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SONY CORP
Form 6-K
October 26, 2006

Form 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

For the month of October 2006
Commission File Number: 001-06439

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

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

(Address of principal executive offices)

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

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

Form 20-F X

Form 40-F ___

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

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

SIGNATURE

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

SONY CORPORATION
(Registrant)

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

Date: October 26, 2006

List of materials

Documents attached hereto:

- i) Press release announcing Consolidated Financial Results for the Second Quarter Ended September 30, 2006

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

No: 06--101E
3:00 P.M. JST, October 26, 2006

Consolidated Financial Results for the Second Quarter Ended September 30, 2006

Tokyo, October 26, 2006 -- Sony Corporation today announced its consolidated results for the second quarter of the fiscal year ending March 31, 2007 (July 1, 2006 to September 30, 2006).

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

	2005	2006	Change in Yen	2006*
-----	-----	-----	-----	-----
Sales and operating revenue**	Y1,711.6	Y1,854.2	+8.3%	\$15,713
Operating income (loss)	74.6	(20.8)	-	(177)
Income (loss) before income taxes	95.4	(26.1)	-	(221)
Equity in net income (loss) of affiliated companies	(2.6)	19.7	-	167
Net income	28.5	1.7	-94.1	14
Net income per share of common stock				
- Basic	Y28.63	Y1.68	-94.1	\$0.01
- Diluted	27.32	1.60	-94.1	0.01

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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 Y118=U.S.\$1, the approximate Tokyo foreign exchange market rate as of September 29, 2006.

** Effective April 1, 2006, Sony reclassified royalty income as a component of sales and operating revenue, rather than as a component of other income as previously recorded. In connection with this reclassification, sales and operating revenue, operating income and other income for the second quarter of the fiscal year ended March 31, 2006 have been reclassified to conform with the presentation of these items for the second quarter of the fiscal year ending March 31, 2007. Royalty income for the second quarters ended September 30, 2005 and 2006 was Y8.6 billion and Y7.3 billion, respectively. These amounts were recorded primarily within the Electronics segment.

Consolidated Results for the Second Quarter Ended September 30, 2006

Sales and operating revenue ("sales") increased 8.3% compared with the same quarter of the previous fiscal year; on a local currency basis sales increased 4%. (For all references herein to results on a local currency basis, see Note I).

Sales within the Electronics segment increased 12.1%. Products such as "BRAVIA TM" LCD televisions, "VAIO" PCs, and "Cyber-shot TM" digital cameras contributed to the sales increase, although there was a decline in sales of such products as CRT televisions. In the Game segment, sales decreased 20.5% compared to the same quarter of the previous fiscal year primarily as a result of a decrease in hardware unit sales of PSP(R) (PlayStation(R)Portable) ("PSP"). In the Pictures segment, there was a 12.1% increase in revenue mainly due to the greater number of theatrical releases during the quarter, combined with higher theatrical revenue per film on titles including Talladega Nights: The Ballad of Ricky Bobby and Monster House. In the Financial Services segment, revenue decreased by 4.4% mainly due to a decrease in valuation gains in the general account and the separate account at Sony Life Insurance Co., Ltd. ("Sony Life").

An operating loss of Y20.8 billion (\$177 million) was recorded, a deterioration of Y95.4 billion compared to the same quarter of the previous fiscal year. This includes the recording of a Y51.2 billion provision that relates to charges expected to be incurred as a result of the recall by Dell Inc., Apple Computer Inc. and Lenovo, Inc. of notebook computer battery packs that use lithium-ion battery cells manufactured by Sony and the subsequent global replacement program initiated by Sony for certain notebook computer battery packs used by Sony and other notebook computer manufacturers that use lithium-ion battery cells manufactured by Sony. The operating income recorded during the same quarter of the previous fiscal year includes a one time gain of Y73.5 billion resulting from the transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund.

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In the Electronics segment, there was an improvement in the cost of sales ratio, a decrease in loss on sale, disposal or impairment of fixed assets and an increase in sales to outside customers, as well as a positive impact from the depreciation of the yen. However, decreased operating income was recorded as a result of the absence of the above-mentioned transfer to the Japanese Government of the substitutional portion of Sony's Employee Pension Fund, of which Y64.5 billion yen was recorded within the Electronics segment during the same quarter of the previous fiscal year, and the notebook computer battery provision recorded during the current quarter.

In the Game segment, an operating loss was recorded as a result of the recording of charges associated with preparation for the launch of the PLAYSTATION(R)3 ("PS3") platform. In the Pictures segment, the amount of operating loss increased primarily due to higher total marketing expenses resulting from a greater number of theatrical releases and the theatrical underperformance of Zoom and All The King's Men. In the Financial Services segment, there was a decrease in operating income mainly attributable to the decrease in valuation gains in the general account at Sony Life.

Restructuring charges, recorded as operating expenses, for the second quarter amounted to Y5.3 billion (\$45 million) compared to Y32.9 billion in the same quarter of the previous fiscal year. In the Electronics segment, restructuring charges were Y5.2 billion (\$44 million) compared to Y32.3 billion in the same quarter of the previous fiscal year.

A loss before income taxes of Y26.1 billion (\$221 million) was recorded, a deterioration of Y121.5 billion compared to the same quarter of the previous year. This was the result of the fact that the net effect of other income and expenses was Y26.1 billion lower compared to the same quarter of the previous year, in addition to the deterioration in operating income (loss). The lower net effect of other income and expenses was primarily a result of the absence of the recording of a gain of Y20.7 billion on the change in interest resulting from the sale of a portion of stock in Monex Beans Holdings, Inc. which was recorded in the same quarter of the previous fiscal year and the recording of a net foreign exchange loss in the current quarter versus the net foreign exchange gain recorded in the same quarter of the previous fiscal year.

Equity in net income (loss) of affiliated companies of Y19.7 billion (\$167 million) was recorded, an improvement of Y22.3 billion from the equity in net loss recorded in the same quarter of the previous fiscal year. Sony recorded equity in net income for Sony Ericsson Mobile Communications AB ("Sony Ericsson") of Y21.8 billion (\$185 million), an increase of Y14.8 billion compared to the same quarter of the previous year. S-LCD Corporation ("S-LCD"), a joint-venture with Samsung Electronics Co., Ltd. for the manufacture of amorphous TFT LCD panels, contributed Y1.6 billion (\$14 million) to equity in net income (before the elimination of unrealized intercompany profits) as a result of a significant increase in LCD panel shipments, an improvement of Y4.4 billion compared to the same quarter of the previous fiscal year. Sony also recorded equity in net loss of Y2.2 billion (\$19 million) for SONY BMG MUSIC ENTERTAINMENT ("SONY BMG"), a decrease in the amount of equity loss of Y1.0

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billion compared to the same quarter of the previous fiscal year. An equity in net loss of Y2.8 billion (\$24 million) for Metro-Goldwyn-Mayer Inc. ("MGM")* was recorded by Sony, a decrease in the amount of equity loss of Y1.6 billion compared to the same quarter of the previous fiscal year. The equity in net loss for MGM includes non-cash interest expense of Y2.1 billion (\$18 million) on cumulative preferred stock compared to the Y1.5 billion of non-cash interest expense on cumulative preferred stock recorded in the same quarter of the previous fiscal year.

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

As a result, net income decreased by 94.1% compared to the same quarter of the previous fiscal year.

Operating Performance Highlights by Business Segment

Electronics

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

	2005	2006	Change in Yen	2006
-----	-----	-----	-----	-----
Sales and operating revenue	Y1,229.4	Y1,378.4	+12.1%	\$11,681
Operating income	28.1	8.0	-71.4	68

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

Sales increased by 12.1% compared to the same quarter of the previous fiscal year (a 7% increase on a local currency basis). Sales to outside customers increased 16.7% compared to the same quarter of the previous fiscal year. There was an increase in sales of products including "BRAVIA" LCD televisions, "VAIO" PCs, and "Cyber-shot" digital cameras, all of which experienced favorable sales in all regions, partially offset by a decrease in sales of several products primarily CRT televisions.

Operating income decreased by 71.4% compared with the same quarter of the previous fiscal year. An improvement in the cost of sales ratio, a decrease in loss on sale, disposal or impairment of fixed assets, an increase in sales to outside customers, as well as a positive impact from the depreciation of the yen favorably impacted operating income. However, these factors were more than offset by the absence of the Y64.5 billion gain which resulted from the transfer to the Japanese government of the substitutional portion of Sony's Employee

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Pension Fund recorded in the same quarter of the previous fiscal year, as well as by the recording in the current quarter of the ¥51.2 billion provision for charges related to the notebook computer battery pack recall and subsequent global replacement program. With regard to products within the Electronics segment, there was a positive contribution to operating income from strong sales of "Cyber-shot" digital cameras and "BRAVIA" LCD televisions. Other products which contributed positively compared to the same quarter of the previous fiscal year included CRT televisions, where fixed costs have been lowered as a result of previous restructuring activities.

Inventory, as of September 30, 2006, was ¥971.6 billion (\$8,234 million), a ¥328.7 billion, or 51.1%, increase compared with the level as of September 30, 2005 and a ¥164.0 billion, or 20.3%, increase compared with the level as of June 30, 2006. This increase was primarily a result of increased LCD television inventory as well as increased semiconductor inventory in preparation for the PS3 launch.

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.

	(millions of Euros)		
	Second quarter ended September 30		
	2005	2006	Change in Euros
-----	-----	-----	-----
Sales and operating revenue	EUR2,055	EUR2,913	+42%
Income before income taxes	151	433	+187
Net income	104	298	+187

Sales for the quarter increased by 42% compared to the same quarter of the previous year. Results were boosted by sales of hit models such as "Cyber-shot" and "Walkman(R)" phones. As a result, equity in net income of ¥21.8 billion (\$185 million) was recorded by Sony.

Game

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

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	2005	2006	Change in Yen	2006
Sales and operating revenue	Y214.2	Y170.3	-20.5%	\$1,443
Operating income (loss)	8.2	(43.5)	-	(369)

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

Sales decreased 20.5% compared with the same quarter of the previous fiscal year (a 25% decrease on a local currency basis).

Hardware: There was a decrease in sales in Japan, the U.S. and Europe mainly as a result of lower PSP and PlayStation(R)2 ("PS2") unit sales compared to the same quarter of the previous fiscal year, as well as a strategic price reduction for PS2 in those markets.

Software: Although sales from PSP software increased compared to the same quarter of the previous fiscal year, overall software sales decreased as a result of lower PS2 software sales.

An operating loss of Y43.5 billion (\$369 million) was recorded, a decline compared to the Y8.2 billion operating income recorded during the same quarter of the previous fiscal year. This deterioration was due to the recording of charges associated with preparation for the launch of the PS3 platform, in addition to continued high research and development costs associated with PS3, although combined profit from the PS2 and PSP businesses was relatively unchanged.

Worldwide hardware production shipments (and increase/decrease compared to the same quarter of the previous fiscal year):*

- > PS2: 5.02 million units (an increase of 0.01 million units)
- > PSP: 3.89 million units (an increase of 0.14 million units)

Worldwide software production shipments (and increase/decrease compared to the same quarter of the previous fiscal year):*

- > PS2: 47 million units (a decrease of 3 million units)
- > PSP: 12.9 million units (an increase of 3.9 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.

Inventory, as of September 30, 2006, was Y188.2 billion (\$1,595 million), which represents a Y73.3 billion, or 63.8%, increase compared with the level as of September 30, 2005. This increase was due to the low level of overall PSP inventory as of September 30, 2005, following the launch of PSP in Europe, in addition to inventory recorded from PS3-related components as of September 30, 2006. Inventory, as of September 30, 2006, was a Y66.2 billion, or 54.3%, increase compared with the level as of June 30, 2006.

Pictures

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

	2005	2006	Change in Yen	2006
-----	-----	-----	-----	-----
Sales and operating revenue	Y158.9	Y178.2	+12.1%	\$1,510
Operating loss	(6.6)	(15.3)	-	(129)

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 12.1% compared with the same quarter of the previous fiscal year (7% increase on a U.S. dollar basis). Sales increased primarily due to a greater number of theatrical releases in the current year's second quarter, combined with higher theatrical revenue per film on titles released during the quarter. This was partially offset by lower DVD revenues on theatrical films. Major theatrical releases that contributed to revenues during the quarter included Talladega Nights: The Ballad of Ricky Bobby, Monster House and Click.

An operating loss of Y15.3 billion (\$129 million) was recorded, a deterioration of Y8.6 billion compared to the same quarter of the previous fiscal year. Despite the sales increases noted above, motion picture operating income was adversely affected by higher total marketing expenses resulting from a greater number of theatrical releases and the theatrical underperformance of Zoom and All The King's Men. The lower DVD revenues noted above also contributed to the increased operating loss. Television operating income declined in the current quarter due to production and marketing expenses associated with new network and made-for-syndication television shows.

Financial Services

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

	2005	2006	Change in Yen	2006
-----	-----	-----	-----	-----
Financial service revenue	Y175.9	Y168.1	-4.4%	\$1,425
Operating income	40.0	24.6	-38.7	208

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.

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Financial service revenue decreased 4.4% compared with the same quarter of the previous fiscal year, mainly due to a decrease in revenue at Sony Life. Although revenue from insurance premiums increased at Sony Life reflecting an increase in insurance-in-force, revenue at Sony Life decreased by Y9.1 billion or 5.9% to Y144.2 billion (\$1,222 million), mainly as a result of lower valuation gains in the general account and the separate account.

Operating income decreased by 38.7% compared with the same quarter of the previous fiscal year, mainly as a result of a decrease in valuation gains in the general account at Sony Life. Although revenue from insurance premiums at Sony Life increased, operating income at Sony Life decreased by Y13.5 billion or 34.5% to Y25.6 billion (\$217 million) mainly as a result of a decrease in valuation gains from investments in the general account, including valuation gains from convertible bonds.

All Other

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

	2005	2006	Change in Yen	2006
-----	-----	-----	-----	-----
Sales and operating revenue	Y97.3	Y81.5	-16.3%	\$690
Operating income	7.6	6.5	-14.3	55

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

Sales decreased 16.3% compared with the same quarter of the previous fiscal year. This sales decrease mainly reflects the sale, during the first quarter of the current fiscal year, of 51% of the stock in StylingLife Holdings Inc. ("StylingLife"), a holding company that comprised six of Sony's retail businesses, to a wholly-owned subsidiary of Nikko Principal Investments Japan Ltd.

Sales decreased at Sony Music Entertainment (Japan) Inc. ("SMEJ") due to lower intersegment sales in association with the transfer of business activity relating to Sony's disc custom press business from SMEJ to other segments within the Sony Group during the second quarter of the fiscal year. Excluding this impact, there was an increase in album and singles sales compared to the same quarter of the previous fiscal year. Best-selling albums and singles during the current quarter included Yuki's WAVE, Beyonce's B'Day and Shogo Hamada's The Best of Shogo Hamada vol.1 and vol.2.

Operating income decreased by 14.3% compared to the same quarter of the previous fiscal year. This decrease was the result of the absence of the gain resulting from the transfer to the Japanese government of the substitutional portion of the Employee Pension Fund at several businesses within All Other including SMEJ which was recorded during the same quarter of the previous fiscal year. Excluding this impact, there was a significant increase in

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operating income within All Other mainly driven by an increase in operating income at Sony Music Entertainment Inc.'s U.S.-based music publishing business due to an improvement in the royalty expense-to-revenue ratio and at So-net Entertainment Corporation in association with increased revenue relating to an increase in optical fiber service subscribers.

Excluding the above-mentioned impact of the transfer to the Japanese government of the substitutional portion of the Employee Pension Fund during the same quarter of the previous fiscal year and the decrease in intersegment sales at SMEJ, operating income at SMEJ was relatively unchanged compared to the same quarter of the previous fiscal year.

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.

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

	2005	2006	Change in Dollars
-----	-----	-----	-----
Sales and operating revenue	\$936	\$948	+1%
Loss before income taxes	(58)	(31)	-
Net loss	(60)	(39)	-

SONY BMG recorded increased sales of 1% compared with the same period of the previous fiscal year primarily due to the benefit of foreign exchange rates. Loss before income taxes includes \$39 million of restructuring charges, a year-on-year reduction of \$4 million. Decreased loss before income taxes was primarily the result of lower legal and restructuring costs. As a result, equity in net loss of Y2.2 billion (\$19 million) was recorded by Sony. Best selling albums during the quarter included Justin Timberlake's Future Sex/Love Sounds, Beyonce's B'Day, and Christina Aguilera's Back to Basics.

In August 2004, Sony combined its recorded music business outside of Japan with the recorded music business of Bertelsmann AG ("Bertelsmann"), forming SONY BMG, upon approval from, among others, the European Commission competition authorities. On December 3, 2004, an association of independent recorded music companies applied for annulment of the decision to clear the merger. On July 13, 2006, the Court of First Instance overruled the Commission's decision to allow the merger to go forward, requiring the Commission to re-examine the merger. On October 3, 2006, Bertelsmann and Sony Corporation of America ("SCA") filed a joint appeal against the Court of First Instance's judgment.

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In addition, Bertelsmann and SCA are in the process of updating the notification filed in 2004 to permit the European Commission to reexamine the transaction. While the Commission completes its reexamination, Sony continues to account for the results of Sony BMG under the equity method.

Cash Flow

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

Cash Flow - Excluding Financial Services segment

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

Cash flow	2005	2006	Change in Yen	2006
-----	-----	-----	-----	-----
- From operating activities	(Y91.9)	(Y191.2)	Y -99.3	(\$1,620)
- From investing activities	(145.1)	(217.5)	-72.4	(1,843)
- From financing activities	97.1	191.2	+94.1	1,620
Cash and cash equivalents at beginning of the fiscal year	519.7	585.5	+65.7	4,961
Cash and cash equivalents as of September 30	393.9	363.9	-30.0	3,084

Operating Activities: During the six months ended September 30, 2006, although net income was recorded, cash flow from operating activities resulted in a net use of cash primarily as a result of an increase in inventory within the Electronics and Game segments in preparation for the year-end sales season. Within the Electronics segment, there was an increase in LCD television inventory and semiconductor inventory for use in PS3.

Investing Activities: During the six months ended September 30, 2006, although cash was generated from the transfer of 51% of the stock in StylingLife, cash was used by Sony within the Electronics segment primarily for the purchase of fixed assets, principally semiconductor manufacturing facilities, and part of the investment towards the manufacturing facilities for 8th generation TFT LCD panels at S-LCD.

As a result, the total amount of cash flow from operating activities and from investing activities was a use of cash of Y408.7 billion (\$3,463 million).

Financing Activities: During the six months ended September 30,

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2006, financing was carried out through the issuance of commercial paper and syndicated bank loans. These sources were partially offset by cash used to redeem straight bonds and make dividend payments.

Cash and Cash Equivalents: In addition to the aforementioned information, the total balance of cash and cash equivalents, accounting for the effect of foreign currency exchange rate fluctuations, decreased Y221.6 billion compared to March 31, 2006, and decreased by Y30.0 billion compared to September 30, 2005, to Y363.9 billion (\$3,084 million) as of September 30, 2006.

Cash Flow - Financial Services segment

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

Cash flow	2005	2006	Change in Yen	2006
-----	-----	-----	-----	-----
- From operating activities	Y50.9	Y121.8	Y +70.8	\$1,032
- From investing activities	(261.9)	(113.2)	+148.8	(959)
- From financing activities	138.9	65.2	-73.7	552
Cash and cash equivalents at beginning of the fiscal year	259.4	117.6	-141.7	997
Cash and cash equivalents as of September 30	187.3	191.4	+4.2	1,622

Operating Activities: Net cash from operating activities was generated 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.

Financing Activities: Despite a decrease in the balance of call money within the banking business, net cash from financing activities was generated as a result of an increase in policyholders' accounts at Sony Life and an increase in deposits from customers in the banking business.

Cash and Cash Equivalents: As a result of the above, cash and cash equivalents increased Y73.8 billion compared to March 31, 2006, and increased Y4.2 billion compared to September 30, 2005, to Y191.4 billion (\$1,622 million) as of September 30, 2006.

Notes

Note I: During the quarter ended September 30, 2006, the average

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value of the yen was Y115.3 against the U.S. dollar and Y146.6 against the Euro, which was 4.3% lower against the U.S. dollar and 8.5% lower against the Euro, compared with the average rates for the same quarter of the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating income obtained by applying the yen's monthly average exchange rate in the same quarter of the previous fiscal year to local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the current quarter. Local currency basis results are not reflected in Sony's financial statements and are not measures conforming with U.S. GAAP. In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that local currency basis results provide additional useful analytical information to investors regarding operating performance.

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

Outlook for the Fiscal Year ending March 31, 2007

Our forecast for the fiscal year ending March 31, 2007, as revised on October 19, 2006, is as per the table below:

	Current Forecast*	Change from previous fiscal year
	-----	-----
Sales and operating revenue	Y8,230 billion	+10%
Operating income	50 billion	-78
(Restructuring charges included within Operating income	40 billion	-71)
Income before income taxes	70 billion	-76
Equity in net income of affiliated companies	40 billion	+204
Net income	80 billion	-35

*Assumed foreign currency exchange rates for the second half of the fiscal year: approximately Y114 to the U.S. dollar and approximately Y145 to the Euro.

Please note that the above operating income forecast reflects the Y51.2 billion provision for charges related to the notebook computer battery pack recall and subsequent global replacement program.

Our forecast for capital expenditures, depreciation and amortization or research and development costs, as per the table below, is unchanged from the forecast of July 27, 2006.

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	Forecast	Change from previous fiscal year
	-----	-----
Capital expenditures (additions to fixed assets)	Y460 billion	+20%
Depreciation and amortization*	410 billion	+7
(Depreciation expenses for tangible assets	340 billion	+9)
*Including amortization of intangible assets and amortization of deferred insurance acquisition costs.		
Research and development expenses	550 billion	+3

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, as well as achieve sufficient cost reductions for, 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 recoup large-scale investment required for technology development, increasing production capacity and by the Game segment for the development and introduction of a new platform; (v) Sony's ability to

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implement successfully personnel reduction and other business reorganization activities in its Electronics segment; (vi) Sony's ability to implement successfully its network strategy for its Electronics, Game and Pictures segments and All Other, including the music business, and to develop and implement successful sales and distribution strategies in its Pictures segment and music business in light of the Internet and other technological developments; (vii) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to correctly prioritize investments (particularly in the Electronics segment); (viii) 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 (ix) the success of Sony's joint ventures and alliances. Risks and uncertainties also include the impact of any future events with material unforeseen impacts.

Business Segment Information (Unaudited)

	2005	2006	Change	2006
(Millions of yen, millions of U.S. dollars)				
Second quarter ended September 30				
Sales and operating revenue				
-----	-----	-----	-----	-----
Electronics				
Customers	Y1,101,562	Y1,286,026	+16.7%	\$10,899
Intersegment	127,817	92,364		782
-----	-----	-----		-----
Total	1,229,379	1,378,390	+12.1	11,681
Game				
Customers	203,994	162,571	-20.3	1,378
Intersegment	10,252	7,749		65
-----	-----	-----		-----
Total	214,246	170,320	-20.5	1,443
Pictures				
Customers	158,855	178,153	+12.1	1,510
Intersegment	-	-		-
-----	-----	-----		-----
Total	158,855	178,153	+12.1	1,510
Financial Services				
Customers	170,103	162,198	-4.6	1,374
Intersegment	5,779	5,903		51
-----	-----	-----		-----
Total	175,882	168,101	-4.4	1,425
All Other				
Customers	77,120	65,231	-15.4	552
Intersegment	20,193	16,255		138
-----	-----	-----		-----
Total	97,313	81,486	-16.3	690
Elimination	(164,041)	(122,271)	-	(1,036)

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-----	-----	-----	-----	-----
Consolidated total	Y1,711,634	Y1,854,179	+8.3%	\$15,713

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

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

Operating income (loss)	2005	2006	Change	2006
-----	-----	-----	-----	-----
Electronics	Y28,081	Y8,027	-71.4%	\$68
Game	8,220	(43,527)	-	(369)
Pictures	(6,633)	(15,277)	-	(129)
Financial Services	40,046	24,567	-38.7	208
All Other	7,585	6,497	-14.3	55
-----	-----	-----	-----	-----
Total	77,299	(19,713)	-	(167)
Corporate and elimination	(2,744)	(1,120)	-	(10)
-----	-----	-----	-----	-----
Consolidated total	Y74,555	Y(20,833)	-%	\$(177)

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

Sales and operating revenue	2005	2006	Change	2006
-----	-----	-----	-----	-----
Electronics				
Customers	Y2,136,493	Y2,517,666	+17.8%	\$21,336
Intersegment	221,259	141,616		1,200
-----	-----	-----	-----	-----
Total	2,357,752	2,659,282	+12.8	22,536
Game				
Customers	369,471	279,597	-24.3	2,369
Intersegment	17,553	13,212		112
-----	-----	-----	-----	-----
Total	387,024	292,809	-24.3	2,481
Pictures				
Customers	303,236	382,904	+26.3	3,245
Intersegment	-	-		-
-----	-----	-----	-----	-----
Total	303,236	382,904	+26.3	3,245
Financial Services				
Customers	318,691	280,738	-11.9	2,379
Intersegment	11,005	11,464		97
-----	-----	-----	-----	-----
Total	329,696	292,202	-11.4	2,476
All Other				
Customers	151,876	137,510	-9.5	1,166
Intersegment	38,499	32,115		272

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-----	-----	-----	-----	-----
Total	190,375	169,625	-10.9	1,438
Elimination	(288,316)	(198,407)	-	(1,681)
-----	-----	-----	-----	-----
Consolidated total	Y3,279,767	Y3,598,415	+9.7%	\$30,495

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

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

Operating income (loss)	2005	2006	Change	2006
-----	-----	-----	-----	-----
Electronics	Y1,404	Y55,446	+3,849.1%	\$470
Game	2,325	(70,330)	-	(596)
Pictures	(2,387)	(16,442)	-	(139)
Financial Services	61,969	29,146	-53.0	247
All Other	12,818	11,228	-12.4	95
-----	-----	-----	-----	-----
Total	76,129	9,048	-88.1	77
Corporate and elimination	(8,156)	(2,833)	-	(24)
-----	-----	-----	-----	-----
Consolidated total	Y67,973	Y6,215	-90.9%	\$53

Electronics Sales and Operating Revenue to Customers
by Product Category

	(Millions of yen, millions of U.S. dollars)			
	Second quarter ended September 30			
Sales and operating revenue	2005	2006	Change	2006
-----	-----	-----	-----	-----
Audio	Y129,605	Y121,655	-6.1%	\$1,031
Video	247,628	282,920	+14.3	2,398
Televisions	171,430	251,486	+46.7	2,131
Information and Communications	184,984	220,341	+19.1	1,867
Semiconductors	43,534	52,482	+20.6	445
Components	193,103	221,335	+14.6	1,876
Other	131,278	135,807	+3.4	1,151
-----	-----	-----	-----	-----
Total	Y1,101,562	Y1,286,026	+16.7%	\$10,899
	Six months ended September 30			
Sales and operating revenue	2005	2006	Change	2006
-----	-----	-----	-----	-----
Audio	Y246,944	Y237,947	-3.6%	\$2,017
Video	498,959	553,101	+10.9	4,687
Televisions	321,477	513,540	+59.7	4,352
Information and Communications	369,160	433,491	+17.4	3,674

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Semiconductors	82,907	100,473	+21.2	851
Components	375,933	426,071	+13.3	3,611
Other	241,113	253,043	+4.9	2,144
-----	-----	-----		-----
Total	Y2,136,493	Y2,517,666	+17.8%	\$21,336

The above table is a breakdown of Electronics sales and operating revenue to customers in the Business Segment Information. The Electronics segment is managed as a single operating segment by Sony's management. However, Sony believes that the information in this table is useful to investors in understanding the product categories in this business segment.

Commencing April 1, 2006, Sony has partly realigned its product category configuration in the Electronics segment.

Accordingly, results for the same period of the previous fiscal year have been reclassified.

The primary change is as shown below;

Main Product	Previous Product Category	New Product Category
Low-temperature polysilicon thin film transistor LCD	"Semiconductors"	--> "Components"
Chemical component	"Other"	--> "Components"

Geographic Segment Information (Unaudited)

(Millions of yen, millions of U.S. dollars)				
Second quarter ended September 30				
Sales and operating revenue	2005	2006	Change	2006
Japan	Y512,026	Y497,433	-2.9%	\$4,216
United States	436,297	479,469	+9.9	4,063
Europe	368,910	417,019	+13.0	3,534
Other Areas	394,401	460,258	+16.7	3,900
Total	Y1,711,634	Y1,854,179	+8.3%	\$15,713
Six months ended September 30				
Sales and operating revenue	2005	2006	Change	2006
Japan	Y988,996	Y973,631	-1.6%	\$8,251
United States	854,778	927,386	+8.5	7,859

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Europe	700,035	815,871	+16.5	6,914
Other Areas	735,958	881,527	+19.8	7,471
-----	-----	-----		-----
Total	Y3,279,767	Y3,598,415	+9.7%	\$30,495

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

Consolidated Statements of Income (Unaudited)

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

	Second quarter ended September 30			
	2005	2006	Change	2006
	-----	-----	-----	-----
Sales and operating revenue:			%	
Net sales	Y1,517,412	Y1,667,547		\$14,132
Financial service revenue	170,103	162,198		1,374
Other operating revenue	24,119	24,434		207
	-----	-----		-----
	1,711,634	1,854,179	+8.3	15,713
Costs and expenses:				
Cost of sales	1,179,803	1,286,412		10,902
Selling, general and administrative expenses	300,279	449,250		3,807
Financial service expenses	130,228	137,623		1,166
Loss on sale, disposal or impairment of assets, net	26,769	1,727		15
	-----	-----		-----
	1,637,079	1,875,012		15,890
Operating income (loss)	74,555	(20,833)	-	(177)
Other income:				
Interest and dividends	4,674	4,848		41
Foreign exchange gain, net	326	-		-
Gain on sale of securities investments, net	4,259	551		5
Gain on change in interest in subsidiaries and equity investees	20,662	2,029		18
Other	5,068	5,664		48
	-----	-----		-----
	34,989	13,092		112
Other expenses:				
Interest	7,135	5,974		51
Loss on devaluation of securities investments	2,144	734		6
Foreign exchange loss, net	-	6,036		51

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Other	4,882	5,637		48
	-----	-----		-----
	14,161	18,381		156
	-----	-----		-----
Income (loss) before income taxes	95,383	(26,122)	-	(221)
	-----	-----		-----
Income taxes	65,143	(7,551)		(64)
	-----	-----		-----
Income (loss) before minority interest and equity in net income (loss) of affiliated companies	30,240	(18,571)	-	(157)
	-----	-----		-----
Minority interest in income (loss) of consolidated subsidiaries	(837)	(530)		(4)
	-----	-----		-----
Equity in net income (loss) of affiliated companies	(2,609)	19,721		167
	-----	-----		-----
Net income	Y28,468	Y1,680	-94.1	\$14
	-----	-----		-----
Per share data:				
Common stock				
Net income				
- Basic	Y28.63	Y1.68	-94.1	\$0.01
- Diluted	27.32	1.60	-94.1	0.01
Subsidiary tracking stock				
Net income (loss)				
- Basic*	(19.90)	-	-	-

* See Note 3

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

	2005	2006	Change	2006
	-----	-----	-----	-----
Sales and operating revenue:				
Net sales	Y2,915,146	Y3,267,083		\$27,687
Financial service revenue	318,691	280,738		2,379
Other operating revenue	45,930	50,594		429
	-----	-----		-----
	3,279,767	3,598,415	+9.7	30,495
Costs and expenses:				
Cost of sales	2,276,579	2,498,491		21,174
Selling, general and administrative Financial service expenses	649,755	833,137		7,060
	256,865	251,574		2,132
Loss on sale,	28,595	8,998		76

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disposal or impairment of assets, net	----- 3,211,794	----- 3,592,200		----- 30,442
Operating income	67,973	6,215	-90.9	53
Other income:				
Interest and dividends	10,843	11,942		101
Gain on sale of securities investments, net	6,400	4,452		38
Gain on change in interest in subsidiaries and equity investees	38,531	20,075		170
Other	10,826	10,431		88
	----- 66,600	----- 46,900		----- 397
Other expenses:				
Interest	11,981	11,385		97
Loss on devaluation of securities investments	2,944	750		6
Foreign exchange loss, net	1,066	3,494		30
Other	10,296	9,580		81
	----- 26,287	----- 25,209		----- 214
Income before income taxes	108,286	27,906	-74.2	236
Income taxes	77,194	17,216		145
Income before minority interest and equity in net income (loss) of affiliated companies	31,092	10,690	-65.6	91
Minority interest in income (loss) of consolidated subsidiaries	(1,808)	62		1
Equity in net income (loss) of affiliated companies	(11,695)	23,343		198
Net income	----- Y21,205	----- Y33,971	+60.2	----- \$288
Per share data:				
Common stock				
Net income				
- Basic	Y19.95	Y33.93	+70.1	\$0.29
- Diluted	19.01	32.36	+70.2	0.27
Subsidiary tracking stock				

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Net income				
- Basic*	430.74	-	-	-

* See Note 3

Consolidated Balance Sheets (Unaudited)

	(Millions of yen, millions of U.S. dollars)			
ASSETS	September 30 2005	March 31 2006	September 30 2006	September 30 2006
Current assets:				
Cash and cash equivalents	Y 581,200	Y 703,098	Y 555,330	\$ 4,706
Marketable securities	508,017	536,968	471,332	3,994
Notes and accounts receivable, trade	1,087,120	1,075,071	1,233,207	10,451
Allowance for doubtful accounts and sales returns	(78,352)	(89,563)	(82,340)	(698)
Inventories	805,856	804,724	1,152,646	9,768
Deferred income taxes	138,160	221,311	251,374	2,130
Prepaid expenses and other current assets	552,876	517,915	636,325	5,394
	-----	-----	-----	-----
	3,594,877	3,769,524	4,217,874	35,745
Film costs	343,998	360,372	370,905	3,143
Investments and advances:				
Affiliated companies	263,524	285,870	339,702	2,879
Securities investments and other	2,900,196	3,234,037	3,310,692	28,057
	-----	-----	-----	-----
	3,163,720	3,519,907	3,650,394	30,936
Property, plant and equipment:				
Land	181,130	178,844	172,242	1,460
Buildings	936,291	926,783	939,040	7,958
Machinery and equipment	2,304,687	2,327,676	2,437,235	20,655
Construction in progress	90,822	116,149	93,568	793
Less-Accumulated depreciation	(2,133,025)	(2,160,905)	(2,200,498)	(18,649)
	-----	-----	-----	-----
	1,379,905	1,388,547	1,441,587	12,217
Other assets:				
Intangibles, net	192,688	207,034	213,422	1,809
Goodwill	291,021	299,024	300,627	2,548
Deferred	384,917	383,156	389,695	3,303

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insurance acquisition costs				
Deferred income taxes	205,019	178,751	159,563	1,352
Other	452,169	501,438	399,578	3,385
	-----	-----	-----	-----
	1,525,814	1,569,403	1,462,885	12,397
	-----	-----	-----	-----
	Y 10,008,314	Y 10,607,753	Y 11,143,645	\$ 94,438
	-----	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	Y 202,882	Y 142,766	Y 247,953	\$ 2,101
Current portion of long-term debt	165,091	193,555	111,620	946
Notes and accounts payable, trade	854,982	813,332	975,543	8,267
Accounts payable, other and accrued expenses	756,985	854,886	908,378	7,698
Accrued income and other taxes	33,211	87,295	26,810	227
Deposits from customers in the banking business	591,540	599,952	682,717	5,786
Other	489,937	508,442	490,134	4,154
	-----	-----	-----	-----
	3,094,628	3,200,228	3,443,155	29,179
Long-term liabilities:				
Long-term debt	690,320	764,898	868,231	7,358
Accrued pension and severance costs	221,915	182,247	169,667	1,438
Deferred income taxes	143,793	216,497	238,021	2,017
Future insurance policy benefits and other	2,598,208	2,744,321	2,880,479	24,411
Other	234,321	258,609	267,088	2,264
	-----	-----	-----	-----
	3,888,557	4,166,572	4,423,486	37,488
Minority interest in consolidated subsidiaries	25,947	37,101	40,259	341
Stockholders' equity:				
Capital stock	621,724	624,124	625,194	5,298
Additional paid-in capital	1,134,304	1,136,638	1,139,185	9,654

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Retained earnings	1,512,723	1,602,654	1,620,312	13,731
Accumulated other comprehensive income	(266,656)	(156,437)	(144,619)	(1,225)
Treasury stock, at cost	(2,913)	(3,127)	(3,327)	(28)
	-----	-----	-----	-----
	2,999,182	3,203,852	3,236,745	27,430
	-----	-----	-----	-----
	Y 10,008,314	Y 10,607,753	Y 11,143,645	\$ 94,438
	-----	-----	-----	-----

Consolidated Statements of Cash Flows (Unaudited)

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

	2005	2006	2006
	-----	-----	-----
Cash flows from operating activities:			
Net income	Y 21,205	Y 33,971	\$ 288
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	181,416	184,919	1,567
Amortization of film costs	170,624	148,714	1,260
Accrual for pension and severance costs, less payments	(3,503)	(8,479)	(72)
Gain on the transfer to the Japanese Government of the substitutional portion of employee pension fund	(73,472)	-	-
Loss on sale, disposal or impairment of assets, net	28,595	8,998	76
Gain on sale or	(3,456)	(3,702)	(32)

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loss on devaluation of securities investments, net			
(Gain) Loss on evaluation of marketable securities held in the financial service business for trading purpose	(17,394)	3,864	33
Gain on change in interest in subsidiaries and equity investees	(38,531)	(20,075)	(170)
Deferred income taxes	67,569	(4,575)	(39)
Equity in net (income) loss of affiliated companies, net of dividends	12,443	(21,987)	(186)
Changes in assets and liabilities:			
Increase in notes and accounts receivable, trade	(22,704)	(154,431)	(1,309)
Increase in inventories	(158,851)	(338,190)	(2,866)
Increase in film costs	(218,406)	(157,992)	(1,339)
Increase in notes and accounts payable, trade	39,971	159,742	1,354
Decrease in accrued income and other taxes	(22,790)	(49,918)	(423)
Increase in future insurance policy benefits and other	62,113	76,270	646
Increase in deferred insurance acquisition costs	(32,080)	(30,152)	(255)
(Increase) Decrease in marketable securities held in the financial service business for trading purpose	(13,216)	18,874	160
Increase in	(58,603)	(26,462)	(224)

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other current assets			
Increase in other current liabilities	18,029	37,034	314
Other	20,144	70,802	600
	-----	-----	-----
Net cash used in operating activities	(40,897)	(72,775)	(617)
	-----	-----	-----
Cash flows from investing activities:			
Payments for purchases of fixed assets	(234,310)	(258,061)	(2,187)
Proceeds from sales of fixed assets	9,978	25,098	213
Payments for investments and advances by financial service business	(712,454)	(470,577)	(3,988)
Payments for investments and advances (other than financial service business)	(15,217)	(32,751)	(277)
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	471,167	374,782	3,176
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	16,873	4,139	35
Proceeds from sales of subsidiaries' and equity investees' stocks	49,578	32,165	272
Other	(283)	667	6
	-----	-----	-----
Net cash used in investing activities	(414,668)	(324,538)	(2,750)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	121,280	125,047	1,060

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Payments of long-term debt	(115,563)	(103,479)	(877)
Increase in short-term borrowings	101,073	187,021	1,585
Increase in deposits from customers in the financial service business	116,856	142,793	1,210
Increase (Decrease) in call money and bills sold in the banking business	31,500	(87,700)	(743)
Dividends paid	(12,368)	(12,514)	(106)
Other	753	2,449	20
	-----	-----	-----
Net cash provided by financing activities	243,531	253,617	2,149
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	14,131	(4,072)	(34)
	-----	-----	-----
Net decrease in cash and cash equivalents	(197,903)	(147,768)	(1,252)
Cash and cash equivalents at beginning of the fiscal year	779,103	703,098	5,958
	-----	-----	-----
Cash and cash equivalents at September 30	Y 581,200	Y 555,330	\$ 4,706
	-----	-----	-----

The following information shows change in additional paid-in capital and change in retained earnings for the six months of the fiscal year ended March 31, 2006, and consolidated statement of changes in stockholders' equity for the six months of the fiscal year ending March 31, 2007.

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

Additional Paid-in Capital and Retained Earnings (Unaudited)

(Millions of yen)
Six months ended September 30

2005

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Additional Paid-in Capital:		
Balance at March 31, 2005	Y	1,134,222
Exercise of stock acquisition rights		16
Stock based compensation		66

Balance at September 30, 2005	Y	1,134,304

(Millions of yen)

Six months ended September 30
2005

Retained Earnings:		
Balance at March 31, 2005	Y	1,506,082
Net income		21,205
Cash dividends		(12,456)
Reissuance of treasury stock		(1,349)
Common stock issue costs, net of tax		(759)

Balance at September 30, 2005	Y	1,512,723

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

	(Millions of yen)					
	Common stock	Additional paid-in capital	Retained earnings	Accumu- lated other compre- hensive income	Treasury stock, at cost	Total
	-----	-----	-----	-----	-----	-----
Balance at March 31, 2006	Y624,124	Y1,136,638	Y1,602,654	Y(156,437)	Y(3,127)	Y3,203,852
Exercise of stock acquisition rights	478	478				956
Conversion of convertible bonds	592	592				1,184
Stock based compensation		1,472				1,472
Comprehensive income:						
Net income			33,971			33,971
Cumulative effect of an accounting change, net of tax			(3,785)			(3,785)

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Other comprehensive income, net of tax						
Unrealized gains on securities				(21,689)		(21,689)
Unrealized losses on derivative instruments				(1,026)		(1,026)
Minimum pension liability adjustment				(2,647)		(2,647)
Foreign currency translation adjustments				37,180		37,180

Total comprehensive income						42,004

Stock issue costs, net of tax				(11)		(11)
Dividends declared				(12,517)		(12,517)
Purchase of treasury stock					(226)	(226)
Reissuance of treasury stock		5			26	31
	-----	-----	-----	-----	-----	-----
Balance at September 30, 2006	Y625,194	Y1,139,185	Y1,620,312	Y(144,619)	Y(3,327)	Y3,236,745
	-----	-----	-----	-----	-----	-----
					(Millions of U.S. dollars)	
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total
	-----	-----	-----	-----	-----	-----
Balance at March 31, 2006	\$ 5,289	\$ 9,633	\$ 13,582	\$ (1,326)	\$ (27)	\$ 27,151
Exercise of stock	4	4				8

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acquisition rights						
Conversion of convertible bonds	5	5				10
Stock based compensation		12				12
Comprehensive income:						
Net income			288			288
Cumulative effect of an accounting change, net of tax			(33)			(33)
Other comprehensive income, net of tax						
Unrealized gains on securities				(184)		(184)
Unrealized losses on derivative instruments				(8)		(8)
Minimum pension liability adjustment				(22)		(22)
Foreign currency translation adjustments				315		315
Total comprehensive income						----- 356 -----
Stock issue costs, net of tax			(0)			(0)
Dividends declared			(106)			(106)
Purchase of treasury stock				(1)		(1)
Reissuance of treasury stock		0		0		0
Balance at	\$ 5,298	\$ 9,654	\$ 13,731	\$ (1,225)	\$ (28)	\$ 27,430

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September
30, 2006

(Notes)

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of Y118 = U.S. \$1, the approximate Tokyo foreign exchange market rate as of September 29, 2006.

2. As of September 30, 2006, Sony had 947 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method in respect to 59 affiliated companies.

3. Prior to December 1, 2005, Sony calculated and presented per share data separately for Sony's common stock and for the subsidiary tracking stock applying "two-class" method based on Statement of Financial Accounting Standards ("FAS") No.128, "Earnings per Share". On October 26, 2005, the Board of Directors of Sony Corporation decided to terminate all shares of subsidiary tracking stock with the method of compulsory conversion to shares of Sony's common stock. All shares of subsidiary tracking stock were converted to shares of Sony's common stock on December 1, 2005. As a result of the conversion, earnings per share of the subsidiary tracking stock has not been presented since the third quarter of the fiscal year ended March 31, 2006.

Weighted-average number of outstanding shares used for computation of earnings per share of common stock are as follows. The dilutive effect in the weighted-average number of outstanding shares mainly resulted from convertible bonds.

Weighted-average number of outstanding shares	(Thousands of shares)	
	Second quarter ended September 30	
	2005	2006
	-----	----
Net income		
- Basic	996,523	1,001,293
- Diluted	1,044,215	1,049,549

Weighted-average number of outstanding shares	(Thousands of shares)	
	Six months ended September 30	
	2005	2006
	-----	----
Net income		
- Basic	996,305	1,001,250
- Diluted	1,044,040	1,049,803

4. Effective April 1, 2006, Sony reclassified royalty income as a component of sales and operating revenue, rather than as a component of other income as previously recorded. In connection with this reclassification, sales and operating revenue, operating income (loss) and other income for the

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second quarter and the six months of the fiscal year ended March 31, 2006 have been reclassified to conform with the presentation of these items for the second quarter and the six months of the fiscal year ending March 31, 2007. Royalty income for the second quarter and the six months of the fiscal year ended March 31, 2006, was Y8.6 billion and Y17.3 billion, respectively. Royalty income for the second quarter and the six months of the fiscal year ending March 31, 2007 was Y7.3 billion and Y15.9 billion, respectively. These amounts were recorded primarily within the Electronics segment.

5. 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 had accounted for its employee stock-based compensation in accordance with the intrinsic value method prescribed by APB No. 25 and its related interpretations and had 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. Sony adopted FAS No. 123(R) on April 1, 2006. Sony 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 a result of adoption of FAS No. 123(R), Sony's operating income (loss) decreased (increased) Y697 million and Y1,397 million for the second quarter and the six months of the fiscal year ending March 31, 2007, respectively.

6. In February 2006, the Financial Accounting Standards Board ("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 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 is 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. Sony early adopted FAS No. 155 on April 1, 2006. As a result of adoption of FAS No. 155, Sony's operating income (loss) increased (decreased) approximately Y1.7 billion and Y0.1 billion for the second quarter and the six months of the fiscal year ending March 31, 2007, respectively. Additionally, on April 1, 2006, Sony recognized Y3,785 million of loss (net of income taxes of Y2,148million) as a cumulative-effect adjustment to beginning retained earnings.

Other Consolidated Financial Data

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

	2005	2006	Change	2006
Capital expenditures (additions to property, plant and equipment)	Y 87,798	Y 90,024	+2.5%	\$ 763
Depreciation and amortization expenses*	92,752	93,654	+ 1.0	794
(Depreciation expenses for tangible assets)	(74,845)	(74,490)	-0.5	(631)
R&D expenses	131,369	143,485	+ 9.2	1,216

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

	2005	2006	Change	2006
Capital expenditures (additions to property, plant and equipment)	Y 185,781	Y 224,080	+20.6%	\$ 1,899
Depreciation and amortization expenses*	181,416	184,919	+ 1.9	1,567
(Depreciation expenses for tangible assets)	(146,726)	(145,492)	-0.8	(1,233)
R&D expenses	249,757	262,855	+ 5.2	2,228

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

(Condensed Financial Services Financial Statements)

The results of the Financial Services segment are included in Sony's consolidated financial statements. The following schedules show unaudited condensed financial statements for the Financial Services segment and all other segments excluding Financial Services. These presentations are not 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 (Unaudited)

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

	2005	2006	Change	2006
Financial Services			%	
Financial service	Y 175,882	Y 168,101	-4.4	\$ 1,425

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revenue				
Financial service	135,836	143,534	+5.7	1,217
expenses	-----	-----		-----
Operating income	40,046	24,567	-38.7	208
Other income	23,351	121	-99.5	1
(expenses), net	-----	-----		-----
Income before income	63,397	24,688	-61.1	209
taxes				
Income taxes and other	23,555	9,395	-60.1	79
	-----	-----		-----
Net income	Y 39,842	Y 15,293	-61.6	\$ 130
	-----	-----		-----

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

	Second quarter ended September 30			
Sony without	2005	2006	Change	2006
Financial Services	-----	-----	----	-----
			%	
Net sales and	Y 1,543,763	Y 1,694,094	+9.7	\$ 14,357
operating revenue				
Costs and	1,509,712	1,739,841	+15.2	14,745
expenses	-----	-----		-----
Operating income (loss)	34,051	(45,747)	-	(388)
Other income	(2,196)	(5,065)	-	(43)
(expenses), net	-----	-----		-----
Income (loss) before	31,855	(50,812)	-	(431)
income taxes				
Income taxes and other	43,361	(37,199)	-	(316)
	-----	-----		-----
Net income (loss)	Y (11,506)	Y (13,613)	-	\$ (115)
	-----	-----		-----

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

	Second quarter ended September 30			
Consolidated	2005	2006	Change	2006
	-----	-----	----	-----
			%	
Financial service	Y 170,103	Y 162,198	-4.6	\$ 1,374
revenue				
Net sales and	1,541,531	1,691,981	+9.8	14,339
operating revenue	-----	-----		-----
	1,711,634	1,854,179	+8.3	15,713
Costs and expenses	1,637,079	1,875,012	+14.5	15,890
	-----	-----		-----
Operating income (loss)	74,555	(20,833)	-	(177)
Other income	20,828	(5,289)	-	(44)
(expenses), net	-----	-----		-----
Income (loss) before	95,383	(26,122)	-	(221)
income taxes				
Income taxes and other	66,915	(27,802)	-	(235)
	-----	-----		-----
Net income	Y 28,468	Y 1,680	-94.1	\$ 14
	-----	-----		-----

Condensed Statements of Income (Unaudited)

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(Millions of yen, millions of U.S. dollars)				
Financial Services	2005	2006	Change	2006
	-----	-----	-----	-----
			%	
Financial service revenue	Y 329,696	Y 292,202	-11.4	\$ 2,476
Financial service expenses	267,727	263,056	-1.7	2,229
	-----	-----		-----
Operating income	61,969	29,146	-53.0	247
Other income (expenses), net	23,234	64	-99.7	1
	-----	-----		-----
Income before income taxes	85,203	29,210	-65.7	248
Income taxes and other	33,289	10,796	-67.6	92
	-----	-----		-----
Net income	Y 51,914	Y 18,414	-64.5	\$ 156
	-----	-----		-----

(Millions of yen, millions of U.S. dollars)				
Sony without Financial Services	2005	2006	Change	2006
	-----	-----	-----	-----
			%	
Net sales and operating revenue	Y 2,965,256	Y 3,322,377	+12.0	\$ 28,156
Costs and expenses	2,960,116	3,345,971	+13.0	28,356
	-----	-----		-----
Operating income (loss)	5,140	(23,594)	-	(200)
Other income (expenses), net	17,813	28,400	+59.4	241
	-----	-----		-----
Income before income taxes	22,953	4,806	-79.1	41
Income taxes and other	53,793	(17,026)	-	(144)
	-----	-----		-----
Net income (loss)	Y (30,840)	Y 21,832	-	\$ 185
	-----	-----		-----

(Millions of yen, millions of U.S. dollars)				
Consolidated	2005	2006	Change	2006
	-----	-----	-----	-----
			%	
Financial service revenue	Y 318,691	Y 280,738	-11.9	\$ 2,379
Net sales and operating revenue	2,961,076	3,317,677	+12.0	28,116
	-----	-----		-----
Costs and expenses	3,279,767	3,598,415	+9.7	30,495
	3,211,794	3,592,200	+11.8	30,442
	-----	-----		-----
Operating income	67,973	6,215	-90.9	53
Other income (expenses), net	40,313	21,691	-46.2	183
	-----	-----		-----

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Income before income taxes	108,286	27,906	-74.2	236
Income taxes and other	87,081	(6,065)	-	(52)
	-----	-----		-----
Net income	Y 21,205	Y 33,971	+60.2	\$ 288
	-----	-----		-----

Condensed Balance Sheet (Unaudited)

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

Financial Services	September 30 2005	March 31 2006	September 30 2006	September 30 2006
ASSETS	-----	-----	-----	-----
Current assets:				
Cash and cash equivalents	Y 187,269	Y 117,630	Y 191,438	\$ 1,622
Marketable securities	503,946	532,895	468,256	3,968
Other	204,377	200,929	274,626	2,328
	-----	-----	-----	-----
	895,592	851,454	934,320	7,918
Investments and advances	2,788,864	3,128,748	3,220,740	27,294
Property, plant and equipment	34,053	37,422	39,427	334
Other assets:				
Deferred insurance acquisition costs	384,917	383,156	389,695	3,303
Other	122,102	164,827	97,983	830
	-----	-----	-----	-----
	507,019	547,983	487,678	4,133
	-----	-----	-----	-----
	Y 4,225,528	Y 4,565,607	Y 4,682,165	\$ 39,679
	-----	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	Y 70,862	Y 136,723	Y 67,548	\$ 572
Notes and accounts payable, trade	10,643	11,707	12,601	107
Deposits from customers in the banking business	591,540	599,952	682,717	5,786
Other	147,191	169,956	113,157	959

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	-----	-----	-----	-----
	820,236	918,338	876,023	7,424
Long-term liabilities:				
Long-term debt	131,507	128,097	129,415	1,097
Accrued pension and severance costs	13,641	13,479	13,222	112
Future insurance policy benefits and other	2,598,208	2,744,321	2,880,479	24,411
Other	158,976	173,354	200,367	1,697
	-----	-----	-----	-----
	2,902,332	3,059,251	3,223,483	27,317
Minority interest in consolidated subsidiaries	4,279	4,089	4,228	36
Stockholders' equity	498,681	583,929	578,431	4,902
	-----	-----	-----	-----
	Y 4,225,528	Y 4,565,607	Y 4,682,165	\$ 39,679
	-----	-----	-----	-----

	(Millions of yen, millions of U.S. dollars)			
Financial Services ASSETS	September 2005	March 2006	September 2006	September 2006
	-----	-----	-----	-----
Current assets:				
Cash and cash equivalents	Y 393,931	Y 585,468	Y 363,892	\$ 3,084
Marketable securities	4,071	4,073	3,076	26
Notes and accounts receivable, trade	1,000,575	973,675	1,132,099	9,594
Other	1,317,568	1,393,306	1,825,897	15,474
	-----	-----	-----	-----
	2,716,145	2,956,522	3,324,964	28,178
Film costs	343,998	360,372	370,905	3,143
Investments and advances	464,700	477,089	509,565	4,318
Investments in Financial Services, at cost	187,400	187,400	187,400	1,588
Property, plant and equipment	1,345,852	1,351,125	1,402,160	11,883
Other assets	1,106,129	1,059,786	1,021,756	8,659
	-----	-----	-----	-----
	Y 6,164,224	Y 6,392,294	Y 6,816,750	\$ 57,769
	-----	-----	-----	-----

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LIABILITIES AND
STOCKHOLDERS'
EQUITY

Current

liabilities:

Short-term borrowings	Y 311,405	Y 225,082	Y 329,624	\$ 2,793
Notes and accounts payable, trade	847,049	804,394	963,939	8,169
Other	1,144,494	1,299,809	1,324,318	11,223
	-----	-----	-----	-----
	2,302,948	2,329,285	2,617,881	22,185

Long-term

liabilities:

Long-term debt	638,502	701,372	802,173	6,798
Accrued pension and severance costs	208,274	168,768	156,445	1,326
Other	304,974	352,457	358,479	3,038
	-----	-----	-----	-----
	1,151,750	1,222,597	1,317,097	11,162

Minority interest in consolidated subsidiaries

Stockholders' equity	21,717	32,623	35,593	302
	-----	-----	-----	-----
	Y 6,164,224	Y 6,392,294	Y 6,816,750	\$ 57,769
	-----	-----	-----	-----

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

Consolidated ASSETS	September 30 2005	March 31 2006	September 30 2006	September 30 2006
	-----	-----	-----	-----
Current assets:				
Cash and cash equivalents	Y 581,200	Y 703,098	Y 555,330	\$ 4,706
Marketable securities	508,017	536,968	471,332	3,994
Notes and accounts receivable, trade	1,008,768	985,508	1,150,867	9,753
Other	1,496,892	1,543,950	2,040,345	17,292
	-----	-----	-----	-----
	3,594,877	3,769,524	4,217,874	35,745
Film costs	343,998	360,372	370,905	3,143
Investments and advances	3,163,720	3,519,907	3,650,394	30,936
Property, plant and equipment	1,379,905	1,388,547	1,441,587	12,217
Other assets:				

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Deferred insurance acquisition costs	384,917	383,156	389,695	3,303
Other	1,140,897	1,186,247	1,073,190	9,094
	-----	-----	-----	-----
	1,525,814	1,569,403	1,462,885	12,397
	-----	-----	-----	-----
Y	10,008,314	Y 10,607,753	Y 11,143,645	\$ 94,438
	-----	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	Y 367,973	Y 336,321	Y 359,573	\$ 3,047
Notes and accounts payable, trade	854,982	813,332	975,543	8,267
Deposits from customers in the banking business	591,540	599,952	682,717	5,786
Other	1,280,133	1,450,623	1,425,322	12,079
	-----	-----	-----	-----
	3,094,628	3,200,228	3,443,155	29,179
Long-term liabilities:				
Long-term debt	690,320	764,898	868,231	7,358
Accrued pension and severance costs	221,915	182,247	169,667	1,438
Future insurance policy benefits and other	2,598,208	2,744,321	2,880,479	24,411
Other	378,114	475,106	505,109	4,281
	-----	-----	-----	-----
	3,888,557	4,166,572	4,423,486	37,488
Minority interest in consolidated subsidiaries	25,947	37,101	40,259	341
Stockholders' equity	2,999,182	3,203,852	3,236,745	27,430
	-----	-----	-----	-----
Y	10,008,314	Y 10,607,753	Y 11,143,645	\$ 94,438
	-----	-----	-----	-----

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Condensed Statements of Cash Flows (Unaudited)

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

Financial Services	2005	2006	2006
	-----	-----	-----
Net cash provided by operating activities	Y 50,949	Y 121,798	\$ 1,032
Net cash used in investing activities	(261,946)	(113,193)	(959)
Net cash provided by financing activities	138,895	65,203	552
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(72,102)	73,808	625
Cash and cash equivalents at beginning of the fiscal year	259,371	117,630	997
	-----	-----	-----
Cash and cash equivalents at September 30	Y 187,269	Y 191,438	\$ 1,622
	-----	-----	-----

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

Sony without Financial Services	2005	2006	2006
	-----	-----	-----
Net cash used in operating activities	Y (91,879)	Y (191,169)	\$ (1,620)
Net cash used in investing activities	(145,119)	(217,499)	(1,843)
Net cash provided by financing activities	97,066	191,164	1,620
Effect of exchange rate changes on cash and cash equivalents	14,131	(4,072)	(34)
	-----	-----	-----
Net decrease in cash and cash equivalents	(125,801)	(221,576)	(1,877)
Cash and cash equivalents at beginning of the fiscal year	519,732	585,468	4,961
	-----	-----	-----
Cash and cash equivalents at September 30	Y 393,931	Y 363,892	\$ 3,084
	-----	-----	-----

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

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Consolidated	Six months ended September 30		
	2005	2006	2006
	-----	-----	-----
Net cash used in operating activities	Y (40,897)	Y (72,775)	\$ (617)
Net cash used in investing activities	(414,668)	(324,538)	(2,750)
Net cash provided by financing activities	243,531	253,617	2,149
Effect of exchange rate changes on cash and cash equivalents	14,131	(4,072)	(34)
	-----	-----	-----
Net decrease in cash and cash equivalents	(197,903)	(147,768)	(1,252)
Cash and cash equivalents at beginning of the fiscal year	779,103	703,098	5,958
	-----	-----	-----
Cash and cash equivalents at September 30	Y 581,200	Y 555,330	\$ 4,706
	-----	-----	-----

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