency basis (refer to Note II on page 2) sales and profit increased. This was due to contributions from strong box-office revenues and profits from *Big Daddy*, *Blue Streak*, and *Stuart Little*, increased home video revenues, particularly from DVD format unit sales, increased international pay television revenues, and new licensing arrangements for *Wheel of Fortune*. While Motion Pictures profits increased, losses were recorded on several theatrical releases including *What Planet Are You From?*, *The Messenger: The Story of Joan of Arc*, and *Random Hearts*.

In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and condition into yen, sales decreased 9.8% to ¥492 billion (\$4,642 million), and operating income decreased 10.1% to ¥38.6 billion (\$364 million), compared with the previous year, due to the yen's appreciation.

## Insurance

During the year, regarding results of Sony Life Insurance Co., Ltd., revenue and profit increased due to an increase in life insurance-in-force and improved returns on investment income. Life insurance-in-force increased in high margin individual life insurance products such as whole life and medical expense coverage. However, losses were recorded from start-up expenses for Sony Assurance Inc. As a result, Insurance revenue increased 12.1% to ¥380 billion (\$3,588 million), and operating income increased 16.0% to ¥20.9 billion (\$197 million), compared with the previous year.

## Other

In the Other business, a subsidiary engaged in advertising agency businesses was newly consolidated from the first quarter of the fiscal year ended March 31, 2000, and sales of a subsidiary engaged in parts trading within the Sony group increased. Losses were recorded primarily from a location-based entertainment complex in the U.S. and satellite distribution services businesses in Japan. As a result, sales were up 24.9% to ¥364 billion (\$3,435 million), compared with the previous year. However, the business posted an operating loss of ¥12.9 billion (\$122 million).

In consolidated results, selling, general and administrative expenses during the year included a charge of approximately ¥19.2 billion (\$181 million) for stock-price linked incentive compensation resulting from the sharp rise in Sony Corporation's stock price; such charges were minor in the previous year.

### **Consolidated Income before Income Taxes and Net Income**

In consolidated results, other income during the year included a foreign exchange gain, net, of approximately ¥27.5 billion (\$259 million) and gains on sales of certain investment securities and certain subsidiaries of approximately ¥28.3 billion (\$267 million). However, other income in the previous year included a one-time gain on securities realized as a result of a contribution of certain equity securities held by Sony Corporation to an outside trust for employee retirement benefit purposes (refer to Note I – ii on page 1). As a result of a decrease in operating income during the year and the aforementioned one-time gain in the previous year, income before income taxes decreased 30.0% to ¥264 billion (\$2,493 million), and net income decreased 31.9% to ¥122 billion (\$1,149 million), compared with the previous year. Excluding the effect of the one-time gain on securities to an outside trust, the decrease of income before income taxes would have been held to 17.1% and the decrease of net income to 17.8%. Also, while equity in net losses of affiliated companies increased to ¥37.8 billion (\$357 million) from ¥9.6 billion, net income was favorably affected by a significant decrease in the effective tax rate. This decrease in the effective tax rate resulted from the reduction of the Japanese corporate statutory income tax rate effective on April 1, 1999 and the performance improvement during the year of U.S. subsidiaries with operating loss carryforwards for tax purposes.

Basic net income per share was ¥289.2 (\$2.73), compared with ¥436.9 in the previous year. Diluted net income per share was ¥263.4 (\$2.48), compared with ¥391.0 in the previous year (refer to Note 4 on page 16).

### **Results of affiliated companies accounted for by the equity method**

Equity affiliates include i) in the Electronics business – S.T. Liquid Crystal Display Corp. (“ST-LCD”), an LCD joint venture in Japan, ii) in the Music business – The Columbia House Company, a direct marketer of music and videos, iii) in the Pictures business – Telemundo, a U.S. based Spanish language television network and station group and Loews Cineplex Entertainment Corporation, a theatrical exhibition company, and iv) in the Other business – satellite distribution services businesses in Japan and a location-based entertainment complex in Europe. During the year, equity in net losses of affiliated companies increased principally due to losses in The Columbia House Company, ST-LCD, Telemundo, and a location-based entertainment complex in Europe. During the year, additional costs, relating to shortened amortization periods for and an impairment of advertising and member acquisition expenses in The Columbia House Company and devaluation of real estate for sale in the location-based entertainment complex in Europe, negatively affected the equity in net losses of affiliated companies by approximately ¥7.6 billion (\$72 million) and ¥5.1 billion (\$48 million), respectively.

## **Consolidated Results for the fourth quarter ended March 31, 2000**

Note IV: On January 5, 2000, the acquisition transactions by way of exchanges of stock, whereby SMEJ, Sony Chemicals Corporation, and Sony Precision Technology Inc. became wholly-owned subsidiaries of Sony Corporation, were completed. As a result, of the approximately ¥348 billion (\$3,283 million), which represented the increases in total capital (equivalent to the purchase price from external shareholders) of Sony Corporation, approximately ¥236 billion (\$2,226 million), which represents the excess of this amount over the total book value of the minority interest in the three subsidiaries, was recorded as tangible and intangible assets including goodwill of ¥283 billion (\$2,670 million) and deferred tax liabilities of ¥47 billion (\$443 million). The breakdown of ¥236 billion (\$2,226 million) is approximately ¥58 billion (\$547 million) in the Electronics business, ¥158 billion (\$1,491 million) in the Game business, and ¥20 billion (\$189 million) in the Music business. These intangible assets will be amortized over the useful life of up to a maximum of 20 years starting from the fiscal year ended March 31, 2000, and recorded in selling, general and administrative expenses. At the same time, the corresponding deferred tax liabilities will be reversed. During the fourth quarter, as a result of these factors, operating income and income before income taxes each decreased approximately ¥4.2 billion (\$40 million), and net income decreased approximately ¥3.3 billion (\$31 million). In addition, as a result of these transactions, minority interest in the three subsidiaries was eliminated and income or loss in minority interests in such subsidiaries is not recognized after January 5, 2000, the date of the transactions.

During the fourth quarter, on a local currency basis (refer to Note II on page 2), sales increased approximately 20% and operating profit performance improved compared with the fourth quarter of the previous year. In Sony's financial statements, which as discussed above reflect the impact of the translation of financial results and condition into yen, sales increased 11.7% to ¥1,656 billion (\$15,620 million). However, an operating loss of ¥36.0 billion (\$339 million) was recorded. This was due to the appreciation of the yen, which was 9.0% and 23.9% higher against the U.S. dollar and euro, respectively, compared with the level of the fourth quarter of the previous year. The average value of the yen during this quarter was ¥106.1 against the U.S. dollar, and ¥104.3 against the euro.

Looking at results by business segment in Sony's financial statements, which are presented in yen, although sales in the Game and Music businesses decreased slightly, those of other segments increased, particularly in Electronics, resulting in an overall sales increase. Regarding profit performance, operating losses were recorded in all business segments except for Pictures. This was due to performance deterioration in the Game business, in which start-up expenses for the PlayStation2 format were incurred, and the Insurance business. In addition, losses increased in the Other business. These results offset a profit increase in the Pictures business and decreases of losses in the Electronics and Music businesses. Other income included approximately ¥5.8 billion (\$55 million) of gains on sales of investment securities and certain subsidiaries. As a result, during the quarter, ¥34.4 billion (\$324 million) of losses before income taxes was recorded. Equity in net losses of affiliated companies increased to approximately ¥22.1 billion (\$209 million), and the amount of reversal of tax reserves resulting from losses before income taxes decreased compared with the fourth quarter of the previous year. As a result, net losses increased to ¥36.7 billion (\$347 million). Equity in net losses of affiliated companies was recorded principally due to losses in The Columbia House Company, ST-LCD, and Telemundo and a location-based entertainment complex in Europe. During the quarter, additional costs, including those relating to shortened amortization periods for and an impairment of advertising and member acquisition expenses in The Columbia House Company and devaluation of real estate for sale in the location-based entertainment complex in Europe, negatively affected the equity in net losses of affiliated companies (refer to page 5).

## **Cash Flows**

During the fiscal year ended March 31, 2000, Sony generated ¥579 billion (\$5,467 million) (a decrease of 12.6% compared with the previous year), of cash from operating activities. Sony used ¥450 billion (\$4,245 million) (an increase of 22.5% compared with the previous year) in investing activities. Sony used ¥68.1 billion (\$642 million) (a decrease of 39.3% compared with the previous year) in financing activities. As a result, cash and cash equivalents at end of year increased 5.7% to ¥626 billion (\$5,906 million) during the year, which includes the negative effect of exchange rate changes on cash and cash equivalents of ¥27.6 billion (\$261 million).

Among net cash provided by operating activities during the year, regarding changes in assets and liabilities, while notes and accounts receivable and inventories increased, notes and accounts payable also increased. Decrease in inventories on the balance sheet was due to the effect of currency translation. In addition, reflecting expansion of the Insurance business, future insurance policy benefits and other increased.

Among net cash used in investing activities during the year, payments for purchases of fixed assets were ¥403 billion (\$3,802 million). Capital expenditures (additions to fixed assets) during the year were ¥436 billion (\$4,112 million). The breakdown of capital expenditures was approximately ¥218 billion (\$2,059 million) in the Electronics business, ¥118 billion (\$1,115 million) in the Game business, ¥24.6 billion (\$232 million) in the Music business, ¥10.6 billion (\$100 million) in the Pictures business, ¥1.5 billion (\$14 million) in the Insurance business, and ¥62.7 billion (\$592 million) in the Other business. Payments for investments and advances and proceeds from sales of investment securities and collections of advances were principally from activities in the Insurance business. During the previous year, cash flows from investing activities included approximately ¥53 billion of proceeds from the merger of Loews Theatres with Cineplex Odeon Corporation.

Among net cash used in financing activities during the year, payments of long-term debt included redemption of unsecured notes due 2000 of ¥50 billion (\$472 million) by Sony Corporation. Sony Corporation paid cash dividends of ¥20.6 billion (\$194 million) during the year.

## **Number of Employees**

Regarding the number of employees (including fixed-term employees), Sony increased the number of employees, particularly that of fixed-term employees, at manufacturing facilities in certain product areas where production shipments increased during the year. As a result, the number of employees at the end of March 2000 was approximately 189,700, an increase of approximately 4,500 from the end of March 1999.

March 31	
<u>1999</u>	<u>2000</u>
185,200*	189,700

\* The number of employees (including fixed-term employees) at March 31, 1999 was higher than that previously reported principally due to adjustments for undercounting.

## **The Year 2000 Issue**

After the transition period toward 2000, Sony gathered information through its customer service support centers and internal communication structure for Year 2000 related issues. Although some minor issues have been discovered in some internal information systems at the end of February 2000 relating to a leap year problem, Sony does not currently believe that any issues exist that will materially affect Sony's customers, operations, or consolidated financial results or condition.

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## Business Segment Information

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

Year ended March 31

Sales and operating revenue	1999	2000	Change	2000
<b>Electronics</b>				
Customers	¥ 4,356,254	¥ 4,395,906	+ 0.9%	\$ 41,471
Intersegment	313,448	323,719		3,054
Total	4,669,702	4,719,625	+ 1.1	44,525
<b>Game</b>				
Customers	760,071	630,662	- 17.0	5,950
Intersegment	23,751	24,074		227
Total	783,822	654,736	- 16.5	6,177
<b>Music</b>				
Customers	717,297	665,047	- 7.3	6,274
Intersegment	41,394	41,837		395
Total	758,691	706,884	- 6.8	6,669
<b>Pictures</b>				
Customers	545,693	492,093	- 9.8	4,642
Intersegment	59	4		0
Total	545,752	492,097	- 9.8	4,642
<b>Insurance</b>				
Customers	339,368	380,317	+ 12.1	3,588
Intersegment	1	2		0
Total	339,369	380,319	+ 12.1	3,588
<b>Other</b>				
Customers	85,499	122,636	+ 43.4	1,157
Intersegment	206,137	241,485		2,278
Total	291,636	364,121	+ 24.9	3,435
Elimination	(584,790)	(631,121)	—	(5,954)
Consolidated	¥ 6,804,182	¥ 6,686,661	- 1.7%	\$ 63,082

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

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

Operating income (loss)	1999	2000	Change	2000
Electronics	¥ 131,106	¥ 118,629	- 9.5%	\$ 1,119
Game	136,500	77,352	- 43.3	730
Music	36,566	28,357	- 22.4	268
Pictures	42,954	38,616	- 10.1	364
Insurance	18,048	20,929	+ 16.0	197
Other	(4,538)	(12,945)	—	(122)
Total	360,636	270,938	- 24.9	2,556
Corporate and elimination	(12,424)	(30,311)	—	(286)
Consolidated	¥ 348,212	¥ 240,627	- 30.9%	\$ 2,270



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

**Three months ended March 31**

<b>Sales and operating revenue</b>	1999	2000	Change	2000
<b>Electronics</b>				
Customers	¥ 940,841	¥ 1,073,591	+ 14.1%	\$ 10,128
Intersegment	57,896	107,434		1,014
Total	998,737	1,181,025	+ 18.3	11,142
<b>Game</b>				
Customers	148,978	149,761	+ 0.5	1,413
Intersegment	6,018	3,772		36
Total	154,996	153,533	- 0.9	1,449
<b>Music</b>				
Customers	147,561	148,577	+ 0.7	1,402
Intersegment	13,227	10,455		99
Total	160,788	159,032	- 1.1	1,501
<b>Pictures</b>				
Customers	136,570	147,512	+ 8.0	1,391
Intersegment	50	(96)		(1)
Total	136,620	147,416	+ 7.9	1,390
<b>Insurance</b>				
Customers	90,281	102,782	+ 13.8	970
Intersegment	0	2		0
Total	90,281	102,784	+ 13.8	970
<b>Other</b>				
Customers	18,023	33,477	+ 85.7	316
Intersegment	51,925	63,390		598
Total	69,948	96,867	+ 38.5	914
Elimination	(129,116)	(184,957)	—	(1,746)
Consolidated	¥ 1,482,254	¥ 1,655,700	+ 11.7%	\$ 15,620

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

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

<b>Operating income (loss)</b>	1999	2000	Change	2000
Electronics	¥ (55,366)	¥ (14,948)	—	\$ (141)
Game	4,295	(25,776)	—	(243)
Music	(5,077)	(280)	—	(3)
Pictures	8,175	17,398	+ 112.8%	164
Insurance	14,522	(337)	—	(3)
Other	(2,805)	(4,628)	—	(44)
Total	(36,256)	(28,571)	—	(270)
Corporate and elimination	(3,067)	(7,408)	—	(69)
Consolidated	¥ (39,323)	¥ (35,979)	—	\$ (339)

## Electronics Sales and Operating Revenue to Customers by Product Category

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

### Year ended March 31

Sales and operating revenue	1999	2000	Change	2000
Audio	¥ 1,072,621	¥ 934,865	- 12.8%	\$ 8,820
Video	969,129	976,705	+ 0.8	9,214
Televisions	702,620	714,188	+ 1.6	6,738
Information and communications	914,140	1,052,707	+ 15.2	9,931
Electronic components and other	697,744	717,441	+ 2.8	6,768
Total	¥ 4,356,254	¥ 4,395,906	+ 0.9%	\$ 41,471

### Three months ended March 31

Sales and operating revenue	1999	2000	Change	2000
Audio	¥ 200,401	¥ 198,954	- 0.7%	\$ 1,877
Video	206,060	217,360	+ 5.5	2,050
Televisions	139,390	185,157	+ 32.8	1,747
Information and communications	220,765	280,164	+26.9	2,643
Electronic components and other	174,225	191,956	+ 10.2	1,811
Total	¥ 940,841	¥ 1,073,591	+ 14.1%	\$ 10,128

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on pages 8 and 9. The Electronics business is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the sales contributions of the products in this business segment. Operating income information by product category is not available.

## Geographic Segment Information

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

### Year ended March 31

Sales and operating revenue	1999	2000	Change	2000
Japan	¥ 1,917,028	¥ 2,121,249	+ 10.7%	\$ 20,012
United States	2,158,006	2,027,129	- 6.1	19,124
Europe	1,667,010	1,470,447	- 11.8	13,872
Other Areas	1,062,138	1,067,836	+ 0.5	10,074
Total	¥ 6,804,182	¥ 6,686,661	- 1.7%	\$ 63,082

### Three months ended March 31

Sales and operating revenue	1999	2000	Change	2000
Japan	¥ 479,412	¥ 576,834	+ 20.3%	\$ 5,442
United States	444,333	484,692	+ 9.1	4,572
Europe	338,209	320,398	- 5.3	3,023
Other Areas	220,300	273,776	+ 24.3	2,583
Total	¥ 1,482,254	¥ 1,655,700	+ 11.7%	\$ 15,620

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

## CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

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

	<b>Year ended March 31</b>			
	1999	2000	Change	2000
			%	
Sales and operating revenue:				
Net sales	¥ 6,415,418	¥ 6,238,401		\$ 58,853
Insurance revenue	339,368	380,317		3,588
Other operating revenue	49,396	67,943		641
	<u>6,804,182</u>	<u>6,686,661</u>	- 1.7	<u>63,082</u>
Costs and expenses:				
Cost of sales	4,633,787	4,595,086		43,350
Selling, general and administrative	1,500,863	1,491,560		14,071
Insurance expenses	321,320	359,388		3,391
	<u>6,455,970</u>	<u>6,446,034</u>		<u>60,812</u>
Operating income	348,212	240,627	- 30.9	2,270
Other income:				
Interest and dividends	23,313	17,700		167
Foreign exchange gain, net	2,895	27,466		259
Gain on securities contribution to employee retirement benefit trust	58,698	—		—
Other	67,999	103,682		978
	<u>152,905</u>	<u>148,848</u>		<u>1,404</u>
Other expenses:				
Interest	48,275	42,030		397
Other	75,151	83,135		784
	<u>123,426</u>	<u>125,165</u>		<u>1,181</u>
Income before income taxes	377,691	264,310	- 30.0	2,493
Income taxes	176,973	94,644		892
Income before minority interest and equity in net losses of affiliated companies	200,718	169,666		1,601
Minority interest in consolidated subsidiaries	12,151	10,001		95
Equity in net losses of affiliated companies	9,563	37,830		357
Net income	<u>¥ 179,004</u>	<u>¥ 121,835</u>	- 31.9	<u>\$ 1,149</u>
Retained earnings:				
Balance, beginning of year	965,083	1,123,591		10,600
Cash dividends	(20,496)	(21,665)		(204)
Balance, end of year	1,123,591	1,223,761		11,545
Net income per share				
Basic	¥ 436.9	¥ 289.2	- 33.8	\$ 2.73
Diluted	391.0	263.4	- 32.6	2.48

**CONSOLIDATED STATEMENTS OF INCOME** (Unaudited)

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

**Three months ended March 31**

	1999	2000	Change	2000
			%	
Sales and operating revenue:				
Net sales	¥ 1,381,950	¥ 1,534,868		\$ 14,480
Insurance revenue	90,281	102,782		970
Other operating revenue	10,023	18,050		170
	1,482,254	1,655,700	+ 11.7	15,620
Costs and expenses:				
Cost of sales	1,089,697	1,205,697		11,374
Selling, general and administrative	356,121	382,863		3,612
Insurance expenses	75,759	103,119		973
	1,521,577	1,691,679		15,959
Operating income (loss)	(39,323)	(35,979)	—	(339)
Other income:				
Interest and dividends	6,438	4,717		44
Other	19,570	42,167		398
	26,008	46,884		442
Other expenses:				
Interest	9,693	9,763		92
Foreign exchange loss, net	3,933	930		9
Other	26,400	34,564		326
	40,026	45,257		427
Income (loss) before income taxes	(53,341)	(34,352)	—	(324)
Income tax expense (benefit)	(36,531)	(17,389)		(164)
Income (loss) before minority interest and equity in net losses of affiliated companies	(16,810)	(16,963)		(160)
Minority interest in consolidated subsidiaries	(1,411)	(2,323)		(22)
Equity in net losses of affiliated companies	3,968	22,095		209
Net income (loss)	¥ (19,367)	¥ (36,735)	—	\$(347)
Net income (loss) per share				
Basic	¥ (47.2)	¥ (81.6)	—	\$ (0.77)
Diluted	(47.2)	(81.6)	—	(0.77)

## **CONDENSED CONSOLIDATED BALANCE SHEETS**

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

<b>ASSETS</b>	<b>1999</b>	<b>March 31 2000</b>	<b>2000</b>
Current assets:			
Cash and time deposits	¥ 616,514	¥ 632,202	\$ 5,964
Marketable securities	117,857	107,499	1,014
Notes and accounts receivable, less allowances	1,013,583	1,055,469	9,957
Inventories	877,898	859,174	8,106
Other	443,541	480,296	4,531
Total current assets	3,069,393	3,134,640	29,572
Noncurrent inventories — film	244,537	226,387	2,136
Investments and advances	980,736	1,075,594	10,147
Property, plant and equipment, less depreciation	1,249,751	1,255,570	11,845
Other assets:			
Intangibles	123,272	218,496	2,061
Goodwill	139,888	293,777	2,772
Deferred insurance acquisition costs	199,868	239,981	2,264
Other	291,608	362,752	3,422
Total other assets	754,636	1,115,006	10,519
	¥ 6,299,053	¥ 6,807,197	\$ 64,219
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Short-term debt	¥ 128,702	¥ 214,935	\$ 2,028
Notes and accounts payable, trade	722,690	811,031	7,651
Accounts payable, other and accrued expenses	670,631	681,458	6,429
Accrued income and other taxes	107,031	87,520	826
Other	313,491	365,398	3,447
Total current liabilities	1,942,545	2,160,342	20,381
Long-term liabilities:			
Long-term debt	1,037,460	813,828	7,678
Accrued pension and severance costs	129,115	129,604	1,223
Deferred income taxes	120,822	184,020	1,736
Future insurance policy benefits and other	913,937	1,124,873	10,612
Other	195,382	177,059	1,670
Total long-term liabilities	2,396,716	2,429,384	22,919
Minority interest in consolidated subsidiaries	136,127	34,565	326
Stockholders' equity:			
Common stock, ¥50 par value	416,373	451,550	4,260
Additional paid-in capital	559,236	940,716	8,875
Retained earnings	1,123,591	1,223,761	11,545
Accumulated other comprehensive income	(269,896)	(425,316)	(4,013)
Treasury stock, at cost	(5,639)	(7,805)	(74)
Total stockholders' equity	1,823,665	2,182,906	20,593
	¥ 6,299,053	¥ 6,807,197	\$ 64,219

## CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	<b>Year ended March 31</b>		
	<u>1999</u>	<u>2000</u>	<u>2000</u>
Cash flows from operating activities:			
Net income	¥179,004	¥121,835	\$1,149
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	307,173	306,505	2,892
Accrual for pension and severance costs, less payments	25,817	22,860	216
Loss on disposal of fixed assets	15,079	18,849	178
Gain on securities contribution to employee retirement benefit trust	(58,698)	-	-
Deferred income taxes	18,587	(26,159)	(247)
Equity in net losses of affiliated companies, net of dividends	14,580	38,699	365
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	38,942	(132,566)	(1,251)
(Increase) decrease in inventories	70,693	(35,498)	(335)
Increase in film inventories	(27,103)	(34,330)	(324)
Increase (decrease) in notes and accounts payable	(24,063)	110,207	1,040
Decrease in accrued income and other taxes	(30,125)	(15,433)	(145)
Increase in future insurance policy benefits and other	199,967	210,936	1,990
Increase in deferred insurance acquisition costs	(57,417)	(62,821)	(593)
Changes in other current assets and liabilities, net	55,286	87,328	824
Other	(64,455)	(30,949)	(292)
	<u>¥663,267</u>	<u>¥579,463</u>	<u>\$5,467</u>

(Continued on following page.)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	<b>Year ended March 31</b>		
	<u>1999</u>	<u>2000</u>	<u>2000</u>
<b>Cash flows from investing activities:</b>			
Payments for purchases of fixed assets	¥(368,355)	¥(403,013)	\$(3,802)
Proceeds from sales of fixed assets	28,783	29,077	274
Payments for investments and advances	(741,053)	(283,897)	(2,678)
Proceeds from sales of investment securities and collections of advances	530,097	183,693	1,733
Proceeds from merger of Loews Theatres exhibition business	53,007	-	-
Payments for purchases of marketable securities	(121,483)	(70,053)	(661)
Proceeds from sales of marketable securities	171,868	78,370	739
Decrease in time deposits	79,876	15,930	150
	<u>(367,260)</u>	<u>(449,893)</u>	<u>(4,245)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt	54,208	30,783	290
Payments of long-term debt	(69,889)	(99,454)	(938)
Increase (decrease) in short-term borrowings	(71,601)	19,824	187
Dividends paid	(24,501)	(20,589)	(194)
Other	(445)	1,361	13
	<u>(112,228)</u>	<u>(68,075)</u>	<u>(642)</u>
<b>Net cash used in financing activities</b>			
Effect of exchange rate changes on cash and cash equivalents	<u>(14,855)</u>	<u>(27,641)</u>	<u>(261)</u>
Net increase in cash and cash equivalents	168,924	33,854	319
Cash and cash equivalents at beginning of year	<u>423,286</u>	<u>592,210</u>	<u>5,587</u>
Cash and cash equivalents at end of year	<u>¥592,210</u>	<u>¥626,064</u>	<u>\$5,906</u>
<b>Supplemental data:</b>			
Cash paid during the year for - Income taxes	<u>¥191,378</u>	<u>¥132,891</u>	<u>\$1,254</u>
Interest	<u>¥49,096</u>	<u>¥43,668</u>	<u>\$412</u>

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2000.
2. As of March 31, 2000, Sony had 1,080 consolidated subsidiaries. It has applied the equity accounting method in respect to its 81 affiliated companies.
3. In December 1998, the Company contributed certain marketable equity securities, not including those of its subsidiaries and affiliated companies, to an employee retirement benefit trust. The securities held in this trust are qualified as plan assets under US GAAP. Upon contribution to the trust, the net unrealized gain of these securities was realized as a non-cash transaction and was disclosed as “gain on securities contribution to employee retirement benefit trust” on the income statement. Since the unrealized gain, net of tax, had already been recorded as accumulated other comprehensive income, the contribution itself did not impact the amount of comprehensive income.
4. Weighted-average shares used for computation of basic net income per share for the fiscal year ended March 31, 1999 and 2000 were 409,753 thousand shares and 421,339 thousand shares, respectively, and the weighted-average shares used for diluted net income per share for the fiscal year ended March 31, 1999 and 2000 were 463,830 thousand shares and 472,177 thousand shares, respectively. The dilutive effect mainly resulted from convertible bonds. Weighted-average shares used for computation of basic net loss per share for the three months ended March 31, 1999 and 2000 were 409,931 thousand shares and 450,199 thousand shares, respectively, and no additional shares were included in the computation of diluted net loss per share for the both periods because to do so would have been antidilutive.

Based upon a resolution of the Board of Directors’ Meeting held on December 27, 1999, Sony Corporation determined to effect on May 19, 2000 the stock split in the ratio of two shares for each share. Weighted-average shares used for computation of basic and diluted net income (loss) per share for all periods were not adjusted to give effect to this stock split. It is estimated that if this stock split were effective for all periods, basic and diluted net income (loss) per share would be calculated as follows :

[Proforma]	Year ended March 31		
	<u>1999</u>	<u>2000</u>	
Net income per share			
Basic	¥218.4	¥144.6	\$1.36
Diluted	¥195.5	¥131.7	\$1.24

[Proforma]	Three months ended March 31		
	<u>1999</u>	<u>2000</u>	
Net loss per share			
Basic	¥(23.6)	¥(40.8)	\$(0.38)
Diluted	¥(23.6)	¥(40.8)	\$(0.38)

5. Comprehensive income comprises net income plus other comprehensive income representing changes in foreign currency translation adjustments, unrealized gains of securities, and minimum pension liability adjustments. For the fiscal years ended March 31, 1999 and 2000, comprehensive income was ¥10,374 million and ¥(33,585) million (\$317 million), respectively. The changes in foreign currency translation adjustments included in the other comprehensive income were a decrease of ¥143,655 million and ¥199,173 million (\$1,879 million), respectively. For the three months ended March 31, 1999 and 2000, comprehensive income was ¥22,675 million and ¥2,375 million (\$22 million), respectively. The changes in foreign currency translation adjustments and the unrealized gain on securities were an increase of ¥21,528 million and ¥23,799 million, respectively for the three months ended March 31, 1999 and the change in foreign currency translation adjustments was an increase of ¥32,011 million (\$302 million) for the three months ended March 31, 2000.
6. Effective with the first quarter ended June 30, 1999, equity in net earnings (losses) of affiliated companies, which were previously included in sales and operating revenue, were separated. As a result, sales and operating revenue, operating income (loss), and income (loss) before income taxes figures for the fiscal year as well as the three months periods ended March 31, 1999 have been restated to conform to the 2000 presentation. Certain items in the consolidated balance sheet as of March 31, 1999 have been restated to conform to the 2000 presentation.



## Proposed motion picture accounting change:

In October 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (“AcSEC”) issued an exposure draft of a proposed Statement of Position, “Accounting By Producers and Distributors of Films” (the “SOP”). The proposed SOP would significantly change the current accounting for the motion picture and television businesses. AcSEC currently is in the process of finalizing these proposed rules. Based on the conclusions AcSEC reached as of March 31, 2000, the SOP would require that advertising costs for theatrical and television product be expensed as incurred. In addition, the SOP would require development costs for abandoned projects be charged directly to expense. The SOP would also require all film costs to be classified in the balance sheet as a non-current asset. The proposed SOP’s provisions in other areas, such as revenue recognition, generally are consistent with Sony’s current accounting policies.

The provisions of the SOP are still being deliberated by AcSEC and the Financial Accounting Standards Board and could change prior to the issuance of a final standard. Accordingly, the impact to Sony is not currently known, as it may vary depending on the final SOP as well as the exact date it becomes effective. For illustrative purposes, if the SOP had been implemented as of March 31, 2000, based upon AcSEC’s current conclusions, Sony would have had to record a one-time non-cash cumulative effect adjustment of approximately \$900 to \$950 million. Although the proposed SOP has not been finalized, Sony believes it will be issued during the first half of the fiscal year ending March 31, 2001. The SOP, when issued, is expected to be effective for fiscal years beginning on or after December 16, 2000, with early application encouraged. Sony expects to adopt the provisions of the SOP upon issuance. Also, if adopted for the fiscal year ending March 31, 2001, certain expenses, primarily advertising costs for theatrical and television product and abandoned development costs, which are currently capitalized and recognized over time, would be recognized when incurred.

## Other Consolidated Financial Data

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

	1999	Year ended March 31		2000
		2000	Change	
Depreciation and amortization*	¥307,173	¥306,505	- 0.2%	\$ 2,892
Capital expenditures (additions to fixed assets)	353,730	435,887	+23.2	4,112
R&D expenses	375,314	394,479	+ 5.1	3,722

\*Including amortization of deferred insurance acquisition costs

## Condensed Insurance Business Balance Sheet

The Insurance business is included on a consolidated basis in Sony's consolidated financial statements. The following schedule shows unaudited condensed balance sheets for the Insurance business and for Sony with the Insurance business' financial position reflected on the equity basis. (Although inter-business balances between Insurance business and businesses other than Insurance business are not eliminated in the respective balance sheets, such amounts are not material.) While this presentation differs from that provided under U.S. GAAP used in Sony's consolidated financial statements, because the Insurance business is different in nature from Sony's Electronics, Game, Music, and Pictures businesses, Sony believes that this type of comparative presentation helps the understanding and analysis of Sony's consolidated balance sheet.

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

	Insurance business			Sony with Insurance business on an equity basis		
	March 31			March 31		
	1999	2000	2000	1999	2000	2000
<b>ASSETS</b>						
Cash and time deposits	¥ 114,695	¥ 218,995	\$ 2,066	¥ 501,819	¥ 413,207	\$ 3,898
Marketable securities	62,112	87,539	826	55,745	19,960	188
Other current assets	10,000	12,331	116	2,326,837	2,383,213	22,483
Investments and advances	720,020	810,963	7,651	260,716	264,631	2,497
Investments in insurance operations	-	-	-	133,546	159,821	1,508
Deferred insurance acquisition costs	199,868	239,981	2,264	-	-	-
Other long-term assets	22,310	13,908	131	2,027,909	2,346,107	22,133
	¥ 1,129,005	¥ 1,383,717	\$ 13,054	¥ 5,306,572	¥ 5,586,939	\$ 52,707
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Future insurance policy benefits and other	¥ 913,937	¥ 1,124,873	\$ 10,612	¥ -	¥ -	\$ -
Other liabilities and minority interest	81,226	98,356	928	3,482,907	3,402,137	32,096
Total liabilities and minority interest	995,163	1,223,229	11,540	3,482,907	3,402,137	32,096
Stockholders' equity	133,842	160,488	1,514	1,823,665	2,184,802	20,611
	¥ 1,129,005	¥ 1,383,717	\$ 13,054	¥ 5,306,572	¥ 5,586,939	\$ 52,707

## Sales and Operating Income by Geographic Area

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

Sales and operating revenue	Year ended March 31			
	1999	2000	Change %	2000
Japan	¥ 4,167,999	¥ 4,397,887	+5.5	\$ 41,489
United States	2,373,055	2,253,394	-5.0	21,258
Europe	1,545,542	1,351,668	-12.5	12,752
Other Areas	1,469,813	1,458,721	-0.8	13,762
Elimination	(2,752,227)	(2,775,009)	—	(26,179)
Consolidated	¥ 6,804,182	¥ 6,686,661	-1.7	\$ 63,082
Operating income				
Japan	¥ 215,416	¥ 99,943	-53.6	\$ 943
United States	78,909	97,993	+24.2	924
Europe	81,080	51,928	-36.0	490
Other Areas	47,771	73,952	+54.8	698
Corporate and elimination	(74,964)	(83,189)	—	(785)
Consolidated	¥ 348,212	¥ 240,627	-30.9	\$ 2,270

Sales and operating revenue classifications used in Sales and Operating Income by Geographic Area above, which show sales recognized by geographic origin, and include intersegment transactions, are different from those used in Geographic Segment Information on page 10 which show sales recognized by geographic locations of the buyer.

## NON-CONSOLIDATED STATEMENTS OF INCOME

(Parent company only)

(Millions of yen)

	Year ended March 31		Change %
	1999	2000	
Operating profit and loss:			
Net Sales:			
Japan	¥ 786,875	¥ 872,929	+10.9
Export	1,645,814	1,720,032	+4.5
	2,432,690	2,592,962	+ 6.6
Cost of sales	2,087,443	2,243,534	
Selling, general and administrative	338,062	352,183	
Operating income (loss)	7,184	(2,755)	-
Non-operating profit and loss:			
Non-operating profit:			
Interest and dividends	30,559	24,616	
Other	92,768	88,461	
	123,327	113,077	
Non-operating loss:			
Interest	15,138	13,486	
Other	69,151	66,597	
	84,289	80,084	
Ordinary income	46,222	30,237	- 34.6
Non-recurring profit (loss), net	(2,111)	3,988	
Income before income taxes	44,110	34,225	
Income taxes			
Current	5,050	14,070	
Deferred	1,031	(10,683)	
Net income	¥ 38,029	¥ 30,838	- 18.9

## COMPOSITION OF NET SALES BY PRODUCT GROUP

(Parent company only)

(Millions of yen)

	Year ended March 31		Change
	1999	2000	
Audio	¥ 551,016	¥ 504,293	- 8.5%
Video	597,776	644,730	+ 7.9
Televisions	186,058	193,119	+ 3.8
Information and communications	524,576	693,142	+ 32.1
Electronic components and other	573,262	557,676	- 2.7
Net Sales	¥ 2,432,690	¥ 2,592,962	+ 6.6

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

## Strategies and Outlook

### Update

#### Management Policy

At the dawn of the broadband network era, Sony aims to offer an environment where individuals can enjoy an entirely new lifestyle of entertainment and convenience. To achieve this vision, Sony has embarked on a series of corporate reforms including the strengthening and reorganization of its Electronics business. Sony regards the fiscal year ending March 31, 2001 as a second phase of accelerating corporate reform and will strive to increase the corporate value of its entire group.

#### Reinforcement of Sony Group Headquarters Accelerating Corporate Reform

As a model for group management in the broadband network era, Sony aims to further promote the “unified dispersed” management model. This model combines the function of Sony’s Group Headquarters, which decides the basic group management policy and plans and carries out the overall strategy, with those of each business unit, which autonomously operate under substantial delegation of authority. The role of Sony Group Headquarters is to create new businesses by utilizing the network environment, to convert the existing businesses and management processes to those that correspond to a network context, and to aggressively promote reform, aiming to adapt the Sony group to the new era. In order to achieve this goal, Sony designated the Group Headquarters as “eHQ” and will strive to clarify its role as a promoter of reform and to strengthen its function.

#### Acceleration of Net Business as a New Growing Area

For a strategy of growth in the broadband network era, Sony is positioning such terminals as digital TVs/set top boxes, PCs, PlayStation2, and cellular phones as network gateways. Sony intends to establish new businesses by integrating these terminals with various services. To achieve these aims, Sony recognizes the importance of strengthening such areas as major devices, content, telecommunications, and services as a key way of differentiating itself from other companies, and as necessary, Sony will seek to promote cooperation and alliances with other companies.

In addition, to establish platforms to develop internet business strategically, Sony, as a group, is aggressively promoting “So-net”, originally started for providing internet services, and “PlayStation.com”, which is working to realize direct sales and contents distribution services in the future broadband network via the internet. In addition, “SonyStyle.com”, providing customers with access to Sony products integrated with network services and such, has begun operations. These internet businesses will develop new relationships with customers by responding to various individual needs. In April 2000, Sony announced the launch in Japan of a corporate broadband internet service named “bit-drive” using WLL, or wireless local loop access system, from July 2000.

In the entertainment area, which Sony believes will assume greater importance in a networked society, Sony established in March 2000 Sony Broadband Entertainment Inc. (herein referred to as “SBE”), a U.S. holding company of the Music and the Picture businesses. To increase the value of software assets, SBE will pursue content creation and network distribution business including potential strategic alliances. In April 2000, SMEI announced the start of fee-based music distribution via the internet. In Japan, a similar distribution service has already been launched by SMEJ.

#### Strengthening Electronics Business

“Network Companies”, which promote the Electronics business, will be redefined as business creation units which will fulfill roles such as research and development and product planning. As part of its strategy of building competitiveness in the existing Electronics business, Sony is proceeding with its reorganization plans focused on key businesses, consolidation of manufacturing plants, optimization of logistics operations, reduction of the number of employees, and the introduction of the Six Sigma method for improving management quality. The number of manufacturing facilities at the end of

March 2000 was 64, compared with 70 at the end of March 1999. In addition, aiming for optimization of logistics operations, Sony consolidated a logistics division in Sony Corporation and a subsidiary engaged in the air cargo agent business into a logistics subsidiary. In addition, aiming to create new engineering and manufacturing systems directly linked to the market, Sony will gradually transfer major parts of work relating to design and manufacture to new platform companies currently planned to be established from the second half of the fiscal year ending March 31, 2001. In line with this strategy, Sony transferred in April 2000 a manufacturing division engaged in recording and magnetic devices from Sony Corporation to a manufacturing subsidiary.

#### Positioning of Finance and Insurance Businesses in the Sony Group

Sony is seeking to position such businesses as Sony Finance International, Inc., Sony Life Insurance Co., Ltd., Sony Assurance Inc., and a net bank that is preparing to obtain a banking license, as another main business pillar alongside such sectors as electronics and entertainment. The total capitalization of the net bank, which Sony Corporation plans to establish with The Sakura Bank, Limited and J.P. Morgan & Co. Incorporated or an affiliate, will be ¥37.5 billion, ¥30.0 billion of which will be provided by Sony Corporation.

#### EVA

During the fiscal year ended March 31, 2000, as part of Value Creation Management, Sony introduced EVA\*, which reflects the cost of capital, as a measurement tool for evaluating performance. During and after the fiscal year ending March 31, 2001, Sony will utilize EVA as an internal index for the Sony group for evaluating business planning, performance control, investment, and compensation, principally in the Electronics business. Especially for compensation evaluation, Sony is planning to partly reflect the results of EVA in compensation for directors and executive officers from the fiscal year ending March 31, 2001 and for managers from the fiscal year ending March 31, 2002.

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

## Forecast of Consolidated Results

Regarding the forecast of consolidated results for the fiscal year ending March 31, 2001, although strong demand for digital AV and information and communication equipment is expected to continue, in view of expected severe competition and lower prices, along with an increase in the number of competitors in the digital network area, and the impact of foreign currency fluctuations, the environment for Sony is expected to remain difficult. As a result, Sony forecasts that sales and operating income are expected to increase, income before income taxes to decrease, and net income to be virtually flat.

<u>Consolidated Results</u>		<u>Change from previous year</u>
Sales and operating revenue	¥7,000 billion	+5%
Operating income	¥255 billion	+6%
Income before income taxes	¥240 billion	-9%
Net income	¥120 billion	virtually flat

This consolidated forecast includes the following factors.

- i) Sony is using yen-dollar and yen-euro average exchange rates in the fiscal year ending March 31, 2001 of approximately ¥105 and ¥103 respectively.
- ii) In the Electronics business, although such expenses as research and development, labor, advertising, and licensing are expected to increase, Sony intends to increase profit by expanding sales, introducing value added products such as digital equipment, and making further cost reductions.
- iii) In the Game business, sales are expected to increase along with the start-up of the PlayStation2 format. However, profits are expected to decrease principally due to start-up expenses attributable to the introduction of this format.
- iv) In the Music business, the market environment is expected to be relatively flat due to the saturation of the CD configuration in developed markets, ongoing effects of worldwide piracy, continued diversification in customers' preferences, and pricing pressures. In the U.S. based Music business, expenses associated with pursuing digital media initiatives are expected to negatively affect profitability; however, expected to offset these factors is the continued emphasis on global cost reduction as well as improved sales in Europe and Latin America. In the music business in Japan, cost reductions in such areas as advertising expenses are expected to improve profitability.
- v) In the Pictures business, in the motion pictures group, revenue is expected to increase due to releases of certain event films during the fiscal year ending March 31, 2001. In the home video group, Sony intends to increase video sales by focusing on the DVD format. In the television group, a decrease in the number of continuing network television series will reduce revenues during the fiscal year. Expenses relating to development of new interactive services that combine digital technology and film and television assets, and other strategic investments are expected to negatively affect profit.
- vi) In the Insurance business, although the life insurance business faces increasing competition due to deregulation and a continuation of the difficult environment for managing assets, Sony intends to expand the business through offering products suitable for customers' needs and further strengthening of sales forces. Start-up losses are expected in the non-life insurance business, which commenced operations in September 1999.
- vii) In the Other business, losses are expected in such businesses as location-based entertainment complexes in Japan and the U.S.
- viii) Amortization expenses (refer to Note IV on page 6) in connection with the acquisitions of minority interests through exchanges of stock in January 2000 will negatively affect profit for and after the fiscal year ending March 31, 2001.

- ix) In the fiscal year ending March 31, 2001, the amount of gains on sales of investment securities and subsidiaries is expected to decrease compared with the previous year.
- x) In the fiscal year ending March 31, 2001, results of certain affiliated companies are expected to improve. In particular, equity losses from The Columbia House Company are expected to decrease from the previous year which included the shortened amortization periods and the impairment (refer to page 5).

The above forecast does not include the effect of a proposed new accounting statement, "Accounting by Producers and Distributors of Films" (refer to page 17), the final version of which is expected to be issued by the Accounting Standards Executive Committee ("AcSEC") of the American Institute of Certified Public Accountants within the next six months. As currently drafted, the required implementation of the statement would be for the fiscal years beginning on or after December 16, 2000. However, Sony expects to adopt the provisions of the new accounting standard upon issuance. When adopted, certain expenses, primarily advertising costs for theatrical and television product and abandoned development costs, which are currently capitalized and recognized over time, would be recognized when incurred. As such, operating income, income before income taxes, and net income in the aforementioned forecast could be expected to decrease by approximately \$200 to \$250 million as a result of the accounting change in the fiscal year ending March 31, 2001. Sony would also have to record in the fiscal year ending March 31, 2001, a one-time non-cash cumulative effect adjustment of approximately \$900 to \$950 million for the period through the end of the fiscal year ended March 31, 2000, which would appear in the income statement directly above the caption of "net income." These charges would have no impact on cash flow.

### **Dividend Policy**

In the coming broadband network era, Sony Corporation, as the Sony Group Headquarters, considers that it is important to return profit to each shareholder by maintaining future competitiveness and increasing corporate value. As for retained earnings, Sony Corporation plans to utilize them effectively to carry out research and development and investments that are indispensable for continuing future growth of the Sony group.

A year-end cash dividend per share of Sony Corporation at the rate of ¥25 will be subject to approval at the ordinary general meeting of shareholders, which will be held on June 29, 2000. Sony Corporation has already paid ¥25 per share to each shareholder; accordingly the annual cash dividend per share will be ¥50.

Sony Corporation has announced the split of its shares at the ratio of 2 shares for each share as of May 19, 2000. Subject to Board of Directors and shareholder approval, the annual cash dividend per share for the fiscal year ending March 31, 2001 would be ¥25 (¥12.5 for interim dividend), which is half of the level of the annual cash dividend per share for the fiscal year ended March 31, 2000, on a per share basis.

### **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. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them. Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to (i) general economic conditions in Sony's markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, euro, and other currencies in which Sony makes significant sales or in which Sony's assets and liabilities are denominated; and (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 (particularly in the Electronics business), and subjective and changing consumer preferences (particularly in the Game, Music, and Pictures businesses).