

SONY CORP
Form 6-K
June 02, 2006

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**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 June 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 Form 40-F

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

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

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SIGNATURE

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

SONY CORPORATION

(Registrant)

By: /s/ Nobuyuki Oneda

(Signature)

Nobuyuki Oneda

Corporate Executive Officer,

Executive Vice President and

Chief Financial Officer

Date: June 2, 2006

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List of materials

Document attached hereto:

- i) Notice of the Ordinary General Meeting of Shareholders to be held on June 22, 2006
 - ii) Consolidated Financial Statements for the fiscal year ended March 31, 2006
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SONY CORPORATION
Notice of the Ordinary General Meeting of
Shareholders to be held on June 22, 2006

To the Registered Holders of American Depositary Receipts / European Depositary Receipts representing Common Stock of Sony Corporation (the Corporation):

The undersigned Depositary has received notice that the Corporation has called an ordinary general meeting of shareholders to be held in Tokyo, Japan on June 22, 2006 (the Meeting) for the following purposes:

MATTERS TO BE REPORTED:

1. To receive reports on the business report, consolidated balance sheet, consolidated statement of income and Audit Reports on the consolidated financial statements by the Accounting Auditors (certified public accountants) and the Audit Committee for the fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006) pursuant to the Commercial Code and the Law for Special Exceptions to the Commercial Code Concerning Audit, Etc. of Kabushiki-kaisha (the Audit Special Exceptions Law).
2. To receive reports on non-consolidated balance sheet, non-consolidated statement of income, and appropriation of non-consolidated retained earnings (on a parent company basis) for the fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006) pursuant to the Commercial Code and the Audit Special Exceptions Law.

PROPOSALS TO BE ACTED UPON:

< CORPORATION S PROPOSALS (PROPOSALS 1 to 3) >

1. To amend a part of the Articles of Incorporation.
2. To elect 14 Directors.
3. To issue Stock Acquisition Rights for the purpose of granting stock options.

< SHAREHOLDERS PROPOSAL (PROPOSAL 4) >

4. To amend the Articles of Incorporation with respect to disclosure to shareholders regarding remuneration paid to each Director.

EXPLANATION ON THE SUBJECT MATTERS OF THE MEETING

MATTERS TO BE REPORTED:

1. To receive reports on the business report, consolidated balance sheet, consolidated statement of income and Audit Reports on the consolidated financial statements by the Accounting Auditors (certified public accountants) and the Audit Committee for the fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006).
2. To receive reports on non-consolidated balance sheet, non-consolidated statement of income, and appropriation of non-consolidated retained earnings (on a parent company basis) for the fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006).

Note: The original financial statements for the fiscal year ended March 31, 2006, which consist of the business report, non-consolidated balance sheet, non-consolidated statement of income and appropriation of non-consolidated retained earnings written in Japanese have been audited by the Accounting Auditors (certified public accountants) and the Audit Committee pursuant to Japan's Commercial Code and the Audit Special Exceptions Law. The accompanying non-consolidated balance sheet, non-consolidated statement of income and appropriation of non-consolidated retained earnings are translations of relevant parts of the original financial statements.

Table of Contents**Non-consolidated Balance Sheets****ASSETS**

As of March 31

	<u>2006</u>	(For Reference) <u>2005</u>
	(In millions of yen)	
Current assets	¥969,925	¥921,969
Cash and deposits	102,390	102,153
Deposits for bond redemption		54,172
Notes receivable, trade	2,536	8,953
Accounts receivable, trade	536,987	479,301
Finished products and merchandise	29,310	664
Semi-finished products and work in process	9,578	7,699
Raw materials and supplies	2,917	4,548
Accounts receivable, other	158,756	182,428
Deferred tax assets, current	76,894	33,866
Other	52,204	48,522
Allowance for doubtful accounts	(1,650)	(340)
Fixed assets	2,684,059	2,762,551
(Property, plant and equipment)	(230,254)	(243,710)
Buildings	80,979	85,074
Structures	4,035	4,173
Machinery and equipment	83,762	86,308
Vehicles	32	1,551
Tools, furniture and fixtures	18,858	18,607
Land	31,267	31,312
Construction in progress	11,317	16,682
(Intangible assets)	(85,154)	(69,249)
Software	35,315	29,442
Other	49,839	39,807
(Investments and other assets)	(2,368,649)	(2,449,591)
Investments in related companies	2,057,258	2,056,131
Investments in equity of related companies other than capital stock	102,787	102,787
Securities investments and other	51,934	11,918
Long-term loans receivable	55,001	73,001
Long-term prepaid expenses	1,381	7,759
Deferred tax assets, non-current	74,159	171,391
Other	28,217	29,662
Allowance for doubtful accounts	(2,090)	(3,060)
Deferred assets	78	23
Discount on bonds	78	23
Total assets	¥3,654,062	¥3,684,545

Table of Contents**LIABILITIES AND STOCKHOLDERS EQUITY**

As of March 31

	<u>2006</u>	(For Reference) <u>2005</u>
	(In millions of yen)	
Current liabilities	¥890,381	¥1,053,584
Notes payable, trade	8,089	4,033
Accounts payable, trade	503,654	434,687
Short-term borrowings	21,473	259,598
Current portion of bonds	112,000	119,000
Current portion of convertible bonds	4,185	
Accounts payable, other	39,135	50,698
Accrued expenses	157,977	127,334
Accrued income and other taxes	1,239	2,243
Deposits received	4,184	14,001
Bonus reserve	21,414	22,728
Warranty reserve	6,880	5,990
Other	10,145	13,269
Long-term liabilities	684,485	588,162
Bonds	347,350	239,350
Convertible bonds	16,125	24,527
Bonds with stock acquisition rights	250,000	250,000
Accrued retirement benefits	62,151	66,494
Allowance for retirement benefits for directors	111	1,073
Allowance for recycling costs of personal computers	5,233	3,211
Other	3,514	3,505
Total liabilities	1,574,866	1,641,746
	STOCKHOLDERS EQUITY	
Common stock	624,124	621,708
Additional paid-in capital	830,666	828,250
Capital reserve	830,666	828,250
Retained earnings	603,932	595,529
Legal reserve	34,869	34,869
Reserve for special depreciation	4,205	4,187
Reserve for advanced depreciation	390	404
Reserve for retirement of the shares of subsidiary tracking stock	20,000	
Other reserve	354,400	354,400
Unappropriated retained earnings at the end of the period	190,067	201,667
Unrealized gains on securities	23,600	114
Treasury stock	(3,127)	(2,803)

Total stockholders equity		2,079,196	2,042,798
Total liabilities and stockholders equity		¥3,654,062	¥3,684,545

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For the year ended March 31

	<u>2006</u>	(For Reference) <u>2005</u>
	(In millions of yen)	
Recurring Profit and Loss		
Operating income and expenses:		
Net sales	¥3,179,579	¥2,895,413
Cost of sales	2,817,925	2,590,973
Selling, general and administrative expenses	377,244	369,062
Operating loss	15,590	64,622
Non-operating income and expenses:		
Non-operating income:		
Interest and dividend income	44,240	85,568
Other	79,320	84,286
Non-operating expenses:		
Interest expense	5,546	7,515
Other	83,762	51,960
Recurring profit	18,661	45,755
Non-recurring Profit and Loss		
Non-recurring profit:		
Gain on sales of investments in related companies	49,067	
Gain from the transfer of the substitutional portion of Japanese Welfare Pension Insurance		53,922
Non-recurring losses:		
Termination benefit on early retirement program	12,650	9,787
Profit before income taxes	55,079	89,890
Provisions for income taxes:		
Current	(21,766)	(6,244)
Previous years	3,951	
Deferred	38,415	39,478
Net profit	34,478	56,656
Unappropriated retained earnings brought forward from the previous period	169,206	160,399
Loss on retirement of subsidiaries stock through merger	1,160	
Loss on sale or transfer of treasury stock	0	3,816
Interim dividends	12,456	11,572
Unappropriated retained earnings at the end of the period	¥190,067	¥201,667

Table of Contents**Appropriation of Non-consolidated Retained Earnings**

	(In yen)
Unappropriated retained earnings at the end of the period	¥190,067,171,985
Reversal of reserve for special depreciation	1,446,530,584
Reversal of reserve for advanced depreciation	13,366,715
Reversal of reserve for retirement of the shares of subsidiary tracking stock	20,000,000,000
 Total	 211,527,069,284
To be appropriated to:	
Cash dividends (¥ 12.5 per share)	12,511,734,700
Reserve for special depreciation	1,072,763,760
Unappropriated retained earnings carried forward to the next period	¥197,942,570,824

Note 1: Interim dividends on shares of Common Stock in an aggregate amount of ¥12,456,491,438 (¥12.5 per share) were paid on December 1, 2005 to the shareholders of record as of September 30, 2005.

Note 2: Reserve for retirement of the shares of subsidiary tracking stock had been established as fund to be used for the retirement of the shares of subsidiary tracking stock, pursuant to the Commercial Code and the Articles of Incorporation. As all shares of subsidiary tracking stock were compulsorily converted to shares of Common Stock on December 1, 2005, the Corporation reversed the entire amount of such reserve.

[For Reference]**1. Reason for appropriation of non-consolidated retained earnings**

With respect to year-end cash dividends on shares of Common Stock for the fiscal year ended March 31, 2006, the Corporation approved, at a meeting of its Board of Directors held on May 17, 2006, to pay ¥12.5 per share, which is equal to the amount per share of year-end cash dividends paid in the previous fiscal year ended March 31, 2005. (This payment, combined with the interim dividends in the amount of ¥12.5 per share paid in December 2005, will bring the total annual cash dividends for the fiscal year ended March 31, 2006 to ¥25 per share.)

Since all shares of subsidiary tracking stock, the economic value of which was intended to be linked with Sony Communication Network Corporation's economic value, were compulsorily converted to shares of Common Stock on December 1, 2005, the Corporation reversed the entire amount of the reserve for retirement of the shares of subsidiary tracking stock.

2. Mid- and long-term policy regarding profit distribution

The Corporation believes that continuously increasing corporate value and providing dividends are essential to rewarding shareholders. It is the Corporation's policy to utilize retained earnings, after ensuring the perpetuation of stable dividends, to carry out various investments that contribute to an increase in corporate value such as those investments that ensure future growth and strengthen competitiveness.

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PROPOSALS TO BE ACTED UPON:

< CORPORATION S PROPOSALS (PROPOSALS 1 to 3) >

1. To amend a part of the Articles of Incorporation.

1. Reasons for Amendments

- (1) Upon the enactment of the Company Law (Law No. 86, 2005) in Japan, it is proposed that provisions of the Articles of Incorporation based on the Commercial Code be amended as follows:
 - (i) By operation of the Law for Maintenance, Etc. of Relevant Laws Relating to the Enforcement of the Company Law (Law No. 87, 2005), as of the day of the enactment of the Company Law (May 1, 2006) the following matters are deemed to have been included in the Articles of Incorporation without the need to obtain the resolution of the general meeting of shareholders. In light of such deemed inclusion, it is proposed that such matters be expressly reflected in the Articles of Incorporation.
 - (a) provisions concerning the Board of Directors, Committees, and Accounting Auditors (Article 2 of Proposed Revisions);
 - (b) provisions on the issuance of share certificates that represent the Corporation s issued shares (Article 8 of Proposed Revisions);
 - (c) provisions on the appointment of a Transfer Agent (Article 10 of Proposed Revisions); and
 - (d) provisions on the ability of the Corporation to determine the matters provided in items 2 to 4 of Article 459, Paragraph 1 of the Company Law (including distribution of surplus), by a resolution of the Board of Directors without the need for a resolution of a general meeting of shareholders (Article 35 of Proposed Revisions).

It is also proposed that the current provision concerning the acquisition of treasury stock by a resolution of the Board of Directors be included in Article 35 of the Proposed Revisions together with the matters set forth in item (d) above.

- (ii) It is proposed that provisions on the following matters, which will become effective if so expressly provided in the Articles of Incorporation, shall be newly established:
 - (a) allowance for a method that utilizes the Internet to provide part of the information that is sent to shareholders, in connection with the matters that must be described or indicated in the reference documents that must be sent to shareholders at the time of the convocation of the general meeting of shareholders (Article 15 of Proposed Revisions). By undertaking the above method that utilizes the Internet along with the use of mailings, it will be possible to send to the shareholders important information that will assist the shareholders in making decisions. At the time of utilizing the above method, the Corporation will sufficiently consider the circumstances of the shareholders using the Internet and other related matters.
 - (b) allowance for resolutions of the Board of Directors in writing (Article 26, Paragraph 2 of Proposed Revisions)

To allow flexible operation by the Board of Directors, it is proposed that when all the Directors unanimously agree to a proposal of the Board of Directors, the Corporation deem such proposal to have been adopted by resolution of a the Board of Directors without the need to hold a Board of Directors meeting.

- (iii) To comply and conform with the Company Law, it is proposed that the words and descriptions of the present Articles of Incorporation and the provisions quoted from the Commercial Code in the Articles of Incorporation be amended.

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- (2) All shares of Subsidiary Tracking Stock (Tracking Stock), the economic value of which is intended to be linked with Sony Communication Network Corporation s economic value, were terminated and compulsorily converted to shares of Sony Common Stock on December 1, 2005. In connection with such conversion, it is proposed that all provisions concerning the Tracking Stock be deleted from the Articles of Incorporation. (Article 5, Paragraphs 1 and 2, Article 6, Chapter II-2, Article 16-2, Article 33, Paragraph 2, and Article 35-2 of the present Articles of Incorporation)
- (3) In connection with the proposed relocation of the head office of the Corporation, it is proposed that the location of the head office be changed from Shinagawa-ku, Tokyo to Minato-ku, Tokyo. (Article 3 of Proposed Revisions)

With regard to this change, it is proposed that the change shall be effective on and after the date of relocation of the head office, as decided either by a resolution of the Board of Directors of the Corporation at a meeting held by March 31, 2007 or by a determination of the Corporate Executive Officer to whom the determination is delegated by a resolution of the Board of Directors of the Corporation adopted at a meeting held by March 31, 2007. In addition, it is proposed that supplementary provisions in connection with the above matters as well as the time for deletion of such supplementary provisions be newly established in the Articles of Incorporation.

- (4) As a result of the addition and deletion of certain Articles, it is proposed that certain current Articles be renumbered. In addition, it is proposed that minor or technical changes in some of the descriptions of the current Articles be made as set forth below.

2. Contents of Amendments

Proposed amendments are set out below:

(Underlined portions are to be amended.)

Current Articles

Proposed Amendment

**CHAPTER I
GENERAL PROVISIONS**

[Not amended]

Article 1. (Trade Name)

The name of the Corporation shall be Sony Kabushiki Kaisha and in English translation it shall be SONY CORPORATION .

[Not amended]

Article 1-2. (Special Exceptions Applicable to Corporations Having Committees)

The Corporation shall be subject to exceptions applicable to corporations having committees as provided for in Chapter II, Section IV of the Law for Special Exceptions to the Commercial Code concerning Audit, etc. of Kabushiki-Kaisha (hereinafter referred to

Article 2. (Corporations Having Committees)

The Corporation, being a corporation having committees, shall have the Board of Directors, Committees and Accounting Auditors.

as the Audit Special Exceptions Law).

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Current Articles

Proposed Amendment

Article 2. (Location of the Head Office)

The head office of the Corporation shall be located at Shinagawa-ku, Tokyo, Japan.

Article 3. (Purpose)

The purpose of the Corporation shall be to engage in the following business activities:

(1) Manufacture and sale of electronic and electrical machines and equipment;

from (2) to (17) [Omitted]

Article 4. (Method of Public Notice)

Public notices of the Corporation shall be given by electronic public notices; provided, however, that if the Corporation is unable to give an electronic public notice because of accident or any other unavoidable reason, public notices of the Corporation may be given in the Nihon Keizai Shimbun.

Article 3. (Location of the Head Office)

The head office of the Corporation shall be located at Minato-ku, Tokyo, Japan.

Article 4. (Purpose)

[Not amended]

Article 5. (Method of Public Notice)

The method of public notices of the Corporation shall be electronic public notices; provided, however, that if the Corporation is unable to give an electronic public notice because of an accident or any other unavoidable reason, public notices of the Corporation may be given in the Nihon Keizai Shimbun.

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Current Articles

Proposed Amendment

**CHAPTER II
SHARES**

[Not amended]

Article 5. (Type and Number of Shares, and Acquisition of Treasury Stock)

Article 6. (Total Number of Shares Authorized to be Issued)

1. In addition to the shares of Common Stock, the Corporation may issue the shares of stock prescribed in Chapter II-2 (hereinafter referred to as the shares of Subsidiary Tracking Stock).

[Deleted]

2. The total number of shares authorized to be issued by the Corporation shall be three billion six hundred million (3,600,000,000), out of which three billion five hundred million (3,500,000,000) shares shall be the shares of Common Stock and one hundred million (100,000,000) shares shall be the shares of Subsidiary Tracking Stock; provided, however, that in the event that the shares of Common Stock are retired or the shares of Subsidiary Tracking Stock are either retired or converted into the shares of Common Stock, the respective numbers of shares so retired or converted shall be subtracted from the respective total numbers of shares authorized to be issued by the Corporation.

The total number of shares authorized to be issued by the Corporation shall be three billion six hundred million (3,600,000,000) shares.

3. The Corporation may, by a resolution of the Board of Directors, purchase shares of the Corporation pursuant to Article 211-3, Paragraph 1, Item 2 of the Commercial Code.

[Deleted]

Article 6. (Number of Shares Constituting One Full Unit of Stock)

The number of all classes of shares constituting one full unit of stock shall be one hundred (100).

Article 7. (Number of Shares Constituting One Full Unit of Stock)

The number of shares constituting one full unit of stock shall be one hundred (100).

Article 8. (Issuance of Share Certificates)

[New Article]

1. The Corporation shall issue share certificates representing its issued shares.

2. Notwithstanding the provision of the preceding paragraph, the Corporation shall not issue any certificates for shares constituting less than one full unit.

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Current Articles

Proposed Amendment

Article 7. (Shares Constituting Less Than One Full Unit)

1. The Corporation shall not issue any certificate for shares constituting less than one full unit (hereinafter referred to as shares constituting less than one full unit) .

2. A shareholder (including a beneficial shareholder; hereinafter the same interpretation being applicable) holding shares constituting less than one full unit may request the Corporation to sell to the shareholder such amount of shares which will, when added together with the shares constituting less than one full unit, constitute one full unit of stock.

Article 8. (Transfer Agent)

1. The Corporation shall appoint a transfer agent in respect to shares. The transfer agent and its handling office shall be designated by a resolution of the Board of Directors of the Corporation or a determination of the Corporate Executive Officer to whom the determination has been delegated by a resolution of the Board of Directors of the Corporation and public notice thereof shall be given by the Corporation.

2. The register of shareholders (including the register of beneficial shareholders; hereinafter the same interpretation being applicable) and the register of lost share certificates of the Corporation shall be kept at the handling office of the transfer agent. The Corporation shall cause the transfer agent to handle the business pertaining to shares, such as registration of transfers of shares, entry (including the digital entry; hereinafter the same interpretation being applicable) in the register of beneficial shareholders, registration of lost share certificates, and purchase and sale of shares constituting less than one full unit, etc. The Corporation itself shall not handle the above matters directly.

Article 9. (Request for the Sale of Shares Constituting Less Than One Full Unit)

[Deleted]

A shareholder (including a beneficial shareholder; hereinafter the same interpretation being applicable) holding shares constituting less than one full unit may request the Corporation to sell to the shareholder such amount of shares which will, when added together with the shares constituting less than one full unit, constitute one full unit of stock.

Article 10. (Transfer Agent)

1. The Corporation shall appoint a transfer agent. The transfer agent and its handling office shall be designated by a resolution of the Board of Directors of the Corporation or a determination of the Corporate Executive Officer to whom the determination has been delegated by a resolution of the Board of Directors of the Corporation and public notice thereof shall be given by the Corporation.

2. The register of shareholders (including the register of beneficial shareholders; hereinafter the same interpretation being applicable), the register of lost share certificates and the register of stock acquisition rights of the Corporation shall be kept at the handling office of the transfer agent. The Corporation shall cause the transfer agent to handle the business pertaining to shares and stock acquisition rights, such as entry (including digital entry; hereinafter the same interpretation being applicable) into the register of shareholders, the register of lost share certificates, the register of stock acquisition rights, and purchase and sale of shares constituting less than one full unit, etc. The Corporation itself shall not handle the above matters directly.

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Current Articles

Proposed Amendment

Article 9. (Share Handling Regulations)

The business pertaining to shares of the Corporation, including denominations of share certificates, registration of transfers of shares, entry in the register of beneficial shareholders, registration of lost share certificates, and purchase and sale of shares constituting less than one full unit, etc. shall be governed by, in addition to these Articles of Incorporation, the Share Handling Regulations adopted or amended by a resolution of the Board of Directors of the Corporation or the Corporate Executive Officer to whom the adoption or amendment has been delegated by a resolution of the Board of Directors of the Corporation.

Article 10. (Record Date)

1. The Corporation shall deem any shareholder having voting rights as appearing on the register of shareholders as of the close of the last day of each accounting period to be a shareholder who is entitled to exercise voting rights at the ordinary general meeting of shareholders for that particular accounting period.

2. In addition to the preceding paragraph, whenever necessary, in accordance with a resolution of the Board of Directors of the Corporation or a determination of the Corporate Executive Officer to whom the determination has been delegated by a resolution of the Board of Directors of the Corporation and upon giving prior public notice, the Corporation may deem any shareholder or registered pledgee whose name appears on the register of shareholders as of the close of a specified date to be the shareholder or the pledgee who is entitled to exercise the rights of a shareholder or a pledgee.

Article 11. (Share Handling Regulations)

The business pertaining to shares and stock acquisition rights of the Corporation shall be governed by, in addition to these Articles of Incorporation, the Share Handling Regulations adopted or amended by a resolution of the Board of Directors of the Corporation or the Corporate Executive Officer to whom the adoption or amendment has been delegated by a resolution of the Board of Directors of the Corporation.

[Deleted]

[Deleted]

CHAPTER II-2
SHARES OF SUBSIDIARY TRACKING STOCK

from Article 10-2. to Article 10-13. [Omitted]

[Deleted]

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Current Articles

Proposed Amendment

**CHAPTER III
GENERAL MEETINGS OF SHAREHOLDERS**

[Not amended]

Article 11. (Convocation)

The ordinary general meeting of shareholders shall be convened within three months after April 1 of each year, and an extraordinary general meeting of shareholders may be convened whenever necessary, in any of the Wards of Tokyo or in the City of Yokohama in Kanagawa Prefecture in accordance with a resolution of the Board of Directors of the Corporation.

Article 12. (Convocation)

The ordinary general meeting of shareholders shall be convened within three months after the end of each business year, and an extraordinary general meeting of shareholders may be convened whenever necessary in accordance with a resolution of the Board of Directors of the Corporation.

[New Article]

Article 13. (Record Date of Ordinary General Meetings of Shareholders)

The Corporation shall deem any shareholder having voting rights, as appearing on the register of shareholders as of the end of the business year, to be a shareholder who is entitled to exercise voting rights at the ordinary general meeting of shareholders for that business year.

Article 12. (Convocation of Meetings and Chairman)

The Corporate Executive Officer previously determined by a resolution of the Board of Directors of the Corporation shall convene the general meetings of shareholders and act as the chairman thereof. When such Corporate Executive Officer is unable to act, another Corporate Executive Officer, who shall be decided in accordance with an order of priority previously determined by a resolution of the Board of Directors of the Corporation, shall convene such general meetings and act as the chairman thereof.

Article 14. (Convocation of Meetings and Chairman)

The Director who is concurrently in office as a Corporate Executive Officer, as so determined in advance by a resolution of the Board of Directors of the Corporation, shall convene the general meetings of shareholders and act as the chairman thereof. When such Director is unable to act, another Director concurrently in office as a Corporate Executive Officer, who is designated in accordance with an order of priority determined in advance by a resolution of the Board of Directors of the Corporation, shall convene such general meetings and act as the chairman thereof.

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Current Articles

Proposed Amendment

[New Article]

Article 15. (Disclosure of Reference Documents for General Meetings of Shareholders, Etc. through the Internet)

Upon convening a general meeting of shareholders, it may be deemed that the Corporation has provided the shareholders with necessary information that should be described or indicated in the reference documents for the general meeting of shareholders, business reports, non-consolidated financial statements, and consolidated financial statements, on the condition that such information is disclosed through the Internet in accordance with the Ministry of Justice Ordinance.

Article 13. (Method of Adopting Resolutions)

1. Except as otherwise provided by law or by these Articles of Incorporation, all resolutions of a general meeting of shareholders shall be adopted by a majority of votes held by the attending shareholders.

2. Resolutions to be adopted pursuant to Article 343 of the Commercial Code may be adopted by not less than two-thirds of the votes held by the attending shareholders who hold not less than one-third of the votes of all shareholders.

Article 14. (Exercise of Voting Rights by Proxy)

When a shareholder or its legal representative is not able to attend a general meeting of shareholders personally, he may entrust his voting rights to an attending shareholder who has voting rights. However, a document evidencing the authority of a proxy must be filed with the Corporation.

Article 16. (Method of Adopting Resolutions)

1. Except as otherwise provided by law or by these Articles of Incorporation, all resolutions of a general meeting of shareholders shall be adopted by a majority of votes held by the attending shareholders entitled to exercise their voting rights.

2. Resolutions provided for in Article 309, Paragraph 2 of the Company Law may be adopted by not less than two-thirds of the votes held by the attending shareholders who hold not less than one-third of the votes of shareholders entitled to exercise their voting rights.

Article 17. (Exercise of Voting Rights by Proxy)

[This Article will be amended to make partial modifications of the description in Japanese only. No modification of the English translation of this Article is necessary.]

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Current Articles

Proposed Amendment

Article 15. (Adjournment or Change of Location of the Meeting)

The chairman, in accordance with a resolution adopted at a general meeting of shareholders, may adjourn, or change the location of the meeting.

Article 16. (Minutes)

The substance of the proceedings at a general meeting of shareholders and the results thereof shall be recorded in the minutes, and the chairman, other Directors and Corporate Executive Officers present shall inscribe their names and affix their seals thereon or put their electronic signature thereon.

Article 16-2. (General Meeting of Holders of Class of Shares)

1. A general meeting of holders of a class of shares shall be convened whenever necessary in any of the Wards of Tokyo in accordance with a resolution of the Board of Directors of the Corporation.

2. The provisions of Articles 12, 14, 15 and 16 shall be applied mutatis mutandis to the general meetings of holders of a class of shares.

Article 18. (Adjournment or Change of Location of the Meeting)

[This Article will be amended to make partial modifications of the description in Japanese only. No modification of the English translation of this Article is necessary.]

Article 19. (Minutes)

The substance of the proceedings at a general meeting of shareholders and the results thereof, as well as other matters provided for in laws and regulations, shall be recorded in the minutes, and the chairman, other Directors and Corporate Executive Officers present shall inscribe their names and affix their seals thereon or put their electronic signature thereon.

[Deleted]

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Current Articles

Proposed Amendment

**CHAPTER IV
DIRECTORS, BOARD OF DIRECTORS AND
COMMITTEES**

[Not amended]

Article 17. (Election of Directors)

Article 20. (Election of Directors)

1. Directors shall be elected at the general meetings of shareholders.

[Not amended]

2. In order to adopt a resolution for the election of Directors, the attendance of shareholders holding not less than one-third of the voting rights of the total shareholders shall be required.

2. In order to adopt a resolution for the election of Directors, the attendance of shareholders holding not less than one-third of the voting rights of shareholders entitled to exercise their voting rights shall be required.

3. With respect to resolutions for the election of Directors, no cumulative voting shall be used.

[Not amended]

Article 18. (Term of Office of Directors)

Article 21. (Term of Office of Directors)

1. The term of office of a Director shall expire at the conclusion of the ordinary general meeting of shareholders held with respect to the last closing of accounts within one year after his or her assumption of office.

1. The term of office of a Director shall expire at the conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within one year after his or her election.

2. The term of office of a Director elected to fill a vacancy or to increase the number of Directors shall be the same as the remaining term of office of the other Directors then in office.

[Not amended]

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Current Articles

Article 19. (Limitation of Liabilities of Directors and Liability Limitation Agreement with Outside Directors)

1. The Corporation may, by a resolution of the Board of Directors of the Corporation, exempt Directors from their liabilities provided for in Article 21-17, Paragraph 1 of the Audit Special Exceptions Law to the extent permitted by law.

2. The Corporation may enter into a liability limitation agreement with outside Directors which limits the maximum amount of their liabilities provided for in Article 21-17, Paragraph 1 of the Audit Special Exceptions Law to the higher of either thirty million yen (30,000,000 yen) or an aggregate sum of the amounts prescribed in each item of Article 266, Paragraph 19 of the Commercial Code that shall be applied mutatis mutandis to the case by application of Article 21-17, Paragraph 5 of the Audit Special Exceptions Law.

Article 20. (Board of Directors)

1. The Directors of the Corporation shall constitute the Board of Directors of the Corporation.

2. The Board of Directors of the Corporation shall make decisions concerning the affairs of the Corporation as provided by law and by these Articles of Incorporation, as well as all other important affairs of the Corporation, and supervise the performance of the duties of the Directors and Corporate Executive Officers.

Article 21. (Holding of Meetings of the Board of Directors)

Meetings of the Board of Directors of the Corporation shall be either of ordinary or extraordinary meetings. Ordinary meetings of the Board of Directors of the Corporation shall be held at least once every three months, while extraordinary meetings of the Board of

Proposed Amendment

Article 22. (Limitation of Liabilities of Directors and Liability Limitation Agreement with Outside Directors)

1. The Corporation may, by a resolution of the Board of Directors of the Corporation, exempt Directors from their liabilities provided for in Article 423, Paragraph 1 of the Company Law, to the extent permitted by law.

2. The Corporation may enter into a liability limitation agreement with outside Directors, which shall limit the maximum amount of their liabilities provided for in Article 423, Paragraph 1 of the Company Law to the higher of either thirty million yen (30,000,000 yen) or an aggregate sum of the amounts prescribed in each item of Article 425, Paragraph 1 of the Company Law.

Article 23. (Board of Directors)

[Not amended]

[Not amended]

Article 24. (Holding of Meetings of the Board of Directors)

[Not amended]

Directors of the Corporation shall be held whenever necessary.

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Current Articles

Proposed Amendment

Article 22. (Notice of Convocation of the Board of Directors)

Notice of a meeting of the Board of Directors of the Corporation, giving the date, location and agenda, shall be sent to each Director at least five days prior to the meeting; provided, however, that in case of urgency, such period may be shortened.

Article 23. (Method of Adopting Resolutions of the Board of Directors)

Resolutions of the Board of Directors of the Corporation shall be adopted by a majority of the Directors present, which present Directors shall constitute in number a majority of the total number of Directors.

[New article]

Article 24. (Minutes of the Board of Directors)

The substance of proceedings of a meeting of the Board of Directors of the Corporation and the results thereof shall be recorded in the minutes, and the attending Directors shall inscribe their names and affix their seals thereon or put their electronic signatures thereon.

Article 25. (Nominating Committee, Audit Committee and Compensation Committee)

Article 25. (Notice of Convocation of the Board of Directors)

[Not amended]

Article 26. (Method of Adopting Resolutions of the Board of Directors)

1. Resolutions of the Board of Directors of the Corporation shall be adopted by a majority of the Directors present, which present Directors shall constitute, in number, a majority of the total number of Directors entitled to vote.

2. Notwithstanding the preceding paragraph, in accordance with Article 370 of the Company Law, the Corporation may deem that the matters to be resolved by the Board of Directors are adopted by a resolution of the Board of Directors when all the Directors unanimously express their agreement to such matters.

Article 27. (Minutes of the Board of Directors)

The substance of the proceedings of a meeting of the Board of Directors of the Corporation and the results thereof, as well as other matters provided for in laws and regulations, shall be recorded in the minutes, and the attending Directors shall inscribe their names and affix their seals thereon or put their electronic signatures thereon.

Article 28. (Nominating Committee, Audit Committee and Compensation Committee)

[Not amended]

Each of the Nominating Committee, the Audit Committee and the Compensation Committee shall make decisions on the matters prescribed by law, and respectively shall exercise their power and authority which are required in performing their respective business.

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Current Articles

Proposed Amendment

Article 26. (Organization of Each Committee)

1. Each Committee shall consist of three (3) or more Directors, a majority of whom shall be outside Directors not being in office as Corporate Executive Officers; provided, however, that a Director who is a member of the Audit Committee shall not concurrently be in office as a Corporate Executive Officer, general manager (shihainin) or any other employee of the Corporation or its subsidiary, or a Director who operates the business of such subsidiary.

2. Directors who are to be members of any Committee shall be determined by a resolution of the Board of Directors of the Corporation.

Article 29. (Organization of Each Committee)

1. Each Committee shall consist of three (3) or more Directors, a majority of whom shall be outside Directors; provided, however, that a Director who is a member of the Audit Committee shall not concurrently be in office as a Corporate Executive Officer, a Director who operates the business, an Accounting Counselor (kaikeisanyo), a general manager (shihainin) or any other employee of the Corporation or any of its subsidiaries.

[Not amended]

**CHAPTER V
CORPORATE EXECUTIVE OFFICERS**

[Not amended]

Article 27. (Election of Corporate Executive Officers)

Corporate Executive Officers shall be appointed by a resolution of the Board of Directors of the Corporation.

Article 30. (Election of Corporate Executive Officers)

[This Article will be amended to make partial modifications of the description in Japanese only. No modification of the English translation of this Article is necessary.]

Article 28. (Term of Office of Corporate Executive Officers)

1. The term of office of a Corporate Executive Officer shall expire at the conclusion of the first meeting of the Board of Directors of the Corporation held immediately after the conclusion of the ordinary general meeting of shareholders held with respect to the last closing of accounts within one year after his or her assumption of office.

2. The term of office of a Corporate Executive Officer elected to fill a vacancy or to increase the

Article 31. (Term of Office of Corporate Executive Officers)

1. The term of office of a Corporate Executive Officer shall expire at the conclusion of the first meeting of the Board of Directors of the Corporation that is convened immediately after the conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within one year after his or her election.

[Not amended]

number of Corporate Executive Officers shall be the same as the remaining term of office of the other Corporate Executive Officers then in office.

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Current Articles

Proposed Amendment

Article 29. (Representative Corporate Executive Officers)

Corporate Executive Officers who shall represent the Corporation shall be appointed by a resolution of the Board of Directors of the Corporation.

Article 30. (Limitation of Liabilities of Corporate Executive Officers)

The Corporation may, by a resolution of the Board of Directors of the Corporation, exempt Corporate Executive Officers from their liabilities provided for in Article 21-17, Paragraph 1 of the Audit Special Exceptions Law to the extent permitted by law.

**CHAPTER VI
ACCOUNTS**

Article 31. (Business Year and Closing of Accounts)

The business year of the Corporation shall commence on April 1 of each year and shall end on March 31 of the next following year, and the Corporation's accounts shall be closed at the end of each March 31.

Article 32. (Dividends)

Dividends shall be paid to shareholders or registered pledgees whose names appear on the register of shareholders as of the close of the last day of each accounting period.

[New Article]

Article 32. (Representative Corporate Executive Officers)

[This Article will be amended to make partial modifications of the description in Japanese only. No modification of the English translation of this Article is necessary.]

Article 33. (Limitation of Liabilities of Corporate Executive Officers)

The Corporation may, by a resolution of the Board of Directors of the Corporation, exempt Corporate Executive Officers from their liabilities provided for in Article 423, Paragraph 1 of the Company Law, to the extent permitted by law.

[Not amended]

Article 34. (Business Year)

The business year of the Corporation shall commence on April 1 of each year and shall end on March 31 of the next following year.

Article 35. (Dividends from Surplus)

1. The Corporation may determine the matters provided for in each item of Article 459, Paragraph 1 of the Company Law by a resolution of the Board of Directors without a resolution of a general meeting of shareholders.

2. The Corporation may make distribution of surplus in cash (hereinafter referred to as the Dividends) to

shareholders or registered share pledgees whose names appear on the register of shareholders as of the close of March 31 or September 30 of each year.

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Current Articles

Proposed Amendment

Article 33. (Interim Dividends)

1. The Corporation may, by a resolution of the Board of Directors of the Corporation, pay to the Shareholders of Common Stock and/or the Registered Pledges of Common Stock whose names appear on the register of shareholders as of the close of September 30 every year (hereinafter referred to as the Record Date for Interim Dividends) a cash distribution (referred to as the Interim Dividends in these Articles of Incorporation) in accordance with Article 293-5 of the Commercial Code. The Corporation may pay the Interim Dividends even if no resolution of the Subsidiary s Board of Directors prescribed in the following paragraph with respect to the relevant Record Date for Interim Dividends is made, and, thus, no amount exists to be distributed pursuant to the provisions of the following paragraph.

[Deleted]

2. [Omitted]

Article 34. (Expiration Period)

In case a dividend, or a cash distribution pursuant to the provisions of the preceding Article, shall not be received within five (5) years after the due date of each payment, the Corporation shall be relieved of the obligation for the payment thereof. Dividends and cash distributions pursuant to the preceding Article shall bear no interest.

Article 36. (Expiration Period)

In case Dividends shall not be received within five (5) years after the due date of each payment, the Corporation shall be relieved of the obligation for the payment thereof. Dividends payable shall bear no interest.

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Current Articles

Proposed Amendment

Article 35. (Conversion of Convertible Debentures and Dividends)

1. With respect to the calculation of the first dividend to be paid on shares issued upon conversion of convertible debentures, such conversion shall be deemed to have occurred at the beginning of the business year in which the conversion was applied for.

2. For purposes of applying the preceding paragraph, each cash distribution pursuant to Article 33 above shall be deemed a dividend, and the periods from April 1 to September 30 of the same year, and from October 1 to March 31 of the next following year, shall be deemed business years, respectively.

Article 35-2. (Compulsory Conversion of Shares of Subsidiary Tracking Stock and Dividends)

[Omitted]

Article 37. (Conversion of Convertible Debentures and Dividends)

1. With respect to the calculation of the first Dividends to be paid on shares issued upon conversion of convertible debentures, such conversion shall be deemed to have occurred at the beginning of the business year in which the conversion was applied for.

2. For purposes of applying the preceding paragraph, the period from April 1 to September 30 of the same year and the period from October 1 to March 31 of the next following year, shall be deemed business years, respectively.

[Deleted]

**CHAPTER VII
MISCELLANEOUS PROVISION**

**CHAPTER VII
MISCELLANEOUS PROVISIONS**

Article 36. (Transfer Agent with respect to bonds)

The Corporation may appoint a transfer agent or agents with respect to bonds.

[Deleted]

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Current Articles

Article 37. (Limitation of Liabilities of Directors and Statutory Auditors prior to the Corporation becoming a Corporation Having Committees)

1. The Corporation may, by a resolution of the Board of Directors of the Corporation, exempt Directors from their liabilities arising in connection with the actions provided for in Article 266, Paragraph 1, Item 5 of the Commercial Code that occurred prior to the close of the 86th ordinary general meeting of shareholders to the extent permitted by law.

2. The Corporation may, by a resolution of the Board of Directors of the Corporation, exempt Statutory Auditors from their liabilities arising prior to the close of the 86th ordinary general meeting of shareholders to the extent permitted by law.

[New Article]

Proposed Amendment

Article 38. (Transitional Measures for Limitation of Liabilities of Directors, Statutory Auditors and Corporate Executive Officers)

1. The Corporation may, by a resolution of the Board of Directors of the Corporation, exempt Directors from their liabilities arising in connection with the actions provided for in Article 266, Paragraph 1, Item 5 of the Commercial Code, not as amended (hereinafter referred to as the Old Commercial Code) by the Law for Maintenance, Etc. of Relevant Laws Relating to the Enforcement of the Company Law (Law No. 87, 2005: hereinafter referred to as the Maintenance Law) that occurred prior to the close of the 86th ordinary general meeting of shareholders, to the extent permitted by law.

2. The Corporation may, by a resolution of the Board of Directors of the Corporation, exempt Statutory Auditors from their liabilities under the Old Commercial Code arising prior to the close of the 86th ordinary general meeting of shareholders, to the extent permitted by law.

3. The Corporation may, by a resolution of the Board of Directors of the Corporation, exempt Directors and Corporate Executive Officers from their liabilities arising from actions set forth in Article 21-17, Paragraph 1 of the Law for Special Exceptions to the Commercial Code Concerning Audits, Etc. of Kabushiki-kaisha, which actions are taken prior to the enactment of the Maintenance Law, to the extent permitted by law.

(Supplementary Provisions)

Change of the location of the head office shall take effect from the date of the relocation of the head office, which date is determined either by a resolution of the Board of Directors of the Corporation to be held by March 31, 2007 or by a Corporate Executive Officer to whom the determination has been delegated by a resolution of the Board of Directors adopted by March 31, 2007.

[New Article]

These supplementary provisions shall be automatically deleted as of the effective date of the change of location described in the preceding paragraph.

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Table of Contents**2. To elect 14 Directors.**

The term of offices of all 12 Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. In accordance with the decision of the Nominating Committee, the election of the following 14 Directors is proposed. The candidates for Directors are as follows:

(*Candidates for outside Directors)

Name (Date of Birth)	Brief Personal History and Representative Status in Other Companies	Number of the Corporation's Shares Held	
1. Howard Stringer (February 19, 1942)	May 1997	President, Sony Corporation of America	
	December 1998	Chairman and Chief Executive Officer, Sony Corporation of America (present)	
	June 1999	Director, Sony Corporation (present)	
	April 2003	Vice Chairman, Sony Corporation	
	June 2003	Vice Chairman, Corporate Executive Officer, Sony Corporation	
	April 2005	Officer in charge of Entertainment Business Group and Game Business Group	10,000 shares
	June 2005	Chairman and Chief Executive Officer, Representative Corporate Executive Officer, Sony Corporation (present)	
	This candidate has served as a Director of the Corporation for seven years. Currently, as the Chief Executive Officer of Sony Group, he would be responsible for overall management of the entire Group.		
	April 1977	Entered Sony Corporation	
	June 1999	Corporate Vice President, Sony Corporation	
June 2002	Corporate Senior Vice President, Sony Corporation		
June 2003	Executive Vice President, Sony Corporation		
June 2004	Executive Deputy President, Corporate Executive Officer, Sony Corporation		
2. Ryoji Chubachi (September 4, 1947)	April 2005	Electronics CEO, Sony Corporation (present)	21,000 shares
	June 2005	Director, Sony Corporation (Present) President and Representative Corporate Executive Officer, Sony Corporation (present)	
	As the Electronics CEO, this candidate would be responsible for overall management of electronics business and has concurrently served as a Director of the Corporation since 2005.		
	May 1981	Entered Sony Corporation	
	June 1997	Corporate Senior Vice President, Sony Corporation	
	June 2000	Corporate Executive Vice President, Sony Corporation	
	October 2001	President, Sony Ericsson Mobile Communications AB	

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<p>3. Katsumi Ihara (September 24, 1950)</p>	<p>June 2004</p>	<p>Executive Deputy President, Corporate Executive Officer, Sony Corporation Group Chief Strategy Officer and Group Chief Financial Officer, Sony Corporation</p>	
	<p>June 2005</p>	<p>Director, Sony Corporation (present) Executive Deputy President, Representative Corporate</p>	<p>3,000 shares</p>
	<p>October 2005</p>	<p>Executive Officer, Sony Corporation (present) Officer in charge of Procurement Strategies, TV and Video Business Group, Sony Corporation (present)</p>	

As Representative Corporate Executive Officer, this candidate would assist the Chief Executive Officer and Electronics CEO in overall Group management, and would be in charge of the important TV and Video Business Group of electronics, and has concurrently served as a Director of the Corporation since 2005.

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Name (Date of Birth)	Brief Personal History and Representative Status in Other Companies	Number of the Corporation's Shares Held
4. * Akishige Okada (April 9, 1938)	<p>April 1963 Entered The Mitsui Bank, Ltd.</p> <p>June 1991 Director, The Mitsui Taiyo Kobe Bank, Ltd.</p> <p>June 1995 Managing Director, The Sakura Bank, Ltd.</p> <p>June 1996 Senior Managing Director, The Sakura Bank, Ltd.</p> <p>June 1997 President, The Sakura Bank, Ltd.</p> <p>April 2001 Chairman of the Board, Sumitomo Mitsui Banking Corporation</p> <p>June 2002 Director, Sony Corporation (present)</p> <p>December 2002 Chairman of the Board, Sumitomo Mitsui Financial Group, Inc.</p> <p>June 2005 Advisor, Sumitomo Mitsui Banking Corporation (present)</p> <p>This candidate brings extensive expertise and wide-ranging insight in the area of banking management and has served as an outside Director of the Corporation for four years. Currently, he serves as Chairman of the Compensation Committee and a member of the Nominating Committee.</p>	4,000 shares
5. * Hirobumi Kawano (January 1, 1946)	<p>July 1969 Entered Ministry of International Trade and Industry (MITI) (later renamed the Ministry of Economy, Trade and Industry (METI))</p> <p>June 1989 Director, Americas-Oceania Division, International Trade Policy Bureau, MITI</p> <p>June 1991 Director, General Industrial Machinery Division, Machinery and Information Industries Bureau, MITI</p> <p>June 1993 Director, General Coordination Division, Minister's Secretariat, MITI</p> <p>June 1995 Director-General, Petroleum Department, Agency of Natural Resources and Energy, MITI</p> <p>August 1996 Director-General, Machinery and Information Industries Policy, Machinery and Information Industries Bureau, MITI</p> <p>June 1998 Director-General, Basic Industries Bureau, MITI</p> <p>September 1999 Director General, Agency for Natural Resources and Energy, MITI</p> <p>September 2002 Executive Adviser, The Tokio Marine and Fire Insurance Co., Ltd.</p> <p>June 2003 Director, Sony Corporation (present)</p> <p>August 2004</p>	4,000 shares

Senior Vice President, JFE Steel Corporation
(present)

This candidate, who has developed a wealth of experience and expertise in the METI and has a deep understanding of the industry, has served as an outside Director of the Corporation for three years. He currently serves as Vice Chairman of the Board and a member of the Nominating Committee.

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Name (Date of Birth)	Brief Personal History and Representative Status in Other Companies	Number of the Corporation's Shares Held
6. * Yotaro Kobayashi (April 25, 1933)	October 1958	Entered Fuji Photo Film Co., Ltd.
	September 1963	Entered Fuji Xerox Co., Ltd.
	December 1968	Director, Fuji Xerox Co., Ltd.
	December 1972	Managing Director, Fuji Xerox Co., Ltd.
	January 1976	Deputy President and Director, Fuji Xerox Co., Ltd.
	January 1978	President and Chief Executive Officer, Fuji Xerox Co., Ltd.
	January 1992	Chairman of the Board, Fuji Xerox Co., Ltd.
	June 2003	Director, Sony Corporation (present)
	April 2006	Chief Corporate Advisor, Fuji Xerox Co., Ltd. (present)
		This candidate has extensive experience in global management and has served as an outside Director of the Corporation for three years. He currently serves as Chairman of the Board and Chairman of the Nominating Committee.
7. * Sakie T. Fukushima (September 10, 1949)	June 1980	Entered Braxton International
	September 1987	Entered Bain & Company
	August 1991	Entered Korn/Ferry International Japan
	May 1995	Member, Board of Directors, Korn/Ferry International, U.S.A. (present)
	September 2000	Managing Director, Korn/Ferry International Japan
	July 2001	Representative Director & Regional Managing Director -
	June 2003	Japan, Korn/Ferry International (present) Director, Sony Corporation (present)
		<Representative Status in Other Companies> Representative Director & Regional Managing Director Japan, Korn/Ferry International
		This candidate, who has a keen awareness of global personnel and a deep understanding of global management, has served as an outside Director of the Corporation for three years. She currently serves as a member of the Audit Committee.
		April 1964
	March 1970	Director, ORIX Corporation
	November 1973	Managing Director, ORIX Corporation
	May 1976	Senior Managing Director, ORIX Corporation
	December 1979	Director, Deputy President, ORIX Corporation
	December 1980	Representative Director, President, ORIX Corporation

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8.	April 2000	Representative Director, Chairman and Group CEO, ORIX Corporation	
* Yoshihiko Miyauchi (September 13, 1935)	June 2003	Director, Sony Corporation (present) Director, Representative Executive Officer, Chairman and Group CEO, ORIX Corporation (present)	1,000 shares

<Representative Status in Other Companies>
Representative Executive Officer, ORIX Corporation
This candidate has practiced innovative management in Japan, has an extensive knowledge of corporate governance and has served as an outside Director of the Corporation for three years. He currently serves as a member of the Compensation Committee.

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Name (Date of Birth)	Brief Personal History and Representative Status in Other Companies	Number of the Corporation's Shares Held
9. * Yoshiaki Yamauchi (June 30, 1937)	<p>December 1962 Entered Arthur Andersen & Co.</p> <p>September 1986 Country Managing Partner Japan, Arthur Andersen & Co. President, Eiwa Audit Corporation</p> <p>October 1991 President, Inoue Saito Eiwa Audit Corporation</p> <p>October 1993 Executive Director, Asahi & Co. Deputy Country Managing Partner Japan, Arthur Andersen & Co.</p> <p>June 1999 Director, Sumitomo Banking Corporation</p> <p>June 2000 Statutory Auditor, Stanley Electric Co., Ltd. (present)</p> <p>April 2001 Director, Sumitomo Mitsui Banking Corporation (present)</p> <p>December 2002 Director, Sumitomo Mitsui Financial Group, Inc. (present)</p> <p>June 2003 Director, Sony Corporation (present)</p> <p>At an accounting office, this candidate has developed a wealth of experience and expertise in auditing, and has served as an outside Director of the Corporation for three years. He currently serves as Chairman of the Audit Committee.</p>	
10. * Peter Bonfield (June 3, 1944)	<p>October 1981 Entered ICL plc.</p> <p>December 1986 Chairman, ICL plc.</p> <p>January 1995 Member of the Board, AstraZeneca plc. (present)</p> <p>January 1996 Chief Executive Officer, British Telecom plc.</p> <p>March 2002 Member of the Board, Telefonaktiebolaget LM Ericsson (present)</p> <p>Member of the Board, Mentor Graphics Inc. (present)</p> <p>April 2002 Member of the Board, Taiwan Semiconductor Manufacturing Company Ltd. (present)</p> <p>May 2004 Member of the Advisory Board, Sony Corporation</p> <p>June 2005 Director, Sony Corporation (present)</p> <p>In addition to serving as CEO of British Telecom, this candidate was a member of the Advisory Board of the Corporation. Since 2005, he has served as an outside Director of the Corporation.</p>	
11. * Fueo Sumita (May 24, 1938)	<p>April 1961 Entered Hitachi, Ltd.</p> <p>February 1988 Entered Century Audit Corporation</p> <p>May 1999 Chairman, Century Audit Corporation</p> <p>July 2000 Deputy Director, Ohta-Showa Century Audit Corporation</p> <p>May 2002 (currently, Ernst & Young ShinNihon)</p>	

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August 2003	Executive Vice President, Kawada Corporation	
	Chief of Sumita Accounting Office (present)	100 shares
June 2005	Director, Sony Corporation (present)	

In addition to hands-on auditing experience and international expertise as a certified public accountant, this candidate's track record includes the management of an auditing firm. Since 2005, he has served as an outside Director of the Corporation. He currently serves as a member of the Audit Committee.

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Name (Date of Birth)	Brief Personal History and Representative Status in Other Companies	Number of the Corporation s Shares Held
12. * Fujio Cho (February 2, 1937)	<p>April 1960 Entered TOYOTA Motor Corporation</p> <p>September 1988 Director, TOYOTA Motor Corporation</p> <p>December 1988 President, TOYOTA Motor Manufacturing U.S.A.</p> <p>September 1994 Managing Director, TOYOTA Motor Corporation</p> <p>June 1996 Senior Managing Director, TOYOTA Motor Corporation</p> <p>June 1998 Corporation</p> <p>June 1999 Executive Vice President, TOYOTA Motor Corporation</p> <p>June 2005 President, TOYOTA Motor Corporation Vice Chairman, TOYOTA Motor Corporation (present)</p> <p><Representative Status in Other Companies> Representative Director, TOYOTA Motor Corporation Mr. Cho offers broad-ranging insight and a wealth of experience in managing manufacturers and global companies. The decision has been made for Mr. Cho to be a candidate for outside Director.</p>	
13. * Ned Lautenbach (February 2, 1944)	<p>1968 Entered IBM Corporation</p> <p>1986 President, IBM National Distribution Division of the U.S.</p> <p>1991 President, IBM Asia Pacific Operations</p> <p>1993 Chairman, IBM World Trade Corporation</p> <p>1995 Senior Vice President & Group Executive, IBM Worldwide</p> <p>1998 Sales & Services Operating Partner, Clayton, Dubilier & Rice, Inc. (present)</p> <p>Formerly employed by IBM, where he was in charge of worldwide sales and service, Mr. Lautenbach brings a wealth of experience in global business and has a deep technical understanding of technology. The decision has been made for Mr. Lautenbach to be a candidate for outside Director.</p>	
14. Göran Lindahl (April 28, 1945)	<p>January 1997 President and Chief Executive Officer, ABB Asea Brown Boveri Ltd.</p> <p>March 1999 Director, ABB Ltd. (renamed from ABB Asea Brown Boveri Ltd. in June 1999)</p> <p>March 2001 Director, INGKA Holding B.V. (present)</p> <p>June 2001 Director, Sony Corporation (present)</p> <p>April 2003 Sony Group Europe Representative</p> <p>June 2003 Corporate Executive Officer, Sony Corporation</p> <p>August 2005 Chairman & CEO, LivSafe Group (present)</p>	

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As this candidate was temporarily in charge of European business operations, from the standpoint of the Company Law he is not considered an outside Director. However, as he is not concurrently a Corporate Executive Officer, he is expected to maintain a level of independence and neutrality equivalent to that of an outside Director. He has served as a Director of the Corporation for five years, and currently serves as a member of the Compensation Committee.

Note: The Corporation has entered into business transactions with ORIX Corporation concerning the lease of computers and other equipment.

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3. To issue Stock Acquisition Rights for the purpose of granting stock options.

It is proposed that the Corporation will issue stock acquisition rights to directors, corporate executive officers and employees of the Corporation and its subsidiaries, for the purpose of granting stock options, pursuant to the provisions of Articles 236, 238 and 239 of the Company Law, and that the Corporation will delegate the determination of the terms of such stock acquisition rights to the Board of Directors of the Corporation.

I. The reason why the Corporation needs to offer stock acquisition rights upon especially favorable terms.

The Corporation will issue stock acquisition rights to directors, corporate executive officers and employees of the Corporation and its subsidiaries for the purpose of giving directors, corporate executive officers and employees of the Corporation and its subsidiaries an incentive to contribute towards the improvement of the business performance of the Corporation and its group companies (hereinafter referred to as the Group) and thereby improving such business performance of the Group, by making the economic interest which such directors, corporate executive officers or employees will receive correspond to the business performance of the Corporation.

II. Matters regarding, and the maximum limit of the aggregate numbers of, stock acquisition rights (hereinafter referred to as the Stock Acquisition Rights), the terms of which the Board of Directors of the Corporation may determine pursuant to the delegation of such determination by the approval of this Ordinary General Meeting of Shareholders.

1. Maximum Limit of Aggregate Numbers of Stock Acquisition Rights

Not exceeding 27,500.

2. The Stock Acquisition Rights are issued without payment of any consideration to the Corporation.

3. Matters regarding Stock Acquisition Rights

(1) Class and Number of Shares to be Issued or Transferred upon Exercise of Stock Acquisition Rights

The class of shares to be issued or transferred upon exercise of Stock Acquisition Rights shall be shares of common stock of the Corporation, and the number of shares to be issued or transferred upon exercise of each Stock Acquisition Right (hereinafter referred to as the Number of Granted Shares) shall be 100 shares of common stock of the Corporation.

The aggregate number of shares to be issued or transferred upon exercise of Stock Acquisition Rights shall not exceed 2,750,000 shares of common stock of the Corporation. However, in the event that the Number of Granted Shares is adjusted pursuant to (2) below, the aggregate number of shares to be issued or transferred upon exercise of Stock Acquisition Rights shall not exceed the number obtained by multiplying the Number of Granted Shares after adjustment by the maximum limit of the aggregate number of Stock Acquisition Rights as prescribed in 1. above.

(2) Adjustment of Number of Granted Shares

In the event that the Corporation conducts a stock split (including free distribution of shares (*musho-wariate*)) or a consolidation of the shares of common stock of the Corporation after the date of a resolution of this Ordinary General Meeting of Shareholders, the Number of Granted Shares shall be adjusted in accordance with the following formula:

$$\begin{array}{l} \text{Number of} \\ \text{Granted Shares} \\ \text{after} \\ \text{adjustment} \end{array} = \begin{array}{l} \text{Number of} \\ \text{Granted Shares} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of split} \\ \text{or consolidation} \end{array}$$

Any fraction less than one (1) share resulting from the adjustment shall be disregarded.

(3) Amount of the Assets to be Contributed upon Exercise of Stock Acquisition Rights

The amount of the assets to be contributed upon exercise of Stock Acquisition Rights shall be the amount obtained by multiplying the amount to be paid in per share to be issued or transferred upon

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exercise of Stock Acquisition Rights (hereinafter referred to as the Exercise Price), which is provided below, by the Number of Granted Shares.

(i) Initial Exercise Price

The Exercise Price shall initially be as follows:

(A) Stock Acquisition Rights with Exercise Price Denominated in Yen

The Exercise Price shall be initially the average of the closing prices of shares of common stock of the Corporation in the regular trading thereof on the Tokyo Stock Exchange (each hereinafter referred to as the Closing Price) for the ten (10) consecutive trading days (excluding days on which there is no Closing Price) immediately prior to the allotment date of such Stock Acquisition Rights (any fraction less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen); provided, however, that if such calculated price is lower than any of (a) the average of the Closing Prices for the thirty (30) consecutive trading days (excluding days on which there is no Closing Price) commencing forty-five (45) trading days immediately before the day that is immediately after the allotment date of Stock Acquisition Rights (any fraction less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen), (b) the average of the Closing Prices for the thirty (30) consecutive trading days (excluding days on which there is no Closing Price) commencing forty-five (45) trading days immediately before the date (being the allotment date of Stock Acquisition Rights) on which the Corporation fixes the Exercise Price (any fraction less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen), or (c) the Closing Price on the allotment date of Stock Acquisition Rights (if there is no Closing Price on such date, the Closing Price on the immediately preceding trading day), the Exercise Price shall be the highest price among (a), (b) and (c) above.

(B) Stock Acquisition Rights with Exercise Price Denominated in U.S. Dollars

The Exercise Price shall be initially the U.S. dollar amount obtained by dividing the average of the Closing Prices for the ten (10) consecutive trading days (excluding days on which there is no Closing Price) immediately prior to the allotment date of such Stock Acquisition Rights (hereinafter referred to as the Reference Yen Price) by the average of the exchange rate quotations by a leading commercial bank in Tokyo for selling spot U.S. dollars by telegraphic transfer against yen for such ten (10) consecutive trading days (hereinafter referred to as the Reference Exchange Rate) (any fraction less than one (1) cent arising as a result of such calculation shall be rounded up to the nearest one (1) cent); provided, however, that if the Reference Yen Price is lower than any of (a) the average of the Closing Prices for the thirty (30) consecutive trading days (excluding days on which there is no Closing Price) commencing forty-five (45) trading days immediately before the day that is immediately after the allotment date of Stock Acquisition Rights, (b) the average of the Closing Prices for the thirty (30) consecutive trading days (excluding days on which there is no Closing Price) commencing forty-five (45) trading days immediately before the date (being the allotment date of Stock Acquisition Rights) on which the Corporation fixes the Exercise Price, or (c) the Closing Price on the allotment date of Stock Acquisition Rights (if there is no Closing Price on such date, the Closing Price on the immediately preceding trading day), the Exercise Price shall be the U.S. dollar amount obtained by dividing the highest price among (a), (b) and (c) above by the Reference Exchange Rate (any fraction less than one (1) cent arising as a result of such calculation shall be rounded up to the nearest one (1) cent).

(ii) Adjustment of Exercise Price

In the event that the Corporation makes a stock split (including free of shares distribution (*musho-wariate*)) or consolidation of the shares of common stock of the Corporation after the allotment date of Stock Acquisition Rights, the Exercise Price shall be adjusted in accordance with the following formula, and any fraction less than one (1) yen or one (1) cent resulting from the adjustment shall be rounded up to the nearest one (1) yen or one (1) cent.

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$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment}}{\text{Ratio of split or consolidation}}$$

In addition, in the case of a merger with any other company, corporate split or capital reduction of the Corporation, or in any other case similar thereto where an adjustment of Exercise Price shall be required, in each case after the allotment date of Stock Acquisition Rights, the Exercise Price shall be adjusted appropriately to the extent reasonable.

(4) Period during which Stock Acquisition Rights May be Exercised

The period during which Stock Acquisition Rights may be exercised will be the period from the allotment date of Stock Acquisition Rights to the day on which ten (10) years have passed from such allotment date.

(5) Conditions for the Exercise of Stock Acquisition Rights

(i) No Stock Acquisition Right may be exercised in part.

(ii) In the event of a resolution being passed at a general meeting of shareholders of the Corporation for an agreement for any consolidation, amalgamation or merger (other than a consolidation, amalgamation or merger in which the Corporation is the continuing corporation), or in the event of a resolution being passed at a general meeting of shareholder of the Corporation (or, where a resolution of a general meeting of shareholders is not necessary, at a meeting of the Board of Directors of the Corporation) for any agreement for share exchange (*kabushiki-kokan*) or any plan for share transfer (*kabushiki-iten*) pursuant to which the Corporation is to become a wholly-owned subsidiary of another corporation, Stock Acquisition Rights may not be exercised on and after the effective date of such consolidation, amalgamation, merger, share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*).

(iii) Conditions for the exercise of Stock Acquisition Rights other than the conditions referred to above shall be determined by the Board of Directors of the Corporation.

(6) Mandatory Repurchase of Stock Acquisition Rights

Not applicable.

(7) Matters concerning the Amount of Capital and the Additional Paid-in Capital Increased by the Issuance of the Shares upon Exercise of Stock Acquisition Rights

(i) The amount of capital increased by the issue of the shares upon exercise of Stock Acquisition Rights shall be the amount obtained by multiplying the maximum limit of capital increase, as calculated in accordance with the provisions of Paragraph 1, Article 40 of the Company Accounting Regulations, by 0.5, and any fraction less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen.

(ii) The amount of additional paid-in capital increased by the issue of the shares upon exercise of Stock Acquisition Rights shall be the amount obtained by deducting the capital to be increased, as provided in (i) above, from the maximum limit of capital increase, as also provided in (i) above.

(8) Restrictions on the Acquisition of Stock Acquisition Rights through Transfer

The Stock Acquisition Rights cannot be acquired through transfer, unless such acquisition is expressly approved by the Board of Directors of the Corporation.

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< SHAREHOLDERS PROPOSAL (PROPOSAL 4) >

Proposal 4 is proposed by 43 shareholders holding 882 voting rights.

4. To amend the Articles of Incorporation with respect to disclosure to shareholders regarding remuneration paid to each Director.

(1) Proposal

It is proposed that the Corporation add the following new provision to its Articles of Incorporation:

With respect to the remunerations determined by the Compensation Committee and paid to the Directors during a business year, the amount of remuneration paid to each of the top five (5) Directors in terms of amount of remuneration shall be disclosed in the business report that is attached to the convocation notice of the ordinary general meeting of shareholders held with respect to such business year.

(2) Reasons for Proposal

Since 2002, essentially the same proposal has been submitted for approval. Last year, the proposal was accepted by shareholders holding 38.8% of voting shares.

In the United States, it is said that if shareholder proposals are accepted by 10% or more of voters, the board of directors must reflect in its governance this voice of the shareholder majority. In this sense, a 38.8% in-favor vote is significant. In the United States, listed companies are obliged to disclose in the convocation notice of a general meeting of shareholders the remuneration paid to each of the top five officers, including the Chief Executive Officer. As other countries follow suit, such individual disclosure is becoming mainstream throughout the world.

At last year's general meeting of shareholders, Mr. Nobuyuki Idei resigned his office as Chairman and Chief Executive Officer. Sir Howard Stringer was appointed Chairman and Chief Executive Officer, and there were substantial changes in other director appointments. Now in particular, it is important to clearly link corporate business results with the individual contribution and individual remuneration of directors. For this reason as well as to augment management transparency, it is essential to disclose the individual remuneration of at least the top five (5) directors. The proposal outlined above is based on the conviction that such disclosure will raise Sony's international standing and augment corporate value.

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< Opinion of the Board of Directors of the Corporation >

The Board of Directors of the Corporation opposes the proposal.

The Corporation has taken various measures within the framework of the Commercial Code to separate the role of Executive Officer and Director and to strengthen the Corporation's Corporate Governance, including the introduction of the Corporate Executive Officer system in 1997, which is unique to the Corporation. In addition, upon completion of the ordinary general meeting of shareholders held in 2003, the Corporation adopted the new corporate governance system under the Commercial Code that was referred to as the Company with Committees system. As a result, three statutory committees were established: the Nominating Committee, the Audit Committee, and the Compensation Committee, and a majority of members of each of those committees consists of outside directors. Under such new corporate governance system, Corporate Executive Officers were also established. Under this committee system, the amounts of remuneration (including retirement allowances) for each Director and Corporate Executive Officer are determined by the Compensation Committee, and the basic policy regarding remuneration for the Directors and the Corporate Executive Officers as determined by the Compensation Committee has been disclosed in the Corporation's Business Report.

The aggregate amount of remuneration paid to the Directors and the Corporate Executive Officers by the Corporation has been disclosed to all shareholders in the Corporation's Business Report with a breakdown of fixed remuneration, bonuses linked to business results, and retirement allowances paid to both groups of Directors and Corporate Executive Officers. In addition, the amount of bonuses linked to business results and retirement allowances expected to be paid have also been disclosed. Moreover, in the basic policy regarding remuneration for Directors and Corporate Executive Officers, the Corporation will clarify that the decision on remuneration is an objective decision that is based on research by a third party regarding remuneration of management of both domestic and foreign companies. Starting from the current fiscal year, for the purpose of realizing remuneration linked to business and shareholders' value, the Corporation has repealed the retirement allowance system and introduced a retirement shares allowance system linked to the Corporation's share price. (Please refer to page 33)

The Board of Directors believes that the Corporation's current procedure that discloses the aggregate amount of remuneration for Directors and Corporate Executive Officers and clarifies the standard of distribution is adequate from the standpoint of existing law, business practice and corporate governance.

In addition to executive remuneration, the Corporation will continue to disclose beneficial information for our shareholders and investors; therefore, the Board of Directors opposes the establishment of the provision under this proposal that requires the disclosure of individual remuneration.

Table of Contents**[For Reference]****Amounts paid to Directors and Corporate Executive Officers (For the fiscal year ended March 31, 2006)**

	Fixed Remuneration		Bonus linked to business results		Retirement Allowances	
	Number of persons	Amount ¥144 million	Number of persons	Amount (Note 2)	Number of persons	Amount ¥117 million
Directors	13 (Note 1)				4	
Corporate Executive Officers	16	¥824 million	13	¥297 million	9	¥1,057 million
Total	29	¥969 million	13	¥297 million	13	¥1,174 million

Note 1: The number of persons does not include number of Directors who concurrently serve as Corporate Executive Officers, because the Corporation does not pay fixed remuneration to Directors who concurrently serve as Corporate Executive Officers.

Note 2: The Corporation does not pay bonuses linked to business results to Directors who do not concurrently serve as Corporate Executive Officers.

Note 3: In addition to the above, the Corporation issued Stock Acquisition Rights for the purpose of granting stock options to Directors and Corporate Executive Officers without the payment of any consideration to the Corporation. (Please refer to page 35)

Note 4: Pursuant to determination of the meeting of the Compensation Committee held on April 24, 2006, the Corporation plans to pay bonuses linked to business results in an aggregate amount of ¥819 million to 7 Corporate Executive Officers in June 2006.

Basic policy regarding remuneration for Directors and Corporate Executive Officers

The basic policy regarding remuneration for each of the Directors and the Corporate Executive Officers, as determined by the Compensation Committee, is as follows:

(1) Basic policy of Director remuneration

Taking into account that the main duty of the Directors is to supervise the performance of business operations of the Sony Group and the fact that Sony is a global company, in order to improve such function of the Directors, the following two elements shall constitute the basic policy for the determination of the remuneration of Directors:

Attracting and retaining an adequate talent pool of Directors possessing the requisite abilities to excel in the global marketplace; and

Ensuring the effectiveness of the supervisory function of the Directors.

Based upon the above, the remuneration of Directors shall consist of the following three components:

Fixed remuneration;

Remuneration linked to share price; and

Phantom restricted stock plan.

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The schedule for the amount of each component and its percentage of total remuneration shall be determined in conformance with the basic policy above.

Remuneration of Directors shall be at an appropriate level determined based upon the research by a third party regarding remuneration of management of both domestic and foreign companies. The Director remuneration shall not be paid to those Directors who concurrently serve as Corporate Executive Officers.

In fiscal 2005, the retirement allowance scheme was abolished and a new stock-based retirement remuneration (phantom restricted stock plan) was introduced, to further realize shareholders' value. Specifically, points fixed every year by the Compensation Committee shall be granted to Directors every year during his/her office, and at the time of resignation, the remuneration amount shall be calculated by multiplying Sony's common stock price by accumulated points. The resigning Director shall purchase Sony's common stock with this remuneration.

(2) Basic policy of Corporate Executive Officer remuneration

Taking into account that Corporate Executive Officers are key members of management responsible for executing the business operations of Sony, in order to further improve the business results of Sony, the following two elements shall constitute the basic policy for the determination of the remuneration of Corporate Executive Officers:

Attracting and retaining an adequate talent pool of Corporate Executive Officers possessing the requisite abilities to excel in the global marketplace; and

Providing effective incentives to improve business results on a short, medium and long term basis.

Based upon the above, remuneration of Corporate Executive Officers shall consist of the following four components:

Fixed remuneration;

Bonus linked to business results;

Remuneration linked to share price; and

Phantom restricted stock plan.

The schedule for the amount of each component and its percentage of total remuneration shall be determined in conformance with the above basic policy with an emphasis on linking remuneration to business results and shareholder value. Remuneration of Corporate Executive Officers shall be at an appropriate level determined based upon the research by a third party regarding remuneration of management of both domestic and foreign companies.

Specifically, the amount of bonus linked to business results shall be determined based upon consolidated business results of Sony, such as operating margin and the level of achievement in respect of the business area(s) for which the relevant Corporate Executive Officer is responsible, and the amount paid to Corporate Executive Officers shall fluctuate within the range from 0% to 200% to the base amount.

In fiscal 2005, the retirement allowance scheme was abolished and a new stock-based retirement remuneration (phantom restricted stock plan) was introduced, to further realize shareholders' value. Specifically, points fixed every year by the Compensation Committee shall be granted to Corporate Executive Officers every year during his/her office, and at the time of resignation, the remuneration amount shall be calculated by multiplying Sony's common stock price by accumulated points. The resigning Corporate Executive Officer shall purchase Sony's common stock with this remuneration.

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Stock Acquisition Rights (SARs) issued by the Corporation for the purpose of granting stock options during fiscal year ended March 31, 2006

< The tenth series of Common Stock Acquisition Rights >

1. The terms of Common Stock Acquisition Rights

(1) Aggregate number issued: 11,241

(2) Class and number of shares to be issued or transferred upon exercise:

1,124,100 shares of Common Stock of the Corporation

The number of shares to be issued or transferred upon exercise of each Common Stock Acquisition Right is 100.

(3) Issue price: No consideration shall be paid.

(4) Amount to be paid in per share to be issued or transferred upon exercise: ¥4,060

(5) Exercise period: From and including November 17, 2006 to and including November 16, 2015

(6) Conditions for exercise:

(i) Each Common Stock Acquisition Right may not be exercised in part.

(ii) If share exchange or share transfer by which the Corporation becomes a wholly-owned subsidiary of another company is approved at a meeting of shareholders of the Corporation, a holder of Common Stock Acquisition Rights may not exercise the Common Stock Acquisition Rights on and after the date of such share exchange or share transfer.

(iii) Other conditions for exercise shall be designated in an agreement concerning allocation of the Stock Acquisition Rights signed by the Corporation, and the Qualified Person, pursuant to a resolution adopted at the ordinary general meeting of shareholders and a resolution of the Board of Directors of the Corporation.

(7) Reasons and conditions for cancellation of Common Stock Acquisition Rights: None.

2. The name of persons to whom Common Stock Acquisition Rights were allocated and the number of Common Stock Acquisition Rights allocated:

(Directors of the Corporation: 9 Directors and 162 SARs)

Name	Number of Common Stock Acquisition Rights allocated
Akishige Okada	18
Hirobumi Kawano	18
Yotaro Kobayashi	18
Sakie T. Fukushima	18
Yoshihiko Miyauchi	18
Yoshiaki Yamauchi	18
Peter Bonfield	18
Fueo Sumita	18
Göran Lindahl	18

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(Corporate Executive Officers of the Corporation: 5 Officers and 1,590 SARs)

Name	Number of Common Stock Acquisition Rights allocated
Ryoji Chubachi	1,000
Katsumi Ihara	240
Nobuyuki Oneda	100
Keiji Kimura	100
Yutaka Nakagawa	150

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(Employees of the Corporation, Directors and Employees of the Corporation's affiliates: Top10)

Name	Number of Common Stock Acquisition Rights allocated	Company Name	Status
Ken Kutaragi	480	Sony Computer Entertainment Inc.	Director
Masaru Kato	240	Sony Computer Entertainment Inc.	Director
David Reeves	240	Sony Computer Entertainment Europe Ltd.	Director
Kazuo Hirai	240	Sony Computer Entertainment America Inc.	Director
John Tretton III	180	Sony Computer Entertainment America Inc.	Employee
Phil Harrison	150	Sony Computer Entertainment Europe Ltd.	Employee
Jim Ryan	120	Sony Computer Entertainment Europe Ltd.	Employee
Shizuo Takashino	100	Sony (China) Ltd.	Director
Hideki Komiyama	100	Sony Electronics Inc.	Director
Kazunori Yamauchi	100	Polyphony Digital Inc.	Director

(Directors of the Corporation's affiliates, the number of SARs allocated to whom is more than the minimum number of SARs allocated to Directors and Corporate Executive Officers of the Corporation)

Name	Number of Common Stock Acquisition Rights allocated	Company Name
Fujio Nishida	70	Sony United Kingdom Ltd.
Tsugie Miyashita	50	Sony Marketing (Japan) Inc.
Haruyasu Nagata	50	Sony United Kingdom Ltd.
Kei Kodera Keiji	40	Sony (China) Ltd.
Nakazawa	40	S-LCD Corporation Sony Music
Kazutomo Enomoto	36	Entertainment (Japan) Inc.

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Yoon, Yeo-Eul	30	Sony Computer Entertainment Korea Inc.
Domingo Jaumandreu	30	Sony Espana S.A.
Claudio Borroni	30	Sony Italia S.p.A.
Derry Newman	30	Sony United Kingdom Ltd.
Yoshiyuki Kamon	20	Sony Engineering Corporation
Seiichi Tsukioka	20	Sony Chemicals Corporation
Kiyoshi Okubo	20	Sony Semiconductor Kyushu Corporation
Makoto Yashiki	20	Sony Supply Chain Solutions, Inc.
Manfred Gerdes	20	Sony Deutschland G.m.b.H.
Gildas Pellet	20	Sony e-Solutions Europe B.V.
Serge Foucher	20	Sony Europe G.m.b.H.
Sylvain Antol	20	Sony France S.A.
Philippe Citroen	20	Sony France S.A.
Costas Balafoutas	20	Sony Hellas S.A.
Robert Ashcroft	20	Sony United Kingdom Ltd.
Steve Dowdle	20	Sony United Kingdom Ltd.

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3. The information related to Common Stock Acquisition Rights allocated to employees of the Corporation, and directors and employees of the Corporation's affiliates:

	Number of Common Stock Acquisition Rights allocated	Class and number of shares to be issued or transferred upon exercise	Total number of persons allocated
Employees of the Corporation	3,482	348,200 Common Stock	233
Directors of the Corporation's affiliates	2,501	250,100 Common Stock	118
Employees of the Corporation's affiliates	3,506	350,600 Common Stock	258

< The eleventh series of Common Stock Acquisition Rights >

1. The terms of Common Stock Acquisition Rights

(1) Aggregate number issued: 13,675

(2) Class and number of shares to be issued or transferred upon exercise:

1,367,500 shares of Common Stock of the Corporation

The number of shares to be issued or transferred upon exercise of each Common Stock Acquisition Right is 100.

(3) Issue price: No consideration shall be paid.

(4) Amount to be paid in per share to be issued or transferred upon exercise: U.S.\$34.14

(5) Exercise period: From and including November 18, 2005 to and including November 17, 2015

(6) Conditions for exercise:

(i) Each Common Stock Acquisition Right may not be exercised in part.

(ii) If share exchange or share transfer by which the Corporation becomes a wholly-owned subsidiary of another company is approved at a meeting of shareholders of the Corporation, a holder of Common Stock Acquisition Rights may not exercise the Common Stock Acquisition Rights on and after the date of such share exchange or share transfer.

(iii) Other conditions for exercise shall be designated in an agreement concerning allocation of the Stock Acquisition Rights signed by the Corporation, and the Qualified Person, pursuant to a resolution adopted at the ordinary general meeting of shareholders and a resolution of the Board of Directors of the Corporation.

(7) Reasons and conditions for cancellation of Common Stock Acquisition Rights: None.

2. The name of persons to whom Common Stock Acquisition Rights were allocated and the number of Common Stock Acquisition Rights allocated:

(Corporate Executive Officers of the Corporation: 2 Officers and 4,300 SARs)

Name	Number of Common Stock Acquisition Rights allocated
Howard Stringer	4,000
Nicole Seligman	300

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(Directors and Employees of the Corporation s affiliates: Top10)

Name	Number of Common Stock Acquisition Rights allocated	Company Name	Status
Michael		Sony Pictures	
Lynton	450	Entertainment Inc.	Director
Steve		Sony Pictures	
Mosko	301	Entertainment Inc.	Employee
Robert		Sony Corporation of	
Wiesenthal	300	America	Employee
Robert		Sony Pictures	
Osher	201	Entertainment Inc.	Employee
Clint		Sony Pictures	
Culpepper	168	Entertainment Inc.	Employee
		Sony Pictures	
Leah Weil	168	Entertainment Inc.	Employee
Doug		Sony Pictures	
Belgrad	162	Entertainment Inc.	Employee
Matt		Sony Pictures	
Tolmach	162	Entertainment Inc.	Employee
David		Sony Pictures	
Hendler	151	Entertainment Inc.	Employee
Andrew		Sony Corporation of	
House	150	America	Employee

3. The information related to Common Stock Acquisition Rights allocated to directors and employees of the Corporation s affiliates:

	Number of Common Stock Acquisition Rights allocated	Class and number of shares to be issued or transferred upon exercise	Total number of persons allocated
Directors of the Corporation s affiliates	625	62,500 Common Stock	8
Employees of the Corporation s affiliates	8,750	875,000 Common Stock	491

Holders of American Depositary Receipts / European Depositary Receipts of record as of March 31, 2006, desiring to have their shares voted by the Depositary at the Meeting should execute the enclosed Voting Instruction Form and return it to the Depositary on or before 3:00 p.m. (New York time), June 16, 2006.

If your instructions are not received at or prior to that time, the Depositary intends to give a discretionary proxy for your vote to a person designated by Sony Corporation.

JPMorgan Chase Bank, Depositary

Dated: May 31, 2006

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Consolidated Financial Statements
For the year ended March 31, 2006
Sony Corporation
TOKYO, JAPAN

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Management

Investor Information

Sony's Corporate Governance Practices

For an explanation as to the significant differences between the New York Stock Exchange's corporate governance standards and Sony's corporate governance practices, please visit us on the internet at:

<http://www.sony.net/SonyInfo/IR/NYSEGovernance.html>

Cautionary Statement

Statements made in this release with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as believe, expect, plans, strategy, prospects, forecast, estimate, project, anticipate, aim, may or might and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Sony cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to (i) the global economic environment in which Sony operates, as well as the economic conditions in Sony's markets, particularly levels of consumer spending; (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 and Pictures segments, All Other and 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.

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Financial Highlights

Sony Corporation and Consolidated Subsidiaries Fiscal Year Ended March 31

Operating Results

	Yen in billions			Dollars in millions
	except per share amounts and			except per share
	number of employees		Percent change	amounts
	2005	2006	2006/2005	2006
FOR THE FISCAL YEAR				
Sales and operating revenue	¥7,159.6	¥7,475.4	+4.4%	\$63,893
Operating income	113.9	191.3	+67.9	1,635
Income before income taxes	157.2	286.3	+82.1	2,447
Net income	163.8	123.6	-24.5	1,057
Per share of common stock:				
Net income				
Basic	¥175.90	¥122.58	-30.3%	\$1.05
Diluted	158.07	116.88	-26.1	1.00
Cash dividends	25.00	25.00		0.21
AT FISCAL YEAR-END				
Stockholders' equity	¥2,870.3	¥3,203.9	+11.6%	\$27,383
Total assets	9,499.1	10,607.8	+11.7	90,665
Number of employees	151,400	158,500		

- Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117 = U.S. \$1, the approximate Tokyo foreign exchange market rate as of March 31, 2006.
2. In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AcSEC) 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 decreased by ¥5,156 million for the fiscal year ended March 31, 2005. Additionally, on April 1, 2004, Sony recognized ¥4,713 million charge (net of income taxes of ¥2,675 million) as a cumulative effect of an accounting change.
3. In July 2004, the Emerging Issues Task Force (EITF) issued EITF Issue No. 04-8, The Effect of Contingently Convertible Instruments on Diluted Earnings per Share. In accordance with Statement of Financial Accounting Standards (FAS) No.128, Earnings per Share, Sony had not previously

included in the computation of diluted earnings per share (EPS) the number of potential common stock issuable upon the conversion of contingently convertible debt instruments (Co-Cos) that had not met the conditions to exercise the stock acquisition rights. EITF Issue No. 04-8 requires that the maximum number of common stock that could be issued upon the conversion of Co-Cos be included in diluted EPS computations from the date of issuance regardless of whether the conditions to exercise the stock acquisition rights have been met. EITF Issue No. 04-8 is effective for reporting periods ending after December 15, 2004. Sony adopted EITF Issue No. 04-8 during the quarter ended December 31, 2004. As a result of the adoption of EITF Issue No. 04-8, Sony s diluted EPS of income before cumulative effect of an accounting change and net income for the fiscal year ended March 31, 2004 were restated. Sony s diluted EPS of income before cumulative effect of an accounting change and net income for the fiscal year ended March 31, 2005 decreased by ¥7.26 and ¥7.06, respectively, as a result of adopting EITF Issue No. 04-8.

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Operational Review

Consolidated Results for the Fiscal Year Ended March 31, 2006

Unless otherwise specified, all amounts are on the basis of Generally Accepted Accounting Principles in the U.S. (U.S. GAAP). U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2006.

Sales and operating revenue (sales) increased 4.4% compared with the previous fiscal year; on a local currency basis sales increased slightly. (For all references herein to results on a local currency basis, see Note I on page 11.)

Sales within the Electronics segment increased 1.7% (a 3% decrease on a local currency basis). Although there was a decrease in sales particularly of CRT and plasma televisions, sales of LCD and LCD rear projection televisions increased. In the Game segment, sales increased by 31.4% primarily as the result of the contribution from PSP® (PlayStation® Portable) (PSP). Sales in the Pictures segment increased 1.7% compared with the previous fiscal year (a 4% decrease on a U.S. dollar basis). In the Financial Services segment, revenue increased by 32.6% compared to the previous fiscal year mainly due to an improvement in gains and losses on investments at Sony Life Insurance Co., Ltd. (Sony Life).

Operating income increased 67.9% (a 23% increase on a local currency basis) compared with the previous fiscal year. This includes a one time net gain of ¥73.5 billion (\$628 million), which resulted from the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund. Of this, a gain of ¥64.5 billion (\$551 million) was recorded within the Electronics segment. In addition, restructuring charges, which were recorded as operating expenses, amounted to ¥138.7 billion (\$1,185 million) compared to ¥90.0 billion in the previous fiscal year. In the Electronics segment, restructuring charges were ¥125.8 billion (\$1,075 million) compared to ¥83.2 billion the previous fiscal year.

In the Electronics segment, although there was a decrease in sales to outside customers, an increase in loss on sale, disposal or impairment of assets and a deterioration in the cost of sales ratio associated with a decline in unit selling prices, the amount of operating loss decreased as a result of a gain resulting from the abovementioned transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund and the depreciation of the yen. In the Game segment, there was a significant decline in operating income primarily resulting from an increase in research and development costs associated with PLAYSTATION® 3 (PS3). In the Pictures segment, operating income decreased significantly primarily due to lower worldwide theatrical and home entertainment revenues on feature films. In the Financial Services segment, there was a significant increase in operating income mainly attributable to the increase in gains on investments at Sony Life.

Income before income taxes increased 82.1% compared to the previous fiscal year. There was an improvement in the net effect of other income and expenses compared to the previous fiscal year primarily due to the recording of a gain on change in interest of ¥60.8 billion (\$520 million), compared to the ¥16.3 billion recorded in the previous fiscal year. During the fiscal year, Sony recorded a gain of ¥21.5 billion (\$184 million) on the change in interest in

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subsidiaries and equity investees resulting from the initial public offering of Sony Communication Network Corporation (SCN), a gain of ¥20.6 billion (\$176 million) on the change in interest resulting from the sale of a portion of stock in Monex Beans Holdings, Inc., and gains of ¥12.0 billion (\$102 million) and ¥6.6 billion (\$57 million) respectively on the change of interest at So-net M3 Inc., a consolidated subsidiary of SCN and at DeNA Co., Ltd., an equity affiliate of SCN accounted for by the equity method.

Income taxes: Compared to an effective tax rate of 10.2% in the previous fiscal year, the effective tax rate was 61.6% in the current fiscal year. This effective tax rate exceeded the Japanese statutory tax rate primarily due to the recording of additional valuation allowances against deferred tax assets by Sony Corporation and several of Sony's domestic and overseas consolidated subsidiaries due to continued losses recorded at these businesses and the recording of an additional tax provision for the undistributed earnings of foreign subsidiaries. The effective tax rate was significantly lower than the Japanese statutory rate in the previous fiscal year as a result of the reversal of valuation allowances at Sony's U.S. subsidiaries associated with an improvement in operating performance.

Equity in net income of affiliated companies decreased by 54.6% compared to the previous fiscal year. Equity in net income of affiliated companies for the previous fiscal year included the recording of ¥12.6 billion as equity in net income for InterTrust Technologies Corporation. This amount reflected InterTrust's proceeds from a license agreement arising from the settlement of a patent-related suit. In the current fiscal year, Sony Ericsson Mobile Communications AB (Sony Ericsson) contributed ¥29.0 billion (\$248 million) to equity in net income, an increase of ¥11.6 billion compared to the previous fiscal year. Sony recorded equity income of ¥5.8 billion (\$50 million) for SONY BMG MUSIC ENTERTAINMENT (SONY BMG), compared to an equity loss of ¥3.4 billion in the previous fiscal year. However, Sony recorded an equity in net loss of ¥7.2 billion (\$61 million) for S-LCD Corporation (S-LCD), a joint-venture with Samsung Electronics Co., Ltd. for the manufacture of amorphous TFT LCD panels and equity in net loss of ¥16.9 billion (\$144 million) for Metro-Goldwyn-Mayer Inc. (MGM)*. The equity in net loss for MGM includes non-cash interest of ¥6.0 billion (\$51 million) on cumulative preferred stock.

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

Net income, as a result, decreased 24.5% compared to the previous fiscal year.

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Table of Contents**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 fiscal year ended March 31, 2005 in the Electronics segment have been restated to account for these reclassifications.

Effective April 1, 2005, Sony no longer breaks out its Music business as a reportable segment as it no longer meets the materiality threshold. Accordingly, the results for Sony's Music business are now included within All Other and the results for the fiscal year ended March 31, 2005 have been reclassified to All Other for comparative purposes. Results for the fiscal year ended March 31, 2006 in All Other include the results of Sony Music Entertainment Inc.'s (SMEI) music publishing business and Sony Music Entertainment (Japan) Inc. (SMEJ), excluding Sony's Japan based disc manufacturing business which, as noted above, has been reclassified to the Electronics segment. However, results for the same periods of the previous fiscal year in All Other 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

Fiscal Year Ended March 31

	Yen in billions		Percent change	Dollars in millions
	2005	2006	2006/2005	2006
Sales and operating revenue	¥5,066.8	¥5,150.5	+1.7%	\$44,021
Operating loss	(34.3)	(30.9)		(264)

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

Sales increased by 1.7% compared to the previous fiscal year (a 3% decrease on a local currency basis). Sales to outside customers decreased 0.9% compared to the previous fiscal year. There was a decline in sales of CRT televisions, due to a continued shift in demand towards flat panel televisions, and plasma televisions, where new product development has been terminated. However, there was an increase in sales of LCD televisions, including the new BRAVIA models, which saw increased sales in all geographic areas, and LCD rear projection televisions, which saw increased sales particularly in the U.S.

Operating loss declined by ¥3.3 billion compared with the previous fiscal year. Despite a decline in sales to outside customers, an increase in loss on sale, disposal or impairment of fixed assets, and a deterioration in the cost of sales ratio as a result of a decline in unit selling prices, the amount of operating loss decreased as a result of the ¥64.5 billion (\$551 million) net gain resulting from the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund, as well as favorable exchange rates. With regard to products within the Electronics segment, there was an increase in operating income for such products as Handycam® video cameras, which experienced an increase in sales of DVD and high definition video cameras, and VAIO PCs, where favorable sales of notebook PC were recorded. On the other hand, there was a deterioration in the profitability of CRT televisions, where sales decreased, as well as in that of Image Sensors and LCD televisions, which both experienced a decline in unit selling prices.

Inventory, as of March 31, 2006, was ¥665.7 billion (\$5,690 million), a ¥151.3 billion, or 29.4%, increase compared with the level as of March 31, 2005 and a ¥66.9 billion, or 11.2%, increase compared with the level as of December 31, 2005. This increase was primarily a result of increased semiconductor inventory in preparation for the PS3 launch and increased LCD television inventory in preparation for the launch of new models.

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Table of Contents**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.

Sony Ericsson recorded sales for the one year period ended March 31, 2006 of Euro 7,972 million, a Euro 1,497 million or 23% increase compared to the same period of the previous year. Income before taxes was Euro 595 million, a Euro 135 million increase compared to the same period of the previous year, and net income of Euro 433 million was recorded, a Euro 166 million increase compared to the same period of the previous year. Results were boosted by sales of hit models such as camera phones and Walkman® phones. As a result, equity in net income of ¥29.0 billion (\$248 million) was recorded by Sony.

Game

Fiscal Year Ended March 31

	Yen in billions		Percent change	Dollars in millions
	2005	2006	2006/2005	2006
Sales and operating revenue	¥729.8	¥958.6	+31.4%	\$8,193
Operating income	43.2	8.7	-79.7	75

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

Sales increased 31.4% compared with the previous fiscal year (a 27% increase on a local currency basis).

Hardware: There was a significant increase in sales, mainly in Europe and the U.S., primarily due to a significant contribution to sales from PSP, which experienced favorable growth in all geographic areas. In addition, PlayStation 2 (PS2) sales were on a par with those in the previous fiscal year.

Software: Although PS2 software sales decreased, as a result of the contribution to sales from PSP software, sales in Japan, the U.S. and Europe were relatively unchanged compared to the previous fiscal year.

Operating income of ¥8.7 billion (\$75 million) was recorded, a decrease of ¥34.4 billion or 79.7% compared to the previous fiscal year. Although profits from the PS2 and PSP businesses exceeded those in the previous fiscal year, this decrease was mainly the result of continued high research and development costs associated with PS3, as well as the recording of charges associated with preparation for the launch of the PS3 platform.

Worldwide hardware production shipments*:

® PS2: 16.22 million units (an increase of 0.05 million units)

® PSP: 14.06 million units (an increase of 11.09 million units)

Worldwide software production shipments*:

® PS2: 223 million units (a decrease of 29 million units)

® PSP: 41.6 million units (an increase of 35.9 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.

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Inventory, as of March 31, 2006, was ¥113.4 billion (\$969 million), a ¥35.9 billion, or 46.3%, increase compared with the level as of March 31, 2005 and a ¥9.4 billion, or 9.1%, increase compared with the level as of December 31, 2005. This increase was primarily a result of the world-wide full-scale introduction of the PSP platform to U.S. and European markets in addition to Japan during the fiscal year.

Pictures

Fiscal Year Ended March 31

	Yen in billions		Percent change 2006/2005	Dollars in millions
	2005	2006		2006
Sales and operating revenue	¥733.7	¥745.9	+1.7%	\$6,375
Operating income	63.9	27.4	-57.1	234

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

Sales increased 1.7% compared with the previous fiscal year (4% decrease on a U.S. dollar basis) due to the depreciation of the yen. Sales, on a U.S. dollar basis, decreased primarily due to lower worldwide theatrical and home entertainment revenues on feature films, partially offset by an increase in television product revenues. The lower theatrical and home entertainment revenues primarily resulted from the strong performance of *Spider-Man 2* in the prior fiscal year coupled with the disappointing performance of certain films in the current fiscal year film slate, particularly *Stealth*, *Zathura* and *The Legend of Zorro*. The increase in television product revenues is due to higher advertising and subscription sales from several of SPE's international channels, higher sales of television library product and the extension of a licensing agreement for *Wheel of Fortune*.

Operating income decreased ¥36.5 billion to ¥27.4 billion (\$234 million), compared with the previous fiscal year. The large decrease was due to the same factors contributing to the decrease in feature film revenue discussed above. Operating income from television increased due to the same factors noted above for revenue.

Financial Services

Fiscal Year Ended March 31

	Yen in billions		Percent change 2006/2005	Dollars in millions
	2005	2006		2006
Financial Services revenue	¥560.6	¥743.2	+32.6%	\$6,353
Operating income	55.5	188.3	+239.4	1,610

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 Services revenue increased by 32.6%, compared with the previous fiscal year, to ¥743.2 billion (\$6,353 million) mainly as a result of an increase in revenue at Sony Life. Revenue at Sony Life was ¥645.0 billion (\$5,513 million), a ¥170.8 billion, or 36.0% increase compared with the previous fiscal year. The main reasons for this increase were an improvement in gains and losses from investments as a result of favorable Japanese domestic stock market conditions and an increase in revenue from insurance premiums reflecting an increase of insurance-in-force.

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Operating income was ¥188.3 billion (\$1,610 million), a ¥132.8 billion, or 239.4% increase compared with the previous fiscal year, mainly as a result of a significant improvement in gains and losses on investments in the general account at Sony Life, primarily resulting from an improvement in valuation gains from stock conversion rights in convertible bonds resulting from favorable Japanese domestic stock market conditions. As a result of the above mentioned factors, operating income at Sony Life increased by ¥127.4 billion or 208.8% to ¥188.4 billion (\$1,611 million).

All Other

Fiscal Year Ended March 31

	Yen in billions		Percent change	Dollars in millions
	2005	2006	2006/2005	2006
Sales and operating revenue	¥459.9	¥408.9	-11.1%	\$3,495
Operating income	4.2	16.2	+286.4	138

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

Sales decreased 11.1% compared with the previous fiscal year reflecting the fact that the results for the first four months of the previous fiscal year in All Other incorporated the results for SMEI's recorded music business, which, as noted above, was combined with Bertelsmann AG's recorded music business to form the SONY BMG joint venture which is accounted for by the equity method (please refer to Note to Operating Performance Highlights by Business Segment on Page 5).

Sales at SMEJ were relatively unchanged compared with the previous fiscal year. Best selling albums during the fiscal year included *Ken Hirai 10th Anniversary Complete Single Collection 95-05 Uta Baka* by Ken Hirai, *NATURAL* by ORANGE RANGE and *BEST* by Mika Nakashima.

Excluding sales recorded within Sony's Music business, there was an increase in sales within All Other. This increase was mainly due to strong sales at a business engaged in the production and marketing of animation products, favorable sales both at SCN and its subsidiaries, as well as an increase in sales recorded at an imported general merchandise retail business.

Operating income of ¥16.2 billion (\$138 million) was recorded, an increase of ¥12.0 billion compared with the previous fiscal year. This improvement was mainly the result of the fact that the results for SMEI's recorded music business, which recorded an operating loss in the previous fiscal year, are now recorded as part of the results of the SONY BMG joint venture, and the continued strong performance at SMEJ. Operating income at SMEJ increased significantly compared to the previous fiscal year mainly due to an improvement in the cost of sales ratio and the recording of a gain resulting from the transfer to the Japanese government of the substitutional portion of the Employee Pension Fund.

Excluding the operating income recorded in the Music business, a loss was recorded within All Other mainly as the result of an asset impairment write down associated with the sale of a U.S. entertainment complex. This was offset to

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some extent by cost reductions at network related businesses within Sony Corporation.

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 \$4,283 million, income before income taxes of \$150 million, and net income of \$95 million during the one year period ended March 31, 2006. Income before income taxes includes \$186 million of restructuring charges, a year-on-year reduction in restructuring charges of \$104 million. Income before income taxes also benefited from the realization of incremental cost savings. As a result, equity in net income of ¥5.8 billion (\$50 million) was recorded by Sony. Best selling albums during the fiscal year included Kelly Clarkson's *Breakaway*, Il Divo's *IL Divo* and *Ancora*, System of a Down's *Mezmerize*, the Foo Fighters' *In Your Honor*, and Shakira's *Fijacion Oral Volumen I*.

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Table of Contents**Cash Flow**

The following charts show Sony's unaudited condensed statements of cash flows on a consolidated basis 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.

n Cash Flow Consolidated (excluding Financial Services segment)

Fiscal Year Ended March 31

Cash flow	Yen in billions		Change 2006/2005	Dollars in millions
	2005	2006		2006
- From operating activities	¥485.4	¥252.0	¥-233.5	\$2,154
- From investing activities	(472.1)	(296.4)	+175.7	(2,533)
- From financing activities	(95.4)	74.6	+170.0	637
Cash and cash equivalents at beginning of the fiscal year	592.9	519.7	-73.2	4,442
Cash and cash equivalents at end of the fiscal year	519.7	585.5	+65.7	5,004

Operating Activities: During the fiscal year ended March 31, 2006, although there was an increase in inventory, primarily semiconductor inventory for use in PS3 and inventory of new LCD television models, net cash was generated primarily after taking account of depreciation and amortization.

Investing Activities: During the fiscal year ended March 31, 2006, Sony purchased fixed assets mainly within the Electronics segment consisting primarily of semiconductor manufacturing facilities. On the other hand, 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 previous fiscal year, in addition to investment in semiconductor manufacturing facilities, Sony also made an investment in S-LCD in association with its establishment.

As a result, the total amount of cash flow from operating activities and from investing activities during the fiscal year was a use of cash of ¥44.4 billion (\$379 million).

Financing Activities: During the fiscal year ended March 31, 2006, although Sony redeemed long-term debt including bonds, financing was carried out through the issuance of straight bonds in order to redeem bonds maturing during the fiscal years ending March 31, 2006 and March 31, 2007.

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, increased ¥65.7 billion compared to March 31, 2005, to ¥585.5 billion (\$5,004 million) as of March 31, 2006.

Table of Contentsn Cash Flow Financial Services segment

Fiscal Year Ended March 31

Cash flow	Yen in billions		Change 2006/2005	Dollars in millions
	2005	2006		2006
- From operating activities	¥168.1	¥147.1	¥-20.9	\$1,257
- From investing activities	(421.4)	(563.8)	-142.4	(4,818)
- From financing activities	256.4	274.9	+18.5	2,349
Cash and cash equivalents at beginning of the fiscal year	256.3	259.4	+3.1	2,217
Cash and cash equivalents at end of the fiscal year	259.4	117.6	-141.7	1,005

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 mortgage loans and investments in marketable securities at Sony Bank Inc.

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

Cash and Cash Equivalents: As a result of the above, the balance of cash and cash equivalents was ¥117.6 billion (\$1,005 million) as of March 31, 2006, a decrease of ¥141.7 billion compared to March 31, 2005.

Notes

Note I: During the fiscal year ended March 31, 2006, the average value of the yen was ¥112.3 against the U.S. dollar and ¥136.3 against the Euro, which was 5.1% lower against the U.S. dollar and 2.0% lower against the Euro, compared with the average rates for the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating income obtained by applying the yen's average exchange rate in the previous fiscal year to local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the fiscal year. 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.

Table of Contents**Business Segment Information**

Fiscal Year Ended March 31

	Yen in millions		Percent change 2006/2005	Dollars in millions 2006
	2005	2006		
Sales and operating revenue:				
Electronics				
Customers	¥4,806,494	¥4,763,555	-0.9%	\$40,714
Intersegment	260,339	386,922		3,307
Total	5,066,833	5,150,477	+1.7	44,021
Game				
Customers	702,524	918,251	+30.7	7,848
Intersegment	27,230	40,368		345
Total	729,754	958,619	+31.4	8,193
Pictures				
Customers	733,677	745,859	+1.7	6,375
Intersegment				
Total	733,677	745,859	+1.7	6,375
Financial Services				
Customers	537,715	720,566	+34.0	6,159
Intersegment	22,842	22,649		194
Total	560,557	743,215	+32.6	6,353
All Other				
Customers	379,206	327,205	-13.7	2,797
Intersegment	80,688	81,676		698
Total	459,894	408,881	-11.1	3,495
Elimination	(391,099)	(531,615)		(4,544)
Consolidated total	¥7,159,616	¥7,475,436	+4.4%	\$63,893

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

Fiscal Year Ended March 31

	Yen in millions		Percent change 2006/2005	Dollars in millions 2006
	2005	2006		
Operating income (loss):				

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Electronics	¥(34,273)	¥(30,930)	%	\$(264)
Game	43,170	8,747	-79.7	75
Pictures	63,899	27,436	-57.1	234
Financial Services	55,490	188,323	+239.4	1,610
All Other	4,188	16,183	+286.4	138
Total	132,474	209,759	+58.3	1,793
Corporate and elimination.	(18,555)	(18,504)		(158)
Consolidated total	¥113,919	¥191,255	+67.9%	\$1,635

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 year (see Notes 25 on page F-77).

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Table of Contents**Electronics Sales and Operating Revenue to Customers by Product Category**

Fiscal Year Ended March 31

	Yen in millions		Percent change 2006/2005	Dollars in millions 2006
	2005	2006		
Sales and operating revenue:				
Audio	¥571,864	¥536,187	-6.2%	\$4,583
Video	1,036,328	1,021,325	-1.4	8,729
Televisions	921,195	927,769	+0.7	7,930
Information and Communications	816,150	842,537	+3.2	7,201
Semiconductors	246,314	240,771	-2.3	2,058
Components	619,477	656,768	+6.0	5,613
Other	595,166	538,198	-9.6	4,600
Total	¥4,806,494	¥4,763,555	-0.9%	\$40,714

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information on page 12. The Electronics segment is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the product categories in this business segment. In addition, commencing April 1, 2005, Sony has partly realigned its product category configuration in the Electronics segment. Accordingly, results of the previous year have been restated. (See Note 25 on page F-77).

Geographic Segment Information

Fiscal Year Ended March 31

	Yen in millions		Percent change 2006/2005	Dollars in millions 2006
	2005	2006		
Sales and operating revenue:				
Japan	¥2,100,793	¥2,168,723	+3.2%	\$18,536
United States	1,977,310	1,957,644	-1.0	16,732
Europe	1,612,536	1,715,704	+6.4	14,664
Other Areas	1,468,977	1,633,365	+11.2	13,961
Total	¥7,159,616	¥7,475,436	+4.4%	\$63,893

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

Table of Contents**Condensed Financial Services Financial Statements (Unaudited)**

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

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

Condensed statements of income

Financial Services

Fiscal Year Ended March 31	Yen in millions		Percent change 2006/2005	Dollars in millions
	2005	2006		2006
Financial service revenue	¥560,557	¥743,215	+32.6%	\$6,353
Financial service expenses	505,067	554,892	+9.9	4,743
Operating income	55,490	188,323	+239.4	1,610
Other income (expenses), net	10,204	24,522	+140.3	209
Income before income taxes	65,694	212,845	+224.0	1,819
Income taxes and other	25,698	80,586	+213.6	689
Income before cumulative effect of an accounting change	39,996	132,259	+230.7	1,130
Cumulative effect of an accounting change	(4,713)			
Net income	¥35,283	¥132,259	+274.9%	\$1,130

Sony without Financial Services

Fiscal Year Ended March 31	Yen in millions		Percent change 2006/2005	Dollars in millions
	2005	2006		2006
Net sales and operating revenue	¥6,632,728	¥6,763,907	+2.0%	\$57,811
Costs and expenses	6,575,354	6,762,375	+2.8	57,798
Operating income	57,374	1,532	-97.3	13
Other income (expenses), net	40,639	71,952	+77.1	615
Income before income taxes	98,013	73,484	-25.0	628
Income taxes and other	(37,043)	82,127		702
Net income (loss)	¥135,056	¥(8,643)		\$(74)

Consolidated

Fiscal Year Ended March 31	Yen in millions		Percent change 2006/2005	Dollars in millions
	2005	2006		2006
Financial service revenue	¥537,715	¥720,566	+34.0%	\$6,159
Net sales and operating revenue	6,621,901	6,754,870	+2.0	57,734
	7,159,616	7,475,436	+4.4	63,893
Costs and expenses	7,045,697	7,284,181	+3.4	62,258
Operating income	113,919	191,255	+67.9	1,635
Other income (expenses), net	43,288	95,074	+119.6	812
Income before income taxes	157,207	286,329	+82.1	2,447
Income taxes and other	(11,344)	162,713		1,390
Income before cumulative effect of an accounting change	168,551	123,616	-26.7	1,057
Cumulative effect of an accounting change	(4,713)			
Net income	¥163,838	¥123,616	-24.5%	\$1,057

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Table of Contentsn Condensed balance sheets

Financial Services

March 31	Yen in millions		Dollars in millions
	2005	2006	2006
ASSETS			
Current assets:			
Cash and cash equivalents	¥259,371	¥117,630	\$1,005
Marketable securities	456,130	532,895	4,555
Other	274,690	200,929	1,717
	990,191	851,454	7,277
Investments and advances	2,378,966	3,128,748	26,741
Property, plant and equipment	38,551	37,422	320
Other assets:			
Deferred insurance acquisition costs	374,805	383,156	3,275
Other	103,004	164,827	1,409
	477,809	547,983	4,684
	¥3,885,517	¥4,565,607	\$39,022
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Short-term borrowings	¥45,358	¥136,723	\$1,169
Notes and accounts payable, trade	7,099	11,707	100
Deposits from customers in the banking business	546,718	599,952	5,128
Other	109,438	169,956	1,452
	708,613	918,338	7,849
Long-term liabilities:			
Long-term debt	135,750	128,097	1,095
Accrued pension and severance costs	14,362	13,479	115
Future insurance policy benefits and other	2,464,295	2,744,321	23,456
Other	142,272	173,354	1,481
	2,756,679	3,059,251	26,147
Minority interest in consolidated subsidiaries	5,476	4,089	35
Stockholders equity	414,749	583,929	4,991
	¥3,885,517	¥4,565,607	\$39,022

Sony without Financial Services

March 31	Yen in millions		Dollars in millions
	2005	2006	2006
ASSETS			
Current assets:			
Cash and cash equivalents	¥519,732	¥585,468	\$5,004
Marketable securities	4,072	4,073	34
Notes and accounts receivable, trade	952,692	973,675	8,322
Other	1,116,353	1,393,306	11,909
	2,592,849	2,956,522	25,269
Film costs	278,961	360,372	3,080
Investments and advances	445,446	477,089	4,078
Investments in Financial Services, at cost	187,400	187,400	1,602
Property, plant and equipment	1,333,848	1,351,125	11,548
Other assets	1,189,398	1,059,786	9,058
	¥6,027,902	¥6,392,294	\$54,635
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Short-term borrowings	¥204,027	¥225,082	\$1,924
Notes and accounts payable, trade	801,252	804,394	6,875
Other	1,132,201	1,299,809	11,109
	2,137,480	2,329,285	19,908
Long-term liabilities:			
Long-term debt	627,367	701,372	5,995
Accrued pension and severance costs	338,040	168,768	1,443
Other	263,520	352,457	3,012
	1,228,927	1,222,597	10,450
Minority interest in consolidated subsidiaries	18,471	32,623	279
Stockholders equity	2,643,024	2,807,789	23,998
	¥6,027,902	¥6,392,294	\$54,635

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Consolidated

March 31	Yen in millions		Dollars in millions
	2005	2006	2006
ASSETS			
Current assets:			
Cash and cash equivalents	¥779,103	¥703,098	\$6,009
Marketable securities	460,202	536,968	4,589
Notes and accounts receivable, trade	1,025,362	985,508	8,424
Other	1,291,504	1,543,950	13,196
	3,556,171	3,769,524	32,218
Film costs	278,961	360,372	3,080
Investments and advances	2,745,689	3,519,907	30,085
Property, plant and equipment	1,372,399	1,388,547	11,868
Other assets:			
Deferred insurance acquisition costs	374,805	383,156	3,275
Other	1,171,075	1,186,247	10,139
	1,545,880	1,569,403	13,414
	¥9,499,100	¥10,607,753	\$90,665
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Short-term borrowings	¥230,266	¥336,321	\$2,874
Notes and accounts payable, trade	806,044	813,332	6,952
Deposits from customers in the banking business	546,718	599,952	5,128
Other	1,226,340	1,450,623	12,398
	2,809,368	3,200,228	27,352
Long-term liabilities:			
Long-term debt	678,992	764,898	6,538
Accrued pension and severance costs	352,402	182,247	1,558
Future insurance policy benefits and other	2,464,295	2,744,321	23,456
Other	299,858	475,106	4,061
	3,795,547	4,166,572	35,613
Minority interest in consolidated subsidiaries	23,847	37,101	317
Stockholders equity	2,870,338	3,203,852	27,383
	¥9,499,100	¥10,607,753	\$90,665

n Condensed statements of cash flows

Financial Services

Fiscal Year Ended March 31	Yen in millions		Dollars in millions
	2005	2006	2006
Net cash provided by operating activities	¥168,078	¥147,149	\$1,257
Net cash used in investing activities	(421,384)	(563,753)	(4,818)
Net cash provided by financing activities	256,361	274,863	2,349
Net increase (decrease) in cash and cash equivalents	3,055	(141,741)	(1,212)
Cash and cash equivalents at beginning of the fiscal year	256,316	259,371	2,217
Cash and cash equivalents at end of the fiscal year	¥259,371	¥117,630	\$1,005

Sony without Financial Services

Fiscal Year Ended March 31	Yen in millions		Dollars in millions
	2005	2006	2006
Net cash provided by operating activities	¥485,439	¥251,975	\$2,154
Net cash used in investing activities	(472,119)	(296,376)	(2,533)
Net cash provided by (used in) financing activities	(95,373)	74,600	637
Effect of exchange rate changes on cash and cash equivalents	8,890	35,537	304
Net increase (decrease) in cash and cash equivalents	(73,163)	65,736	562
Cash and cash equivalents at beginning of the fiscal year	592,895	519,732	4,442
Cash and cash equivalents at end of the fiscal year	¥519,732	¥585,468	\$5,004

Consolidated

Fiscal Year Ended March 31	Yen in millions		Dollars in millions
	2005	2006	2006
Net cash provided by operating activities	¥646,997	¥399,858	\$3,418
Net cash used in investing activities	(931,172)	(871,264)	(7,447)
Net cash provided by financing activities	205,177	359,864	3,076
Effect of exchange rate changes on cash and cash equivalents	8,890	35,537	303
Net decrease in cash and cash equivalents	(70,108)	(76,005)	(650)
Cash and cash equivalents at beginning of the fiscal year	849,211	779,103	6,659
Cash and cash equivalents at end of the fiscal year	¥779,103	¥703,098	\$6,009

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Five-Year Summary of Selected Financial Data

Sony Corporation and Consolidated Subsidiaries - Fiscal Year Ended March 31

	Yen in millions except per share amounts					Dollars in millions except per share amounts
	2002	2003	2004	2005	2006	2006
FOR THE FISCAL YEAR						
Sales and operating revenue	¥7,578,258	¥7,473,633	¥7,496,391	¥7,159,616	¥7,475,436	\$63,893
Operating income	134,631	185,440	98,902	113,919	191,255	1,635
Income before income taxes	92,775	247,621	144,067	157,207	286,329	2,447
Income taxes	65,211	80,831	52,774	16,044	176,515	1,508
Income before cumulative effect of an accounting changes	9,332	115,519	90,628	168,551	123,616	1,057
Net income	15,310	115,519	88,511	163,838	123,616	1,057
Per share data:						
Income before cumulative effect of an accounting changes						
Basic	¥10.21	¥125.74	¥98.26	¥180.96	¥122.58	\$1.05
Diluted	10.18	118.21	89.03	162.59	116.88	1.00
Net income						
Basic	16.72	125.74	95.97	175.90	122.58	1.05
Diluted	16.67	118.21	87.00	158.07	116.88	1.00
Cash dividends	25.00	25.00	25.00	25.00	25.00	0.21
Depreciation and amortization*	¥354,135	¥351,925	¥366,269	¥372,865	¥381,843	\$3,264
Capital expenditures (additions to property, plant and equipment)	326,734	261,241	378,264	356,818	384,347	3,285
Research and development expenses	433,214	443,128	514,483	502,008	531,795	4,545
AT FISCAL YEAR-END						

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Net working capital	¥778,716	¥719,166	¥381,140	¥746,803	¥569,296	\$4,866
Stockholders equity	2,370,410	2,280,895	2,378,002	2,870,338	3,203,852	27,383
Stockholders equity per share attributable to common stock	¥2,570.31	¥2,466.81	¥2,563.67	¥2,872.21	¥3,002.85	\$27.36
Total assets	¥8,185,795	¥8,370,545	¥9,090,662	¥9,499,100	¥10,607,753	\$90,665

Number of shares issued at year-end (thousands of shares)

Common stock	919,744	922,385	923,950	996,092	1,000,939
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* Including amortization expenses for intangible assets and for deferred insurance acquisition costs

- Notes:
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117 = U.S. \$1, the approximate Tokyo foreign exchange market rate as of March 31, 2006.
 2. In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AcSEC) 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 decreased by ¥5,156 million for the fiscal year ended March 31, 2005. Additionally, on April 1, 2004, Sony recorded a ¥4,713 million charge (net of income taxes of ¥2,675 million) as a cumulative effect of an accounting change. In addition, the separate account assets, which are defined by insurance business law in Japan and were previously included in Securities investments and other in the consolidated balance sheet, were excluded from the category of separate accounts under the provision of SOP 03-1. Accordingly, the assets previously treated as separate account assets are now treated within general account assets.
 3. In July 2004, the Emerging Issues Task Force (EITF) issued EITF Issue No. 04-8, The Effect of Contingently Convertible Instruments on Diluted Earnings per Share . In accordance with Statement of Financial Accounting Standards (FAS) No.128, Earnings per Share , Sony had not previously included in the computation of diluted earnings per share (EPS) the number of potential common stock issuable upon the conversion of contingently convertible debt instruments (Co-Cos) that had not met the conditions to exercise the stock acquisition rights. EITF Issue No. 04-8 requires that the maximum number of common stock that could be issued upon the conversion of Co-Cos be included in diluted EPS computations from the date of issuance regardless of whether the conditions to exercise the stock acquisition rights have been met. EITF Issue No. 04-8 is effective for reporting periods ending after December 15, 2004. Sony adopted EITF Issue No. 04-8 during the quarter ended December 31, 2004. As a result of the adoption of EITF Issue No. 04-8, Sony 's diluted EPS of income

before cumulative effect of an accounting change and net income for the fiscal year ended March 31, 2004 were restated. Sony's diluted EPS of income before cumulative effect of an accounting change and net income for the fiscal year ended March 31, 2005 decreased by ¥7.26 and ¥7.06, respectively, as a result of adopting EITF Issue No. 04-8.

4. *In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 46, Consolidation of Variable Interest Entities an Interpretation of Accounting Research Bulletin (ARB) No. 51 . FIN No. 46 addresses consolidation by a primary beneficiary of a variable interest entity (VIE). Sony early adopted the provisions of FIN No. 46 on July 1, 2003. As a result of adopting the original FIN No. 46, Sony recognized a one-time charge with no tax effect of ¥2,117 million as a cumulative effect of accounting change in the consolidated statement of income, and Sony's assets and liabilities increased by ¥95,255 million and ¥97,950 million, respectively.*

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These increases were treated as non-cash transactions in the consolidated statement of cash flows. In addition, cash and cash equivalents increased by ¥1,521 million. Sony subsequently early adopted the provisions of FIN No. 46R, which replaced FIN No.46, upon issuance in December 2003. The adoption of FIN No. 46R did not have an impact on Sony's results of operations and financial position or impact the way Sony had previously accounted for VIEs.

5. *On April 1, 2001, Sony adopted FAS No.133, Accounting for Derivative Instruments and Hedging Activities as amended by FAS No.138, Accounting for Certain Derivative Instruments and Certain Hedging Activities an Amendment of FASB Statement No.133. As a result, Sony's operating income, income before income taxes and net income for the fiscal year ended March 31, 2002 decreased by ¥3,007 million, ¥3,441 million and ¥2,167 million, respectively. Additionally, Sony recorded a one-time non-cash after-tax unrealized gain of ¥1,089 million in accumulated other comprehensive income in the consolidated balance sheet, as well as an after-tax gain of ¥5,978 million in the cumulative effect of accounting changes in the consolidated statement of income. In April 2003, the FASB issued FAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. Sony adopted FAS No. 149 on July 1, 2003. The adoption of FAS No. 149 did not have an impact on Sony's results of operations and financial position.*
6. *In July 2001, the FASB issued FAS No. 142, Goodwill and Other Intangible Assets. Sony adopted FAS No. 142 retroactive to April 1, 2001. As a result, Sony's operating income and income before income taxes for the fiscal year ended March 31, 2002 increased by ¥20,114 million and income before cumulative effect of accounting changes as well as net income for the fiscal year ended March 31, 2002 increased by ¥18,932 million.*

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Consolidated Financial Statements
Sony Corporation and Consolidated Subsidiaries
March 31, 2006

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Consolidated Balance Sheets

Sony Corporation and Consolidated Subsidiaries March 31

	Yen in millions		Dollars in millions (Note 3)
	2005	2006	2006
ASSETS			
Current assets:			
Cash and cash equivalents	¥779,103	¥703,098	\$6,009
Marketable securities (Notes 8 and 12)	460,202	536,968	4,589
Notes and accounts receivable, trade (Notes 6 and 7)	1,113,071	1,075,071	9,189
Allowance for doubtful accounts and sales returns	(87,709)	(89,563)	(765)
Inventories (Note 4)	631,349	804,724	6,878
Deferred income taxes (Note 21)	141,154	221,311	1,892
Prepaid expenses and other current assets	519,001	517,915	4,426
Total current assets	3,556,171	3,769,524	32,218
Film costs (Note 5)	278,961	360,372	3,080
Investments and advances:			
Affiliated companies (Note 6)	252,905	285,870	2,443
Securities investments and other (Notes 8, 11 and 12)	2,492,784	3,234,037	27,642
	2,745,689	3,519,907	30,085
Property, plant and equipment (Notes 9 and 12):			
Land	182,900	178,844	1,529
Buildings	925,796	926,783	7,921
Machinery and equipment	2,192,038	2,327,676	19,895
Construction in progress	92,611	116,149	993
	3,393,345	3,549,452	30,338
Less Accumulated depreciation	2,020,946	2,160,905	18,470
	1,372,399	1,388,547	11,868
Other assets:			
Intangibles, net (Notes 10 and 15)	187,024	207,034	1,770
Goodwill (Note 10)	283,923	299,024	2,556
Deferred insurance acquisition costs (Note 11)	374,805	383,156	3,275
Deferred income taxes (Note 21)	240,396	178,751	1,528

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Other	459,732	501,438	4,285
	1,545,880	1,569,403	13,414
Total assets	¥9,499,100	¥10,607,753	\$90,665

(Continued on following page.)

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Consolidated Balance Sheets

	Yen in millions		Dollars in millions (Note 3)
	2005	2006	2006
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Short-term borrowings (Note 12)	¥63,396	¥142,766	\$1,220
Current portion of long-term debt (Notes 9, 12 and 14)	166,870	193,555	1,654
Notes and accounts payable, trade (Note 6)	806,044	813,332	6,952
Accounts payable, other and accrued expenses (Notes 5 and 15).	746,466	854,886	7,307
Accrued income and other taxes	55,651	87,295	746
Deposits from customers in the banking business (Note 13)	546,718	599,952	5,128
Other (Notes 21 and 24)	424,223	508,442	4,345
Total current liabilities	2,809,368	3,200,228	27,352
Long-term debt (Notes 9, 12 and 14)	678,992	764,898	6,538
Accrued pension and severance costs (Note 15)	352,402	182,247	1,558
Deferred income taxes (Note 21)	72,227	216,497	1,850
Future insurance policy benefits and other (Note 11)	2,464,295	2,744,321	23,456
Other	227,631	258,609	2,211
Total liabilities	6,604,915	7,366,800	62,965
Minority interest in consolidated subsidiaries	23,847	37,101	317
Stockholders equity (Note 16):			
Subsidiary tracking stock, no par value			
2005 Authorized 100,000,000 shares, outstanding 3,072,000 shares	3,917		
Common stock, no par value			
2005 Authorized 3,500,000,000 shares, outstanding 997,211,213 shares	617,792		
2006 Authorized 3,500,000,000 shares, outstanding 1,001,679,664 shares		624,124	5,334
Additional paid-in capital	1,134,222	1,136,638	9,715
Retained earnings	1,506,082	1,602,654	13,698
Accumulated other comprehensive income			
Unrealized gains on securities (Note 8)	62,669	100,804	862

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Unrealized losses on derivative instruments (Note 14)	(2,490)	(2,049)	(18)
Minimum pension liability adjustment (Note 15)	(90,030)	(39,824)	(340)
Foreign currency translation adjustments	(355,824)	(215,368)	(1,841)
	(385,675)	(156,437)	(1,337)
Treasury stock, at cost			
Subsidiary tracking stock			
2005 32 shares	(0)		
Common stock			
2005 1,118,984 shares	(6,000)		
2006 740,888 shares		(3,127)	(27)
	2,870,338	3,203,852	27,383
Commitments and contingent liabilities (Notes 9 and 24)			
Total liabilities and stockholders equity	¥9,499,100	¥10,607,753	\$90,665

The accompanying notes are an integral part of these statements.

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Consolidated Statements of Income

Sony Corporation and Consolidated Subsidiaries Fiscal Year Ended March 31

	2004	Yen in millions 2005	2006	Dollars in millions (Note 3) 2006
Sales and operating revenue:				
Net sales (Note 6)	¥6,883,478	¥6,565,010	¥6,692,776	\$57,203
Financial service revenue	565,752	537,715	720,566	6,159
Other operating revenue	47,161	56,891	62,094	531
	7,496,391	7,159,616	7,475,436	63,893
Costs and expenses:				
Cost of sales (Notes 18 and 19)	5,058,205	5,000,112	5,151,397	44,029
Selling, general and administrative (Notes 15,17,18 and 19)	1,798,239	1,535,015	1,527,036	13,052
Financial service expenses	505,550	482,576	531,809	4,545
Loss on sale, disposal or impairment of assets, net (Notes 10 and 18)	35,495	27,994	73,939	632
	7,397,489	7,045,697	7,284,181	62,258
Operating income	98,902	113,919	191,255	1,635
Other income:				
Interest and dividends (Note 6)	18,756	14,708	24,937	213
Royalty income	34,244	31,709	35,161	301
Foreign exchange gain, net	18,059			
Gain on sale of securities investments, net (Notes 6 and 8)	11,774	5,437	9,645	82
Gain on change in interest in subsidiaries and equity investees (Note 20)	4,870	16,322	60,834	520
Other	34,587	29,447	23,039	197
	122,290	97,623	153,616	1,313
Other expenses:				
Interest	27,849	24,578	28,996	248
Loss on devaluation of securities investments.	16,481	3,715	3,878	33
Foreign exchange loss, net		524	3,065	27
Other	32,795	25,518	22,603	193
	77,125	54,335	58,542	501

Income before income taxes	144,067	157,207	286,329	2,447
Income taxes (Note 21):				
Current	87,219	85,510	96,400	824
Deferred	(34,445)	(69,466)	80,115	684
	52,774	16,044	176,515	1,508
Income before minority interest, equity in net income of affiliated companies and cumulative effect of an accounting change	91,293	141,163	109,814	939
Minority interest in income (loss) of consolidated subsidiaries.	2,379	1,651	(626)	(5)
Equity in net income of affiliated companies (Note 6)	1,714	29,039	13,176	113
Income before cumulative effect of an accounting change	90,628	168,551	123,616	1,057
Cumulative effect of an accounting change (2004: Net of income taxes of ¥0 million 2005: Net of income taxes of ¥2,675 million) (Note 2)	(2,117)	(4,713)		
Net income	¥88,511	¥163,838	¥123,616	\$1,057

(Continued on following page.)

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Consolidated Statements of Income

	2004	Yen 2005	2006	Dollars (Note 3) 2006
Per share data (Note 22):				
Common stock				
Income before cumulative effect of an accounting change				
Basic	¥98.26	¥180.96	¥122.58	\$1.05
Diluted	89.03	162.59	116.88	1.00
Cumulative effect of an accounting change				
Basic	(2.29)	(5.06)		
Diluted	(2.03)	(4.52)		
Net income				
Basic	95.97	175.90	122.58	1.05
Diluted	87.00	158.07	116.88	1.00
Cash dividends	25.00	25.00	25.00	0.21
Subsidiary tracking stock (Note 16)				
Net income (loss)				
Basic	(41.80)	17.21		

The accompanying notes are an integral part of these statements.

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Consolidated Statements of Cash Flows

Sony Corporation and Consolidated Subsidiaries Fiscal Year Ended March 31

	2004	Yen in millions 2005	2006	Dollars in millions (Note 3) 2006
Cash flows from operating activities:				
Net income	¥88,511	¥163,838	¥123,616	\$1,057
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization, including amortization of deferred insurance acquisition costs	366,269	372,865	381,843	3,264
Amortization of film costs	305,786	276,320	286,655	2,450
Accrual for pension and severance costs, less payments	35,562	22,837	(7,563)	(65)
Gain on the transfer to the Japanese Government of the substitutional portion of employee pension fund, net (Note 15)			(73,472)	(628)
Loss on sale, disposal or impairment of assets, net (Notes 10 and 18)	35,495	27,994	73,939	632
Gain on sale or loss on devaluation of securities investments, net (Notes 6 and 8)	4,707	(1,722)	(5,767)	(49)
Gain on evaluation of marketable securities held in the financial service business for trading purpose (Notes 8)	(4,988)	(5,246)	(44,986)	(384)
Gain on change in interest in subsidiaries and equity investees (Note 20)	(4,870)	(16,322)	(60,834)	(520)
Deferred income taxes (Note 21)	(34,445)	(69,466)	80,115	684
Equity in net (income) losses of affiliated companies, net of dividends	1,732	(15,648)	9,794	84
Cumulative effect of an accounting change (Note 2)	2,117	4,713		
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable, trade.	(63,010)	(22,056)	17,464	149
(Increase) decrease in inventories	(78,656)	34,128	(164,772)	(1,408)
Increase in film costs.	(299,843)	(294,272)	(339,697)	(2,903)
Increase (decrease) in notes and accounts payable, trade	93,950	31,473	(9,078)	(78)
Increase (decrease) in accrued income and other taxes	(46,067)	3	29,009	248
Increase in future insurance policy benefits and other	264,216	144,143	143,122	1,223
Increase in deferred insurance acquisition costs	(71,219)	(65,051)	(51,520)	(440)
	369	(26,096)	(35,346)	(302)

(Increase) decrease in marketable securities
held in the financial service business for trading
purpose

Increase in other current assets	(34,991)	(29,699)	(8,792)	(75)
Increase in other current liabilities.	44,772	46,545	105,865	904
Other	27,238	67,716	(49,737)	(425)
Net cash provided by operating activities	¥632,635	¥646,997	¥399,858	\$3,418

(Continued on following page.)

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Consolidated Statements of Cash Flows

	2004	Yen in millions 2005	2006	Dollars in millions (Note 3) 2006
Cash flows from investing activities:				
Payments for purchases of fixed assets	¥(427,344)	¥(453,445)	¥(462,473)	\$(3,953)
Proceeds from sales of fixed assets	33,987	34,184	38,168	326
Payments for investments and advances by financial service business	(1,167,945)	(1,309,092)	(1,368,158)	(11,694)
Payments for investments and advances (other than financial service business)	(33,329)	(158,151)	(36,947)	(316)
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	791,188	923,593	857,376	7,328
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	35,521	25,849	24,527	210
Proceeds from sales of subsidiaries and equity investees' stocks (Note 20)		3,162	75,897	649
Other	6,130	2,728	346	3
Net cash used in investing activities	(761,792)	(931,172)	(871,264)	(7,447)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	267,864	57,232	246,326	2,105
Payments of long-term debt	(32,042)	(94,862)	(138,773)	(1,186)
Increase (decrease) in short-term borrowings	(57,708)	11,397	(11,045)	(94)
Increase in deposits from customers in the financial service business (Note 13)	129,874	294,352	190,320	1,627
Increase (decrease) in call money and bills sold in the banking business (Note 12)	30,300	(40,400)	86,100	736
Dividends paid	(23,106)	(22,978)	(24,810)	(212)
Proceeds from issuance of stocks by subsidiaries (Note 20)	5,252	4,023	6,937	59
Other	(7,151)	(3,587)	4,809	41
Net cash provided by financing activities	313,283	205,177	359,864	3,076
Effect of exchange rate changes on cash and cash equivalents	(47,973)	8,890	35,537	303
	136,153	(70,108)	(76,005)	(650)

Net increase (decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of the fiscal year	713,058	849,211	779,103	6,659
Cash and cash equivalents at end of the fiscal year	¥849,211	¥779,103	¥703,098	\$6,009
Supplemental data:				
Cash paid during the fiscal year for				
Income taxes	¥114,781	¥65,477	¥70,019	\$598
Interest	22,571	18,187	24,651	211
Non-cash investing and financing activities				
Conversion of convertible bonds (Notes 16 and 17)	¥7,977	¥282,744		
Obtaining assets by entering into capital lease	18,298	19,049	¥19,682	\$168
Contribution of net assets into the joint venture with Bertelsmann AG (Note 6)		9,402		

The accompanying notes are an integral part of these statements

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Consolidated Statements of Changes in Stockholders' Equity

Sony Corporation and Consolidated Subsidiaries Fiscal Year Ended March 31

	Yen in millions						
	Subsidiary tracking stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
Balance at March 31, 2003	¥3,917	¥472,361	¥984,196	¥1,301,740	¥(471,978)	¥(9,341)	¥2,280,895
Conversion of convertible bonds		3,989	3,988				7,977
Stock issued under exchange offering (Note 16)			5,409				5,409
Comprehensive income:							
Net income				88,511			88,511
Other comprehensive income, net of tax (Note 16)							
Unrealized gains on securities:							
Unrealized holding gains (losses) arising during the period					57,971		57,971
Less : Reclassification adjustment included in net income					(5,679)		(5,679)
Unrealized losses on derivative instruments:							
Unrealized holding gains (losses) arising during the period					7,537		7,537
Less : Reclassification adjustment included in net income					(3,344)		(3,344)
Minimum pension liability adjustment					93,415		93,415
Foreign currency translation adjustments :							
Translation adjustments arising during the period					(129,113)		(129,113)
					1,232		1,232

Less : Reclassification
adjustment included
in net income

Total comprehensive income							110,530
Stock issue costs, net of tax				(53)			(53)
Dividends declared				(23,138)			(23,138)
Purchase of treasury stock						(8,523)	(8,523)
Reissuance of treasury stock			(776)			5,681	4,905
Balance at March 31, 2004	¥3,917	¥476,350	¥992,817	¥1,367,060	¥(449,959)	¥(12,183)	¥2,378,002

(Continued on following page.)

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Consolidated Statements of Changes in Stockholders' Equity

Yen in millions

	Subsidiary tracking stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
Balance at March 31, 2004	¥3,917	¥476,350	¥992,817	¥1,367,060	¥(449,959)	¥(12,183)	¥2,378,002
Exercise of stock acquisition rights		52	53				105
Conversion of convertible bonds		141,390	141,354				282,744
Stock based compensation (Note 17)			340				340
Comprehensive income:							
Net income				163,838			163,838
Other comprehensive income, net of tax (Note 16)							
Unrealized gains on securities:							
Unrealized holding gains (losses) arising during the period					5,643		5,643
Less :							
Reclassification adjustment included in net income					(12,924)		(12,924)
Unrealized losses on derivative instruments:							
Unrealized holding gains (losses) arising during the period					(209)		(209)
Less :							
Reclassification adjustment included in net income					(1,681)		(1,681)
Minimum pension liability adjustment					(769)		(769)
Foreign currency translation adjustments:					74,224		74,224

Translation
adjustments arising
during the period

Total comprehensive
income

228,122

Stock issue costs, net
of tax

(541)

(541)

Dividends declared

(24,030)

(24,030)

Purchase of treasury
stock

(416)

(416)

Reissuance of
treasury stock

(342)

(245)

6,599

6,012

Balance at March 31,
2005

¥3,917

¥617,792

¥1,134,222

¥1,506,082

¥(385,675)

¥(6,000)

¥2,870,338

(Continued on following page.)

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Consolidated Statements of Changes in Stockholders' Equity

	Yen in millions						
	Subsidiary tracking stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
Balance at March 31, 2005	¥3,917	¥617,792	¥1,134,222	¥1,506,082	¥(385,675)	¥(6,000)	¥2,870,338
Exercise of stock acquisition rights		931	932				1,863
Conversion of convertible bonds		1,484	1,484				2,968
Conversion of subsidiary tracking stock (Note 16)	(3,917)	3,917					
Comprehensive income:							
Net income				123,616			123,616
Other comprehensive income, net of tax (Note 16)							
Unrealized gains on securities:							
Unrealized holding gains (losses) arising during the period					79,630		79,630
Less :							
Reclassification adjustment included in net income					(41,495)		(41,495)
Unrealized losses on derivative instruments:							
Unrealized holding gains (losses) arising during the period					7,865		7,865
Less :							
Reclassification adjustment included in net income					(7,424)		(7,424)
Minimum pension liability adjustment					50,206		50,206
Foreign currency translation adjustments:							
					140,473		140,473

Translation adjustments arising during the period						
Less : Reclassification adjustment included in net income				(17)		(17)
Total comprehensive income						352,854
Stock issue costs, net of tax			(780)			(780)
Dividends declared			(24,968)			(24,968)
Purchase of treasury stock					(394)	(394)
Reissuance of treasury stock			(1,296)		3,267	1,971
Balance at March 31, 2006	¥624,124	¥1,136,638	¥1,602,654	¥(156,437)	¥(3,127)	¥3,203,852

(Continued on following page.)

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Consolidated Statements of Changes in Stockholders' Equity

	Dollars in millions (Note 3)						
	Subsidiary tracking stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
Balance at March 31, 2005	\$33	\$5,280	\$9,694	\$12,872	\$(3,296)	\$(51)	\$24,532
Exercise of stock acquisition rights		8	8				16
Conversion of convertible bonds		13	13				26
Conversion of subsidiary tracking stock (Note 16)	(33)	33					
Comprehensive income:							
Net income				1,057			1,057
Other comprehensive income, net of tax (Note 16)							
Unrealized gains on securities:							
Unrealized holding gains (losses) arising during the period					681		681
Less : Reclassification adjustment included in net income					(355)		(355)
Unrealized losses on derivative instruments:							
Unrealized holding gains (losses) arising during the period					67		67
Less : Reclassification adjustment included in net income					(63)		(63)
Minimum pension liability adjustment					429		429
Foreign currency translation adjustments:							
Translation adjustments arising during the period					1,200		1,200
Less : Reclassification adjustment included in net income					(0)		(0)
							3,016
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Total comprehensive
income

Stock issue costs, net of tax			(7)			(7)
Dividends declared			(213)			(213)
Purchase of treasury stock					(4)	(4)
Reissuance of treasury stock			(11)		28	17
Balance at March 31, 2006	\$5,334	\$9,715	\$13,698	\$(1,337)	\$(27)	\$27,383

The accompanying notes are an integral part of these statements.

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Notes to Consolidated Financial Statements
 Sony Corporation and Consolidated Subsidiaries

1. Nature of operations

Sony Corporation and its consolidated subsidiaries (hereinafter collectively referred to as "Sony") are engaged in the development, design, manufacture, and sale of various kinds of electronic equipment, instruments, and devices for consumer and industrial markets. Sony also develops, produces, manufactures, and markets home-use game consoles and software. Sony's principal manufacturing facilities are located in Japan, the United States of America, Europe, and Asia. Its electronic products are marketed throughout the world and game products are marketed mainly in Japan, the United States of America and Europe by sales subsidiaries and unaffiliated local distributors as well as direct sales via the Internet. Sony is engaged in the development, production, manufacture, marketing, distribution and broadcasting of image-based software, including film, video and television product. Sony is also engaged in various financial service businesses including insurance operations through a Japanese life insurance subsidiary and a non-life insurance subsidiary, banking operations through a Japanese internet-based banking subsidiary and leasing and credit financing operations in Japan. In addition to the above, Sony is engaged in the development, production, manufacture, and distribution of recorded music, Internet-related businesses, an animation production and marketing business, an imported general merchandise retail business, an IC card business and an advertising agency business in Japan.

2. Summary of significant accounting policies

Sony Corporation and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in the countries of their domiciles. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These adjustments were not recorded in the statutory books of account.

(1) Newly adopted accounting pronouncements:**Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts -**

In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC") 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

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adopted SOP 03-1 on April 1, 2004. As a result of the adoption of SOP 03-1, Sony's operating income decreased by ¥5,156 million for the fiscal year ended March 31, 2005. Additionally, on April 1, 2004, Sony recorded a ¥4,713 million charge (net of income taxes of ¥2,675 million) as a cumulative effect of an accounting change.

The Effect of Contingently Convertible Instruments on Diluted Earnings per Share -

In July 2004, the Emerging Issues Task Force (EITF) issued EITF Issue No. 04-8, *The Effect of Contingently Convertible Instruments on Diluted Earnings per Share*. In accordance with Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share", Sony had not previously included in the computation of diluted earnings per share ("EPS") the number of potential common stock issuable upon the conversion of contingently convertible debt instruments ("Co-Cos") that had not met the conditions to exercise the stock acquisition rights. EITF Issue No. 04-8 requires that the maximum number of common stock that could be issued upon the conversion of Co-Cos be included in diluted EPS computations from the date of issuance regardless of whether the conditions to exercise the stock acquisition rights have been met. EITF Issue No. 04-8 is effective for reporting periods ending after December 15, 2004. Sony adopted EITF Issue No. 04-8 during the quarter ended December 31, 2004. As a result of the adoption of EITF Issue No. 04-8, Sony's diluted EPS of income before cumulative effect of an accounting change and net income for the fiscal year ended March 31, 2004 were restated. Sony's diluted EPS of income before cumulative effect of an accounting change and net income for the fiscal year ended March 31, 2005 decreased by ¥7.26 and ¥7.06, respectively, as a result of adopting EITF Issue No. 04-8.

Consolidation of Variable Interest Entities -

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 46, *Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin (ARB) No. 51*. FIN No. 46 addresses consolidation by a primary beneficiary of a variable interest entity (VIE). Sony early adopted the provisions of FIN No. 46 on July 1, 2003. As a result of adopting the original FIN No. 46, Sony recognized a one-time charge with no tax effect of ¥2,117 million as a cumulative effect of accounting change in the consolidated statement of income, and Sony's assets and liabilities increased by ¥95,255 million and ¥97,950 million, respectively. These increases were treated as non-cash transactions in the consolidated statement of cash flows. In addition, cash and cash equivalents increased by ¥1,521 million.

Sony subsequently early adopted the provisions of FIN No. 46R, which replaced FIN No.46, upon issuance in December 2003. The adoption of FIN No. 46R did not have an impact on Sony's results of operations and financial position or impact the way Sony had previously accounted for VIEs.

Exchanges of Nonmonetary Assets -

In December 2004, the FASB issued FAS No. 153, *Exchanges of Nonmonetary Assets*, an amendment of Accounting Principle Board Opinion (APB) 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 that have occurred in the fiscal periods beginning after June 15, 2005. Sony adopted FAS No.153 on July 1, 2005. The adoption of FAS No.153 did not have a material impact on Sony's results of operations and financial position.

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Accounting for Conditional Asset Retirement Obligations -

In March 2005, the FASB issued FIN No. 47, Accounting for Conditional Asset Retirement Obligations - an Interpretation of FAS No. 143 . FIN No. 47 clarifies that an entity is required to recognize a liability for the fair value of a conditional retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. This interpretation is effective no later than the end of fiscal years ending after December 15, 2005. Sony adopted FIN No. 47 on March 31, 2006. The adoption of FIN No.47 did not have a material impact on Sony's results of operations and financial position.

Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds -

In September 2004, the EITF issued EITF Issue No. 04-10, Applying Paragraph 19 of FASB Statement No. 131, Disclosures about Segments of an Enterprise and Related Information, in Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds . EITF Issue No. 04-10 clarifies how an enterprise should evaluate the aggregation criteria in paragraph 17 of FAS No. 131 when determining whether operating segments that do not meet the quantitative thresholds may be aggregated in accordance with paragraph 19 of FAS No. 131. EITF Issue No. 04-10 is effective for fiscal years ending after September 15, 2005. Sony adopted EITF Issue No. 04-10 during the fiscal year ended March 31, 2006. The adoption of EITF Issue No. 04-10 did not have an impact on Sony's results of operation and financial position.

(2) Significant accounting policies:

Basis of consolidation and accounting for investments in affiliated companies -

The consolidated financial statements include the accounts of Sony Corporation and its majority-owned subsidiary companies, general partnerships in which Sony has a controlling interest, and variable interest entities for which Sony is the primary beneficiary. All intercompany transactions and accounts are eliminated. Investments in business entities in which Sony does not have control, but has the ability to exercise significant influence over operating and financial policies generally through 20-50% ownership, are accounted for under the equity method. In addition, investments in general partnerships in which Sony does not have a controlling interest and limited partnerships are also accounted for under the equity method. Under the equity method, investments are stated at cost plus/minus Sony's equity in undistributed earnings or losses. Consolidated net income includes Sony's equity in current earnings or losses of such companies, after elimination of unrealized intercompany profits. If the value of an investment has declined and is judged to be other than temporary, the investment is written down to its fair value.

On occasion, a consolidated subsidiary or an affiliated company accounted for by the equity method may issue its shares to third parties in either a public or private offering or upon conversion of convertible debt to common stock at amounts per share in excess of or less than Sony's average per share carrying value. With respect to such transactions, where the sale of such shares is not part of a broader corporate reorganization and the reacquisition of such shares is not contemplated at the time of issuance, the resulting gains or losses arising from

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the change in interest are recorded in income for the year the change in interest transaction occurs. If the sale of such shares is part of a broader corporate reorganization, the reacquisition of such shares is contemplated at the time of issuance or realization of such gain is not reasonably assured (i.e., the entity is newly formed, non-operating, a research and development or start-up/development stage entity, or where the entity's ability to continue in existence is in question), the transaction is accounted for as a capital transaction.

The excess of the cost over the underlying net equity of investments in consolidated subsidiaries and affiliated companies accounted for on an equity basis is allocated to identifiable assets and liabilities based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

Use of estimates -

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Translation of foreign currencies -

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end current rates and all income and expense accounts are translated at rates that approximate those rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income.

Foreign currency receivables and payables are translated at appropriate year-end current rates and the resulting translation gains or losses are taken into income.

Cash and cash equivalents -

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

Marketable debt and equity securities -

Debt and equity securities designated as available-for-sale, whose fair values are readily determinable, are carried at fair value with unrealized gains or losses included as a component of accumulated other comprehensive income, net of applicable taxes. Debt and equity securities classified as trading securities are carried at fair value with unrealized gains or losses included in income. Debt securities that are expected to be held-to-maturity are carried at amortized cost. Individual securities classified as either available-for-sale or held-to-maturity are reduced to net realizable value by a charge to income for other than temporary declines in fair value. Realized gains and losses are determined on the average cost method and are reflected in income.

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Equity securities in non-public companies -

Equity securities in non-public companies are carried at cost as fair value is not readily determinable. If the value of a non-public equity investment is estimated to have declined and such decline is judged to be other than temporary, Sony recognizes the impairment of the investment and the carrying value is reduced to its fair value. Determination of impairment is based on the consideration of such factors as operating results, business plans and estimated future cash flows. Fair value is determined through the use of such methodologies as discounted cash flows, valuation of recent financings and comparable valuations of similar companies.

Inventories -

Inventories in electronics and game as well as non-film inventories for pictures are valued at cost, not in excess of market, cost being determined on the average cost basis except for the cost of finished products carried by certain subsidiary companies in electronics which is determined on the first-in, first-out basis.

Film costs -

Film costs related to theatrical and television product (which includes direct production costs, production overhead and acquisition costs) are stated at the lower of unamortized cost or estimated fair value and classified as non-current assets. Film costs are amortized, and the estimated liabilities for residuals and participations are accrued, for an individual product based on the proportion that current period actual revenues bear to the estimated remaining total lifetime revenues. These estimates are reviewed on a periodic basis.

Property, plant and equipment and depreciation -

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is primarily computed on the declining-balance method for Sony Corporation and its Japanese subsidiaries, except for certain semiconductor manufacturing facilities whose depreciation is computed on the straight-line method, and on the straight-line method for its foreign subsidiaries at rates based on estimated useful lives of the assets, principally, ranging from 15 years up to 50 years for buildings and from 2 years up to 10 years for machinery and equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

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Goodwill and other intangible assets -

Goodwill and certain other intangible assets that are determined to have an indefinite life are not amortized and are tested for impairment during the fourth quarter of fiscal year on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Fair value for those assets is generally determined using a discounted cash flow analysis.

Intangible assets with finite lives that are determined not to have an indefinite life mainly consist of artist contracts, music catalogs, acquired patent rights and software to be sold, leased or otherwise marketed. Artist contracts and music catalogs are amortized on a straight-line basis over 10 to 40 years. Acquired patent rights and software to be sold, leased or otherwise marketed are amortized on a straight-line basis over 3 to 10 years.

Accounting for computer software to be sold -

Sony accounts for software development costs in accordance with FAS No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed .

In the Electronics segment, costs related to establishing the technological feasibility of a software product are expensed as incurred as a part of research and development in cost of sales. Costs that are incurred to produce the finished product after technological feasibility is established are capitalized and amortized over the estimated economic life of the product, which is generally three years. Sony performs periodic reviews to ensure that unamortized program costs remain recoverable from future revenue.

In the Game segment, technological feasibility of the underlying software is reached shortly before the products are released to manufacturing. Costs incurred after technological feasibility is established are not material, and accordingly, Sony expenses software development costs for the Game segment as incurred as a part of research and development in cost of sales.

Deferred insurance acquisition costs -

Costs that vary with and are primarily related to acquiring new insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs include such items as commission, medical examination and inspection report fees. The deferred insurance acquisition costs for traditional life insurance contracts are amortized over the premium-paying period of the related insurance policies using assumptions consistent with those used in computing policy reserves. The deferred insurance acquisition costs for non-traditional life insurance contracts are amortized over the expected life in proportion to the estimated gross profits.

Product warranty -

Sony provides for the estimated cost of product warranties at the time revenue is recognized by either product category group or individual product. The product warranty is calculated based upon product sales, estimated probability of failure and estimated cost per claim. The variables used in the calculation of the provision are reviewed on a periodic basis.

Certain subsidiaries in the Electronics segment offer extended warranty programs. The consideration received through extended warranty service is deferred and amortized on a straight-line basis over the term of the extended warranty.

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Future insurance policy benefits -

Liabilities for future insurance policy benefits are primarily comprised of the present value of estimated future payments to policyholders. These liabilities are computed by the net level premium method based upon the assumptions such as future investment yield, morbidity, mortality and withdrawals. These assumptions are reviewed on a periodic basis. Liabilities for future insurance policy benefits also include liabilities for guaranteed benefits related to certain non-traditional long-duration life and annuity contracts.

Accounting for the impairment of long-lived assets -

Sony periodically reviews the carrying value of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying value of the assets with their estimated undiscounted future cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period. The impairment loss would be calculated as the difference between asset carrying value and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying value or fair value less cost to sell. Reductions in carrying value are recognized in the period in which the long-lived assets are classified as held for sale.

Derivative financial instruments -

All derivatives, including certain derivative financial instruments embedded in other contracts, are recognized as either assets or liabilities in the balance sheet at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or stockholders' equity (as a component of accumulated other comprehensive income), depending on whether the derivative financial instrument qualifies as a hedge and the derivative is being used to hedge changes in fair value or cash flows.

In accordance with FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, the derivative financial instruments held by Sony are classified and accounted as below.

Fair value hedges

Changes in the fair value of derivatives designated and effective as fair value hedges for recognized assets or liabilities or unrecognized firm commitments are recognized in earnings as offsets to changes in the fair value of the related hedged assets or liabilities.

Cash flow hedges

Changes in the fair value of derivatives designated and effective as cash flow hedges for forecasted transactions or exposures associated with recognized assets or liabilities are initially recorded in other comprehensive income and

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reclassified into earnings when the hedged transaction affects earnings. Changes in the fair value of the ineffective portion are recognized in current period earnings.

Derivatives not designated as hedges

Changes in the fair value of derivatives that are not designated as hedges under FAS No. 133 are recognized in current period earnings.

Sony formally documents all hedging relationships between the derivatives designated as hedges and hedged items, as well as its risk management objectives and strategies for undertaking various hedging activities. Sony links all hedges that are designated as fair value or cash flow hedges to specific assets or liabilities on the balance sheet or to the specific forecasted transaction. Sony also assesses, both at the inception of the hedge and on an on-going basis, whether the derivatives that are designated as hedges are highly effective in offsetting changes in fair value or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge, Sony discontinues hedge accounting.

Stock-based compensation -

Sony applies APB No. 25, *Accounting for Stock Issued to Employees*, and its related interpretations in accounting for its stock-based compensation plans and follows the disclosure-only provisions of FAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure an Amendment of FASB Statement No. 123*. In accordance with APB No. 25, stock-based compensation cost is recognized in income based on the excess, if any, of the quoted market price of the common stock of Sony Corporation at the grant date of the award or other measurement date over the stated exercise price of the award. As the exercise prices for Sony's stock-based compensation plans are generally determined based on the prevailing market price shortly before the date of grant, the compensation expense for these plans is not significant. For awards that generate compensation expense as defined under APB No. 25, Sony calculates the amount of compensation expense and recognizes the expense over the vesting period of the award.

The following table reflects the net effect on net income and net income per share allocated to the common stock if Sony had applied the fair value recognition provisions of FAS No. 123, *Accounting for Stock-Based Compensation*, to its stock-based compensation. See Note 17 for detailed assumptions.

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	Yen in millions			Dollars in millions
	Fiscal Year Ended March 31			Fiscal Year Ended March 31,
	2004	2005	2006	2006
Income before cumulative effect of an accounting change allocated to common stock:				
As reported	¥90,756	¥168,498	¥122,308	\$1,046
Deduct: Total stock-based compensation expense determined under the fair value based method, net of related tax effects	(6,334)	(4,690)	(4,182)	(36)
Pro forma	¥84,422	¥163,808	¥118,126	\$1,010
Net income allocated to common stock:				
As reported	¥88,639	¥163,785	¥122,308	\$1,046
Deduct: Total stock-based compensation expense determined under the fair value based method, net of related tax effects	(6,334)	(4,690)	(4,182)	(36)
Pro forma	¥82,305	¥159,095	¥118,126	\$1,010
	Yen			Dollars
	Fiscal Year Ended March 31			Fiscal Year Ended March 31,
	2004	2005	2006	2006
Income before cumulative effect of an accounting change allocated to common stock:				
-Basic EPS:				
As reported	¥98.26	¥180.96	¥122.58	\$1.05
Pro forma	91.40	175.92	118.39	1.01
-Diluted EPS:				
As reported	¥89.03	¥162.59	¥116.88	\$1.00
Pro forma	82.96	158.10	112.91	0.97
Net income allocated to common stock:				
-Basic EPS:				
As reported	¥95.97	¥175.90	¥122.58	\$1.05
Pro forma	89.11	170.86	118.39	1.01
-Diluted EPS:				
As reported	¥87.00	¥158.07	¥116.88	\$1.00

Pro forma	80.94	153.58	112.91	0.97
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Free distribution of common stock -

On occasion, Sony Corporation may make a free distribution of common stock which is accounted for either by a transfer from additional paid-in capital to the common stock account or with no entry if free shares are distributed from the portion of previously issued shares in the common stock account.

Under the Japanese Commercial Code, a stock dividend can be effected by an appropriation of retained earnings to the common stock account, followed by a free share distribution with respect to the amount appropriated by resolution of the Board of Directors meeting.

Free distribution of common stock is recorded in the consolidated financial statements only when it becomes effective, except for the calculation and presentation of per share amounts.

Stock issue costs -

Stock issue costs are directly charged to retained earnings, net of tax, in the accompanying consolidated financial statements as the Japanese Commercial Code prohibits charging such stock issue costs to capital accounts which is the prevailing practice in the United States of America.

Revenue recognition -

Revenues from electronics and game sales are recognized upon delivery which is considered to have occurred when the customer has taken title to the product and the risk and rewards of ownership have been substantively transferred. If the sales contract contains a customer acceptance provision, then sales are recognized after customer acceptance occurs or the acceptance provisions lapse.

Revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of feature films and television programming are recorded when the material is available for telecast by the licensee and when any restrictions regarding the exhibition or exploitation of the product lapse. Revenues from the sale of home videocassettes and DVDs are recognized upon availability of sale to the public.

Traditional life insurance policies that the life insurance subsidiary writes, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. Premiums from these policies are reported as revenue when due from policyholders.

Amounts received as payment for non-traditional contracts such as interest sensitive whole life contracts, single payment endowment contracts, single payment juvenile contracts and other contracts without life contingencies are recognized as deposits to policyholder account balances and included in future insurance policy benefits and other. Revenues from these contracts are comprised of fees earned for administrative and contract-holder services, which are recognized over the period of the contracts, and included in financial service revenue. Property and casualty insurance policies that the non-life insurance subsidiary writes are primarily automotive insurance contracts which are categorized as short-duration contracts. Premiums from these policies are reported as revenue over the period of the contract in proportion to the amount of insurance protection provided.

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Accounting for consideration given to a customer or a reseller -

In accordance with EITF Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products, cash consideration given to a customer or a reseller including payments for buydowns, slotting fees and cooperative advertising programs, is accounted for as a reduction of revenue unless Sony receives an identifiable benefit (goods or services) in exchange for the consideration, can reasonably estimate the fair value of this benefit and receives documentation from the reseller to support the amounts spent. Any payments meeting these criteria are treated as selling, general and administrative expenses. For the fiscal years ended March 31, 2004, 2005 and 2006, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expense totaled ¥30,338 million, ¥27,946 million and ¥29,489 million (\$252 million), respectively.

Cost of sales -

Costs classified as cost of sales relate to the producing and manufacturing of products and include such items as material cost, subcontractor cost, depreciation of fixed assets, amortization of intangible assets, personnel expenses, research and development costs, and amortization of film cost related to theatrical and television products.

Research and development costs -

Research and development costs are expensed as incurred.

Selling, general and administrative -

Costs classified as selling expense relate to the promoting and selling of products and include such items as advertising, promotion, shipping, and warranty expenses.

General and administrative expenses include operating items such as officer's salaries, personnel expenses, depreciation of fixed assets, office rental for sales, marketing and administrative divisions, a provision for doubtful accounts and amortization of intangible assets.

Selling, general and administrative expenses are expensed as incurred.

Financial service expenses -

Financial service expenses include a provision for policy reserves and amortization of deferred insurance acquisition cost, and all other operating costs such as personnel expenses, depreciation of fixed assets, and office rental of subsidiaries in the Financial Services segment.

Advertising costs -

Advertising costs are expensed when the advertisement or commercial appears in the selected media, except for advertising costs for acquiring new insurance policies which are deferred and amortized as part of insurance acquisition costs.

Table of Contents**Shipping and handling costs -**

The majority of shipping and handling, warehousing and internal transfer costs for finished goods are included in selling, general and administrative expenses. An exception to this is in the Pictures segment where such costs are charged to cost of sales as they are integral part of producing and distributing the film under SOP 00-2, Accounting by Producers or Distributors of Films . All other costs related to Sony's distribution network are included in cost of sales, including inbound freight charges, purchasing and receiving costs, inspection costs and warehousing costs for raw materials and in-process inventory. Amounts paid by customers for shipping and handling costs are included in net sales.

Income taxes -

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Sony records a valuation allowances to reduce deferred tax assets to the amount that management believes is more likely than not to be realized. In assessing the likelihood of realization, Sony considers all currently available evidence for future years, both positive and negative, supplemented by information of historical results for each tax jurisdiction.

Net income per share -

Prior to December 1, 2005, Sony calculated and presented per share data separately for Sony's common stock and for the subsidiary tracking stock by the two-class method based on FAS No. 128. As the holders of the subsidiary tracking stock had the right to participate in earnings, together with common stockholders, under this method, basic net income per share (EPS) for each class of stock was 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 were determined based on the subsidiary tracking stock holders' economic interest in the targeted subsidiary's earnings available for dividends. As defined by Sony Corporation's articles of incorporation, the amount distributable to the subsidiary tracking stock holders was based on the declared dividends of the targeted subsidiary, which might only be declared from the amounts available for dividends of the targeted subsidiary. The targeted subsidiary's earnings available for dividends were, as stipulated by the Japanese Commercial Code, not including those of the targeted subsidiary's subsidiaries. If the targeted subsidiary had accumulated losses, a change in accumulated losses was also allocated to the subsidiary tracking stock. The subsidiary tracking stock holders' economic interest was calculated as the number of the subsidiary tracking stock outstanding divided by the number of the targeted subsidiary's common stock outstanding subject to multiplying by the Standard Ratio (tracking stock : subsidiary's common stock = 1 : 100, as defined in the articles of incorporation). The earnings allocated to the common stock were calculated by subtracting the earnings allocated to the subsidiary tracking stock from Sony's net income for the period.

On October 26, 2005, the Board of Directors of Sony Corporation decided to terminate all shares of subsidiary tracking stock and convert such shares to shares of Sony common stock at a conversion rate of 1.114 share of

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Sony common stock per share of subsidiary tracking stock. All shares of subsidiary tracking stock were converted to shares of Sony common stock on December 1, 2005. As a result of the conversion, for the fiscal year ended March 31, 2006, Sony calculated per share data separately for Sony's common stock and for the subsidiary tracking stock by the two-class method based on FAS No. 128, but did not present per share data for the subsidiary tracking stock. The earnings allocated to common stock for the fiscal year ended March 31, 2006 were calculated by subtracting the earnings allocated to the subsidiary tracking stock for the eight months ended November 30, 2005.

The computation of diluted net income per common stock reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities including the conversion of Co-Cos regardless of whether the conditions to exercise the conversion rights have been met.

(3) Recent Pronouncements:

Accounting for Stock-Based Compensation -

In December 2004, the FASB issued FAS No. 123 (revised 2004), *Share-Based Payment* (FAS No. 123(R)). This statement requires the use of the fair value based method of accounting for employee stock-based compensation and eliminates the alternative to use of the intrinsic value method prescribed by APB No. 25. With limited exceptions, FAS No. 123(R) requires that the grant-date fair value of share-based payments to employees be expensed over the period the service is received. Sony has accounted for its employee stock-based compensation in accordance with the provisions prescribed by APB No. 25 and its related interpretations and has disclosed the net effect on net income and net income per share allocated to the common stock if Sony had applied the fair value recognition provisions of FAS No. 123 to stock-based compensation as described above in (2) Significant accounting policies - Stock-based compensation. Sony adopted FAS No. 123(R) on April 1, 2006. Sony has elected the modified prospective method of transition prescribed in FAS No. 123(R), which requires that compensation expense be recorded for all unvested stock acquisition rights as the requisite service is rendered beginning with the first period of adoption. As of March 31, 2006, the aggregate value of the unvested stock acquisition rights was ¥4,402 million (\$38 million). Sony expects the total expenses to be recorded in the future periods will be consistent with the pro forma information shown above in (2) Significant accounting policies - Stock-based compensation.

Inventory Costs -

In November 2004, the FASB issued FAS No. 151, *Inventory Costs*, an amendment of ARB No. 43, Chapter 4 . This statement requires certain abnormal expenditures to be recognized as expenses in the current period. It also requires that the amount of fixed production overhead allocated to inventory be based on the normal capacity of the production facilities. This statement shall be effective for fiscal years beginning after June 15, 2005, with early adoption during the fiscal years beginning after the date this statement is issued encouraged. The adoption of FAS No. 151 is not expected to have a material impact on Sony's results of operations and financial position.

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Derivative instruments and hedging activities -

In February 2006, the FASB issued FAS No. 155, *Accounting for Certain Hybrid Financial Instruments*, an amendment of FAS No. 133 and FAS No. 140. This statement permits an entity to elect fair value remeasurement for any hybrid financial instrument (with changes in fair value recognized in earnings) if the hybrid instrument contains an embedded derivative that would otherwise be required to be bifurcated and accounted for separately under FAS No. 133. The election to measure the hybrid instrument at fair value is made on an instrument-by-instrument basis and is irreversible. The statement will be effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring after the beginning of an entity's fiscal years beginning after September 15, 2006, with earlier adoption permitted as of the beginning of fiscal year, provided that financial statements for any interim period of that fiscal year have not been issued. The adoption of FAS No. 155 is not expected to have material impact on Sony's results of operations and financial position.

Accounting for Servicing of Financial Assets -

In March 2006, the FASB issued FAS No. 156, *Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140*. This statement amends FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement shall be effective for fiscal years beginning after September 15, 2006. Sony is currently evaluating the impact of adopting this new pronouncement.

(4) Reclassifications:

Certain reclassifications of the financial statements for the fiscal years ended March 31, 2004 and 2005 have been made to conform to the presentation for the fiscal year ended March 31, 2006.

3. U.S. dollar amounts

U.S. dollar amounts presented in the financial statements are included solely for the convenience of the reader. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, the rate of ¥117 = U.S.\$1, the approximate current rate at March 31, 2006, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

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Inventories comprise the following:

	Yen in millions		Dollars in millions
	March 31		March 31,
	2005	2006	2006
Finished products	¥405,616	¥534,766	\$4,571
Work in process	93,181	123,381	1,055
Raw materials, purchased components and supplies	132,552	146,577	1,252
	¥631,349	¥804,724	\$6,878

5. Film costs

Film costs comprise the following: