

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
or

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2016

or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from/to

or
☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report:

Commission file number 1-6439

Sony Kabushiki Kaisha

(Exact Name of Registrant as specified in its charter)

SONY CORPORATION

(Translation of Registrant's name into English)

Japan

(Jurisdiction of incorporation or organization)

**7-1, KONAN 1-CHOME, MINATO-KU,
TOKYO 108-0075 JAPAN**

(Address of principal executive offices)

J. Justin Hill, Senior Vice President, Investor Relations

Sony Corporation of America

25 Madison Avenue, 26th Floor

New York, NY 10010-8601

Telephone: 212-833-6722

E-mail: ir.sony@am.sony.com

(Name, Telephone, E-mail and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

American Depositary Shares*
Common Stock**

New York Stock Exchange
New York Stock Exchange

* American Depositary Shares evidenced by American Depositary Receipts.
Each American Depositary Share represents one share of Common Stock.

** No par value per share.
Not for trading, but only in connection with the listing of American Depositary Shares pursuant to the requirements of the New York Stock Exchange.

Securities registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:

Title of Class	Outstanding as of	
	March 31, 2016 (Tokyo Time)	March 31, 2016 (New York Time)
Common Stock	1,261,446,015	
American Depositary Shares		111,327,333

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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," "intend," "seek," "may," "might," "could" or "should," 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, judgments and beliefs in light of the information currently available to it. Sony cautions investors 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 investors should not place undue reliance on them. Investors 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 and the economic conditions in Sony's markets, particularly levels of consumer spending;
- (ii) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony's assets and liabilities are denominated;
- (iii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including televisions, game platforms and smartphones, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing consumer preferences;
- (iv) Sony's ability and timing to recoup large-scale investments required for technology development and production capacity;
- (v) Sony's ability to implement successful business restructuring and transformation efforts under changing market conditions;
- (vi) Sony's ability to implement successful hardware, software, and content integration strategies for all segments excluding the Financial Services segment, and to develop and implement successful sales and distribution strategies 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 prioritize investments correctly (particularly in the electronics businesses);
- (viii) Sony's ability to maintain product quality;
- (ix) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures and other strategic investments;
- (x) significant volatility and disruption in the global financial markets or a ratings downgrade;
- (xi) Sony's ability to forecast demands, manage timely procurement and control inventories;
- (xii) the outcome of pending and/or future legal and/or regulatory proceedings;
- (xiii) 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;
- (xiv) the impact of unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;

- (xv) Sony's ability to anticipate and manage cybersecurity risk, including the risk of unauthorised access to Sony's business information, potential business disruptions or financial losses; and
- (xvi) risks related to catastrophic disasters or similar events.

Risks and uncertainties also include the impact of any future events with material adverse impact.

Important information regarding risks and uncertainties is also set forth elsewhere in this annual report, including in "Risk Factors" included in "Item 3. *Key Information*," "Item 4. *Information on the Company*," "Item 5. *Operating and Financial Review and Prospects*," "Legal Proceedings" included in "Item 8. *Financial Information*," Sony's consolidated financial statements referenced in "Item 8. *Financial Information*" and "Item 11. *Quantitative and Qualitative Disclosures about Market Risk*."

In this document, Sony Corporation and its consolidated subsidiaries are together referred to as "Sony." In addition, sales and operating revenue are referred to as "sales" in the narrative description except in the consolidated financial statements.

As of March 31, 2016, Sony Corporation had 1,297 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method with respect to its 102 affiliated companies.

TABLE OF CONTENTS

Item 1. <i>Identity of Directors, Senior Management and Advisers</i>	6
Item 2. <i>Offer Statistics and Expected Timetable</i>	6
Item 3. <i>Key Information</i>	6
A. Selected Financial Data	6
B. Capitalization and Indebtedness	7
C. Reasons for the Offer and Use of Proceeds	7
D. Risk Factors	7
Item 4. <i>Information on the Company</i>	25
A. History and Development of the Company	25
<i>Principal Capital Investments</i>	26
B. Business Overview	27
<i>Products and Services</i>	27
<i>Sales and Distribution</i>	30
<i>Sources of Supply</i>	34
<i>After-Sales Service</i>	34
<i>Patents and Licenses</i>	34
<i>Competition</i>	34
<i>Government Regulations</i>	36
C. Organizational Structure	39
D. Property, Plant and Equipment	40
Item 4A. <i>Unresolved Staff Comments</i>	42
Item 5. <i>Operating and Financial Review and Prospects</i>	42
A. Operating Results	42
B. Liquidity and Capital Resources	75
C. Research and Development	77
D. Trend Information	78
<i>Issues Facing Sony and Management's Response to those Issues</i>	78
E. Off-balance Sheet Arrangements	80
F. Contractual Obligations, Commitments, and Contingent Liabilities	80
Critical Accounting Policies and Estimates	81
Recently Adopted Accounting Standards	88
Recent Accounting Pronouncements	88
Item 6. <i>Directors, Senior Management and Employees</i>	89
A. Directors and Senior Management	89
B. Compensation	95
C. Board Practices	98
D. Employees	101
E. Share Ownership	102
Item 7. <i>Major Shareholders and Related Party Transactions</i>	103
A. Major Shareholders	103
B. Related Party Transactions	104
C. Interests of Experts and Counsel	104
Item 8. <i>Financial Information</i>	104
A. Consolidated Statements and Other Financial Information	104
Legal Proceedings	104
Dividend Policy	105
B. Significant Changes	105
Item 9. <i>The Offer and Listing</i>	105
A. Offer and Listing Details	105
<i>Trading Markets</i>	105
<i>Trading on the TSE and the NYSE</i>	106

B. Plan of Distribution	106
C. Markets	106
D. Selling Shareholders	106
E. Dilution	107
F. Expenses of the Issue	107
Item 10. <i>Additional Information</i>	107
A. Share Capital	107
B. Memorandum and Articles of Association	107
C. Material Contracts	116
D. Exchange Controls	116
E. Taxation	117
F. Dividends and Paying Agent	120
G. Statement by Experts	120
H. Documents on Display	120
I. Subsidiary Information	120
Item 11. <i>Quantitative and Qualitative Disclosures about Market Risk</i>	120
Item 12. <i>Description of Securities Other Than Equity Securities</i>	122
A. Debt Securities	122
B. Warrants and Rights	122
C. Other Securities	122
D. American Depositary Shares	122
Item 13. <i>Defaults, Dividend Arrearages and Delinquencies</i>	123
Item 14. <i>Material Modifications to the Rights of Security Holders and Use of Proceeds</i>	123
Item 15. <i>Controls and Procedures</i>	123
Item 16. <i>[Reserved]</i>	124
Item 16A. <i>Audit Committee Financial Expert</i>	124
Item 16B. <i>Code of Ethics</i>	124
Item 16C. <i>Principal Accountant Fees and Services</i>	125
Audit and Non-Audit Fees	125
Audit Committee's Pre-Approval Policies and Procedures	125
Item 16D. <i>Exemptions from the Listing Standards for Audit Committees</i>	125
Item 16E. <i>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</i>	126
Item 16F. <i>Change in Registrant's Certifying Accountant</i>	126
Item 16G. <i>Disclosure About Differences in Corporate Governance</i>	126
Item 16H. <i>Mine Safety Disclosure</i>	132
Item 17. <i>Financial Statements</i>	132
Item 18. <i>Financial Statements</i>	132
Item 19. <i>Exhibits</i>	133
Signatures	134

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable

Item 2. Offer Statistics and Expected Timetable

Not Applicable

Item 3. Key Information**A. Selected Financial Data**

	Fiscal year ended March 31				
	2012	2013	2014	2015	2016
	(Yen in millions, yen per share amounts)				
Income statement data:					
Sales and operating revenue	6,493,083	6,795,504	7,767,266	8,215,880	8,105,712
Equity in net income (loss) of affiliated companies	(121,697)	(6,948)	(7,374)	3,921	2,238
Operating income (loss)	(65,663)	226,503	26,495	68,548	294,197
Income (loss) before income taxes	(80,911)	242,084	25,741	39,729	304,504
Income taxes	316,753	140,398	94,582	88,733	94,789
Net income (loss) attributable to Sony Corporation's stockholders	(455,038)	41,540	(128,369)	(125,980)	147,791
Data per share of Common Stock:					
Net income (loss) attributable to Sony Corporation's stockholders*					
— Basic	(453.42)	41.32	(124.99)	(113.04)	119.40
— Diluted	(453.42)	38.79	(124.99)	(113.04)	117.49
Cash dividends declared Interim	12.50	12.50	12.50	—	10.00
	(16.08 cents)	(15.18 cents)	(12.12 cents)	—	(8.09 cents)
Cash dividends declared Fiscal year-end	12.50	12.50	12.50	—	10.00
	(15.70 cents)	(12.46 cents)	(12.19 cents)	—	(9.01 cents)
Depreciation and amortization**	366,270	376,735	376,695	354,624	397,091
Capital expenditures (additions to fixed assets)	414,647	302,153	261,034	251,048	468,937
Research and development costs	433,477	473,610	466,030	464,320	468,183
Balance sheet data:					
Net working capital (deficit)	(775,019)	(668,556)	(578,728)	(547,689)	(634,023)
Long-term debt	762,226	938,428	916,648	712,087	556,605
Sony Corporation's stockholders' equity	2,023,822	2,192,262	2,258,137	2,317,077	2,463,340
Common stock	630,923	630,923	646,654	707,038	858,867
Total assets	13,299,691	14,211,033	15,333,720	15,834,331	16,673,390
Number of shares issued at fiscal year-end (thousands of shares of common stock)	1,004,638	1,011,950	1,044,708	1,169,773	1,262,494
Sony Corporation's stockholders' equity per share of common stock	2,016.61	2,168.62	2,163.63	1,982.54	1,952.79

* Refer to Note 22 of the consolidated financial statements.

** Depreciation and amortization includes amortization expenses for intangible assets and deferred insurance acquisition costs.

	<u>Average*</u>	<u>High</u>	<u>Low</u>	<u>Period-end</u>
		(Yen)		
Yen exchange rates per U.S. dollar:				
Fiscal year ended March 31				
2012	79.00	85.26	75.72	82.41
2013	82.96	96.16	77.41	94.16
2014	100.15	105.25	92.96	102.98
2015	109.75	121.50	101.26	119.96
2016	120.04	125.58	111.30	112.42
2016				
January	—	121.05	116.38	121.05
February	—	121.06	111.36	112.90
March	—	113.94	111.30	112.42
April	—	112.06	106.90	106.90
May	—	110.75	106.34	110.75
June (through June 10)	—	109.55	106.54	107.06

The noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on June 10, 2016 was 107.06 yen = 1 U.S. dollar.

* The average yen exchange rates represent average noon buying rates of all the business days during the respective year.

B. Capitalization and Indebtedness

Not Applicable

C. Reasons for the Offer and Use of Proceeds

Not Applicable

D. Risk Factors

This section contains forward-looking statements that are subject to the Cautionary Statement appearing on page 2 of this annual report. Risks to Sony are also discussed elsewhere in this annual report, including, without limitation in the other sections of this annual report referred to in the Cautionary Statement.

Sony must overcome increasingly intense competition, especially in its electronics businesses.

Sony's electronics businesses compete against competitors, including new entrants, on the basis of various factors including price and function. Even for those products where Sony has a strong competitive advantage, such as image sensors, it is possible that its competitors' technological capabilities will catch up with Sony's, and Sony will be unable to maintain its advantageous market position. In its consumer electronics businesses, in order to produce products that appeal to changing and increasingly diverse consumer preferences or to overcome the fact that a relatively high percentage of consumers already possess products similar to those that Sony offers, Sony must develop superior technology, anticipate consumer tastes and rapidly develop attractive and differentiated products with competitive selling prices and features. Sony faces increasingly intense pricing pressure from competitors, retailer consolidation, and shorter product cycles in a variety of consumer product categories. Sony's operating results depend on Sony's ability to continue to efficiently develop and offer products at competitive prices, through multiple sales channels, that meet changing and increasingly diverse consumer preferences. If Sony is unable to maintain its advantageous market position in the fields in which it has a technological or other competitive advantage, if Sony is unable to effectively anticipate and counter the ongoing price erosion that frequently affects its consumer products, if there is a change in existing business models or consumer preferences, or if the average selling prices of its consumer products decrease faster than Sony is able to reduce its manufacturing costs, Sony's operating results and financial condition may be adversely impacted.

To remain competitive and stimulate customer demand, Sony must successfully manage frequent introductions of, and transitions to, new products, semiconductors, components, and services, while managing the impact on the sales of Sony's existing products, semiconductors, components, and services.

Due to the highly volatile and competitive nature of the consumer electronics, network services and mobile communication industries, Sony must continually introduce, enhance and stimulate customer demand for products, semiconductors (including image sensors), components, services and technologies in both mature and developing markets. The successful introductions of, and transitions to, new products, semiconductors, components, and services depend on a number of factors, such as the timely and successful completion of development efforts, market acceptance, Sony's ability to plan and execute an effective marketing strategy, Sony's ability to manage the risks associated with new products and production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities to meet anticipated demand, and the risk that new products, semiconductors, components, and services may have quality or other issues in the early stages of introduction.

Additionally, markets for existing products and services such as smartphones, and the image sensors within, or game consoles might contract as consumer preferences shift, or new, competing technologies are introduced. Under these circumstances, Sony must respond to changing consumer demands with appealing new products and services as well as continue to improve the value of its existing products and services.

Accordingly, if Sony cannot adequately manage frequent introductions of, and transitions to, new products, semiconductors, components and services, Sony's operating results and financial condition may be adversely impacted.

Sony is subject to competition from firms that may be more specialized or have greater resources.

Sony has several business segments in different industries with many product and service categories, which cause it to compete with many existing and new competitors ranging from large multinational companies to highly specialized entities that focus on only a few businesses. In addition, outsourced manufacturing services partners may enter and compete with Sony in markets in which they currently supply products to Sony. Furthermore, current and future competitors may have greater financial, technical, labor and marketing resources available to them than those available to the businesses of Sony, and Sony may not be able to fund or invest in certain areas of its businesses to the same degree as its competitors or match competitor pricing. A failure to efficiently anticipate and respond to these established and new competitors may adversely impact Sony's operating results.

Sony's investments in research and development may not yield the expected results.

Sony's businesses operate in intensely competitive markets characterized by changing consumer preferences and rapid technological innovation. Due to advanced technological innovation and the relative ease of technology imitation, new products and services tend to become standardized more rapidly, leading to more intense competition and ongoing price erosion. In order to strengthen the competitiveness of its products in this environment, Sony continues to invest heavily in research and development ("R&D"), particularly in growth areas such as image sensors and the Game & Network Services ("G&NS") segment, and intends to limit its expenses in markets it deems mature or as having limited growth potential. However, Sony may not be successful in identifying growth potential and evaluating major market trends, its investments may not yield the innovation or the expected results quickly enough, or competitors may lead Sony in technological innovation. This may hinder Sony's ability to commercialize, in a timely manner, new and competitive products and services that meet the needs of the market, which consequently may adversely impact Sony's operating results as well as its reputation.

Sony's business restructuring and transformation efforts are costly and may not attain their objectives.

Sony is implementing restructuring initiatives that focus on profitability, business autonomy, shareholder value and the clear positioning of each business within the overall business portfolio. Restructuring charges in

the amount of 80.6 billion yen, 98.0 billion yen and 38.3 billion yen were recorded in the fiscal years ended March 31, 2014, 2015 and 2016, respectively. While Sony anticipates recording approximately 12.0 billion yen of restructuring charges in the fiscal year ending March 31, 2017, significant additional or future restructuring charges may be recorded due to reasons such as the impact of economic downturns or exiting from unprofitable businesses, including the potential sale of certain businesses. Restructuring charges are recorded primarily in cost of sales, selling, general and administrative (“SGA”) expenses and other operating (income) expense, net and thus adversely affect Sony’s operating income (loss) and net income (loss) attributable to Sony’s stockholders (Refer to Note 19 of the consolidated financial statements). Sony continues to take initiatives to optimize its manufacturing operations, utilize outsourced manufacturing, reduce SGA expenses across the Sony group, outsource support functions and information processing operations, and optimize business process across functions, including sales and marketing, manufacturing, logistics, procurement, quality and R&D.

Due to internal or external factors, efficiencies and cost savings from the above-mentioned and other restructuring and transformation initiatives may not be realized as scheduled and, even if those benefits are realized, Sony may not be able to achieve the expected level of profitability due to market conditions worsening beyond expectations. Possible internal factors may include, for example, changes in restructuring and transformation plans, an inability to implement the initiatives effectively with available resources, an inability to coordinate effectively across different business groups, delays in implementing the new business processes or strategies, or an inability to effectively manage and monitor the post-transformation performance of the operation. Possible external factors may include, for example, increased or unanticipated burdens from local legal or regulatory restrictions, including labor regulations and labor union agreements, or from customary Japanese labor practices that may prevent Sony from executing its restructuring initiatives as planned. The inability to fully and successfully implement restructuring and transformation programs may adversely affect Sony’s operating results and financial condition. Additionally, operating cash flows may be reduced as a result of payments for restructuring charges.

Sony’s acquisitions, joint ventures and investments may not be successful.

Sony actively engages in acquisitions, joint ventures and other strategic investments in order to acquire new technologies, efficiently develop new businesses, and enhance its business competitiveness. For example, in February 2016, Sony completed the acquisition of Altair Semiconductor, which develops and sells products focused on LTE (Long Term Evolution) technologies. Furthermore, Sony has previously engaged in joint ventures with third parties in order to reduce its capital investment, reduce operating costs and share risk with its joint venture partners, and may do so again in the future. Moreover, Sony may sell its equity interest in a joint venture or buy out the joint venture partner’s equity due to the achievement of its original objectives or other reasons. For example, Sony and the Estate of Michael Jackson (the “Estate”) entered into a binding Memorandum of Understanding in March 2016 and a definitive agreement in April 2016, for Sony to obtain full ownership of Sony/ATV Music Publishing LLC (“Sony/ATV”) by acquiring the 50 percent interest in Sony/ATV held by the Estate. (The closing of the transaction is subject to certain closing conditions, including regulatory approval.)

Sony may incur significant expenses to acquire and integrate businesses. Additionally, Sony may not achieve strategic objectives, planned revenue improvements and cost savings, and may not retain key personnel of the acquired businesses. Sony’s operating results may also be adversely affected by the assumption of liabilities related to any acquired businesses.

Sony currently has investments in several joint ventures and strategic partnerships, and may engage in new investments in the future. If Sony and its partners are unable to reach their common financial objectives successfully due to changes in the competitive environment, strategic or cultural differences, failure to achieve synergies or other reasons, Sony’s operating results may be adversely affected. Sony’s operating results may also be adversely affected in the short- and medium-term during a partnership, even if Sony and its partners remain on course to achieve their common financial objectives. In addition, by participating in joint ventures or other strategic investments, Sony may encounter conflicts of interest, may not maintain sufficient control over these relationships, including over cash flow, and may be faced with an increased risk of the loss of proprietary

technology or know-how. Sony's reputation may be harmed by the actions or activities of a joint venture that uses the Sony brand. Sony may also be required to provide additional funding or debt guarantees to a joint venture, or to buy-out a joint venture partner, sell its share or dissolve a joint venture, whether as a result of financial performance, or otherwise. Moreover, if the value of any of Sony's investments in an affiliate accounted for under the equity method declines below the carrying value of Sony's investment, and such decrease is judged to be other than temporary, Sony will be required to record an impairment loss, and the loss may increase if Sony is unable to dispose of such investments due to contractual or other reasons.

Sony may not be able to recoup the capital expenditures or investments it makes to increase production capacity.

Sony continues to invest in production facilities and equipment in its electronics businesses, including image sensor fabrication facilities to meet the demand for image sensors, particularly for use in smartphones. For example, in March 2014, Sony acquired semiconductor fabrication equipment and certain related assets for 7.5 billion yen from Renesas Electronic Corporation, and established Sony Semiconductor Corporation Yamagata Technology Center. Also, in the fiscal year ended March 31, 2016, Sony signed an agreement with Toshiba Corporation to acquire semiconductor fabrication facilities, equipment and related assets for 19.0 billion yen, of which 16.7 billion yen were acquired by March 2016. Sony invested approximately 205 billion yen of capital in the fiscal year ended March 31, 2016 and expects to invest approximately 70 billion yen of capital in the fiscal year ending March 31, 2017, in order to increase image sensor production capacity. However, if market changes and corresponding declines in demand result in a mismatch between sales volume and anticipated production volumes, or if unit sales prices decline due to market oversupply, Sony may not be able to recover its capital expenditures or investments, in part or in full, or the recovery of these capital expenditures or investments may take longer than expected. In particular, with respect to image sensors, much of Sony's sales depends on smartphones, and it is possible that Sony will not be able to achieve its expected sales volume, based on factors such as consumer demand and the competitive environment in the smartphone market, or the business decisions, operating results, or financial condition of Sony's major customers. As a result of these factors, the carrying value of the related assets may be subject to an impairment charge, which may adversely affect Sony's profitability.

Sony's sales and profitability may be affected by the operating performance of wholesalers, retailers and other resellers.

Sony is dependent for distribution of its products on wholesalers, retailers and other resellers, many of whom also distribute competitors' products. For example, Sony Mobile Communications Inc. is dependent on cellular network carriers' distribution channels for distribution of its smartphone products in many countries. The operating results and financial condition of many wholesalers, retailers and other resellers have been adversely impacted by competition from online retailers and weak economic conditions.

Sony invests in programs to incentivize wholesalers, retailers, and other resellers to position and promote Sony's products, but there is no assurance that these programs will provide a significant return or incremental revenue by persuading consumers to buy Sony products instead of competitors' products. In some cases, Sony's smartphones sold through cellular network carriers are subsidized by the carriers. There is no assurance that such subsidies will be continued at all or in the same amounts upon renewal of Sony's agreements with these carriers or in agreements Sony enters into with new carriers.

Sony also sells many of its products directly to consumers through its online and retail stores. Some wholesalers and retailers may perceive Sony's direct sales as conflicting with their business interests as distributors and resellers of Sony's products. Such a perception could discourage resellers from investing resources in the distribution and sale of Sony's products or lead them to limit or cease distribution of those products.

Sony's operating results and financial condition may be adversely affected if the financial condition of these wholesalers, retailers, and other resellers weakens, if they stop distributing Sony's products, or if uncertainty regarding demand for Sony's products or other factors cause them to reduce their ordering, marketing, subsidizing, and distribution of Sony's products.

Increased reliance on external business partners may increase financial, brand image, reputational and other risks to Sony.

With the increasing necessity of pursuing quick business development and high operating efficiency with limited managerial resources, Sony increasingly relies on third-party suppliers and business partners for parts and components, software and network services. Sony also relies on other business partners to provide software technologies, such as the Android OS for mobile products and televisions, and services. As a result, Sony's products or services may be affected by quality issues caused by the failure of third-party parts and components, software, or network services. In addition, reliance on third-party software technologies may make it increasingly difficult for Sony to differentiate its products from competitors' products. Moreover, third-party parts and components, software and network services used in Sony products or services may be subject to copyright or patent infringement claims. Particularly in Sony's electronics businesses, the uncertain economic environment surrounding Sony is compounded by continued, intense pricing pressure from competitors, shrinking markets for certain key products and shorter product cycles. In this environment, third-party business partners may also discontinue support or otherwise change business terms for Sony's products and services, or prioritize the products and services of Sony's competitors or customers outside the electronics industry. Such issues resulting from reliance on third-party suppliers and business partners for parts and components, software, and network services may adversely affect Sony's operating results, brand image or reputation. Sony also utilizes outsourced manufacturing services for product and component supply in its consumer electronics businesses. If Sony cannot adequately manage these outsourcing relationships, or if natural disasters, cyber-attacks or other events affect Sony's business partners, Sony's production operations may be adversely affected. Sony may not be able to achieve target volume or quality levels, and may face a risk of the loss of proprietary technology or know-how. Sony also consigns activities, including certain procurement, logistics, sales, data processing, human resources, accounting, and other services, to external business partners. Sony's operations may be affected if the external business partners do not comply with applicable laws or regulations, or if they infringe third-party intellectual property rights, or if they are subject to business or service interruption caused by accidents, natural disasters, cyber-attacks or bankruptcies. Furthermore, a breach of a business partner's information security may result in unauthorized access to Sony's business information, including proprietary information, intellectual property, employee information and data related to Sony's customers, suppliers and other business partners.

Sony must efficiently manage its procurement of parts and components, the market conditions for which are volatile, and control its inventory of products, parts, and components, the demand for which is volatile.

In Sony's electronics businesses, Sony uses a large volume of parts and components, such as semiconductors including chipsets for mobile products, and LCD panels, for its products. Fluctuations in the availability and pricing of parts and components can adversely affect Sony's operating results. For instance, shortages of parts or components or fluctuations in the prices of raw materials may result in sharply higher prices and an increase in the cost of goods sold. Also, shortages or delayed shipments of critical parts or components, particularly where Sony is substantially reliant on one supplier, where there is limited production capacity for custom components, or where there are initial manufacturing capacity constraints for products or components which use new technologies, may result in a reduction or suspension of production at Sony's or its business partners' manufacturing sites.

Sony places orders for parts and components in line with production and inventory plans determined in advance based on its forecast of consumer demand, which is highly volatile and difficult to predict. Inaccurate forecasts of consumer demand or inadequate management can lead to a shortage or excess of inventory, which can disrupt production plans and result in lost sales opportunities or inventory adjustments. Sony writes down the value of its inventory when the underlying parts, components or products have become obsolete, when inventory levels exceed the amount expected to be used, or when the value of the inventory is otherwise recorded at a value higher than net realizable value. For example, in the fiscal year ended March 31, 2014, Sony recorded a 17.4 billion yen write-down of excess components in inventory, as well as 8.0 billion yen of expenses to compensate suppliers for unused components, as a result of the termination of future manufacturing following Sony's announcement to exit from the PC business. In the fiscal year ended March 31, 2015, Sony recorded an 11.2 billion yen write-down of PlayStation®Vita ("PS Vita") and PlayStation TV ("PS TV") components because the latest forecast of PS TV unit sales did not reach Sony's original forecast. Additionally, Sony has experienced

shortages of certain parts and components as a result of the damage to its suppliers caused by natural disasters, and may experience such shortages due to similar circumstances again in the future. Such lost sales opportunities, inventory adjustments, or shortages of parts and components have had and may have an adverse impact on Sony's operating results and financial condition.

Sony's sales and profitability are sensitive to economic, employment and other trends in Sony's major markets.

Sony's sales and profitability are sensitive to economic, employment and other trends in each of the major markets in which Sony operates. These markets may be subject to significant economic downturns, resulting in an adverse impact on Sony's operating results and financial condition. In the fiscal year ended March 31, 2016, 28.6 percent, 23.2 percent and 21.4 percent of Sony's sales were attributable to Japan, Europe and the U.S., respectively.

Sony's operating results depend on the demand from consumers and commercial customers and the performance of retailers, wholesalers and other resellers. An actual or expected deterioration of economic conditions in any of Sony's major markets may depress consumer confidence and spending, resulting in an actual decline in consumption. Commercial customers and other business partners may experience deterioration in their own businesses mainly due to cash flow shortages, difficulty in obtaining financing and reduced end-user demand, resulting in reduced demand for Sony's products and services. Commercial customers' difficulty in fulfilling their obligations to Sony may also have an adverse impact on Sony's operating results and cash flows. Sony's suppliers are also susceptible to similar conditions that may impact their ability to fulfill their contractual obligations and may adversely impact Sony's operating results if products and services cannot be obtained at competitive prices.

Global economic conditions may also affect Sony in other ways. For example, further restructuring charges, higher pension and other post-retirement benefit costs or funding requirements, and additional asset impairment charges, among other factors, have had and may in the future have an adverse impact on Sony's operating results, financial condition and cash flows.

Foreign exchange rate fluctuations can affect Sony's operating results and financial condition.

Sony's operating results and financial condition are sensitive to foreign exchange rate fluctuations because many of Sony's products are sold in countries other than the ones in which they were developed and/or manufactured. For example, within Sony's electronics businesses, research and development and headquarters' overhead costs are incurred mainly in yen, and manufacturing costs, including material costs, costs of procurement of parts and components, and costs of outsourced manufacturing services, are incurred mainly in the U.S. dollar and yen. Sales are dispersed and recorded in Japanese yen, the U.S. dollar, euro, Chinese renminbi, and local currencies of other areas, including emerging markets. Consequently, foreign exchange rate fluctuations have had and may have an adverse impact on Sony's operating results, especially when the yen or the euro weaken significantly against the U.S. dollar, when the yen strengthens significantly against the euro, or when the U.S. dollar strengthens against emerging market currencies. Sony's operating results may also be adversely impacted by foreign exchange rate fluctuations since Sony's consolidated statements of income are prepared by translating the local currency denominated operating results of its subsidiaries around the world into yen. Furthermore, as Sony's businesses have expanded in China and other areas, including emerging markets, the impact of fluctuations of foreign currency exchange rates in these areas against the U.S. dollar and yen has increased. Mid- to long-term changes in exchange rate levels may interfere with Sony's global allocation of resources and hinder Sony's ability to engage in research and development, procurement, production, logistics, and sales activities in a manner that is profitable after the effect of such exchange rate changes.

Although Sony hedges most of the net short-term foreign currency exposure resulting from import and export transactions shortly before they are projected to occur, such hedging activity cannot entirely eliminate the risk of adverse exchange rate fluctuations.

Moreover, since Sony's consolidated balance sheet is prepared by translating the local currency denominated assets and liabilities of its subsidiaries around the world into yen, Sony's equity capital may be adversely impacted when the yen strengthens significantly against the U.S. dollar, the euro and/or other foreign currencies.

Ratings downgrades or significant volatility and disruption in the global financial markets may adversely affect the availability and cost of Sony's funding.

Sony's credit ratings may be adversely impacted by unfavorable operating results and a decline in its financial condition. Any credit rating downgrades may, in turn, result in an increase in Sony's cost of funding and may have an adverse impact on Sony's ability to access commercial paper or mid- to long-term debt markets on acceptable terms.

Additionally, global financial markets may experience significant levels of volatility and disruption, generally putting downward pressure on financial and other asset prices and impacting credit availability. Historically, Sony's primary sources of funds have been cash flows from operations, the issuance of commercial paper and other debt securities such as term debt as well as borrowings from banks and other institutional lenders. There can be no assurance that such sources will continue to be available at acceptable terms or be sufficient to meet Sony's needs.

As a result, Sony may seek other sources of financing to fund operations, such as the draw-down of funds from contractually committed lines of credit from financial institutions or the sale of assets, in order to repay commercial paper and mid- to long-term debt as they become due, and to meet other operational and liquidity needs. However, such funding sources may also not be available at acceptable terms or be sufficient to meet Sony's requirements. This, in turn, could have an adverse impact on Sony's operating results, financial condition and liquidity.

Sony is subject to the risks of operations in different countries.

Sony's operations are conducted in many countries around the world, and these international operations can create challenges. For example, in Sony's electronics businesses, production and procurement of products, parts and components in China and other Asian countries increase the time necessary to supply products to other markets worldwide, which can make it more difficult to meet changing customer demand. Further, in certain countries, Sony may encounter difficulty in planning and managing operations due to unfavorable political or economic factors, such as armed conflicts, deterioration in foreign relations, domestic cultural and religious conflicts, non-compliance with expected business conduct, local regulations, trade policies and taxation laws and a lack of adequate infrastructure. Moreover, changes in local regulations, trade policies and taxation laws, such as local content regulations, business or investment permit approval requirements, foreign exchange controls, import or export controls, or the nationalization of assets or restrictions on the repatriation of income from foreign operations and investments in major markets and regions may affect Sony's operating results. For example, a labor dispute or a change in labor regulations or policies may significantly change local labor environments. Such a condition in China or another country in which Sony or a partner manufactures could cause interruptions in production and shipping of Sony's products and parts, a sharp rise in local labor costs, or a shortage of well-trained employees, which may adversely affect Sony's operating results. If international or domestic political and military instability disrupts Sony's business operations or those of its business partners, or depresses consumer confidence, Sony's operating results and financial condition may be adversely affected. In addition, the time required to recover from disruptions, whether caused by these factors or other causes, such as natural disasters or pandemics, may be greater in certain countries. Moreover, Sony's susceptibility to the above-mentioned risks may be greater in certain emerging markets that continue to be important to its operations, and this may have an adverse impact on its operating results and financial condition.

Sony's success depends on the ability to recruit and retain skilled technical employees and management professionals.

In order to successfully continue to develop, design, manufacture, market, and sell products and services, including networked products, game hardware and software, film, television and music content as well as

financial instruments in increasingly competitive markets, Sony must attract and retain key personnel, including its executive team, other management professionals, creative talent and skilled employees such as hardware and software engineers. However, there is high demand for such skilled employees, and Sony may be unable to attract or retain qualified employees to meet future business needs. In addition, business divestitures, restructuring or other transformation initiatives may lead to an unintended loss of experienced human resources or know-how. If this should happen, it may adversely affect Sony's operating results and financial condition.

Sony may not be successful in integrating its business strategies and operations across different business units to increase the competitiveness of hardware, software, entertainment content and network services.

Sony believes that integrating its hardware, software, entertainment content and network services is essential in differentiating itself in the marketplace and in generating revenue growth and profitability. For example, in April 2016, Sony Computer Entertainment Inc. ("SCEI") and Sony Network Entertainment International LLC ("SNEI") founded Sony Interactive Entertainment LLC, a new company that combined all the business units belonging to SCEI and SNEI, including hardware, software, content and network services operations. However, this strategy depends on the continuing development (both inside and outside of Sony) of network services technologies, strategic and operational coordination and prioritization among Sony's various business units and sales channels, and the standardization of technological and interface specifications industry-wide and across Sony's networked products and business groups. Furthermore, in such a competitive business environment, which continuously changes with new entrants, it is critical for Sony to continuously introduce enhanced and competitively priced hardware that is seamlessly connected to network platforms, with user interfaces that are innovative and attractive to consumers. Sony also believes that it is essential to provide competitive and differentiated content-based service offerings that include Sony and third-party licensed audio, video and game content from major motion picture and television studios, music labels and game publishers. If Sony is not successful in implementing this strategy, it may adversely affect Sony's reputation, competitiveness and profitability.

Sony's online activities are subject to laws and regulations that can increase the costs of operations or limit its activities.

Sony engages in a wide array of online activities, including the sale and marketing of electronics and entertainment products, entertainment network services and financial services, as well as serving as an Internet Services Provider (ISP), and is thus subject to a broad range of related laws and regulations including those relating to privacy, consumer protection, critical infrastructure protection, breach disclosure, data retention and data protection, trans-border data flows, content and broadcast regulation, defamation, age verification and other online child protections, accessibility, installation of cookies or other software on the end-user's computers or other devices, pricing, advertising to both children and adults, taxation, copyright and trademark, promotions, and billing. The application of such laws and regulations created to address online activities, or for other purposes, including those passed prior to the popular use of the Internet that may be applied to online activities, varies among jurisdictions, may be unclear or unsettled in many instances, and is subject to change. Sony may incur substantial costs to comply with these laws and regulations and may incur substantial penalties, other liabilities, or damage to its reputation if it fails to comply with them. Compliance with these laws and regulations also may cause Sony to change or limit its online activities in a manner that may adversely affect operating results. In addition, Sony's failure to anticipate changes to relevant laws and regulations, changes in laws that provide protections that Sony relies on in conducting its online activities, or judicial interpretations narrowing such protections, may subject Sony to greater risk of liability, increase the costs of compliance, or limit Sony's ability to engage in certain online activities.

Sales of Sony's consumer products including game hardware are particularly sensitive to the seasonality of consumer demand.

Sony's G&NS segment offers a relatively small range of hardware, including PlayStation®4, PlayStation®3 and PS Vita, and a significant portion of overall demand for these and other products is weighted towards the year-end holiday season. Sony's other consumer products are also dependent upon demand during the year-end holiday season. As a result, changes in the competitive environment, changes in market conditions, delays in the

release of consumer products, including highly anticipated game software titles, and insufficient supply of hardware during the year-end holiday season can adversely impact Sony's operating results.

The sales and profitability of Sony's G&NS segment mainly depend on the penetration of its gaming platforms, which is sensitive to software line-ups, including software produced by Sony or third-party developers and publishers.

In Sony's G&NS segment, the penetration of gaming platforms is a significant factor driving sales and profitability, which is affected by the ability to provide customers with attractive software line-ups, including software produced by Sony or third-party game software developers and publishers, and with online services, including network and cloud-based gaming and digital content delivery. There is no assurance that third-party game software developers and publishers will continue to develop and release software regularly or at all. Discontinuance or delay of software development or delays in the delivery of new online services may adversely affect Sony's operating results.

Sony's content businesses, including the Pictures, Music and G&NS segments, and other businesses, are subject to digital theft and illegal downloading.

Digital technology, the availability of digital media, and global Internet penetration have created risks with respect to Sony's ability to protect copyrighted content, including pre-release content, of the Pictures, Music and G&NS segments and other businesses from digital theft and counterfeiting. In particular, software and technologies that enable the duplication, transfer or downloading of digital media files from the Internet and other sources without authorization from the owners of the rights to such content have adversely impacted and continue to threaten the conventional copyright-based business model by making it easier to create, transmit, and redistribute high-quality, unauthorized digital media files. The availability of unauthorized content significantly contributes to a decrease in legitimate product sales and puts pressure on the price of legitimate products, which may adversely affect Sony's operating results. Sony has incurred and will continue to incur expenses to help protect its intellectual property, to develop new services for the authorized digital distribution of motion pictures, television programming, music, and games, and to combat unauthorized digital distribution of its copyrighted content. These initiatives will increase Sony's near-term expenses and may not achieve their intended result.

Operating results for Sony's Pictures and Music segments vary according to worldwide consumer acceptance and the availability of competing products and entertainment alternatives.

Operating results for the Pictures and Music segments can fluctuate depending upon worldwide consumer acceptance of their products, which is difficult to predict. Moreover, the Pictures segment must invest substantial amounts in motion picture and television productions and broadcast programming before learning the extent to which these products will earn consumer acceptance. Similarly, the Music segment must make significant upfront investments in artists before being able to determine how those artists and their recordings will be received by consumers. Further, the commercial success of Sony's Pictures and Music segments' products may be impacted by other competing products released at or near the same time, and alternative forms of entertainment and leisure activities available to consumers. Underperformance of a motion picture or television production, especially an "event" or "tent-pole" film, may have an adverse effect on the Pictures segment's operating results in the year of release or exhibition, and in future years given the high correlation between a product's level of success from its initial release or exhibition and subsequent revenue from other distribution markets, such as home entertainment and television. Similarly, the underperformance of a recorded music release may have an adverse effect on the Music segment's operating results in the fiscal year of release.

Increases in the costs of producing, acquiring, or marketing entertainment content may adversely affect operating results in Sony's Music and Pictures segments.

The success of Sony's Music segment is highly dependent on finding and establishing artists, songwriters and music publishing catalogs that appeal to customers over the long term. If the Music segment is unable to find and establish new talented artists and songwriters, its operating results may be adversely affected. Competition to

identify, sign and retain such talent is intense as is the competition to sell their music. In the Pictures segment, high demand for top talent continues to contribute to increases in the cost of producing motion pictures and television programming. Competition to acquire motion pictures and television programming is intense and could result in increased acquisition-related spending. Overall increases in production and acquisition costs of the Pictures segment's products, as well as increases in the costs to market these products, may adversely impact the segment's operating results.

Changes in consumer behavior resulting from new technologies and distribution platforms may adversely affect operating results in Sony's Music and Pictures segments.

Rapid changes in technology and the adoption of new technology by consumers have impacted the timing and manner in which consumers acquire and view entertainment products. Industry-wide trends such as the general maturation of physical media formats, including CD, DVD and Blu-ray Disc™ formats, the shift to digital distribution of audio and video content, and increased competition for retailer shelf space have contributed to and may continue to contribute to an industry-wide decline in the worldwide sales of physical media formats. Revenue from digital distribution, such as subscription streaming services and digital downloads, may not be sufficient to offset the decline in physical media sales that has affected and may continue to affect the operating results of Sony's Music and Pictures segments and disc manufacturing business. Furthermore, the music industry has continued to see a year-over-year decline in digital download sales. If streaming services cannot attract sufficient subscribers to offset this decline, the operating results of Sony's Music segment could be negatively impacted.

Operating results of Sony's Pictures segment may be adversely affected by changes in advertising markets or by the failure to renew, or renewal on less favorable terms of, television carriage contracts (broadcasting agreements).

The strength of the advertising market can fluctuate in response to the economic prospects of specific advertisers or industries, advertisers' current spending priorities and the economy in general, and this may adversely affect the Pictures segment's television revenues. The Pictures segment's television operations, including its worldwide television networks, derive substantial revenues from the sale of advertising on a variety of platforms. A decline in overall spending within the advertising market may have a direct adverse effect on the Pictures segment's Media Networks' revenues. The Pictures segment also recognizes sales from the licensing of its motion picture and television content, to U.S. and international television network customers. A decline in the advertising market may also adversely affect third-party television networks' ability to generate revenues, which may result in lower license fees paid by these networks for Sony's content.

The Pictures segment also depends on third-party cable, satellite and other distribution systems to distribute its worldwide television networks. The failure to renew or renewal on less favorable terms of television carriage contracts (broadcasting agreements) with these third-party distributors may adversely affect the Pictures segment's ability to generate advertising and subscription sales through its worldwide television networks.

Sony's Pictures segment is subject to labor interruption.

The Pictures segment and certain of its suppliers are dependent upon highly specialized union members, including writers, directors, actors and other talent, and trade and technical employees, who are covered by union contracts and are essential to the development and production of motion pictures and television programming. A strike by one or more of these unions, or the possibility of a strike, work slowdown or work stoppage caused by uncertainties about, or the inability to reach agreement on, a new contract could delay or halt production activities. Such a delay or halt, depending on the length of time involved, could cause a delay or interruption in the release of new motion pictures and television programming and thereby may adversely affect operating results and cash flows in the Pictures segment. An inability to reach agreement on one or more of these union contracts or renewal on less favorable terms may also increase costs within Sony's Pictures segment and have an adverse effect on operating results.

Sony's Financial Services segment operates in highly regulated industries, and new rules, regulations and regulatory initiatives by government authorities may adversely affect the flexibility and the operating results of the Financial Services segment.

Sony's Financial Services segment operates in industries subject to comprehensive regulation and supervision, including the Japanese insurance and banking industries. Future developments or changes in laws, regulations, or policies and their effects are unpredictable and may lead to increased compliance costs or limitations on operations in the Financial Services segment. Due to Sony's common branding strategy, compliance failures in any of its businesses within the Financial Services segment may have an adverse impact on the overall business reputation of the Financial Services segment. Furthermore, additional compliance costs may adversely affect the operating results of the Financial Services segment. In addition, Sony Corporation's ability to receive funds from its affiliate Sony Financial Holdings in the form of financial support or loans is restricted by guidelines issued by regulatory agencies in Japan. If these regulations change, it may further reduce Sony Corporation's ability to receive funds for its use.

Changes in interest rates may adversely affect the operating results and financial condition of Sony's Financial Services segment.

Sony's Financial Services segment engages in asset-liability management ("ALM") in an effort to manage its investment assets in a manner appropriate to its liabilities, which arise from the insurance policies that Sony's Financial Services segment underwrites in both its life insurance and non-life insurance businesses and the deposits, borrowings and other liabilities in its banking business. ALM considers the long-term balance between assets and liabilities in an effort to ensure stable returns. Any failure to appropriately conduct its ALM activities, or any significant changes in market conditions beyond what its ALM may reasonably address, may have an adverse effect on the financial condition and operating results of the Financial Services segment. In particular, because Sony Life Insurance Co., Ltd. ("Sony Life")'s liabilities to policyholders generally have longer durations than its investment assets, which are concentrated in long-term Japanese national government bonds, lower or negative interest rates tend to reduce yields on Sony Life's investment portfolio while guaranteed yields (assumptions used for calculation of insurance premiums) remain generally unchanged on outstanding policies. As a result, Sony Life's profitability and long-term ability to meet policy commitments may be adversely affected. In addition, declines in the yield of Sony Life's investments resulting from changes in interest rates, particularly those held in respect of interest rate-sensitive whole life insurance policies, may result in additional policy reserves being recorded and the accelerated amortization of deferred acquisition costs, since the review of actuarial assumptions used for the valuation of policy reserves and deferred acquisition costs is required at least annually. Additional policy reserves and accelerated amortization of deferred acquisition costs may have an adverse impact on Sony's operating results and financial condition.

Declines in the value of equity securities may have an adverse impact on Sony's operating results and financial condition, particularly in Sony's Financial Services segment.

In the Financial Services segment, declines in the yield of Sony Life's separate account assets, resulting from the factors such as declines in the value of equity securities, may result in additional policy reserves being recorded and the accelerated amortization of deferred acquisition costs, since the review of actuarial assumptions used for the valuation of policy reserves concerning minimum death guarantees for variable life insurance and deferred acquisition costs is required at least annually. Additional policy reserves and accelerated amortization of deferred acquisition costs may have an adverse impact on Sony's operating results and financial condition.

For equity securities held by Sony outside of the Financial Services segment, a decrease in fair value could result in a non-cash impairment charge. Any such charge may adversely affect Sony's operating results and financial condition.

The investment portfolio within Sony's Financial Services segment exposes Sony to a number of additional risks other than the risks related to declines in the value of equity securities and changes in interest rates.

In the Financial Services segment, generating stable investment income is important to its operations, and the Financial Services segment's investments are concentrated in long-term Japanese national government bonds, although it also has investments in a variety of asset classes, including shorter-term Japanese national government bonds, Japanese local government and corporate bonds, foreign government and corporate bonds, Japanese stocks, loans and real estate. In addition to risks related to changes in interest rates and the value of equity securities, the Financial Services segment's investment portfolio is exposed to a variety of other risks, including foreign exchange risk, credit risk and real estate investment risk, any or all of which may have an adverse effect on the operating results and financial condition of the Financial Services segment. For example, mortgage loans account for 92.0 percent of the total loan balance, or 57.7 percent of the total assets of Sony Bank Inc. ("Sony Bank"), as of March 31, 2016. An increase in non-performing loans or a decline in the prices of real estate, the collateral for these mortgage loans provided by Sony Bank, may result in an increase in the allowance for doubtful accounts.

Differences between actual and assumed policy benefits and claims may require Sony's Financial Services segment to increase policy reserves in the future.

The life insurance and non-life insurance businesses of the Financial Services segment establish policy reserves for future benefits and claims based on the Insurance Business Act of Japan and related regulations. These reserves are calculated based on many assumptions and estimates, including the frequency and timing of the event covered by the policy, the amount of benefits or claims to be paid and the investment returns on the assets these businesses purchase with the premiums received. These assumptions and estimates are inherently uncertain, and the Financial Services segment cannot determine with precision the ultimate amounts that it will be required to pay for, or the timing of payment of, actual benefits and claims, or whether the assets supporting the policy liabilities will grow at the level assumed prior to the payment of benefits or claims. The frequency and timing of an event covered by a policy and the amount of benefits or claims to be paid are subject to a number of risks and uncertainties, many of which are outside of its control, including:

- changes in trends underlying its assumptions and estimates, such as mortality and morbidity rates;
- the availability of sufficient reliable data and its ability to correctly analyze the data;
- the selection and application of appropriate pricing and rating techniques; and
- changes in legal standards, claim settlement practices and medical care expenses.

If the actual experience of the insurance businesses becomes significantly less favorable than their assumptions or estimates, their policy reserves may be inadequate. Any changes in regulatory guidelines or standards with respect to the required level of policy reserves may also require that the insurance businesses establish policy reserves based on more stringent assumptions, estimates or actuarial calculations. Such events may result in a need to increase provisions for policy reserves, which may have an adverse effect on the operating results and financial condition of the Financial Services segment.

Furthermore, if actual insurance claims are higher than the estimated provision for policy reserves due to the occurrence of catastrophic events such as earthquakes or pandemic diseases in Japan, or if strategies for hedging minimum guarantees in individual variable annuities are ineffective, then the operating results and financial condition of the Financial Services segment may be adversely impacted.

Sony's physical facilities and information systems are subject to damage as a result of catastrophic disasters, outages, malfeasance or similar events. Such an unexpected catastrophic event may also lead to supply chain and production disruptions as well as lower demand from commercial customers, resulting in an adverse impact on Sony's operating results.

Sony's headquarters and many of Sony's most advanced device manufacturing facilities, including those for semiconductors, are located in Japan, where the risk of earthquakes is relatively high compared to other parts of

the world. A major earthquake in Japan, especially in Tokyo where Sony headquarters are located, the Tokai area where certain product manufacturing sites are located, or the Kyushu and Tohoku areas, where Sony's semiconductor manufacturing sites are located, could cause substantial damage to Sony's business operations, including damage to buildings, machinery, equipment and inventories, and the interruption to production at manufacturing facilities. For example, the earthquake of April 14, 2016 and subsequent earthquakes in the Kumamoto region in Japan caused damage to the buildings, machinery, equipment and inventories of a semiconductor manufacturing site, and production at the site was interrupted. As a result of the delay in the supply of semiconductor components, sales in the Devices and IP&S segments in the fiscal year ending March 31, 2017, are expected to be lower than the level anticipated prior to the earthquakes.

In addition, offices and facilities used by Sony, its service providers and business partners, including those used for network, telecommunications and information systems infrastructure, research and development, material procurement, manufacturing, motion picture and television production, logistics, sales, and online and other services are located throughout the world and are subject to possible destruction, temporary stoppage or disruption as a result of unexpected catastrophic events such as natural disasters, pandemic diseases, terrorist attacks, cyber-attacks, large-scale power outages and large-scale fires. If any of these facilities or offices were to experience a significant loss as a result of any of the above events, it may disrupt Sony's operations, delay design, development or production, interrupt shipments and postpone the recording of sales, and result in large expenses to repair or replace these facilities or offices. In addition, if Sony's suppliers are damaged by such catastrophic events, Sony may be exposed to supply shortages of raw materials, parts or components, which may result in a reduction or suspension of production, interruption of shipment and delays in product launches. Sony may also be exposed to price increases for raw materials, parts and components, and lower demand from commercial customers. These situations may have an adverse impact on Sony's operating results and financial condition.

Moreover, as computer systems, networks and online services have become increasingly important to Sony's operating activities, the impact that computer system, network and online service shutdowns may have on Sony's operating activities has increased. Shutdowns may be caused by events similar to those described above or other unforeseen events, such as software or hardware defects. For example, in the fiscal year ended March 31, 2015, Sony's Pictures segment experienced a serious disruption of its network and IT infrastructure as a result of a cyber-attack. Similar events may result in the disruption of Sony's major business operations, delays in financial reporting, design, development, production, shipments and recognition of sales, and large expenditures necessary to enhance, repair or replace such facilities and network and information systems. Furthermore, Sony's insurance may be insufficient to cover the resulting expenditures and losses. Sony also may be unable to obtain sufficient insurance in the future, or insurance premiums may increase. These situations may have an adverse impact on Sony's operating results and financial condition.

Sony's brand image, reputation and business may be harmed and Sony may be subject to legal and regulatory claims if there is loss, destruction, disclosure, misappropriation or alteration of or unauthorized access to data owned or maintained by Sony, including on Sony networks or those of third-party service providers and business partners, or if there is any other breach of Sony's information security, regardless of where or in what form information is stored.

As a critical element of its operations, Sony, its third-party service providers and other business partners make extensive use of information technology, including computer systems, networks and online services to receive, store, process and transmit information, including Sony's business information, which includes but is not limited to proprietary information, intellectual property, and employee information, and data related to customers, suppliers, and other business partners. The security of information received, maintained, processed or transmitted by Sony's or a third party's information technology systems may be compromised by a malicious third party, or a man-made or natural event, or impacted by intentional or inadvertent actions or inactions by Sony employees, a third-party service provider or other business partner. As cyber-attacks become increasingly sophisticated, and as tools and resources become more readily available to malicious third parties, there can be no guarantee that Sony's actions, security measures and controls designed to prevent, detect or respond to intrusion, to limit access to data, to prevent destruction, alteration, or exfiltration of data, or to limit the negative

impact from such attacks, can provide absolute security against compromise. As a result, Sony's business information, including proprietary information, intellectual property, and employee information, and data related to customers, suppliers, and other business partners, may be lost, destroyed, disclosed, misappropriated, altered, or accessed without consent, and Sony's information technology systems, or those of its service providers or other business partners, may be disrupted. Malicious third parties may also use unauthorized access to Sony's networks as a platform to access the networks and thereby the information of Sony's third-party business partners without Sony's knowledge. Sony has previously been the subject of sophisticated and targeted attacks. For example, in the fiscal year ended March 31, 2015, Sony's Pictures segment was subject to a cyber-attack that resulted in unauthorized access to, and theft and disclosure of Sony business information, including employee information and other information, and the destruction of data. In addition, Sony's network services, online game businesses and websites of certain subsidiaries have been subject to cyber-attacks by groups and individuals with a range of motives and expertise, resulting, in some instances, in unauthorized access to, the potential or actual theft of, and/or disclosure of customer information.

In addition, even if such data is not stored on a network, and regardless of where or in what form such data is stored, Sony's business information and other data owned or maintained by or on behalf of Sony may be compromised by malicious third parties, or man-made or natural events, or impacted by intentional or inadvertent actions or inactions of Sony employees, or those of a third-party service provider, through loss, destruction, disclosure, misappropriation, alteration or unauthorized access to such data.

Further, the confidentiality, integrity and availability of products and services, including networked products and online services, provided by Sony or its service providers or business partners may be compromised by malicious third parties or man-made or natural events, or impacted by intentional or inadvertent actions or inactions by Sony employees, or those of a third-party service provider or business partner. For example, Sony's online services and websites have been subjected to denial-of-service and other attacks by technically sophisticated and well-resourced third parties and others.

Any loss, destruction, disclosure, misappropriation or alteration of or unauthorized access to data owned or maintained by or on behalf of Sony, or other breach of Sony's information security, whether or not the result of a cyber-attack, including disruption to its products and services, can result in significant remediation costs, including repairing system damage, engaging third-party experts, deploying additional personnel, training employees, and compensation or incentives offered to third parties whose data has been compromised. In addition, a disruption to Sony's networks and online services may seriously disrupt the businesses that rely on these networks and online services for their operations, resulting in lost revenues, damage to relationships with business partners and other third parties, and the failure to retain or attract customers. Breaches of information security, whether or not involving a cyber-attack, may lead to lost revenues resulting from a loss in competitive advantage due to the unauthorized disclosure, alteration, destruction or use of proprietary information, including intellectual property, the failure to retain or attract customers, the disruption of critical business processes or information technology systems, and the diversion of management's attention and resources. Moreover, such disruptions and breaches may result in adverse media coverage, which may harm Sony's brand image and reputation. Sony may also be subject to legal claims or legal proceedings, including regulatory investigations and actions, and the attendant legal fees, as well as potential settlements, judgments and fines. Sony's cyber insurance may not cover all expenses and losses and, accordingly, cyber-attacks may have an adverse impact on Sony's operating results and financial condition. Even without actual breaches of information security, protection against increasingly sophisticated and prevalent cyber-attacks may result in significant future prevention, detection, response and management costs, or other costs, including the deployment of additional cyber-security technologies, engaging third-party experts, deploying additional personnel, and training employees. Such expenses may also have an adverse impact on Sony's operating results and financial condition.

Sony's business may suffer as a result of adverse outcomes of current or future litigation and regulatory actions.

Sony faces the risk of litigation and regulatory proceedings in different countries in connection with its operations. Legal proceedings, including regulatory actions, may seek to recover very large indeterminate amounts or to limit Sony's operations, and the possibility that they may arise and their magnitude may remain

unknown for substantial periods of time. For example, legal proceedings, including regulatory actions, may result from antitrust scrutiny of market practices for anti-competitive conduct. A substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings may have an adverse effect on Sony's reputation, operating results and financial condition.

Sony is subject to financial and reputational risks due to product quality and liability issues.

Sony's products and services, such as consumer products, non-consumer products, parts and components, semiconductors, software and network services are becoming increasingly sophisticated and complicated as rapid advancements in technologies occur and as demand increases for mobile products and online services. Sony's efforts to adapt to rapid advancements in technologies and increased demand for mobile products and online services, while also maintaining product quality, may not be successful and may increase exposure to product liability. As a result, Sony may incur both reputational damage and expenses in connection with, for example, product recalls and after-sales services. In addition, Sony may not be successful in introducing after-sales upgrades, enhancements or new features to existing products and services, or in enabling existing products and services to continue to conveniently and effectively integrate with other technologies and online services. As a result, the quality of Sony's existing products and services may not remain satisfactory to consumers and become less marketable, less competitive or obsolete, and Sony's reputation, operating results and financial condition may be adversely affected. Moreover, allegations of health and safety issues related to Sony products, or lawsuits related to product quality, health issues arising from products or product safety, regardless of merit, may adversely impact Sony's operating results and financial condition, either directly or as a result of the impact on Sony's brand image and reputation as a producer of high-quality products and services. These issues are relevant to Sony products sold directly to customers, whether manufactured by Sony or a third party, and also to products of other companies that are equipped with Sony's components, such as semiconductors.

Sony's operating results and financial condition may be adversely affected by its employee benefit obligations.

Sony recognizes an unfunded pension obligation for its defined benefit pension plans based on (i) the Projected Benefit Obligation ("PBO") under each pension plan less (ii) the fair value of the pension plan's assets, in accordance with the accounting guidance for defined benefit plans. Actuarial gains and losses are amortized and included in pension expenses in a systematic manner over employees' average remaining service periods. Any decrease of the pension plan asset value due to low returns from investments or increases in the PBO due to a lower discount rate, increases in rates of compensation and changes in certain other actuarial assumptions may increase the unfunded pension obligations and may result in an increase in pension expenses recorded as cost of sales or as a selling, general and administrative expense.

Sony's operating results and financial condition may be adversely affected by the status of its Japanese and foreign pension plans. Specifically, adverse equity market conditions and volatility in the credit markets may have an unfavorable impact on the value of Sony's pension plan assets and its future estimated pension liabilities, the majority of which relate to the Japanese plans, which have approximately 30 percent of pension plan assets invested in equity securities. As a result, Sony's operating results or financial condition could be adversely affected.

Further, Sony's operating results and financial condition could be adversely affected by future pension funding requirements pursuant to the Japanese Defined Benefit Corporate Pension Plan Act ("Act"). Under the Act, Sony is required to meet certain financial criteria including periodic actuarial revaluation and the annual settlement of gains or losses of the plans. In the event that the actuarial reserve required by law exceeds the fair value of pension plan assets and that the fair value of pension assets may not be recovered within a certain moratorium period permitted by laws and/or special legislative decree, Sony may be required to make an additional contribution to the plan, which may reduce cash flows. Similarly, if Sony is required to make an additional contribution to a foreign plan to meet any funding requirements in accordance with local laws and regulations in each country, Sony's cash flows might be adversely affected. If Sony is required to increase cash contributions to its pension plans when actuarial assumptions, such as an expected long-term rate of return of the pension plan assets, are updated for purposes of determining statutory contributions, it may have an adverse impact on Sony's cash flows.

Further losses in jurisdictions where Sony has established valuation allowances against deferred tax assets, the inability of Sony to fully utilize its deferred tax assets, exposure to additional tax liabilities or changes in Sony's tax rates could adversely affect net income (loss) attributable to Sony Corporation's stockholders and Sony's financial condition.

Sony is subject to income taxes in Japan and numerous other jurisdictions, and in the ordinary course of Sony's business there are many situations where the ultimate tax determination can be uncertain, sometimes for an extended period. The calculation of Sony's tax provision and the carrying value of tax assets and liabilities requires significant judgment and the use of estimates, including estimates of future taxable income.

Deferred tax assets are evaluated on a jurisdiction by jurisdiction basis. In certain jurisdictions, Sony has established valuation allowances against deferred tax assets, including net operating loss carryforwards, where it has concluded that the deferred tax assets are not more likely than not to be realized. As of March 31, 2016, Sony had valuation allowances principally in the following jurisdictions: (1) Sony Corporation and its national filing group in Japan, as well as for local taxes in a number of Japanese subsidiaries; (2) Sony Americas Holding Inc. and its consolidated tax filing group in the U.S.; (3) Sony Mobile Communications AB in Sweden; and (4) Sony Europe Limited in the U.K. In jurisdictions where valuation allowances have been established, no tax benefit will be recorded against any continuing losses and as a result, net income (loss) attributable to Sony Corporation's stockholders and Sony's financial condition could be adversely affected. Additionally, deferred tax assets could expire unused or otherwise not be realizable if Sony is unable to implement tax planning strategies or generate sufficient taxable income in the appropriate jurisdiction in the future (from operations and/or tax planning strategies) to utilize them, or if Sony enters into transactions that limit its legal ability to use them. As a result, Sony may lose any associated cash tax reduction available in future periods. If it becomes more likely than not that any of Sony's remaining deferred tax assets without valuation allowances will expire unused and are not available to offset future taxable income, or otherwise will not be realizable, Sony will have to recognize an additional valuation allowance, increasing income tax expense. Net income (loss) attributable to Sony Corporation's stockholders and Sony's financial condition could be adversely affected when the deferred tax assets expire unused or in periods in which an additional valuation allowance is recorded.

A key factor in the evaluation of the deferred tax assets and the valuation allowance is the determination of the uncertain tax positions related to the adjustments for Sony's intercompany transfer pricing. Sony is subject to income taxes in Japan and numerous other jurisdictions, and in the ordinary course of Sony's business there are many transactions, including intercompany charges, where the ultimate tax determination is uncertain. Sony is subject to the continuous examination of its income tax returns by tax authorities and, as a result, Sony regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes. Significant judgment is required in making these assessments and, as additional evidence becomes available in subsequent periods, the ultimate outcomes for Sony's uncertain tax positions and, accordingly, its valuation allowance assessments may potentially have an adverse impact on net income (loss) attributable to Sony Corporation's stockholders and Sony's financial condition.

In some jurisdictions, the use of net operating loss carryforwards to reduce taxable income in a subsequent period is limited to a fixed percentage of taxable income. Thus, it is possible that even with significant net operating loss carryforwards, Sony could record and pay taxes in a jurisdiction where it has taxable income but still has significant net operating loss carryforwards available.

In addition to the above, Sony's future effective tax rates may be unfavorably affected by changes in both the statutory rates and the mix of earnings in countries with differing statutory rates or by other factors such as changes in tax laws and regulations or their interpretation, including limitations or restrictions on the use of net operating loss and income tax credit carryforwards.

Sony could incur asset impairment charges for goodwill, intangible assets or other long-lived assets.

Sony has a significant amount of goodwill, intangible assets and other long-lived assets, including production facilities and equipment in its electronics businesses. A decline in financial performance, market capitalization or changes in estimates and assumptions used in the impairment analysis, which in many cases

requires significant judgment, could result in impairment charges against these assets. Goodwill and indefinite lived intangible assets are tested annually for impairment during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below the carrying amount. Such an event or change in circumstances would include unfavorable variances from or adjustments to established business plans, significant changes in forecasted results or volatility inherent to external markets and industries. The increased levels of global competition and the faster pace of technological change to which Sony is exposed can result in greater volatility of these estimates, assumptions and judgments, and increase the likelihood of impairment charges. In addition, the recoverability of the carrying value of long-lived assets held and used and long-lived assets to be disposed of is reviewed whenever events or changes in circumstances, including the types of events or changes described above with respect to goodwill and intangible assets, indicate that the carrying value of the assets or asset groups may not be recoverable. If the carrying value of the asset or asset group is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the asset or asset group exceeds its fair value. For example, in the fiscal year ended March 31, 2014, Sony recorded impairment charges including a 32.1 billion yen impairment charge related to long-lived assets in the battery business in the Devices segment, a 25.6 billion yen impairment charge related to long-lived assets in the disc manufacturing business outside of Japan and the U.S. and goodwill across the entire disc manufacturing business in All Other, and a 12.8 billion yen impairment charge related to long-lived assets in the PC business in All Other. In the fiscal year ended March 31, 2015, Sony recorded a 176.0 billion yen impairment charge related to goodwill in the Mobile Communications segment. In the fiscal year ended March 31, 2016, Sony recorded impairment charges in the Devices segment related to long-lived assets in the battery business and in the camera module business of 30.6 billion yen and 59.6 billion yen, respectively. Any such charge may adversely affect Sony's operating results and financial condition.

Sony may be accused of infringing others' intellectual property rights and be liable for significant damages.

Sony's products incorporate a wide variety of technologies. Claims have been and may be asserted against Sony that such technology infringes the intellectual property owned by others. Such claims may be asserted by competitors to protect their products and services and/or as a business strategy to seek a competitive advantage, or by other patent holders, particularly as markets become more competitive, and products evolve to include new technologies and enhanced functionality that incorporate an increasing amount of intellectual property. Such claims might require Sony to enter into settlement or license agreements, to pay significant damage awards, and/or to face a temporary or permanent injunction prohibiting Sony from marketing or selling certain of its products, which may have an adverse effect on Sony's reputation, operating results and financial condition.

Sony may not be able to continue to obtain necessary licenses for certain intellectual property rights of others or protect and enforce the intellectual property rights on which its business depends.

Many of Sony's products are designed under the license of patents and other intellectual property rights owned by third parties. Based upon past experience and industry practice, Sony believes that it will be able to obtain or renew licenses relating to various intellectual properties useful in its business that it needs in the future; however, such licenses may not be available at all or on acceptable terms, and Sony may need to redesign or discontinue marketing or selling such products as a result. Additionally, Sony's intellectual property rights may be challenged or invalidated, or such intellectual property rights may not be sufficient to provide Sony with competitive advantages. Such events may adversely impact Sony's operating results and financial condition.

Sony is subject to a wide range of regulations related to social responsibility, such as environmental, occupational health and safety, and certain human rights regulations that can increase the costs of operations, limit its activities, or affect its reputation.

Sony is subject to a broad range of social responsibility laws and regulations covering issues related, inter alia, to the environment, occupational health and safety, labor practices and human rights. These include laws and regulations relating to air pollution; water pollution; the management, elimination or reduction of the use of hazardous substances; energy efficiency of certain products; waste management; recycling of products, batteries and packaging materials; site remediation; worker and consumer health and safety; and human rights issues such as those related to procurement and production processes. For example, Sony is currently required to comply with:

- Environmental regulations enacted by the EU, such as the Restriction of Hazardous Substances (“RoHS”) Directive, the Waste Electrical and Electronic Equipment (“WEEE”) Directive, the ecodesign requirements for Energy-related Products (“ErP”) Directive and the Registration, Evaluation, Authorization and Restriction of Chemicals (“REACH”) regulation;
- Regulations or governmental policies related to climate change issues such as carbon disclosure, greenhouse gas emission reduction, carbon taxes and energy efficiency for electronics products; and
- Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act which requires annual disclosures related to “Conflict Minerals” and their derivatives that are necessary to the functionality or production of products manufactured by Sony. “Conflict Minerals” are defined as cassiterite, columbite-tantalite, gold, wolframite, and other minerals determined by the U.S. government to be financing conflict in the Democratic Republic of Congo or adjoining countries.

Additionally, there is a growing global consumer focus on companies’ social responsibilities. In particular, there is an interest regarding labor practices, including work environments at electronics components’ manufacturers and original design manufacturing/original equipment manufacturing (“ODM/OEM”) product manufacturers operating in the Asian region.

These social responsibility laws and regulations may become more significant, and additional social responsibility laws and regulations may be adopted in the future. Further countries, including emerging market countries, are enacting similar laws and regulations. Such new laws and regulations may result in an increase in Sony’s cost of compliance. Additionally, if Sony is not perceived as having responded to existing and new laws and regulations in these varied areas, it may result in fines, penalties, legal judgments or other costs or remediation obligations, and may adversely affect Sony’s operating results and financial condition. In addition, such a finding of non-compliance, or the perception that Sony has not responded appropriately to growing consumer concern for such issues, whether or not Sony is legally required to do so, may adversely affect Sony’s reputation. Sony’s operating results and financial condition may also be adversely affected if consumers therefore choose to purchase products of other companies.

Holders of American Depositary Shares have fewer rights than shareholders and may not be able to enforce judgments based on U.S. securities laws.

The rights of shareholders under Japanese law to take actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining Sony’s accounting books and records, and exercising appraisal rights, are available only to shareholders of record. Because the depositary, through its custodian agents, is the record holder of the shares underlying the American Depositary Shares (“ADSs”), only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying ADSs in accordance with the instructions of ADS holders and will pay the dividends and distributions collected from Sony. However, ADS holders will not be able to bring a derivative action, examine Sony’s accounting books and records, or exercise appraisal rights through the depositary.

Sony Corporation is incorporated in Japan with limited liability. A majority of Sony’s directors and corporate executive officers are non-U.S. residents, and a substantial portion of the assets of Sony Corporation

and the assets of Sony's directors and corporate executive officers are located outside the U.S. As a result, it may be more difficult for investors to enforce against Sony Corporation or such persons, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal and state securities laws of the U.S. or similar judgments obtained in other courts outside Japan. There is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the U.S.

Item 4. Information on the Company

A. History and Development of the Company

Sony Corporation was established in Japan in May 1946 as Tokyo Tsushin Kogyo Kabushiki Kaisha, a joint stock company (*Kabushiki Kaisha*) under Japanese law. In January 1958, it changed its name to Sony Kabushiki Kaisha ("Sony Corporation" in English).

In December 1958, Sony Corporation was listed on the Tokyo Stock Exchange (the "TSE"). In June 1961, Sony Corporation issued American Depositary Receipts ("ADRs") in the U.S.

In March 1968, Sony Corporation established CBS/Sony Records Inc. in Japan, as a 50-50 joint venture company between Sony Corporation and CBS Inc. in the U.S. In January 1988, the joint venture became a wholly-owned subsidiary of Sony Corporation, and in April 1991, changed its name to Sony Music Entertainment (Japan) Inc. ("SMEJ"). In November 1991, SMEJ was listed on the Second Section of the TSE.

In September 1970, Sony Corporation was listed on the New York Stock Exchange.

In August 1979, Sony Corporation established Sony Prudential Life Insurance Co., Ltd. in Japan, as a 50-50 joint venture company between Sony Corporation and The Prudential Insurance Company of America. In April 1991, the joint venture changed its name to Sony Life Insurance Co., Ltd. ("Sony Life"). In March 1996, Sony Life became a wholly-owned subsidiary of Sony Corporation, and in April 2004, with the establishment of Sony Financial Holdings Inc. ("SFH"), a financial holding company, Sony Life became a wholly-owned subsidiary of SFH.

In July 1984, Sony Magnescale Inc., a subsidiary of Sony Corporation, was listed on the Second Section of the TSE. The subsidiary changed its name to Sony Precision Technology Inc. in October 1996 and then to Sony Manufacturing Systems Corporation in April 2004. In April 2012, Sony Manufacturing Systems was merged into Sony EMCS Corporation. Sony EMCS Corporation changed its name to Sony Global Manufacturing & Operations Corporation in April 2016.

In July 1987, Sony Chemicals Corporation, a subsidiary of Sony Corporation, was listed on the Second Section of the TSE. The subsidiary changed its name to Sony Chemical & Information Device Corporation in July 2006, and changed its name again to Daxerials Corporation in October 2012.

In January 1988, Sony Corporation acquired CBS Records Inc., a music business division of CBS Inc. in the U.S. The acquired company changed its name to Sony Music Entertainment Inc. in January 1991 and then to Sony Music Holdings Inc. in December 2008.

In November 1989, Sony Corporation acquired Columbia Pictures Entertainment, Inc. in the U.S. In August 1991, Columbia Pictures Entertainment, Inc. changed its name to Sony Pictures Entertainment Inc. ("SPE").

In November 1993, Sony established Sony Computer Entertainment Inc. ("SCEI") in Japan. SCEI changed its name to Sony Interactive Entertainment Inc. ("SIE") in April 2016.

In January 2000, acquisition transactions by way of a share exchange were completed such that three subsidiaries which had been listed on the TSE — SMEJ, Sony Chemicals Corporation (currently Daxerials Corporation), and Sony Precision Technology Inc. (which was merged into Sony EMCS Corporation) — became wholly-owned subsidiaries of Sony Corporation. In September 2012, Sony Corporation completed the sale of certain of its chemical products businesses, including Sony Chemical & Information Device Corporation (currently Daxerials Corporation) to Development Bank of Japan Inc.

In October 2001, Sony Ericsson Mobile Communications AB (“Sony Ericsson”), a 50-50 joint venture company between Sony Corporation and Telefonaktiebolaget LM Ericsson (“Ericsson”) of Sweden, was established. In February 2012, Sony acquired Ericsson’s 50 percent equity interest in Sony Ericsson. As a result of the acquisition, Sony Ericsson became a wholly-owned subsidiary of Sony and changed its name to Sony Mobile Communications AB (“Sony Mobile”).

In October 2002, Aiwa Co., Ltd. (“Aiwa”), then a TSE-listed subsidiary, became a wholly-owned subsidiary of Sony Corporation. In December 2002, Aiwa was merged into Sony Corporation.

In June 2003, Sony Corporation adopted the “Company with Three Committees” corporate governance system in line with the revised Japanese Commercial Code then effective. (Refer to “Board Practices” in “Item 6. *Directors, Senior Management and Employees.*”)

In April 2004, Sony Corporation established SFH, a financial holding company, in Japan. Sony Life, Sony Assurance Inc. (“Sony Assurance”), and Sony Bank Inc. (“Sony Bank”) became subsidiaries of SFH. In October 2007, SFH was listed on the First Section of the TSE in conjunction with the global initial public offering of shares of SFH by Sony Corporation and SFH.

In April 2004, S-LCD Corporation (“S-LCD”), a joint venture between Sony Corporation and Samsung Electronics Co., Ltd. of Korea for the manufacture of amorphous thin film transistor (“TFT”) liquid crystal display (“LCD”) panels, was established in Korea. Sony’s stake in S-LCD was 50 percent minus 1 share. In January 2012, Sony sold all of its shares of S-LCD to Samsung Electronics Co., Ltd.

In August 2004, Sony combined its worldwide recorded music business, excluding its recorded music business in Japan, with the worldwide recorded music business of Bertelsmann AG (“Bertelsmann”), forming a 50-50 joint venture, SONY BMG MUSIC ENTERTAINMENT (“SONY BMG”). In October 2008, Sony acquired Bertelsmann’s 50 percent equity interest in SONY BMG. As a result of the acquisition, SONY BMG became a wholly-owned subsidiary of Sony. In January 2009, SONY BMG changed its name to Sony Music Entertainment (“SME”).

In December 2005, Sony Communication Network Corporation, a subsidiary of Sony Corporation, was listed on the Mother’s market of the TSE, and was later listed on the First Section of the TSE in January 2008. Sony Communication Network Corporation was renamed So-net Corporation (“So-net”) in July 2013. In January 2013, Sony Corporation acquired all of the common shares of So-net through a tender offer and subsequent share exchange and, as a result of the acquisition, So-net became a wholly-owned subsidiary of Sony Corporation.

In April 2013, Sony Olympus Medical Solutions Inc. (“SOMED”), a medical business venture between Sony Corporation and Olympus Corporation was established in Japan. Sony’s stake in SOMED is 51 percent.

In July 2014, Sony Corporation sold its personal computer (“PC”) business operated under the VAIO brand to Japan Industrial Partners, Inc.

Sony Corporation’s registered office is located at 7-1, Konan 1-chome, Minato-ku, Tokyo 108-0075, Japan, telephone +81-3-6748-2111.

The agent in the U.S. for purposes of this Item 4 is Sony Corporation of America (“SCA”), 25 Madison Avenue, 26th Floor, New York, NY 10010-8601 (Attn: Office of the General Counsel).

Principal Capital Investments

In the fiscal years ended March 31, 2014, 2015 and 2016, Sony’s capital expenditures were 261.0 billion yen, 251.0 billion yen and 468.9 billion yen, respectively. Sony’s capital expenditures are expected to be approximately 355.0 billion yen during the fiscal year ending March 31, 2017. For a breakdown of principal capital expenditures and divestitures (including interests in other companies), refer to “Item 5. *Operating and Financial Review and Prospects.*” The funding requirements of such various capital expenditures are expected to be financed by cash provided principally by operating and financing activities or the existing balance of cash and cash equivalents.

Sony invested approximately 253 billion yen in the semiconductor business, including the acquisition of semiconductor fabrication facilities, equipment and related assets owned by Toshiba Corporation (“Toshiba”), during the fiscal year ended March 31, 2016. This 253 billion yen investment included approximately 205 billion yen for image sensor fabrication capacity. In the fiscal year ending March 2017, Sony expects to invest approximately 120 billion yen in Semiconductors. This investment includes approximately 70 billion yen for image sensor fabrication capacity.

B. Business Overview

Sony Corporation and its consolidated subsidiaries (“Sony”) realigned its business segments from the first quarter of the fiscal year ended March 31, 2016 to reflect modifications to its organizational structure as of April 1, 2015, primarily repositioning certain operations in All Other and the Devices segment. In connection with this realignment, the operations of Sony’s disc manufacturing business in Japan, which were included in All Other, are now included in the Music segment and the operations of So-net Corporation and its subsidiaries, which were included in All Other, are now included in the Mobile Communications (“MC”) segment. Certain operations regarding pre-installed automotive audio products which were included in the Devices segment are now included in the Home Entertainment & Sound (“HE&S”) segment. In addition, the medical business, previously included in All Other, is now included in the Imaging Products & Solutions (“IP&S”) segment as a result of a change in the Corporate Executive Officer in charge of the medical business.

For details on the nature of Sony’s operations, please refer to Nature of Operations under “Consolidated Financial Statements”.

Products and Services

Mobile Communications (“MC”)

Sony Mobile undertakes product research, development, design, marketing, sales, production, distribution and customer services for mobile phones, tablets, accessories and applications. So-net provides Internet broadband network services to subscribers as well as creates and distributes content through its portal services to various electronics product platforms such as PCs and mobile phones.

Game & Network Services (“G&NS”)

The following table sets forth Sony’s G&NS segment sales to external customers by product categories. Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31					
	2014		2015		2016	
			(Yen in millions)			
<i>Hardware</i>	513,425	(54.2)	733,757	(56.8)	721,829	(48.8)
<i>Network</i>	200,229	(21.2)	351,467	(27.2)	529,318	(35.8)
<i>Other</i>	232,825	(24.6)	206,922	(16.0)	228,628	(15.4)
G&NS Total	946,479	(100.0)	1,292,146	(100.0)	1,479,775	(100.0)

Hardware:

“Hardware” includes home and portable game consoles.

Network:

“Network” includes network services relating to game, video, and music content provided by Sony Network Entertainment International LLC (consolidated into Sony Interactive Entertainment LLC on April 1, 2016).

Imaging Products & Solutions (“IP&S”)

The following table sets forth Sony’s IP&S segment sales to external customers by product categories. Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31					
	2014		2015		2016	
	(Yen in millions)					
Digital Imaging Products	442,723	(59.8)	432,594	(60.1)	418,232	(59.4)
Professional Solutions	277,417	(37.5)	271,903	(37.8)	262,675	(37.3)
Other	19,660	(2.7)	15,641	(2.1)	23,561	(3.3)
IP&S Total	739,800	(100.0)	720,138	(100.0)	704,468	(100.0)

Digital Imaging Products:

“Digital Imaging Products” includes compact digital cameras, interchangeable single-lens cameras and video cameras.

Professional Solutions:

“Professional Solutions” includes broadcast- and professional-use products.

Home Entertainment & Sound (“HE&S”)

The following table sets forth Sony’s HE&S segment sales to external customers by product categories. Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31					
	2014		2015		2016	
	(Yen in millions)					
Televisions	754,308	(63.0)	835,068	(67.6)	797,764	(69.1)
Audio and Video	431,519	(36.1)	396,814	(32.1)	354,946	(30.7)
Other	10,871	(0.9)	3,804	(0.3)	2,375	(0.2)
HE&S Total	1,196,698	(100.0)	1,235,686	(100.0)	1,155,085	(100.0)

Televisions:

“Televisions” includes LCD televisions.

Audio and Video:

“Audio and Video” includes Blu-ray Disc™ players and recorders, home audio, headphones and memory-based portable audio devices.

Devices

The following table sets forth Sony’s Devices segment sales to external customers by product categories. Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31					
	2014		2015		2016	
	(Yen in millions)					
Semiconductors	342,072	(61.9)	501,015	(69.0)	558,983	(72.9)
Components	207,833	(37.6)	217,935	(30.0)	197,316	(25.7)
Other	2,493	(0.5)	7,010	(1.0)	10,458	(1.4)
Devices Total	552,398	(100.0)	725,960	(100.0)	766,757	(100.0)

Semiconductors:

“Semiconductors” includes CMOS image sensors, CCDs, system LSIs, and other semiconductors.

Components:

“Components” includes batteries, audio/video/data recording media, storage media and optical pickups.

Pictures

The following table sets forth Sony’s Pictures segment sales to external customers by product categories. Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31					
	2014		2015		2016	
			(Yen in millions)			
<i>Motion Pictures</i>	422,255	(50.9)	434,253	(49.6)	447,355	(47.8)
<i>Television Productions</i>	247,568	(29.9)	252,456	(28.8)	270,115	(28.9)
<i>Media Networks</i>	158,845	(19.2)	189,605	(21.6)	218,357	(23.3)
Pictures Total	828,688	(100.0)	876,314	(100.0)	935,827	(100.0)

Motion Pictures:

“Motion Pictures” includes the worldwide production, acquisition and distribution of live-action and animated motion pictures and direct-to-video content. SPE’s motion picture production organizations include Columbia Pictures, Screen Gems, Sony Pictures Animation, Sony Pictures Classics and TriStar Pictures. SPE also operates Sony Pictures Imageworks, a visual effects and animation unit, and manages a studio facility, Sony Pictures Studios, which includes post production facilities.

Television Productions:

“Television Productions” includes the production, acquisition and distribution of television programming including scripted series, unscripted “reality” or “light entertainment,” daytime serials, game shows, animated series, made for television movies and miniseries and other programming. Outside the U.S., SPE produces local language programming and licenses SPE owned programming and formats around the world.

Media Networks:

“Media Networks” includes the operation of television and digital networks worldwide. SPE’s television networks around the world include Sony Pictures Networks India Private Limited (formerly known as Multi Screen Media Private Limited), which operates television networks in India, and a controlling interest in Game Show Network (“GSN”), which operates a U.S.-based cable network and an online game business. Digital networks include Crackle, a multi-platform video entertainment network focusing on premium video content.

Music

The following table sets forth Sony’s Music segment sales to external customers by product categories. Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31					
	2014		2015		2016	
			(Yen in millions)			
<i>Recorded Music</i>	347,684	(69.8)	383,350	(70.9)	412,718	(68.7)
<i>Music Publishing</i>	66,869	(13.4)	70,959	(13.1)	71,258	(11.8)
<i>Visual Media and Platform</i>	83,777	(16.8)	86,195	(16.0)	116,993	(19.5)
Music Total	498,330	(100.0)	540,504	(100.0)	600,969	(100.0)

Recorded Music:

“Recorded Music” includes the distribution of physical and digital recorded music and revenue derived from artists’ live performance. SME, a global entertainment company, excluding Japan, is engaged primarily in the development, production, marketing and distribution of recorded music in all commercial formats and genres. SMEJ is an entertainment company focused on the Japanese market, which includes a Japanese domestic recorded music business that produces recorded music and music videos through contacts with many artists in all music genres.

Music Publishing:

“Music Publishing” includes the management and licensing of the words and music of songs. Sony/ATV Music Publishing LLC (“Sony/ATV”), is a U.S.-based music publishing business that owns and acquires rights to musical compositions, exploiting and marketing these compositions and receiving royalties or fees for their use.

Visual Media and Platform:

“Visual Media and Platform” includes various service offerings for music and visual products and the production and distribution of animation titles. This business is operated primarily by SMEJ.

Financial Services

In the Financial Services segment, on April 1, 2004, Sony established a wholly-owned subsidiary, SFH, a holding company for Sony Life, Sony Assurance and Sony Bank, with the aim of integrating various financial services including insurance and savings and loans, and offering individual customers high value-added products and high-quality services. On October 11, 2007, in conjunction with the global initial public offering of shares of SFH, the shares of SFH were listed for trading on the First Section of the TSE. Following this global offering, SFH remains a consolidated subsidiary of Sony Corporation, which is the majority shareholder of SFH.

SFH conducts insurance and banking operations primarily through Sony Life, a Japanese life insurance company, Sony Assurance, a Japanese non-life insurance company, and Sony Bank, a Japanese Internet-based bank, which are all wholly-owned by SFH.

All Other

All Other consists of various operating activities, including the disc manufacturing business outside of Japan and the PC business, which was sold in July 2014. Certain costs related to the PC business remain in All Other. Sony’s products and services are generally unique to a single operating segment.

Sales and Distribution

Electronics*

* The term “Electronics” refers to the sum of the MC, G&NS, IP&S, HE&S and Devices segments.

Sony’s electronics products and services, excluding those in the game business, are marketed throughout the world under the trademark “Sony,” which has been registered in approximately 200 countries and territories.

In most cases, sales of Sony’s electronics products are made to sales subsidiaries of Sony Corporation located in or responsible for sales in the countries and territories where Sony’s products and services are marketed. These subsidiaries then sell those products to unaffiliated local distributors and dealers or through direct sales via the Internet. In some regions, sales of certain products and services are made directly to local distributors by Sony Corporation.

Sales of electronics products and services are particularly seasonal and also vary significantly with the timing of new product introductions and the economic conditions of each country. Sales for the third quarter ending December 31 of each fiscal year are generally higher than other quarters of the same fiscal year due to demand in the year-end holiday season.

Japan:

Sony Marketing (Japan) Inc. markets consumer electronics products mainly through retailers. Sony Business Solutions Corporation markets professional electronics products and services. For electronic components, Sony sells products directly to wholesalers and manufacturers.

United States:

Sony markets its electronics products and services through Sony Electronics Inc. and other wholly-owned subsidiaries in the U.S.

Europe:

In Europe, Sony's electronics products and services are marketed through sales subsidiaries including Sony Europe Limited, which is headquartered in the United Kingdom and has branches in European countries, and CJSC Sony Electronics in Russia.

China:

Sony markets its electronics products and services through Sony (China) Limited, Sony Corporation of Hong Kong Limited and other wholly-owned subsidiaries in China.

Asia-Pacific:

In Asia-Pacific, Sony's electronics products and services are marketed through sales subsidiaries including Sony India Private Limited, Sony Electronics of Korea Corporation, Sony Taiwan Limited and Sony Electronics Vietnam.

Other Areas:

In overseas areas other than the U.S., Europe, China and Asia-Pacific, Sony's electronics products and services are marketed through sales subsidiaries including Sony Brasil Ltda., Sony Middle East & Africa FZE in the United Arab Emirates, Sony of Canada Limited and Sony de Mexico S.A.de C.V.

PlayStation®4 ("PS4"), PlayStation®3 ("PS3") and PlayStation®Vita ("PS Vita") hardware and related software are marketed and distributed by SCEI*, Sony Computer Entertainment America ("SCEA"), Sony Computer Entertainment Europe, Ltd. ("SCEE") and subsidiaries in Asia. Game software and network services are marketed and distributed internationally by Sony Network Entertainment Inc. ("SNEI") through PlayStation® Network ("PSN").

Along with certain of its global corporate functions in Tokyo, Sony Mobile has sales and marketing operations in many major regions of the world, as well as manufacturing in China and product development sites in London, Sweden and the United States. Sony Mobile brings its products to market through direct and indirect distribution channels, such as third-party cellular network carriers and retailers, as well as through its website.

** SCEI and SNEI founded Sony Interactive Entertainment LLC, a new company that combined all the business units belonging to SCEI and SNEI, including hardware, software, content and network services operations in April 2016. SCEA changed its name to Sony Interactive Entertainment America LLC in April 2016. SCEE changed its name to Sony Interactive Entertainment Europe Limited in April 2016.*

Pictures

SPE generally retains all rights relating to the worldwide distribution of its internally produced motion pictures and television programming, including rights for theatrical exhibition, home entertainment distribution, pay and free television exhibition and other markets. SPE also acquires distribution rights to motion pictures and television programming produced by other companies, and jointly produces and distributes motion pictures and television programming with other studios, television networks or production companies. These rights may be limited to particular geographic regions, specific forms of media or periods of time.

Within the U.S., SPE uses its own distribution service businesses, Sony Pictures Releasing and Sony Pictures Classics, for the U.S. theatrical release of its motion pictures and for the theatrical release of motion pictures acquired from and produced by others.

Outside the U.S., SPE generally distributes and markets motion pictures through one of its Sony Pictures Releasing International subsidiaries. In certain countries, however, SPE has joint distribution or sub-distribution arrangements with other studios, or arrangements with independent local distributors or other entities.

The worldwide home entertainment distribution of SPE's motion pictures and television programming (and product acquired or licensed from others) is handled through Sony Pictures Home Entertainment, except in certain countries where SPE has joint distribution or sub-distribution arrangements with other studios, or arrangements with independent local distributors. Product is distributed in various home media formats including DVD, Blu-ray Disc™, electronic sell-through and video-on-demand.

The worldwide television distribution of SPE's motion pictures and television programming (and product acquired or licensed from others) is handled through Sony Pictures Television. SPE's library of motion pictures and television programming is licensed to broadcast television networks, pay and basic cable networks, direct broadcast satellite providers as well as to subscription and advertising supported Internet television providers (such as Sony's PSN and Netflix).

SPE's television networks are distributed to multiple distribution platforms such as cable, satellite, Internet Protocol Television (IPTV) systems, and mobile operators for delivery to viewers around the world. These networks generate advertising, subscription and other ancillary revenues.

Music

SME and SMEJ develop, produce, market, and distribute recorded music in various commercial formats. SME and its affiliates conduct business globally under "Columbia Records," "Epic Records," "RCA Records," and other labels. SMEJ conducts business in Japan under "Sony Music Records," "Epic Records Japan," "SME Records," "Ki/oon Music," "Sony Music Associated Records," and other labels.

Sony owns and acquires rights to musical compositions, exploits and markets these compositions, receives royalties or fees for their use and conducts its music publishing business through a joint venture with a third-party investor in countries other than Japan primarily under the Sony/ATV name. Sony and the Estate of Michael Jackson (the "Estate") entered into a binding Memorandum of Understanding on March 14, 2016 and a definitive agreement on April 18, 2016 for Sony to obtain full ownership of Sony/ATV by acquiring the 50 percent interest in Sony/ATV held by the Estate. The closing of the transaction is subject to certain closing conditions, including regulatory approval.

SMEJ creates artwork and produces packaged home entertainment products including music/games, and organizes various events in Japan through Sony Music Communications Inc. SMEJ also produces, markets, and distributes animation products through Aniplex Inc.

Financial Services

Sony Life conducts its life insurance business primarily in Japan. Sony Life's core business is providing death protection and other insurance products to individuals, primarily through a consulting-based sales approach

utilizing its experienced team of Lifeplanner® sales employees as well as partner independent sales agents. Sony Life provides tailor-made life insurance products that are optimized for each customer. As of March 31, 2016, Sony Life employed 4,612 Lifeplanner® sales employees. Sony Life maintains an extensive service network which mainly consists of the Lifeplanner® channel and the independent agent channel in Japan. The Lifeplanner® channel is characterized by strict recruitment and training of sales professionals from industries outside the life insurance industry, performance-linked compensation and its high productivity, and offers custom-made packages. Most of the agents in the independent agent channel are corporate and non-exclusive agents, centering on shop-style agents. Shop-style agents are a sub-channel of the independent agent channel, who offer insurance in local stores and provide customers with opportunities to compare various insurers' products. To enhance Sony Life's relationship with independent agents, Sony Life's agent support staff provides independent agents with various support services, including recruiting, training and sales promotion activities. As part of its plan to expand its sales of individual annuity products, Sony Life established a Japanese joint venture company with AEGON N.V. The 50-50 joint venture, known as AEGON Sony Life Insurance Co., Ltd. was established in August 2009 and began operations in Japan in December 2009.

Sony Assurance has conducted a non-life insurance business in Japan since October 1999. Sony Assurance's core business is providing automobile insurance products and medical and cancer insurance products to individual customers, primarily through direct marketing via the Internet and the telephone. The direct marketing business model employed by Sony Assurance enables it to improve operating efficiency and lower the costs of marketing and maintaining its insurance policies, creating savings which it passes on to policyholders in the form of competitively priced premiums.

Sony Bank has conducted banking operations in Japan since June 2001. As an Internet bank focusing on the asset management and borrowing needs of individual customers, Sony Bank offers an array of products and services including yen and foreign currency deposits, investment trusts and mortgages. By using Sony Bank's transaction channel, the "MONEYKit" service website, account holders can invest and manage assets over the Internet according to their life plans. On July 1, 2011, Sony Bank acquired Sony's 57 percent equity interest in Sony Payment Services Inc. ("Sony Payment Services"), resulting in Sony Payment Services becoming a consolidated subsidiary of Sony Bank. Sony Payment Services is an industry-leading provider of credit card settlement services to members of its Internet network.

All Other

Sony DADC group ("Sony DADC") offers Blu-ray Disc™, DVD and CD media replication services as well as digital and physical supply chain solutions to business customers in the entertainment, education, and information industries.

Sales to External Customers by Geographic Area

The following table shows Sony's consolidated sales to external customers in each of its major markets for the periods indicated. Figures in parentheses indicate the percentage contribution of each region to total worldwide sales and operating revenue.

	Fiscal year ended March 31					
	2014		2015		2016	
			(Yen in millions)			
Japan	2,199,099	(28.3)	2,233,776	(27.2)	2,317,312	(28.6)
United States	1,302,052	(16.8)	1,528,097	(18.6)	1,733,759	(21.4)
Europe	1,753,526	(22.6)	1,932,941	(23.5)	1,881,329	(23.2)
China	520,539	(6.7)	546,697	(6.7)	540,497	(6.7)
Asia-Pacific	1,013,635	(13.0)	1,052,453	(12.8)	959,171	(11.8)
Other Areas	978,415	(12.6)	921,916	(11.2)	673,644	(8.3)
Total	<u>7,767,266</u>	<u>(100.0)</u>	<u>8,215,880</u>	<u>(100.0)</u>	<u>8,105,712</u>	<u>(100.0)</u>

Sources of Supply

Sony pursues procurement of raw materials, parts and components to be used in the production of its products on a global basis on the most favorable terms that it can achieve. These items are purchased from various suppliers around the world. Sony has a general policy of maintaining multiple suppliers for important parts and components and, in the fiscal year ended March 31, 2016, Sony continued activities to optimize the number of its suppliers by category to achieve efficiencies and to minimize procurement risk when possible.

When raw materials, parts and components become scarce, the cost of production rises. For example, LCD panels and memory devices, which are used in multiple applications, can influence Sony's performance when the cost of such parts and components fluctuates substantially. With regard to raw materials, the market price of copper has the potential to proportionately affect the cost of parts that utilize copper, such as printed circuit boards and power cables. The price of gold, which is used in applications involving a range of semiconductor products, may also fluctuate and impact the cost of those items. In addition, the price of rare earth elements, such as neodymium, may impact the cost of magnetic parts to be used for products such as camera modules and disc drives, and the price of tantalum may have a similar impact on the cost of capacitors used in a wide range of consumer electronics products.

After-Sales Service

Sony provides repair and servicing functions in the areas where its electronics products are sold. Sony provides these services through its own call centers, service centers, factories, authorized independent service centers, authorized servicing dealers and subsidiaries.

In line with industry practices of the electronics businesses, almost all of Sony's consumer-use products that are sold in Japan carry a warranty, generally for a period of one year from the date of purchase, covering repairs, free of charge, in the case of a malfunction in the course of ordinary use of the product. Warranties outside of Japan generally provide coverage for various periods of time depending on the product and the area in which it is marketed. In the case of broadcast- and professional-use products, Sony maintains support contracts with customers in addition to warranties.

To further help ensure customer satisfaction, Sony maintains customer information centers in its principal markets.

Patents and Licenses

Sony has a number of Japanese and foreign patents relating to its products. Sony is licensed to use a number of patents owned by others, covering a wide range of products. Certain of these licenses are important to Sony's business, such as those for optical disc-related and smartphone products. Sony products that employ DVD player functions, including PS4 and PS3 hardware, are substantially dependent upon patents that relate to technologies specified in the DVD specifications and are licensed from Dolby Laboratories Licensing Corporation. Sony products that employ Blu-ray Disc™ player functions that also employ DVD player functions, including PS4 and PS3 hardware, are substantially dependent upon patents that relate to technologies specified in Blu-ray Disc™ specifications and are licensed by MPEG LA LLC and One-Blue, LLC, in addition to the patents that relate to technologies specified in DVD specifications, as described above. Sony's smartphone products are substantially dependent upon patents that relate to technologies specified in certain codec standards and are licensed by MPEG LA LLC and Via Licensing Corporation, as well as patents that relate to CDMA technologies specified by the standard-setting bodies within the telecommunications industry and are licensed by Qualcomm Incorporated and NTT DOCOMO, INC. Sony considers its overall license position beneficial to its operations.

Competition

In each of its principal product lines and services, Sony encounters intense competition throughout the world. Sony believes, however, that in the aggregate it competes successfully and has a major position in all of the principal product lines and services in which it is engaged, although the strength of its position varies with products and markets. Refer to "Risk Factors" in "Item 3. Key Information."

Electronics

Sony believes that its product planning and product design expertise, the high quality of its products, its record of innovative product introductions and product improvements, its price competitiveness derived from reductions in manufacturing and indirect costs and its extensive marketing and servicing efforts are important factors in maintaining its competitive position. Sony believes that the success of the game and network services businesses is determined by the availability of attractive software titles and related content, downloadable content, network services and peripherals. Sony Mobile manufactures and sells mobile handsets, primarily focusing on the smartphone market, specifically products using the Android operating system as a platform. Many of the retailers and carriers who distribute Sony Mobile's products also distribute the products of competing mobile handset companies. Sony Mobile believes that its product design capabilities, technological innovation, price competitiveness, user experience and the ecosystem that supports such an experience are key factors in establishing and maintaining a competitive position. So-net faces competition in the Internet service provider business from other service providers in Japan, including telecommunications companies that possess their own telecommunication lines. Rapid technological advancement has created many new opportunities but it has also increased the rate at which new and more efficient services must be brought to market to earn customer approval. Customer sensitivity to prices is high, and they are able to change Internet service providers with increasing ease. In the Devices segment, due to slower recent growth of the smartphone market, plans to increase the production capacity for image sensors have been revised. While much effort will be put into keeping Sony's strong competitive position in this business, Sony believes that it is equally important to try to match capital expenditure with future customer demand and plans to reduce its investment in this area which requires a large amount of initial capital investment.

Pictures

SPE faces intense competition from all forms of entertainment and other leisure activities to attract the attention of audiences worldwide. SPE competes with other motion picture studios and, to a lesser extent, with production companies to obtain story rights and talent, including writers, actors, directors and producers, which are essential to the success of SPE's products. In motion picture production and distribution, SPE faces competition to obtain exhibition and distribution outlets and optimal release dates for its products. In addition, SPE faces intense competition to acquire motion pictures and television programming from third parties. Competition in television production and distribution is also intense because available broadcast time is limited and the audience is increasingly fragmented among broadcast and cable networks, direct broadcast satellite ("DBS") providers, the Internet and other outlets both within and outside of the U.S. Furthermore, broadcast networks in the U.S. continue to produce their own shows internally. This competitive environment may result in fewer opportunities to produce shows for U.S. networks and a shorter lifespan for ordered shows that do not immediately achieve favorable ratings. SPE's worldwide television networks compete for viewers with broadcast and cable networks, DBS providers, the Internet and other forms of entertainment. The growth in the number of networks around the world has increased the competition for advertising and subscription revenues, acquisition of programming, and distribution of SPE's television networks by cable, satellite, the Internet and other distribution systems.

Music

Success in the music industry is dependent to a large extent upon the artistic and creative abilities of artists, producers and employees and is subject to the vagaries of public taste. The Music segment's future competitive position depends on its continuing ability to attract and develop artists and products that can achieve a high degree of public acceptance as well as offer efficient services.

Financial Services

In the Financial Services segment, Sony faces strong competition in the financial services markets in Japan. In recent years, the regulatory barriers between the life insurance and non-life insurance industries as well as among the insurance, banking and securities industries have been relaxed, resulting in new competitive pressures.

Sony Life competes not only with traditional insurance companies in Japan but also with other companies including online insurance companies, foreign-owned life insurance companies and a number of Japanese cooperative associations.

Sony Assurance competes against insurers that sell their policies through sales agents as well as insurers that, like Sony Assurance, primarily sell their policies through direct marketing via the telephone and the Internet. Competition in Japan's non-life insurance industry has intensified in recent years, in part due to a number of new market entrants, including foreign-owned insurers.

Some of the competitors in the life insurance and non-life insurance businesses have advantages over Sony including:

- greater financial resources and financial strength ratings;
- greater brand awareness;
- more extensive marketing and sales networks, including through tie-ups with other types of financial institutions;
- more competitive pricing;
- larger customer bases; and
- a wider range of products and services.

Sony Bank has focused on providing retail asset management and mortgage services for individuals, and faces significant competition in Japan's retail financial services market. Sony Bank competes with traditional banking institutions, regional banks, trust banks, non-bank companies, and newer financial groups providing online full-services of bank and brokerage in Japan.

In the Financial Services segment, it is important to maintain a strong and healthy financial foundation for the business as well as to meet diversifying customer needs. Sony Life and Sony Assurance have maintained a high solvency margin ratio, relative to the Japanese domestic minimum solvency margin ratio requirements. Sony Bank has maintained a sufficient capital adequacy ratio relative to the Japanese domestic criteria.

All Other

Sony DADC is facing intense price competition as well as contraction of worldwide physical media markets, as storage of digital content shifts from physical media to online servers. In such an environment, Sony DADC is focused on operating efficiency and service quality.

Government Regulations

Sony's business activities are subject to various governmental regulations in different countries in which it operates, including regulations relating to: various business/investment approvals; trade affairs, including customs, import and export control; competition and antitrust; anti-bribery; advertising and promotion; intellectual property; broadcasting, consumer and business taxation; foreign exchange controls; personal information protection; product safety; labor; human rights; conflict; occupational health and safety; environmental; and recycling requirements.

In Japan, Sony's insurance businesses are subject to the Insurance Business Act and approvals and oversight from the Financial Services Agency ("FSA"). The primary purpose of the Insurance Business Act and related regulations is to protect policyholders, not shareholders. The Insurance Business Act specifies the types of businesses insurance companies may engage in, imposes limits on the types and amounts of investments that can be made and requires insurance companies to maintain specified reserves and a minimum solvency margin ratio. In particular, life insurance companies must maintain a premium reserve (for the portion of their portfolio other than unearned premiums), an unearned premium reserve, a reserve for refunds with respect to certain insurance

contracts of life insurance companies specified in the Insurance Business Act's regulations, and a contingency reserve in amounts no lower than the amount of the "standard policy reserve" as set forth by the regulatory guidelines. The FSA maintains a solvency standard which is used by Japanese regulators to monitor the financial strength of insurance companies. Non-life insurance companies are also required to provide a policy reserve. Sony Bank is also subject to regulation by the FSA under the Banking Act of Japan, including the requirement that it maintain a minimum capital adequacy ratio in accordance with capital adequacy guidelines adopted by the FSA based on the Basel III agreement. The FSA has broad regulatory powers over insurance and banking businesses in Japan, including the authority to grant or revoke operating licenses and to request information and conduct onsite inspections of books and records. Sony's subsidiaries in the Financial Services segment are subject to the Japanese Insurance Business Act and Banking Act that require insurance and business companies to maintain their financial credibility and to secure protection for policyholders and depositors in view of the public importance of insurance and banking services. As such, lending and borrowing between subsidiaries in the Financial Service segment and the other companies within Sony Group is strictly limited.

In addition, Sony's telecommunication businesses in Japan are subject to approvals and oversight from the Ministry of Internal Affairs and Communications, under the Telecommunications Business Act and other regulations related to the Internet businesses and communication methods in Japan.

Social Responsibility Regulations Such as Environmental and Human Rights Regulations

Sony monitors, evaluates, and complies with new environmental requirements that may affect its operations. For example, in Europe, Sony is required to comply with a number of environmental regulations enacted by the EU such as the Restriction of Hazardous Substances ("RoHS") Directive, the Waste Electrical and Electronic Equipment ("WEEE") Directive and the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH") regulation. Similar regulations are being formulated in other areas of the world, including South American and Southeast Asian countries.

Sony has taken steps to address new regulations or governmental policies related to climate change including carbon disclosure, greenhouse gas emission reduction, carbon taxes and energy efficiency for electronics products. For example, Sony has established an internal management system in response to the EU directive on energy-related products and their energy efficiency ("ErP").

Sony also monitors and evaluates newly adopted laws and regulations that may affect its operations applicable to purchasing activities including the procurement of raw materials, with respect to environmental, occupational health and safety, human rights, labor and armed conflict issues, and complies as appropriate.

Also refer to "Risk Factors" in "Item 3. *Key Information.*"

Disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. Section 13(r) requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with designated natural persons or entities sanctioned under programs relating to terrorism or the proliferation of weapons of mass destruction. Disclosure is required even where the activities, transactions or dealings are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.

Sony is aware that certain transactions during the fiscal year ended March 31, 2016, as described below, may be disclosable pursuant to Section 13(r) of the Exchange Act.

Sony does not customarily allocate net profit on a country-by-country or activity-by-activity basis, other than as set forth in Sony's consolidated financial statements prepared in accordance with U.S. GAAP; thus, the net profit and loss described below are non-U.S. GAAP figures and are estimated solely for the purpose of preparing this disclosure pursuant to Section 13(r) of the Exchange Act. The information below is to the best of Sony's knowledge, and in particular Sony may not be aware of all potentially reportable sales by third-party-owned dealers and distributors.

- During the fiscal year ended March 31, 2016, a non-U.S. subsidiary of Sony sold medical instruments, including medical printers, print media and monitors, to a third-party-owned dealer in Dubai, which, to the best of Sony's knowledge, planned to resell those products to hospitals and health organizations in Iran, some of which are under the control of the Iranian Ministry of Health. Sony's gross revenue from these sales was approximately 4.8 million U.S. dollars, and Sony has estimated that its net profit from such sales was 0.3 million U.S. dollars.
- Sony's representative office in Tehran, Iran, which was established in 1992, has been closed and has been under liquidation processes since before the beginning of the fiscal year ended March 31, 2014. In the course of liquidation, Sony engages in certain incidental transactions (for example, permits, taxes, and similar matters incidental to the wind-down of the office in Iran) with Iranian government-owned entities. No material revenues or profits are associated with these transactions with the Iranian government-owned entities.

Sony is not aware of any other activity, transaction or dealing by Sony Corporation or any of its affiliates during the fiscal year ended March 31, 2016 that is disclosable in this report under Section 13(r) of the Exchange Act. As of the date of this report, Sony does not anticipate that any activity, transaction or dealing that may be disclosable will be conducted during the fiscal year ending March 31, 2017, except as described above in connection with the wind-down of its representative office or for certain transactions through third-party-owned dealers that Sony believes to be intended for hospitals and health organizations in Iran. Nevertheless, Sony continues to monitor developments in this area, especially in the light of the Joint Comprehensive Plan of Action of July 14, 2015, among the United States, the United Kingdom, China, France, Russia, Germany, the European Union and Iran, and will determine whether and to what extent they affect Sony's business with Iranian customers as currently conducted and may additionally be conducted. Such business activities may require disclosure pursuant to Section 13(r) of the Exchange Act. Sony intends to conduct any such business activities in accordance with applicable law.

Sony believes, and maintains policies and procedures designed to ensure that, its transactions with Iran and elsewhere have been conducted in accordance with applicable economic sanctions laws and regulations and do not involve transactions likely to result in the imposition of sanctions or other penalties on Sony. However, there can be no assurance that Sony's policies and procedures will be effective, and if the relevant authorities were to impose penalties or sanctions against Sony, the impact of such sanctions could be material.

C. Organizational Structure

The following table sets forth the significant subsidiaries owned, directly or indirectly, by Sony Corporation.

Name of company	Country of incorporation	(As of March 31, 2016) Percentage owned
Sony EMCS Corporation*	Japan	100.0
Sony Semiconductor Corporation**	Japan	100.0
Sony Marketing (Japan) Inc.	Japan	100.0
Sony Mobile Communications Inc.	Japan	100.0
Sony Computer Entertainment Inc.***	Japan	100.0
Sony Visual Products Inc.	Japan	100.0
Sony Video & Sound Products Inc.	Japan	100.0
Sony Music Entertainment (Japan) Inc.	Japan	100.0
Sony Financial Holdings Inc.****	Japan	60.0
Sony Life Insurance Co., Ltd.****	Japan	100.0
Sony Bank Inc.****	Japan	100.0
Sony Corporation of America	U.S.A.	100.0
Sony Electronics Inc.	U.S.A.	100.0
Sony Computer Entertainment America LLC*****	U.S.A.	100.0
Sony Pictures Entertainment Inc.	U.S.A.	100.0
Sony Music Entertainment	U.S.A.	100.0
Sony Europe Limited	U.K.	100.0
Sony Computer Entertainment Europe Limited	U.K.	100.0
Sony Global Treasury Services Plc	U.K.	100.0
Sony Overseas Holding B.V.	Netherlands	100.0
Sony Mobile Communications AB	Sweden	100.0
Sony Electronics Asia Pacific Pte. Ltd.	Singapore	100.0
Sony (China) Limited	China	100.0

* Sony EMCS Corporation changed its name to Sony Global Manufacturing & Operations Corporation in April 2016.

** Sony Semiconductor Corporation changed its name to Sony Semiconductor Manufacturing Corporation in April 2016.

*** Sony Computer Entertainment Inc. changed its name to Sony Interactive Entertainment Inc. in April 2016.

**** Sony Corporation owns 60 percent of Sony Financial Holdings Inc., and Sony Financial Holdings Inc. owns 100 percent of Sony Life Insurance Co., Ltd. and Sony Bank Inc.

***** Sony Computer Entertainment America LLC changed its name to Sony Interactive Entertainment America LLC in April 2016.

D. Property, Plant and Equipment

Sony has a number of offices, plants and warehouses throughout the world. Most of the buildings and land in/on which such offices, plants and warehouses are located are owned by Sony.

The following table sets forth information as of March 31, 2016 with respect to plants used for the production of products mainly for electronics products and services with floor space of more than 500,000 square feet:

Location	Approximate floor space (square feet)	Principal products produced
<i>In Japan:</i>		
Nagasaki (Sony Semiconductor Corporation* — Nagasaki TEC)	2,306,000	CMOS image sensors and other semiconductors
Kumamoto (Sony Semiconductor Corporation* — Kumamoto TEC)	2,123,000	CCDs, CMOS image sensors, LCDs and other semiconductors
Kagoshima (Sony Semiconductor Corporation* — Kagoshima TEC)	1,767,000	CCDs and other semiconductors
Oita (Sony Semiconductor Corporation* — Oita TEC)	585,000	CMOS image sensors and other semiconductors
Motomiya, Fukushima (Sony Energy Devices Corporation — Motomiya Plant)	961,000	Batteries
Kohda, Aichi (Sony EMCS Corporation** — Tokai TEC — Kohda Site)	902,000	Home-use video cameras, compact digital cameras and interchangeable single-lens cameras
Inazawa, Aichi (Sony EMCS Corporation** — Tokai TEC — Inazawa Site)	842,000	LCD televisions
Tsuruoka, Yamagata (Sony Semiconductor Corporation* — Yamagata TEC)	703,000	CMOS image sensors and other semiconductors
Koriyama, Fukushima (Sony Energy Devices Corporation — Koriyama Plant)	593,000	Batteries
Kosai, Shizuoka (Sony EMCS Corporation** — Tokai TEC — Kosai Site)	576,000	Broadcast-and professional-use video equipment
Kisarazu, Chiba (Sony EMCS Corporation** — Kisarazu TEC)	541,000	Blu-ray Disc™ players/recorders, audio equipment and video conference systems

Location	Approximate floor space (square feet)	Principal products produced
<i>Outside of Japan:</i>		
Terre Haute, Indiana, U.S.A. (Sony DADC US Inc.)	2,428,000	Blu-ray Disc™-ROMs, CDs, DVDs and UMDs (Universal Media Disc)
Huizhou, China (Sony Precision Devices (Huizhou) Co., Ltd.)	1,027,000	Optical pickups and LCDs
Wuxi, China (Sony Electronics (Wuxi) Co., Ltd., Sony Digital Products (Wuxi) Co., Ltd. and Sony (China) Ltd.)	1,886,000	Batteries and compact digital cameras
Penang, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. — PG TEC)	1,021,000	Audio equipment
Tuas, Singapore (Sony Electronics (Singapore) Pte. Ltd.)	825,000	Batteries
Bangi, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. — KL TEC)	954,000	LCD televisions, TV components, Blu-ray Disc™ players/recorders and DVD-players/recorders
Guangzhou, China (Sony Electronics Huanan Co., Ltd.)	687,000	Optical pickups
Beijing, China (Sony Mobile Communications (China) Co., Ltd.)	680,000	Mobile phones

In addition to the above facilities, Sony has a number of other plants for electronic products throughout the world. Sony owns research and development facilities, and Sony Corporation's headquarters building, with a total floor space of approximately 1,753,000 square feet, in Tokyo, Japan, where administrative functions and product development activities are carried out. SCEI*** has its corporate headquarters in Sony Corporation's headquarters building and leases additional office space in Tokyo from a third party, where administrative functions, product development, and software development are carried out. SCEA*** and SCEE*** lease their offices in the U.S. and Europe, respectively.

SPE's corporate offices and motion picture and television production facilities are headquartered in Culver City, California, where it owns and operates a studio facility, Sony Pictures Studios, with aggregate floor space of approximately 1,606,000 square feet. SPE also leases office space and motion picture and television support facilities from third parties and affiliates of Sony Corporation in various worldwide locations. SPE's film and videotape storage operations are located in various leased locations in the U.S. and Europe.

SME's corporate offices are headquartered in New York, NY where it leases office space from SCA. SME also leases office space from third parties in various locations worldwide.

Most of SMEJ's offices, including leased premises, are located in Tokyo, Japan.

SCA's corporate offices are headquartered on New York, NY where it leases office space from a third party.

On March 31, 2014, Sony Semiconductor Corporation* Yamagata TEC was established in Japan. This facility uses semiconductor fabrication equipment and certain related assets acquired from Renesas Electronics Corporation. In March 2014, Sony announced that it had agreed to sell the NS Building, Building 4 and Building 5, and premises at Sony's Gotenyama Technology Center to Sumitomo Realty & Development Co., Ltd., a Japanese real estate company.

On March 31, 2016, Sony Semiconductor Corporation* Oita TEC was established in Japan. This facility uses semiconductor fabrication equipment and certain related assets acquired from Toshiba.

* Sony Semiconductor Corporation changed its name to Sony Semiconductor Manufacturing Corporation in April 2016.

*** Sony EMCS Corporation changed its name to Sony Global Manufacturing & Operations Corporation in April 2016.*

**** SCEI changed its name to Sony Interactive Entertainment Inc. in April 2016. SCEA changed its name to Sony Interactive Entertainment America LLC in April 2016. SCEE changed its name to Sony Interactive Entertainment Europe Limited in April 2016.*

Item 4A. Unresolved Staff Comments

Not applicable

Item 5. Operating and Financial Review and Prospects

A. Operating Results

Operating Performance

	Fiscal year ended March 31			Percent change from	
	2014	2015	2016	2014 to 2015	2015 to 2016
	(Yen in billions, except			percentage data)	
Sales and operating revenue	7,767.3	8,215.9	8,105.7	+5.8%	-1.3%
Equity in net income (loss) of affiliated companies	(7.4)	3.9	2.2	—	-42.9
Operating income	26.5	68.5	294.2	+158.7	+329.2
Income before income taxes	25.7	39.7	304.5	+54.3	+666.5
Net income (loss) attributable to Sony Corporation's stockholders	(128.4)	(126.0)	147.8	—	—

Sales

During the fiscal year ended March 31, 2016, the average rates of the yen were 120.1 yen against the U.S. dollar and 132.6 yen against the euro, which were 8.5 percent lower and 4.7 percent higher, respectively, than the fiscal year ended March 31, 2015. During the fiscal year ended March 31, 2015, the average rates of the yen were 109.9 yen against the U.S. dollar and 138.8 yen against the euro, which were 8.8 percent and 3.2 percent lower, respectively, than the fiscal year ended March 31, 2014.

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, sales and operating revenue ("sales") were 8,105.7 billion yen, a decrease of 1.3 percent compared to the fiscal year ended March 31, 2015. This decrease was mainly due to a significant decrease in Mobile Communications ("MC") segment sales, reflecting a significant decrease in smartphone unit sales, partially offset by an increase in Game & Network Services ("G&NS") segment sales, reflecting a significant increase in PlayStation®4 ("PS4") software sales, and in Music segment sales mainly reflecting depreciation of the yen against the U.S. dollar. A further breakdown of sales figures is presented under "Operating Performance by Business Segment" below.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, sales were 8,215.9 billion yen, an increase of 5.8 percent compared to the fiscal year ended March 31, 2014. This increase was primarily due to the impact of foreign exchange rates, a significant increase in G&NS segment sales reflecting the strong performance of PS4 and a significant increase in Devices segment sales due to the strong performance of image sensors. This increase was partially offset by a significant decrease in sales in All Other, primarily related to Sony's exit from the PC business. A further breakdown of sales figures is presented under "Operating Performance by Business Segment" below.

Cost of Sales, Selling, General and Administrative Expenses and Other Operating Expense, net

“Sales” in the analysis of the ratio of “cost of sales” to sales, the ratio of “research and development costs” to sales, and the ratio of “selling, general and administrative expenses (“SGA expenses”)” to sales refers only to the “net sales” and “other operating revenue” portions of consolidated sales (which excludes financial services revenue). This is because “financial services expenses” are recorded separately from cost of sales and SGA expenses in the consolidated financial statements. The calculations of all ratios below that pertain to reportable segments include intersegment transactions.

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, cost of sales decreased by 108.3 billion yen, or 2.1 percent year-on-year, to 5,166.9 billion yen. Cost of sales in the fiscal year ended March 31, 2015 included an 11.2 billion yen write-down of PlayStation®Vita (“PS Vita”) and PlayStation TV (“PS TV”) components in the G&NS segment. The ratio of cost of sales to sales improved year-on-year from 73.9 percent to 73.4 percent.

Research and development costs (all research and development costs are included within cost of sales) increased by 3.9 billion yen, or 0.8 percent year-on-year, to 468.2 billion yen. The ratio of research and development costs to sales was 6.7 percent compared to 6.5 percent in the fiscal year ended March 31, 2015.

SGA expenses decreased by 119.5 billion yen, or 6.6 percent year-on-year, to 1,691.9 billion yen, mainly due to decreases in advertising costs and restructuring charges. The ratio of SGA expenses to sales improved year-on-year from 25.4 percent to 24.0 percent.

Other operating expense, net was 47.2 billion yen, a decrease of 134.5 billion yen, or 74.0 percent year-on-year. This significant improvement was mainly due to a decrease in the amount of impairment charges. Other operating expense, net for the fiscal year ended March 31, 2016 included a 59.6 billion yen impairment charge against long-lived assets in the camera module business and a 30.6 billion yen impairment charge against long-lived assets in the battery business, both of which were recorded in the Devices segment, as well as a 151 million U.S. dollars (18.1 billion yen) gain recorded in the Music segment on the remeasurement to fair value of Sony Music Entertainment’s (“SME”) 51 percent equity interest in Orchard Media, Inc. (“The Orchard”), which had previously been accounted for under the equity method, as a result of SME increasing its ownership interest to 100 percent. It also included a gain of 12.3 billion yen from the sale of a part of the logistics business, in connection with the formation of a logistics joint venture, recorded in Corporate and elimination. Other Operating expense, net for the fiscal year ended March 31, 2015 included a 176.0 billion yen impairment charge against goodwill recorded in the MC segment and a gain of 14.8 billion yen recognized on the sale of certain buildings and premises at the Gotenyama Technology Center in Japan, recorded in Corporate and elimination. Refer to Note 20 of the consolidated financial statements.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, cost of sales increased by 135.1 billion yen, or 2.6 percent year-on-year, to 5,275.1 billion yen. This increase included an 11.2 billion yen write-down of PS Vita and PS TV components in the G&NS segment. The ratio of cost of sales to sales improved year-on-year from 75.8 percent to 73.9 percent.

Research and development costs (all research and development costs are included within cost of sales) decreased by 1.7 billion yen, or 0.4 percent year-on-year, to 464.3 billion yen. The ratio of research and development costs to sales was 6.5 percent compared to 6.9 percent in the fiscal year ended March 31, 2014.

SGA expenses increased by 82.9 billion yen, or 4.8 percent year-on-year, to 1,811.5 billion yen, mainly due to the impact of the depreciation of the yen, partially offset by a decrease in personnel costs due to the impact of restructuring initiatives. The ratio of SGA expenses to sales was essentially flat at 25.4 percent, compared to 25.5 percent in the fiscal year ended March 31, 2014.

Other operating expense, net was 181.7 billion yen, an increase of 133.0 billion yen, or 273.3 percent year-on-year. This significant deterioration was mainly due to the recording of a 176.0 billion yen charge for the impairment of goodwill recorded in the MC segment. Sony performed its interim goodwill impairment test and concluded that the fair value of the MC business had decreased. This deterioration was partially offset by a gain of 14.8 billion yen recognized on the sale of certain buildings and premises at Gotenyama Technology Center in Japan, recorded in Corporate and Elimination. Other operating expense, net for the fiscal year ended March 31, 2014 included a 32.1 billion yen impairment charge related to long-lived assets in the battery business in the Devices segment, a 25.6 billion yen impairment charge related to long-lived assets in the disc manufacturing business outside of Japan and the U.S. and goodwill across the entire disc manufacturing business, and a 12.8 billion yen impairment charge related to long-lived assets in the PC business, all of which were recorded in All Other, partially offset by a gain of 12.8 billion yen from the sale of certain shares of M3, Inc. ("M3"), which was recorded in All Other. Refer to Note 20 of the consolidated financial statements.

Equity in Net Income (Loss) of Affiliated Companies

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, equity in net income of affiliated companies decreased by 1.7 billion yen, or 42.9 percent year-on-year, to 2.2 billion yen. This decrease was mainly due to a deterioration of equity in net income (loss) for Intertrust Technologies Corporation in All Other.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, equity in net income of affiliated companies resulted in an income of 3.9 billion yen, compared with a loss of 7.4 billion yen in the fiscal year ended March 31, 2014. This improvement was mainly due to an improvement of equity in net income (loss) for Intertrust Technologies Corporation in All Other.

Operating Income

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, operating income increased by 225.6 billion yen, or 329.2 percent year-on-year, to 294.2 billion yen. This significant increase was primarily due to significant improvements in the results of the MC segment and All Other, as well as the G&NS, Imaging Products & Solutions ("IP&S"), Music and Home Entertainment & Sound ("HE&S") segments. The increase in consolidated operating income was partially offset by a significant deterioration in the operating results of the Devices, Financial Services and Pictures segments. Restructuring charges, net, decreased 59.8 billion yen year-on-year to 38.3 billion yen.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, operating income increased 42.1 billion yen, or 158.7 percent year-on-year, to 68.5 billion yen. This significant increase was primarily due to a significant improvement in the operating results of the Devices, G&NS and HE&S segments. This improvement was partially offset by a significant deterioration in operating results in the MC segment, primarily due to a 176.0 billion yen impairment of goodwill.

Restructuring charges, net, increased 17.4 billion yen year-on-year to 98.0 billion yen. PC exit costs decreased 18.7 billion yen year-on-year to 39.6 billion yen, which included 19.6 billion yen of restructuring charges. The following table provides PC exit costs and the total PC business operating loss for the fiscal year ended March 31, 2015.

	All Other	Corporate and Elimination	Consolidated Total	Year-on-year change
	(Yen in billions)			
(I) Restructuring charges	11.8	7.8	19.6	-21.3
(II) Other service costs etc.*	20.0	—	20.0	+2.6
PC exit costs (I+II)	31.8	7.8	39.6	-18.7
Operating loss excluding exit costs**	(23.9)	—	(23.9)	+9.4
Total PC operating loss	(55.7)	(7.8)	(63.5)	+28.2

* Other service costs etc. is primarily comprised of payroll and personnel expenses related to the customer support activities of the PC business.

** Operating loss excluding exit costs includes sales company fixed costs charged to the PC business in the fiscal year ended March 31, 2015, which were allocated based on historical results.

Other Income and Expenses

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, other income increased by 41.8 billion yen, or 166.6 percent year-on-year, to 66.8 billion yen, while other expenses increased by 2.6 billion yen, or 4.9 percent year-on-year, to 56.5 billion yen. The net amount of other income and other expenses was income of 10.3 billion yen, an improvement of 39.1 billion yen year-on-year. This was mainly due to an increase in the gain on securities investments. The gain on sales of securities investments in the fiscal year ended March 31, 2016 included a 46.8 billion yen gain on the sale of certain shares of Olympus Corporation and a 2.7 billion yen gain on the sale of shares in connection with the above-mentioned formation of a logistics joint venture. The gain on sales of securities investments in the previous fiscal year included a 4.8 billion yen gain on Sony's shares in SQUARE ENIX HOLDINGS CO., LTD.

The foreign exchange loss, net, was 20.6 billion yen, essentially flat year-on-year. Interest and dividends in other income of 12.5 billion yen were recorded in the fiscal year ended March 31, 2016, a decrease of 0.4 billion yen, or 3.4 percent year-on-year. Interest recorded in other expenses totaled 25.3 billion yen, an increase of 1.7 billion yen, or 7.1 percent year-on-year.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, other income decreased by 17.4 billion yen, or 40.9 percent year-on-year, to 25.1 billion yen, while other expenses increased by 10.7 billion yen, or 24.7 percent year-on-year, to 53.9 billion yen. The net amount of other income and other expenses was an expense of 28.8 billion yen, a deterioration of 28.1 billion yen year-on-year primarily due to an increase in foreign exchange loss, net, and a decrease in the gain on sales of securities investments, while a 7.4 billion yen gain on the sale of Sony's shares in SKY Perfect JSAT Holdings Inc., which were sold in December 2013, was recorded in the fiscal year ended March 31, 2014.

The foreign exchange loss, net, increased by 11.3 billion yen, or 122.6 percent year-on-year, to 20.5 billion yen. This deterioration was mainly due to significant strengthening of the U.S. dollar, particularly in the second half of the fiscal year ended March 31, 2015, partially offset by routine derivative contracts for forecasted transactions.

Interest and dividends in other income of 12.9 billion yen were recorded in the fiscal year ended March 31, 2015, a decrease of 3.8 billion yen, or 22.6 percent year-on-year. Interest recorded in other expenses totaled 23.6 billion yen, an increase of 0.1 billion yen, or 0.6 percent year-on-year.

Income before Income Taxes

For the fiscal year ended March 31, 2016, income before income taxes was 304.5 billion yen, an increase of 264.8 billion yen, or 666.5 percent year-on-year. For the fiscal year ended March 31, 2015, income before income taxes was 39.7 billion yen, an increase of 14.0 billion yen, or 54.3 percent year-on-year.

Income Taxes

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

During the fiscal year ended March 31, 2016, Sony recorded 94.8 billion yen of income tax expense, resulting in an effective tax rate of 31.1 percent. This effective tax rate was lower than the Japanese statutory tax rate primarily as a result of profits recorded at foreign subsidiaries and in the insurance business, which are both subject to lower tax rates, the reversal of valuation allowances on deferred tax assets for local taxes by a subsidiary in Japan, and an income tax benefit due to a reduction in the corporate tax rate in Japan which resulted in a reduction of net deferred tax liabilities. These reductions were partially offset by increases in valuation allowances for deferred tax assets in the national tax filing group in Japan and certain foreign subsidiaries.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

During the fiscal year ended March 31, 2015, Sony recorded 88.7 billion yen of income tax expense, and Sony's effective tax rate exceeded the Japanese statutory tax rate. Sony Corporation and certain of its subsidiaries which had established valuation allowances incurred losses and, as such, Sony continued to not recognize the associated tax benefits, except to the extent of certain tax benefits associated with the impact of gains in other comprehensive income. The higher effective tax rate is also primarily due to nondeductible goodwill impairments recorded during the fiscal year offset by profits earned at subsidiaries in foreign jurisdictions with lower income tax rates and an income tax benefit recorded due to reduction in the corporate tax rate in Japan passed by the Japanese legislature during the fiscal year ended March 31, 2015.

Net Income Attributable to Sony Corporation's Stockholders

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, the net income attributable to Sony Corporation's stockholders, which excludes net income attributable to noncontrolling interests, was 147.8 billion yen, compared to a net loss of 126.0 billion yen in the fiscal year ended March 31, 2015.

Net income attributable to noncontrolling interests of 61.9 billion yen was recorded, a decrease of 15.1 billion yen, or 19.6 percent year-on-year. This decrease was mainly due to the decreased income at Sony Financial Holdings, Inc. ("SFH"), for which there is a noncontrolling interest of 40 percent.

Basic net income per share and diluted net income per share, attributable to Sony Corporation's stockholders for the fiscal year ended March 31, 2016 were 119.40 yen and 117.49 yen respectively, compared to the loss of 113.04 yen of both basic net income per share and diluted net income per share, attributable to Sony Corporation's stockholders for the fiscal year ended March 31, 2015. Refer to Note 22 of the consolidated financial statements.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, the net loss attributable to Sony Corporation's stockholders, which excludes net income attributable to noncontrolling interests, was 126.0 billion yen, compared to a net loss of 128.4 billion yen in the fiscal year ended March 31, 2014.

Net income attributable to noncontrolling interests of 77.0 billion yen was recorded, an increase of 17.4 billion yen, or 29.3 percent year-on-year. This increase was mainly due to the increased income at SFH, for which there is a noncontrolling interest of 40 percent.

Basic net loss per share as well as diluted net loss per share, attributable to Sony Corporation's stockholders for the fiscal year ended March 31, 2015 was 113.04 yen, compared with 124.99 yen in the fiscal year ended March 31, 2014. Refer to Note 22 of the consolidated financial statements.

Operating Performance by Business Segment

The following discussion is based on segment information. Sales and operating revenue in each business segment include intersegment transactions. Refer to Note 28 of the consolidated financial statements.

Business Segment Information

	Fiscal year ended March 31			Percent change from	
	2014	2015	2016	2014 to 2015	2015 to 2016
	(Yen in billions, except percentage data)				
Sales and operating revenue					
Mobile Communications	1,265.0	1,410.2	1,127.5	+11.5%	-20.0%
Game & Network Services	1,043.9	1,388.0	1,551.9	+33.0	+11.8
Imaging Products & Solutions	743.8	723.9	711.2	-2.7	-1.7
Home Entertainment & Sound	1,199.7	1,238.1	1,159.0	+3.2	-6.4
Devices	741.8	927.1	935.8	+25.0	+0.9
Pictures	829.6	878.7	938.1	+5.9	+6.8
Music	517.0	559.2	617.6	+8.2	+10.4
Financial Services	993.8	1,083.6	1,073.1	+9.0	-1.0
All Other	761.8	386.6	333.2	-49.2	-13.8
Corporate and elimination	(329.1)	(379.5)	(341.8)	—	—
Consolidated	<u>7,767.3</u>	<u>8,215.9</u>	<u>8,105.7</u>	+5.8	-1.3

	Fiscal year ended March 31			Percent change from	
	2014	2015	2016	2014 to 2015	2015 to 2016
	(Yen in billions, except percentage data)				
Operating income (loss)					
Mobile Communications	8.7	(217.6)	(61.4)	—%	—%
Game & Network Services	(18.8)	48.1	88.7	—	+84.3
Imaging Products & Solutions	12.2	41.8	72.1	+242.4	+72.7
Home Entertainment & Sound	(21.0)	24.1	50.6	—	+109.8
Devices	(16.9)	89.0	(28.6)	—	—
Pictures	51.6	58.5	38.5	+13.4	-34.2
Music	52.4	60.6	87.3	+15.6	+44.1
Financial Services	170.3	193.3	156.5	+13.5	-19.0
All Other	(120.2)	(95.0)	2.0	—	—
Sub-Total	<u>118.2</u>	<u>202.9</u>	<u>405.7</u>	+71.6	+100.0
Corporate and elimination*	<u>(91.7)</u>	<u>(134.4)</u>	<u>(111.5)</u>	—	—
Consolidated	<u>26.5</u>	<u>68.5</u>	<u>294.2</u>	+158.7	+329.2

* Corporate and elimination includes headquarters restructuring costs, restructuring costs related to the reduction in scale of sales companies following the decision to exit from the PC business, and certain other corporate expenses, including the amortization of certain intellectual property assets such as the cross-licensing of intangible assets acquired from Ericsson at the time of the Sony Mobile Communications acquisition, which are not allocated to segments.

Mobile Communications

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, sales decreased 20.0 percent year-on-year to 1,127.5 billion yen. This decrease was due to a strategic decision not to pursue scale in order to improve profitability, resulting in a significant decrease in smartphone unit sales, partially offset by an improvement in the product mix of smartphones reflecting an increased focus on high value-added models.

Operating loss decreased 156.1 billion yen year-on-year to 61.4 billion yen. This significant decrease was primarily due to the absence of 176.0 billion yen goodwill impairment charge recorded in the fiscal year ended March 31, 2015. The operating results were also primarily affected by the negative impact of the appreciation of the U.S. dollar, reflecting a high ratio of U.S. dollar-denominated costs, and an increase in restructuring charges. The negative impact of the above-mentioned decrease in smartphone unit sales was offset by the improvement in product mix, as well as cost reductions.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, sales increased 11.5 percent year-on-year to 1,410.2 billion yen, primarily due to an improvement in product mix as a result of a focus on high value-added models and the impact of foreign exchange rates.

Operating loss of 217.6 billion yen was recorded, compared to operating income of 8.7 billion yen in the fiscal year ended March 31, 2014. This significant deterioration was primarily due to the 176.0 billion yen impairment of goodwill* recorded in this segment and the unfavorable impact of the appreciation of the U.S. dollar, reflecting the high ratio of U.S. dollar-denominated costs, partially offset by the above-mentioned improvement in product mix.

** In July 2014, Sony began a review of its mid-range plan ("MRP") for the MC segment. In September 2014, in light of the historical results, the operating environment surrounding this segment and the need to address the significant change in the market and competitive environment of the mobile business, Sony revised the MRP for the MC segment. The new MRP reflected lower expected future cash flows compared to the previous MRP. Additionally the revision included changing the strategy of the MC segment in certain geographical areas and concentrating on its premium lineup. As a result, Sony determined that the fair value of the MC business had decreased.*

Major product unit sales

	Fiscal year ended March 31			Percent change from	
	2014	2015	2016	2014 to 2015	2015 to 2016
	(Units in millions)				
Smartphones within <i>Mobile Communications</i>	39.1	39.1	24.9	0%	-36.3%

Game & Network Services

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, sales increased 11.8 percent year-on-year to 1,551.9 billion yen. This significant increase was primarily due to increases in PS4 software sales, including sales through the network, and PS4 hardware unit sales, partially offset by a decrease in PlayStation®3 ("PS3") software and hardware sales.

Operating income increased 40.6 billion yen year-on-year to 88.7 billion yen. This significant increase was primarily due to the increase in PS4 software sales and PS4 hardware cost reductions as well as the absence in the fiscal year ended March 31, 2016 of an 11.2 billion yen write-down of PS Vita and PS TV components recorded in the fiscal year ended March 31, 2015. Partially offsetting the increase in operating income were the negative impact of the appreciation of the U.S. dollar, reflecting a high ratio of U.S. dollar-denominated costs, and the decrease in PS3 software sales.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, sales increased 33.0 percent year-on-year to 1,388.0 billion yen. This significant increase was primarily due to an increase in PS4 hardware unit sales, a significant increase in network services revenue, the impact of foreign exchange rates and an increase in PS4 software sales, partially offset by a decrease in PS3 hardware and PS3 software sales.

Operating income of 48.1 billion yen was recorded, compared to an operating loss of 18.8 billion yen in the fiscal year ended March 31, 2014. This significant improvement was primarily due to the impact of the above-mentioned increase in sales, partially offset by the impact of the decrease in PS3 software sales, the unfavorable impact of the appreciation of the U.S. dollar reflecting the high ratio of U.S. dollar-denominated costs, as well as the recording of an 11.2 billion yen write-down of PS Vita and PS TV components in the fiscal year ended March 31, 2015. In the fiscal year ended March 31, 2014, a 6.2 billion yen write-off of certain PC software titles was recorded.

Sales to external customers by product category

	Fiscal year ended March 31						Percent change from	
	2014		2015		2016		2014 to 2015	2015 to 2016
	(Yen in millions)							
Hardware	513,425	(54.2)	733,757	(56.8)	721,829	(48.8)	+42.9%	-1.6%
Network	200,229	(21.2)	351,467	(27.2)	529,318	(35.8)	+75.5	+50.6
Other	232,825	(24.6)	206,922	(16.0)	228,628	(15.4)	-11.1	+10.5
G&NS Total	946,479	(100.0)	1,292,146	(100.0)	1,479,775	(100.0)	+36.5	+14.5

Major product unit sales

	Fiscal year ended March 31			Percent change from	
	2014	2015	2016	2014 to 2015	2015 to 2016
	(Units in millions)				
PS4	7.5	14.8	17.7	+97.3%	+19.6%

Imaging Products & Solutions

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, sales decreased 1.7 percent year-on-year to 711.2 billion yen. Sales were essentially flat year-on-year primarily due to decreases in unit sales of video cameras and digital cameras* reflecting a contraction of the market, substantially offset by an improvement in the product mix of digital cameras reflecting a shift to high value-added models.

Operating income increased 30.4 billion yen year-on-year to 72.1 billion yen. This significant increase was mainly due to the improvement in the product mix of digital cameras and cost reductions.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, sales decreased 2.7 percent year-on-year to 723.9 billion yen, primarily due to a significant decrease in unit sales of digital cameras and video cameras reflecting a contraction of these markets, partially offset by the impact of foreign exchange rates and an improvement in the product mix of digital cameras reflecting a shift to high value-added models.

Operating income increased 29.6 billion yen year-on-year to 41.8 billion yen. This significant increase was mainly due to a reduction in selling, general and administrative expenses, the favorable impact of foreign exchange rates and the above-mentioned improvement in product mix reflecting a shift to high value-added models, partially offset by the above-mentioned decrease in sales of digital cameras and video cameras.

* *Digital cameras includes compact digital cameras, interchangeable single-lens cameras and interchangeable lenses.*

Below are the sales to external customers by product category and unit sales of major products:

Sales to external customers by product category

Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31						Percent change from	
	2014		2015		2016		2014 to 2015	2015 to 2016
	(Yen in millions)							
<i>Digital Imaging</i>								
<i>Products</i>	442,723	(59.8)	432,594	(60.1)	418,232	(59.4)	-2.3%	-3.3%
<i>Professional Solutions</i>	277,417	(37.5)	271,903	(37.8)	262,675	(37.3)	-2.0	-3.4
<i>Other</i>	19,660	(2.7)	15,641	(2.1)	23,561	(3.3)	-20.4	+50.6
IP&S Total	739,800	(100.0)	720,138	(100.0)	704,468	(100.0)	-2.7	-2.2

Major product unit sales

	Fiscal year ended March 31			Percent change from	
	2014	2015	2016	2014 to 2015	2015 to 2016
	(Units in millions)				
Digital cameras within <i>Digital Imaging Products</i> *	11.5	8.5	6.1	-26.1%	-28.2%

* *Digital cameras include compact digital cameras, interchangeable single-lens cameras, and interchangeable lenses.*

Home Entertainment & Sound

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, sales decreased 6.4 percent year-on-year to 1,159.0 billion yen. This decrease was primarily due to a decrease in unit sales of LCD televisions, and a decrease in home audio and video unit sales reflecting a contraction of the market, partially offset by an improvement in the product mix of LCD televisions reflecting a shift to high value-added models, as well as the impact of foreign exchange rates.

Operating income increased 26.5 billion yen year-on-year to 50.6 billion yen. This significant increase was primarily due to cost reductions and an improvement in product mix, partially offset by the negative impact of the appreciation of the U.S. dollar, reflecting the high ratio of U.S. dollar-denominated costs, as well as the impact of the above-mentioned decrease in sales.

In Televisions, sales* decreased 4.5 percent year-on-year to 797.8 billion yen. This was primarily due to a decrease in LCD television unit sales resulting from a strategic decision not to pursue scale in order to improve profitability and the impact of foreign exchange rates, partially offset by the improvement in product mix reflecting a shift to high value-added models. Operating income** increased 17.5 billion yen year-on-year to 25.8 billion yen. This increase was primarily due to cost reductions and the improvement in product mix, partially offset by the negative impact of the appreciation of the U.S. dollar, reflecting the high ratio of U.S. dollar-denominated costs, and the impact of the decrease in unit sales.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, sales increased 3.2 percent year-on-year to 1,238.1 billion yen. This increase was primarily due to the impact of foreign exchange rates and an increase in sales of televisions, partially offset by a decrease in Audio and Video sales. Unit sales of LCD televisions increased mainly due to a significant increase in North America, Japan and Europe, partially offset by a significant decrease in Latin America and China.

Operating income of 24.1 billion yen was recorded, compared to an operating loss of 21.0 billion yen in the fiscal year ended March 31, 2014. This significant improvement was primarily due to cost reductions and an improvement in product mix reflecting a shift to high value-added models, partially offset by the unfavorable impact of the appreciation of the U.S. dollar, reflecting the high ratio of U.S. dollar-denominated costs.

In Televisions, sales* increased 10.7 percent year-on-year to 835.1 billion yen. This increase was primarily due to the above-mentioned increase in unit sales and the impact of foreign exchange rates. Operating income** of 8.3 billion yen was recorded compared to an operating loss of 25.7 billion yen in the fiscal year ended March 31, 2014. This improvement was primarily due to cost reductions and an improvement in product mix reflecting a shift to high value-added models, partially offset by the unfavorable impact of the appreciation of the U.S. dollar, reflecting the high ratio of U.S. dollar-denominated costs.

* Sales for Televisions do not include operating revenue.

** Operating income (loss) in Televisions excludes restructuring charges, which are included in the overall segment results and are not allocated to product categories.

Below are the sales to external customers by product category and unit sales of major products:

Sales to external customers by product category

	Fiscal year ended March 31						Percent change from	
	2014		2015		2016		2014 to 2015	2015 to 2016
	(Yen in millions)							
Televisions	754,308	(63.0)	835,068	(67.6)	797,764	(69.1)	+10.7%	-4.5%
Audio and Video	431,519	(36.1)	396,814	(32.1)	354,946	(30.7)	-8.0	-10.6
Other	10,871	(0.9)	3,804	(0.3)	2,375	(0.2)	-65.0	-37.6
HE&S Total	1,196,698	(100.0)	1,235,686	(100.0)	1,155,085	(100.0)	+3.3	-6.5

Major product unit sales

	Fiscal year ended March 31			Percent change from	
	2014	2015	2016	2014 to 2015	2015 to 2016
	(Units in millions)				
LCD televisions	13.5	14.6	12.2	+8.1%	-16.4%

Devices

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, sales increased 0.9 percent year-on-year to 935.8 billion yen. Sales were essentially flat primarily due to the impact of foreign exchange rates and increases in camera module and image sensor sales, substantially offset by the impact of a decrease in battery business sales. Sales to external customers increased 5.6 percent year-on-year.

Operating loss of 28.6 billion yen was recorded, compared to operating income of 89.0 billion yen in the previous fiscal year. This significant deterioration was primarily due to the deterioration in the operating results

of the camera module business, including the recording of a 59.6 billion yen impairment charge related to long-lived assets, the deterioration in the operating results of the battery business, including the recording of a 30.6 billion yen impairment charge related to long-lived assets, increases in depreciation and amortization expenses as well as an increase in research and development expenses. This deterioration was partially offset by the positive impact of foreign exchange rates. For the camera module business, due to a decrease in projected future demand, Sony revised its Mid-Range Plan for the period beginning with the fiscal year ending March 31, 2017. Given the decrease in projected future demand, Sony performed an impairment analysis in the quarter ended March 31, 2016, and determined that future cash flows would not be sufficient to recover the entire carrying amount of the long-lived assets, resulting in the impairment charge. For the battery business, due to the increasingly competitive markets, Sony performed an impairment analysis in the quarter ended December 31, 2015, and reduced the corresponding estimated future cash flows and the estimated ability to recover the entire carrying amount of the long-lived assets, resulting in the impairment charge.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, sales increased 25.0 percent year-on-year to 927.1 billion yen. This increase was primarily due to a significant increase in sales of image sensors reflecting higher demand for mobile products, the impact of foreign exchange rates, as well as a significant increase in sales of camera modules. Sales to external customers increased 31.4 percent year-on-year.

Operating income of 89.0 billion yen was recorded, compared to an operating loss of 16.9 billion yen in the fiscal year ended March 31, 2014. This significant improvement was primarily due to the impact of the above-mentioned increase in sales of image sensors, the recording of a 32.1 billion yen impairment charge related to long-lived assets in the battery business in the fiscal year ended March 31, 2014 and the favorable impact of foreign exchange rates.

Below are the sales to external customers by product category:

Sales to external customers by product category

Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31						Percent change from	
	2014		2015		2016		2014 to 2015	2015 to 2016
	(Yen in millions)							
<i>Semiconductors</i>	342,072	(61.9)	501,015	(69.0)	558,983	(72.9)	+46.5%	+11.6%
<i>Components</i>	207,833	(37.6)	217,935	(30.0)	197,316	(25.7)	+4.9	-9.5
<i>Other</i>	2,493	(0.5)	7,010	(1.0)	10,458	(1.4)	+181.2	+49.2
Devices Total	<u>552,398</u>	<u>(100.0)</u>	<u>725,960</u>	<u>(100.0)</u>	<u>766,757</u>	<u>(100.0)</u>	+31.4	+5.6

Electronics*

* The term "Electronics" refers to the sum of the MC, G&NS, IP&S, HE&S and Devices segments.

Inventory

Total inventory of the Electronics segments above as of March 31, 2016 was 599.9 billion yen, an increase of 36.5 billion yen, or 6.5 percent compared with the level as of March 31, 2015. Total inventory of the Electronics segments above as of March 31, 2015 was 563.4 billion yen, a decrease of 56.4 billion yen, or 9.1 percent, compared with the level as of March 31, 2014.

Sales to External Customers by Geographic Area

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

Combined sales to external customers by geographic area for the Electronics segments for the fiscal year ended March 31, 2016 increased year-on-year by 6 percent in Japan, 19 percent in the U.S., decreased year-on-year by 3 percent in Europe, 3 percent in China, 13 percent in Asia-Pacific areas other than Japan and China (the “Asia-Pacific Area”) and by 30 percent in other geographic areas (“Other Areas”). Total combined sales in all areas decreased 3 percent year-on-year.

In Japan, sales of products such as smartphones increased. In the U.S., sales in network services increased. In Europe, China, the Asia-Pacific Area, and Other Areas, sales of products such as smartphones decreased.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

Combined sales to external customers by geographic area for the Electronics segments for the fiscal year ended March 31, 2015 increased year-on-year by 1 percent in Japan, 31 percent in the U.S., 24 percent in Europe, 17 percent in China, 12 percent in Asia-Pacific areas other than Japan and China (the “Asia-Pacific Area”) and by 1 percent in other geographic areas (“Other Areas”). Total combined sales in all areas increased 15 percent year-on-year.

In Japan, sales of products such as tablets increased. In the U.S. and Europe, sales in the game business increased. In China, sales of products such as image sensors and batteries increased. In the Asia-Pacific Area, sales of products such as image sensors increased. In Other Areas, sales of products such as smartphones increased while sales of products such as televisions decreased.

Manufacturing by Geographic Area

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

Approximately 61 percent of the Electronics segments’ total annual production during the fiscal year ended March 31, 2015 was in-house production and approximately 39 percent was outsourced production.

Approximately 37 percent of the annual in-house production took place in Japan, including the production of semiconductors, professional-use equipment and components such as batteries and storage media. Approximately 86 percent of the annual in-house production in Japan was destined for other countries. Production in China accounted for approximately 42 percent of the annual in-house production, approximately 70 percent of which was destined for other countries. Production in Asia, excluding Japan and China, accounted for approximately 19 percent of the annual in-house production, with approximately 55 percent destined for the Americas, Japan, Europe and China. Production in the Americas and Europe together accounted for approximately 1 percent of the annual in-house production, most of which was destined for local distribution and sale.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

Approximately 60 percent of the Electronics segments’ total annual production during the fiscal year ended March 31, 2015 was in-house production and approximately 40 percent was outsourced production.

Approximately 35 percent of the annual in-house production took place in Japan, including the production of digital cameras, home-use video cameras, LCD televisions, professional-use equipment, semiconductors, and components such as batteries and storage media. Approximately 75 percent of the annual in-house production in Japan was destined for other countries. Production in China accounted for approximately 40 percent of the annual in-house production, approximately 75 percent of which was destined for other countries. Production in Asia, excluding Japan and China, accounted for approximately 25 percent of the annual in-house production, with approximately 65 percent destined for the Americas, Japan, Europe and China. Production in the Americas and Europe together accounted for less than 5 percent of the annual in-house production, most of which was destined for local distribution and sale.

Pictures

Pictures segment results presented below are a yen-translation of the results of Sony Pictures Entertainment (“SPE”), a U.S.-based operation that 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 is specified as being on “a U.S. dollar basis.”

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, sales increased 6.8 percent year-on-year (essentially flat on a U.S. dollar basis) to 938.1 billion yen. On a U.S. dollar basis, the impact of foreign exchange rates as well as lower sales in Motion Pictures were substantially offset by higher sales in Media Networks and Television Productions. The decrease in Motion Pictures sales was primarily due to a decrease in home entertainment revenues as the previous fiscal year benefited from the strong home entertainment performances of *The Amazing Spider-Man 2*, *22 Jump Street* and *Heaven Is For Real*. Partially offsetting the decrease in home entertainment revenues was higher theatrical revenues in the fiscal year ended March 31, 2016, driven by the strong worldwide theatrical performances of *Spectre* and *Hotel Transylvania 2*. The increase in Media Networks sales was primarily due to higher advertising revenues in India and the United Kingdom. The increase in Television Productions sales was primarily due to higher subscription video-on-demand (“SVOD”) revenues for *Breaking Bad*, *The Blacklist* and *Better Call Saul*.

Operating income decreased 20.0 billion yen year-on-year to 38.5 billion yen. This decrease was primarily due to the impact of the above-mentioned lower home entertainment revenues, the underperformance of *The Walk* and *The Brothers Grimsby*, and the negative impact of foreign exchange rates. This decrease was partially offset by the above-mentioned impact of higher Media Networks sales in India and the United Kingdom and the worldwide theatrical performance of *Hotel Transylvania 2*.

As of March 31, 2016, unrecognized license fee revenue at SPE was approximately 1.9 billion U.S. dollars. SPE expects to record this amount over a ten-year period, having entered into contracts with television broadcasters to provide those broadcasters with completed motion pictures and television programming. Under current revenue recognition requirements and SPE’s policies, the license fee revenue will be recognized in the fiscal year in which the product is made available for broadcast.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, sales increased 5.9 percent year-on-year to 878.7 billion yen due to the favorable impact of the depreciation of the yen against the U.S. dollar. On a U.S. dollar basis, sales for the fiscal year ended March 31, 2015 decreased approximately 4 percent year-on-year primarily due to a decrease in sales for Motion Pictures and Television Productions. The decrease in Motion Pictures sales was primarily due to lower theatrical revenues reflecting fewer theatrical releases as compared to the fiscal year ended March 31, 2014. The decrease in Television Productions sales was due to the fiscal year ended March 31, 2014 benefitting from the extension and expansion in scope of a licensing agreement for game shows produced by SPE, including *Wheel of Fortune*. Sales for Media Networks increased year-on-year due to higher digital game revenues and advertising revenues primarily due to acquisitions made in the fiscal years ended March 31, 2015 and March 31, 2014.

Operating income increased by 6.9 billion yen year-on-year to 58.5 billion yen, primarily due to the favorable impact of the depreciation of the yen against the U.S. dollar. On a U.S. dollar basis, operating income was essentially flat year-on-year. The fiscal year ended March 31, 2015 benefitted from the stronger year-on-year performance of the film slate because the fiscal year ended March 31, 2014 reflected the underperformance of *White House Down* and *After Earth*. The fiscal year ended March 31, 2015 also benefitted from lower restructuring charges. Partially offsetting this increase was a gain recognized on the sale of SPE’s music publishing catalog in the fiscal year ended March 31, 2014, the above-mentioned decrease in Television Productions sales and higher programming and marketing costs for SPE’s television networks in India. The fiscal year ended March 31, 2015 also included approximately 41 million U.S. dollars (4.9 billion yen) in costs, primarily for investigation and remediation activities, relating to a cyber-attack on SPE’s network and IT infrastructure which was identified in the fiscal year ended March 31, 2015 (“the cyber-attack”).

As of March 31, 2015, unrecognized license fee revenue at SPE was approximately 1.4 billion U.S. dollars. SPE expects to record this amount over a ten year period, having entered into contracts with television broadcasters to provide those broadcasters with completed motion pictures and television programming. Under current revenue recognition requirements and SPE's policies, the license fee revenue will be recognized in the fiscal year in which the product is made available for broadcast.

Below are the sales to external customers by product category:

Sales to external customers by product category

Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31						Percent change from	
	2014		2015		2016		2014 to 2015	2015 to 2016
	(Yen in millions)							
Motion Pictures	422,255	(50.9)	434,253	(49.6)	447,355	(47.8)	+2.8%	+3.0%
Television Productions	247,568	(29.9)	252,456	(28.8)	270,115	(28.9)	+2.0	+7.0
Media Networks	158,845	(19.2)	189,605	(21.6)	218,357	(23.3)	+19.4	+15.2
Pictures Total	828,668	(100.0)	876,314	(100.0)	935,827	(100.0)	+5.7	+6.8

Music

Music segment results presented below include the yen-translated results of SME, a U.S.-based operation that aggregates the results of its worldwide subsidiaries on a U.S. dollar basis, the results of Sony Music Entertainment (Japan) Inc. ("SMEJ"), a Japan-based music company that aggregates its results in yen, and the yen-translated consolidated results of Sony/ATV Music Publishing LLC* ("Sony/ATV"), a 50 percent owned U.S.-based consolidated joint venture in the music publishing business that aggregates the results of its worldwide subsidiaries on a U.S. dollar basis.

* Sony and the Estate of Michael Jackson (the "Estate") entered into a binding Memorandum of Understanding on March 14, 2016 and a definitive agreement on April 18, 2016, for Sony to obtain full ownership of Sony/ATV by acquiring the 50 percent interest in Sony/ATV held by the Estate. The closing of the transaction is subject to certain closing conditions, including regulatory approval.

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, sales increased 10.4 percent year-on-year (a 5 percent increase on a constant currency basis) to 617.6 billion yen primarily due to the impact of the depreciation of the yen against the U.S. dollar. The increase in sales on a constant currency basis was primarily due to significantly higher Visual Media and Platform sales reflecting the continued strong performance of a game application for mobile devices. In Recorded Music, digital streaming revenues significantly increased, partially offset by a worldwide decline in physical and digital download sales. The fiscal year ended March 31, 2016 included the record-breaking sales of Adele's new album 25. Other best-selling titles included One Direction's *Made in the A.M.*, David Bowie's *Blackstar* and Meghan Trainor's *Title*.

Operating income increased 26.7 billion yen year-on-year to 87.3 billion yen. This increase was primarily due to the above-mentioned gain recorded on the remeasurement to fair value of SME's 51 percent equity interest in The Orchard as well as the impact of the above-mentioned increases in digital streaming revenues in Recorded Music and in Visual Media and Platform sales. Partially offsetting the increase was the negative impact of the above-mentioned decline in physical and digital download sales in Recorded Music.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, sales increased 8.2 percent year-on-year to 559.2 billion yen, primarily due to the favorable impact of the depreciation of the yen against the U.S. dollar. Sales were essentially

flat year-on-year on a constant currency basis primarily due to higher digital streaming revenues, offset by a worldwide decline in physical and digital download sales. Best-selling titles included One Direction's *FOUR*, AC/DC's *Rock or Bust*, Meghan Trainor's *Title*, Nogizaka 46's *Toumeinairo* and Michael Jackson's *XSCAPE*.

Operating income increased 8.2 billion yen year-on-year to 60.6 billion yen. This increase was primarily due to the favorable impact of the depreciation of the yen, an increase in equity in net income from affiliated companies, mainly EMI Music Publishing, and a decrease in marketing costs.

Below are the sales to external customers by product category:

Sales to external customers by product category

Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31						Percent change from	
	2014		2015		2016		2014 to 2015	2015 to 2016
	(Yen in millions)							
<i>Recorded Music</i>	347,684	(69.8)	383,350	(70.9)	412,718	(68.7)	+10.3%	+7.7%
<i>Music Publishing</i>	66,869	(13.4)	70,959	(13.1)	71,258	(11.8)	+6.1	+0.4
<i>Visual Media & Platform</i>	83,777	(16.8)	86,195	(16.0)	116,993	(19.5)	+2.8	+35.7
Music Total	498,330	(100.0)	540,504	(100.0)	600,969	(100.0)	+8.5	+11.2

Financial Services

In Sony's Financial Services segment, the results include Sony Financial Holdings Inc. ("SFH") and SFH's consolidated subsidiaries such as Sony Life Insurance Co., Ltd. ("Sony Life"), Sony Assurance Inc. and Sony Bank Inc. ("Sony Bank"). The results of Sony Life discussed below on the basis of U.S. GAAP differ from the results that SFH and Sony Life disclose separately on a Japanese statutory basis.

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

For the fiscal year ended March 31, 2016, financial services revenue was 1,073.1 billion yen, essentially flat year-on-year. This was primarily due to a deterioration in investment performance in the separate account at Sony Life, driven by the deterioration in the stock market, substantially offset by an increase in insurance premium revenue reflecting a steady increase in policy amount in force at Sony Life. Revenue at Sony Life was 952.6 billion yen, essentially flat year-on-year.

Operating income decreased 36.8 billion year-on-year to 156.5 billion yen mainly due to a decrease in operating income at Sony Life. At Sony Life, operating income decreased 39.2 billion yen year-on-year to 138.8 billion yen, mainly due to increases in the amortization of deferred insurance acquisition costs and the provision of policy reserves, primarily driven by a significant decrease in interest rates and the deterioration in the stock market.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

For the fiscal year ended March 31, 2015, financial services revenue increased 9.0 percent year-on-year to 1,083.6 billion yen primarily due to an increase in revenue at Sony Life. Revenue at Sony Life increased 9.6 percent year-on-year to 967.1 billion yen mainly due to an improvement in investment performance in the separate account resulting from a larger rise in the Japanese stock market in the fiscal year ended March 31, 2015 than in the fiscal year ended March 31, 2014, as well as an increase in insurance premium revenue reflecting an increase in policy amount in force.

Operating income increased 23.0 billion yen year-on-year to 193.3 billion yen. This increase was mainly due to an increase in operating income at Sony Life. Operating income at Sony Life increased 18.3 billion yen year-on-year to 178.0 billion yen primarily due to an improvement in investment performance in the general account, as well as a decrease in the provision of policy reserves pertaining to minimum guarantees for variable insurance, driven by the above-mentioned improvement in the Japanese stock market.

Information on Operations Separating Out the Financial Services Segment

The following charts show Sony's information on operations for the Financial Services segment alone and for all segments excluding the Financial Services segment. These separate condensed presentations are not required or prepared 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 utilizes this information to analyze its results without the Financial Services segment and believes that these presentations may be useful in understanding and analyzing Sony's consolidated financial statements. Transactions between the Financial Services segment and Sony without the Financial Services segment, including noncontrolling interests, are included in those respective presentations, then eliminated in the consolidated figures shown below.

		Fiscal year ended March 31		
		2014	2015	2016
		(Yen in millions)		
Financial Services segment				
Financial services revenue		993,846	1,083,629	1,073,069
Financial services expenses		821,218	889,540	915,881
Equity in net loss of affiliated companies		(2,336)	(782)	(645)
Operating income		170,292	193,307	156,543
Other income, net		2	—	—
Income before income taxes		170,294	193,307	156,543
Income taxes and other		54,161	42,184	37,741
Net income of Financial Services		116,133	151,123	118,802
		Fiscal year ended March 31		
		2014	2015	2016
		(Yen in millions)		
Sony without the Financial Services segment				
Net sales and operating revenue		6,780,504	7,141,492	7,044,415
Costs and expenses		6,921,294	7,218,528	6,909,651
Equity in net income (loss) of affiliated companies		(5,038)	4,703	2,883
Operating income (loss)		(145,828)	(72,333)	137,647
Other income (expenses), net		7,800	(20,987)	20,755
Income (loss) before income taxes		(138,028)	(93,320)	158,402
Income taxes and other		53,290	63,094	71,451
Net income (loss) of Sony without Financial Services		(191,318)	(156,414)	86,951
		Fiscal year ended March 31		
		2014	2015	2016
		(Yen in millions)		
Consolidated				
Financial services revenue		988,944	1,077,604	1,066,319
Net sales and operating revenue		6,778,322	7,138,276	7,039,393
		7,767,266	8,215,880	8,105,712
Costs and expenses		7,733,397	8,151,253	7,813,753
Equity in net income (loss) of affiliated companies		(7,374)	3,921	2,238
Operating income		26,495	68,548	294,197
Other income (expenses), net		(754)	(28,819)	10,307
Income before income taxes		25,741	39,729	304,504
Income taxes and other		154,110	165,709	156,713
Net income (loss) attributable to Sony Corporation's Stockholders		(128,369)	(125,980)	147,791

All Other

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

Sales for the fiscal year ended March 31, 2016 decreased 13.8 percent year-on-year to 333.2 billion yen. This significant decrease in sales was primarily due to the recording of sales in the previous fiscal year from the PC business, which was sold in July 2014.

Operating income of 2.0 billion yen was recorded, compared to an operating loss of 95.0 billion yen in the previous fiscal year. This significant improvement was primarily due to a decrease in PC exit costs, including restructuring charges and after-sales service expenses, as well as the absence in the fiscal year ended March 31, 2016 of sales company fixed costs charged to the PC business in the previous fiscal year, which were allocated based on the prior year results.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

Sales for the fiscal year ended March 31, 2015 decreased 49.2 percent year-on-year, to 386.6 billion yen. This significant decrease in sales was primarily due to Sony's exit from the PC business.

Operating loss for the fiscal year ended March 31, 2015 decreased 25.3 billion yen year-on-year to 95.0 billion yen. This decrease was primarily due to a decrease in loss from the PC business in the fiscal year ended March 31, 2015 partially offset by a gain of 12.8 billion yen from the sale of certain shares of M3 recorded in the fiscal year ended March 31, 2014. In the fiscal year ended March 31, 2014, a 25.6 billion yen impairment charge was recorded, related to long-lived assets in the disc manufacturing business outside of Japan and the U.S. and goodwill across the entire disc manufacturing business.

Restructuring

In a highly competitive landscape, Sony has made significant efforts to revitalize its Electronics businesses and has completed several large-scale restructuring efforts. Due to these restructuring efforts at headquarters and at the sales companies, Sony experienced fixed cost reductions of more than 100 billion yen in the fiscal year ended March 31, 2016 compared with the fiscal year ended March 31, 2014. Additionally, in September 2014 and February 2015, Sony developed and announced restructuring plans in the MC segment. These initiatives are expected to result in reductions of more than 90 billion yen in annual operating expenses such as research and development expenses and marketing costs, beginning in the fiscal year ending March 31, 2017, compared to the fiscal year ended March 31, 2015. Although these large-scale restructuring efforts have been completed, Sony believes the competitive environment will continue to be difficult, and therefore plans to be vigilant with respect to the scale of its businesses and to changes in the environment. Sony will continue to evaluate the cost and profit structure of its businesses and continue to take action to reduce cost where Sony believes appropriate.

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:

In the fiscal year ended March 31, 2016, Sony recorded restructuring charges of 38.3 billion yen, which included 1.7 billion yen of non-cash charges related to depreciation associated with restructured assets, compared to 98.0 billion yen of restructuring charges recorded in the fiscal year ended March 31, 2015. There were 7.3 billion yen of non-cash charges related to depreciation associated with restructured assets in the fiscal year ended March 31, 2015. Restructuring charges decreased by 59.8 billion yen or 61.0 percent year-on-year in the fiscal year ended March 31, 2016. Of the total 38.3 billion yen in restructuring charges incurred in the fiscal year ended March 31, 2016, 27.4 billion yen were personnel related costs, primarily included in SGA expenses in the consolidated statements of income. These personnel-related costs decreased 48.6 percent year-on-year.

Restructuring charges for the fiscal year ended March 31, 2016 were related to restructuring initiatives primarily associated with the MC segment. Restructuring charges for the fiscal year ended March 31, 2015 were related to restructuring initiatives primarily associated with the Electronics businesses and Sony's headquarters, as mentioned above.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

In the fiscal year ended March 31, 2015, Sony recorded restructuring charges of 98.0 billion yen, which included 7.3 billion yen of non-cash charges related to depreciation associated with restructured assets, compared to 80.6 billion yen of restructuring charges recorded in the fiscal year ended March 31, 2014. There were 5.0 billion yen of non-cash charges related to depreciation associated with restructured assets in the fiscal year ended March 31, 2014. Restructuring charges increased by 17.4 billion yen or 21.6 percent year-on-year in the fiscal year ended March 31, 2015. Of the total 98.0 billion yen in restructuring charges incurred in the fiscal year ended March 31, 2015, 53.3 billion yen were personnel related costs, primarily included in SGA expenses in the consolidated statements of income. These personnel-related costs increased 27.4 percent year-on-year.

Restructuring charges discussed in Item 5, which include non-cash charges related to depreciation associated with restructured assets, are described in Note 19 of the consolidated financial statements.

Foreign Exchange Fluctuations and Risk Hedging**Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:**

During the fiscal year ended March 31, 2016, the average rates of the yen were 120.1 yen against the U.S. dollar, which were 8.5 percent lower and 132.6 yen against the euro, which were 4.7 percent higher, respectively, than the fiscal year ended March 31, 2015. For the latest yen exchange rates per U.S. dollar, refer to “Selected Financial Data” in “Item 3. *Key Information*.”

For the fiscal year ended March 31, 2016, consolidated sales decreased 1.3 percent year-on-year (a 4 percent decrease on a constant currency basis) to 8,105.7 billion yen. For references to information on a constant currency basis, see Note at the bottom of this section.

Consolidated operating income increased 225.6 billion yen year-on-year (approximately 272.5 billion yen increase on a constant currency basis) to 294.2 billion yen. The foreign exchange fluctuations had a negative impact on the consolidated operating results mainly in Electronics.

Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:

During the fiscal year ended March 31, 2015, the average rates of the yen were 109.9 yen against the U.S. dollar and 138.8 yen against the euro, which were 8.8 percent and 3.2 percent lower, respectively, than the fiscal year ended March 31, 2014. For the latest yen exchange rates per U.S. dollar, refer to “Selected Financial Data” in “Item 3. *Key Information*.”

For the fiscal year ended March 31, 2015, consolidated sales increased 5.8 percent year-on-year (essentially flat on a constant currency basis) to 8,215.9 billion yen. For references to information on a constant currency basis, see Note at the bottom of this section.

Consolidated operating income increased 42.1 billion yen year-on-year (approximately 102.1 billion yen increase on a constant currency basis) to 68.5 billion yen. The foreign exchange fluctuations had a positive impact on the consolidated operating results mainly in Electronics.

The table below indicates the foreign exchange impact on sales and operating results in each of the segments. For a detailed analysis of segment performance, please refer to the “Operating Performance Highlights by Business Segment” in the “Results of Operations” section above, which discusses the impact of foreign exchange rates within each segment.

		Fiscal year ended March 31		Change in yen	Change on constant currency basis*	Impact of changes in foreign exchange rates
		2015	2016			
(Yen in billions)						
MC	Sales	1,410.2	1,127.5	-20.0%	-20%	-2.4
	Operating loss	(217.6)	(61.4)	+156.1	+223.6	-67.5
G&NS	Sales	1,388.0	1,551.9	+11.8%	+10%	+30.2
	Operating income	48.1	88.7	+40.6	+88.3	-47.7
IP&S	Sales	723.9	711.2	-1.7%	-5%	+20.6
	Operating income	41.8	72.1	+30.4	+31.9	-1.6
HE&S	Sales	1,238.1	1,159.0	-6.4%	-8%	+23.7
	Operating income	24.1	50.6	+26.5	+63.1	-36.7
Devices	Sales	927.1	935.8	+0.9%	-6%	+64.9
	Operating income (loss)	89.0	(28.6)	-117.6	-142.3	+24.7
		Fiscal year ended March 31		Change in yen	Change on constant currency basis*	Impact of changes in foreign exchange rates
		2014	2015			
(Yen in billions)						
MC	Sales	1,265.0	1,410.2	+11.5%	+4%	+45.3
	Operating income (loss)	8.7	(217.6)	-226.3	-167.2	-59.1
G&NS	Sales	1,043.9	1,388.0	+33.0%	+6%	+66.4
	Operating income (loss)	(18.8)	48.1	+66.9	+96.9	-29.9
IP&S	Sales	743.8	723.9	-2.7%	+5%	+36.2
	Operating income	12.2	41.8	+29.6	+22.8	+6.8
HE&S	Sales	1,199.7	1,238.1	+3.2%	+5%	+59.6
	Operating income (loss)	(21.0)	24.1	+45.1	+69.4	-24.4
Devices	Sales	741.8	927.1	+25.0%	+9%	+67.4
	Operating income (loss)	(16.9)	89.0	+106.0	+76.9	+29.1

During the fiscal year ended March 31, 2016, sales for the Pictures segment increased 6.8 percent year-on-year to 938.1 billion yen, while sales were essentially flat on a U.S. dollar basis. In the Music segment, sales increased 10.4 percent year-on-year to 617.6 billion yen, while sales increased 5 percent year-on-year on a constant currency basis. During the fiscal year ended March 31, 2015, sales for the Pictures segment increased 5.9 percent year-on-year to 878.7 billion yen, while sales decreased approximately 4 percent on a U.S. dollar basis. In the Music segment, sales increased 8.2 percent year-on-year to 559.2 billion yen, while sales were essentially flat year-on-year on a constant currency basis. For a detailed analysis of segment performance, please refer to the Pictures and Music segments under “*Operating Performance by Business Segment.*” Sony’s Financial Services segment consolidates the yen-based results of SFH. As most of the operations in this segment are based in Japan, Sony management analyzes the performance of the Financial Services segment on a yen basis only.

During the fiscal year ended March 31, 2016, Sony estimated that a one yen appreciation against the U.S. dollar would have decreased Electronics sales by approximately 18 billion yen, with an increase in operating income of approximately 7 billion yen. A one yen appreciation against the euro was estimated to decrease Electronics sales by approximately 9 billion yen, with a corresponding decrease in operating income of approximately 5 billion yen. For more details, please refer to *Foreign exchange rate fluctuations can affect Sony’s operating results and financial condition.* in Risk Factors, under “Item 3. Key Information.”

Sony’s consolidated results are subject to foreign currency rate fluctuations largely because the currency used in the countries where manufacturing and material and parts procurement takes place may be different from those where Sony’s products are sold. In order to reduce the risk caused by foreign exchange rate fluctuations, Sony employs derivatives, including foreign exchange forward contracts and foreign currency option contracts, in accordance with a consistent risk management strategy. Such derivatives are used primarily to mitigate the

effect of foreign currency exchange rate fluctuations on cash flows generated or anticipated by Sony Corporation and by its subsidiaries' transactions and accounts receivable and payable denominated in foreign currencies.

Sony Global Treasury Services Plc ("SGTS") in London provides integrated treasury services for Sony Corporation, its subsidiaries, and affiliated companies. Sony's policy is that Sony Corporation and all subsidiaries with foreign exchange exposures should enter into commitments with SGTS to hedge their exposures. Sony Corporation and most of its subsidiaries utilize SGTS for this purpose. Sony's policy of concentrating its foreign exchange exposures means that SGTS and Sony Corporation hedge most of the net foreign exchange exposure within the Sony group. Sony has a policy on the use of derivatives that, in principle, SGTS should centrally deal with and manage derivatives with financial institutions for risk management purposes. SGTS enters into foreign exchange transactions with creditworthy third-party financial institutions. Most of these transactions are entered into against projected exposures before the actual export and import transactions take place. In general, SGTS hedges the projected exposures for a period of one to three months before the actual transactions take place. Sony enters into foreign exchange transactions with financial institutions primarily for hedging purposes. Sony does not use these derivative financial instruments for trading or speculative purposes except for certain derivatives in the Financial Services segment. In the Financial Services segment, Sony uses derivatives primarily for asset liability management.

To minimize the effects of foreign exchange fluctuations on its financial results, particularly in the Electronics segments, Sony seeks, when appropriate, to localize material and parts procurement, design and manufacturing operations in areas outside of Japan.

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in accumulated other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. Foreign exchange forward contracts, foreign currency option contracts and other derivatives that do not qualify as hedges are marked-to-market with changes in value recognized in other income and expenses. The notional amount of all the foreign exchange derivative contracts as of March 31, 2015 and 2016 was 2,184.3 billion yen and 1,835.2 billion yen, respectively. The net fair value of all the foreign exchange derivative contracts as of March 31, 2015 and 2016 was an asset of 8.3 billion yen and a liability of 2.5 billion yen, respectively. Refer to Note 14 of the consolidated financial statements.

* Note: In this section, for all segments other than Pictures and Music, the impact of foreign exchange rate fluctuations on sales is calculated by applying the change in the yen's periodic weighted average exchange rates for the fiscal year ended March 31, 2015 from the fiscal year ended March 31, 2016 to the major transactional currencies in which the sales are denominated. The impact of foreign exchange rate fluctuations on operating income (loss) described herein is calculated by subtracting from the impact on sales the impact on cost of sales and selling, general and administrative expenses calculated by applying the same major transactional currencies calculation process to cost of sales and selling, general and administrative expenses as for the impact on sales. Since the worldwide subsidiaries of the Pictures segment and of SME and Sony/ATV in the Music segment are aggregated on a U.S. dollar basis and are translated into yen, the impact of foreign exchange rate fluctuations is calculated by applying the change in the periodic weighted average exchange rates for the fiscal year ended March 31, 2015 from the fiscal year ended March 31, 2016 from U.S. dollar to yen to the U.S. dollar basis operating results. This information is not a substitute for Sony's consolidated financial statements measured in accordance with U.S. GAAP. However, Sony believes that these disclosures provide additional useful analytical information to investors regarding the operating performance of Sony.

Assets, Liabilities and Stockholders' Equity

Assets

Total assets as of March 31, 2016 increased by 839.1 billion yen, or 5.3 percent year-on-year, to 16,673.4 billion yen. Total assets as of March 31, 2016 in all segments, excluding the Financial Services segment, increased by 14.6 billion yen, or 0.2 percent year-on-year, to 5,956.6 billion yen. Total assets as of March 31, 2016 in the Financial Services segment increased by 825.7 billion yen, or 8.2 percent year-on-year, to 10,915.5 billion yen.

Current Assets

Current assets as of March 31, 2016 were essentially flat at 4,196.7 billion yen. Current assets as of March 31, 2016 in all segments, excluding the Financial Services segment, decreased by 38.0 billion yen, or 1.3 percent year-on-year, to 2,873.6 billion yen.

Cash and cash equivalents as of March 31, 2016 in all segments, excluding the Financial Services segment, increased by 8.0 billion yen, or 1.1 percent year-on-year, to 749.9 billion yen. Refer to “Cash Flows” below.

Notes and accounts receivable, trade (net of allowances for doubtful accounts and sales returns) as of March 31, 2016, excluding the Financial Services segment, decreased by 46.1 billion yen, or 5.2 percent year-on-year, to 847.8 billion yen. This decrease was primarily due to the impact of foreign exchange rates.

Other current assets as of March 31, 2016 in all segments, excluding the Financial Services segment, were essentially flat at 1,272.7 billion yen.

Inventories as of March 31, 2016 increased by 17.7 billion yen, or 2.7 percent year-on-year, to 683.1 billion yen.

Current assets as of March 31, 2016 in the Financial Services segment increased by 39.5 billion yen, or 3.1 percent year-on-year, to 1,328.1 billion yen primarily due to an increase of cash and cash equivalents at Sony Life and Sony Bank.

Investments and Advances

Investments and advances as of March 31, 2016 increased by 702.7 billion yen, or 8.2 percent year-on-year, to 9,234.1 billion yen.

Investments and advances as of March 31, 2016 in all segments, excluding the Financial Services segment, decreased by 86.0 billion yen, or 21.8 percent year-on-year, to 309.2 billion yen. This decrease was primarily due to the sale of certain shares of Olympus Corporation.

Investments and advances as of March 31, 2016 in the Financial Services segment increased by 787.3 billion yen, or 9.6 percent year-on-year, to 9,005.0 billion yen. This increase was primarily due to an increase in investments and advances at Sony Life. Refer to “*Investments*” below.

Property, Plant and Equipment (after deduction of accumulated depreciation)

Property, plant and equipment as of March 31, 2016 increased by 81.5 billion yen, or 11.0 percent year-on-year, to 820.8 billion yen.

Property, plant and equipment as of March 31, 2016 in all segments, excluding the Financial Services segment, increased by 80.8 billion yen, or 11.2 percent year-on-year, to 801.5 billion yen. Capital expenditures (additions to property, plant and equipment) for the fiscal year ended March 31, 2016 in all segments, excluding the Financial Services segment, increased by 209.0 billion yen, or 127.9 percent year-on-year, to 372.4 billion yen. This increase was primarily due to an increase in capital expenditure for image sensors production capacity expansion in the Devices segment.

Property, plant and equipment as of March 31, 2016 in the Financial Services segment increased by 0.7 billion yen, or 4.3 percent year-on-year, to 18.0 billion yen.

Other Assets

Other assets as of March 31, 2016 increased by 60.0 billion yen, or 2.9 percent year-on-year, to 2,120.5 billion yen primarily due to an increase in goodwill. Refer to Note 9 of the consolidated financial statements.

Liabilities

Total current and long-term liabilities as of March 31, 2016 increased by 640.9 billion yen, or 5.0 percent year-on-year, to 13,541.5 billion yen. Total current and long-term liabilities as of March 31, 2016 in all segments, excluding the Financial Services segment, decreased by 45.8 billion yen, or 1.1 percent year-on-year, to 4,047.7 billion yen. Total current and long-term liabilities in the Financial Services segment as of March 31, 2016 increased by 688.0 billion yen, or 7.8 percent year-on-year, to 9,528.7 billion yen.

Current Liabilities

Current liabilities as of March 31, 2016 increased by 85.2 billion yen, or 1.8 percent year-on-year, to 4,830.8 billion yen.

Current liabilities as of March 31, 2016 in all segments, excluding the Financial Services segment, decreased by 42.9 billion yen, or 1.6 percent year-on-year, to 2,626.5 billion yen.

Short-term borrowings and the current portion of long-term debt as of March 31, 2016 in all segments, excluding the Financial Services segment, increased by 28.4 billion yen, or 13.2 percent year-on-year, to 243.5 billion yen.

Notes and accounts payable, trade as of March 31, 2016 in all segments, excluding the Financial Services segment, decreased by 71.3 billion yen, or 11.5 percent year-on-year, to 551.0 billion yen. This decrease was primarily due to a decrease in notes and accounts payable, trade in the MC segment.

Current liabilities as of March 31, 2016 in the Financial Services segment increased by 130.8 billion yen, or 6.3 percent year-on-year, to 2,209.2 billion yen.

Long-term Liabilities

Long-term liabilities as of March 31, 2016 increased by 555.7 billion yen, or 6.8 percent year-on-year, to 8,710.8 billion yen.

Long-term liabilities as of March 31, 2016 in all segments, excluding the Financial Services segment, decreased by 2.9 billion yen, or 0.2 percent year-on-year, to 1,421.1 billion yen. Long-term debt as of March 31, 2016 in all segments, excluding the Financial Services segment, decreased by 145.6 billion yen, or 21.7 percent year-on-year, to 525.5 billion yen. This decrease was primarily due to the repayment of straight bonds and bank loans, partially offset by issuance of convertible bonds with stock acquisition rights during the fiscal year ended March 31, 2016.

Long-term liabilities as of March 31, 2016 in the Financial Services segment increased by 557.2 billion yen, or 8.2 percent year-on-year, to 7,319.5 billion yen. This increase was primarily due to an increase in future insurance policy benefits resulting from the increase in the policy amount in force at Sony Life.

Total Interest-bearing Debt

Total interest-bearing debt inclusive of long-term debt and short-term borrowings as of March 31, 2016 decreased by 40.1 billion yen, or 4.3 percent year-on-year, to 893.5 billion yen. Total interest-bearing debt as of March 31, 2016 in all segments, excluding the Financial Services segment, decreased by 117.2 billion yen, or 13.2 percent year-on-year, to 769.1 billion yen.

Redeemable Noncontrolling Interest

Redeemable noncontrolling interest as of March 31, 2016 increased by 2.2 billion yen, or 42.5 percent year-on-year, to 7.5 billion yen.

Sony Corporation's Stockholders' Equity

Sony Corporation's stockholders' equity as of March 31, 2016 increased by 146.3 billion yen, or 6.3 percent year-on-year, to 2,463.3 billion yen. Retained earnings increased by 122.6 billion yen, or 15.1 percent year-on-year, to 936.3 billion yen as a result of the recording of 147.8 billion yen in net income attributable to Sony Corporation's stockholders. Accumulated other comprehensive income deteriorated by 268.0 billion yen, or 69.6 percent year-on-year, to a loss of 653.3 billion yen primarily due to 170.6 billion yen decrease in pension liability adjustment as well as 82.8 billion yen decrease in foreign currency translation adjustment. The ratio of Sony Corporation's stockholders' equity to total assets increased 0.2 percentage points year-on-year, from 14.6 percent to 14.8 percent.

Information on Financial Position Separating Out the Financial Services Segment

The following charts show Sony's unaudited information on financial position for the Financial Services segment alone, and for all segments excluding the Financial Services segment. These separate condensed presentations are not required or prepared 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 utilizes this information to analyze its results without the Financial Services segment and believes that these presentations may be useful in understanding and analyzing Sony's consolidated financial statements. Transactions between the Financial Services segment and Sony without the Financial Services segment, including noncontrolling interests, are included in those respective presentations, and then eliminated in the consolidated figures shown below.

Financial Services segment

	March 31	
	2015	2016
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	207,527	233,701
Marketable securities	933,424	943,195
Notes and accounts receivable, trade	7,266	9,743
Other	140,397	141,505
	1,288,614	1,328,144
Investments and advances	8,217,715	9,004,981
Property, plant and equipment	17,305	18,047
Other assets:		
Deferred insurance acquisition costs	520,571	511,834
Other	45,645	52,523
	566,216	564,357
	10,089,850	10,915,529

	March 31	
	2015	2016
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	6,351	93,398
Notes and accounts payable, trade	—	—
Deposits from customers in the banking business	1,872,965	1,912,673
Other	199,098	203,161
	2,078,414	2,209,232
Long-term liabilities:		
Long-term debt	44,460	34,567
Accrued pension and severance costs	24,534	29,082
Future insurance policy benefits and other	6,381,886	6,910,535
Other	311,430	345,277
	6,762,310	7,319,461
Stockholders' equity of Financial Services	1,247,840	1,385,515
Noncontrolling interests	1,286	1,321
	10,089,850	10,915,529

Sony without the Financial Services segment

	March 31	
	2015	2016
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	741,886	749,911
Marketable securities	3,307	3,202
Notes and accounts receivable, trade	893,847	847,788
Other	1,272,562	1,272,710
	2,911,602	2,873,611
Film costs	305,232	301,228
Investments and advances	395,189	309,184
Investments in Financial Services, at cost	111,476	111,476
Property, plant and equipment	720,694	801,485
Other assets	1,497,805	1,559,646
	5,941,998	5,956,630
	March 31	
	2015	2016
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	215,175	243,543
Notes and accounts payable, trade	622,215	550,964
Other	1,832,085	1,832,039
	2,669,475	2,626,546
Long-term liabilities:		
Long-term debt	671,104	525,507
Accrued pension and severance costs	274,220	433,302
Other	478,704	462,319
	1,424,028	1,421,128
Redeemable noncontrolling interest	5,248	7,478
Stockholders' equity of Sony without Financial Services	1,733,233	1,796,891
Noncontrolling interests	110,014	104,587
	5,941,998	5,956,630

Consolidated

	March 31	
	2015	2016
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	949,413	983,612
Marketable securities	936,731	946,397
Notes and accounts receivable, trade	899,902	853,592
Other	1,411,855	1,413,126
	4,197,901	4,196,727
Film costs	305,232	301,228
Investments and advances	8,531,353	9,234,083
Property, plant and equipment	739,285	820,818
Other assets:		
Deferred insurance acquisition costs	520,571	511,834
Other	1,539,989	1,608,700
	2,060,560	2,120,534
	15,834,331	16,673,390
	March 31	
	2015	2016
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	221,525	336,940
Notes and accounts payable, trade	622,215	550,964
Deposits from customers in the banking business	1,872,965	1,912,673
Other	2,028,885	2,030,173
	4,745,590	4,830,750
Long-term liabilities:		
Long-term debt	712,087	556,605
Accrued pension and severance costs	298,753	462,384
Future insurance policy benefits and other	6,381,886	6,910,535
Other	762,298	781,228
	8,155,024	8,710,752
Redeemable noncontrolling interest	5,248	7,478
Sony Corporation's stockholders' equity	2,317,077	2,463,340
Noncontrolling interests	611,392	661,070
	15,834,331	16,673,390

Investments

The following table contains available-for-sale and held-to-maturity securities, including the breakdown of unrealized gains and losses by investment category.

	March 31, 2016			Fair market value
	Cost	Unrealized gain	Unrealized loss	
	(Yen in millions)			
Financial Services Business:				
Available-for-sale				
Debt securities				
Sony Life	1,126,057	232,240	(100)	1,358,197
Sony Bank	602,027	9,285	(3,715)	607,597
Other	50,987	267	(9)	51,245
Equity securities				
Sony Life	13,735	12,248	(10)	25,973
Sony Bank	—	—	—	—
Other	730	2,978	—	3,708
Held-to-maturity				
Debt securities				
Sony Life	5,382,999	2,027,169	—	7,410,168
Sony Bank	8,254	242	—	8,496
Other	71,250	21,769	—	93,019
Total Financial Services	7,256,039	2,306,198	(3,834)	9,558,403
Non-Financial Services:				
Available-for-sale securities	33,914	55,455	(22)	89,347
Held-to-maturity securities	—	—	—	—
Total Non-Financial Services	33,914	55,455	(22)	89,347
Consolidated	7,289,953	2,361,653	(3,856)	9,647,750

At March 31, 2016, Sony Life had debt and equity securities with gross unrealized losses of 0.1 billion yen. Sony Life principally invests in Japanese and foreign government and corporate bonds. Almost all of the debt securities in which Sony Life invested were rated higher than or equal to “BBB” or its equivalent by Standard & Poor’s Ratings Services (“S&P”), Moody’s Investors Service (“Moody’s”) or other rating agencies.

At March 31, 2016, Sony Bank had debt securities with gross unrealized losses of 3.7 billion yen. Of the unrealized loss, 19.4 percent related to securities in an unrealized loss position for periods greater than 12 months at March 31, 2016. Sony Bank principally invests in Japanese government bonds, Japanese corporate bonds and foreign bonds. Almost all of these securities were rated higher than or equal to “BBB” or its equivalent by S&P, Moody’s or other rating agencies.

These unrealized losses related to numerous investments, with no single investment being in a material unrealized loss position for greater than 12 months. In addition, there was no individual security with unrealized losses that met the test for impairment as the decline in values were small both in amount and percentage, and the decline in values for those investments were still determined to be temporary in nature.

For fixed maturity securities with unrecognized losses held by Sony Life as of March 31, 2016 (0.1 billion yen), maturity dates vary as follows:

• Within 1 year:	34.4 percent
• 1 to 5 years:	—
• 5 to 10 years:	—
• above 10 years:	65.6 percent

For fixed maturity securities with unrecognized losses held by Sony Bank as of March 31, 2016 (3.7 billion yen), maturity dates vary as follows:

• Within 1 year:	18.4 percent
• 1 to 5 years:	46.2 percent
• 5 to 10 years:	35.4 percent
• above 10 years:	—

For the fiscal years ended March 31, 2014, 2015 and 2016, Sony Life recorded net realized gains on available-for-sale securities of 0.4 billion yen, 9.3 billion yen and 19.3 billion yen, respectively.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other issued by a number of non-public companies. The aggregate carrying amount of the investments in non-public companies at March 31, 2016 was 71.8 billion yen. A non-public equity investment is primarily valued at cost if fair value is not readily determinable. If the value is estimated to have declined and such decline is judged to be other-than-temporary, the impairment of the investment is recognized immediately and the carrying value is reduced to its fair value.

For the fiscal years ended March 31, 2014, 2015 and 2016, total realized impairment losses were 1.8 billion yen, 0.9 billion yen and 3.6 billion yen, respectively, of which 0.2 billion yen, 0.1 billion yen and 0.1 billion yen, respectively, were recorded in financial services revenue by the subsidiaries in the Financial Services segment. Realized impairment losses recorded other than by subsidiaries in the Financial Services segment in each of the three fiscal years were reflected in non-operating expenses and primarily relate to certain strategic investments in non-Financial Services businesses. These investments primarily relate to certain strategic investments in Japan and the U.S. with which Sony has strategic relationships for the purposes of developing and marketing new technologies. Impairment losses were recorded for each of the three fiscal years as certain companies failed to successfully develop and market such technology, resulting in the operating performance of these companies being more unfavorable than previously expected. As a result the decline in the fair value of these companies was judged as other-than-temporary. None of these impairment losses were individually material to Sony.

Upon determination that the value of an investment is impaired, the value of the investment is written down to its fair value. For an investment where the quoted price is available in an active market, fair value is determined based on unadjusted quoted prices as of the date on which the impairment determination is made. For investments where the quoted price is not available in an active market, fair value is usually determined based on quoted prices of securities with similar characteristics or measured through the use of various methodologies such as pricing models, discounted cash flow techniques, or similar techniques that require significant management judgment or estimation of assumptions that market participants would use in pricing the investments. The impairment losses that were recorded in each of the three fiscal years related to the unique facts and circumstances of each individual investment and did not significantly impact other investments.

Sony Life and Sony Bank's investments constitute the majority of the investments in the Financial Services segment. As of March 31, 2016, Sony Life and Sony Bank account for approximately 92 percent and 6 percent of the investments in the Financial Services segment, respectively.

Cash Flows

(The fiscal year ended March 31, 2016 compared with the fiscal year ended March 31, 2015)

Operating Activities: During the fiscal year ended March 31, 2016, there was a net cash inflow of 749.1 billion yen from operating activities, a decrease of 5.6 billion yen, or 0.7 percent year-on-year.

For all segments excluding the Financial Services segment, there was a net cash inflow of 262.8 billion yen, a decrease of 40.9 billion yen, or 13.5 percent year-on-year. This decrease was primarily due to the negative impact of an increase in inventories, resulting from a larger increase in inventories in the Devices segment, compared to a decrease in the fiscal year ended March 31, 2015, partially offset by positive factors such as a year-on-year improvement in net income after taking into account non-cash adjustments (including depreciation and amortization, other operating expense, net, deferred income taxes and equity in net income of affiliated companies) and a year-on-year smaller decrease in notes and accounts payable, trade.

The Financial Services segment had a net cash inflow of 495.3 billion yen, an increase of 35.6 billion yen, or 7.7 percent year-on-year. This increase was primarily due to an increase in insurance premium revenue at Sony Life.

Investing Activities: During the fiscal year ended March 31, 2016, Sony used 1,030.4 billion yen of net cash in investing activities, an increase of 390.8 billion yen, or 61.1 percent year-on-year.

For all segments excluding the Financial Services segment, there was a net cash outflow of 334.9 billion yen, an increase of 231.3 billion yen, or 223.2 percent year-on-year. This increase was primarily due to an increase in the amount of fixed asset purchases, such as semiconductor manufacturing equipment, partially offset by factors such as cash inflow from the sale of certain shares of Olympus Corporation.

The Financial Services segment used 694.0 billion yen of net cash, an increase of 157.1 billion yen, or 29.3 percent year-on-year. This increase was mainly due to a year-on-year increase in payments for investments and advances at Sony Life.

In all segments excluding the Financial Services segment, net cash used in operating and investing activities combined* for the fiscal year ended March 31, 2016, was 72.1 billion yen, a 272.1 billion yen deterioration from cash generated in the fiscal year ended March 31, 2015.

Financing Activities: Net cash provided by financing activities during the fiscal year ended March 31, 2016, was 380.1 billion yen, compared to a net cash outflow of 263.2 billion yen in the fiscal year ended March 31, 2015.

For all segments excluding the Financial Services segment, there was a 144.8 billion yen net cash inflow, compared to a net cash outflow of 315.4 billion yen in the fiscal year ended March 31, 2015. This change was primarily due to the issuance of new shares and convertible bonds in the fiscal year ended March 31, 2016, partially offset by factors such as repayments of long-term debt.

In the Financial Services segment, financing activities provided 224.9 billion yen of net cash, an increase of 180.5 billion yen, or 406.6 percent year-on-year. This increase was primarily due to a larger increase in short-term borrowings and policyholders' account at Sony Life and an increase in customer deposits at Sony Bank, compared to a decrease in the fiscal year ended March 31, 2015.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in foreign exchange rates, the total outstanding balance of cash and cash equivalents at March 31, 2016 was 983.6 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 749.9 billion yen at March 31, 2016, an increase of 8.0 billion yen, or 1.1 percent compared with the balance as of March 31, 2015. In order to manage cash balance globally, Sony utilizes a system in which cash surpluses among subsidiaries are deposited with SGTS and cash shortfalls are covered by loans through SGTS. Sony's ability to repatriate cash held in foreign subsidiaries may be restricted or delayed by local laws; however, any such amounts are considered insignificant. Refer to *Cash Management* in Item 5 B. Liquidity and Capital Resources. Sony believes that it continues to maintain sufficient liquidity through access to a total, translated into yen, of 522.5 billion yen of unused committed lines of credit with financial institutions in addition to the cash and cash equivalents balance at March 31, 2016. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 233.7 billion yen at March 31, 2016, an increase of 26.2 billion yen, or 12.6 percent compared with the balance as of March 31, 2015.

* Sony has included the information for cash flow from operating and investing activities combined, excluding the Financial Services segment's activities, as Sony's management frequently monitors this financial measure and believes this non-U.S. GAAP measurement is important for use in evaluating Sony's ability to generate cash to maintain liquidity and fund debt principal and dividend payments from business activities other than its Financial Services segment. This information is derived from the reconciliations prepared in the section "Information on Cash Flows Separating Out the Financial Services Segment". This information and the separate condensed presentations shown below are not required or prepared in accordance with U.S. GAAP. The Financial Services segment's cash flow is excluded from the measure because SFH, which constitutes a majority of the Financial Services segment, is a separate publicly traded entity in Japan with a significant minority interest and it, as well as its subsidiaries, secures liquidity on its own. This measure may not be comparable to those of other companies. This measure has limitations because it does not represent residual cash flows available for discretionary expenditures, principally due to the fact that the measure does not deduct the principal payments required for debt service. Therefore, Sony believes it is important to view this measure as supplemental to its entire statement of cash flows and together with Sony's disclosures regarding investments, available credit facilities and overall liquidity.

A reconciliation of the differences between the Consolidated Statement of Cash Flows reported and cash flows from operating and investing activities combined excluding the Financial Services segment's activities is as follows:

	Fiscal year ended March 31	
	2015	2016
	(Yen in billions)	
Net cash provided by operating activities reported in the consolidated statements of cash flows	754.6	749.1
Net cash used in investing activities reported in the consolidated statements of cash flows	(639.6)	(1,030.4)
	115.0	(281.3)
Less: Net cash provided by operating activities within the Financial Services segment	459.7	495.3
Less: Net cash used in investing activities within the Financial Services segment	(536.9)	(694.0)
Eliminations**	7.8	10.5
Cash flow provided by (used by) operating and investing activities combined excluding the Financial Services segment's activities	200.0	(72.1)

** Eliminations primarily consist of intersegment dividend payments

Information on Cash Flows Separating Out the Financial Services Segment

The following charts show Sony's cash flow information for the Financial Services segment alone, and for all segments, excluding the Financial Services segment. These separate condensed presentations are not required or prepared 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 utilizes this information to analyze its results without the Financial Services segment and believes that these presentations may be useful in understanding and analyzing Sony's consolidated financial statements. Transactions between the Financial Services segment and Sony without the Financial Services segment, including noncontrolling interests, are included in those respective presentations, and then eliminated in the consolidated figures shown below.

	Fiscal year ended March 31	
	2015	2016
Financial Services segment	(Yen in millions)	
Net cash provided by operating activities	459,719	495,283
Net cash used in investing activities	(536,920)	(694,031)
Net cash provided by financing activities	44,396	224,922
Net increase (decrease) in cash and cash equivalents	(32,805)	26,174
Cash and cash equivalents at beginning of the fiscal year	240,332	207,527
Cash and cash equivalents at end of the fiscal year	<u>207,527</u>	<u>233,701</u>
	Fiscal year ended March 31	
	2015	2016
Sony without the Financial Services segment	(Yen in millions)	
Net cash provided by operating activities	303,659	262,783
Net cash used in investing activities	(103,630)	(334,900)
Net cash provided by (used in) financing activities	(315,415)	144,751
Effect of exchange rate changes on cash and cash equivalents	51,138	(64,609)
Net increase (decrease) in cash and cash equivalents	(64,248)	8,025
Cash and cash equivalents at beginning of the fiscal year	806,134	741,886
Cash and cash equivalents at end of the fiscal year	<u>741,886</u>	<u>749,911</u>
	Fiscal year ended March 31	
	2015	2016
Consolidated	(Yen in millions)	
Net cash provided by operating activities	754,640	749,089
Net cash used in investing activities	(639,636)	(1,030,403)
Net cash provided by (used in) financing activities	(263,195)	380,122
Effect of exchange rate changes on cash and cash equivalents	51,138	(64,609)
Net increase (decrease) in cash and cash equivalents	(97,053)	34,199
Cash and cash equivalents at beginning of the fiscal year	1,046,466	949,413
Cash and cash equivalents at end of the fiscal year	<u>949,413</u>	<u>983,612</u>

Cash Flows

(The fiscal year ended March 31, 2015 compared with the fiscal year ended March 31, 2014)

Operating Activities: During the fiscal year ended March 31, 2015, there was a net cash inflow of 754.6 billion yen from operating activities, an increase of 90.5 billion yen, or 13.6 percent year-on-year.

For all segments excluding the Financial Services segment, there was a net cash inflow of 303.7 billion yen, an increase of 46.4 billion yen, or 18.1 percent year-on-year. The net cash inflow was primarily due to the

positive impact of a year-on-year improvement in net income after taking into account non-cash adjustments (including depreciation and amortization, other operating expense, net, deferred income taxes and equity in net loss of affiliated companies). In addition, there was the positive impact of factors such as a larger decrease in inventories, and decreases in notes and accounts receivable, trade, compared to increases in the fiscal year ended March 31, 2014, partially offset by the negative impact of factors such as decreases in notes and accounts payable, trade, compared to an increase in the fiscal year ended March 31, 2014. The Financial Services segment had a net cash inflow of 459.7 billion yen, an increase of 46.2 billion yen, or 11.2 percent year-on-year. This increase was primarily due to an increase of insurance premium revenue in line with an expansion in policy amount in force at Sony Life.

Investing Activities: During the fiscal year ended March 31, 2015, Sony used 639.6 billion yen of net cash in investing activities, a decrease of 70.9 billion yen, or 10.0 percent year-on-year.

For all segments excluding the Financial Services segment, there was a net cash outflow of 103.6 billion yen, an increase of 9.4 billion yen, or 9.9 percent year-on-year. This increase was primarily due to a year-on-year decrease in proceeds from the sales of fixed assets and investment securities. Sales of fixed assets and investment securities in the fiscal year ended March 31, 2015 included the intersegment sale of Sony Corporation's headquarters' land to Sony Life, the sale of certain buildings and premises at the Gotenyama Technology Center and the sale of Sony's shares in SQUARE ENIX HOLDINGS CO., LTD.

The Financial Services segment used 536.9 billion yen of net cash, a decrease of 79.3 billion yen, or 12.9 percent year-on-year. This decrease was mainly due to a year-on-year decrease in payments for investments and advances at Sony Life and a year-on-year increase in proceeds from the sale of investment securities. This decrease was partially offset by the negative impact of the intersegment purchase of Sony Corporation's headquarters' land by Sony Life, which is eliminated in the consolidated financial statements.

In all segments excluding the Financial Services segment, net cash generated in operating and investing activities combined* for the fiscal year ended March 31, 2015 was 200.0 billion yen, an increase of 37.1 billion yen, or 22.8 percent year-on-year.

Financing Activities: During the fiscal year ended March 31, 2015, 263.2 billion yen of net cash and cash equivalents was used in financing activities, compared to 207.9 billion yen of net cash and cash equivalents provided in the fiscal year ended March 31, 2014.

For all segments excluding the Financial Services segment, there was a 315.4 billion yen net cash outflow, an increase of 275.2 billion yen, or 683.9 percent year-on-year. This increase was primarily due to an issuance of straight bonds for Japanese retail investors in the fiscal year ended March 31, 2014 and a year-on-year increase in repayments of long-term debt, net.

In the Financial Services segment, financing activities provided 44.4 billion yen of net cash, a decrease of 197.1 billion yen, or 81.6 percent year-on-year. This decrease was mainly due to a smaller increase in customer deposits at Sony Life, compared to the figure in the fiscal year ended March 31, 2014.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in foreign exchange rates, the total outstanding balance of cash and cash equivalents at March 31, 2015 was 949.4 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 741.9 billion yen at March 31, 2015, a decrease of 64.2 billion yen, or 8.0 percent compared with the balance as of March 31, 2014. In order to manage cash balance globally, Sony utilizes a system in which cash surpluses among subsidiaries are deposited with SGTS and cash shortfalls are covered by loans through SGTS. Sony's ability to repatriate cash held in foreign subsidiaries may be restricted or delayed by local laws; however, any such amounts are considered insignificant. Refer to *Cash Management* in Item 5 B. Liquidity and Capital Resources. Sony believes that it continues to maintain sufficient liquidity through access to a total, translated into yen, of 776.6 billion yen of unused committed lines of credit with financial institutions in addition to the cash and cash equivalents balance at March 31, 2015. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 207.5 billion yen at March 31, 2015, a decrease of 32.8 billion yen, or 13.6 percent compared with the balance as of March 31, 2014.

* Sony has included the information for cash flow from operating and investing activities combined, excluding the Financial Services segment's activities, as Sony's management frequently monitors this financial measure and believes this non-U.S. GAAP measurement is important for use in evaluating Sony's ability to generate cash to maintain liquidity and fund debt principal and dividend payments from business activities other than its Financial Services segment. This information is derived from the reconciliations prepared in the section "Information on Cash Flows Separating Out the Financial Services Segment". This information and the separate condensed presentations shown below are not required or prepared in accordance with U.S. GAAP. The Financial Services segment's cash flow is excluded from the measure because SFH, which constitutes a majority of the Financial Services segment, is a separate publicly traded entity in Japan with a significant minority interest and it, as well as its subsidiaries, secures liquidity on its own. This measure may not be comparable to those of other companies. This measure has limitations because it does not represent residual cash flows available for discretionary expenditures, principally due to the fact that the measure does not deduct the principal payments required for debt service. Therefore, Sony believes it is important to view this measure as supplemental to its entire statement of cash flows and together with Sony's disclosures regarding investments, available credit facilities and overall liquidity.

A reconciliation of the differences between the Consolidated Statement of Cash Flows reported and cash flows from operating and investing activities combined excluding the Financial Services segment's activities is as follows:

	Fiscal year ended March 31	
	2014	2015
	(Yen in billions)	
Net cash provided by operating activities reported in the consolidated statements of cash flows	664.1	754.6
Net cash used in investing activities reported in the consolidated statements of cash flows	(710.5)	(639.6)
	(46.4)	115.0
Less: Net cash provided by operating activities within the Financial Services segment	413.6	459.7
Less: Net cash used in investing activities within the Financial Services segment	(616.2)	(536.9)
Eliminations**	6.7	7.8
Cash flow generated by operating and investing activities combined excluding the Financial Services segment's activities	162.9	200.0

** Eliminations primarily consist of intersegment dividend payments

Information on Cash Flows Separating Out the Financial Services Segment

The following charts show Sony's cash flow information for the Financial Services segment alone, and for all segments, excluding the Financial Services segment. These separate condensed presentations are not required or prepared 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 utilizes this information to analyze its results without the Financial Services segment and believes that these presentations may be useful in understanding and analyzing Sony's consolidated financial statements. Transactions between the Financial Services segment and Sony without the Financial Services segment, including noncontrolling interests, are included in those respective presentations, and then eliminated in the consolidated figures shown below.

	Fiscal year ended March 31	
	2014	2015
	(Yen in millions)	
Financial Services segment		
Net cash provided by operating activities	413,555	459,719
Net cash used in investing activities	(616,223)	(536,920)
Net cash provided by financing activities	241,450	44,396
Net increase (decrease) in cash and cash equivalents	38,782	(32,805)
Cash and cash equivalents at beginning of the fiscal year	201,550	240,332
Cash and cash equivalents at end of the fiscal year	240,332	207,527
	Fiscal year ended March 31	
	2014	2015
	(Yen in millions)	
Sony without the Financial Services segment		
Net cash provided by operating activities	257,224	303,659
Net cash used in investing activities	(94,279)	(103,630)
Net cash used in financing activities	(40,236)	(315,415)
Effect of exchange rate changes on cash and cash equivalents	58,614	51,138
Net increase (decrease) in cash and cash equivalents	181,323	(64,248)
Cash and cash equivalents at beginning of the fiscal year	624,811	806,134
Cash and cash equivalents at end of the fiscal year	806,134	741,886
	Fiscal year ended March 31	
	2014	2015
	(Yen in millions)	
Consolidated		
Net cash provided by operating activities	664,116	754,640
Net cash used in investing activities	(710,502)	(639,636)
Net cash provided (used) by financing activities	207,877	(263,195)
Effect of exchange rate changes on cash and cash equivalents	58,614	51,138
Net increase (decrease) in cash and cash equivalents	220,105	(97,053)
Cash and cash equivalents at beginning of the fiscal year	826,361	1,046,466
Cash and cash equivalents at end of the fiscal year	1,046,466	949,413

B. Liquidity and Capital Resources

The description below covers basic financial policy and figures for Sony's consolidated operations except for the Financial Services segment, which secures liquidity on its own. Furthermore, the Financial Services segment is described separately at the end of this section.

Liquidity Management and Market Access

An important financial objective of Sony is to maintain the strength of its balance sheet, while securing adequate liquidity for business activities. Sony defines its liquidity sources as the amount of cash and cash equivalents (“cash balance”) (excluding restrictions on capital transfers mainly due to national regulations) and the unused amount of committed lines of credit. Sony’s basic liquidity management policy is to secure sufficient liquidity throughout the relevant fiscal year, covering such factors as 50 percent of monthly consolidated sales and repayments on debt that comes due within six months.

Funding requirements that arise from maintaining liquidity are principally covered by cash flow from operating activities and investing activities (including asset sales) combined and by the cash balance; however, as needed, Sony has demonstrated the ability to procure funds from financial and capital markets. In the event financial and capital markets become illiquid, based on its current forecasts, Sony could sustain sufficient liquidity through access to committed lines of credit with financial institutions, together with its cash balance.

Sony procures funds mainly from the financial and capital markets through Sony Corporation and SGTS, a finance subsidiary in the U.K.

In order to meet working capital requirements, Sony Corporation and SGTS maintain Commercial Paper (“CP”) programs that have the ability to access the Japanese, U.S. and European CP markets, subject to prevailing market conditions. Although the borrowing limits under the CP program, translated into yen, were 838.0 billion yen in total for Sony Corporation and SGTS as of March 31, 2016, there were no amounts outstanding under the CP programs as of and during the fiscal year ended March 31, 2016.

Sony typically raises funds through straight bonds, CP programs and bank loans (including syndicated loans). If market disruption and volatility occur and Sony could not raise sufficient funds from these sources, Sony may also draw down funds from contractually committed lines of credit from various financial institutions. Sony has a total, translated into yen, of 522.5 billion yen in unused committed lines of credit, as of March 31, 2016. Details of those committed lines of credit are: a 300.0 billion yen committed line of credit contracted with a syndicate of Japanese banks, effective until July 2018, a 1.5 billion U.S. dollar multi-currency committed line of credit also with a syndicate of Japanese banks, effective until December 2018, and a 475 million U.S. dollar multi-currency committed line of credit contracted with a syndicate of foreign banks, effective until March 2016, in all of which Sony Corporation and SGTS are defined as borrowers. On April 1, 2016, the latter committed line was renewed and will remain effective until March 2017 and the amount of the line of credit was changed to 500 million U.S. dollars. These contracts are aimed at securing sufficient liquidity in a quick and stable manner even in the event of turmoil within the financial and capital markets.

In the event of a downgrade in Sony’s credit ratings, there are no financial covenants in any of Sony’s material financial agreements with financial institutions that would cause an acceleration of the obligation. Even though the cost of borrowing for some committed lines of credit could change according to Sony’s credit ratings, there are no financial covenants that would cause any impairment on the ability to draw down on unused facilities. Furthermore, there are no restrictions on the uses of most proceeds except that certain borrowings may not be used to acquire securities listed on a U.S. stock exchange or traded over-the-counter in the U.S. in accordance with the rules and regulations issued by authorities such as the Board of Governors of the Federal Reserve Board.

On July 21, 2015, Sony Corporation raised 406.0 billion yen in total from the issuance of 87.2 million new shares by way of a Japanese public offering and an international offering (together, 286.0 billion yen) and the issuance of convertible bonds with stock acquisition rights (120.0 billion yen). In addition, Sony Corporation raised 15.7 billion yen from the issuance of 4.8 million new shares by way of third-party allotment on August 18, 2015. Sony Corporation is using 188.0 billion yen of the funds raised by these issuances of new shares to fund capital expenditures in the Devices segment, and the remainder to fund research and development expenditures in the Devices segment. In addition, Sony Corporation is using 51.0 billion yen of the funds raised by this issuance of convertible bonds with stock acquisition rights to fund capital expenditures in the Devices segment and the remainder to repay long-term indebtedness.

Ratings

Sony considers one of management's top priorities to be the maintenance of stable and appropriate credit ratings in order to ensure financial flexibility for liquidity and capital management and continued adequate access to sufficient funding resources in the financial and capital markets.

In order to facilitate access to global capital markets, Sony obtains credit ratings from two rating agencies, Moody's (Japan) K.K. ("Moody's") and Standard & Poor's Ratings Japan K.K. ("S&P"). In order to facilitate access to Japanese financial and capital markets, Sony obtains credit ratings from two agencies in Japan, including Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd.

Sony currently believes that it has access to sufficient funding resources in the financial and capital markets. For information regarding a possible further rating downgrade, please refer to "Risk Factors" in "Item 3. Key Information."

Cash Management

Sony manages its global cash management activities mainly through SGTS. The excess or shortage of cash at most of Sony's subsidiaries is invested or funded by SGTS on a net basis, although Sony recognizes that fund transfers are limited in certain countries and geographic areas due to restrictions on capital transactions. In order to pursue more efficient cash management, cash surpluses among Sony's subsidiaries are deposited with SGTS and cash shortfalls among subsidiaries are covered by loans through SGTS, so that Sony can make use of excess cash balances and reduce third-party borrowings. Where local restrictions prevent an efficient intercompany transfer of funds, Sony's intent is that cash balances remain outside of SGTS and that Sony meet its liquidity needs through ongoing cash flows, external borrowings, or both. Sony does not expect restrictions of capital transactions on amounts held outside of Japan to have a material effect on Sony's overall liquidity, financial condition or results of operations.

Financial Services segment

The management of SFH, Sony Life, Sony Assurance and Sony Bank recognizes the importance of securing sufficient liquidity to cover the payment of obligations that these companies incur in the ordinary course of business. Sony Life, Sony Assurance and Sony Bank maintain a sufficient cash balance and secure sufficient means to meet their obligations while abiding by laws and regulations such as the Insurance Business Act or the Banking Act of Japan, and restrictions imposed by the Financial Services Agency ("FSA") and other regulatory authorities as well as establishing and operating under company guidelines that comply with these regulations. Sony Life and Sony Assurance establish a sufficient level of liquidity for the smooth payment of insurance claims when they invest primarily in various securities cash inflows which are mainly from policyholders' insurance premiums. Sony Bank maintains a necessary level of liquidity for the smooth settlement of transactions when it uses its cash inflows, which come mainly from customers' deposits in local currency, in order to offer mortgage loans to individuals, and the remaining cash inflows are invested mainly in marketable securities. Cash inflows from customers' deposits in foreign currencies are invested in investment instruments of the same currency.

In addition, Sony's subsidiaries in the Financial Services segment are subject to the Japanese Insurance Business Act and Banking Act, which require insurance and business companies to maintain their financial credibility and to secure protection for policyholders and depositors in view of the public nature of insurance and banking services. As such, lending and borrowing between subsidiaries in the Financial Service segment and the other companies within Sony Group is strictly limited. Sony's subsidiaries in the Financial Services segment are managed separately from Sony's cash management activities through SGTS as mentioned above.

C. Research and Development

It is necessary for Sony to continue technological innovation in order to maintain group-wide growth. Sony believes that technology made possible by our research and development activities is a key to the differentiation of products in existing businesses and the source of creating value in new businesses.

Research and development is focused in four key domains which are essential for product differentiation and for creating value-added products: a common development platform technology for home and mobile electronics, semiconductor, device, and software technologies.

Research and development costs for the fiscal year ended March 31, 2016 were essentially flat year-on-year at 468.2 billion yen. This was primarily due to an increase in research and development costs in the Devices segment, reflecting an increase in image sensor-related research and development costs, substantially offset by a decrease in research and development costs in the MC, IP&S and HE&S segments, each categorized as either a “stable profit generator” or an “area focusing on volatility management” (refer to *Trend Information* in Item 5 D). This decrease was a result of the strategic decision not to pursue scale in order to improve profitability, which accelerated cost control initiatives to address the decrease in scale of Sony’s AV/IT electronics businesses. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) increased from 6.5 percent to 6.7 percent.

The following table includes the research and development expenses related to the five Electronics segments in the fiscal years ended March 31, 2014, 2015, and 2016.

	Fiscal year ended March 31				
	2014	2015	Percent change from 2014 to 2015	2016	Percent change from 2015 to 2016
	(Yen in billions, except percentage data)				
Research and development expenses					
Mobile Communications	83.4	91.0	+9.1%	78.1	-14.2%
Game & Network Services	88.7	89.1	+0.5	91.9	+3.1
Imaging Products & Solutions	69.7	67.3	-3.4	64.1	-4.8
Home Entertainment & Sound	55.2	49.3	-10.7	44.8	-9.1
Devices	96.7	104.8	+8.4	131.0	+25.0

Consolidated research and development costs for the fiscal year ending March 31, 2017 are expected to decrease by 1.7 percent to 460 billion yen.

Research and development costs for the fiscal year ended March 31, 2015 were essentially flat year-on-year at 464.4 billion yen. This was primarily due to a decrease in research and development costs in the IP&S and HE&S segments as well as costs related to Corporate research and development as a result of cost control initiatives to address the decrease in scale of Sony’s AV/IT electronics businesses, offset by an increase in research and development costs in the Devices segment, reflecting an increase in image sensor-related research and development costs. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) decreased from 6.9 percent to 6.5 percent.

Research and development costs for the fiscal year ended March 31, 2014 decreased by 7.6 billion yen, or 1.6 percent year-on-year, to 466.0 billion yen. The decrease was primarily due to a decrease in research and development costs in the IP&S, Devices and HE&S segments as a result of cost control initiatives to address the decrease in scale of Sony’s AV/IT electronics businesses. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) decreased from 8.2 percent to 6.9 percent.

D. Trend Information

This section contains forward-looking statements about the possible future performance of Sony and should be read in light of the cautionary statement on that subject, which appears on the inside front cover page and applies to this entire document.

Issues Facing Sony and Management’s Response to those Issues

The global economic recovery has been weakening amid increasing financial turbulence, with recovery in advanced economies remaining only modest, and prospects across emerging countries continue to be uneven and generally weaker than in the past 20 years. In advanced economies, factors such as unfavorable demographic

trends and low productivity growth continue to weigh on the recovery. In emerging markets, while growth in China and most of emerging Asia is generally projected to be high, Brazil, Russia and other commodity exporters face severe macroeconomic conditions. Furthermore, shocks of a noneconomic origin, related to geopolitical conflicts, political discord, or terrorism loom over many regions, and could have a significant impact on the global economy.

The uncertain economic environment surrounding Sony is compounded by continued, intense pricing pressure from competitors, shrinking markets for certain key products and shorter product cycles, primarily in Sony's Electronics businesses.

On February 18, 2015, Sony unveiled its mid-range plan announcing that it would position Return on Equity ("ROE") as its most important performance indicator. With the goal of transforming into a highly profitable enterprise, Sony set targets of ROE above 10 percent and operating income above 500 billion yen for the fiscal year ending March 31, 2018, the last year of the mid-range plan.

Key strategies for business operations

- Business management that emphasizes profitability, without necessarily pursuing volume
- Business management that grants each business unit greater autonomy and mandates a focus on shareholder value
- Clearly defined positioning of each business within a broader business portfolio perspective

Based on its specific characteristics and the competitive landscape, each of the Sony Group's businesses is classified as a "growth driver," "stable profit generator," or "area focusing on volatility management" in terms of its position within Sony's overall business portfolio. Each business has been assigned a target figure for Return on Invested Capital ("ROIC") linked with the ROE target for Sony Group as a whole, and managed with a clear emphasis on profitability.

Due to the earthquake of April 14, 2016 and subsequent earthquakes in the Kumamoto region, manufacturing operations were affected at Sony Semiconductor Manufacturing Corporation's Kumamoto Technology Center, which is the primary manufacturing site of image sensors mainly for digital cameras, security cameras and micro-display devices. Sony is working to recover as soon as possible while prioritizing the safety of its employees.

Group Environmental Mid-Term Targets "Green Management 2020"

Sony announced in June 2015 the establishment of its "Green Management 2020" group environmental mid-term targets that will take effect from fiscal 2016 (the fiscal year ending March 31, 2017) through fiscal 2020 (the fiscal year ending March 31, 2021). Based on the following three pillars, Sony plans to implement various initiatives to reduce the Sony Group's environmental footprint:

- Formulate targets and implement initiatives that leverage the distinctive characteristics of Sony's businesses, from Electronics to entertainment. Among these, reduce annual energy consumption by an average of 30 percent (compared to levels at the fiscal year ended March 31, 2014) in Electronics products, and in entertainment, continue to look to use its contents to raise awareness of sustainability issues and inspire environmentally conscious actions;
- Enhance efforts to reduce Sony's environmental footprint across its entire value chain, including manufacturing partners and suppliers, by calling on them to reduce greenhouse gas (GHG) emissions and water consumption; and
- Accelerate the use of renewable energy.

Sony's long-term vision is to achieve a "zero environmental footprint" throughout all stages of its product lifecycles and business activities by 2050. The "Green Management 2020" mid-term plan has been backcasted

(calculated backwards) in order to determine the necessary intermediate steps that need to be taken by fiscal 2020 (the fiscal year ending March 31, 2021) on the way to this long-term goal. Sony achieved almost all of the targets set forth in its previous plan, “Green Management 2015,” which covered the five-year period up to and including fiscal 2015 (the fiscal year ended March 31, 2016). With “Green Management 2020,” Sony plans to further accelerate its various initiatives directed towards its ultimate goal of a “zero environmental footprint.”

Sony plans to also continue to participate in the WWF’s Climate Savers Programme, which aims to achieve reductions in greenhouse gas emissions, from the fiscal year ending March 31, 2017 onwards. Climate change targets are verified by WWF and a third-party verification body for their degrees of difficulty and progress.

Further details of the group environmental mid-term targets “Green Management 2020” and actual measures undertaken by Sony are reported in Sony’s CSR report available on the following website: http://www.sony.net/SonyInfo/csr_report/.

E. Off-balance Sheet Arrangements

Sony has certain off-balance sheet arrangements that provide liquidity, capital resources and/or credit risk support.

Refer to Note 6 of the consolidated financial statements for transfers of financial asset transactions in which Sony has relinquished control of receivables and accounted for these transfers as sales, and Note 23 of the consolidated financial statements for various arrangements with variable interest entities, including those where Sony is not the primary beneficiary and therefore does not consolidate the entity.

F. Contractual Obligations, Commitments, and Contingent Liabilities

The following table summarizes Sony’s contractual obligations and commitments as of March 31, 2016. The references to the notes below refer to the corresponding notes within the consolidated financial statements.

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
(Yen in millions)					
Contractual obligations and commitments:					
Short-term debt (Note 11)	149,272	149,272	—	—	—
Long-term debt (Notes 8 and 11)					
Capital lease obligations and other	43,248	17,838	12,623	8,945	3,842
Other long-term debt	701,025	169,830	272,144	70,958	188,093
Interest on other long-term debt	16,224	6,102	7,004	2,169	949
Minimum rental payments required under operating leases (Note 8)	306,772	59,236	78,942	64,574	104,020
Purchase commitments (Note 27)					
Expected cost for the production or purchase of motion pictures and television programming or certain rights	138,586	95,705	39,746	2,553	582
Long-term contracts with recording artists, songwriters and companies	54,199	24,618	15,719	6,900	6,962
Long-term sponsorship contracts related to advertising and promotional rights	15,727	5,071	9,825	159	672
Long-term contracts for programming contents	25,741	10,938	12,268	2,535	—
Music Publishing Purchase Agreements (Note 23)	84,549	84,549	—	—	—
Other purchase commitments	101,448	58,320	29,523	10,803	2,802
Future insurance policy benefits and other and policyholders’ account in the life insurance business* (Note 10)	19,096,699	458,534	1,003,760	1,096,997	16,537,408
Gross unrecognized tax benefits** (Note 21)	104,902	—	—	—	—
Total	20,838,392	1,140,013	1,481,554	1,266,593	16,845,330

* Future insurance policy benefits and other and policyholders' account in the life insurance business are the estimated future cash payments to be made to policyholders and others. These cash payments are based upon assumptions including morbidity, mortality, withdrawals and other factors. Amounts presented in the above table are undiscounted. The sum of the cash payments of 19,096.7 billion yen exceeds the corresponding liability amounts of 6,863.0 billion yen included in the consolidated balance sheets principally due to the time value of money. Refer to Note 10 of the consolidated financial statements.

** The total amount represents the liability for gross unrecognized tax benefits in accordance with the accounting guidance for uncertain tax positions. Sony estimates that no portion of the liability is expected to be settled within one year. The settlement period for the liability, which totaled 104.9 billion yen, cannot be reasonably estimated due to the uncertainty associated with the timing of the settlements with the various taxing authorities. Refer to Note 21 of the consolidated financial statements.

The following items are not included in either the above table or the total amount of commitments outstanding at March 31, 2016:

- The total amount of expected future pension payments is not included as such amount is not currently determinable. Sony expects to contribute approximately 11 billion yen to Japanese pension plans and approximately 6 billion yen to foreign pension plans during the fiscal year ending March 31, 2017. Refer to Note 15 of the consolidated financial statements.
- The total unused portion of the line of credit extended under loan agreements in the Financial Services segment is not included in the above table as it is not foreseeable what loans will be incurred under such line of credit. The total unused portion of the line of credit extended under these contracts was approximately 30.6 billion yen as of March 31, 2016. Refer to Note 27 of the consolidated financial statements.
- Purchases made during the ordinary course of business from certain component manufacturers and contract manufacturers in order to establish the best pricing and continuity of supply for Sony's production are not included as there are typically no binding purchase obligations. Purchase obligations are defined as contractual obligations to purchase goods or services that are enforceable and legally binding on Sony. These obligations specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Purchase obligations do not include contracts that may be cancelled without penalty. These purchases include arrangements with certain component manufacturers whereby Sony procures goods, including product components, for these component manufacturers and is reimbursed for the related purchases. This allows Sony's supply chain management to have flexible and mutually beneficial purchase arrangements with these manufacturers in order to minimize inventory risk. Consistent with industry practice, Sony purchases processed goods that meet technical criteria from these component manufacturers after issuing to these manufacturers information on Sony's projected demand and manufacturing needs.

Refer to Item 8 A. "Financial Information" Consolidated Statements and Other Financial Information for legal proceedings and Note 27 of the consolidated financial statements for guarantees issued, including product warranties.

Critical Accounting Policies and 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, 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. On an ongoing basis, Sony evaluates its estimates, which are based on historical experience, future projections and various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of expenses that are not readily apparent

from other sources. Actual results may significantly differ from these estimates. Sony considers an accounting policy to be critical if it is important to its financial condition and results, and requires significant judgment and estimates on the part of management in its application. Sony believes that the following represents its critical accounting policies.

Investments

Sony's investments include debt and equity securities accounted for under both the cost and equity method of accounting. If it has been determined that an investment has sustained an other-than-temporary decline in its value, the investment is written down to its fair value with a charge to income. Sony regularly evaluates its investment portfolio to identify other-than-temporary impairments of individual securities. Factors that are considered by Sony in determining whether an other-than-temporary decline in value has occurred include: the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, operating results, business plans and estimated future cash flows of the issuer of the security, other specific factors affecting the market value, deterioration of the credit condition of the issuer, sovereign risk, and whether or not Sony is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

In evaluating the factors for available-for-sale securities whose fair values are readily determinable, Sony presumes a decline in value to be other-than-temporary if the fair value of the security is 20 percent or more below its original cost for an extended period of time (generally for a period of up to six months). This criterion is employed as a threshold to identify securities which may have a decline in value that is other-than-temporary. The presumption of an other-than-temporary impairment in such cases may be overcome if there is evidence to support that the decline is temporary in nature due to the existence of other factors which overcome the duration or magnitude of the decline. On the other hand, there may be cases where impairment losses are recognized when the decline in the fair value of the security is not more than 20 percent or such decline has not existed for an extended period of time, as a result of considering specific factors which may indicate that the decline in the fair value is other-than-temporary.

When an other-than-temporary impairment of a held-to-maturity debt security has occurred, the amount of the other-than-temporary impairment recognized in income depends on whether Sony intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost. If the debt security meets either of these two criteria, the other-than-temporary impairment is recognized in income, measured as the entire difference between the security's amortized cost and its fair value at the impairment measurement date. For other-than-temporary impairments of debt securities that do not meet these two criteria, the net amount recognized in income is a credit loss equal to the difference between the amortized cost of the debt security and its net present value calculated by discounting Sony's best estimate of projected future cash flows at the effective interest rate implicit in the debt security prior to impairment. Any difference between the fair value and the net present value of the debt security at the impairment measurement date is recorded in accumulated other comprehensive income. Unrealized gains or losses on securities for which an other-than-temporary impairment has been recognized in income are presented as a separate component of accumulated other comprehensive income.

The assessment of whether a decline in the value of an investment is other-than-temporary is often subjective in nature and involves certain assumptions and estimates concerning the expected operating results, business plans and future cash flows of the issuer of the security. Accordingly, it is possible that investments in Sony's portfolio that have had a decline in value that Sony currently believes to be temporary may be determined to be other-than-temporary in the future based on Sony's evaluation of subsequent information such as continued poor operating results, future broad declines in the value of worldwide equity markets and the effect of worldwide interest rate fluctuations. As a result, unrealized losses recorded for investments may be recognized and reduce income in future periods.

Valuation of inventory

Sony values its inventory based on the lower of cost or market. Sony writes down inventory in an amount equal to the difference between the cost of the inventory and the net realizable value — i.e., estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal. Sony writes down the value of its inventory when the underlying parts, components or products have become obsolete, when inventory levels exceed the amount expected to be used, or when the value of the inventory is otherwise recorded at a higher value than net realizable value. As a result, if actual market conditions are less favorable than projected and further price decreases are needed, additional inventory write-downs may be required in the future.

Impairment of long-lived assets

Sony reviews the recoverability of the carrying value of its long-lived assets held and used and long-lived assets to be disposed of, whenever events or changes in circumstances indicate that the carrying value of the assets or asset groups may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying value of the asset or asset group with their estimated undiscounted future cash flows. This review is primarily performed using estimates of future cash flows by product category (e.g. LCD televisions) or, in certain cases, by entity. If the carrying value of the asset or asset group is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the asset or asset group exceeds its fair value. Fair value is determined using the present value of estimated net cash flows or comparable market values. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates applied to determine terminal values, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables.

Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in Sony's businesses or assumptions could negatively affect the valuations of long-lived assets.

Business combinations

When Sony applies the acquisition method of accounting, the deemed purchase price is allocated to identifiable assets acquired and liabilities assumed. Any residual purchase price is recorded as goodwill. The allocation of the purchase price utilizes significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets. Independent third-party appraisal firms are typically engaged in order to assist in the estimation process. The significant estimates and assumptions include, but are not limited to, the timing and amount of revenue and future cash flows, the discount rate reflecting the risk inherent in future cash flows and the perpetual growth rate used to calculate the terminal value.

Due to the inherent uncertainties involved in making the estimates and assumptions, the purchase price for acquisitions could be valued and allocated to the acquired assets and liabilities differently. Actual results may differ, or unanticipated events and circumstances may affect such estimates, which could require Sony to record an impairment of an acquired asset, including goodwill, or increase in the amounts recorded for an assumed liability.

Goodwill and other intangible assets

Goodwill and indefinite lived intangible assets are tested annually for impairment during the fourth quarter of the fiscal year 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. Such an event or change in circumstances would include unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, which are periodically reviewed by Sony's management.

In the fiscal year ended March 31, 2016, Sony elected not to perform an optional qualitative assessment of goodwill and instead proceeded directly to a two-step quantitative impairment process which involves a

comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. Reporting units are Sony's operating segments or one level below the operating segments. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. Indefinite lived intangible assets are tested for impairment by comparing the fair value of the intangible asset with its carrying value and if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of a reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of a reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of indefinite lived intangible assets. These estimates and assumptions could significantly impact whether or not an impairment charge is recognized as well as the magnitude of any such charge.

In its impairment review, Sony performs internal valuation analyses or utilizes third-party valuations when management believes it to be appropriate, and considers other market information that is publicly available. The fair value of a reporting unit or indefinite lived intangible asset is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, earnings multiples, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. Consideration is also given to Sony's market capitalization in relation to the sum of the calculated fair values of the reporting units, including reporting units with no goodwill, and taking into account corporate level assets and liabilities not assigned to individual reporting units as well as a reasonable control premium.

The assumptions used for projected future cash flows and the timing of such cash flows are based on the forecast and mid-range plan ("MRP") of each reporting unit and take into account such factors as historical experience, market and industry information, and current and forecasted economic conditions. Perpetual growth rates are utilized to determine a terminal cash flow value and are generally set after the three-year forecasted period for the MRP. Certain reporting units, such as those in the Pictures segment, utilize longer forecast periods and base the terminal value on an exit price using an earnings multiple with a control premium applied to the final year of the projected cash flows. Discount rates are derived from the weighted average cost of capital of market participants in similar businesses.

For all reporting units with goodwill, fair value exceeded the carrying amount, and therefore no impairment existed and the second step of the impairment test was not required. Every reporting unit's fair value exceeded its carrying value by at least 10.0 percent. Also, for indefinite lived intangible assets, fair value exceeded the carrying amount, and therefore no impairment existed.

The carrying amounts of goodwill by segment as of March 31, 2016 are as follows:

	<u>Yen in millions</u>
Mobile Communications	3,286
Game & Network Services	152,293
Imaging Products & Solutions	8,337
Devices	56,771
Pictures	221,517
Music	161,772
Financial Services	<u>2,314</u>
Total	<u>606,290</u>

A discussion of the significant assumptions, other than the MRP described above, including a sensitivity analysis with respect to their impact, of the estimated fair value of Sony's reporting units for the impairment analysis performed for the fiscal year ended March 31, 2016 is included below:

- The discount rates ranged from 6.3 percent to 10.0 percent. A hypothetical one percentage point increase in the discount rate, holding all other assumptions constant, would not have resulted in a failure of step one of the goodwill impairment test.
- The growth rates applied to the terminal values for reporting units within the Electronics segments and Financial Services ranged from approximately 1.0 to 1.5 percent. The growth rates beyond the MRP period for the reporting units in the Music and Pictures segment ranged from 0 to 3.0 percent and 4.0 to 4.5 percent, respectively. A hypothetical one percentage point decrease in the growth rate, holding all other assumptions constant, would not have resulted in a failure of step one of the goodwill impairment test.
- The earnings multiple used to calculate the terminal value in the Pictures reporting units was 9.0x. A hypothetical reduction in the earnings multiple to 8.0x, holding all other assumptions constant, would not have resulted in a failure of step one of the goodwill impairment test.

Management believes that the assumptions used to estimate the fair value used in the goodwill impairment tests are reasonable; however, in the future, changes in estimates resulting in lower than currently anticipated cash flows and fair value due to unforeseen changes in assumptions could negatively affect the valuations, which may result in Sony recognizing impairment charges for goodwill and indefinite lived intangible assets in the future.

Pension benefit costs

Employee pension benefit costs and obligations are dependent on certain assumptions including discount rates, retirement rates and mortality rates, which are based upon current statistical data, as well as expected long-term rates of return on pension plan assets and other factors. Specifically, the discount rate and expected long-term rate of return on pension plan assets are two critical assumptions in the determination of periodic pension costs and pension liabilities. Assumptions are evaluated at least annually, or at the time when events occur or circumstances change and these events or changes could have a significant effect on these critical assumptions.

In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods. Therefore, actual results generally affect recognized costs and the recorded obligations for pensions in future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect Sony's pension obligations and future costs.

Sony's principal pension plans are its Japanese pension plans. No individual foreign pension plan is significant to the consolidated pension plan assets and pension obligations.

To determine the benefit obligation of the Japanese pension plans, Sony used a discount rate of 0.6 percent for its Japanese pension plans as of March 31, 2016. The discount rate was determined by using information about yields on high-quality bonds currently available and expected to be available during the period to maturity of the pension benefit obligation in consideration of amounts and timing of cash outflows for expected benefit payments. Such available information about yields is collected from published market information and credit rating agencies. The 0.6 percent discount rate represents a 40 basis point decrease from the 1.0 percent discount rate used for the fiscal year ended March 31, 2015 and reflects current Japanese market interest conditions.

To determine the expected long-term rate of return on pension plan assets, Sony considers the current and expected asset allocations, as well as historical and expected long-term rates of return on various categories of pension plan assets. Sony's pension investment policy recognizes the expected growth and the variability risk associated with the long-term nature of pension liabilities, the returns and risks of diversification across asset classes, and the correlation among assets. The asset allocations are designed to maximize returns consistent with levels of liquidity and investment risk that are considered prudent and reasonable. While the pension investment policy gives appropriate consideration to recent market performance and historical returns, the investment assumptions utilized by Sony are designed to achieve a long-term return consistent with the long-term nature of the corresponding pension liabilities. For Japanese pension plans, the expected long-term rate of return on pension plan assets was 3.0 percent as of March 31, 2015 and 2016. The actual return on pension plan assets for the fiscal years ended March 31, 2015 and 2016 was an 11.4 percent gain and an 1.3 percent loss, respectively. The difference between the expected and the actual rate of return on pension plan assets was primarily due to the negative performance especially in the global equity markets throughout the fiscal year ended March 31, 2016 and the depreciation of foreign currency-denominated assets reflecting the increase in the strength of the yen. Actual results that differ from the expected return on pension plan assets are accumulated and amortized as a component of pension costs over the average future service period, thereby reducing the year-to-year volatility in pension costs. As of March 31, 2015 and 2016, Sony had, with respect to Japanese pension plans, net actuarial losses of 218.5 billion yen and 389.3 billion yen, respectively, including losses related to pension plan assets. For the fiscal year ended March 31, 2016, the net actuarial loss increased due to the decline in the discount rate used to determine the defined benefit obligation, as compared to the prior fiscal year's rate, and the lower actual return on pension plan assets than expected.

The following table illustrates the effect on the fiscal year ending March 31, 2017 of changes in the discount rate and the expected return on pension plan assets, while holding all other assumptions as of March 31, 2016 constant, for Japanese pension plans.

Change in assumption	Projected benefit obligations	Pension costs	Net income
	(Yen in billions)		
25 basis point increase / decrease in discount rate	-/+41.5	-/+1.9	+/-1.3
25 basis point increase / decrease in expected long-term rate of return on pension plan assets	—	-/+1.7	+/-1.1

Deferred tax asset valuation

Carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized prior to expiration. Accordingly, the need to establish a valuation allowance for deferred tax assets is assessed periodically with appropriate consideration given to all positive and negative evidence related to the realization of the deferred tax assets. Management's judgments related to this assessment consider, among other matters, the nature, frequency and severity of current and cumulative losses on an individual tax jurisdiction basis, forecasts of future profitability after consideration of uncertain tax positions, excess of appreciated asset value over the tax basis of net assets, the duration of statutory carryforward periods, the past utilization of net operating loss carryforwards prior to expiration, as well as prudent and feasible tax planning strategies which would be employed by Sony to prevent net operating loss and tax credit carryforwards from expiring unutilized.

As a result of losses incurred in recent years, Sony Corporation and several subsidiaries in Japan, Sony Americas Holding Inc. (“SAHI”) and its consolidated tax filing group in the U.S., Sony Mobile Communications AB in Sweden, Sony Europe Limited (“SEU”) in the U.K., certain subsidiaries in Brazil, and certain entities in other tax jurisdictions are each in cumulative loss positions. A cumulative loss position is considered significant negative evidence in assessing the realizability of a deferred tax asset that is difficult to overcome when determining that a valuation allowance is not needed against deferred tax assets.

The amount of the deferred tax assets as it relates to Sony Corporation, SAHI, Sony Computer Entertainment Inc., Sony Computer Entertainment Europe Limited and SEU takes into account the uncertain tax positions related to the more likely than not adjustments for Sony’s intercompany transfer pricing. Such transfer pricing is currently under review by the relevant governments as a result of applications for Bilateral Advance Pricing Agreements (“APAs”) filed in the U.S., the U.K. and Japan. Sony is required to estimate the final outcome of those government to government negotiations in recording its tax positions, including the allocation and amount of deferred tax assets among the various legal entities as of the balance sheet date. Sony reviews its estimated tax expense based on the progress made in these procedures, and the progress of transfer pricing audits generally, and makes adjustments to its estimates as necessary.

It is possible that advance pricing agreement negotiations could result in a different allocation of profits and losses than those currently estimated by management, and that such allocation could have a positive or negative impact on the amount or realizability of deferred tax assets or could change the amount of the valuation allowances recorded. Sony may record adjustments to its provision for uncertain tax positions and, accordingly, to its valuation allowance assessments, as additional evidence becomes available.

The estimate for the valuation of deferred tax assets, which is based on currently enacted tax laws and rates as of the balance sheet date, reflects management’s judgment and best estimate of the likely future tax consequences of events that have been recognized in Sony’s financial statements and tax returns, the ability to implement various tax planning strategies and, in certain cases, future forecasts, business plans and other expectations about future outcomes. Changes in existing tax laws or rates in tax jurisdictions in which Sony operates could affect actual tax results, and market or economic deterioration or failure of management to achieve its restructuring objectives could affect future business results, either of which could affect the valuation of deferred tax assets over time. If future results are less than projected, if negotiations of the APAs result in a different allocation of profits and losses than currently anticipated, if tax planning alternatives are no longer viable, or if there is no excess appreciated asset value over the tax basis of the assets contemplated for sale, further valuation allowance may be required in the future to reduce the deferred tax assets to their net realizable value. On the other hand, an improvement in future results, or other factors such as business reorganizations, could lead to the future reversal of valuation allowance into income as a reduction to tax expense, subject to review of the relevant qualitative factors and uncertainties. These factors and other changes that are not anticipated in current estimates could have a material impact on Sony’s earnings or financial condition in the period or periods in which the impact is recorded or reversed.

Film accounting

An aspect of film accounting that requires the exercise of judgment relates to the process of estimating the total revenues to be received throughout a film’s life cycle. Such estimate of a film’s ultimate revenue is important for two reasons. First, while a film is being produced and the related costs are being capitalized, it is necessary for management to estimate the ultimate revenue, less additional costs to be incurred, including exploitation costs which are expensed as incurred, in order to determine whether the value of a film has been impaired and thus requires an immediate write-off of unrecoverable film costs. Second, the amount of film costs recognized as cost of sales for a given film as it is exhibited in various markets throughout its life cycle is based upon the proportion that current period actual revenues bear to the estimated ultimate total revenues.

Management bases its estimates of ultimate revenue for each film on several factors including the historical performance of similar genre films, the star power of the lead actors and actresses, the expected number of theaters at which the film will be released, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales. Management updates such estimates on a regular basis

based on the actual results to date and estimated future results for each film. For example, a film that has resulted in lower than expected theatrical revenues in its initial weeks of release would generally have its theatrical, home entertainment and television distribution ultimate revenues adjusted downward; a failure to do so would result in the understatement of amortized film costs for the period.

Future insurance policy benefits

Liabilities for future insurance policy benefits, which mainly relate to individual life insurance policies, are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.0 percent to 4.5 percent and are based on factors such as market conditions and expected investment returns. Morbidity, mortality and withdrawal assumptions for all policies are based on either the subsidiary's own experience or various actuarial tables. Generally these assumptions are locked-in throughout the life of the contract upon the issuance of new insurance, although significant changes in experience or assumptions may require Sony to provide for expected future losses.

Policyholders' account in the life insurance business

Policyholders' account in the life insurance business represents an accumulation of account deposits plus credited interest less withdrawals, expenses and mortality charges. Policyholders' account includes universal life insurance and investment contracts. Universal life insurance includes interest sensitive whole life contracts and variable contracts. The credited rates associated with interest sensitive whole life contracts range from 1.9 percent to 2.0 percent. For variable contracts, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. Investment contracts mainly include single payment endowment contracts, single payment juvenile contracts and policies after the start of annuity payments. The credited rates associated with investment contracts range from 0.1 percent to 6.3 percent.

Recently Adopted Accounting Standards

Refer to Note 2, summary of significant accounting policies, recently adopted accounting pronouncements, of the consolidated financial statements.

Recent Accounting Pronouncements

Refer to Note 2, summary of significant accounting policies, recent accounting pronouncements not yet adopted, of the consolidated financial statements.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Set forth below are the current members of the Board of Directors and Corporate Executive Officers of Sony Corporation, their date of birth, the year in which they were first elected, their current position at Sony, prior positions, and other principal business activities outside Sony as of June 17, 2016.

Board of Directors

Kazuo Hirai

Date of Birth: December 22, 1960

Director (Member of the Board) Since: 2012

Corporate Executive Officer Since: 2009

Current Positions within Sony: President and Chief Executive Officer, Representative Corporate Executive Officer
Member of the Nominating Committee

Principal Business Activities Outside Sony: None

Prior Positions:

2011	Executive Deputy President, Sony Corporation
2009	Executive Vice President, Sony Corporation
2007	President and Group Chief Executive Officer, Sony Computer Entertainment Inc.
2006	Group Executive Officer, Sony Corporation
	President and Group Chief Operating Officer, Sony Computer Entertainment Inc.
2003	President and Chief Executive Officer, Sony Computer Entertainment America LLC
1996	Executive Vice President and Chief Operating Officer, Sony Computer Entertainment America LLC
1984	Entered CBS/Sony Inc. (currently Sony Music Entertainment (Japan) Inc.)

Kenichiro Yoshida

Date of Birth: October 20, 1959

Director (Member of the Board) Since: 2014

Corporate Executive Officer Since: 2013

Current Positions within Sony: Executive Deputy President and Chief Financial Officer, Representative Corporate Executive Officer
Member of the Compensation Committee

Principal Business Activities Outside Sony: None

Prior Positions:

2014	Executive Vice President and Chief Financial Officer, Representative Corporate Executive Officer
2013	Executive Vice President, Chief Strategy Officer and Deputy Chief Financial Officer, Corporate Executive Officer, Sony Corporation
2005	President and Representative Director, Sony Communication Network Corporation
2001	Senior Vice President, Sony Communication Network Corporation (currently So-net Corporation)
1983	Entered Sony Corporation

Osamu Nagayama

Date of Birth: April 21, 1947

Outside Director (Member of the Board) Since: 2010

Current Positions within Sony: Chairman of the Board

Chair of the Nominating Committee

Principal Business Activities Outside Sony:

Representative Director, Chairman and Chief Executive Officer, Chugai Pharmaceutical Co., Ltd.

Prior Positions:

1992 Chairman of the Board, President and Chief Executive Officer, Chugai Pharmaceutical Co., Ltd.

1989 Representative Director and Deputy President, Chugai Pharmaceutical Co., Ltd.

1987 Director and Senior Vice President, Chugai Pharmaceutical Co., Ltd.

1985 Deputy General Manager of the Development Planning Division, Director of the Business Planning Division, Member of the Board, Chugai Pharmaceutical Co., Ltd.

Takaaki Nimura

Date of Birth: October 25, 1949

Outside Director (Member of the Board) Since: 2012

Current Position within Sony: Chair of the Audit Committee

Principal Business Activities Outside Sony:

Audit & Supervisory Board member, Chugai Pharmaceutical Co., Ltd.

Prior Positions:

2008 Executive Board member, Ernst & Young ShinNihon LLC

1997 Senior partner, Showa Ota & Co.

1989 Partner, Asahi Shinwa & Co.

Eikoh Harada

Date of Birth: December 3, 1948

Outside Director (Member of the Board) Since: 2013

Current Position within Sony: Chair of the Compensation Committee

Principal Business Activities Outside Sony:

Representative Director, Chairman and CEO, Benesse Holdings, Inc.

Representative Director and CEO, Benesse Corporation

Prior Positions:

2014 Chairman, Director, McDonald's Holdings Company (Japan), Ltd.

Chairman, Director, McDonald's Company (Japan), Ltd.

2005 Chairman, President and Chief Executive Officer, Representative Director, McDonald's Holdings Company (Japan), Ltd.

Chairman, President and Chief Executive Officer, Representative Director, McDonald's Company (Japan), Ltd.

1997 President, Apple Japan, Inc.

Vice President, Apple Computer, Inc.

1983 Director, Schlumberger Group

Joichi Ito

Date of Birth: June 19, 1966

Outside Director (Member of the Board) Since: 2013

Current Position within Sony: none

Principal Business Activities Outside Sony:

Director, MIT Media Lab, Massachusetts Institute of Technology

Director, Digital Garage, Inc.

Director, The New York Times Company

Chairman, PureTech Health plc

Prior Positions:

1999 Chairman, Infoseek Japan

1995 Co-founder, Chief Executive Officer, Digital Garage, Inc.

Tim Schaaff

Date of Birth: December 5, 1959

Director (Member of the Board) Since: 2013

Current Position within Sony: none

Principal Business Activities Outside Sony:

Independent Startup Adviser

Chief Product Officer, Intertrust Technologies Corporation

Prior Positions:

2012 Group Executive, Sony Corporation

2009 President, Sony Network Entertainment International LLC

2005 Entered Sony Corporation of America as Senior Vice President

1998 Vice President, Apple Computer, Inc.

Kazuo Matsunaga

Date of Birth: February 28, 1952

Director (Member of the Board) Since: 2014

Current Position within Sony: Member of the Audit Committee

Principal Business Activities Outside Sony:

Director, Sumitomo Corporation

Director, Takasago Thermal Engineering Co., Ltd.

Director, Hashimoto Sogyo Co., Ltd.

President, Japan Cooperation Center for the Middle East

Vice Chairman of the Board, Mitsubishi Fuso Truck and Bus Corporation

Prior Positions:

2010 Vice-Minister of Economy, Trade and Industry, METI

2008 Director-General, Economic and Industrial Policy Bureau, METI

2004 Director-General, Nuclear and Industrial Safety Agency, Ministry of Economy, Trade and Industry ("METI")

Koichi Miyata

Date of Birth: November 16, 1953

Director (Member of the Board) Since: 2014

Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:

Director and President, Sumitomo Mitsui Financial Group, Inc.

Director, Sumitomo Mitsui Banking Corporation

Prior Positions:

2010 Director, Sumitomo Mitsui Financial Group, Inc.

2010 Senior Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc.

2009 Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation

John V. Roos

Date of Birth: February 14, 1955

Director (Member of the Board) Since: 2014

Current Positions within Sony: Member of the Nominating Committee
Member of the Compensation Committee

Principal Business Activities Outside Sony:

Founding Partner, Geodesic Capital

Chief Executive Officer, The Roos Group, LLC

Senior Advisor, Centerview Partners LLC

Director, salesforce.com, inc.

Member of Global Advisory Board, Mitsubishi UFJ Financial Group, Inc.

Prior Positions:

2009 United States Ambassador to Japan

2005 Chief Executive Officer, Wilson Sonsini Goodrich & Rosati

2000 Managing Director of Professional Services, Wilson Sonsini Goodrich & Rosati

Eriko Sakurai

Date of Birth: November 16, 1960

Director (Member of the Board) Since: 2014

Current Position within Sony: Member of the Audit Committee

Principal Business Activities Outside Sony:

Chairman and Chief Executive Officer, Representative Director, Dow Corning Toray Co., Ltd.

Regional President — Japan/Korea, Dow Corning Corporation

Director, Sumitomo Mitsui Financial Group, Inc.

Prior Positions:

2008 Director, Dow Corning Toray Co., Ltd.

Corporate Executive Officers

In addition to Kazuo Hirai and Kenichiro Yoshida, the nine individuals set forth below are the current Corporate Executive Officers of Sony Corporation as of June 17, 2016. Refer to “Board Practices” below.

Tomoyuki Suzuki

Date of Birth: August 19, 1954

Corporate Executive Officer Since: 2012

Current Positions within Sony: Executive Deputy President, Officer in charge of RDS Platform,
Energy Business and Storage Media Business

Prior Positions:

2012 Executive Vice President, Sony Corporation

2005 Senior Vice President, Sony Corporation

2004 Executive Officer, Sony Corporation

1979 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Shiro Kambe

Date of Birth: December 18, 1961

Corporate Executive Officer Since: 2014

Current Positions within Sony: Executive Vice President, Officer in charge of Legal, Compliance, Corporate
Communications, CSR and External Relations

Prior Positions:

2010 Senior Vice President, Corporate Executive, Sony Corporation

1984 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Masashi Imamura

Date of Birth: January 8, 1957

Corporate Executive Officer Since: 2015

Current Positions within Sony: Executive Vice President, Officer in charge of Manufacturing, Logistics, Procurement, Quality and Environmental Platform and Engineering Platform

Prior Positions:

2014 Group Executive, Representative Director and President, Sony Visual Products Inc.

2009 Senior Vice President, Sony Corporation

1979 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Shigeki Ishizuka

Date of Birth: November 14, 1958

Corporate Executive Officer Since: 2015

Current Positions within Sony: Executive Vice President, Officer in charge of Imaging Products & Solutions Business

Prior Positions:

2007 Senior Vice President, Sony Corporation

1981 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Andrew House

Date of Birth: January 23, 1965

Corporate Executive Officer Since: 2016

Current Positions within Sony: Executive Vice President, Officer in charge of Game & Network Services Business

Prior Positions:

2005 Chief Marketing Officer, Group Executive, Sony Corporation

1990 Joined Sony Corporation

Principal Business Activities Outside Sony: None

Michael Lynton

Date of Birth: January 1, 1960

Corporate Executive Officer Since: 2016

Current Positions within Sony: Executive Vice President, Officer in charge of Pictures and Music Business

Prior Positions:

2004 Group Executive Officer, Sony Corporation

2004 Joined Sony Corporation

Principal Business Activities Outside Sony:

Board Member, Ares Capital Corporation

Board Member, Snapchat

Ichiro Takagi

Date of Birth: December 26, 1958

Corporate Executive Officer Since: 2016

Current Positions within Sony: Executive Vice President, Officer in charge of Home Entertainment & Sound Business, Consumer AV Sales & Marketing

Prior Positions:

2015 Group Executive, Sony Corporation

2011 Senior Vice President, Corporate Executive, Sony Corporation

1981 Joined Sony Corporation

Principal Business Activities Outside Sony: None

Hiroki Totoki

Date of Birth: July 17, 1964

Corporate Executive Officer Since: 2016

Current Positions within Sony: Executive Vice President, Officer in charge of Mobile Communications Business, New Business Platform (Strategy)

Prior Positions:

2014 Group Executive, Sony Corporation

2013 Senior Vice President, Corporate Executive, Sony Corporation

1987 Joined Sony Corporation

Principal Business Activities Outside Sony: None

Kazushi Ambe

Date of Birth: April 23, 1961

Corporate Executive Officer Since: 2016

Current Positions within Sony: Executive Vice President, Officer in charge of Human Resources and General Affairs

Prior Positions:

2014 Senior Vice President, Corporate Executive, Sony Corporation

1984 Joined Sony Corporation

Principal Business Activities Outside Sony: None

Kazuo Hirai, Kenichiro Yoshida, Tomoyuki Suzuki, Shiro Kambe, Masashi Imamura, Shigeki Ishizuka, Andrew House, Michael Lynton, Ichiro Takagi, Hiroki Totoki and Kazushi Ambe are engaged on a full-time basis by Sony Corporation. There is no family relationship between any of the persons named above. There is no arrangement or understanding with major shareholders, customers, suppliers, or others pursuant to which any person named above was selected as a Director or a Corporate Executive Officer.

B. Compensation

Under the Financial Instruments and Exchange Act of Japan and related regulations, Sony is required to disclose the total remuneration paid by Sony Corporation to Directors and Corporate Executive Officers, as well as remuneration of any Director or Corporate Executive Officer who receives total aggregate annual remuneration exceeding 100 million yen from Sony Corporation and its consolidated subsidiaries in a fiscal year, on an individual basis. The following table and accompanying footnotes show the information on such matters that Sony Corporation has disclosed in its annual Securities Report for the fiscal year ended March 31, 2016 filed on June 17, 2016 with the Director General of the Kanto Local Finance Bureau of the Ministry of Finance in Japan.

(1) Total amounts of remuneration paid by Sony Corporation to Directors and Corporate Executive Officers

	Fixed remuneration		Remuneration linked to business results		Phantom restricted stock plan	
	Number of persons	Amount (Yen in millions)	Number of persons	Amount (Yen in millions)	Number of persons	Amount (Yen in millions)
Directors	10 (*)	151	—	— (***)	1	32 (*****)
(Outside Directors)	(9)	(136)	(—)	(—)	(1)	(32)
Corporate Executive Officers	8 (**)	470	6	534 (****)	—	—
Total*****	18	621	6	534	1	32

* The number of persons does not include two Directors who concurrently serve as Corporate Executive Officers, because Sony Corporation does not pay any additional remuneration for services as Director to Directors who concurrently serve as Corporate Executive Officers.

** The number of persons includes two Corporate Executive Officers who resigned on the day of the Ordinary General Meeting of Shareholders held on June 23, 2015.

*** Sony Corporation does not pay remuneration linked to business results to Directors who do not concurrently serve as Corporate Executive Officers.

**** The Remuneration linked to business results includes the amount that was paid in June 2016. Eight Corporate Executive Officers waived their remuneration linked to business results for the fiscal year ended March 31, 2015.

***** The Phantom Restricted Stock Plan includes the amount that will be paid to a Director who resigned on the day of the Ordinary General Meeting of Shareholders held on June 17, 2016.

***** In addition to the above, during the fiscal year ended March 31, 2016, Sony Corporation recorded 397 million yen in expenses for Corporate Executive Officers, for Stock Acquisition Rights granted to Corporate Executive Officers during the fiscal year ended March 31, 2016 or in the past for stock option purposes.

(2) Amounts of remuneration paid by Sony Corporation and its subsidiaries to Directors and Corporate Executive Officers on an individual basis.

Name	Position	Basic remuneration (Yen in millions)	Remuneration linked to business results (Yen in millions)	Phantom restricted stock plan (Yen in millions)	Total (Yen in millions)	Granted number of stock acquisition rights* (Thousand shares)
Kazuo Hirai	Sony Corporation Director, President & CEO, and Representative Corporate Executive Officer**	219 ***	294	—	513	200
Kenichiro Yoshida	Sony Corporation Director, Executive Deputy President and CFO, and Representative Corporate Executive Officer**	62	85	—	147	120
Tomoyuki Suzuki	Sony Corporation Executive Deputy President, and Corporate Executive Officer	51	85	—	136	50

* The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal year ended March 31, 2016 was 1,331 yen and was estimated using the Black-Scholes option-pricing model with several assumptions. Refer to Note 17 of the consolidated financial statements for details. The weighted-average fair value per share does not indicate the actual value that would be realized by a Corporate Executive Officer upon the exercise of the above-mentioned stock acquisition rights. The actual value, if any, that is realized by a Corporate Executive Officer upon the exercise of any stock acquisition rights will depend on the extent to which the market value of Sony Corporation's common stock ("Common Stock") exceeds the exercise price of the stock acquisition rights on the date of exercise, and several other restrictions imposed on the exercise of the stock acquisition rights, including the period when a Corporate Executive Officer could exercise the stock acquisition rights. Accordingly, there is no assurance that the value realized or to be realized by a Corporate Executive Officer upon the exercise of the stock acquisition rights is or will be at or near the weighted-average fair value per share presented above. In addition, the above weighted-average fair value per share was calculated to recognize compensation expense for the fiscal year ended March 31, 2016 for accounting purposes and should not be regarded as any indication or prediction of Sony with respect to its future stock performance.

** As noted above, Sony Corporation does not pay any remuneration for services as Director to Directors who concurrently serve as Corporate Executive Officers.

*** Remuneration for Kazuo Hirai, Representative Corporate Executive Officer, is set in U.S. dollars. The reduction of his dollar-based remuneration has been in place since 2012. Apart from the remuneration contained in the above table, Sony also provided certain personal benefits and perquisites, including fringe benefits (and in some instances Sony paid the executive's income taxes related to his perquisites), totaling 15 million yen to Kazuo Hirai, during the fiscal year ended March 31, 2016.

(3) Basic policy regarding remuneration for Directors and Corporate Executive Officers

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

(a) Basic policy of Director remuneration

Taking into account that the primary duty of the Directors is to supervise the performance of business operations of Sony group as a whole and the fact that Sony Corporation is a global company, in order to improve such supervisory function of the Directors, the following two elements 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 consists of the following two components:

- fixed remuneration; and
- the Phantom Restricted Stock Plan.

The schedule for the amount of each component and its percentage of total remuneration is determined in accordance with the basic policy above. Remuneration of Directors shall be at an appropriate level determined based upon research made by a third party regarding remuneration of directors of both domestic and foreign companies. No Director remuneration is paid to those Directors who concurrently serve as Corporate Executive Officers.

Regarding the Phantom Restricted Stock Plan, points fixed every year by the Compensation Committee shall be granted to Directors every year during his/her tenure, and at the time of resignation, the remuneration amount shall be calculated by multiplying Sony Corporation's Common Stock price by the accumulated points. The resigning Director shall purchase Sony Corporation's Common Stock with this remuneration.

(b) 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 Corporation, 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;
- remuneration linked to business results;
- remuneration linked to share price; and
- the Phantom Restricted Stock Plan.

The schedule for the amount of each component and its percentage of total remuneration shall be determined in accordance 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 research made by a third party regarding remuneration of management of both domestic and foreign companies.

Specifically, the amount of remuneration linked to business results shall be determined based upon consolidated business results of Sony Corporation, such as operating income 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 percent to 200 percent, in principle, of the base fixed remuneration amount.

Regarding the Phantom Restricted Stock Plan, points fixed every year by the Compensation Committee shall be granted to Corporate Executive Officers every year during his/her tenure in office, and, at the time of resignation, the remuneration amount shall be calculated by multiplying Sony Corporation's Common Stock price by the accumulated points. The resigning Corporate Executive officer shall purchase Sony Corporation's Common Stock with this remuneration.

C. Board Practices

Sony Corporation has adopted a "Company with Three Committees" corporate governance system under the Companies Act of Japan (*Kaishaho*) and related regulations (collectively the "Companies Act"). Under this system, Sony Corporation has three committees: the Nominating Committee, the Audit Committee and the Compensation Committee. Under the Companies Act, each committee is required to consist of not fewer than three Directors, the majority of whom must be outside Directors. In order to qualify as an outside Director under the Companies Act, a Director must be a person who satisfies all of the following requirements (i) through (v): (i) a person who is not a director of Sony Corporation or any of its subsidiaries engaged in the business operations of Sony Corporation or such subsidiaries, as the case may be, or a Corporate Executive Officer or general manager or other employee ("Group Executive Director, etc.") of Sony Corporation or any of its subsidiaries and who has not been a Group Executive Director, etc. of Sony Corporation or any of its subsidiaries for ten years prior to assuming his/her office; (ii) if a person who has been a director, accounting counselor (if the accounting counselor is a juridical person, a member who is in charge of the affairs), or corporate auditor of Sony Corporation or any of its subsidiaries (excluding a person who has been a Group Executive Director, etc.) at the time within ten years prior to assuming his/her office, a person who has not been a Group Executive Director, etc. of Sony Corporation or any of its subsidiaries for ten years prior to assuming his/her office as a director, an accounting counselor, or a corporate auditor; (iii) a person who is not a director or a Corporate Executive Officer or general manager or other employee of a parent company or any entity which controls the management of Sony Corporation; (iv) a person who is not an Group Executive Director, etc. of a direct/indirect subsidiary of Sony Corporation or any entity the management of which is directly or indirectly controlled by Sony Corporation; and (v) a person who is not a spouse or relative within the second degree of kinship of a director or a Corporate Executive Officer or general manager or other employee of Sony Corporation.

Under the "Company with Three Committees" system, Directors as such have no power to execute the business of Sony Corporation except for limited circumstances as permitted by law. The Board of Directors must elect Corporate Executive Officers (*Shikko-yaku*), who are responsible for the execution of the business of Sony Corporation. A summary of the governance system adopted by Sony Corporation is set forth below.

The Board of Directors determines fundamental management policy and other important matters related to the management of Sony and oversees the performance of the duties of Directors and Corporate Executive Officers. Furthermore, the Board of Directors has the power and authority to appoint and dismiss the members of Sony Corporation's three committees and Corporate Executive Officers. Under the Companies Act, Directors are elected at the General Meeting of Shareholders from the candidates determined by the Nominating Committee. Under the Companies Act, the term of office of Directors expires at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one year after their election. Directors may serve any number of consecutive terms although, under the Charter of the Board of Directors, outside Directors may not be reelected more than five times without the consent of all Directors nor more than eight times even if the consent of all Directors is obtained.

The Nominating Committee, which pursuant to the Charter of the Board of Directors consists of three or more Directors, determines the content of proposals to be submitted for approval at the General Meeting of Shareholders regarding the appointment and dismissal of Directors and evaluates the management succession

plans. As stated above, under the Companies Act, a majority of the members of the Nominating Committee must be outside Directors. Under the Charter of the Board of Directors, at least one member of the Nominating Committee must concurrently be a Corporate Executive Officer. The Nominating Committee is comprised of the following members as of June 17, 2016: Osamu Nagayama, who is the Chair of the Nominating Committee, the Chairman of the Board and an outside Director; Koichi Miyata and John V. Roos, who are each outside Directors; and Kazuo Hirai, who is a Corporate Executive Officer.

Under the Charter of the Board of Directors, the Audit Committee must consist of three or more Directors, a majority of whom, as stated above, must be outside Directors. In addition, under the Companies Act, a member of the Audit Committee may not concurrently be a director of Sony Corporation or any of its subsidiaries who is engaged in the business operations of Sony Corporation or such subsidiaries, as the case may be, or a corporate executive officer of Sony Corporation or any of its subsidiaries, or an accounting counselor (or if such accounting counselor is a juridical person, partners who perform the duties of the accounting counselor), general manager or other employee of any of such subsidiaries. Further, under the Charter of the Board of Directors, members of the Audit Committee must meet the independence and other equivalent requirements of U.S. securities laws and regulations to the extent applicable to Sony Corporation. The Audit Committee's primary responsibility is to review the consolidated and non-consolidated financial statements and business reports to be submitted by the Board of Directors at the General Meeting of Shareholders; to monitor the performance of duties by Directors and Corporate Executive Officers (with respect to structures to ensure the adequacy of the financial reporting process, to enable management to ensure the effectiveness of internal control over financial reporting, to ensure timely and appropriate disclosure and to ensure compliance with any applicable law, Articles of Incorporation and internal policies and rules, and with respect to the status of any other items described in the "Internal Control and Governance Framework" determined or reaffirmed by the Board of Directors in accordance with Article 416, paragraph 1, item (1) of the Companies Act), in each case pursuant to the Companies Act; and to propose the appointment/dismissal or non-reappointment of, approve the compensation of, and oversee and evaluate the work of Sony's independent auditor and its independence and qualification. Under the Companies Act, the Audit Committee has a statutory duty to prepare and submit each year its audit report (*Kansa-hokoku*) to the Corporate Executive Officer designated by the Board of Directors. A member of the Audit Committee may note his or her opinion in the audit report if it is different from the opinion of the Audit Committee that is expressed in the audit report.

The Audit Committee discusses with Sony Corporation's independent auditor, PricewaterhouseCoopers Aarata, the scope and results of audits by the independent auditor including their evaluation of Sony Corporation's internal controls, compatibility with Generally Accepted Accounting Principles in the U.S., and the overall quality of financial reporting. The Audit Committee makes an assessment of the independence of PricewaterhouseCoopers Aarata by overseeing their activities through regular communications and discussions with them, and by pre-approving audit and non-audit services to be provided. The Audit Committee is comprised of the following members as of June 17, 2016: Takaaki Nimura, who is the Chair of the Audit Committee and an outside Director, and Kazuo Matsunaga and Eriko Sakurai, who are each outside Directors. Takaaki Nimura is an "audit committee financial expert" within the meaning of Item 16A of this report.

As required by the Companies Act, the Compensation Committee determines the policy and the content of compensation, bonus and any other benefits (including equity-related rights or options given for the purpose of stock incentive options) to be received by each Director and Corporate Executive Officer in consideration of the execution of their duties. In addition to such statutory duties, the Compensation Committee sets policy on the composition of individual compensation to be received by other senior management of Sony Group (Directors or other officers of Sony Group companies whose appointment is subject to approval by the Chief Executive Officer ("CEO") of Sony Corporation), and also submits proposals to the Board of Directors regarding the issuance of stock acquisition rights for the purpose of granting stock options and other forms of stock price-based compensation utilizing shares etc. of Sony Group, as individual compensation to the aforementioned senior management. Under the Charter of the Board of Directors, the Compensation Committee shall consist of three or more Directors, and as a general rule, at least one member shall concurrently serve as Corporate Executive Officer; provided, however, that a Director who is the CEO or the Chief Operating Officer ("COO") of Sony Group or in any equivalent position shall not be a member of the Compensation Committee. As stated above, a

majority of the members of the Compensation Committee must be outside Directors. The Compensation Committee is comprised of the following members as of June 17, 2016: Eikoh Harada, who is the Chair of the Compensation Committee and an outside Director; John V. Roos who is also an outside Director; and Kenichiro Yoshida, who is a Corporate Executive Officer.

During the fiscal year ended March 31, 2016, the Board of Directors convened eight times. The Nominating Committee met five times, the Audit Committee met six times and the Compensation Committee met five times. All 12 Directors participated in all meetings of the Board of Directors held during his/her tenure period of the fiscal year ended March 31, 2016 except for Osamu Nagayama and Joichi Ito (Osamu Nagayama and Joichi Ito both participated in seven meetings out of eight). Also, all 8 outside Directors who are members of Committees participated in all of the meetings of each Committee held during the fiscal year ended March 31, 2016 except for Osamu Nagayama (Osamu Nagayama who is the Chair of the Nominating Committee participated in four out of five meetings of the Nominating Committee). All three outside Directors who are members of the Audit Committee participated in all meetings of the Audit Committee held during his/her tenure period of the fiscal year ended March 31, 2016.

No Directors have executed service contracts with Sony providing for benefits upon termination of service as a Director.

Under the Companies Act and the Articles of Incorporation of Sony Corporation, Sony Corporation may, by a resolution of the Board of Directors, exempt Directors from liabilities to Sony Corporation to the extent permitted by law arising in connection with their failure to execute their duties. Also, in accordance with the Companies Act and its Articles of Incorporation, Sony Corporation has entered into a liability limitation agreement with each outside Director and one non-executive Director that limits the maximum amount of liabilities owed by each such Director to Sony Corporation arising in connection with their failure to execute their duties to the greater of either 30 million yen or an amount equal to the aggregate sum of the amounts prescribed in each item of Article 425, Paragraph 1 of the Companies Act.

The Board of Directors must appoint one or more Corporate Executive Officers who are authorized to determine matters delegated to them by the Board of Directors. The Corporate Executive Officers are responsible for conducting all the business operations of Sony within the scope of authority delegated by the Board of Directors. As of June 17, 2016, there are ten Corporate Executive Officers, two of whom are also Directors. Significant decision-making authority has been delegated to the CEO and also to each Corporate Executive Officer with respect to investments, strategic alliances and other actions related to the execution of business operations. Sony Corporation believes that this significant delegation enables Sony to be managed in a dynamic and responsive manner. The terms of office of Corporate Executive Officers expire at the conclusion of the first meeting of the Board of Directors held immediately after the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one year after their election. From among those Corporate Executive Officers who, as a general rule, are also Directors, the Board of Directors shall elect Representative Corporate Executive Officers. Each Representative Corporate Executive Officer has the statutory authority to represent Sony Corporation in the conduct of its affairs.

(Supplementary Information)

At a Board meeting held on April 26, 2006, the Board of Directors reaffirmed the internal control and governance framework in effect as of the date of determination and determined to continue to evaluate and improve such framework going forward, as appropriate. At a Board meeting held on May 13, 2009 and April 30, 2015, the Board of Directors amended and updated the internal control and governance framework, reaffirming such framework in effect and determining to continue to evaluate and improve such framework going forward, as appropriate. These determinations were required by and met the requirements of the Companies Act. Details of the most updated determination are posted on the following website: <http://www.sony.net/SonyInfo/IR/library/control.html>

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 refer to "Disclosure About Differences in Corporate Governance" in Item 16G.

D. Employees

As of March 31, 2016, Sony had approximately 125,300 employees, a decrease of approximately 6,400 employees from March 31, 2015. During the fiscal year ended March 31, 2016, while employees of the Pictures, Music and Financial Services segments increased, the total number of employees decreased due to production adjustments implemented at manufacturing sites in East Asia (except Japan) and restructuring initiatives taken mainly in the Mobile Communications (“MC”) segment. As of March 31, 2016, approximately 49,000 employees were located in Japan and approximately 76,300 employees were located outside Japan. Approximately 23 percent of the total number of employees were members of labor unions.

As of March 31, 2015, Sony had approximately 131,700 employees, a decrease of approximately 9,200 employees from March 31, 2014. During the fiscal year ended March 31, 2015, while employees of the Pictures, Music and Financial Services segments increased, the total number of employees decreased due to restructuring initiatives taken mainly in Japan and North America. As of March 31, 2015, approximately 50,000 employees were located in Japan and approximately 81,700 employees were located outside Japan. Approximately 20 percent of the total number of employees were members of labor unions.

As of March 31, 2014, Sony had approximately 140,900 employees, a decrease of approximately 5,400 employees from March 31, 2013. During the fiscal year ended March 31, 2014, while employees of the Financial Services and Music segments increased, the total number of employees decreased due to restructuring initiatives taken in Japan, North America and Europe. As of March 31, 2014, approximately 52,200 employees were located in Japan and approximately 88,700 employees were located outside Japan. Approximately 20 percent of the total number of employees were members of labor unions. The following table shows the number of employees of Sony by segment as of March 31, 2014, 2015 and 2016.

Number of Employees by Segment

	March 31		
	2014	2015	2016
Electronics*	103,600	95,700	88,500
Pictures	7,200	7,600	8,700
Music	7,400	7,500	7,900
Financial Services	8,500	8,800	9,400
All Other	6,500	5,700	4,700
Unallocated — Corporate employees	7,700	6,400	6,100
Total	<u>140,900</u>	<u>131,700</u>	<u>125,300</u>

* The term “Electronics” refers to the sum of the MC, G&NS, IP&S, HE&S and Devices segments.

As of March 31, 2016, the number of employees in Electronics decreased compared to March 31, 2015, reflecting production adjustments implemented at manufacturing sites in East Asia (except Japan) and restructuring initiatives taken mainly in the MC segment. The number of employees in All Other also decreased compared to March 31, 2015, reflecting the decrease of employees in the disc manufacturing business worldwide. In the Pictures, Music, and Financial Services segments, the number of employees as of March 31, 2016 increased compared to March 31, 2015 due to the expansion of these businesses.

As of March 31, 2015, the number of employees in Electronics decreased compared to March 31, 2014, reflecting restructuring initiatives taken mainly in Japan and North America. The number of employees in All Other also decreased compared to March 31, 2014, reflecting the decrease of employees in the disc manufacturing business worldwide. In the Pictures, Music, and Financial Services segments, the number of employees as of March 31, 2015 increased compared to March 31, 2014 due to the expansion of these businesses.

As of March 31, 2014, the number of employees in Electronics decreased compared to March 31, 2013, reflecting restructuring initiatives taken in Japan, North America and Europe. The number of employees in All Other also decreased compared to March 31, 2013, reflecting the sale of Gracenote Inc. during the fiscal year

ended March 31, 2014. In the Music segment, the number of employees increased compared to March 31, 2013 primarily due to the expansion of the music publishing business as a result of the administration of the EMI Music Publishing catalog. In the Financial Services segment, the number of employees as of March 31, 2014 increased compared to March 31, 2013 due to the expansion of its businesses.

In addition, the average number of employees for the fiscal years ended March 31, 2014, 2015 and 2016 calculated by averaging the total number of employees at the end of each quarter, was approximately 143,300, 136,300 and 128,700 respectively.

Sony generally considers its labor relations to be good.

In Japan, Sony Corporation and several subsidiaries have labor unions.

In Electronics, Sony owns many manufacturing sites, particularly in Asia, where a few sites have labor unions that have union contracts. In China, most employees are members of labor unions. In the Americas, some manufacturing sites have labor unions. Sony has generally maintained good relationships with these labor unions. In Europe, Sony maintains good labor relations with the Work Councils in each country.

In the Pictures segment, Sony also generally considers its labor relations to be good. A number of Pictures' subsidiaries are signatories to union contracts. During the fiscal year ended March 31, 2016, negotiations were successfully concluded for new three-year agreements with the Teamsters Local 399 (representing Location Managers, Casting Directors and Couriers) and Teamsters Local 817 (representing Location Managers and Casting Directors). Negotiations for new three-year agreements were also concluded with the Alliance of Canadian Cinema, Television and Radio Artists, The Canadian Film and Television Production Association and L'Association Des Producteurs De Films Et De Television Du Quebec, and with the International Alliance of Theatrical Stage Employees New York production Locals 52, 829, 764, 798 and 161. Also, a new three-year agreement was reached with the Office of Professional Employees International Union, Local 174.

In the Music segment, Sony has several labor unions and generally considers its labor relations to be good.

Sony continuously strives to provide competitive wages and benefits and good working conditions for all of its employees.

E. Share Ownership

The total number of shares of Sony Corporation's Common Stock beneficially owned by Directors and Corporate Executive Officers (12 people) listed in "Directors and Senior Management" above was approximately 0.005 percent of the total shares outstanding as of May 30, 2016. Refer to "Board Practices" above.

During the fiscal year ended March 31, 2016, Sony granted stock acquisition rights, which represent rights to subscribe for shares of Common Stock of Sony Corporation, to Corporate Executive Officers, Corporate Executives, Group Executives, and selected employees. The stock acquisition rights cannot be exercised for one year from the date of grant and generally vest ratably up to three years from the date of grant and are generally exercisable up to ten years from the date of grant. The following table shows the portion of those stock acquisition rights which were granted by Sony to Directors and Corporate Executive Officers as of May 30, 2016 and which were outstanding as of the same date.

Year granted (Fiscal year ended March 31)	Total number of shares subject to stock acquisition rights	Exercise price per share
	(in thousands)	
2016	200	27.51 U.S. dollars
2016	235	3,404 yen
2015	100	20.67 U.S. dollars
2015	145	2,410.5 yen
2014	200	20.01 U.S. dollars
2014	64	2,007 yen

<u>Year granted</u> <u>(Fiscal year ended March 31)</u>	<u>Total number of</u> <u>shares subject to stock</u> <u>acquisition rights</u> (in thousands)	<u>Exercise price per share</u>
2013	200	11.23 U.S. dollars
2013	44	932 yen
2012	80	19.44 U.S. dollars
2012	27	1,523 yen
2011	50	35.48 U.S. dollars
2011	31	2,945 yen
2010	50	29.56 U.S. dollars
2010	23	2,595 yen
2009	30	30.24 U.S. dollars
2009	17	2,987 yen
2008	30	48.15 U.S. dollars
2008	15	5,514 yen
2007	24	40.05 U.S. dollars
2007	11	4,756 yen

Regarding the above compensation plans, refer to Note 17 of the consolidated financial statements.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of March 31, 2016, there were 1,262,493,760 shares of common stock outstanding, including 1,047,745 shares of treasury stock. Out of the total outstanding shares, 111,327,333 shares were in the form of ADRs and 276,930,030 shares were held of record in the form of common stock by residents in the U.S. As of March 31, 2016, the number of registered ADR holders was 5,974 and the number of registered holders of common stock of Sony Corporation in the U.S. was 373.

The Financial Instruments and Exchange Act of Japan requires any person who solely or jointly owns more than five percent of total issued voting shares of a company listed on any Japanese stock exchange to file with the Director General of the Kanto Local Finance Bureau (“Bureau”) a Bulk Shareholding Report. The following table summarizes the Bulk Shareholding Reports related to Sony (each a “Report”) submitted to the Bureau, where it is reported that ownership percentage by the reported entity exceeds five percent in the most recent updated Report. The Reports do not specify whether reported ownership is direct or beneficial.

<u>Date of Report*</u>	<u>Reported entities</u>	<u>Reported number of direct or</u> <u>indirect owned and</u> <u>deemed owned shares**</u>	<u>Reported percentage of direct or</u> <u>indirect owned and</u> <u>deemed owned shares**</u>
April 4, 2014	Sumitomo Mitsui Trust Bank, Limited	52,312,421	5.04
July 22, 2014	BlackRock Japan Co., Ltd.	52,313,772	5.01
May 20, 2016	Capital Research and Management Company	86,520,000	6.85

* The table above contains information from the most recent updated Reports.

** Shares issuable or transferable upon exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the size of the reported entity’s holding and Sony’s total issued share capital.

To the knowledge of Sony Corporation, it is not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person either severally or jointly. As far as is known to Sony Corporation, there are no arrangements the operation of which may, at a subsequent date, result in a change in control of Sony Corporation.

To the knowledge of Sony Corporation, there were no significant changes in the percentage ownership held by any other major beneficial shareholders during the past three fiscal years. Major shareholders of Sony Corporation do not have different voting rights from other shareholders.

B. Related Party Transactions

In the ordinary course of business, Sony purchases materials, supplies, and services from numerous suppliers throughout the world, including firms with which certain members of the Board of Directors are affiliated.

In addition, in the fiscal year ended March 31, 2016, sales to affiliates accounted for under the equity method totaled 33.6 billion yen and purchases from those equity affiliates totaled 2.3 billion yen. Although there were 102 equity affiliates accounted for under the equity method at March 31, 2016, there were no individually significant investments.

As of March 31, 2016, Sony had accounts receivable, trade of 9.7 billion yen due from its equity affiliates and had accounts payable, trade of 2.0 billion yen due to its equity affiliates. Due to the size of these transactions, Sony does not consider the amount involved to be material to its business. Refer to Note 5 of the consolidated financial statements for additional information regarding Sony's investments in and transactions with equity affiliates.

C. Interests of Experts and Counsel

Not Applicable

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Refer to the consolidated financial statements and the notes of the consolidated financial statements.

Legal Proceedings

In October 2009, Sony Corporation's U.S. subsidiary, Sony Optiarc America Inc., received a subpoena from the U.S. Department of Justice ("DOJ") seeking information about its optical disk drive business. Sony understands that the European Commission and certain other governmental agencies outside the United States also opened investigations of competition in the optical disk drives market. In March 2014, the DOJ notified Sony that it had closed its investigation. In October 2015, the European Commission adopted a decision in which it fined Sony Corporation, its subsidiary in Japan, Sony Optiarc Inc., and two other subsidiaries 31 million euros. In December 2015, Sony filed an appeal with the European Union's General Court. Sony understands that the investigations by several other agencies have now ended, but one other agency continues to investigate. A number of direct and indirect purchaser lawsuits, including class actions, have been filed in certain jurisdictions, including the United States, in which the plaintiffs alleged that Sony Corporation and certain of its subsidiaries violated antitrust laws and sought recovery of damages and other remedies. Although certain of these lawsuits have reached a settlement, including the class action brought by the direct purchasers in the United States, certain other lawsuits continue. Based on the remaining investigation and cases, it is not possible to estimate the amount of losses or range of possible losses, if any, that might ultimately result from adverse judgments, settlements or other resolution of all of these matters.

In May 2011, Sony Corporation's U.S. subsidiary, Sony Electronics Inc., received a subpoena from the DOJ Antitrust Division seeking information about its secondary batteries business. Sony understands that the European Commission and certain other governmental agencies outside the United States also opened investigations of competition in the secondary batteries market. The DOJ has notified Sony that it has closed its investigation, but the European Commission and one other agency continue to investigate. A number of direct

and indirect purchaser lawsuits, including class actions, have been filed in certain jurisdictions, including the United States, in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Although certain of these lawsuits have reached a settlement, including the class actions brought by the direct purchasers and the indirect purchasers in the United States, the proposed settlements of which are pending court approvals, other lawsuits continue. Based on the stage of these proceedings, it is not possible to estimate the amount of losses or range of possible losses, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

A Sony subsidiary outside Japan is subject to a non-Japanese customs investigation in connection with the import and export of certain HE&S products. Sony is cooperating with the relevant government authorities. Based on the stage of this investigation and information currently available, it is not possible to estimate the amount of losses or range of possible losses, if any, that might ultimately result from adverse judgments, settlements or other resolution of this investigation.

In addition, Sony Corporation and certain of its subsidiaries are defendants or otherwise involved in other pending legal and regulatory proceedings. However, based upon the information currently available, Sony believes that the outcome from such legal and regulatory proceedings would not have a material impact on Sony's results of operations and financial position.

Dividend Policy

Sony believes that continuously increasing corporate value and providing dividends are essential to rewarding shareholders. It is Sony'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 that ensure future growth and strengthen competitiveness. Going forward, Sony will determine the amount of dividends based on an overall consideration of our consolidated operating results, financial condition and future business expectations.

A fiscal year-end dividend of 10 yen per share of Common Stock of Sony Corporation was approved at the Board of Directors meeting held on April 28, 2016 and the payment of such dividend started on May 31, 2016. Sony Corporation has already paid an interim dividend for Common Stock of 10 yen per share to each shareholder; accordingly, the total annual dividend per share of Common Stock for the fiscal year ended March 31, 2016 is 20 yen.

B. Significant Changes

No significant change has occurred since the date of the annual financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offer and Listing Details

Trading Markets

The principal trading markets for Sony Corporation's ordinary shares are the Tokyo Stock Exchange (the "TSE") in the form of Common Stock and the New York Stock Exchange (the "NYSE") in the form of American Depositary Shares ("ADSs") evidenced by American Depositary Receipts ("ADRs"). Each ADS represents one share of Common Stock.

Sony Corporation's Common Stock, with no par value per share, has been listed on the TSE since 1958.

Sony Corporation's ADRs have been traded in the U.S. since 1961 and have been listed on the NYSE since 1970 under the symbol "SNE." Sony Corporation's ADRs are issued and exchanged by Citibank, N.A., as the Depositary.

Trading on the TSE and the NYSE

The following table sets forth for the periods indicated the reported high and low sales prices per share of Sony Corporation's Common Stock on the TSE and the reported high and low sales prices per share of Sony Corporation's ADS on the NYSE.

	Tokyo Stock Exchange price per share of Common Stock		New York Stock Exchange price per share of ADS	
	High	Low	High	Low
	(yen)		(U.S. dollars)	
Annual highs and lows*				
The fiscal year ended March 31, 2012	2,727	1,253	32.09	16.16
The fiscal year ended March 31, 2013	1,750	772	20.83	9.57
The fiscal year ended March 31, 2014	2,413	1,497	23.38	15.23
Quarterly highs and lows*				
The fiscal year ended March 31, 2015	3,450	1,588	28.65	15.93
1st quarter	2,030	1,588	19.46	15.93
2nd quarter	2,173	1,655	20.35	16.43
3rd quarter	2,696.5	1,782	22.32	16.57
4th quarter	3,450	2,351.5	28.65	20.15
Quarterly highs and lows*				
The fiscal year ended March 31, 2016	3,970	2,199	32.95	19.90
1st quarter	3,970	3,195	32.95	27.00
2nd quarter	3,719	2,713	29.99	21.51
3rd quarter	3,568	2,887	29.08	23.97
4th quarter	3,066	2,199	26.49	19.90
Monthly highs and lows*				
2015				
December	3,259	2,887	26.36	23.97
2016				
January	3,066	2,361	25.72	19.90
February	2,924	2,199	23.33	20.11
March	2,997	2,313.5	26.49	21.24
April	3,074	2,707	28.17	23.95
May	3,119	2,541	28.11	23.62
June (through June 10)	3,122	2,995	29.21	27.64

* Stock price data are based on prices throughout the sessions for each corresponding period at each stock exchange.

On June 10, 2016, the closing sales price per share of Sony Corporation's Common Stock on the TSE was 3,051 yen. On June 10, 2016, the closing sales price per share of Sony Corporation's ADS on the NYSE was 28.03 U.S. dollars.

B. Plan of Distribution

Not Applicable

C. Markets

Please refer to Item 9 A "Offer and Listing Details."

D. Selling Shareholders

Not Applicable

E. Dilution

Not Applicable

F. Expenses of the Issue

Not Applicable

Item 10. Additional Information

A. Share Capital

Not Applicable

B. Memorandum and Articles of Association

Organization

Sony Corporation is a joint stock corporation (*Kabushiki Kaisha*) incorporated in Japan under the Companies Act (*Kaishaho*) of Japan. It is registered in the Commercial Register (*Shogyo Tokibo*) maintained by the Minato Branch Office of the Tokyo Legal Affairs Bureau.

Objects and purposes

The Articles of Incorporation of Sony Corporation provide that its purpose is to engage in the following business activities:

- (i) manufacture and sale of electronic and electrical machines and equipment, medical instruments, optical instruments and other equipment, machines and instruments;
- (ii) planning, production and sale of audio-visual software and computer software programs;
- (iii) manufacture and sale of metal industrial products, chemical industrial products and ceramic industrial products, textile products, paper products and wood-crafted articles, daily necessities, foodstuffs and toys, transportation machines and equipment, and petroleum and coal products;
- (iv) real estate activities, construction business, transportation business and warehousing business;
- (v) publishing business and printing business;
- (vi) advertising agency business, insurance agency business, broadcasting enterprise, recreation business such as travel, management of sporting facilities, etc. and other service enterprises;
- (vii) financial business;
- (viii) Type I and Type II telecommunications business under the Telecommunications Business Law;
- (ix) investing in stocks and bonds, etc.;
- (x) manufacture, sale, export and import of products which are incidental to or related to those mentioned above;
- (xi) rendering of services related to those mentioned above;
- (xii) investment in businesses mentioned above operated by other companies or persons; and
- (xiii) all businesses which are incidental to or related to those mentioned above.

Directors

Under the Companies Act, because Sony Corporation has adopted the “Company with Three Committees” system, Directors have no power to execute the business of Sony Corporation except in limited circumstances as

permitted by law. If a Director also serves concurrently as a Corporate Executive Officer, then he or she can execute the business of Sony Corporation in the capacity of Corporate Executive Officer. Under the Companies Act, Directors must refrain from engaging in any business competing with Sony Corporation unless approved by the Board of Directors, and any Director who has a material interest in the subject matter of a resolution to be taken by the Board of Directors cannot vote on such resolution. The amount of remuneration to each Director is determined by the Compensation Committee, which consists of Directors, the majority of whom are outside Directors (Refer to “Board Practices” in “Item 6. *Directors, Senior Management and Employees*”). No member of the Compensation Committee may vote on a resolution with respect to his or her own compensation as a Director or a Corporate Executive Officer.

Neither the Companies Act nor Sony Corporation’s Articles of Incorporation make a special provision as to the borrowing powers exercisable by Directors (subject to requisite internal authorizations as required by the Companies Act), their retirement age, or a requirement to hold any shares of capital stock of Sony Corporation.

For more information on Directors, refer to “Board Practices” in “Item 6. *Directors, Senior Management and Employees*.”

Capital stock

(General)

Unless indicated otherwise, set forth below is information relating to Sony Corporation’s capital stock, including brief summaries of the relevant provisions of Sony Corporation’s Articles of Incorporation and Share Handling Regulations, currently in effect, and of the Companies Act and related regulations.

On January 5, 2009, a central book-entry transfer system for shares of Japanese listed companies was established pursuant to the Act Concerning Book-entry Transfer of Corporate Bonds, Shares, etc. (including regulations promulgated thereunder, “Book-entry Transfer Act”), and this system is applied to the shares of Common Stock of Sony Corporation. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized, and shareholders must have accounts at account management institutions to hold their shares unless such shareholder has an account at Japan Securities Depository Center, Inc. (“JASDEC”). “Account management institutions” are financial instruments traders (i.e., securities companies), banks, trust companies and certain other financial institutions that meet the requirements prescribed by the Book-entry Transfer Act. Transfer of the shares of Common Stock of Sony Corporation is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded at the transferee’s account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Companies Act and the Book-entry Transfer Act, in order to assert shareholders’ rights against Sony Corporation, a shareholder of shares must have its name and address registered in Sony Corporation’s register of shareholders. Under the central book-entry transfer system operated by JASDEC, shareholders shall notify the relevant account management institutions of certain information prescribed under the Book-entry Transfer Act or Sony Corporation’s Share Handling Regulations, including their names and addresses, and the registration on Sony Corporation’s register of shareholders is updated upon receipt by Sony Corporation of necessary information from JASDEC (as described in “Record date”). On the other hand, in order to assert, against Sony Corporation, shareholders’ rights to which shareholders are entitled, regardless of whether such shareholder held shares on the requisite record date, such as minority shareholders’ rights, including the right to propose a matter to be considered at a General Meeting of Shareholders, except for shareholders’ rights to request that Sony Corporation purchase or sell shares constituting less than a full unit (as described in “Unit share system”), JASDEC shall, upon the shareholder’s request, issue a notice of certain information, including the name and address of such shareholder, to Sony Corporation.

Thereafter, such shareholder is required to present Sony Corporation a receipt of the notice request in accordance with the Sony Corporation's Share Handling Regulations. Under the Book-entry Transfer Act, the shareholder shall exercise such shareholders' right within four weeks after the notice above has been given to Sony Corporation.

Mitsubishi UFJ Trust and Banking Corporation is the transfer agent for Sony Corporation's capital stock. As such, it keeps Sony Corporation's register of shareholders in its office at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo.

Non-resident shareholders are required to appoint a standing proxy in Japan or file notice of a mailing address in Japan. Notices from Sony Corporation to non-resident shareholders are delivered to such standing proxies or mailing address. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. The recorded holder of deposited shares underlying the American Depositary Shares ("ADSs") is the depositary for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights against Sony Corporation.

(Authorized capital)

Under the Articles of Incorporation of Sony Corporation, Sony Corporation may only issue shares of Common Stock. Sony Corporation's Articles of Incorporation provide that the total number of shares authorized to be issued by Sony Corporation is 3.6 billion shares.

All shares of capital stock of Sony Corporation have no par value. All issued shares are fully-paid and non-assessable.

(Distribution of Surplus)

Distribution of Surplus — General

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called "dividends," are referred to as "distributions of Surplus" ("Surplus" is defined in "— Restriction on distributions of Surplus"). Sony Corporation may make distributions of Surplus to shareholders any number of times per business year, subject to certain limitations described in "— Restriction on distributions of Surplus." Distributions of Surplus are required in principle to be authorized by a resolution of a General Meeting of Shareholders, but Sony Corporation may authorize distributions of Surplus by a resolution of the Board of Directors as long as its non-consolidated annual financial statements and certain documents for the last business year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of Common Stock held by each shareholder. A resolution of the Board of Directors or a General Meeting of Shareholders authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, Sony Corporation may, pursuant to a resolution of the Board of Directors or (as the case may be) a General Meeting of Shareholders, grant a right to the shareholders to require Sony Corporation to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a General Meeting of Shareholders (refer to "Voting rights" with respect to a "special resolution").

Under the Articles of Incorporation of Sony Corporation, year-end dividends and interim dividends may be distributed in cash to shareholders appearing in Sony Corporation's register of shareholders as of March 31 and September 30 each year, respectively, in proportion to the number of shares of Common Stock held by each shareholder following approval by the Board of Directors or (as the case may be) the General Meeting of Shareholders. Sony Corporation is not obliged to pay any dividends in cash unclaimed for a period of five years after the date on which they first became payable.

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the shares of Common Stock generally goes ex-dividend on the second business day prior to the record date (or if the record date is not a business day, the third business day prior thereto).

Distribution of Surplus — Restriction on distribution of Surplus

In making a distribution of Surplus, Sony Corporation must, until the sum of its additional paid-in capital and legal reserve reaches one quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

- “A” = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year
- “B” = (if Sony Corporation has disposed of its treasury stock after the end of the last business year) the amount of the consideration for such treasury stock received by Sony Corporation less the book value thereof
- “C” = (if Sony Corporation has reduced its stated capital after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)
- “D” = (if Sony Corporation has reduced its additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)
- “E” = (if Sony Corporation has cancelled its treasury stock after the end of the last business year) the book value of such treasury stock
- “F” = (if Sony Corporation has distributed Surplus to its shareholders after the end of the last business year) the total book value of the Surplus so distributed
- “G” = certain other amounts set forth in ordinances of the Ministry of Justice, including (if Sony Corporation has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction and (if Sony Corporation has distributed Surplus to the shareholders after the end of the last business year) the amount set aside in additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by Sony Corporation may not exceed a prescribed distributable amount (the “Distributable Amount”), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the following:

- (a) the book value of its treasury stock;
- (b) the amount of consideration for any of treasury stock disposed of by Sony Corporation after the end of the last business year; and
- (c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year) all or certain part of such exceeding amount as calculated in accordance with ordinances of the Ministry of Justice.

As Sony Corporation has become a company with respect to which consolidated balance sheets should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), Sony Corporation must further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of stockholders' equity appearing on the non-consolidated balance sheet as of the end of the last business year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of stockholders' equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on the consolidated balance sheet as of the end of the last business year.

If Sony Corporation has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a General Meeting of Shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of the treasury stock disposed of by Sony Corporation, during the period in respect of which such interim financial statements have been prepared. Sony Corporation may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. Interim financial statements so prepared by Sony Corporation must be audited by the Audit Committee and the independent auditor, as required by the Companies Act and in accordance with the details prescribed by ordinances of the Ministry of Justice.

(Capital and reserves)

Sony Corporation may generally reduce its additional paid-in capital or legal reserve by resolution of a General Meeting of Shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, Sony Corporation may generally reduce its stated capital by a special shareholders' resolution (as defined in "*Voting rights*") and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, Sony Corporation may reduce its Surplus and increase either (i) stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case by resolution of a General Meeting of Shareholders.

(Stock splits)

Sony Corporation may at any time split shares in issue into a greater number of shares at the determination of the Chief Executive Officer ("CEO"), and may amend its Articles of Incorporation to increase the number of the authorized shares to be issued to allow such stock split pursuant to a resolution of the Board of Directors or a determination by a Corporate Executive Officer to whom the authority to make such determination has been delegated by a resolution of the Board of Directors, rather than relying on a special shareholders' resolution, which is otherwise required for amending the Articles of Incorporation.

When a stock split is to be made, Sony Corporation must give public notice of the stock split, specifying the record date thereof, at least two weeks prior to such record date. Under the central book-entry transfer system operated by JASDEC, Sony Corporation must also give notice to JASDEC regarding a stock split at least two weeks prior to the relevant effective date of the stock split. On the effective date of the stock split, the numbers of shares recorded in all accounts held by Sony Corporation's shareholders at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

(Consolidation of shares)

Sony Corporation may at any time consolidate issued shares into a smaller number of shares by a special shareholders' resolution. When a consolidation of shares is to be made, Sony Corporation must give public notice or notice to each shareholder at least two weeks prior to the effective date of the consolidation of shares. Under the central book-entry transfer system operated by JASDEC, Sony Corporation must also give notice to JASDEC regarding a consolidation of shares at least two weeks prior to the effective date of the consolidation of shares. On the effective date of the consolidation of shares, the numbers of shares recorded in all accounts held by Sony

Corporation's shareholders at account managing institutions or JASDEC will be decreased in accordance with the applicable ratio. Sony Corporation must disclose the reason for the consolidation of shares at a General Meeting of Shareholders.

(General Meeting of Shareholders)

The Ordinary General Meeting of Shareholders of Sony Corporation for each business year is normally held in June of each year in Tokyo, Japan. In addition, Sony Corporation may hold an Extraordinary General Meeting of Shareholders whenever necessary by giving notice thereof at least two weeks prior to the date set for the meeting.

Notice of a shareholders' meeting setting forth the place, time and purpose thereof must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to such shareholder's resident proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Under the Companies Act, such notice may be given to shareholders by electronic means, subject to obtaining consent by the relevant shareholders. The record date for an Ordinary General Meeting of Shareholders is March 31 of each year.

Any shareholder or group of shareholders holding at least three percent of the total number of voting rights for a period of six months or more may require the convocation of a General Meeting of Shareholders for a particular purpose. Unless such a shareholders' meeting is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such a shareholders' meeting.

Any shareholder or group of shareholders holding at least 300 voting rights or one percent of the total number of voting rights for a period of six months or more may propose a matter to be considered at a General Meeting of Shareholders by submitting a written request to Sony Corporation at least eight weeks prior to the date set for such meeting.

If the Articles of Incorporation so provide, any of the minimum voting rights or percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened. Sony Corporation's Articles of Incorporation currently do not include any such provisions.

(Voting rights)

So long as Sony Corporation maintains the unit share system, a holder of shares constituting one or more units is entitled to one vote for each such unit of stock (refer to ("*Unit share system*") below; currently 100 shares constitute one unit), except that no voting rights with respect to shares of capital stock of Sony Corporation are afforded to Sony Corporation or any corporate or certain other entities more than one-quarter of the total voting rights of which are directly or indirectly held by Sony Corporation. If Sony Corporation eliminates from its Articles of Incorporation the provisions relating to units of stock, holders of capital stock will have one vote for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation of Sony Corporation, a resolution can be adopted at a General Meeting of Shareholders by a majority of the number of voting rights of all the shareholders represented at the meeting. The Companies Act and Sony Corporation's Articles of Incorporation provide, however, that the quorum for the election of Directors shall be one-third of the total number of voting rights of all the shareholders. Sony Corporation's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may cast their votes in writing and may also exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. Shareholders may also exercise their voting rights by electronic means pursuant to the method designated by Sony Corporation.

The Companies Act and the Articles of Incorporation of Sony Corporation provide that in order to amend the Articles of Incorporation and in certain other instances, including:

- (1) acquisition of its own shares from a specific party other than its subsidiaries;
- (2) consolidation of shares;

- (3) any offering of new shares or existing shares held by Sony Corporation as treasury stock at a “specially favorable” price (or any offering of stock acquisition rights to acquire shares of capital stock, or bonds with stock acquisition rights on “specially favorable” conditions) to any persons other than shareholders;
- (4) the exemption of liability of a Director, Corporate Executive Officer or independent auditor with certain exceptions;
- (5) a reduction of stated capital with certain exceptions;
- (6) a distribution of in-kind dividends which meets certain requirements;
- (7) dissolution, merger, consolidation, or corporate split with certain exceptions;
- (8) the transfer of the whole or a material part of the business;
- (9) the transfer of the whole or a part of the shares or equity interests in a subsidiary which meets certain requirements;
- (10) the taking over of the whole of the business of any other corporation with certain exceptions; or
- (11) share exchange or share transfer for the purpose of establishing 100 percent parent-subsidary relationships with certain exceptions,

the quorum shall be one-third of the total number of voting rights of all the shareholders, and the approval by at least two-thirds of the number of voting rights of all the shareholders represented at the meeting is required (the “special shareholders’ resolutions”).

(Issue of additional shares and pre-emptive rights)

Holders of Sony Corporation’s shares of capital stock have no pre-emptive rights under its Articles of Incorporation. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors or the CEO determines, subject to the limitations as to the offering of new shares at a “specially favorable” price mentioned under (“*Voting rights*”) above.

In the case of an issuance or transfer of shares or stock acquisition rights whereby any subscriber will hold more than 50 percent of the voting rights of all shareholders, generally Sony Corporation shall give public notice at least two weeks prior to the payment date for such issuance or transfer, and if shareholders who hold one-tenth or more of the voting rights of all shareholders dissent from the issuance or transfer of shares or stock acquisition rights, the approval by a resolution of a General Meeting of Shareholders is generally required before the payment date pursuant to the Companies Act. In addition, in the case of an issuance of shares (including a transfer of treasury shares) of Sony Corporation or its stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25 percent or more or change the controlling shareholder, in addition to a resolution of the Board of Directors, the approval of the shareholders or an affirmative vote from a person independent of the management is generally required pursuant to the rules of the TSE. The Board of Directors or the CEO may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as of a record date of which not less than two weeks’ prior public notice is given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

Subject to certain conditions, Sony Corporation may issue stock acquisition rights by a resolution of the Board of Directors or a determination by the CEO. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, Sony Corporation will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it.

In cases where a particular issue of new shares or stock acquisition rights (i) violates laws and regulations or Sony Corporation's Articles of Incorporation, or (ii) will be performed in a manner materially unfair, and shareholders may suffer disadvantages therefrom, such shareholders may file an injunction to enjoin such issue with a court.

(Liquidation rights)

In the event of a liquidation of Sony Corporation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the holders of shares of Common Stock in proportion to the respective numbers of shares of Common Stock held.

(Record date)

March 31 is the record date for Sony Corporation's year-end dividends, if declared. So long as Sony Corporation maintains the unit share system, shareholders who are registered as the holders of one or more unit of stock in Sony Corporation's register of shareholders at the end of each March 31 are also entitled to exercise shareholders' rights at the Ordinary General Meeting of Shareholders with respect to the business year ending on such March 31. September 30 is the record date for interim dividends, if declared. In addition, Sony Corporation may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice.

JASDEC is required to promptly give Sony Corporation notice of the names and addresses of Sony Corporation's shareholders, the numbers of shares of Common Stock held by them and other relevant information as of such respective record dates.

The price of shares generally goes ex-dividends or ex-rights on Japanese stock exchanges on the second business day prior to a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings.

(Acquisition by Sony Corporation of its capital stock)

Under the Companies Act and the Articles of Incorporation of Sony Corporation, Sony Corporation may acquire shares of Common Stock (i) from a specific shareholder other than any of its subsidiaries (pursuant to the special shareholders' resolution), (ii) from any of its subsidiaries (pursuant to a determination by the CEO as delegated by the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which Sony Corporation's shares of Common Stock are listed or by way of tender offer (pursuant to a resolution of the Board of Directors, as long as its non-consolidated annual financial statements and certain documents for the last business year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice).

In the case of (i) above, any other shareholder may make a request to Sony Corporation that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter).

The total amount of the purchase price of shares of Common Stock may not exceed the Distributable Amount, as described in "*(Distribution of Surplus)* — Distributions of Surplus — Restriction on distributions of Surplus."

Shares acquired by Sony Corporation may be held for any period or may be retired at the determination of the CEO. Sony Corporation may also transfer (by public or private sale or otherwise) to any person the treasury shares held by it, subject to a determination by the CEO, and subject also to other requirements similar to those applicable to the issuance of new shares, as described in "*(Issue of additional shares and pre-emptive rights)*" above. Sony Corporation may also utilize its treasury stock for the purpose of transfer to any person upon

exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

(Unit share system)

The Articles of Incorporation of Sony Corporation provide that 100 shares constitute one “unit” of shares of stock. The Board of Directors or the Corporate Executive Officer to whom the authority to make such a determination has been delegated by a resolution of the Board of Directors is permitted to amend the Articles of Incorporation to reduce the number of shares that constitute a unit or to abolish the unit share system entirely. Under the Companies Act, the number of shares constituting one unit cannot exceed 1,000 shares nor 0.5 percent of the total number of issued shares.

Under the unit share system, shareholders have one voting right for each unit of stock that they hold. Any number of shares less than one full unit have neither voting rights nor rights related to voting rights. Holders of shares constituting less than one unit will have no other shareholder rights if Sony Corporation’s Articles of Incorporation so provide, except that such holders may not be deprived of certain rights specified in the Companies Act or an ordinance of the Ministry of Justice, including the right to receive distribution of Surplus.

A holder of shares constituting less than one full unit may require Sony Corporation to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of Sony Corporation. In addition, the Articles of Incorporation of Sony Corporation provide that a holder of shares constituting less than one full unit may request Sony Corporation to sell to such holder such amount of shares which will, when added together with the shares constituting less than one full unit, constitute one full unit of stock. Such request by a holder and the sale by Sony Corporation must be made in accordance with the provisions of the Share Handling Regulations of Sony Corporation. As prescribed in the Share Handling Regulations, such requests shall be made through an account management institution and JASDEC pursuant to the rules set by JASDEC, without going through the notification procedure required for the exercise of the shareholders’ rights to which shareholders are entitled, regardless of whether such shareholder held shares on the requisite record date, as described in “General.” Shares constituting less than a full unit are transferable, under the new book-entry transfer system described in “General.” Under the rules of the stock exchanges, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

(Sale by Sony Corporation of shares held by shareholders whose location is unknown)

Sony Corporation is not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in Sony Corporation’s register of shareholders or at the address otherwise notified to Sony Corporation continuously for five years or more.

In addition, Sony Corporation may sell or otherwise dispose of shares of capital stock for which the location of the shareholder is unknown. Generally, if (i) notices to a shareholder fail to arrive continuously for five years or more at the shareholder’s registered address in Sony Corporation’s register of shareholders or at the address otherwise notified to Sony Corporation, and (ii) the shareholder fails to receive distributions of Surplus on the shares continuously for five years or more at the address registered in Sony Corporation’s register of shareholders or at the address otherwise notified to Sony Corporation, Sony Corporation may sell or otherwise dispose of such shareholder’s shares at the then market price of the shares by a determination of a Corporate Executive Officer and after giving at least three months’ prior public and individual notice, and hold or deposit the proceeds of such sale or disposal of shares for such shareholder.

Reporting of substantial shareholdings

The Financial Instruments and Exchange Act of Japan and its related regulations require any person, regardless of residence, who has become, beneficially and solely or jointly, a holder of more than five percent of the total issued shares of capital stock of a company listed on any Japanese stock exchange or whose shares are

traded on the over-the-counter market in Japan to file with the Director General of the competent Local Finance Bureau of the Ministry of Finance within five business days a report concerning such shareholdings. A similar report must also be filed in respect of any subsequent change of one percent or more in any such holding, or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such persons upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares held by such holders and the issuer's total issued share capital. Any such report shall be filed with the Director General of the relevant Local Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors' Network (EDINET) system.

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, except for the limitations under the Foreign Exchange Regulations as described in D. Exchange Controls below, and except for general limitations under the Companies Act or Sony Corporation's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to Sony Corporation or under its Articles of Incorporation on the rights of non-residents or foreign shareholders to hold or exercise voting rights on the shares of capital stock of Sony Corporation.

There is no provision in Sony Corporation's Articles of Incorporation or internal regulations that would have an effect of delaying, deferring or preventing a change in control of Sony Corporation and that would operate only with respect to merger, acquisition or corporate restructuring involving Sony Corporation.

C. Material Contracts

None

D. Exchange Controls

The Foreign Exchange and Foreign Trade Act of Japan and its related cabinet orders and ministerial ordinances (the "Foreign Exchange Regulations") govern the acquisition and holding of shares of capital stock of Sony Corporation by "exchange non-residents" and by "foreign investors." The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than Japanese yen.

Exchange non-residents are:

- individuals who do not reside in Japan; and
- corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

- individuals who are exchange non-residents;
- corporations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and
- corporations (i) 50 percent or more of whose shares are held, directly or indirectly, by individuals who are exchange non-residents and/or corporations (a) that are organized under the laws of foreign countries or (b) whose principal offices are located outside of Japan or (ii) a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

In general, the acquisition of shares of a Japanese company (such as the shares of capital stock of Sony Corporation) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of capital stock of Sony Corporation) for consideration exceeding 100 million yen to an exchange non-resident, the resident of Japan who transfers the shares is required to report on the transfer to the Minister of Finance through the Bank of Japan within 20 days from the date of the transfer or the date of the receipt of payment, whichever comes later, unless the transfer was made through a bank or financial instruments business operator registered under Japanese law.

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange (such as the shares of capital stock of Sony Corporation) or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10 percent or more of the issued shares of the relevant company, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company by the 15th day of the month immediately following the month in which such acquisition took place. In limited circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, or where that Japanese company is engaged in certain businesses designated by the Foreign Exchange Regulations, a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition.

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from sales in Japan of shares of capital stock of Sony Corporation held by non-residents of Japan may generally be converted into any foreign currency and repatriated abroad.

E. Taxation

The following is a summary of the major Japanese national tax and U.S. federal income tax consequences of the ownership, acquisition and disposition of shares of Common Stock of Sony Corporation and of ADRs evidencing ADSs representing shares of Common Stock of Sony Corporation by a non-resident of Japan or a non-Japanese corporation without a permanent establishment in Japan. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, and does not take into account any specific individual circumstances of any particular investor. Accordingly, holders of shares of Common Stock or ADSs of Sony Corporation are encouraged to consult their tax advisors regarding the application of the considerations discussed below to their particular circumstances.

This summary is based upon the representations of the depositary and the assumption that each obligation in the deposit agreement in relation to the ADSs dated as of October 15, 2014, and in any related agreement, will be performed in accordance with its terms.

For purposes of the income tax convention between Japan and the United States (the “Treaty”) and the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. holders of ADSs generally will be treated as owning shares of Common Stock of Sony Corporation underlying the ADSs evidenced by the ADRs. For the purposes of the following discussion, a “U.S. holder” is a holder that:

- (i) is a resident of the U.S. for purposes of the Treaty;
- (ii) does not maintain a permanent establishment in Japan (a) with which shares of Common Stock or ADSs of Sony Corporation are effectively connected and through which the U.S. holder carries on or has carried on business or (b) of which shares of Common Stock or ADSs of Sony Corporation form part of the business property; and
- (iii) is eligible for benefits under the Treaty with respect to income and gain derived in connection with shares of Common Stock or ADSs of Sony Corporation.

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without a permanent establishment in Japan (“non-resident Holders”) who are holders of shares of Common Stock of Sony Corporation or of ADRs evidencing ADSs representing shares of Common Stock of Sony Corporation. The information given below regarding Japanese taxation is based on the tax laws and tax treaties in force and their interpretations by the Japanese tax authorities as of June 17, 2016. Tax laws and tax treaties as well as their interpretations may change at any time, possibly with retroactive effect. Sony Corporation will not update this summary for any changes in the tax laws or tax treaties or their interpretation that occurs after such date.

Generally, non-resident Holders are subject to Japanese withholding tax on dividends paid by Japanese corporations. Such taxes are withheld prior to payment of dividends as required by Japanese law. Stock splits are, in general, not a taxable event.

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident Holders is generally 20.42 percent, provided, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of Common Stock or ADSs of Sony Corporation) to non-resident Holders other than any individual shareholder who holds 3 percent or more of the total shares issued by the relevant Japanese corporation, the aforementioned 20.42 percent withholding tax rate is reduced to 15.315 percent for dividends due and payable on or before December 31, 2037. Due to the imposition of a special additional withholding tax (2.1 percent of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rates of 15 percent and 20 percent as applicable, have been effectively increased to 15.315 percent and 20.42 percent, respectively, until December 31, 2037.

As of the date of this document, Japan has income tax treaties, conventions or agreements in force, whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent or 10 percent for portfolio investors (15 percent under the income tax treaties with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain, and 10 percent under the income tax treaties with, among other countries, Australia, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the U.K. and the United States). Under the Treaty, the maximum rate of Japanese withholding tax that may be imposed on dividends paid by a Japanese corporation to a U.S. holder that does not own directly or indirectly at least 10 percent of the voting stock of the Japanese corporation is generally reduced to 10 percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to a U.S. holder that is a pension fund are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by Sony Corporation to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law, or if any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends on shares of Common Stock by Sony Corporation is, in principle, required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends (together with any other required forms and documents) in advance through the withholding agent to the relevant tax authority before the payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service. In this regard, a certain simplified special filing procedure is available for non-resident Holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention Regarding Relief from Japanese Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock (together with any other required forms and documents). With respect to ADSs, this reduced rate or exemption is applicable if the depositary or its agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends). To claim this reduced rate or exemption, a non-resident Holder of ADSs will be required to file a proof of taxpayer

status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the depositary. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced rate which is lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but failed to submit the required application in advance will be entitled to claim the refund of taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the full amount of tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) from the relevant Japanese tax authority, by complying with a certain subsequent filing procedure. Sony Corporation does not assume any responsibility to ensure withholding at the reduced treaty rate or to ensure the absence of withholding for shareholders who would be so eligible under any applicable income tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale of shares of Common Stock or ADSs of Sony Corporation outside Japan by a non-resident Holder holding such shares or ADSs as portfolio investors are, in general, not subject to Japanese income tax or corporation tax under Japanese tax law. U.S. holders are not subject to Japanese income or corporation tax with respect to such gains under the Treaty.

Japanese inheritance tax and gift tax at progressive rates may be payable by an individual who has acquired from another individual shares of Common Stock or ADSs of Sony Corporation as a legatee, heir or donee even though neither the acquiring individual nor the deceased nor donor is a Japanese resident.

Holders of shares of Common Stock or ADSs of Sony Corporation should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. holders, the possible application of the Estate and Gift Tax Treaty between the U.S. and Japan.

United States Taxation with respect to shares of Common Stock and ADSs

The U.S. dollar amount of dividends received (prior to deduction of Japanese taxes) by a U.S. holder of ADSs or Common Stock of Sony Corporation will be included in income as ordinary income for U.S. federal income tax purposes to the extent paid out of current or accumulated earnings and profits of Sony Corporation as determined for U.S. federal income tax purposes. Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a non-corporate U.S. holder with respect to the ADSs or Common Stock will be subject to taxation at a reduced rate if the dividends are “qualified dividends.” Dividends paid on the ADSs or Common Stock will be treated as qualified dividends if Sony Corporation was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid a passive foreign investment company (“PFIC”). Based on Sony Corporation’s audited financial statements and relevant market and shareholder data, Sony Corporation believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2015 taxable year. In addition, based on Sony Corporation’s audited financial statements and Sony Corporation’s current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, Sony Corporation does not anticipate becoming a PFIC for the 2016 taxable year. Holders of ADSs and Common Stock of Sony Corporation should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances.

Subject to applicable limitations and special considerations discussed below, a U.S. holder of ADSs or Common Stock of Sony Corporation will be entitled to a credit for Japanese tax withheld in accordance with the Treaty from dividends paid by Sony Corporation. For purposes of the foreign tax credit limitation, dividends will be foreign source income, and will generally constitute “passive” income. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions and may not be allowed in respect of arrangements in which economic profit, after non-U.S. taxes, is insubstantial. Holders of ADSs and Common Stock of Sony Corporation should consult their own tax advisors regarding the implications of these rules in light of their particular circumstances.

Dividends paid by Sony Corporation to U.S. corporate holders of ADSs or Common Stock of Sony Corporation will not be eligible for the dividends-received deduction.

In general, a U.S. holder will recognize capital gain or loss upon the sale or other disposition of ADSs or Common Stock of Sony Corporation equal to the difference between the amount realized on the sale or disposition and the U.S. holder's tax basis in the ADSs or Common Stock. Such capital gain or loss will be long-term capital gain or loss if the ADSs or Common Stock have been held for more than one year on the date of the sale or disposition. The net amount of long-term capital gain recognized by an individual holder is subject to lower rates of federal income taxation than ordinary income or short-term capital gain rates.

Under the Code, a U.S. holder of ADSs or Common Stock of Sony Corporation may be subject, under certain circumstances, to information reporting and possibly backup withholding with respect to dividends and proceeds from the sale or other disposition of ADSs or Common Stock, unless the U.S. holder provides proof of an applicable exemption or correct taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under the backup withholding rules is not an additional tax and may be refunded or credited against the U.S. holder's federal income tax liability, so long as the required information is furnished to the U.S. Internal Revenue Service.

F. Dividends and Paying Agent

Not Applicable

G. Statement by Experts

Not Applicable

H. Documents on Display

It is possible to read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. You can also access the documents at the SEC's home page (<http://www.sec.gov/index.html>).

I. Subsidiary Information

Not Applicable

Item 11. *Quantitative and Qualitative Disclosures about Market Risk*

Sony's business is continuously exposed to market fluctuation, such as fluctuations in currency exchange rates, interest rates or stock prices. Sony utilizes several derivative instruments, such as foreign exchange forward contracts, foreign currency option contracts, interest rate swap agreements and currency swap agreements in order to hedge the potential downside risk on the cash flow from the normal course of business caused by market fluctuation. Sony uses foreign exchange forward contracts and foreign currency option contracts primarily to reduce the foreign exchange volatility risk that accounts receivable or accounts payable denominated in yen, U.S. dollars, euros or other currencies have through the normal course of Sony's worldwide business. Interest rate swap agreements and currency swap agreements are utilized to diversify funding conditions or to reduce funding costs, and in the Financial Services segment, these transactions are used for asset liability management. Sony uses these derivative financial instruments mainly for risk-hedging purposes as described above, and some derivative transactions, such as bond futures and bond options, are held or utilized for trading purposes in the Financial Services segment. If hedge accounting cannot be applied because the accounts receivable or accounts payable to be hedged are not yet booked, or because cash flows from derivative transactions do not coincide with the underlying exposures recorded on Sony's balance sheet, such derivatives agreements are subject to a mark-to-market evaluation and their unrealized gains or losses are recognized in earnings. In addition, Sony holds marketable securities, such as straight bonds and stocks in yen or other currencies, in the Financial Services segment to obtain interest income or capital gain on the financial assets under management. These securities include a concentration of investments in long-term Japanese national government bonds, for which Sony monitors the related credit ratings and other market information on an ongoing basis. Investments in marketable securities are also subject to market fluctuation.

Sony measures the economic impact of market fluctuations on the value of derivatives agreements and marketable securities by using Value-at-Risk (“VaR”) analysis in order to comply with Item 11 disclosure requirements. VaR in this context indicates the potential maximum amount of loss in fair value resulting from adverse market fluctuations for a selected period of time and at a selected level of confidence.

The following table shows the results of VaR. These analyses for the fiscal year ended March 31, 2016 indicate the potential maximum loss in fair value as predicted by the VaR analysis resulting from market fluctuations in one day at a 95 percent confidence level. The VaR of currency exchange rate risk principally consists of risks arising from the volatility of the exchange rates between the yen and the U.S. dollar and between the yen and the euro, the currencies in which a significant amount of financial assets and liabilities and derivative transactions are maintained on a consolidated basis. The VaR of interest rate risk and stock price risk consists of risks arising from the volatility of the interest rates and stock prices against invested securities and derivatives transactions in the Financial Services segment.

The net VaR for Sony’s entire portfolio is smaller than the simple aggregate of VaR for each component of market risk. This is due to the fact that market risk factors such as currency exchange rates, interest rates and stock prices are not completely independent and potential profits and losses arising from each market risk may be mutually offsetting to some degree.

The disclosed VaR amounts simply represent the calculated maximum potential loss on the specified date and do not necessarily indicate an estimate of actual or future loss.

Consolidated

	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
	(Yen in billions)			
Net VaR	1.2	1.2	1.0	1.3
VaR of currency exchange rate risk	1.2	1.2	0.9	1.3
VaR of interest rate risk	0.1	0.1	0.1	0.1
VaR of stock price risk	0.0	0.0	0.0	0.0

Financial Services

	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
	(Yen in billions)			
Net VaR	1.3	0.9	0.8	1.1
VaR of currency exchange rate risk	1.2	0.9	0.8	1.0
VaR of interest rate risk	0.1	0.1	0.1	0.1
VaR of stock price risk	0.0	0.0	0.0	0.0

Sony without the Financial Services segment

	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
	(Yen in billions)			
Net VaR	0.8	0.6	0.4	0.8
VaR of currency exchange rate risk	0.8	0.6	0.4	0.8
VaR of interest rate risk	0.0	0.0	0.0	0.0
VaR of stock price risk	0.0	0.0	0.0	0.0

Item 12. Description of Securities Other Than Equity Securities**A. Debt Securities**

Not Applicable

B. Warrants and Rights

Not Applicable

C. Other Securities

Not Applicable

D. American Depositary Shares

Citibank N.A. (the “Depositary”) serves as the depositary for Sony Corporation’s ADSs. ADS holders (“Holders”) may be required to pay various fees to the Depositary and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid. The following fees may at any time and from time to time be changed by agreement (the “Deposit Agreement”) between Sony Corporation and the Depositary.

Under the terms of the Deposit Agreement, Holders may have to pay the following service fees to the Depositary.

Service	Rate	By Whom Paid
Issuance of ADSs upon deposit of Sony Corporation’s Common Stock	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) issued	Person depositing Sony Corporation’s Common Stock or person receiving ADSs
Delivery of deposited securities against surrender of ADSs	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) surrendered	Person surrendering ADSs for the purpose of withdrawal of deposited securities or person to whom deposited securities are delivered
Distribution of cash dividends or other cash distributions (i.e., sale of rights and other entitlements)	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) held	Person to whom distribution is made
Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, (ii) exercise of rights to purchase additional ADSs	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) held	Person to whom distribution is made
Distribution of securities other than ADSs or rights purchase Additional ADSs (i.e., spin-off shares)	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) held	Person to whom distribution is made
ADS Services	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary	Person holding ADSs on the applicable record date(s) established by the Depositary

The Company, Holders, beneficial owners of ADSs, persons depositing Sony Corporation’s Common Stock and persons surrendering ADSs for cancellation and for the purpose of withdrawing deposited securities shall be responsible for the following ADS charges under the term of the Deposit Agreement: (i) taxes (including

applicable interest and penalties) and other governmental charges; (ii) such registration fees as may from time to time be in effect for the registration of Sony Corporation's Common Stock or other deposited securities on the share register and applicable to transfer of Sony Corporation's Common Stock or other deposited securities to or from the name of the custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively; (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Sony Corporation's Common Stock or withdrawing deposited securities or of the Holders and beneficial owners of ADSs; (iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency; (v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Sony Corporation's Common Stock, deposited securities, ADSs and ADRs; and (vi) the fees and expenses incurred by the Depositary, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

Direct and Indirect Payments by the Depositary to Sony

The Depositary reimburses Sony for certain expenses Sony incurs in connection with its ADR program, subject to certain ceilings. These reimbursable expenses currently include, but are not limited to, legal and accounting fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. For the fiscal year ended March 31, 2016, such reimbursements totaled approximately 1,053,900 U.S. dollars.

In addition, as part of its service to Sony, the Depositary waives fees in connection with its ADR program, subject to a ceiling. These waived expenses currently include, but are not limited to, standard costs associated with the administration of the ADR program, associated operating expenses, investor relations advice and access to an internet-based tool used in Sony's investor relations activities. For the fiscal year ended March 31, 2016, the amount of such indirect payments was estimated to total 5,000 U.S. dollars.

Item 13. *Defaults, Dividend Arrearages and Delinquencies*

None

Item 14. *Material Modifications to the Rights of Security Holders and Use of Proceeds*

None

Item 15. *Controls and Procedures*

Item 15(a). Disclosure Controls and Procedures

Sony has carried out an evaluation under the supervision and with the participation of Sony's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of Sony's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of March 31, 2016. Disclosure controls and procedures require that information to be disclosed in the reports Sony files or submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported as and when required, within the time periods specified in the applicable rules and forms, and that such information is accumulated and communicated to Sony's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon Sony's evaluation, the CEO and CFO have concluded that, as of March 31, 2016, the disclosure controls and procedures were effective at the reasonable assurance level.

Item 15(b). Management's Annual Report on Internal Control over Financial Reporting

Sony's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Sony's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Sony's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Sony;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Sony are being made only in accordance with authorizations of management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Sony's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Sony's management evaluated the effectiveness of Sony's internal control over financial reporting as of March 31, 2016 based on the criteria established in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Sony maintained effective internal control over financial reporting as of March 31, 2016.

Sony's independent registered public accounting firm, PricewaterhouseCoopers Aarata, has issued an audit report on Sony's internal control over financial reporting as of March 31, 2016, presented on page (F-2).

Item 15(c). Attestation Report of the Registered Public Accounting Firm

Refer to the Report of Independent Registered Public Accounting Firm on page (F-2).

Item 15(d). Changes in Internal Control over Financial Reporting

There has been no change in Sony's internal control over financial reporting during the fiscal year ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, Sony's internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Sony's Board of Directors has determined that Takaaki Nimura qualifies as an "audit committee financial expert" as defined in Item 16A of Form 20-F under the Securities Exchange Act of 1934, as amended. In addition, he is determined to be independent as defined under the New York Stock Exchange ("NYSE") Corporate Governance Standards.

Item 16B. Code of Ethics

Sony has adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. The code of ethics applies to Sony's Chief Executive Officer, Chief Financial Officer, chief

accounting officer and persons performing similar functions, as well as to directors and all other officers and employees of Sony, as defined in the code of ethics. The code of ethics is available at <http://www.sony.net/code>.

Item 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table presents fees for audit and other services rendered by PricewaterhouseCoopers for the fiscal years ended March 31, 2015 and 2016.

	Fiscal year ended March 31	
	2015	2016
	Yen in millions	
Audit Fees (1)	3,919	3,561
Audit-Related Fees (2)	126	76
Tax Fees (3)	7	6
All Other Fees (4)	79	30
	<u>4,131</u>	<u>3,673</u>

- (1) Audit Fees consist of fees for the annual audit services engagement and other audit services, which are those services that only the external auditor can provide.
- (2) Audit-Related Fees consist of fees billed for assurance and related services, and audit services relating to benefit plans, business acquisitions and dispositions.
- (3) Tax Fees primarily consist of fees for tax advice.
- (4) All Other Fees consist of fees primarily for services rendered with respect to advisory services.

Audit Committee's Pre-Approval Policies and Procedures

Consistent with the U.S. Securities and Exchange Commission rules regarding auditor independence, Sony Corporation's Audit Committee is responsible for appointing, reviewing and setting compensation, retaining, and overseeing the work of Sony's independent auditor, so that the auditor's independence will not be impaired. The Audit Committee established a formal policy requiring pre-approval of all audit and permissible non-audit services provided by the independent auditor to Sony Corporation or any of its subsidiaries. The Audit Committee periodically reviews this policy with due regard for compliance with laws and regulations of host countries where Sony Corporation is listed.

Prior to the engagement of the independent auditor for the following fiscal year's audit, management submits an application form to the Audit Committee for comprehensive pre-approval of all recurring services expected to be rendered during that year. In order to obtain comprehensive pre-approval, management provides sufficient information regarding each service so that each service can be classified into one of four categories (Audit, Audit-Related, Tax, or All Other) as well as information regarding the fees expected to be budgeted for each service. Management describes each service in detail and indicates precisely and unambiguously the nature and scope of each particular service. Any additional services not contemplated in the application form require the Audit Committee's separate pre-approval on an individual basis. The Audit Committee approves, if necessary, any changes in terms, conditions and fees resulting from changes in the scope of services to be provided or from other circumstances. The Audit Committee Chair retains pre-approval authority and evaluates items for approval upon request. The Audit Committee or its designee establishes procedures to assure that the independent auditor is aware in a timely manner of the services that have been pre-approved.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets out information concerning purchases made by Sony Corporation during the fiscal year ended March 31, 2016.

Period	(a) Total number of shares purchased	(b) Average price paid per share (yen)	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares that may yet be purchased under the plans or programs
April 1 — 30, 2015	3,784	3,554.07	N/A	N/A
May 1 — 31, 2015	2,750	3,788.28	N/A	N/A
June 1 — 30, 2015	2,522	3,771.23	N/A	N/A
July 1 — 31, 2015	2,520	3,501.85	N/A	N/A
August 1 — 31, 2015	2,363	3,376.41	N/A	N/A
September 1 — 30, 2015	1,087	3,073.74	N/A	N/A
October 1 — 31, 2015	2,129	3,223.84	N/A	N/A
November 1 — 30, 2015	2,558	3,405.39	N/A	N/A
December 1 — 31, 2015	8,006	3,041.81	N/A	N/A
January 1 — 31, 2016	2,643	2,791.18	N/A	N/A
February 1 — 28, 2016	1,426	2,544.75	N/A	N/A
March 1 — 31, 2016	2,147	2,682.73	N/A	N/A
Total	33,935	3,247.82	N/A	N/A

Under the Companies Act, a holder of shares constituting less than one full unit may require Sony Corporation to purchase such shares at their market value (Refer to “B. Memorandum and Articles of Association — *Capital stock — (Unit share system)*” in “Item 10. *Additional Information*”). During the fiscal year ended March 31, 2016, Sony Corporation purchased 33,935 shares of Common Stock for a total purchase price of 110,214,650 yen upon such requests from holders of shares constituting less than one full unit.

Item 16F. Change in Registrant’s Certifying Accountant

Not Applicable

Item 16G. Disclosure About Differences in Corporate Governance

The table below discloses the significant ways in which Sony’s corporate governance practices differ from those required for U.S. companies under the listing standards of the NYSE. As a foreign private issuer listed on the NYSE, Sony is exempt from most of the exchange’s corporate governance standards requirements. For further information on Sony’s corporate governance practices and history, please refer to “Board Practices” in “Item 6. *Director, Senior Management and Employees.*” In the table below, any reference to “Sony” shall mean Sony Corporation.

NYSE Standards	Sony’s Corporate Governance Practices
Board Independence. A majority of board directors must be independent.	Sony has adopted the “Company with Three Committees” system under the Companies Act. Sony’s Charter of the Board of Directors (attached as an exhibit 1.3 to this report) requires its board to consist of between 10 to 20 directors. The Companies Act does not require Sony to have a majority of “independent” (in the meaning given by the NYSE Corporate Governance Standards) directors on its board; rather, it requires Sony to have a majority of “outside” directors (the definition of the term “outside” director is summarized below) on

Director Independence. A director is not independent if such director is

- (i) a person who the board determines has a material direct or indirect relationship with the company, its parent or a consolidated subsidiary;
- (ii) a person who, within the last three years, has been an employee of the company or has an immediate family member of an executive officer of the company, its parent or a consolidated subsidiary;
- (iii) a person who had received, or whose immediate family member had received, during any 12-month period within the last three years, more than 120,000 U.S. dollars per year in direct compensation from the company, its parent or a consolidated subsidiary, other than director and committee fees or deferred compensation for prior services (provided such compensation is not contingent in any way on continued service);
- (iv) (A) a person who is, or whose immediate family member is, a current partner or employee of a firm that is the company's internal or external auditor; (B) a person whose immediate family member is a partner of such a firm; (C) a person who has an immediate family member who is a current employee of such a firm and who personally participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) a person who was, or has an immediate family member who was, within the last three years, a partner or employee of such a firm and personally worked on the listed company's audit within that time;
- (v) a person who is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee; or
- (vi) an executive officer or employee of a company, or has an immediate family member of an executive officer of a company, that makes payments to, or receives payments from, the listed company, its parent or a consolidated subsidiary for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of 1 million U.S. dollars or 2 percent of such other company's consolidated gross revenues.

each of three statutory committees (the Nominating Committee, the Audit Committee and the Compensation Committee).

"Outside" director is defined in the Companies Act as a person who satisfies all of the requirements (i) through (v) below:

- (i) a person who is not a director of Sony Corporation or any of its subsidiaries engaged in the business operations of Sony Corporation or such subsidiaries, as the case may be, or a Corporate Executive Officer or general manager or other employee ("Group Executive Director, etc.") of Sony Corporation or any of its subsidiaries and who has not been a Group Executive Director, etc. of Sony Corporation or any of its subsidiaries for ten years prior to assuming his/her office; (ii) if a person who has been a director, accounting counselor (if the accounting counselor is a juridical person, a member who is in charge of the affairs), or corporate auditor of Sony Corporation or any of its subsidiaries (excluding a person who has been a Group Executive Director, etc.) at the time within ten years prior to assuming his/her office, a person who has not been a Group Executive Director, etc. of Sony Corporation or any of its subsidiaries for ten years prior to assuming his/her office as a director, an accounting counselor, or a corporate auditor; (iii) a person who is not a director or a Corporate Executive Officer or general manager or other employee of a parent company or any entity which controls the management of Sony Corporation; (iv) a person who is not a Group Executive Director, etc. of a direct/indirect subsidiary of Sony Corporation or any entity the management of which is directly or indirectly controlled by Sony Corporation; and (v) a person who is not a spouse or relative within the second degree of kinship of a director or a Corporate Executive Officer or general manager or other employee of Sony Corporation.

Under the Companies Act, a director's status as an "outside" director is unaffected by the director's compensation, his or her affiliation with business partners, or the board's affirmative determination of independence. On the other hand, under the Companies Act, a director who has had a career as a management director, corporate executive officer, or other employee of the company, its subsidiaries or other group companies is by definition not an "outside" director.

Sony's Charter of the Board of Directors includes a provision requiring that each "outside" director:

- (i) Shall not have received directly from Sony Group, during any consecutive 12-month period within the last three years, more than an amount equivalent to 120,000 U.S. dollars, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); and
- (ii) Shall not be a director, a statutory auditor, a corporate executive officer, a general manager or other employee of any company whose aggregate amount of transactions with Sony Group, in any of the last three fiscal years, exceeds the greater of an amount equivalent to 1,000,000 U.S. dollars, or 2 percent of the annual consolidated sales of such company;

In addition, the Securities Listing Regulations of the Tokyo Stock Exchange require Sony to make efforts to have at least one "Independent Director" on the Board of Directors. "Independent Director" is defined in the Securities Listing Regulations of the Tokyo Stock Exchange as an "outside" director who is unlikely to have conflicts of interest with shareholders. According to the guidelines of the Tokyo Stock Exchange, if a person falls in any of the categories listed below, such person, in principle, will be considered to have a conflict of interest with shareholders of the listed company.

- (1) A person for which the listed company is a major client or a person who executes business of a person for which the listed company is a major client;
- (2) A major client of the listed company or a person who executes business of a major client of the listed company;
- (3) A consultant, accounting professional, or legal professional (or, if such consultant, accounting professional, or legal professional is a juridical person, a member of such juridical person) of the listed company who receives a large amount of money or other consideration other than remuneration for directorship/auditorship from such listed company;

-
- (4) A person who has fallen in any of categories (a) through (d) listed below until recently:
 - (a) A person who falls in any of (1) through (3) listed above;
 - (b) A person who executes business of a parent company of the listed company or a director who does not execute business of a parent company of the listed company;
 - (c) A corporate auditor of a parent company of the listed company; or
 - (d) A person who executes business of a fellow subsidiary of the listed company.
 - (5) A close relative of a person who falls in any of categories (a) through (h) listed below (only if such person is significant):
 - (a) A person who falls in any of (1) through (4) listed above;
 - (b) An accounting counselor of the listed company;
 - (c) A person who executes business of a subsidiary of the listed company;
 - (d) A director who does not execute business of a subsidiary of the listed company or an accounting counselor of a subsidiary of the listed company;
 - (e) A person who executes business of a parent company of the listed company or a director who does not execute business of a parent company of the listed company;
 - (f) A corporate auditor of a parent company of the listed company;
 - (g) A person who executes business of a fellow subsidiary of the listed company; or
 - (h) A person who has fallen in any of categories (b) through (d) listed above or a person who has executed business of the listed company until recently.

As of June 17, 2016, 8 of the 11 members of Sony's Board of Directors qualified as "outside" directors. In addition, all 8 "outside" directors are qualified and designated as "Independent Directors" under the Securities Listing Regulations of the Tokyo Stock Exchange.

NYSE Standards

Executive Sessions. Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year.

Sony's Corporate Governance Practices

An "outside" director, as defined under the Companies Act, is equivalent to a "non-management director" under the NYSE rules because an "outside" director does not engage in the execution of business operations of the company.

The outside/non-management directors generally meet several times a year without management, though neither the Companies Act nor Sony's Charter of the Board of Directors requires non-management directors to meet regularly without management and there is no requirement for the outside directors to meet alone in an executive session at least once a year.

Nominating/Corporate Governance Committee. A nominating/corporate governance committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities (including development of corporate governance guidelines) and annual performance evaluation of the committee.

Sony's Nominating Committee consists of at least three directors. Under the Companies Act, the Committee is responsible for determining the contents of proposals regarding the appointment and dismissal of directors to be submitted for approval to the shareholders' meeting. Unlike listed U.S. companies under NYSE rules, it is not responsible for developing governance guidelines or overseeing the evaluation of the board and management. Under the Companies Act, a majority of its members must be "outside" directors, as defined under the Companies Act. Sony's Charter of the Board of Directors requires at least one of the directors on the Committee to be a corporate executive officer.

Compensation Committee. A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. In addition, in accordance with the SEC rules adopted pursuant to Section 952 of the Dodd-Frank Act, NYSE listing standards expanded the factors relevant in determining whether a committee member has a relationship to the company that will materially affect that member's duties to the compensation committee and provided compensation committees the authority to engage compensation advisers. Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser's independence from management, unless the adviser's role is (i) limited to consulting on a generally applicable broad-based plan or (ii) is providing

Sony's Compensation Committee consists of at least three directors. Under the Companies Act, a majority of its members must be "outside" directors, as defined under the Companies Act. Sony's Charter of the Board of Directors recommends that at least one of the directors on the Committee be a corporate executive officer. The Charter prohibits the CEO and/or the COO (or a person at any equivalent position) from serving on the Compensation Committee. Under the Companies Act, the Committee is responsible for, among others, determining the compensation of each director and corporate executive officer.

information that is not customized for the issuer or is not customized by the adviser and about which the adviser does not provide advice.

Audit Committee. An audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act is required. The committee must have at least three members. All members must be independent. The committee must have a charter addressing the committee’s purpose, an annual performance evaluation of the committee and the duties and responsibilities of the committee.

Sony’s Audit Committee consists of at least three directors. Under the Companies Act, a majority of its members must be “outside” directors, as defined under the Companies Act. In addition, pursuant to the Companies Act, no member of the Committee shall be a director of the company or any of its subsidiaries who is engaged in the business operations of the company or such subsidiary, as the case may be, or a corporate executive officer of the company or any of its subsidiaries, or an accounting counselor, general manager or other employee of any of such subsidiaries. Sony’s Charter of the Board of Directors also requires each member of the Audit Committee to meet the independence requirements of the applicable U.S. securities laws and regulations, and requires at least one member to meet the audit committee financial expert requirements. Currently, all the members of Sony’s Audit Committee are also “independent” as defined in the NYSE Corporate Governance Standards, and one member of the Committee is qualified as an audit committee financial expert. Sony’s Charter of the Board of Directors discourages any Audit Committee member from concurrently being a member of other Committees.

Equity Compensation Plans. Equity compensation plans require shareholder approval, subject to limited exemptions.

Under the Companies Act, if Sony wishes to adopt an equity compensation plan under which stock acquisition rights are granted on specially favorable conditions, except where all of its shareholders are granted rights to subscribe for such stock acquisition rights or such stock acquisition rights are gratuitously allocated to all of its shareholders, each on a pro rata basis, then Sony must obtain shareholder approval by a “special resolution” of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights of all of its shareholders and the approval by at least two-thirds of the number of voting rights of all the shareholders represented at the meeting is required under Sony’s Articles of Incorporation.

NYSE Standards	Sony's Corporate Governance Practices
Corporate Governance Guidelines. Corporate governance guidelines must be adopted and disclosed.	Sony is required to disclose the status of its corporate governance under the Companies Act, Financial Instruments and Exchange Act and its related regulations, and the Securities Listing Regulations of the Tokyo Stock Exchange; however, Sony does not have corporate governance guidelines that cover all the requirements described in the NYSE Corporate Governance Standards, as many of the provisions do not apply to Sony. Details of the status are posted on the following website: http://www.sony.net/SonyInfo/csr_report/governance/
Code of Ethics. A code of business conduct and ethics for directors, officers and employees must be adopted and disclosed, along with any waivers of the code for directors or executive officers.	Although this provision of the NYSE Corporate Governance Standards does not apply to Sony, Sony has adopted a code of conduct to be observed by all its directors, officers and other employees. The code of conduct is available at http://www.sony.net/code The code's content covers principal items described in the NYSE Corporate Governance Standards.
Item 16H. Mine Safety Disclosure Not Applicable	
Item 17. Financial Statements Not Applicable	
Item 18. Financial Statements Refer to the consolidated financial statements.	

Item 19. Exhibits

Documents filed as exhibits to this annual report:

- 1.1 Articles of Incorporation of Sony Corporation, as amended (English Translation) , incorporated by reference to Exhibit 1.1 to Sony’s annual report on Form 20-F for the fiscal year ended March 31, 2015 (Commission file number 001-06439) filed on June 23, 2015
- 1.2 Share Handling Regulations (English Translation), incorporated by reference to Exhibit 1.2 to Sony’s annual report on Form 20-F for the fiscal year ended March 31, 2010 (Commission file number 001-06439) filed on June 28, 2010
- 1.3 Charter of the Board of Directors, as amended (English Translation), incorporated by reference to Exhibit 1.3 to Sony’s annual report on Form 20-F for the fiscal year ended March 31, 2015 (Commission file number 001-06439) filed on June 23, 2015
- 8.1 Significant subsidiaries (as defined in §210.1-02(w) of Regulation S-X) of Sony Corporation, including additional subsidiaries that management has deemed to be significant, as of March 31, 2015: Incorporated by reference to “Business Overview” and “Organizational Structure” in “Item 4. Information on the Company”
- 12.1 302 Certification
- 12.2 302 Certification
- 13.1 906 Certification
- 15.1 Consent of PricewaterhouseCoopers Aarata
- 101.1 XBRL INSTANCE DOCUMENT
- 101.1 XBRL TAXONOMY EXTENSION SCHEMA
- 101.1 XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
- 101.1 XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
- 101.1 XBRL TAXONOMY EXTENSION LABEL LINKBASE
- 101.1 XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SONY CORPORATION

(Registrant)

By: /s/ KENICHIRO YOSHIDA

(Signature)

Kenichiro Yoshida

Executive Deputy President and Chief Financial
Officer

Date: June 17, 2016

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets at March 31, 2015 and 2016	F-4
Consolidated Statements of Income for the years ended March 31, 2014, 2015 and 2016	F-6
Consolidated Statements of Comprehensive Income for the years ended March 31, 2014, 2015 and 2016	F-8
Consolidated Statements of Cash Flows for the years ended March 31, 2014, 2015 and 2016	F-9
Consolidated Statements of Changes in Stockholders' Equity for the years ended March 31, 2014, 2015 and 2016	F-11
Index to Notes to Consolidated Financial Statements	F-14
Notes to Consolidated Financial Statements	F-15
Financial Statement Schedule II for the years ended March 31, 2014, 2015 and 2016 — Valuation and Qualifying Accounts	F-93

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Sony Corporation (Sony Kabushiki Kaisha)

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Sony Corporation and its subsidiaries (the “Company”) at March 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Aarata

Tokyo, Japan

May 20, 2016,

except for Note 29,

as to which the date is June 17, 2016

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31

	Yen in millions	
	2015	2016
ASSETS		
Current assets:		
Cash and cash equivalents	949,413	983,612
Marketable securities	936,731	946,397
Notes and accounts receivable, trade	986,500	926,375
Allowance for doubtful accounts and sales returns	(86,598)	(72,783)
Inventories	665,432	683,146
Other receivables	231,947	206,058
Deferred income taxes	47,788	40,940
Prepaid expenses and other current assets	466,688	482,982
Total current assets	4,197,901	4,196,727
Film costs	305,232	301,228
Investments and advances:		
Affiliated companies	171,063	164,874
Securities investments and other	8,360,290	9,069,209
	8,531,353	9,234,083
Property, plant and equipment:		
Land	123,629	121,707
Buildings	679,125	655,379
Machinery and equipment	1,764,241	1,795,991
Construction in progress	35,786	69,286
	2,602,781	2,642,363
Less — Accumulated depreciation	1,863,496	1,821,545
	739,285	820,818
Other assets:		
Intangibles, net	642,361	615,754
Goodwill	561,255	606,290
Deferred insurance acquisition costs	520,571	511,834
Deferred income taxes	89,637	97,639
Other	246,736	289,017
	2,060,560	2,120,534
Total assets	15,834,331	16,673,390

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	Yen in millions	
	2015	2016
LIABILITIES		
Current liabilities:		
Short-term borrowings	62,008	149,272
Current portion of long-term debt	159,517	187,668
Notes and accounts payable, trade	622,215	550,964
Accounts payable, other and accrued expenses	1,374,099	1,367,115
Accrued income and other taxes	98,414	88,865
Deposits from customers in the banking business	1,872,965	1,912,673
Other	556,372	574,193
Total current liabilities	4,745,590	4,830,750
Long-term debt	712,087	556,605
Accrued pension and severance costs	298,753	462,384
Deferred income taxes	445,876	450,926
Future insurance policy benefits and other	4,122,372	4,509,215
Policyholders' account in the life insurance business	2,259,514	2,401,320
Other	316,422	330,302
Total liabilities	12,900,614	13,541,502
Redeemable noncontrolling interest	5,248	7,478
Commitments and contingent liabilities		
EQUITY		
Sony Corporation's stockholders' equity:		
Common stock, no par value —		
2015 — Shares authorized: 3,600,000,000; shares issued: 1,169,773,260	707,038	
2016 — Shares authorized: 3,600,000,000; shares issued: 1,262,493,760		858,867
Additional paid-in capital	1,185,777	1,325,719
Retained earnings	813,765	936,331
Accumulated other comprehensive income —		
Unrealized gains on securities, net	154,153	140,736
Unrealized losses on derivative instruments, net	—	(1,198)
Pension liability adjustment	(201,131)	(371,739)
Foreign currency translation adjustments	(338,305)	(421,117)
	(385,283)	(653,318)
Treasury stock, at cost		
Common stock		
2015 — 1,031,323 shares	(4,220)	
2016 — 1,047,745 shares		(4,259)
	2,317,077	2,463,340
Noncontrolling interests	611,392	661,070
Total equity	2,928,469	3,124,410
Total liabilities and equity	15,834,331	16,673,390

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

Fiscal year ended March 31

	Yen in millions		
	2014	2015	2016
Sales and operating revenue:			
Net sales	6,682,274	7,035,537	6,949,357
Financial services revenue	988,944	1,077,604	1,066,319
Other operating revenue	96,048	102,739	90,036
	7,767,266	8,215,880	8,105,712
Costs and expenses:			
Cost of sales	5,140,053	5,275,144	5,166,894
Selling, general and administrative	1,728,520	1,811,461	1,691,930
Financial services expenses	816,158	882,990	907,758
Other operating expense, net	48,666	181,658	47,171
	7,733,397	8,151,253	7,813,753
Equity in net income (loss) of affiliated companies	(7,374)	3,921	2,238
Operating income	26,495	68,548	294,197
Other income:			
Interest and dividends	16,652	12,887	12,455
Gain on sale of securities investments, net	12,049	8,714	52,068
Other	13,752	3,475	2,326
	42,453	25,076	66,849
Other expenses:			
Interest	23,460	23,600	25,286
Loss on devaluation of securities investments	1,648	852	3,309
Foreign exchange loss, net	9,224	20,533	20,565
Other	8,875	8,910	7,382
	43,207	53,895	56,542
Income before income taxes	25,741	39,729	304,504
Income taxes:			
Current	101,243	80,751	94,578
Deferred	(6,661)	7,982	211
	94,582	88,733	94,789
Net income (loss)	(68,841)	(49,004)	209,715
Less — Net income attributable to noncontrolling interests	59,528	76,976	61,924
Net income (loss) attributable to Sony Corporation's stockholders	(128,369)	(125,980)	147,791

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income (Continued)

	Yen		
	2014	2015	2016
Per share data:			
Common stock			
Net income (loss) attributable to Sony Corporation's stockholders			
— Basic	(124.99)	(113.04)	119.40
— Diluted	(124.99)	(113.04)	117.49
Cash dividends	25.00	—	20.00

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Fiscal year ended March 31

	Yen in millions		
	2014	2015	2016
Net income (loss)	(68,841)	(49,004)	209,715
Other comprehensive income, net of tax —			
Unrealized gains on securities	19,310	38,718	2,220
Unrealized gains (losses) on derivative instruments	742	—	(1,198)
Pension liability adjustment	11,883	(21,187)	(171,753)
Foreign currency translation adjustments	158,884	65,790	(83,899)
Total comprehensive income (loss)	121,978	34,317	(44,915)
Less — Comprehensive income attributable to noncontrolling interests	62,437	93,995	75,329
Comprehensive income (loss) attributable to Sony Corporation's stockholders	59,541	(59,678)	(120,244)

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

Fiscal year ended March 31

	Yen in millions		
	2014	2015	2016
Cash flows from operating activities:			
Net income (loss)	(68,841)	(49,004)	209,715
Adjustments to reconcile net income (loss) to net cash provided by operating activities —			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	376,695	354,624	397,091
Amortization of film costs	285,673	272,941	299,587
Accrual for pension and severance costs, less payments	(38,131)	9,638	(6,383)
Other operating expense, net	48,666	181,658	47,171
Gain on sale or devaluation of securities investments, net	(10,401)	(7,916)	(48,857)
(Gain) loss on revaluation of marketable securities held in the financial services business for trading purposes, net	(58,608)	(100,729)	44,821
(Gain) loss on revaluation or impairment of securities investments held in the financial services business, net	(3,688)	(1,397)	2,653
Deferred income taxes	(6,661)	7,982	211
Equity in net income of affiliated companies, net of dividends	10,022	2,269	5,045
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	(29,027)	33,843	(5,828)
(Increase) decrease in inventories	20,248	113,485	(57,804)
Increase in film costs	(266,870)	(252,403)	(318,391)
Increase (decrease) in notes and accounts payable, trade	103,379	(118,577)	(49,525)
Decrease in accrued income and other taxes	(3,110)	(11,033)	(23,607)
Increase in future insurance policy benefits and other	391,541	460,336	403,392
Increase in deferred insurance acquisition costs	(77,656)	(79,861)	(83,774)
Increase in marketable securities held in the financial services business for trading purposes	(33,803)	(51,565)	(107,433)
(Increase) decrease in other current assets	(48,115)	16,276	21,299
Increase (decrease) in other current liabilities	58,656	86,718	(25,751)
Other	14,147	(112,645)	45,457
Net cash provided by operating activities	664,116	754,640	749,089

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	Yen in millions		
	2014	2015	2016
Cash flows from investing activities:			
Payments for purchases of fixed assets	(283,457)	(215,916)	(375,411)
Proceeds from sales of fixed assets	99,694	36,777	26,472
Payments for investments and advances by financial services business	(1,032,594)	(960,045)	(1,221,093)
Payments for investments and advances (other than financial services business)	(14,892)	(20,029)	(20,830)
Proceeds from sales or return of investments and collections of advances by financial services business	426,621	482,537	534,072
Proceeds from sales or return of investments and collections of advances (other than financial services business)	75,417	49,479	81,535
Proceeds from sales of businesses	15,016	93	17,790
Other	3,693	(12,532)	(72,938)
Net cash used in investing activities	(710,502)	(639,636)	(1,030,403)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	178,935	18,507	19,076
Payments of long-term debt	(164,540)	(258,102)	(270,669)
Increase (decrease) in short-term borrowings, net	25,183	(51,013)	98,153
Increase in deposits from customers in the financial services business, net	238,828	57,464	165,169
Proceeds from issuance of convertible bonds	—	—	120,000
Proceeds from issuance of new shares of common stock	—	—	301,708
Dividends paid	(25,643)	(13,160)	(12,751)
Other	(44,886)	(16,891)	(40,564)
Net cash provided by (used in) financing activities	207,877	(263,195)	380,122
Effect of exchange rate changes on cash and cash equivalents	58,614	51,138	(64,609)
Net increase (decrease) in cash and cash equivalents	220,105	(97,053)	34,199
Cash and cash equivalents at beginning of the fiscal year	826,361	1,046,466	949,413
Cash and cash equivalents at end of the fiscal year	1,046,466	949,413	983,612
Supplemental data:			
Cash paid during the fiscal year for —			
Income taxes	101,091	97,775	138,770
Interest	23,819	21,982	26,166
Non-cash investing and financing activities —			
Conversion of convertible bonds	31,220	118,780	—
Obtaining assets by entering into capital leases	82,260	10,714	14,759
Collections of deferred proceeds from sales of receivables —	35,196	22,512	2,298

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2013	630,923	1,110,531	1,094,775	(639,495)	(4,472)	2,192,262	479,742	2,672,004
Exercise of stock acquisition rights	121	121				242		242
Conversion of zero coupon convertible bonds	15,610	15,610				31,220		31,220
Stock-based compensation		906				906		906
Comprehensive income:								
Net income (loss)			(128,369)			(128,369)	59,528	(68,841)
Other comprehensive income, net of tax —								
Unrealized gains on securities				18,430		18,430	880	19,310
Unrealized gains on derivative instruments				742		742		742
Pension liability adjustment				11,777		11,777	106	11,883
Foreign currency translation adjustments				156,961		156,961	1,923	158,884
Total comprehensive income						59,541	62,437	121,978
Stock issue costs, net of tax			(127)			(127)		(127)
Dividends declared			(26,017)			(26,017)	(15,430)	(41,447)
Purchase of treasury stock					(76)	(76)		(76)
Reissuance of treasury stock		(140)			264	124		124
Transactions with noncontrolling interests shareholders and other		62				62	(1,745)	(1,683)
Balance at March 31, 2014	646,654	1,127,090	940,262	(451,585)	(4,284)	2,258,137	525,004	2,783,141

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2014	646,654	1,127,090	940,262	(451,585)	(4,284)	2,258,137	525,004	2,783,141
Exercise of stock acquisition rights	994	994				1,988		1,988
Conversion of zero coupon convertible bonds	59,390	59,390				118,780		118,780
Stock-based compensation		873				873		873
Comprehensive income:								
Net income (loss)			(125,980)			(125,980)	76,976	(49,004)
Other comprehensive income, net of tax —								
Unrealized gains on securities				26,644		26,644	12,074	38,718
Pension liability adjustment				(21,092)		(21,092)	(95)	(21,187)
Foreign currency translation adjustments				60,750		60,750	5,040	65,790
Total comprehensive income (loss)						(59,678)	93,995	34,317
Stock issue costs, net of tax			(517)			(517)		(517)
Dividends declared			—			—	(14,108)	(14,108)
Purchase of treasury stock					(101)	(101)		(101)
Reissuance of treasury stock		(99)			165	66		66
Transactions with noncontrolling interests shareholders and other		(2,471)				(2,471)	6,501	4,030
Balance at March 31, 2015	707,038	1,185,777	813,765	(385,283)	(4,220)	2,317,077	611,392	2,928,469

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2015	707,038	1,185,777	813,765	(385,283)	(4,220)	2,317,077	611,392	2,928,469
Issuance of new shares	150,854	150,854				301,708		301,708
Exercise of stock acquisition rights	975	975				1,950		1,950
Stock-based compensation		1,516				1,516		1,516
Comprehensive income:								
Net income			147,791			147,791	61,924	209,715
Other comprehensive income, net of tax —								
Unrealized gains (losses) on securities				(13,417)		(13,417)	15,637	2,220
Unrealized losses on derivative instruments				(1,198)		(1,198)		(1,198)
Pension liability adjustment				(170,608)		(170,608)	(1,145)	(171,753)
Foreign currency translation adjustments				(82,812)		(82,812)	(1,087)	(83,899)
Total comprehensive income (loss)						(120,244)	75,329	(44,915)
Stock issue costs, net of tax		(1,478)				(1,478)		(1,478)
Dividends declared			(25,225)			(25,225)	(20,868)	(46,093)
Purchase of treasury stock					(110)	(110)		(110)
Reissuance of treasury stock		(12)			71	59		59
Transactions with noncontrolling interests shareholders and other		(11,913)				(11,913)	(4,783)	(16,696)
Balance at March 31, 2016	858,867	1,325,719	936,331	(653,318)	(4,259)	2,463,340	661,070	3,124,410

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Index to Notes to Consolidated Financial Statements

Sony Corporation and Consolidated Subsidiaries

	<u>Page</u>
Notes to Consolidated Financial Statements	
1. Nature of operations	F-15
2. Summary of significant accounting policies	F-15
3. Inventories	F-28
4. Film costs	F-28
5. Investments in affiliated companies	F-29
6. Transfer of financial assets	F-31
7. Marketable securities and securities investments	F-32
8. Leases	F-34
9. Goodwill and intangible assets	F-36
10. Insurance-related accounts	F-39
11. Short-term borrowings and long-term debt	F-40
12. Housing loans and deposits from customers in the banking business	F-42
13. Fair value measurements	F-43
14. Derivative instruments and hedging activities	F-50
15. Pension and severance plans	F-55
16. Stockholders' equity	F-63
17. Stock-based compensation plans	F-67
18. Thai Floods	F-68
19. Restructuring charges	F-69
20. Supplemental consolidated statements of income information	F-72
21. Income taxes	F-73
22. Reconciliation of the differences between basic and diluted EPS	F-78
23. Variable interest entities	F-78
24. Acquisitions	F-80
25. Divestitures	F-82
26. Collaborative arrangements	F-83
27. Commitments, contingent liabilities and other	F-83
28. Business segment information	F-86
29. Subsequent events	F-92

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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, professional and industrial markets as well as game consoles and software. Sony’s primary manufacturing facilities are located in Asia including Japan. Sony also utilizes third-party contract manufacturers for certain products. Sony’s products are marketed throughout the world by sales subsidiaries and unaffiliated distributors as well as direct sales via the Internet. Sony is engaged in the production, acquisition and distribution of motion pictures and television programming and the operation of television and digital networks. Sony is also engaged in the development, production, manufacture, and distribution of recorded music and the management and licensing of the words and music of songs. Further, Sony is also engaged in various financial services businesses, including life and non-life insurance operations through its Japanese insurance subsidiaries and banking operations through a Japanese Internet-based banking subsidiary. In addition to the above, Sony is engaged in a network services business and an advertising agency business in Japan.

2. *Summary of significant accounting policies*

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with U.S. GAAP. These adjustments were not recorded in the statutory books and records as Sony Corporation and its subsidiaries in Japan maintain their records and prepare their statutory 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 domicile.

(1) **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 and other entities 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 if more than minor influence over the operation of the investee exists (generally through more than 3-5% ownership). When the interest in the partnership is so minor that Sony has no significant influence over the operation of the investee, the cost method is used. Under the equity method, investments are stated at cost plus/minus Sony’s portion of equity in undistributed earnings or losses. Sony’s equity in current earnings or losses of such entities is reported net of income taxes and is included in operating income (loss) after the 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 estimated 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, the resulting gains or losses arising from the change in ownership interest are recorded in earnings within the fiscal year in which the change in interest transactions occur.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Gains or losses that result from a loss of a controlling financial interest in a subsidiary are recorded in earnings along with fair value remeasurement gains or losses on any retained investment in the entity, while a change in interest of a consolidated subsidiary that does not result in a change in control is accounted for as a capital transaction and no gains or losses are recorded in earnings.

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 tangible and intangible assets and liabilities based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over Sony's underlying net equity is recognized as goodwill as a component of the investment balance.

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. The most significant estimates include those used in determining the valuation of investment securities, valuation of inventories, fair values of long-lived assets, fair values of goodwill, intangible assets and assets and liabilities assumed in business combinations, product warranty liability, pension and severance plans, valuation of deferred tax assets, uncertain tax positions, film costs, and insurance related liabilities. Actual results could significantly 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 fiscal year end exchange rates and all income and expense accounts are translated at exchange 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. Upon remeasurement of a previously held equity interest in accordance with the accounting guidance for business combinations achieved in stages, accumulated translation adjustments, if any, are included in earnings.

Receivables and payables denominated in foreign currencies are translated at appropriate fiscal year end exchange rates and the resulting translation gains or losses are recognized into income.

Cash and cash equivalents -

Cash and cash equivalents include all highly liquid investments, 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 fair value by a charge to income when an other-than-temporary impairment is recognized. Realized gains and losses are determined on the average cost method and are reflected in income.

Sony regularly evaluates its investment portfolio to identify other-than-temporary impairments of individual securities. Factors that are considered by Sony in determining whether an other-than-temporary decline in value has occurred include: the length of time and extent to which the market value of the security has been less than

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

its original cost, the financial condition, operating results, business plans and estimated future cash flows of the issuer of the security, other specific factors affecting the market value, deterioration of the credit condition of the issuer, sovereign risk, and whether or not Sony is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

In evaluating the factors for available-for-sale securities whose fair values are readily determinable, Sony presumes a decline in value to be other-than-temporary if the fair value of the security is 20 percent or more below its original cost for an extended period of time (generally for a period of up to six months). This criterion is employed as a threshold to identify securities which may have a decline in value that is other-than-temporary. The presumption of an other-than-temporary impairment in such cases may be overcome if there is evidence to support that the decline is temporary in nature due to the existence of other factors which overcome the duration or magnitude of the decline. On the other hand, there may be cases where impairment losses are recognized when the decline in the fair value of the security is not more than 20 percent or such decline has not existed for an extended period of time, as a result of considering specific factors which may indicate that the decline in the fair value is other-than-temporary.

When an other-than-temporary impairment of a held-to-maturity debt security has occurred, the amount of the other-than-temporary impairment recognized in income depends on whether Sony intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost. If the debt security meets either of these two criteria, the other-than-temporary impairment is recognized in income, measured as the entire difference between the security's amortized cost and its fair value at the impairment measurement date. For other-than-temporary impairments of debt securities that do not meet these two criteria, the net amount recognized in income is a credit loss equal to the difference between the amortized cost of the debt security and its net present value calculated by discounting Sony's best estimate of projected future cash flows at the effective interest rate implicit in the debt security prior to impairment. Any difference between the fair value and the net present value of the debt security at the impairment measurement date is recorded in accumulated other comprehensive income. Unrealized gains or losses on securities for which an other-than-temporary impairment has been recognized in income are presented as a separate component of accumulated other comprehensive income.

Equity securities in non-public companies -

Equity securities in non-public companies are primarily carried at cost if fair value is not readily determinable. If the carrying 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 several factors, including operating results, business plans and estimated future cash flows. Fair value is determined through the use of various methodologies such as discounted cash flows, valuation of recent financings and comparable valuations of similar companies.

Allowance for doubtful accounts -

Sony maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivables. Sony reviews accounts receivable by amounts due from customers which are past due to identify specific customers with known disputes or collectability issues. In determining the amount of the reserve, Sony makes judgments about the creditworthiness of customers based on past collection experience and ongoing credit risk evaluations.

Inventories -

Inventories in the Mobile Communications ("MC"), Game & Network Services ("G&NS"), Imaging Products & Solutions ("IP&S"), Home Entertainment & Sound ("HE&S"), Devices and Music segments as well as non-film inventories for the Pictures segment are valued at cost, not in excess of market, cost being

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

determined on the “average cost” basis except for the cost of finished products carried by certain subsidiary companies which is determined on the “first-in, first-out” basis. The market value of inventory is determined as the net realizable value – i.e., estimated selling price in the ordinary course of business less predictable costs of completion and disposal. Sony does not consider a normal profit margin when calculating the net realizable value.

Other receivables -

Other receivables include receivables which relate to arrangements with certain component manufacturers whereby Sony procures goods, including product components, for these component manufacturers and is reimbursed for the related purchases. No revenue or profit is recognized on these transfers. Sony will repurchase the inventory at a later date from the component manufacturers as either finished goods inventory or as partially assembled product.

Film costs -

Film costs include direct production costs, production overhead and acquisition costs for both motion picture and television productions and are stated at the lower of unamortized cost or estimated fair value and classified as noncurrent assets. Film costs are amortized and the estimated liabilities for residuals and participations are accrued using an individual-film-forecast method based on the ratio of current period actual revenues to the estimated remaining total revenues. Film costs also include broadcasting rights, which are recognized when the license period begins and the program is available for use, and consist of acquired programming to be aired on Sony’s worldwide channel network. Broadcasting rights are stated at the lower of unamortized cost or net realizable value, classified as either current or noncurrent assets based on timing of expected use, and amortized based on estimated usage or on a straight-line basis over the useful life, as appropriate. Estimates used in calculating the fair value of the film costs and the net realizable value of the broadcasting rights are based upon assumptions about future demand and market conditions and are reviewed on a periodic basis.

Property, plant and equipment and depreciation -

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method. Useful lives for depreciation range from two to 50 years for buildings and from two 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.

Goodwill and other intangible assets -

Goodwill and indefinite lived intangible assets are tested annually for impairment during the fourth quarter of the fiscal year 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. Such an event or change in circumstances would include unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, which are periodically reviewed by Sony’s management.

In the fiscal year ended March 31, 2016, Sony elected not to perform an optional qualitative assessment of goodwill and instead proceeded directly to a two-step quantitative impairment process which involves a comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. Reporting units are Sony’s operating segments or one level below the operating segments. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit’s

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. Indefinite lived intangible assets are tested for impairment by comparing the fair value of the intangible asset with its carrying value and if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The fair value of a reporting unit or indefinite lived intangible asset is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions, including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, earnings multiples, the determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. Consideration is also given to Sony's market capitalization in relation to the sum of the calculated fair values of the reporting units, including reporting units with no goodwill, and taking into account corporate level assets and liabilities not assigned to individual reporting units as well as a reasonable control premium.

The assumptions used for projected future cash flows and the timing of such cash flows are based on the forecast and mid-range plan ("MRP") of each reporting unit and take into account such factors as historical experience, market and industry information, and current and forecasted economic conditions. Perpetual growth rates are utilized to determine a terminal cash flow value and are generally set after the three-year forecasted period for the MRP. Certain reporting units, such as those in the Pictures segment, utilize longer forecast periods and base the terminal value on an exit price using an earnings multiple with a control premium applied to the final year of the projected cash flows. Discount rates are derived from the weighted average cost of capital of market participants in similar businesses.

When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method.

Intangible assets with finite useful lives mainly consist of patent rights, know-how, license agreements, customer relationships, trademarks, software to be sold, leased or otherwise marketed, internal-use software, music catalogs, artist contracts, and television carriage contracts (broadcasting agreements). Patent rights, know-how, license agreements, trademarks, software to be sold, leased or otherwise marketed, and internal-use software are generally amortized on a straight-line basis over three to 10 years. Customer relationships, music catalogs, artist contracts and television carriage contracts (broadcasting agreements) are amortized on a straight-line basis, generally, over 10 to 40 years.

Capitalized software -

The costs related to establishing the technological feasibility of software to be sold, leased, or otherwise marketed 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 to cost of sales over the estimated economic life, which is generally three years. The technological feasibility of game software is established when the product master is completed. Consideration to capitalize game software development costs before this point is limited to the development costs of games for which technological feasibility can be proven at an earlier stage. At each balance sheet date, Sony performs reviews to ensure that unamortized capitalized software costs remain recoverable from future profits of the related software products.

The costs incurred for internal-use software during the application development stage are capitalized and amortized, mainly to selling, general and administrative expenses, on a straight-line basis over the estimated useful life. Costs related to the preliminary project stage and post implementation activities are expensed as incurred.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Deferred insurance acquisition costs -

Costs that vary with and are directly related to acquiring new insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs include such items as commissions, medical examination costs and inspection report fees, and are subject to recoverability testing at least annually to ensure that the capitalized amounts do not exceed the present value of anticipated gross profits or premiums less benefits and maintenance expenses, as applicable. 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. 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 MC, G&NS, IP&S and HE&S segments offer extended warranty programs. The consideration received for extended warranty service is deferred and recognized as revenue on a straight-line basis over the term of the extended warranty.

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 as to future investment yield, morbidity, mortality, withdrawals and other factors. 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 life and annuity contracts.

Policyholders' account in the life insurance business -

Liabilities for policyholders' account in the life insurance business represent the contract value that has accrued to the benefit of the policyholders as of the balance sheet date. This liability is generally equal to the accumulated account deposits, plus interest credited, less policyholder withdrawals and other charges assessed against the account balances.

Impairment of long-lived assets -

Sony reviews the recoverability of 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 indicate that the individual carrying amount of an asset or asset group may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying value of the asset or asset group with their estimated undiscounted future cash flows. If the cash flows are determined to be less than the carrying value of the asset or asset group, an impairment loss would be recognized during the period for the amount by which the carrying value of the asset or asset group exceeds estimated fair value. 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 and are not depreciated. Fair value is determined using the present value of estimated net cash flows or comparable market values. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates applied to determine terminal values, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Fair value measurement -

Sony measures fair value as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The accounting guidance for fair value measurements specifies a hierarchy of inputs to valuation techniques based on the extent to which inputs used in measuring fair value are observable in the market. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Sony's assumptions about the assumptions that market participants would use in pricing the asset or liability. Observable market data is used if such data is available without undue cost and effort. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 — Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 — Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3 — One or more significant inputs are unobservable.

When available, Sony uses unadjusted quoted market prices in active markets to measure fair value and classifies such items within level 1. If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Items valued using internally generated models are classified according to the lowest level input that is significant to the valuation. For certain financial assets and liabilities, Sony determines fair value using third-party information such as indicative quotes from dealers and quantitative input from investment advisors following Sony's established valuation procedures including validation against internally developed prices. Additionally, Sony considers both counterparty credit risk and Sony's own creditworthiness in determining fair value. Sony attempts to mitigate credit risk to third parties by entering into netting agreements and actively monitoring the creditworthiness of counterparties and its exposure to credit risk through the use of credit limits and by selecting major international banks and financial institutions as counterparties.

Transfers between levels are deemed to have occurred at the beginning of the interim period in which the transfers occur.

Derivative financial instruments -

All derivatives are recognized as either assets or liabilities in the consolidated balance sheets at fair value on a gross basis. 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.

The accounting guidance for hybrid financial instruments 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 accounting guidance for derivative instruments and hedging activities. The election to measure the hybrid instrument at fair value is made on an instrument-by-instrument basis and is irreversible. Certain subsidiaries in the Financial Services segment had hybrid financial instruments, disclosed in Note 7 as debt securities, that contain embedded derivatives where the entire instrument was carried at fair value.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

In accordance with accounting guidance for derivative instruments and hedging activities, various derivative financial instruments held by Sony are classified and accounted for as described 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 reclassified into earnings when the hedged transaction affects earnings. Changes in the fair value of the ineffective portion are recognized immediately in earnings.

Derivatives not designated as hedges

Changes in the fair value of derivatives that are not designated as hedges are recognized immediately in earnings.

Assessment of hedges

When applying hedge accounting, Sony formally documents all hedging relationships between the derivatives designated as hedges and the 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 consolidated balance sheets or to the specific forecasted transactions. 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. Hedge ineffectiveness, if any, is included immediately in earnings.

Stock-based compensation -

Sony accounts for stock-based compensation using the fair value based method, measured on the date of grant using the Black-Scholes option-pricing model. The expense is mainly included in selling, general and administrative expenses. Stock-based compensation is recognized, net of an estimated forfeiture rate, over the requisite service period using the accelerated method of amortization for grants with graded vesting. The estimated forfeiture rate is based on Sony's historical experience in the stock acquisition rights plans where the majority of the vesting terms have been satisfied.

Revenue recognition -

Revenues from sales in the MC, G&NS, IP&S, HE&S, Devices and Music segments are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured. Delivery is considered to have occurred when the customer has taken title to the product and the risks 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 are recognized net of anticipated returns and sales incentives. Revenues from prepaid subscription fees, such as within the G&NS segment, are recognized ratably over the subscription term.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Revenue arrangements with customers may include multiple elements, including any combination of products, services and software. An example includes sales of electronics products with rights to receive promotional goods. For Sony's multiple element arrangements where at least one of the elements is not subject to existing software or film revenue recognition guidance, elements are separated into more than one unit of accounting when the delivered element(s) have value to the customer on a standalone basis, and delivery of the undelivered element(s) is probable and substantially in the control of Sony. Revenue is then allocated to each unit of accounting based on the relative selling price of each unit of accounting based first on vendor-specific objective evidence of selling price ("VSOE") if it exists, based next on third-party evidence of selling price ("TPE") if VSOE does not exist, and, finally, if both VSOE and TPE do not exist, based on estimated selling prices ("ESP"). VSOE is limited to either the price charged for an element when it is sold separately or, for an element not yet being sold separately, the price established by management having the relevant authority; it must be probable that the price, once established, will not change before the separate introduction of the element into the market place. TPE is the price of Sony's or any competitor's largely interchangeable products or services in standalone sales to similarly situated customers. ESP is the price at which Sony would transact if the element were sold by Sony regularly on a standalone basis. When determining ESP, Sony considers all relevant inputs, including sales, cost and margin analysis of the product, targeted rate of return of the product, competitors' and Sony's pricing practices and customer perspectives.

Certain software products published by Sony provide limited on-line features at no additional cost to the customer. Generally, such features are considered to be incidental to the overall software product and an inconsequential deliverable. Accordingly, revenue related to software products containing these limited on-line features is not deferred.

Revenues from sales in the Pictures segment are recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured. Revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of motion picture and television product for pay and free television exhibition and other markets are recognized when the product is available for exploitation by the licensee and when any restrictions regarding the use of the product lapse. For home entertainment distribution, revenues from the sale of DVDs and Blu-ray Disc™, net of anticipated returns and sales incentives, are recognized when the product is available for sale to the public, and revenues from electronic sell-through and video-on-demand are recognized when the product is made available for viewing via digital distribution platforms. Certain motion picture and television product licensing arrangements involve an allocation to multiple elements, for example a fee for multiple territories and availability dates, that is based on relative fair value using management's best estimate. Revenues from the sale of broadcast advertising are recognized when the advertisement is aired. Revenues from subscription fees received by television networks are recognized when the service is provided.

Traditional life insurance policies that the life insurance subsidiary underwrites, 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, individual annuity contracts and other contracts without life contingencies are recognized in policyholders' account in the life insurance business. 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 services revenue.

Property and casualty insurance policies that the non-life insurance subsidiary underwrites 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.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

Consideration given to a customer or a reseller -

Sales incentives or other cash consideration given to a customer or a reseller, including payments for buydowns, slotting fees and cooperative advertising programs, are accounted for as a reduction of revenue unless Sony receives an identifiable benefit (goods or services) in exchange for the consideration, the fair value of the benefit is reasonably estimated and documentation from the reseller is received to support the amounts paid to the reseller. Payments meeting these criteria are recorded as selling, general and administrative expenses. For the fiscal years ended March 31, 2014, 2015 and 2016, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expenses, totaled 12,112 million yen, 10,503 million yen and 13,178 million yen, respectively.

Cost of sales -

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

Research and development costs -

Research and development costs, included in cost of sales, include items such as salaries, personnel expenses and other direct and indirect expenses associated with research and product development. Research and development costs are expensed as incurred.

Selling, general and administrative -

Costs classified as selling expense relate to promoting and selling products and include items such as advertising, promotion, shipping, and warranty expenses. General and administrative expenses include operating items such as officers' 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.

Financial services expenses -

Financial services expenses include a provision for policy reserves and amortization of deferred insurance acquisition costs, 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.

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 an integral part of producing and distributing motion pictures and television programming. 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.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Income taxes -

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income, and the tax liability attributed to undistributed earnings of subsidiaries and affiliated companies accounted for by the equity method expected to be remitted in the foreseeable future. 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.

Carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically with appropriate consideration given to all positive and negative evidence related to the realization of the deferred tax assets. Management's judgments related to this assessment consider, among other matters, the nature, frequency and severity of current and cumulative losses on an individual tax jurisdiction basis, forecasts of future profitability after consideration of uncertain tax positions, excess of appreciated asset value over the tax basis of net assets, the duration of statutory carryforward periods, the past utilization of net operating loss carryforwards prior to expiration, as well as prudent and feasible tax planning strategies which would be employed by Sony to prevent net operating loss and tax credit carryforwards from expiring unutilized.

Sony records assets and liabilities for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Sony continues to recognize interest and penalties, if any, with respect to income taxes, including unrecognized tax benefits, as interest expense and as income tax expense, respectively, in the consolidated statements of income. The amount of income taxes Sony pays is subject to ongoing audits by various taxing authorities, which may result in proposed assessments. In addition, several significant items related to intercompany transfer pricing are currently the subject of negotiations between taxing authorities in different jurisdictions as a result of pending advance pricing agreement applications and competent authority requests. Sony's estimate for the potential outcome for any uncertain tax issues is judgmental and requires significant estimates. Sony assesses its income tax positions and records tax benefits for all years subject to examinations based upon the evaluation of the facts, circumstances and information available at that reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, Sony records the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. If Sony does not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. However, Sony's future results may include favorable or unfavorable adjustments to Sony's estimated tax liabilities due to closure of income tax examinations, the outcome of negotiations between taxing authorities in different jurisdictions, new regulatory or judicial pronouncements or other relevant events. As a result, the amount of unrecognized tax benefits, and the effective tax rate, may fluctuate significantly.

Net income (loss) attributable to Sony Corporation's stockholders per share ("EPS") -

Basic EPS is computed based on the weighted-average number of shares of common stock outstanding during each period. The computation of diluted EPS reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to Sony Corporation's stockholders.

(2) Recently adopted accounting pronouncements

Reporting discontinued operations and disclosures of disposals of components of an entity -

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08 that changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the ASU, only disposals representing a strategic shift in

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

operations that has, or will have, a major effect on the entity's operations and financial results should be presented as discontinued operations. Additionally, the ASU requires additional disclosures for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. This ASU is effective for Sony as of April 1, 2015. The effect of this ASU did not have a material impact on Sony's results of operations and financial position.

(3) Recent accounting pronouncements not yet adopted

Revenue from contracts with customers -

In May 2014, the FASB issued ASU 2014-09 addressing revenue recognition which will supersede the current revenue recognition requirements, including most industry-specific guidance. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 for one year and permits early adoption as of the original effective date of ASU 2014-09. This guidance will be effective for the first quarter of Sony's fiscal year beginning April 1, 2018 (with early adoption permitted for the first quarter of the fiscal year beginning April 1, 2017). The guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. Sony is currently evaluating the transition method, the timing of its adoption and the impact this ASU will have on Sony's results of operations and financial position.

Amendments to the consolidation analysis -

In February 2015, the FASB issued ASU 2015-02 that changes how companies evaluate entities for consolidation. The changes primarily relate to (i) the identification of variable interests related to fees paid to decision makers or service providers, (ii) how entities determine whether limited partnerships or similar entities are variable interest entities, (iii) how related parties and de facto agents are considered in the primary beneficiary determination, and (iv) the elimination of the presumption that a general partner controls a limited partnership. This ASU is effective for Sony as of April 1, 2016. The adoption of this ASU is not expected to have a material impact on Sony's results of operations and financial position.

Customer's accounting for fees paid in a cloud computing arrangement -

In April 2015, the FASB issued ASU 2015-05 for fees paid in a cloud computing arrangement. The ASU requires entities to account for a cloud computing arrangement that includes a software license element in a manner consistent with the acquisition of other software licenses. A cloud computing arrangement without a software license element is to be accounted for as a service contract. This ASU does not affect the accounting for service contracts by a customer. This ASU is effective for Sony as of April 1, 2016. The adoption of this ASU is not expected to have a material impact on Sony's results of operations and financial position.

Disclosures for short-duration insurance contracts -

In May 2015, the FASB issued ASU 2015-09 for disclosures relating to short-duration insurance contracts. This ASU requires additional information to be disclosed related to the liability for unpaid claims and claim adjustment expenses and significant changes in methodologies and assumptions used for annual reporting periods. This ASU is effective for Sony as of April 1, 2016. Since this ASU will only impact disclosures, the adoption will have no impact on Sony's results of operations and financial position.

Balance sheet classification of deferred taxes -

In November 2015, the FASB issued ASU 2015-17 amending the presentation of deferred income taxes and requiring that all deferred tax liabilities and assets be classified as noncurrent on the balance sheet. This ASU

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

will be effective for Sony as of April 1, 2017 and early adoption is permitted as of the beginning of an interim or annual reporting period. The ASU may be adopted either prospectively or retrospectively. Sony is currently assessing the method of adoption and the impact that this ASU may have on Sony's financial position and disclosures.

Recognition and measurement of financial assets and financial liabilities -

In January 2016, the FASB issued ASU 2016-01 amending the existing requirements for the recognition and measurement of financial assets and financial liabilities. The changes primarily relate to (i) the requirement to measure equity investments in unconsolidated subsidiaries, other than those accounted for under the equity method of accounting, at fair value with changes in fair value recognized in earnings, (ii) an alternative approach for the measurement of equity investments that do not have a readily determinable fair value, (iii) the elimination of the other-than-temporary impairment model for equity investments and its replacement with a requirement to perform a qualitative assessment to identify impairment, and a requirement to recognize impairment losses in earnings based on the difference between fair value and the carrying value of the equity investment, (iv) the elimination of the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost, (v) the addition of a requirement to use the exit price concept when measuring the fair value of financial instruments for disclosure purposes, and (vi) the addition of a requirement to present financial assets and financial liabilities to be presented separately in the notes to the financial statements, grouped by measurement category (e.g., fair value, amortized cost, lower of cost or market) and form of financial asset (e.g., loans, securities). This ASU will be effective for Sony as of April 1, 2018. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

Leases -

In February 2016, the FASB issued ASU 2016-02, which amends current leasing guidance. The ASU requires substantially all leases to be recognized on the balance sheet. The guidance is to be applied using a modified retrospective approach from the earliest period presented and includes optional practical expedients. This ASU will be effective for Sony as of the fiscal year beginning April 1, 2019, and early adoption is permitted. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

(4) Reclassifications

Certain reclassifications of the financial statements and accompanying footnotes for the fiscal years ended March 31, 2014 and 2015 have been made to conform to the presentation for the fiscal year ended March 31, 2016.

(5) Out-of-period adjustments

For the fiscal year ended March 31, 2015, Sony recorded an out-of-period adjustment to correct an error in the amounts of revenue and certain capitalizable assets being recorded at a subsidiary. The error began in the fiscal year ended March 31, 2012 and continued until it was identified by Sony during the fiscal year ended March 31, 2015. The adjustment, which related entirely to All Other, impacted net sales, cost of sales, and selling, general and administrative expenses, and decreased income before income taxes in the consolidated statements of income by 5,104 million yen in the aggregate for the fiscal year ended March 31, 2015. Sony determined that the adjustment was not material to the consolidated financial statements for the year ended March 31, 2015 or any prior periods.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the fiscal year ended March 31, 2016, Sony recorded an out-of-period adjustment to correct an error in the amount of accruals for certain sales incentives being recorded at a subsidiary. The error began in the fiscal year ended March 31, 2009 and continued until it was identified by Sony during the fiscal year ended March 31, 2016. The adjustment, which related to the HE&S segment, impacted net sales and increased income before income taxes in the consolidated statements of income by 8,447 million yen for the fiscal year ended March 31, 2016. Sony determined that the adjustment was not material to the consolidated financial statements for the fiscal year ended March 31, 2016 or any prior periods.

3. *Inventories*

Inventories are comprised of the following:

	Yen in millions	
	March 31	
	2015	2016
Finished products	468,408	448,273
Work in process	96,700	130,383
Raw materials, purchased components and supplies	100,324	104,490
Inventories	<u>665,432</u>	<u>683,146</u>

4. *Film costs*

Film costs are comprised of the following:

	Yen in millions	
	March 31	
	2015	2016
Motion picture productions:		
Released	89,993	75,218
Completed and not released	4,498	2,304
In production and development	106,240	95,268
Television productions:		
Released	78,510	88,538
In production and development	2,952	14,410
Broadcasting rights	69,223	62,589
Less: current portion of broadcasting rights included in inventories	<u>(46,184)</u>	<u>(37,099)</u>
Film costs	<u>305,232</u>	<u>301,228</u>

Sony estimates that approximately 92% of the unamortized film costs of released motion picture and television productions at March 31, 2016 will be amortized within the next three years. Approximately 117 billion yen of completed film costs are expected to be amortized during the next twelve months. Approximately 145 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

5. *Investments in affiliated companies*

The summarized combined financial information that is based on information provided by the equity investees including information for significant equity affiliates and the reconciliation of such information to the consolidated financial statements is shown below:

Balance Sheets

	Yen in millions	
	March 31	
	2015	2016
Current assets	280,485	367,465
Noncurrent assets	770,847	773,126
Current liabilities	208,271	245,731
Noncurrent liabilities and noncontrolling interests	657,865	709,134
Percentage of ownership in equity investees	20%-50%	20%-50%

Statements of Income

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Net revenues	306,383	308,399	358,256
Operating income (loss)	(1,064)	34,962	32,884
Net income (loss) attributable to controlling interests	(15,195)	(5,461)	8,388
Percentage of ownership in equity investees	20%-50%	20%-50%	20%-50%

On June 29, 2012, an investor group which included a wholly-owned subsidiary of Sony Corporation completed its acquisition of EMI Music Publishing. To effect the acquisition, the investor group formed DH Publishing, L.P. (“DHP”), which acquired EMI Music Publishing for total consideration of 2.2 billion U.S. dollars. Sony invested 320 million U.S. dollars in DHP, through Nile Acquisition LLC, for a 39.8% equity interest. Nile Acquisition LLC is a joint venture with the third-party investor of Sony’s U.S.- based music publishing subsidiary in which Sony holds a 74.9% ownership interest. Sony accounts for its interest in DHP under the equity method. In addition, DHP entered into an agreement with Sony’s U.S.-based music publishing subsidiary in which the subsidiary provides administration services to DHP. DHP was determined to be a variable interest entity (“VIE”) as described in Note 23.

On February 25, 2013, Sony sold 95,000 shares of its 886,908 shares in its consolidated subsidiary M3, Inc. (“M3”) to a third party for cash consideration of 14,236 million yen. In connection with the sale, Sony deconsolidated M3 as its share ownership fell to 49.8% of the issued and outstanding shares of M3. On September 17, 2013, Sony sold an additional 155,000 shares of M3 (9.75% of the issued and outstanding shares of M3) to a third party for cash consideration of 37,799 million yen, which is included within other in the investing activities section of the consolidated statements of cash flows. In connection with the sale, Sony recorded a gain of 12,793 million yen in other operating expense, net in the consolidated statements of income for the fiscal year ended March 31, 2014. Although Sony’s ownership has decreased to 39.36% due to the above-mentioned sales and M3’s subsequent issuance of additional common stock, Sony remains a major shareholder of M3 and will continue to pursue opportunities to collaborate with M3 in certain business areas, including medical. Sony accounts for its remaining interest in M3 under the equity method.

The carrying value of Sony’s investment in M3 exceeded its proportionate share in the underlying net assets of M3 by 85,519 million yen at March 31, 2016. The excess is substantially attributable to the remeasurement to

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

fair value of the remaining shares of M3, and allocated to identifiable tangible and intangible assets. The intangible assets relate primarily to M3's medical web-portal. The unassigned residual value of the excess is recognized as goodwill as a component of the investment balance. The amounts allocated to intangible assets are amortized net of the related tax effects to equity in net income (loss) of affiliated companies over their respective estimated useful lives, principally 10 years, using the straight-line method.

With the exception of M3 as described above, there was no significant difference between Sony's proportionate share in the underlying net assets of the investees and the carrying value of investments in affiliated companies at March 31, 2015 and 2016.

Several affiliated companies are quoted on the Tokyo Stock Exchange and Sony's investments in these companies have an aggregate carrying value and fair value of 108,421 million yen and 365,160 million yen, respectively, as of March 31, 2016.

The number of affiliated companies accounted for under the equity method as of March 31, 2015 and 2016 were 98 and 102, respectively.

Account balances and transactions with affiliated companies accounted for under the equity method are presented below. There are no other material transactions or account balances with any other related parties.

	Yen in millions	
	March 31	
	2015	2016
Accounts receivable, trade	8,350	9,740
Accounts payable, trade	1,887	2,044
Capital lease obligations	50,001	21,025

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Sales	23,647	29,393	33,569
Purchases	1,533	1,498	2,259
Lease payments	38,919	36,642	32,291

Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFI Leasing Company, Limited ("SFIL"), a leasing company in Japan, in the fiscal years ended March 31, 2014, 2015 and 2016. SFIL is accounted for under the equity method and is 34% owned by Sony. Refer to Note 8.

Sony Supply Chain Solutions, Inc. is accounted for under the equity method and is 34% owned by Sony as a result of the sale of the logistics business on April 1, 2015. After the sale, Sony Supply Chain Solutions, Inc. changed the company name to MITSUI-SOKO Supply Chain Solutions, Inc. As of and for the fiscal year ended March 31, 2016, account balances and transactions with MITSUI-SOKO Supply Chain Solutions, Inc. and its subsidiaries were 4,741 million yen and 22,576 million yen, which are mainly included in accrued expenses and general and administrative expenses, respectively.

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2014, 2015 and 2016 were 2,840 million yen, 6,149 million yen and 7,282 million yen, respectively.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

6. *Transfer of financial assets*

Sony has established several accounts receivable sales programs mainly within the Electronics business. Through these programs, Sony can sell receivables to a commercial bank or a special purpose entity associated with a sponsor bank. Total receivables sold during the fiscal years ended March 31, 2014, 2015 and 2016 were 763,947 million yen, 633,190 million yen and 53,267 million yen, respectively. These transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. Gains and losses from these transactions, other than as described below, were insignificant, and although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant. Other than the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, for the fiscal years ended March 31, 2014, 2015 and 2016 were insignificant.

Certain programs require that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. The portion of the sales proceeds held back and deferred are initially recorded at estimated fair value using a discounted cash flow model and are included in other current assets and other long-term assets. The significant assumptions used in valuing the deferred proceeds are the discount rate, the timing and amount of the cash flows. Sony includes collections on deferred proceeds as cash flows within operating activities in the consolidated statements of cash flows when the receivables are the result of operating activities and the associated interest rate risk is insignificant due to their short-term nature. When the interest rate risk associated with the deferred proceeds is greater than insignificant or the receivables are long-term in nature, as is the case for the program in the Pictures segment, Sony includes collections on deferred proceeds as cash flows within investing activities in the consolidated statements of cash flows.

In August 2014, Sony terminated an accounts receivable sales program within the Electronics business in the United States. The program required that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. As of March 31, 2014, deferred proceeds totaled 6,405 million yen. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Total trade receivables sold	247,863	50,400	—
Deferred proceeds	36,678	16,150	—
Collections of deferred proceeds	35,196	22,512	—

During the fiscal year ended March 31, 2014, Sony established an accounts receivable sales program within the Pictures segment in the United States. Sony recognized a gain within other income from sales of accounts receivable under this program for the fiscal year ended March 31, 2014 of 1,394 million yen. The program requires that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser, and the deferred proceeds totaled 22,188 million yen, 30,893 million yen and 30,291 million yen as of March 31, 2014, 2015 and 2016, respectively. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Total trade receivables sold	53,720	4,237	2,918
Deferred proceeds	22,188	4,237	2,918
Collections of deferred proceeds	—	—	2,298

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Certain of the accounts receivable sales programs above also involve VIEs. Refer to Note 23.

7. *Marketable securities and securities investments*

Marketable securities and securities investments, primarily included in the Financial Services segment, are comprised of debt and equity securities for which the aggregate cost, gross unrealized gains and losses and fair value pertaining to available-for-sale securities and held-to-maturity securities are as follows:

	Yen in millions							
	March 31, 2015				March 31, 2016			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:								
Debt securities:								
Japanese national government bonds	1,074,900	147,274	(80)	1,222,094	1,136,478	218,863	(6)	1,355,335
Japanese local government bonds	66,442	465	(16)	66,891	60,707	86	(254)	60,539
Japanese corporate bonds	108,109	767	(7)	108,869	132,739	11,472	(230)	143,981
Foreign government bonds	34,168	7,397	(111)	41,454	35,896	5,724	(160)	41,460
Foreign corporate bonds	452,145	13,645	(942)	464,848	415,994	5,738	(3,185)	418,547
Other	—	—	—	—	884	0	—	884
	<u>1,735,764</u>	<u>169,548</u>	<u>(1,156)</u>	<u>1,904,156</u>	<u>1,782,698</u>	<u>241,883</u>	<u>(3,835)</u>	<u>2,020,746</u>
Equity securities	<u>73,411</u>	<u>127,322</u>	<u>(741)</u>	<u>199,992</u>	<u>44,752</u>	<u>70,590</u>	<u>(21)</u>	<u>115,321</u>
Held-to-maturity securities:								
Japanese national government bonds	4,846,986	819,386	(103)	5,666,269	5,353,080	2,020,621	—	7,373,701
Japanese local government bonds	4,996	428	—	5,424	4,480	522	—	5,002
Japanese corporate bonds	26,848	4,501	—	31,349	61,811	17,382	—	79,193
Foreign government bonds	32,682	11,534	—	44,216	42,934	10,631	—	53,565
Foreign corporate bonds	57,783	25	—	57,808	198	24	—	222
	<u>4,969,295</u>	<u>835,874</u>	<u>(103)</u>	<u>5,805,066</u>	<u>5,462,503</u>	<u>2,049,180</u>	<u>—</u>	<u>7,511,683</u>
Total	<u>6,778,470</u>	<u>1,132,744</u>	<u>(2,000)</u>	<u>7,909,214</u>	<u>7,289,953</u>	<u>2,361,653</u>	<u>(3,856)</u>	<u>9,647,750</u>

The following table presents the cost and fair value of debt securities classified as available-for-sale securities and held-to-maturity securities by contractual maturity:

	Yen in millions			
	March 31, 2016			
	Available-for-sale securities		Held-to-maturity securities	
	Cost	Fair value	Cost	Fair value
Due in one year or less	172,912	164,603	2,841	2,879
Due after one year through five years	375,988	385,222	22,738	23,583
Due after five years through ten years	304,275	341,233	237,263	279,200
Due after ten years	929,523	1,129,688	5,199,661	7,206,021
Total	<u>1,782,698</u>	<u>2,020,746</u>	<u>5,462,503</u>	<u>7,511,683</u>

Proceeds from sales of available-for-sale securities were 207,574 million yen, 217,651 million yen and 315,043 million yen for the fiscal years ended March 31, 2014, 2015 and 2016, respectively. On these sales, gross realized gains were 9,015 million yen, 15,656 million yen and 67,205 million yen and gross realized losses

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

were 703 million yen, 32 million yen and 186 million yen, respectively, for the fiscal years ended March 31, 2014, 2015 and 2016. Included in the gross realized gains of available-for-sale securities is 46,757 million yen from the sale of Olympus shares in the fiscal year ended March 31, 2016.

Marketable securities classified as trading securities, which consist of debt and equity securities held primarily in the Financial Services segment, totaled 764,473 million yen and 799,241 million yen as of March 31, 2015 and 2016, respectively. Sony recorded net unrealized gains of 59,137 million yen, 100,312 million yen for the fiscal years ended March 31, 2014 and 2015 and net unrealized losses of 45,841 million yen for the fiscal year ended March 31, 2016. Changes in the fair value of trading securities are primarily recognized in financial services revenue in the consolidated statements of income.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other, issued by a number of non-public companies. The aggregate carrying amounts of the investments in non-public companies as of March 31, 2015 and 2016 totaled 64,963 million yen and 71,750 million yen, respectively. Non-public equity investments are primarily valued at cost as fair value is not readily determinable.

The following tables present the gross unrealized losses on, and fair value of, Sony's investment securities with unrealized losses, aggregated by investment category and the length of time that individual investment securities have been in a continuous unrealized loss position, at March 31, 2015 and 2016.

	Yen in millions					
	March 31, 2015					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:						
Debt securities:						
Japanese national government bonds	24,699	(80)	372	—	25,071	(80)
Japanese local government bonds	3,772	(5)	1,702	(11)	5,474	(16)
Japanese corporate bonds	8,222	(7)	—	—	8,222	(7)
Foreign government bonds	4,607	(111)	—	—	4,607	(111)
Foreign corporate bonds	115,523	(887)	6,653	(55)	122,176	(942)
	156,823	(1,090)	8,727	(66)	165,550	(1,156)
Equity securities	4,636	(730)	9	(11)	4,645	(741)
Held-to-maturity securities:						
Japanese national government bonds	19,986	(103)	—	—	19,986	(103)
Total	181,445	(1,923)	8,736	(77)	190,181	(2,000)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Yen in millions					
	March 31, 2016					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:						
Debt securities:						
Japanese national government bonds	2,056	(6)	—	—	2,056	(6)
Japanese local government bonds	38,383	(223)	2,929	(31)	41,312	(254)
Japanese corporate bonds	41,206	(201)	3,125	(29)	44,331	(230)
Foreign government bonds	5,882	(147)	1,140	(13)	7,022	(160)
Foreign corporate bonds	127,369	(2,535)	30,919	(650)	158,288	(3,185)
	214,896	(3,112)	38,113	(723)	253,009	(3,835)
Equity securities	166	(10)	10	(11)	176	(21)
Total	215,062	(3,122)	38,123	(734)	253,185	(3,856)

For the fiscal years ended March 31, 2014, 2015 and 2016, total realized impairment losses were 1,806 million yen, 949 million yen and 3,566 million yen, respectively.

At March 31, 2016, Sony determined that the decline in value for securities with unrealized losses shown in the above table is not other-than-temporary in nature.

8. Leases

Sony leases certain communication and commercial equipment, plant, office space, warehouses, employees' residential facilities and other assets. Certain of these leases have renewal and purchase options. Sony has also entered into capital lease arrangements with third parties to finance certain of its motion picture productions, as well as sale and leaseback transactions for office buildings, machinery and equipment.

(1) Capital leases

Leased assets under capital leases are comprised of the following:

Class of property	Yen in millions	
	March 31	
	2015	2016
Machinery, equipment and others	129,432	123,816
Film costs	8,647	6,696
Accumulated amortization	(89,470)	(96,270)
	48,609	34,242

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The following is a schedule by fiscal year of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2016:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2017	13,768
2018	6,863
2019	5,933
2020	5,043
2021	4,017
Later fiscal years	<u>4,578</u>
Total minimum lease payments	40,202
Less — Amount representing interest	<u>2,529</u>
Present value of net minimum lease payments	37,673
Less — Current obligations	<u>13,238</u>
Long-term capital lease obligations	<u><u>24,435</u></u>

(2) Operating leases

The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2016 are as follows:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2017	59,236
2018	46,690
2019	32,252
2020	44,455
2021	20,119
Later fiscal years	<u>104,020</u>
Total minimum future rentals	<u><u>306,772</u></u>

Rental expenses under operating leases for the fiscal years ended March 31, 2014, 2015 and 2016 were 101,410 million yen, 92,828 million yen and 94,000 million yen, respectively. Sublease rentals received under operating leases for the fiscal years ended March 31, 2014, 2015 and 2016 were 1,119 million yen, 1,180 million yen and 1,138 million yen, respectively. The total minimum rentals to be received in the future under noncancelable subleases for operating leases as of March 31, 2016 were 2,233 million yen.

(3) Sale and leaseback transactions

Sale and leaseback transactions with SFIL -

In the fiscal year ended March 31, 2014, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 6,810 million yen and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows. Additionally, a transaction with leasing companies including SFIL, with proceeds of 76,566 million yen, and terms which averaged three years, have been accounted for as a capital lease and are included within proceeds from sales of fixed assets in the investing activities section of the consolidated statements of cash flows. There was no gain or loss recorded in the sale and leaseback transactions.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

In the fiscal year ended March 31, 2015, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 8,391 million yen and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows.

In the fiscal year ended March 31, 2016, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 1,856 million yen and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows.

9. *Goodwill and intangible assets*

Intangible assets acquired during the fiscal year ended March 31, 2016 totaled 123,327 million yen, of which 123,300 million yen is subject to amortization and are comprised of the following:

	Intangible assets acquired during the fiscal year	Weighted-average amortization period
	Yen in millions	Years
Patent rights, know-how and license agreements	29,175	7
Software to be sold, leased or otherwise marketed	18,182	3
Internal-use software	52,067	5
Other	23,876	9

In the fiscal year ended March 31, 2016, additions to internal-use software primarily related to the capitalization of new software across several business platforms.

Intangible assets subject to amortization are comprised of the following:

	Yen in millions			
	March 31, 2015		March 31, 2016	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	304,686	(190,151)	337,675	(223,738)
Customer relationships	29,401	(6,677)	36,925	(12,531)
Trademarks	31,903	(13,054)	29,825	(12,979)
Software to be sold, leased or otherwise marketed	114,333	(84,640)	126,743	(94,009)
Internal-use software	451,738	(295,854)	448,109	(297,057)
Music catalogs	225,623	(88,816)	217,056	(91,303)
Artist contracts	32,387	(27,174)	31,923	(28,857)
Television carriage contracts (broadcasting agreements)	60,036	(11,272)	59,607	(15,563)
Other	68,897	(52,067)	59,218	(47,475)
Total	1,319,004	(769,705)	1,347,081	(823,512)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2014, 2015 and 2016 was 135,664 million yen, 132,228 million yen and 125,616 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2017	103,098
2018	85,327
2019	55,786
2020	42,212
2021	31,455

Total carrying amount of intangible assets having an indefinite life are comprised of the following:

	<u>Yen in millions</u>	
	<u>March 31</u>	
	<u>2015</u>	<u>2016</u>
Trademarks	70,938	70,081
Distribution agreements	18,834	18,834
Other	3,290	3,270
Total	<u>93,062</u>	<u>92,185</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2015 and 2016 are as follows:

Yen in millions										
	Mobile Communications	Game & Network Services	Imaging Products & Solutions	Home Entertainment & Sound	Devices	Pictures	Music	Financial Services	All Other	Total
Balance, March 31, 2014:										
Goodwill — gross	183,464	150,572	7,202	5,320	37,400	187,307	123,086	3,020	24,360	721,731
Accumulated impairments	—	—	(300)	(5,320)	—	—	(306)	(706)	(23,296)	(29,928)
Goodwill	183,464	150,572	6,902	—	37,400	187,307	122,780	2,314	1,064	691,803
Increase (decrease) due to:										
Acquisitions* ¹	—	—	—	—	—	12,626	—	—	—	12,626
Sales and dispositions	—	(617)	—	—	—	(54)	(4)	—	—	(675)
Impairments	(176,045)	—	—	—	—	—	—	—	(1,090)	(177,135)
Translation adjustments	(4,134)	4,444	(16)	—	362	24,357	9,593	—	39	34,645
Other	1	—	—	—	—	3	—	—	(13)	(9)
Balance, March 31, 2015:										
Goodwill — gross	179,331	154,399	7,186	5,320	37,762	224,239	132,675	3,020	24,386	768,318
Accumulated impairments	(176,045)	—	(300)	(5,320)	—	—	(306)	(706)	(24,386)	(207,063)
Goodwill	3,286	154,399	6,886	—	37,762	224,239	132,369	2,314	—	561,255
Increase (decrease) due to:										
Acquisitions* ²	—	—	1,589	—	20,634	12,082	38,487	—	—	72,792
Sales and dispositions	—	—	—	—	—	—	—	—	—	—
Impairments	—	—	—	—	—	—	—	—	—	—
Translation adjustments	—	(2,106)	(138)	—	(1,625)	(14,804)	(9,084)	—	—	(27,757)
Other	—	—	—	—	—	—	—	—	—	—
Balance, March 31, 2016:										
Goodwill — gross	179,331	152,293	8,637	5,320	56,771	221,517	162,078	3,020	24,386	813,353
Accumulated impairments	(176,045)	—	(300)	(5,320)	—	—	(306)	(706)	(24,386)	(207,063)
Goodwill	3,286	152,293	8,337	—	56,771	221,517	161,772	2,314	—	606,290

Sony realigned its business segments during the fiscal year ended March 31, 2016. In connection with these realignments, the operations of So-net Corporation and its subsidiaries (“So-net”), which were included in All Other, are now included in the MC segment and the medical business, which was included in All Other, is now included in the IP&S segment. As part of these realignments, the carrying amounts of associated goodwill for So-net and the medical business have been reclassified for the fiscal years ended March 31, 2014 and March 31, 2015. Refer to Note 28.

*1 Acquisitions in the Pictures segment for the fiscal year ended March 31, 2015 mainly relate to the CSC Media Group Ltd. (“CSC Media Group”) acquisition. Refer to Note 24.

*2 Acquisitions for the fiscal year ended March 31, 2016 relate mainly to the Altair Semiconductor Ltd. (“Altair”) acquisition in the Devices segment, and the Orchard Media, Inc. (“The Orchard”) acquisition in the Music segment. Refer to Note 24.

Impairment of goodwill related to mobile communications business -

During the fiscal year ended March 31, 2015, Sony recorded an impairment charge of 176,045 million yen in the MC segment. The goodwill impairment reflects a revision in the strategy for the MC business to concentrate on its premium lineup and reduce the number of models in the mid-range lineup as well as concentrating on certain selected markets due to continued increasingly competitive markets in various geographical areas, primarily resulting from rapid growth by Chinese smartphone competitors. The impairment charge is included in other operating expenses, net in the consolidated statements of income, and is recorded entirely within the MC segment. Refer to Note 13.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

In conjunction with Sony's review for goodwill impairment, Sony also assessed whether the carrying amount of any of the tangible or definite-lived intangible assets of the MC segment was recoverable. As a result of the assessment, Sony determined that there were no tangible or definite-lived intangible assets within the MC segment that were impaired.

10. Insurance-related accounts

Sony's Financial Services segment subsidiaries in Japan maintain their accounting records as described in Note 2 in accordance with the accounting principles and practices generally accepted in Japan, which vary in some respects from U.S. GAAP.

Those differences are mainly that insurance acquisition costs for life and non-life insurance contracts are charged to income when incurred in Japan whereas in the U.S. those costs are deferred and amortized generally over the premium-paying period of the related insurance policies, and that future policy benefits for life insurance contracts calculated locally under the authorization of the supervisory administrative agencies are comprehensively adjusted to a net level premium method with certain adjustments of actuarial assumptions for U.S. GAAP purposes. For the purpose of preparing the consolidated financial statements, appropriate adjustments have been made to reflect the accounting for these items in accordance with U.S. GAAP.

The combined amounts of statutory net equity of the insurance subsidiaries, which is not measured in accordance with U.S. GAAP, as of March 31, 2015 and 2016 were 457,268 million yen and 510,501 million yen, respectively.

(1) Insurance policies

Life insurance policies that a subsidiary in the Financial Services segment underwrites, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. The life insurance revenues for the fiscal years ended March 31, 2014, 2015 and 2016 were 670,506 million yen, 693,132 million yen and 803,549 million yen, respectively. Property and casualty insurance policies that a subsidiary in the Financial Services segment underwrites are primarily automotive insurance contracts, which are categorized as short-duration contracts. The non-life insurance revenues for the fiscal years ended March 31, 2014, 2015 and 2016 were 86,780 million yen, 90,431 million yen and 93,928 million yen, respectively.

(2) Deferred insurance acquisition costs

Amortization of deferred insurance acquisition costs charged to income for the fiscal years ended March 31, 2014, 2015 and 2016 amounted to 45,236 million yen, 56,530 million yen and 92,203 million yen, respectively.

(3) Future insurance policy benefits

Liabilities for future policy benefits, which mainly relate to individual life insurance policies, are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.0% to 4.5% and are based on factors such as market conditions and expected investment returns. Morbidity, mortality and withdrawal assumptions for all policies are based on either the subsidiary's own experience or various actuarial tables. Generally these assumptions are locked-in throughout the life of the contract upon the issuance of new insurance, although significant changes in experience or assumptions may require Sony to provide for expected future losses. At March 31, 2015 and 2016, future insurance policy benefits amounted to 4,111,894 million yen and 4,497,951 million yen, respectively.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(4) Policyholders' account in the life insurance business

Policyholders' account in the life insurance business represents an accumulation of account deposits plus credited interest less withdrawals, expenses and mortality charges. Policyholders' account includes universal life insurance and investment contracts. Universal life insurance includes interest sensitive whole life contracts and variable contracts. The credited rates associated with interest sensitive whole life contracts range from 1.9% to 2.0%. For variable contracts, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. Investment contracts mainly include single payment endowment contracts, single payment juvenile contracts and policies after the start of annuity payments. The credited rates associated with investment contracts range from 0.1% to 6.3%.

Policyholders' account in the life insurance business is comprised of the following:

	Yen in millions	
	March 31	
	2015	2016
Universal life insurance	1,555,700	1,634,642
Investment contracts	591,951	638,737
Other	111,863	127,941
Total	<u>2,259,514</u>	<u>2,401,320</u>

11. Short-term borrowings and long-term debt

Short-term borrowings are comprised of the following:

	Yen in millions	
	March 31	
	2015	2016
Unsecured loans:		
with a weighted-average interest rate of 4.64%	56,008	
with a weighted-average interest rate of 7.70%		86,467
Repurchase agreement:		
with a weighted-average interest rate of 0.01%		62,805
Secured call money:		
with a weighted-average interest rate of 0.10%	6,000	
	<u>62,008</u>	<u>149,272</u>

At March 31, 2016, certain subsidiaries in the Financial Services segment pledged securities investments with a book value of 48,691 million yen as collateral for 62,805 million yen of short-term repurchase agreements. The repurchase agreement provides for net settlement upon a termination event.

In addition, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with an aggregate book value of 34,749 million yen as collateral for cash settlements, variation margins of futures markets and certain other purposes.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Long-term debt is comprised of the following:

	Yen in millions	
	March 31	
	2015	2016
Unsecured loans, representing obligations principally to banks:		
Due 2015 to 2024, with interest rates ranging from 0.29% to 5.10% per annum	425,437	
Due 2016 to 2024, with interest rates ranging from 0.27% to 5.47% per annum		237,850
Unsecured 1.57% bonds, due 2015, net of unamortized discount	30,000	
Unsecured 1.75% bonds, due 2015, net of unamortized discount	24,999	
Unsecured 0.55% bonds, due 2016	10,000	10,000
Unsecured 0.66% bonds, due 2017	45,000	45,000
Unsecured 0.43% bonds, due 2018	10,000	10,000
Unsecured 0.86% bonds, due 2018	150,000	150,000
Unsecured 2.00% bonds, due 2018	16,300	16,300
Unsecured 2.07% bonds, due 2019	50,000	50,000
Unsecured 1.41% bonds, due 2022	10,000	10,000
Unsecured zero coupon convertible bonds, due 2022		120,000
Secured 0.10% loans, due 2016 to 2019	20,000	40,000
Capital lease obligations and other:		
Due 2015 to 2025, with interest rates ranging from 0.36% to 8.07% per annum	66,880	
Due 2016 to 2024, with interest rates ranging from 0.36% to 9.99% per annum		43,248
Guarantee deposits received	12,988	11,875
	871,604	744,273
Less — Portion due within one year	159,517	187,668
	<u>712,087</u>	<u>556,605</u>

At March 31, 2016, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with a book value of 44,241 million yen as collateral for 40,000 million yen of long-term loans.

In March 2012, Sony executed a 1,365 million U.S. dollar unsecured bank loan with a group of lenders having six to ten year maturity terms in connection with Sony's acquisition of Ericsson's 50% equity interest in Sony Ericsson. This bank loan utilizes the Japan Bank for International Cooperation Facility, which was established to facilitate overseas mergers and acquisitions by Japanese companies as a countermeasure against yen appreciation. The terms of this U.S. dollar loan require accelerated repayment of the entire outstanding balance if Sony Corporation or its wholly-owned subsidiaries discontinue the business of mobile devices featuring telephone functionality. In March 2016, Sony repaid 682 million U.S. dollars of the 1,365 million U.S. dollars. As a result, the outstanding balance as of March 31, 2016 was 683 million U.S. dollars.

On July 21, 2015, Sony issued 120,000 million yen of 130% callable unsecured zero coupon convertible bonds with stock acquisition rights due 2022 (the "Zero Coupon Convertible Bonds"). The bondholders are entitled to stock acquisition rights effective from September 1, 2015 to September 28, 2022. The initial conversion price is 5,008 yen per common share. In addition to the standard anti-dilution provisions, the conversion price is reduced for a certain period before an early redemption triggered upon the occurrence of certain corporate events including a merger, corporate split and delisting event. The reduced amount of the conversion price will be determined by a formula that is based on the effective date of the reduction and Sony's

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

common stock price. The reduced conversion price ranges from 3,526.5 yen to 5,008.0 yen per common share. The conversion price is also adjusted for dividends in excess of 25 yen per common share per fiscal year. Sony has the option to redeem all of the Zero Coupon Convertible Bonds outstanding at 100% of the principal amount after July 21, 2020, if the closing sales price per share of Sony's common stock on the Tokyo Stock Exchange is 130% or more of the conversion price of the Zero Coupon Convertible Bonds for 20 consecutive trading days. Sony was not required to bifurcate any of the embedded features contained in the Zero Coupon Convertible Bonds for accounting purposes. There are no significant adverse debt covenants under the Zero Coupon Convertible Bonds.

There are no significant adverse debt covenants or cross-default provisions related to the other short-term borrowings and long-term debt.

Aggregate amounts of annual maturities of long-term debt are as follows:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2017	187,668
2018	82,616
2019	202,151
2020	75,474
2021	4,429
Later fiscal years	191,935
Total	<u>744,273</u>

At March 31, 2016, Sony had unused committed lines of credit amounting to 523,043 million yen and can generally borrow up to 180 days from the banks with whom Sony has committed line contracts. Furthermore, at March 31, 2016, Sony has commercial paper programs totaling 838,040 million yen. Sony can issue commercial paper for a period generally not in excess of 270 days up to the size of the programs.

12. *Housing loans and deposits from customers in the banking business*

(1) Housing loans in the banking business

Sony acquires and holds certain financial receivables in the normal course of business. The majority of financing receivables held by Sony consists of housing loans in the banking business and no other significant financial receivables exist.

A subsidiary in the banking business monitors the credit quality of housing loans based on the classification set by the financial conditions and the past due status of individual obligors. Past due status is monitored on a daily basis and the aforementioned classification is reviewed on a quarterly basis.

The allowance for the credit losses is established based on the aforementioned classifications and the evaluation of collateral. The amount of housing loans in the banking business and the corresponding allowance for credit losses as of March 31, 2015 were 1,074,386 million yen and 1,037 million yen, respectively, and as of March 31, 2016 were 1,235,311 million yen and 910 million yen, respectively. During the fiscal years ended March 31, 2015 and 2016, charge-offs on housing loans in the banking business and changes in the allowance for credit losses were not significant.

The balance of housing loans placed on nonaccrual status or past due status were not significant as of March 31, 2015 and 2016.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(2) Deposits from customers in the banking business

All deposits from customers in the banking business within the Financial Services segment are interest bearing deposits. At March 31, 2015 and 2016, the balances of time deposits issued in amounts of 10 million yen or more were 256,391 million yen and 247,766 million yen, respectively. These amounts have been classified as current liabilities mainly due to the ability of the customers to make withdrawals prior to maturity.

At March 31, 2016, aggregate amounts of annual maturities of time deposits with a remaining term of more than one year are as follows:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2018	13,882
2019	9,101
2020	9,982
2021	13,750
2022	8,626
Later fiscal years	<u>51,827</u>
Total	<u><u>107,168</u></u>

13. Fair value measurements

As discussed in Note 2, assets and liabilities subject to the accounting guidance for fair value measurements held by Sony are classified and accounted for as described below.

(1) Assets and liabilities that are measured at fair value on a recurring basis

The following section describes the valuation techniques used by Sony to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

Trading securities, available-for-sale securities and other investments

Where quoted prices are available in an active market, securities are classified in level 1 of the fair value hierarchy. Level 1 securities include exchange-traded equities. If quoted market prices are not available for the specific security or the market is inactive, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and mainly classified in level 2 of the hierarchy. Level 2 securities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the fair value hierarchy. Level 3 securities primarily include certain hybrid financial instruments and certain private equity investments not classified within level 1 or level 2.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within level 1 of the fair value hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of Sony's derivative positions are valued using internally developed models that use as their basis readily observable market parameters – i.e., parameters that are actively quoted and can be validated to external sources, including industry pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes option pricing model, which are consistently

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

applied. Where derivative products have been established for some time, Sony uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit rating of the counterparty. Further, many of these models do not contain a high level of subjectivity as the techniques used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within level 2 of the fair value hierarchy.

In determining the fair value of Sony's interest rate swap derivatives, Sony uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of each instrument. For foreign currency derivatives, Sony's approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities. These derivatives are classified within level 2 since Sony primarily uses observable inputs in its valuation of its derivative assets and liabilities.

The fair value of Sony's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2015 and 2016 are as follows:

	Yen in millions							
	March 31, 2015							
	Presentation in the consolidated balance sheets							
	Level 1	Level 2	Level 3	Total	Marketable securities	Securities investments and other	Other current assets/liabilities	Other noncurrent assets/liabilities
Assets:								
Trading securities	452,830	311,643	—	764,473	764,473	—	—	—
Available-for-sale securities								
Debt securities								
Japanese national government bonds	—	1,222,094	—	1,222,094	3,124	1,218,970	—	—
Japanese local government bonds	—	66,891	—	66,891	1,474	65,417	—	—
Japanese corporate bonds	—	105,363	3,506	108,869	27,030	81,839	—	—
Foreign government bonds	2,861	38,593	—	41,454	136	41,318	—	—
Foreign corporate bonds	—	455,357	9,491	464,848	139,540	325,308	—	—
Equity securities	199,874	118	—	199,992	—	199,992	—	—
Other investments*1	9,306	4,606	74,641	88,553	—	88,553	—	—
Derivative assets*2	—	30,407	—	30,407	—	—	29,951	456
Total assets	664,871	2,235,072	87,638	2,987,581	935,777	2,021,397	29,951	456
Liabilities:								
Derivative liabilities*2	612	47,712	—	48,324	—	—	23,092	25,232
Total liabilities	612	47,712	—	48,324	—	—	23,092	25,232

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Yen in millions								
March 31, 2016								
	Level 1	Level 2	Level 3	Total	Presentation in the consolidated balance sheets			
					Marketable securities	Securities investments and other	Other current assets/liabilities	Other noncurrent assets/liabilities
Assets:								
Trading securities	501,448	297,793	—	799,241	799,241	—	—	—
Available-for-sale securities								
Debt securities								
Japanese national government bonds	—	1,355,335	—	1,355,335	5,084	1,350,251	—	—
Japanese local government bonds	—	60,539	—	60,539	6,515	54,024	—	—
Japanese corporate bonds	—	140,635	3,346	143,981	5,727	138,254	—	—
Foreign government bonds	—	41,460	—	41,460	2,309	39,151	—	—
Foreign corporate bonds	—	402,694	15,853	418,547	124,680	293,867	—	—
Other	—	—	884	884	—	884	—	—
Equity securities	115,200	121	—	115,321	—	115,321	—	—
Other investments ^{*1}	7,179	4,027	13,463	24,669	—	24,669	—	—
Derivative assets ^{*2}	437	17,391	—	17,828	—	—	17,257	571
Total assets	624,264	2,319,995	33,546	2,977,805	943,556	2,016,421	17,257	571
Liabilities:								
Derivative liabilities ^{*2}	668	48,467	—	49,135	—	—	20,680	28,455
Total liabilities	668	48,467	—	49,135	—	—	20,680	28,455

*1 Other investments include certain hybrid financial instruments and certain private equity investments.

*2 Derivative assets and liabilities are recognized and disclosed on a gross basis.

Transfers into level 1 were 3,460 million yen and 3,556 million yen for the fiscal years ended March 31, 2015 and 2016, respectively, as quoted prices for certain trading securities and available-for-sale securities became available in an active market. Transfers out of level 1 were 13,376 million yen and 2,716 million yen for the fiscal years ended March 31, 2015 and 2016, respectively, as quoted prices for certain trading securities and available-for-sale securities were not available in an active market.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The changes in fair value of level 3 assets and liabilities for the fiscal years ended March 31, 2015 and 2016 are as follows:

	Yen in millions		
	Fiscal year ended March 31, 2015		
	Assets		
	Available-for-sale securities		
	Debt securities		
	Japanese corporate bonds	Foreign corporate bonds	Other Investments
Beginning balance	1,011	6,807	75,837
Total realized and unrealized gains (losses):			
Included in earnings*1	—	522	1,397
Included in other comprehensive income (loss)*2	(5)	593	153
Purchases	2,500	15,222	522
Settlements	—	(4,653)	(3,268)
Transfers out of level 3*3	—	(9,000)	—
Ending balance	3,506	9,491	74,641
Changes in unrealized gains relating to instruments still held at reporting date:			
Included in earnings*1	—	—	1,397

	Yen in millions			
	Fiscal year ended March 31, 2016			
	Assets			
	Available-for-sale securities			
	Debt securities			
	Japanese corporate bonds	Foreign corporate bonds	Other	Other Investments
Beginning balance	3,506	9,491	—	74,641
Total realized and unrealized gains (losses):				
Included in earnings*1	6	458	—	(2,653)
Included in other comprehensive income (loss)*2	30	(791)	—	(2,316)
Purchases	2,798	11,214	1,000	657
Sales	(3,000)	(4,872)	—	—
Settlements	—	(641)	(116)	(56,866)
Transfers into level 3*4	2,002	1,498	—	—
Transfers out of level 3*3	(1,996)	(504)	—	—
Ending balance	3,346	15,853	884	13,463
Changes in unrealized losses relating to instruments still held at reporting date:				
Included in earnings*1	—	(56)	—	(2,653)

*1 Earning effects are included in financial services revenue in the consolidated statements of income.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

- *2 Unrealized gains (losses) are included in unrealized gains (losses) on securities in the consolidated statements of comprehensive income.
- *3 Certain corporate bonds were transferred out of level 3 because quoted prices became available.
- *4 Certain corporate bonds were transferred into level 3 because differences between the fair value determined by indicative quotes from dealers and the fair value determined by internally developed prices became significant and the observability of the inputs used decreased.

Level 3 assets include certain hybrid financial instruments for which the price fluctuates primarily based on the main stock index in Japan (Nikkei index), certain private equity investments, and certain domestic and foreign corporate bonds for which quoted prices are not available in a market and where there is less transparency around inputs. In determining the fair value of such assets, Sony uses third-party information such as indicative quotes from dealers without adjustment. For validating the fair values, Sony primarily uses internal models which include management judgment or estimation of assumptions that market participants would use in pricing the asset.

(2) Assets and liabilities that are measured at fair value on a nonrecurring basis

Sony also has assets and liabilities that are required to be remeasured to fair value on a nonrecurring basis when certain circumstances occur. During the fiscal years ended March 31, 2015 and 2016, such remeasurements to fair value related primarily to the following:

During the fiscal year ended March 31, 2015				
	Estimated fair value			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Long-lived assets impairments	—	—	768	(18,926)
Goodwill impairments	—	—	0	(177,135)
				<u>(196,061)</u>
During the fiscal year ended March 31, 2016				
	Estimated fair value			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Long-lived assets impairments	—	—	19,680	(92,544)
				<u>(92,544)</u>

Long-lived assets impairments

Sony recorded impairment losses of 7,798 million yen and 4,929 million yen for the fiscal years ended March 31, 2014 and 2015, respectively, included within the HE&S segment, related to the LCD television asset group. These impairment losses primarily reflected a decrease in the estimated fair value of property, plant and equipment and certain intangible assets. For the LCD television asset group, the corresponding estimated future cash flows leading to the impairment charge reflected the deterioration in LCD television market conditions in Japan, Europe and North America, and unfavorable foreign exchange rates.

Sony recorded an impairment loss of 32,107 million yen and 30,643 million yen for the fiscal years ended March 31, 2014 and 2016, respectively, included within the Devices segment, related to long-lived assets in the battery business asset group. In the fiscal year ended March 31, 2014, in light of a lack of progress towards achieving adequate operating results, Sony conducted a strategic review of the business and evolving market trends. Sony reduced the corresponding estimated future cash flows and the estimated ability to recover the entire

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

carrying amount of the long-lived assets within the period applicable to the impairment determination, resulting in an impairment charge. In the fiscal year ended March 31, 2016, due to increasingly competitive markets, Sony conducted a further strategic review of the business and evolving market trends. Following this review, Sony further reduced the corresponding estimated future cash flows of this business and the estimated ability to recover the entire carrying amount of the long-lived assets within the period applicable to the impairment determination, resulting in an impairment charge.

Sony recorded impairment losses of 12,303 million yen for the fiscal year ended March 31, 2014, included within All Other, related to long-lived assets in the disc manufacturing business. In the fiscal year ended March 31, 2015, Sony recorded an impairment loss of 8,608 million yen related to long-lived assets in the disc manufacturing business. The long-lived asset impairments in the disc manufacturing business for fiscal years ended March 31, 2014 and 2015 related to lowered forecasts of cash flows outside of Japan and the United States, primarily attributable to the manufacturing and distribution operations in Europe, which began additional restructuring activities in March 2014 and March 2015, and reflects the faster than expected contraction of the physical media market.

Sony recorded impairment losses of 59,616 million yen for the fiscal year ended March 31, 2016, included within the Devices segment, related to long-lived assets in the camera module business asset group. Due to a decrease in the projected future demand of camera modules, Sony conducted a strategic review of the business and its market conditions. Following this review, Sony reduced the corresponding estimated future cash flows and the estimated ability to recover the entire carrying amount of the long-lived assets within the period applicable to the impairment determination, resulting in an impairment charge.

Sony recorded impairment losses for long-lived assets relating to restructuring in the PC business during the fiscal year ended March 31, 2014. Refer to Notes 19 and 25.

These measurements are classified as level 3 because significant unobservable inputs, such as the conditions of the assets or projections of future cash flows, the timing of such cash flows and the discount rate reflecting the risk inherent in future cash flows, were considered in the fair value measurements. A discount rate of 10% and projected revenue growth rates ranging from zero to 15% were used in the fair value measurements related to the long-lived assets for the battery business, and a discount rate of 10% and projected declining revenue rates ranging from (6)% to (13)% were used in the fair value measurements related to the long-lived assets for the disc manufacturing business for the fiscal year ended March 31, 2014. For the fiscal year ended March 31, 2015, a discount rate of 10% and projected declining revenue rates ranging from (5)% to (9)% were used in the fair value measurements related to the long-lived assets for the disc manufacturing business. For the fiscal year ended March 31, 2016, a discount rate of 10% and projected revenue growth rates ranging from zero to 14% were used in the fair value measurements related to the long-lived assets for the battery business and a discount rate of 10% and projected revenue growth rates ranging from zero to 108% were used in the fair value measurements related to the long-lived assets for the camera module business. The high end of the camera module revenue growth rate reflects projected revenue from the introduction of new products in the near term.

Goodwill impairments

Sony recorded an impairment loss of 176,045 million yen for the fiscal year ended March 31, 2015 related to goodwill in the MC segment. Refer to Note 9. Sony's determination of fair value of the MC reporting unit was based on the present value of expected future cash flows. These measurements are classified as a level 3 because significant unobservable inputs, such as the projections of future cash flows, the timing of such cash flows and the discount rate reflecting the risk inherent in future cash flows, were considered in the fair value measurements. A discount rate of 12% and projected revenue growth rates ranging from (3)% to 11% were used in the fair value measurements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(3) Financial instruments

The estimated fair values by fair value hierarchy level of certain financial instruments that are not reported at fair value are summarized as follows:

Yen in millions					
March 31, 2015					
	Estimated fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Housing loans in the banking business	—	1,181,554	—	1,181,554	1,074,386
Total assets	—	1,181,554	—	1,181,554	1,074,386
Liabilities:					
Long-term debt including the current portion	—	878,609	—	878,609	871,604
Investment contracts included in policyholders' account in the life insurance business	—	586,331	—	586,331	591,951
Total liabilities	—	1,464,940	—	1,464,940	1,463,555
Yen in millions					
March 31, 2016					
	Estimated fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Housing loans in the banking business	—	1,369,157	—	1,369,157	1,235,311
Total assets	—	1,369,157	—	1,369,157	1,235,311
Liabilities:					
Long-term debt including the current portion	—	755,631	—	755,631	744,273
Investment contracts included in policyholders' account in the life insurance business	—	677,375	—	677,375	638,737
Total liabilities	—	1,433,006	—	1,433,006	1,383,010

The summary excludes cash and cash equivalents, call loans, time deposits, notes and accounts receivable, trade, call money, short-term borrowings, notes and accounts payable, trade and deposits from customers in the banking business because the carrying values of these financial instruments approximated their fair values due to their short-term nature. The summary also excludes held-to-maturity securities disclosed in Note 7.

Cash and cash equivalents, call loans and call money are classified in level 1. Time deposits, short-term borrowings, deposits from customers in the banking business are classified in level 2. Held-to-maturity securities, included in marketable securities and securities investments and other in the consolidated balance sheets, primarily include debt securities with quoted prices that are traded less frequently than exchange-traded

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

instruments, such as the majority of government bonds and corporate bonds and are substantially all classified in level 2. The fair values of housing loans in the banking business, included in securities investments and other in the consolidated balance sheets, were estimated based on the discounted future cash flows using interest rates reflecting London InterBank Offered Rate base yield curves with certain risk premiums. The fair values of long-term debt including the current portion and investment contracts included in policyholders' account in the life insurance business were estimated based on either the market value or the discounted future cash flows using Sony's current incremental borrowing rates for similar liabilities.

14. *Derivative instruments and hedging activities*

Sony has certain financial instruments including financial assets and liabilities acquired in the normal course of business. Such financial instruments are exposed to market risk arising from the changes in foreign currency exchange rates and interest rates. In applying a consistent risk management strategy for the purpose of reducing such risk, Sony uses derivative financial instruments, which include foreign exchange forward contracts, foreign currency option contracts, and interest rate swap agreements (including interest rate and currency swap agreements). Certain other derivative financial instruments are entered into in the Financial Services segment for asset-liability management ("ALM") purposes. These instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major countries. These derivatives generally mature or expire within six months after the balance sheet date. Other than derivatives utilized in the Financial Services segment for ALM, Sony does not use derivative financial instruments for trading or speculative purposes. These derivative transactions utilized for ALM in the Financial Services segment are executed within certain limits in accordance with an internal risk management policy.

Derivative financial instruments held by Sony are classified and accounted for as described below.

Fair value hedges

Both the derivatives designated as fair value hedges and the hedged items are reflected at fair value in the consolidated balance sheets. Changes in the fair value of the derivatives designated as fair value hedges, as well as offsetting changes in the carrying value of the underlying hedged items, are recognized in income. For the fiscal years ended March 31, 2014, 2015 and 2016, these fair value hedges were fully effective. In addition, there were no amounts excluded from the assessment of hedge effectiveness of fair value hedges.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in other comprehensive income ("OCI") and reclassified into earnings when the hedged transaction affects earnings. For the fiscal years ended March 31, 2014 and 2016, the ineffective portions of the hedging relationships were not significant. In addition, there were no amounts excluded from the assessment of hedge effectiveness for cash flow hedges. As of and for the fiscal year ended March 31, 2015, there were no cash flow hedge derivatives.

Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are recognized in income.

A description of the purpose and classification of the derivative financial instruments held by Sony is as follows:

Foreign exchange forward contracts and foreign currency option contracts

Foreign exchange forward contracts and purchased and written foreign currency option contracts are utilized primarily to limit the exposure affected by changes in foreign currency exchange rates on cash flows generated

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

by anticipated intercompany transactions and intercompany accounts receivable and payable denominated in foreign currencies. The majority of written foreign currency option contracts are a part of range forward contract arrangements and expire in the same month with the corresponding purchased foreign currency option contracts.

Sony also entered into foreign exchange forward contracts during the fiscal year ended March 31, 2016 which effectively fixed the cash flows from foreign currency denominated payables. Accordingly, these derivatives have been designated as cash flow hedges.

Foreign exchange forward contracts and foreign currency option contracts that do not qualify as hedges are marked-to-market with changes in value recognized in other income and expenses.

Foreign exchange forward contracts, foreign currency option contracts and currency swap agreements held by certain subsidiaries in the Financial Services segment are marked-to-market with changes in value recognized in financial service revenue.

Interest rate swap agreements (including interest rate and currency swap agreements)

Interest rate swap agreements are utilized primarily to lower funding costs, to diversify sources of funding and to limit Sony's exposure associated with underlying debt instruments and available-for-sale debt securities resulting from adverse fluctuations in interest rates, foreign currency exchange rates and changes in fair values. Interest rate swap agreements entered into in the Financial Services segment are used for reducing the risk arising from the changes in the fair value of fixed rate available-for-sale debt securities. These derivatives are considered to be a hedge against changes in the fair value of available-for-sale debt securities in the Financial Services segment. Accordingly, these derivatives have been designated as fair value hedges.

Sony also had certain interest rate swap agreements during the fiscal year ended March 31, 2014 for the purpose of reducing the risk arising from the changes in anticipated cash flows of variable rate debt and foreign currency denominated debt. These interest rate swap agreements, which effectively swapped foreign currency denominated variable rate debt for functional currency denominated fixed rate debt, were considered a hedge against changes in the anticipated cash flows of Sony's foreign denominated variable rate obligations. Accordingly, these derivatives were designated as cash flow hedges.

Certain subsidiaries in the Financial Services segment have interest rate swap agreements as part of their ALM, which are marked-to-market with changes in value recognized in financial service revenue.

Any other interest rate swap agreements that do not qualify as hedges, which are used for reducing the risk arising from changes of variable rate debt, are marked-to-market with changes in value recognized in other income and expenses.

Other agreements

Certain subsidiaries in the Financial Services segment have equity future contracts, other currency contracts and hybrid financial instruments as part of their ALM, which are marked-to-market with changes in value recognized in financial services revenue. The hybrid financial instruments, disclosed in Note 7 as debt securities, contained embedded derivatives that are not required to be bifurcated because the entire instruments are carried at fair value.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The estimated fair values of Sony's outstanding derivative instruments are summarized as follows:

Yen in millions						
Derivatives designated as hedging instruments	Balance sheet location	Fair value		Balance sheet location	Fair value	
	Asset derivatives	March 31		Liability derivatives	March 31	
		2015	2016		2015	2016
Interest rate contracts	Prepaid expenses and other current assets	11	16	Current liabilities: Other	954	665
Interest rate contracts	Other assets: Other	207	33	Liabilities: Other	23,899	22,605
Foreign exchange contracts	Prepaid expenses and other current assets	40	1			
		258	50		24,853	23,270
Yen in millions						
Derivatives not designated as hedging instruments	Balance sheet location	Fair value		Balance sheet location	Fair value	
	Asset derivatives	March 31		Liability derivatives	March 31	
		2015	2016		2015	2016
Interest rate contracts				Current liabilities: Other	—	38
Interest rate contracts	Other assets: Other	222	538	Liabilities: Other	1,178	5,850
Foreign exchange contracts	Prepaid expenses and other current assets	29,899	16,803	Current liabilities: Other	21,526	19,309
Foreign exchange contracts	Other assets: Other	28	—	Liabilities: Other	155	—
Equity contracts	Prepaid expenses and other current assets	—	437	Current liabilities: Other	612	668
		30,149	17,778		23,471	25,865
Total derivatives		30,407	17,828		48,324	49,135

Presented below are the effects of derivative instruments on the consolidated statements of income for the fiscal years ended March 31, 2014, 2015 and 2016.

Yen in millions					
Derivatives under fair value hedging relationships	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative			
		Fiscal year ended March 31			
		2014	2015	2016	
Interest rate contracts	Financial services revenue	131	(8,271)	(8,300)	
Foreign exchange contracts	Foreign exchange loss, net	(1)	(9)	3	
Total		130	(8,280)	(8,297)	

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Yen in millions				
Derivatives under cash flow hedging relationships	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in OCI on derivative		
		Fiscal year ended March 31		
		2014	2015	2016
Interest rate contracts	—	167	—	—
Foreign exchange contracts	—	—	—	1,914
Total		167	—	1,914
Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion)		
		Fiscal year ended March 31		
		2014	2015	2016
Interest rate contracts	Interest expense	471	—	—
Foreign exchange contracts	Foreign exchange loss, net	348	—	(8)
Foreign exchange contracts	Cost of sales	—	—	(3,104)
Total		819	—	(3,112)
Yen in millions				
Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative		
		Fiscal year ended March 31		
		2014	2015	2016
Interest rate contracts	Financial services revenue	(167)	(3,579)	(5,499)
Interest rate contracts	Foreign exchange loss, net	—	883	—
Foreign exchange contracts	Financial services revenue	1,198	(1,942)	4,166
Foreign exchange contracts	Foreign exchange loss, net	2,703	13,375	(14,501)
Equity contracts	Financial services revenue	—	(2,725)	3,267
Total		3,734	6,012	(12,567)

The following table summarizes additional information, including notional amounts, for each type of derivative:

Yen in millions				
	March 31, 2015		March 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Foreign exchange contracts:				
Foreign exchange forward contracts	1,335,811	11,654	1,030,020	(5,118)
Currency option contracts purchased	9,920	202	211	2
Currency option contracts written	568	(3)	210	(2)
Currency swap agreements	754,056	(3,872)	729,632	(99)
Other currency contracts	83,980	305	75,157	2,712
Interest rate contracts:				
Interest rate swap agreements	402,049	(25,591)	436,739	(28,571)
Equity contracts:				
Equity future contracts	21,903	(612)	72,794	(231)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

All derivatives are recognized as either assets or liabilities in the consolidated balance sheets on a gross basis, but certain subsidiaries have entered into master netting agreements or other similar agreements, which are mainly International Swaps and Derivatives Association (ISDA) Master Agreements. An ISDA Master Agreement is an agreement between two counterparties that may have multiple derivative contracts with each other, and such ISDA Master Agreement may provide for the net settlement of all or a specified group of these derivative contracts, through a single payment, in a single currency, in the event of a default on or affecting any one derivative contract, or a termination event affecting all or a specified group of derivative contracts. Presented below are the effects of offsetting derivative assets, derivative liabilities, financial assets and financial liabilities as of March 31, 2015 and 2016.

Yen in millions			
As of March 31, 2015			
Gross amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements		Net amounts
	Financial instruments	Cash collateral	
Derivative assets subject to master netting agreements	26,032	10,387	—
Derivative assets not subject to master netting agreements	4,375		4,375
Total assets	<u>30,407</u>	<u>10,387</u>	<u>20,020</u>
Derivative liabilities subject to master netting agreements	43,791	37,820	612
Derivative liabilities not subject to master netting agreements	4,533		4,533
Total liabilities	<u>48,324</u>	<u>37,820</u>	<u>612</u>

Yen in millions			
As of March 31, 2016			
Gross amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements		Net amounts
	Financial instruments	Cash collateral	
Derivative assets subject to master netting agreements	10,251	6,990	312
Derivative assets not subject to master netting agreements	7,577		7,577
Total assets	<u>17,828</u>	<u>6,990</u>	<u>312</u>
Derivative liabilities subject to master netting agreements	46,328	28,527	8,269
Derivative liabilities not subject to master netting agreements	2,807		2,807
Repurchase, securities lending and similar arrangements	62,805	61,864	—
Total liabilities	<u>111,940</u>	<u>90,391</u>	<u>8,269</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

15. Pension and severance plans

(1) Defined benefit and severance plans

Upon terminating employment, employees of Sony Corporation and its subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pension payments as described below. Sony Corporation and certain of its subsidiaries' pension plans utilize a point-based plan under which a point is added every year reflecting the individual employee's performance over that year. Under the point-based plan, the amount of payment is determined based on the sum of cumulative points from past services and interest points earned on the cumulative points regardless of whether or not the employee is voluntarily retiring.

Under the plans, in general, the defined benefits cover 65% of the indemnities under existing regulations to employees. The remaining indemnities are covered by severance payments by the companies. The pension benefits are payable at the option of the retiring employee either in a lump-sum amount or monthly pension payments. Contributions to the plans are funded through several financial institutions in accordance with the applicable laws and regulations.

From April 1, 2012, Sony Corporation and substantially all of its subsidiaries in Japan have modified existing defined benefit pension plans such that life annuities will no longer accrue additional service benefits, with those participants instead accruing fixed-term annuities. The defined benefit pension plans were closed to new participants and a defined contribution plan was also introduced.

In addition, several of Sony's foreign subsidiaries have defined benefit pension plans or severance indemnity plans, which cover substantially all of their employees. Under such plans, the related cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on the current rate of pay and length of service.

The components of net periodic benefit costs for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Japanese plans:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Service cost	24,827	24,350	24,670
Interest cost	12,152	11,583	8,689
Expected return on plan assets	(17,822)	(19,252)	(20,853)
Recognized actuarial loss	11,480	9,867	8,588
Amortization of prior service costs	(10,176)	(9,614)	(9,489)
Net periodic benefit costs	<u>20,461</u>	<u>16,934</u>	<u>11,605</u>

Foreign plans:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Service cost	3,032	3,188	3,504
Interest cost	12,068	13,040	12,096
Expected return on plan assets	(11,480)	(12,993)	(14,117)
Amortization of net transition asset	12	10	10
Recognized actuarial loss	3,693	2,991	4,236
Amortization of prior service costs	(643)	(639)	(478)
Losses on curtailments and settlements	1,074	31	354
Net periodic benefit costs	<u>7,756</u>	<u>5,628</u>	<u>5,605</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The estimated net actuarial loss, prior service cost and obligation (asset) existing at transition for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit costs over the next fiscal year are 23,195 million yen, 9,974 million yen and 5 million yen, respectively.

The changes in the benefit obligation and plan assets as well as the funded status and composition of amounts recognized in the consolidated balance sheets were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Change in benefit obligation:				
Benefit obligation at beginning of the fiscal year	847,446	890,415	313,698	394,704
Service cost	24,350	24,670	3,188	3,504
Interest cost	11,583	8,689	13,040	12,096
Plan participants' contributions	—	—	752	676
Amendments	—	—	(283)	—
Actuarial (gain) loss*	48,061	144,416	74,801	(21,868)
Foreign currency exchange rate changes	—	—	7,214	(16,893)
Curtailments and settlements	—	—	(3,932)	(1,246)
Effect of changes in consolidated subsidiaries	(4)	—	—	—
Other	(2,696)	(14)	—	—
Benefits paid	(38,325)	(33,892)	(13,774)	(14,098)
Benefit obligation at end of the fiscal year	<u>890,415</u>	<u>1,034,284</u>	<u>394,704</u>	<u>356,875</u>
Change in plan assets:				
Fair value of plan assets at beginning of the fiscal year	654,792	710,602	225,024	280,216
Actual return on plan assets	74,447	(9,030)	54,928	(6,035)
Foreign currency exchange rate changes	—	—	5,752	(13,095)
Employer contribution	7,978	1,951	9,434	7,905
Plan participants' contributions	—	—	752	676
Curtailments and settlements	—	—	(2,989)	(504)
Other	(1,934)	—	—	—
Benefits paid	(24,681)	(24,091)	(12,685)	(12,822)
Fair value of plan assets at end of the fiscal year	<u>710,602</u>	<u>679,432</u>	<u>280,216</u>	<u>256,341</u>
Funded status at end of the fiscal year	<u>(179,813)</u>	<u>(354,852)</u>	<u>(114,488)</u>	<u>(100,534)</u>

* Actuarial loss in Japanese plans for the fiscal year ended March 31, 2016 principally relates to changes in the assumptions for discount and mortality rates.

Amounts recognized in the consolidated balance sheets consist of:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Noncurrent assets	3,005	2,217	4,027	7,102
Current liabilities	—	—	(4,500)	(2,892)
Noncurrent liabilities	(182,818)	(357,069)	(114,015)	(104,744)
Ending balance	<u>(179,813)</u>	<u>(354,852)</u>	<u>(114,488)</u>	<u>(100,534)</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Amounts recognized in accumulated other comprehensive income, excluding tax effects, consist of:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Prior service cost (credit)	(44,394)	(34,905)	(2,161)	(1,443)
Net actuarial loss	218,462	389,302	94,480	82,850
Obligation existing at transition	—	—	15	7
Ending balance	<u>174,068</u>	<u>354,397</u>	<u>92,334</u>	<u>81,414</u>

The accumulated benefit obligations for all defined benefit pension plans were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Accumulated benefit obligations	885,479	1,028,690	364,094	331,975

The projected benefit obligations, the accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Projected benefit obligations	879,995	1,022,373	330,478	292,171
Accumulated benefit obligations	876,282	1,018,228	323,221	286,705
Fair value of plan assets	698,400	666,753	235,343	202,913

Weighted-average assumptions used to determine benefit obligations as of March 31, 2015 and 2016 were as follows:

	Japanese plans		Foreign plans	
	March 31		March 31	
	2015	2016	2015	2016
Discount rate	1.0%	0.6%	3.1%	3.2%
Rate of compensation increase	*	*	2.9	2.1

* Substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Weighted-average assumptions used to determine the net periodic benefit costs for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Japanese plans			Foreign plans		
	Fiscal year ended March 31			Fiscal year ended March 31		
	2014	2015	2016	2014	2015	2016
Discount rate	1.5%	1.4%	1.0%	4.1%	4.1%	3.1%
Expected return on plan assets	3.0	3.0	3.0	5.8	5.6	4.8
Rate of compensation increase	*	*	*	3.1	3.1	2.9

* Substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

Sony reviews these assumptions for changes in circumstances.

The weighted-average rate of compensation increase is calculated based only on the pay-related plans. The point-based plans discussed above are excluded from the calculation because payments made under the plan are not based on employee compensation.

The mortality rate assumptions are based on life expectancy and death rates for different types of participants. In the fiscal year ended March 31, 2016, Sony updated mortality rate assumptions to consider the latest mortality tables and in certain instances to utilize mortality tables based on gender.

To determine the expected long-term rate of return on pension plan assets, Sony considers the current and expected asset allocations, as well as the historical and expected long-term rates of returns on various categories of plan assets. Sony's pension investment policy recognizes the expected growth and the variability risk associated with the long-term nature of pension liabilities, the returns and risks of diversification across asset classes, and the correlation among assets. The asset allocations are designed to maximize returns consistent with levels of liquidity and investment risk that are considered prudent and reasonable. While the pension investment policy gives appropriate consideration to recent market performance and historical returns, the investment assumptions utilized by Sony are designed to achieve a long-term return consistent with the long-term nature of the corresponding pension liabilities.

The investment objectives of Sony's plan assets are designed to generate returns that will enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the retirement dates and life expectancy of the plans' participants. The obligations are estimated using actuarial assumptions, based on the current economic environment and other pertinent factors. Sony's investment strategy balances the requirement to generate returns, using potentially higher yielding assets such as equity securities, with the need to control risk in the portfolio with less volatile assets, such as fixed-income securities. Risks include, among others, inflation, volatility in equity values and changes in interest rates that could negatively impact the funding level of the plans, thereby increasing its dependence on contributions from Sony. To mitigate any potential concentration risk, thorough consideration is given to balancing the portfolio among industry sectors and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The target allocations as of March 31, 2016, are, as a result of Sony's asset liability management, 29% of equity securities, 53% of fixed income securities and 18% of other investments for the pension plans of Sony Corporation and most of its subsidiaries in Japan, and, on a weighted average basis, 33% of equity securities, 49% of fixed income securities and 18% of other investments for the pension plans of foreign subsidiaries.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The fair values of the assets held by Japanese and foreign plans, which are classified in accordance with the fair value hierarchy described in Note 2, are as follows:

Asset class	Japanese plans			
	Yen in millions			
	Fair value at March 31, 2015	Fair value measurements using inputs considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	5,789	5,789	—	—
Equity:				
Equity securities*1	166,164	161,530	4,634	—
Fixed income:				
Government bonds*2	217,359	—	217,359	—
Corporate bonds*3	54,639	—	54,639	—
Asset-backed securities*4	650	—	650	—
Commingled funds*5	122,798	—	122,798	—
Commodity funds*6	24,621	—	24,621	—
Private equity*7	32,584	—	—	32,584
Hedge funds*8	80,037	—	—	80,037
Real estate	5,961	—	—	5,961
Total	710,602	167,319	424,701	118,582

Asset class	Japanese plans			
	Yen in millions			
	Fair value at March 31, 2016	Fair value measurements using inputs considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	17,985	17,985	—	—
Equity:				
Equity securities*1	148,658	144,597	4,061	—
Fixed income:				
Government bonds*2	218,851	—	218,851	—
Corporate bonds*3	56,779	—	56,779	—
Asset-backed securities*4	1,148	—	1,148	—
Commingled funds*5	115,902	—	115,902	—
Commodity funds*6	20,547	—	20,547	—
Private equity*7	31,852	—	—	31,852
Hedge funds*8	60,395	—	—	60,395
Real estate	7,315	—	—	7,315
Total	679,432	162,582	417,288	99,562

*1 Includes approximately 53 percent and 48 percent of Japanese equity securities, and 47 percent and 52 percent of foreign equity securities for the fiscal years ended March 31, 2015 and 2016, respectively.

*2 Includes approximately 48 percent and 51 percent of debt securities issued by Japanese national and local governments, and 52 percent and 49 percent of debt securities issued by foreign national and local governments for the fiscal years ended March 31, 2015 and 2016, respectively.

*3 Includes debt securities issued by Japanese and foreign corporation and government related agencies.

*4 Includes primarily mortgage-backed securities.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

- *5 Commingled funds represent pooled institutional investments, including primarily investment trusts. They include approximately 46 percent and 44 percent of investments in equity, 52 percent and 54 percent of investments in fixed income, and 3 percent and 1 percent of investments in other for the fiscal years ended March 31, 2015 and 2016, respectively.
- *6 Represents commodity futures funds.
- *7 Includes multiple private equity funds of funds that primarily invest in venture, buyout, and distressed markets in the U.S. and Europe.
- *8 Includes primarily funds that invest in a portfolio of a broad range of hedge funds to diversify the risks and reduce the volatilities associated with a single hedge fund.

Asset class	Foreign plans			
	Yen in millions			
	Fair value at March 31, 2015	Fair value measurements using inputs considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	8,665	8,665	—	—
Equity:				
Equity securities*1	44,276	41,194	3,082	—
Fixed income:				
Government bonds*2	69,882	—	69,882	—
Corporate bonds*3	33,290	—	25,906	7,384
Asset-backed securities	328	—	328	—
Insurance contracts*4	1,936	—	1,936	—
Commingled funds*5	86,931	—	86,931	—
Real estate and other*6	34,908	—	19,386	15,522
Total	280,216	49,859	207,451	22,906

Asset class	Foreign plans			
	Yen in millions			
	Fair value at March 31, 2016	Fair value measurements using inputs considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	4,078	4,078	—	—
Equity:				
Equity securities*1	37,769	35,818	1,951	—
Fixed income:				
Government bonds*2	60,835	—	60,835	—
Corporate bonds*3	30,425	—	23,425	7,000
Asset-backed securities	321	—	321	—
Insurance contracts*4	4,293	—	4,293	—
Commingled funds*5	77,456	—	77,456	—
Real estate and other*6	41,164	—	17,040	24,124
Total	256,341	39,896	185,321	31,124

- *1 Includes primarily foreign equity securities.
- *2 Includes primarily foreign government debt securities.
- *3 Includes primarily foreign corporate debt securities.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

- *4 Represents annuity contracts with or without profit sharing.
- *5 Commingled funds represent pooled institutional investments including mutual funds, common trust funds, and collective investment funds. They are primarily comprised of foreign equities and fixed income investments.
- *6 Includes primarily private real estate investment trusts.

Each level in the fair value hierarchy in which each plan asset is classified is determined based on inputs used to measure the fair values of the asset, and does not necessarily indicate the risks or rating of the asset.

The following is a description of the valuation techniques used to measure Japanese and foreign plan assets at fair value. The valuation techniques are applied consistently from period to period.

Equity securities are valued at the closing price reported in the active market in which the individual securities are traded. These assets are generally classified as level 1.

The fair value of fixed income securities is typically estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are generally classified as level 2.

Commingled funds are typically valued using the net asset value provided by the administrator of the fund and reviewed by Sony. The net asset value is based on the value of the underlying assets owned by the fund, minus liabilities and divided by the number of shares or units outstanding. These assets are classified as level 1, level 2 or level 3 depending on availability of quoted market prices.

Commodity funds are valued using inputs that are derived principally from or corroborated by observable market data. These assets are generally classified as level 2.

Private equity and private real estate investment trust valuations require significant judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. These assets are initially valued at cost and are reviewed periodically utilizing available and relevant market data to determine if the carrying value of these assets should be adjusted. These investments are classified as level 3.

Hedge funds are valued using the net asset value as determined by the administrator or custodian of the fund. These investments are classified as level 3.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The following table sets forth a summary of changes in the fair values of Japanese and foreign plans' level 3 assets for the fiscal years ended March 31, 2015 and 2016:

	Japanese plans			
	Yen in millions			
	Fair value measurement using significant unobservable inputs (Level 3)			
	Private equity	Hedge funds	Real estate	Total
Beginning balance at April 1, 2014	26,942	41,108	1,689	69,739
Return on assets held at end of year	5,642	5,796	(101)	11,337
Purchases, sales, and settlements, net	—	33,133	4,373	37,506
Ending balance at March 31, 2015	32,584	80,037	5,961	118,582
Return on assets held at end of year	157	(3,593)	315	(3,121)
Purchases, sales, and settlements, net	(889)	(16,049)	1,039	(15,899)
Ending balance at March 31, 2016	31,852	60,395	7,315	99,562

	Foreign plans		
	Yen in millions		
	Fair value measurement using significant unobservable inputs (Level 3)		
	Corporate bonds	Real estate and other	Total
Beginning balance at April 1, 2014	6,255	8,932	15,187
Return on assets held at end of year	81	(408)	(327)
Purchases, sales, and settlements, net	—	210	210
Other*	1,048	6,788	7,836
Ending balance at March 31, 2015	7,384	15,522	22,906
Return on assets held at end of year	76	(104)	(28)
Return on assets sold during the year	—	19	19
Purchases, sales, and settlements, net	—	3,933	3,933
Transfers, net	—	2,692	2,692
Other*	(460)	2,062	1,602
Ending balance at March 31, 2016	7,000	24,124	31,124

* Primarily consists of translation adjustments.

Sony makes contributions to its defined benefit pension plans as deemed appropriate by management after considering the fair value of plan assets, expected return on plan assets and the present value of benefit obligations. Sony expects to contribute approximately 11 billion yen to the Japanese plans and approximately 6 billion yen to the foreign plans during the fiscal year ending March 31, 2017.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The expected future benefit payments are as follows:

<u>Fiscal year ending March 31</u>	<u>Japanese plans</u> <u>Yen in millions</u>	<u>Foreign plans</u> <u>Yen in millions</u>
2017	34,129	13,316
2018	34,595	13,742
2019	37,755	14,192
2020	39,943	14,988
2021	40,867	15,720
2022 — 2026	224,026	89,353

(2) Defined contribution plans

Total defined contribution expenses for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	<u>Yen in millions</u>		
	<u>Fiscal year ended March 31</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Japanese plans	3,602	3,199	3,155
Foreign plans	12,703	13,857	12,419

16. *Stockholders' equity*

(1) Common stock

Changes in the number of shares of common stock issued and outstanding during the fiscal years ended March 31, 2014, 2015 and 2016 have resulted from the following:

	<u>Number of shares</u>
Balance at March 31, 2013	1,011,950,206
Exercise of stock acquisition rights	134,800
Conversion of zero coupon convertible bonds	32,622,761
Balance at March 31, 2014	1,044,707,767
Exercise of stock acquisition rights	948,500
Conversion of zero coupon convertible bonds	124,116,993
Balance at March 31, 2015	1,169,773,260
Issuance of new shares	92,000,000
Exercise of stock acquisition rights	720,500
Balance at March 31, 2016	1,262,493,760

At March 31, 2016, 39,739,861 shares of common stock would be issued upon the conversion or exercise of all convertible bonds and stock acquisition rights outstanding.

Conversions of convertible bonds into common stock are accounted for in accordance with the provisions of the Companies Act of Japan (*Kaishaho*) and related regulations (collectively the “Companies Act”) by crediting approximately one-half of the conversion proceeds to the common stock account and the remainder to the additional paid-in capital account.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Sony Corporation may purchase its own shares at any time by a resolution of the Board of Directors up to the retained earnings available for dividends to shareholders, in accordance with the Companies Act. No common stock had been acquired by the resolution of the Board of Directors during the fiscal years ended March 31, 2014, 2015 and 2016.

(2) Retained earnings

The amount of statutory retained earnings of Sony Corporation available for dividends to shareholders as of March 31, 2016 was 467,311 million yen. The appropriation of retained earnings for the fiscal year ended March 31, 2016, including cash dividends for the six-month period ended March 31, 2016, has been incorporated in the consolidated financial statements. This appropriation of retained earnings was approved at the meeting of the Board of Directors of Sony Corporation held on April 28, 2016 and was then recorded in the statutory books of account, in accordance with the Companies Act.

Retained earnings include Sony's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of 20,986 million yen and 29,061 million yen at March 31, 2015 and 2016, respectively.

(3) Other comprehensive income

Changes in accumulated other comprehensive income, net of tax, by component for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Yen in millions				
	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Pension liability adjustment	Foreign currency translation adjustments	Total
Balance at March 31, 2013	109,079	(742)	(191,816)	(556,016)	(639,495)
Other comprehensive income before reclassifications	24,388	103	6,896	158,884	190,271
Amounts reclassified out of accumulated other comprehensive income	(5,078)	639	4,987	—	548
Net current-period other comprehensive income	19,310	742	11,883	158,884	190,819
Less: Other comprehensive income attributable to noncontrolling interests	880	—	106	1,923	2,909
Balance at March 31, 2014	127,509	—	(180,039)	(399,055)	(451,585)

	Yen in millions			
	Unrealized gains (losses) on securities	Pension liability adjustment	Foreign currency translation adjustments	Total
Balance at March 31, 2014	127,509	(180,039)	(399,055)	(451,585)
Other comprehensive income before reclassifications	53,069	(22,552)	67,334	97,851
Amounts reclassified out of accumulated other comprehensive income* ¹	(14,351)	1,365	(1,544)	(14,530)
Net current-period other comprehensive income	38,718	(21,187)	65,790	83,321
Less: Other comprehensive income attributable to noncontrolling interests	12,074	(95)	5,040	17,019
Balance at March 31, 2015	154,153	(201,131)	(338,305)	(385,283)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Yen in millions				
	<u>Unrealized gains (losses) on securities</u>	<u>Unrealized gains (losses) on derivative instruments</u>	<u>Pension liability adjustment</u>	<u>Foreign currency translation adjustments</u>	<u>Total</u>
Balance at March 31, 2015	154,153	—	(201,131)	(338,305)	(385,283)
Other comprehensive income before reclassifications	45,527	1,914	(174,380)	(83,899)	(210,838)
Amounts reclassified out of accumulated other comprehensive income	<u>(43,307)</u>	<u>(3,112)</u>	<u>2,627</u>	<u>—</u>	<u>(43,792)</u>
Net current-period other comprehensive income	2,220	(1,198)	(171,753)	(83,899)	(254,630)
Less: Other comprehensive income attributable to noncontrolling interests	<u>15,637</u>	<u>—</u>	<u>(1,145)</u>	<u>(1,087)</u>	<u>13,405</u>
Balance at March 31, 2016	<u>140,736</u>	<u>(1,198)</u>	<u>(371,739)</u>	<u>(421,117)</u>	<u>(653,318)</u>

*1 Foreign currency translation adjustments were transferred from accumulated other comprehensive income to net income as a result of a complete or substantially complete liquidation or sale of certain foreign subsidiaries and affiliates.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Reclassifications out of accumulated other comprehensive income for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Comprehensive income components	Yen in millions			Affected line items in consolidated statements of income
	Amounts reclassified from accumulated other comprehensive income			
	2014	2015	2016	
Unrealized gains (losses) on securities	(881)	(10,515)	(19,598)	Financial services revenue
	(7,801)	(7,942)	(47,087)	Gain on sale of securities investments, net
	447	—	3,063	Loss on devaluation of securities investments
	14	—	—	Other
Total before tax	(8,221)	(18,457)	(63,622)	
Tax expense or (benefit)	3,143	4,106	20,315	
Net of tax	(5,078)	(14,351)	(43,307)	
Unrealized gains (losses) on derivative instruments	471	—	—	Interest
	348	—	(8)	Foreign exchange loss, net
	—	—	(3,104)	Cost of sales
Total before tax	819	—	(3,112)	
Tax expense or (benefit)	(180)	—	—	
Net of tax	639	—	(3,112)	
Pension liability adjustment	5,440	2,615	2,867	*
Tax expense or (benefit)	(453)	(1,250)	(240)	
Net of tax	4,987	1,365	2,627	
Foreign currency translation adjustments	—	(1,544)	—	Foreign exchange loss, net
Tax expense or (benefit)	—	—	—	
Net of tax	—	(1,544)	—	
Total amounts reclassified out of accumulated other comprehensive income, net of tax	548	(14,530)	(43,792)	

* The amortization of pension and postretirement benefit components are included in the computation of net periodic pension cost. Refer to Note 15.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(4) Equity transactions with noncontrolling interests

Net income (loss) attributable to Sony Corporation's stockholders and transfers (to) from the noncontrolling interests for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Net income (loss) attributable to Sony Corporation's stockholders	(128,369)	(125,980)	147,791
Transfers (to) from the noncontrolling interests:			
Decrease in additional paid-in capital for purchase of additional shares in consolidated subsidiaries	28	(2,483)	(12,776)
Change from net income (loss) attributable to Sony Corporation's stockholders and transfers (to) from the noncontrolling interests	<u>(128,341)</u>	<u>(128,463)</u>	<u>135,015</u>

17. Stock-based compensation plans

The stock-based compensation expense for the fiscal years ended March 31, 2014, 2015 and 2016 was 1,068 million yen, 1,286 million yen and 1,944 million yen, respectively. The total cash received from exercises under all of the stock-based compensation plans during the fiscal years ended March 31, 2014, 2015 and 2016 was 200 million yen, 1,637 million yen and 1,578 million yen, respectively. Sony issued new shares upon exercise of these rights.

Sony has a stock-based compensation incentive plan for selected directors, corporate executive officers and employees in the form of a stock acquisition rights plan. The stock acquisition rights generally have three year graded vesting schedules and are exercisable up to ten years from the date of grant.

The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal years ended March 31, 2014, 2015 and 2016 was 821 yen, 1,139 yen and 1,331 yen, respectively. The fair value of stock acquisition rights granted on the date of grant and used to recognize compensation expense for the fiscal years ended March 31, 2014, 2015 and 2016 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Fiscal year ended March 31		
	2014	2015	2016
Weighted-average assumptions			
Risk-free interest rate	1.43%	1.26%	1.07%
Expected lives	7.13 years	7.35 years	7.12 years
Expected volatility*	52.03%	51.69%	42.07%
Expected dividends	1.55%	1.24%	0.75%

* Expected volatility was based on the historical volatilities of Sony Corporation's common stock over the expected life of the stock acquisition rights.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

A summary of the activities regarding the stock acquisition rights plan during the fiscal year ended March 31, 2016 is as follows:

	Number of shares	Fiscal year ended March 31, 2016		
		Weighted- average exercise price	Weighted- average remaining life	Total intrinsic value
		Yen	Years	Yen in millions
Outstanding at beginning of the fiscal year	16,408,500	3,358		
Granted	2,342,000	3,355		
Exercised	720,500	2,190		
Forfeited or expired	2,251,800	3,976		
Outstanding at end of the fiscal year	15,778,200	3,188	5.32	5,246
Exercisable at end of the fiscal year	11,558,300	3,319	3.95	4,133

The total intrinsic value of shares exercised under the stock acquisition rights plan during the fiscal years ended March 31, 2014, 2015 and 2016 was 52 million yen, 1,463 million yen and 1,338 million yen, respectively.

As of March 31, 2016, there was 2,944 million yen of total unrecognized compensation expense related to nonvested stock acquisition rights. This expense is expected to be recognized over a weighted-average period of 2.06 years.

18. *Thai Floods*

In October 2011, certain of Sony's Thailand subsidiaries temporarily closed operations due to significant floods (the "Floods"). The Floods caused significant damage to certain fixed assets including buildings, machinery and equipment as well as inventories in manufacturing sites and warehouses located in Thailand. In addition, the Floods impacted the operations of certain Sony subsidiaries in Japan and other countries.

Sony has insurance policies which cover certain damage directly caused by the Floods for Sony Corporation and certain of its subsidiaries, including manufacturing sites. The insurance policies cover the damage and costs associated with fixed assets, inventories and additional expenses including removal and cleaning costs and provide business interruption coverage, including lost profits.

Insurance recoveries were recognized as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Insurance recoveries for fixed assets, inventories and additional expenses	624	—	—
Insurance recoveries for business interruption	11,452	6,387	5,656
	12,076	6,387	5,656

The proceeds from insurance recoveries for fixed assets, inventories and additional expenses and for business interruption were included in investing activities and operating activities, respectively, in the consolidated statements of cash flows.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

19. *Restructuring charges*

As part of its effort to improve the performance of the various businesses, Sony has undertaken a number of restructuring initiatives. Sony defines restructuring initiatives as activities initiated by Sony, which are designed to generate a positive impact on future profitability. These activities include exiting a business or product category, implementing a headcount reduction program, realignment of its manufacturing sites to low-cost areas, utilizing the services of third-party original equipment and design manufacturers (OEMs and ODMs), a review of its development and design structure, and the streamlining of its sales and administrative functions. The restructuring activities are generally short term in nature and are generally completed within one year of initiation.

The changes in the accrued restructuring charges for the fiscal years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen in millions			
	Employee termination benefits	Non-cash write-downs and disposals, net*	Other associated costs	Total
Balance at March 31, 2013	32,729	—	5,675	38,404
Restructuring costs	41,820	18,991	14,759	75,570
Non-cash charges	—	(18,991)	—	(18,991)
Cash payments	(46,017)	—	(7,177)	(53,194)
Adjustments	3,312	—	659	3,971
Balance at March 31, 2014	31,844	—	13,916	45,760
Restructuring costs	53,261	17,169	20,259	90,689
Non-cash charges	—	(17,169)	—	(17,169)
Cash payments	(48,787)	—	(19,937)	(68,724)
Adjustments	403	—	(42)	361
Balance at March 31, 2015	36,721	—	14,196	50,917
Restructuring costs	27,401	1,828	7,298	36,527
Non-cash charges	—	(1,828)	—	(1,828)
Cash payments	(40,261)	—	(11,232)	(51,493)
Adjustments	(1,330)	—	1,473	143
Balance at March 31, 2016	22,531	—	11,735	34,266

* Significant asset impairments excluded from restructuring charges are described in Note 13.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Total costs incurred in connection with these restructuring programs by segment for the fiscal years ended March 31, 2014, 2015 and 2016 are as follows:

Yen in millions					
Fiscal year ended March 31, 2014					
	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	440	3,171	3,611	—	3,611
Game & Network Services	58	313	371	—	371
Imaging Products & Solutions	3,466	354	3,820	—	3,820
Home Entertainment & Sound	1,181	377	1,558	34	1,592
Devices	2,896	2,547	5,443	3,451	8,894
Pictures	6,570	152	6,722	13	6,735
Music	685	—	685	—	685
Financial Services	—	—	—	—	—
All Other and Corporate	26,524	26,836	53,360	1,521	54,881
Total	<u>41,820</u>	<u>33,750</u>	<u>75,570</u>	<u>5,019</u>	<u>80,589</u>

Yen in millions					
Fiscal year ended March 31, 2015					
	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	3,800	1,906	5,706	85	5,791
Game & Network Services	520	6,752	7,272	—	7,272
Imaging Products & Solutions	6,586	39	6,625	714	7,339
Home Entertainment & Sound	1,959	1	1,960	—	1,960
Devices	3,235	3,761	6,996	426	7,422
Pictures	1,918	—	1,918	—	1,918
Music	1,530	585	2,115	—	2,115
Financial Services	—	—	—	—	—
All Other and Corporate	33,713	24,384	58,097	6,122	64,219
Total	<u>53,261</u>	<u>37,428</u>	<u>90,689</u>	<u>7,347</u>	<u>98,036</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Yen in millions					
Fiscal year ended March 31, 2016					
	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	17,259	3,669	20,928	710	21,638
Game & Network Services	15	120	135	—	135
Imaging Products & Solutions	78	126	204	—	204
Home Entertainment & Sound	1,181	26	1,207	—	1,207
Devices	(10)	(81)	(91)	—	(91)
Pictures	1,594	7	1,601	5	1,606
Music	1,501	367	1,868	—	1,868
Financial Services	—	—	—	—	—
All Other and Corporate	5,783	4,892	10,675	1,017	11,692
Total	<u>27,401</u>	<u>9,126</u>	<u>36,527</u>	<u>1,732</u>	<u>38,259</u>

* Other associated costs includes non-cash write-downs and disposals, net

Depreciation associated with restructured assets as used in the context of the disclosures regarding restructuring activities refers to the increase in depreciation expense caused by revising the useful life and the salvage value of depreciable fixed assets under an approved restructuring plan. Any impairment of the assets is recognized immediately in the period it is identified.

Retirement programs

Sony has undergone several headcount reduction programs to further reduce operating costs primarily in an effort to improve the performance of certain segments related to the Electronics business and reduce cost at the headquarters function. Through measures including the realignment of its manufacturing sites, a review of its development and design structure, and the streamlining of its sales and administrative functions, Sony has continued to implement a company-wide (including headquarters) rationalization. Sony intends to reallocate and optimize its workforce through programs including work reassignments and outplacements. The employee termination benefits costs in the above table are included in selling, general and administrative in the consolidated statements of income.

During the fiscal year ended March 31, 2014, Sony announced its exit from the PC business resulting in a reduction in the scale of sales companies (refer to *All Other and Corporate* in this note), plans to operate the TV business in the HE&S segment as a wholly-owned subsidiary, and additional plans to optimize the sales and headquarters functions that indirectly support the Electronics businesses.

During the fiscal year ended March 31, 2015, Sony substantially completed the activities for optimizing the functions of sales companies and headquarters described above, other than those for the Mobile Communication segment. In the third quarter of the fiscal year ended March 31, 2015, Sony began restructuring plans regarding the Mobile Communication segment to reduce headcount by streamlining business operations, including closure and consolidation of manufacturing sites, and the consolidation of headquarters and administrative functions.

During the fiscal year ended March 31, 2016, the restructuring plans regarding the Mobile Communication segment progressed as planned by streamlining business operations, including closure and consolidation of manufacturing sites, and the consolidation of headquarters and administrative functions described above.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

All Other and Corporate

Sony recorded restructuring charges resulting from exiting the PC business of 40,850 million yen and 19,635 million yen during the fiscal years ended March 31, 2014 and 2015, respectively. The amount for the fiscal year ended March 31, 2014 includes impairment losses of 12,817 million yen for long-lived assets and expenses of 8,019 million yen to compensate suppliers for unused components. The amounts above also include costs relating to a reduction in the scale of sales companies resulting from the decision to exit the PC business of 12,819 million yen and 8,278 million yen, for the fiscal years ended March 31, 2014 and 2015, respectively. Refer to Note 25.

In an effort to improve the performance of the disc manufacturing business, Sony initiated a number of restructuring activities to reduce its operating costs. These activities resulted in restructuring charges primarily consisting of headcount reductions and the closure and consolidation of manufacturing sites totaling 6,923 million yen for the fiscal year ended March 31, 2015. Refer to Note 13 for the long-lived assets impairments related to the disc manufacturing business other than restructuring charges.

As a result of efforts to optimize the sales and headquarters functions that indirectly support the Electronics businesses, which are described above, Sony recorded restructuring charges primarily consisting of headcount reductions totaling 22,345 million yen and 7,112 million yen during the fiscal years ended March 31, 2015 and 2016.

20. Supplemental consolidated statements of income information

(1) Other operating expense, net

Sony records transactions in other operating expense, net due to either the nature of the transaction or in consideration of factors including the relationship to Sony's core operations.

Other operating expense, net is comprised of the following:

	Yen in millions		
	March 31		
	2014	2015	2016
Gain on sale of the U.S. headquarters building* ¹	(5,462)	(5,991)	(6,545)
Gain on sale of Sony City Osaka* ¹	(4,914)	(4,914)	(4,914)
Gain on sales of music publishing catalog in Pictures segment	(10,307)	(1,871)	—
(Gain) loss on sale, remeasurement, and issuance of M3 shares* ²	(13,758)	113	(2)
(Gain) loss on purchase/sale of interests in subsidiaries and affiliates, net* ³	(7,753)	1,716	(31,778)
(Gain) loss on sale, disposal or impairment of assets, net* ⁴	90,860	192,605	90,410
	<u>48,666</u>	<u>181,658</u>	<u>47,171</u>

*1 A portion of gain on sale and leaseback transactions is deferred and is amortized on a straight-line basis over the lease term.

*2 Refer to Note 5.

*3 Refer to Notes 24 and 25.

*4 Refer to Notes 9, 13, 19 and 25.

(2) Research and development costs

Research and development costs charged to cost of sales for the fiscal years ended March 31, 2014, 2015 and 2016 were 466,030 million yen, 464,320 million yen and 468,183 million yen, respectively.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(3) Advertising costs

Advertising costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2014, 2015 and 2016 were 474,372 million yen, 444,444 million yen and 391,326 million yen, respectively.

(4) Shipping and handling costs

Shipping and handling costs for finished goods included in selling, general and administrative expenses for the fiscal years ended March 31, 2014, 2015 and 2016 were 62,871 million yen, 65,561 million yen and 50,803 million yen, respectively, which included the internal transportation costs of finished goods.

21. Income taxes

Domestic and foreign components of income (loss) before income taxes and the provision for current and deferred income taxes attributable to such income are summarized as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Income (loss) before income taxes:			
Sony Corporation and all subsidiaries in Japan	98,152	(88,855)	149,256
Foreign subsidiaries	(72,411)	128,584	155,248
	<u>25,741</u>	<u>39,729</u>	<u>304,504</u>
Income taxes — Current:			
Sony Corporation and all subsidiaries in Japan	41,339	40,321	41,080
Foreign subsidiaries	59,904	40,430	53,498
	<u>101,243</u>	<u>80,751</u>	<u>94,578</u>
Income taxes — Deferred:			
Sony Corporation and all subsidiaries in Japan	(6,330)	(3,306)	(1,745)
Foreign subsidiaries	(331)	11,288	1,956
	<u>(6,661)</u>	<u>7,982</u>	<u>211</u>
Total income tax expense	<u>94,582</u>	<u>88,733</u>	<u>94,789</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

A reconciliation of the differences between the Japanese statutory tax rate and the effective tax rate is as follows:

	Fiscal year ended March 31		
	2014	2015	2016
Statutory tax rate	38.3%	36.0%	33.6%
Non-deductible expenses	8.9	16.1	1.6
Income tax credits	(2.1)	(1.4)	(2.0)
Change in statutory tax rate	3.6	(66.7)	(3.3)
Change in valuation allowances	365.7	221.1	10.7
Change in deferred tax liabilities on undistributed earnings of foreign subsidiaries and corporate joint ventures	0.2	17.4	(0.8)
Lower tax rate applied to life and non-life insurance business in Japan	(31.0)	(24.6)	(2.3)
Foreign income tax differential	25.7	(79.7)	(6.9)
Adjustments to tax reserves	58.3	(23.1)	0.7
Effect of equity in net income (loss) of affiliated companies	9.0	0.1	0.0
Tax benefit related to intraperiod tax allocation	(111.9)	(27.2)	—
Impairment of goodwill related to mobile communications business	—	159.5	—
Other	2.7	(4.2)	(0.2)
Effective income tax rate	<u>367.4%</u>	<u>223.3%</u>	<u>31.1%</u>

In March 2014, the Japanese legislature enacted tax law changes which included lowering the national corporate tax rate. As a result, the statutory tax rate for the fiscal year ended March 31, 2015 was approximately 36%. This tax law change did not have a material impact on Sony's results of operations.

In March 2015, the Japanese legislature enacted tax law changes which included further lowering of the national corporate tax rate, limiting the annual use of net operating loss carryforwards to 65% of taxable income for the periods ending March 31, 2016 and 2017 and to 50% of taxable income for periods beginning on or after April 1, 2017, and increasing the net operating loss carryforward period from nine to ten years for losses incurred in the tax years beginning on or after April 1, 2017. As a result, the statutory tax rate for the fiscal year ending March 31, 2016 was approximately 33%. The limitation on the use of net operating loss carryforwards, however, may result in cash tax payments being due if there is taxable income in Japan even though Sony Corporation and its national tax filing group in Japan have significant net operating loss carryforwards available. In addition, the limitation on the use of losses, when combined with the relatively short carryforward period, increases the risk of some net operating loss carryforwards expiring unutilized. The impact of the tax law changes resulted in a net deferred tax benefit of 26,588 million yen for the fiscal year ended March 31, 2015, primarily due to a reduction to the deferred tax liabilities in the insurance business in Japan.

In March 2016, the Japanese legislature enacted tax law changes which included further lowering of the national corporate tax rate, limiting the annual use of net operating loss carryforwards to 60% of taxable income for the period ending March 31, 2017, to 55% of taxable income for the period ending March 31, 2018, and to 50% of taxable income for periods beginning on or after April 1, 2018. As a result, the statutory tax rate from the fiscal year ending March 31, 2017 onward will be approximately 31.5%. The impact of the tax law changes resulted in a net deferred tax benefit of 10,735 million yen for the fiscal year ended March 31, 2016, primarily due to a reduction to the deferred tax liabilities in the insurance business in Japan.

Under the accounting guidance for intraperiod tax allocation, Sony is required to consider all items of income (including items recorded in other comprehensive income) in determining the amount of tax benefit that

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

should be allocated to a loss from continuing operations. During the fiscal years ended March 31, 2014 and 2015, Sony Corporation and its national tax filing group in Japan and certain other jurisdictions incurred a loss from continuing operations while also recording other comprehensive income. As a result, Sony allocated 28,797 million yen and 10,799 million yen of tax benefit to continuing operations, respectively, which was exactly offset by additional income tax expense in other comprehensive income. The total income tax provision did not change and these jurisdictions continue to be impacted by the full valuation allowance on deferred tax assets. During the fiscal year ended March 31, 2016, there was no application of the intraperiod allocation rules as no jurisdictions met the necessary criteria.

The significant components of deferred tax assets and liabilities are as follows:

	Yen in millions	
	March 31	
	2015	2016
Deferred tax assets:		
Operating loss carryforwards for tax purposes	550,824	483,590
Accrued pension and severance costs	89,797	131,262
Film costs	177,741	175,439
Warranty reserves and accrued expenses	103,695	96,327
Future insurance policy benefits	25,304	27,419
Inventory	35,478	38,219
Depreciation	57,140	48,339
Tax credit carryforwards	105,645	145,011
Reserve for doubtful accounts	9,455	10,179
Impairment of investments	22,444	47,083
Deferred revenue in the Pictures segment	24,438	16,336
Other	165,552	140,218
Gross deferred tax assets	1,367,513	1,359,422
Less: Valuation allowance	(1,077,622)	(1,055,858)
Total deferred tax assets	289,891	303,564
Deferred tax liabilities:		
Insurance acquisition costs	(150,677)	(144,207)
Future insurance policy benefits	(112,996)	(132,521)
Unbilled accounts receivable in the Pictures segment	(83,472)	(99,625)
Unrealized gains on securities	(94,065)	(97,745)
Intangible assets acquired through stock exchange offerings	(24,927)	(23,794)
Undistributed earnings of foreign subsidiaries and corporate joint ventures	(35,076)	(33,933)
Investment in M3	(37,342)	(35,666)
Other	(66,556)	(53,750)
Gross deferred tax liabilities	(605,111)	(621,241)
Net deferred tax liabilities	(315,220)	(317,677)

Based on the weight of the available positive and negative evidence, for the fiscal year ended March 31, 2016, Sony continued to maintain valuation allowances against the deferred tax assets at Sony Corporation and its national tax filing group in Japan, as well as at Sony Americas Holding Inc. ("SAHI") and its consolidated tax filing group, Sony Mobile Communications in Sweden, Sony Europe Limited ("SEU") in the U.K., certain subsidiaries in Brazil, and certain subsidiaries in other tax jurisdictions.

The net changes in the total valuation allowance were increases of 96,283 million yen and 50,092 million yen for the fiscal years ended March 31, 2014 and 2015, respectively, and a decrease of 21,764 million yen for the fiscal year ended March 31, 2016.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The increase in the valuation allowance during the fiscal year ended March 31, 2014 was primarily due to continuing losses at Sony Corporation and its national tax filing group in Japan and SAHI and its consolidated tax filing group in the U.S. In addition, certain other foreign subsidiaries recorded valuation allowances against their deferred tax assets.

The increase in the valuation allowances during the fiscal year ended March 31, 2015 was primarily due to increasing tax credit carryforwards at SAHI and its consolidated tax filing group in the U.S. and continuing losses at Sony Corporation and its national tax filing group in Japan.

The decrease in the valuation allowances during the fiscal year ended March 31, 2016 was primarily due to the effect of foreign currency translation adjustments at SAHI and its consolidated tax filing group in the U.S. and the reversal of valuation allowances for local tax purposes for certain Japanese subsidiaries based on the weight of the available positive and negative evidence, including the strength of earnings in recent years and their forecast of continuing profits. These decreases were partially offset by an increase in the valuation allowance for accrued pension and severance costs in the national tax filing group in Japan.

Net deferred tax assets (net of valuation allowance) and liabilities are included in the consolidated balance sheets as follows:

	Yen in millions	
	March 31	
	2015	2016
Current assets — Deferred income taxes	47,788	40,940
Other assets — Deferred income taxes	89,637	97,639
Current liabilities — Other	(6,769)	(5,330)
Long-term liabilities — Deferred income taxes	(445,876)	(450,926)
Net deferred tax liabilities	<u>(315,220)</u>	<u>(317,677)</u>

At March 31, 2016, deferred income taxes have not been provided on undistributed earnings of foreign subsidiaries and corporate joint ventures not expected to be remitted in the foreseeable future totaling 333,177 million yen, and on the gain of 61,544 million yen on a subsidiary's sale of stock arising from the issuance of common stock of Sony Music Entertainment (Japan) Inc. in a public offering to third parties in November 1991, as Sony does not anticipate any significant tax consequences on the possible future disposition of its investment based on its tax planning strategies.

At March 31, 2016, Sony had net operating loss carryforwards, the tax effect of which totaled 483,590 million yen, which may be available as an offset against future taxable income on tax returns to be filed in various tax jurisdictions. With the exception of 152,986 million yen with no expiration period, substantially all of the total net operating loss carryforwards expire at various dates between the fiscal years ending March 31, 2018 and 2024, and the remaining amounts have expiration periods up to 20 years depending on the jurisdiction.

Tax credit carryforwards at March 31, 2016 amounted to 145,011 million yen. With the exception of 21,807 million yen with no expiration period, substantially all of the total available tax credit carryforwards expire at various dates between the fiscal years ending March 31, 2017 and 2026.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

A reconciliation of the beginning and ending gross amounts of unrecognized tax benefits is as follows:

	Yen in millions		
	March 31		
	2014	2015	2016
Balance at beginning of the fiscal year	191,886	214,795	157,345
Reductions for tax positions of prior years	(19,696)	(2,898)	(34,893)
Additions for tax positions of prior years	9,325	9,532	6,253
Additions based on tax positions related to the current year	21,877	3,740	3,393
Settlements	(6,687)	(75,272)	(12,556)
Lapse in statute of limitations	(4,643)	(4,320)	(8,229)
Foreign currency translation adjustments	22,733	11,768	(6,411)
Balance at end of the fiscal year	<u>214,795</u>	<u>157,345</u>	<u>104,902</u>
Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	93,098	93,538	49,323

The major changes, including settlements, in the total gross amount of unrecognized tax benefit balances relate to transfer pricing adjustments, including as a result of the Bilateral Advance Pricing Agreements (“APAs”) and competent authority requests filed for certain subsidiaries in the MC, G&NS IP&S, HE&S, and Devices segments and All Other, with respect to the intercompany cross-border transactions. The APAs include agreements between Sony and two taxing authorities under the authority of the mutual agreement procedure specified in income tax treaties. Sony reviews its estimated tax expense based on the progress made in these procedures, and the progress of transfer pricing audits generally, and makes adjustments to its estimates as necessary. In addition, the APAs are government to government negotiations, and therefore it is possible that the final outcomes of the agreements may differ from Sony’s current assessment of the more-likely-than-not outcomes of such agreements.

During the fiscal year ended March 31, 2014, Sony reversed 2,699 million yen of interest expense and recorded 352 million yen of penalties. At March 31, 2014, Sony had recorded liabilities of 6,553 million yen and 4,060 million yen for the payments of interest and penalties, respectively.

During the fiscal year ended March 31, 2015, Sony recorded 290 million yen of interest expense and reversed 376 million yen of penalties. At March 31, 2015, Sony had recorded liabilities of 6,843 million yen and 3,684 million yen for the payments of interest and penalties, respectively.

During the fiscal year ended March 31, 2016, Sony reversed 1,055 million yen of interest expense and recorded 674 million yen of penalties. At March 31, 2016, Sony had recorded liabilities of 5,789 million yen and 4,358 million yen for the payments of interest and penalties, respectively.

Sony operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited by Japanese and foreign taxing authorities. As a result of audit settlements, the conclusion of current examinations, the expiration of the statute of limitations in several jurisdictions and other reevaluations of Sony’s tax positions, it is expected that the amount of unrecognized tax benefits will change in the next twelve months. Accordingly, Sony believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to 3,136 million yen within the next twelve months.

Sony remains subject to examinations by Japanese taxing authorities for tax years from 2008 through 2015, and by the U.S. and other material foreign taxing authorities for tax years from 1998 through 2015.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

22. *Reconciliation of the differences between basic and diluted EPS*

Reconciliation of the differences between basic and diluted EPS for the fiscal years ended March 31, 2014, 2015 and 2016 is as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Net income (loss) attributable to Sony Corporation's stockholders for basic and diluted EPS computation	<u>(128,369)</u>	<u>(125,980)</u>	<u>147,791</u>
	Thousands of shares		
Weighted-average shares outstanding	1,027,024	1,114,424	1,237,802
Effect of dilutive securities:			
Stock acquisition rights	—	—	2,109
Zero coupon convertible bonds	—	—	17,972
Weighted-average shares for diluted EPS computation	<u>1,027,024</u>	<u>1,114,424</u>	<u>1,257,883</u>
	Yen		
Basic EPS	<u>(124.99)</u>	<u>(113.04)</u>	<u>119.40</u>
Diluted EPS	<u>(124.99)</u>	<u>(113.04)</u>	<u>117.49</u>

Potential shares of common stock which were excluded from the computation of diluted EPS for the fiscal years ended March 31, 2014, 2015 and 2016 were 142,866 thousand shares, 17,019 thousand shares and 11,357 thousand shares, respectively. The potential shares were excluded as anti-dilutive for the fiscal years ended March 31, 2014 and 2015 due to Sony incurring a net loss attributable to Sony Corporation's stockholders for these fiscal years, and potential shares related to stock acquisition rights were excluded as anti-dilutive for the fiscal year ended March 31, 2016 when the exercise price for those shares was in excess of the average market value of Sony's common stock for the fiscal year. The zero coupon convertible bonds issued in July 2015 were included in the diluted EPS calculation for the fiscal year ended March 31, 2016 under the if-converted method beginning upon issuance.

23. *Variable interest entities*

Sony has, from time to time, entered into various arrangements with VIEs. These arrangements include several joint ventures in the recorded music business, the U.S.-based music publishing business, the financing of film production and the outsourcing of manufacturing operations. In addition, Sony has entered into several accounts receivable sales programs that involve VIEs, which are described in Note 6. For the VIEs that are described below, it has been determined that Sony is the primary beneficiary and, accordingly, these VIEs are consolidated by Sony.

Sony's U.S. subsidiary that is engaged in the recorded music business has entered into several joint ventures with companies involved in the production and creation of recorded music. Sony has reviewed these joint ventures and determined that they are VIEs. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIEs' economic performance, as well as the obligation to absorb the losses of these VIEs as Sony is responsible for providing funding to these VIEs, and in most cases absorbs all losses until the VIEs become profitable. As a result, it has been determined that Sony is the primary beneficiary. The assets of Sony are not available to settle the obligations of these VIEs. As of March 31, 2016, the total assets and liabilities for these VIEs, on an aggregate basis, were 28,493 million yen and 2,459 million yen, respectively.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Sony's U.S.-based music publishing subsidiary is a joint venture with a third-party investor and has been determined to be a VIE. The subsidiary owns and acquires rights to musical compositions, exploits and markets these compositions, and receives royalties or fees for their use. Under the terms of the joint venture, Sony has the obligation to fund any working capital deficits as well as any acquisition of music publishing rights made by the joint venture. In addition, the third-party investor receives a guaranteed annual dividend of up to 17.3 million U.S. dollars through December 15, 2016. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIE's economic performance, as well as the obligation to absorb the losses of the VIE due to its obligation to provide funding to the joint venture. As a result, it has been determined that Sony is the primary beneficiary. As of March 31, 2016, the assets and liabilities of the VIE that were included in Sony's consolidated balance sheets were as follows:

	<u>Yen in millions</u>
Assets:	
Cash and cash equivalents	8,559
Account receivables, net	3,709
Other current assets	27,472
Property, plant and equipment, net	1,389
Intangibles, net	61,766
Goodwill	16,964
Other noncurrent assets	8,972
Total assets	<u>128,831</u>
Liabilities:	
Accounts payable and accrued expenses	43,232
Other current liabilities	11,330
Other noncurrent liabilities	4,220
Total liabilities	<u>58,782</u>

Sony and the third-party investor entered into a binding Memorandum of Understanding on March 14, 2016 and a definitive agreement on April 18, 2016 (the "Music Publishing Purchase Agreements") for Sony to obtain full ownership of the U.S.-based music publishing subsidiary by acquiring the 50% interest in the subsidiary held by the third-party investor. The Music Publishing Purchase Agreements call for total payments of 750 million U.S. dollars, which includes a lump sum payment of 733 million U.S. dollars as well as distributions the subsidiary previously committed to pay to the third-party investor. The closing of the transaction is subject to certain closing conditions, including regulatory approval.

VIEs in which Sony holds a significant variable interest, but is not the primary beneficiary are described as follows:

In connection with the July 2013 refinancing of the debt obligations of the third-party investor in the music publishing subsidiary described above, Sony has issued a guarantee to a creditor of the third-party investor in which Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 260.5 million U.S. dollars to the creditor should the third-party investor default on its obligation. The obligation of the third-party investor is collateralized by its 50% interest in Sony's music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor's rights to the underlying collateral. The assets of the third-party investor that are being used as collateral were placed in a separate trust which is also a VIE in which Sony has significant variable interests. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities of the trust. The assets held by the trust consist solely of the third-party investor's 50% ownership interest in the music publishing subsidiary. As of March 31, 2016, the fair value of the assets held by the trust exceeded 260.5 million U.S. dollars.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

As described in Note 5, on June 29, 2012, an investor group which included a wholly-owned subsidiary of Sony Corporation completed its acquisition of EMI Music Publishing. To effect the acquisition, the investor group formed DH Publishing, L.P. (“DHP”) which acquired EMI Music Publishing. In addition, DHP entered into an agreement with Sony’s U.S.-based music publishing subsidiary in which the subsidiary provides administration services to DHP (the “Administration Agreement”). DHP was determined to be a VIE as many of the decision making rights for the entity do not reside within the entity’s equity interests, but rather are embedded in the Administration Agreement. Under the terms of the Administration Agreement, the largest non-Sony shareholder has approval rights over decisions regarding the activities that most significantly impact DHP, including the acquisition and retention of copyrights and the licensing of songs. These approval rights result in Sony and the largest non-Sony shareholder sharing the power to direct the activities of DHP, and as such, Sony is not the primary beneficiary of the VIE. At March 31, 2016, the only amounts recorded on Sony’s consolidated balance sheet that relate to the VIE are Sony’s net investment of 187.9 million U.S. dollars and a net receivable balance of 1.3 million U.S. dollars. Sony’s maximum exposure to losses as of March 31, 2016 is the aggregate amount recorded on its balance sheet of 189 million U.S. dollars.

Sony’s subsidiary in the Pictures segment entered into a distribution agreement with and made an investment in a production company that will develop, produce and finance feature-length motion pictures and television programming. The investment is accounted for under the cost method. The production company is a VIE as many of the decision making rights for the entity reside within the equity interests held by the management of the production company which are not at risk of economic loss. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities of the production company. Sony’s maximum exposure to losses as of March 31, 2016 is the amount of investment and the future funding commitments, which total 50 million U.S. dollars.

As described in Note 6, certain accounts receivable sales programs also involve VIEs. These VIEs are all special purpose entities associated with the sponsor banks. Based on a qualitative assessment, Sony is not the primary beneficiary and therefore does not consolidate these entities as Sony does not have the power to direct the activities, an obligation to absorb losses, or the right to receive the residual returns of these VIEs. Sony’s maximum exposure to losses from these VIEs is considered insignificant.

24. Acquisitions

(1) Game Show Network acquisition

In December 2012, the other investor in Game Show Network (“GSN”) exercised its put right and Sony acquired an 18% equity interest for 234 million U.S. dollars, bringing Sony’s total equity interest to 58%. For the 18% interest, Sony made a payment of 117 million U.S. dollars plus interest of 4 million U.S. dollars on April 2, 2013 and a second payment of 117 million U.S. dollars plus interest of 12 million U.S. dollars on December 13, 2013. Beginning on April 1, 2015, a buy/sell provision also applies to the equity interests in GSN owned by Sony and the other investor and may be exercised from April 1 of each year for a 60 business day window.

(2) Sony Semiconductor acquisitions

On March 31, 2014, Sony Semiconductor Corporation (“SCK”), a wholly-owned subsidiary of Sony, acquired from Renesas Electronics Corporation (“Renesas”) semiconductor fabrication equipment and certain related assets (“Renesas Transferred Assets”) for 7,510 million yen. SCK is utilizing the Renesas Transferred Assets to establish a new technology center and further strengthen its production capacity for CMOS image sensors. The purchase price was allocated and recorded primarily to machinery and equipment. SCK also entered into a supply arrangement with Renesas to manufacture and supply system LSIs for a certain period following the acquisition. In connection with this, SCK also acquired related inventories from Renesas.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

As the purchase price for the Renesas Transferred Assets was fully allocated to identifiable tangible and intangible assets and no liabilities were assumed, no goodwill was recorded as part of the acquisition. The unaudited supplemental pro forma results of operations have not been presented because the effect of the acquisition was not material.

On December 4, 2015, Sony Corporation and Toshiba Corporation (“Toshiba”) signed definitive agreements (the “Transfer Agreements”) to transfer to Sony Corporation and to SCK, Toshiba-owned semiconductor fabrication facilities, equipment and related assets, as well as other related equipment and assets owned by Toshiba, for 19,000 million yen.

On March 31, 2016, pursuant to the Transfer Agreements, SCK acquired from Toshiba a portion of the semiconductor fabrication facilities, equipment and related assets (the “Toshiba Transferred Assets”) for 16,700 million yen. The purchase price for the Toshiba Transferred Assets is included within Other in the investing activities section of the consolidated statements of cash flows. SCK is utilizing the Toshiba Transferred Assets to establish a new technology center and further strengthen its production capacity for CMOS image sensors. The purchase price for the Toshiba Transferred Assets was allocated and recorded primarily to machinery and equipment. SCK also entered into a supply arrangement with Toshiba to manufacture and supply CMOS image sensors for a certain period following the acquisition. In connection with this acquisition, SCK also acquired related inventories from Toshiba. SCK subsequently changed its name to Sony Semiconductor Manufacturing Corporation, effective April 1, 2016.

As the purchase price for the Toshiba Transferred Assets was fully allocated to identifiable tangible and intangible assets and no liabilities were assumed, no goodwill was recorded as part of the acquisition. The unaudited supplemental pro forma results of operations have not been presented because the effect of the acquisition was not material.

(3) Orchard acquisition

In April 2015, Sony Music Entertainment (“SME”), a wholly owned subsidiary of Sony, increased its shareholding in The Orchard to 100% by acquiring Orchard Asset Holdings, LLC’s 49% equity interest for 22,168 million yen (185 million U.S. dollars).

Prior to the acquisition, SME’s interest in The Orchard was accounted for under the equity method of accounting. As a result of SME’s obtaining a controlling interest in The Orchard, Sony consolidated The Orchard in accordance with the accounting guidance for business combinations achieved in stages and remeasured the 51% equity interest in The Orchard that it owned prior to the acquisition at a fair value, and recognized a gain of 18,085 million yen (151 million U.S. dollars) in other operating expense, net in the consolidated statement of income. As a result of the acquisition, Sony recorded 36,664 million yen (307 million U.S. dollars) of goodwill and 13,806 million yen (115 million U.S. dollars) of intangible assets. The cash consideration of 19,547 million yen (164 million U.S. dollars) paid in this transaction, net of cash received, is included within Other in the investing activities section of the consolidated statements of cash flows.

The unaudited supplemental pro forma results of operations have not been presented because the effect of the acquisition was not material.

(4) Other acquisitions

During the fiscal year ended March 31, 2014, Sony completed other acquisitions for total consideration of 19,373 million yen which were paid for primarily in cash and there was no material contingent consideration subject to future change. As a result of these acquisitions, Sony recorded 10,243 million yen of goodwill and 10,965 million yen of intangible assets.

During the fiscal year ended March 31, 2015, Sony completed other acquisitions for total consideration of 23,103 million yen which were paid for primarily in cash and included the August 14, 2014 acquisition of CSC

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Media Group for total cash consideration of 18,900 million yen. CSC Media Group is one of the United Kingdom's largest independent cable and satellite TV channel groups. There was no material contingent consideration subject to future change. As a result of these acquisitions, Sony recorded 12,626 million yen of goodwill and 10,731 million yen of intangible assets.

During the fiscal year ended March 31, 2016, Sony completed other acquisitions for total consideration of 46,233 million yen which were paid for primarily in cash and included the February 1, 2016 acquisition of Altair for total consideration of 25,565 million yen. Altair develops and sells products focused on LTE (Long Term Evolution) technologies. There was no material contingent consideration subject to future change. The cash consideration of 22,657 million yen paid in the Altair transaction is included within Other in the investing activities section of the consolidated statements of cash flows. As a result of these acquisitions, Sony recorded 36,128 million yen of goodwill and 14,983 million yen of intangible assets, of which 17,879 million yen of goodwill and 6,600 million yen of intangible assets related to the Altair transaction.

No significant amounts have been allocated to in-process research and development and all of the entities described above have been consolidated into Sony's results of operations since their respective acquisition dates. Pro forma results of operations have not been presented because the effects of other acquisitions, individually and in aggregate, were not material.

25. Divestitures

(1) Gracenote

On January 31, 2014, Sony sold all the shares of Gracenote, Inc., a wholly-owned subsidiary within All Other, to the Tribune Company for 170 million U.S. dollars subject to certain adjustments. The sale resulted in net cash proceeds of 156 million U.S. dollars and a gain of 54 million U.S. dollars, recorded within other operating expense, net in the consolidated statements of income.

(2) PC business

On February 6, 2014, Sony announced an updated strategic plan to concentrate the mobile business on smartphones and tablets and ultimately exit the PC business, which was included in All Other, following continued challenges in the PC market. As a result, for the fiscal year ended March 31, 2014, Sony recorded an impairment loss of 12,817 million yen for long-lived assets, based on the present value of estimated net cash flows. Additionally, Sony recorded charges of 8,019 million yen in cost of sales in the consolidated statements of income for expenses to compensate suppliers for unused components reflecting the termination of future manufacturing and charges of 7,278 million yen primarily for employee termination benefits which are included in selling, general and administrative expenses in the consolidated statements of income. These incremental costs directly resulted from Sony's decision to exit the PC business and were recorded as restructuring charges. Also for the fiscal year ended March 31, 2014, Sony recorded charges of 17,391 million yen, primarily for the write-down of excess components in inventory which are included in cost of sales in the consolidated statements of income, and in All Other, Sony recorded restructuring charges of 12,819 million yen primarily in selling, general and administrative expenses in the consolidated statements of income relating to a reduction in the scale of sales companies resulting from Sony's decision to exit the PC business.

In addition, on February 6, 2014, Sony and Japan Industrial Partners, Inc. ("JIP") entered into a memorandum of understanding to sell Sony's PC business to a new company to be established by JIP. As of March 31, 2014, the corresponding assets and liabilities were not classified as held for sale because significant terms and conditions were still under negotiation.

On July 1, 2014, Sony completed the sale of its PC business and certain related assets to VAIO Corporation, which was established by JIP, in accordance with the definitive agreements reached on May 2, 2014. Although Sony continued to incur certain costs related to exiting the PC business, no further significant gain or loss was recorded as a direct result of the sale.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(3) Sale of the logistics business

On April 1, 2015, in connection with the formation of a logistics joint venture, Sony sold a part of its logistics business in Japan, Thailand, and Malaysia within Corporate to MITSUI-SOKO HOLDINGS Co., Ltd. for a sales price of 19,211 million yen. As a result of the sale, Sony recognized a gain of 12,284 million yen in other operating expense, net in the consolidated statement of income.

26. Collaborative arrangements

Sony's collaborative arrangements primarily relate to arrangements entered into, through a subsidiary in the Pictures segment, with one or more active participants to jointly finance, produce and/or distribute motion pictures or television programming under which both the subsidiary and the other active participants share in the risks and rewards of ownership. These arrangements are referred to as co-production and distribution arrangements.

Sony typically records an asset for only the portion of the motion pictures or television programming it owns and finances. Sony and the other participants typically distribute the product in different media or markets. Revenues earned and expenses incurred for the media or markets in which Sony distributes the product are typically recorded on a gross basis. Sony typically does not record revenues earned and expenses incurred when the other participants distribute the product. Sony and the other participants typically share in the profits from the distribution of the product in all media or markets. For motion pictures, if Sony is a net receiver of (1) Sony's share of the profits from the media or markets distributed by the other participants less (2) the other participants' share of the profits from the media or markets distributed by Sony then the net amount is recorded as net sales. If Sony is a net payer then the net amount is recorded in cost of sales. For television programming, Sony records its share of the profits from the media or markets distributed by the other participants as sales, and the other participants' share of the profits from the media or markets distributed by Sony as cost of sales.

For the years ended March 31, 2014, 2015 and 2016, 17,291 million yen, 23,741 million yen and 30,888 million yen, respectively, were recorded as net sales for amounts due from the other participants and 16,359 million yen, 22,983 million yen and 38,303 million yen, respectively, were recorded as cost of sales for amounts owed to the other participants in these collaborative arrangements.

27. Commitments, contingent liabilities and other

(1) Loan commitments

Subsidiaries in the Financial Services segment have entered into loan agreements with their customers in accordance with the condition of the contracts. As of March 31, 2016, the total unused portion of the lines of credit extended under these contracts was 30,611 million yen. The aggregate amounts of future year-by-year payments for these loan commitments cannot be determined.

(2) Purchase commitments and other

Purchase commitments and other outstanding as of March 31, 2016 amounted to 420,250 million yen. The major components of these commitments are as follows:

Certain subsidiaries in the Pictures segment have entered into agreements with creative talent for the development and production of motion pictures and television programming as well as agreements with third parties to acquire completed motion pictures, or certain rights therein, and to acquire the rights to broadcast certain live action sporting events. These agreements cover various periods mainly within three years. As of March 31, 2016, these subsidiaries were committed to make payments under such contracts of 138,586 million yen.

As discussed in Note 23 and under the Guarantees section below, a subsidiary in the Music segment has entered into the Music Publishing Purchase Agreements with the third-party investor to obtain full ownership of

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

the U.S.-based music publishing subsidiary, the closing of which is subject to certain conditions including regulatory approval. As of March 31, 2016, the subsidiary was committed to make payments of 750 million U.S. dollars under the Music Publishing Purchase Agreements.

Certain subsidiaries in the Music segment have entered into long-term contracts with recording artists, songwriters and companies for the future production, distribution and/or licensing of music product. These contracts cover various periods mainly within five years. As of March 31, 2016, these subsidiaries were committed to make payments of 54,198 million yen under such long-term contracts.

A subsidiary in the Game & Network Services segment has entered into long-term contracts for programming content. These contracts cover various periods mainly up to four years. As of March 31, 2016, this subsidiary was committed to make payments of 25,741 million yen under such long-term contracts.

Sony has entered into long-term sponsorship contracts related to advertising and promotional rights. These contracts cover various periods mainly within three years. As of March 31, 2016, Sony has committed to make payments of 15,727 million yen under such long-term contracts.

The schedule of the aggregate amounts of year-by-year payment of purchase commitments during the next five fiscal years and thereafter is as follows:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2017	279,201
2018	67,192
2019	39,889
2020	14,265
2021	8,685
Later fiscal years	11,018
Total	<u><u>420,250</u></u>

(3) Litigation

In October 2009, Sony Corporation's U.S. subsidiary, Sony Optiarc America Inc., received a subpoena from the U.S. Department of Justice ("DOJ") seeking information about its optical disk drive business. Sony understands that the European Commission and certain other governmental agencies outside the United States also opened investigations of competition in the optical disk drives market. In March 2014, the DOJ notified Sony that it had closed its investigation. In October 2015, the European Commission adopted a decision in which it fined Sony Corporation, its subsidiary in Japan, Sony Optiarc Inc., and two other subsidiaries 31 million euros. In December 2015, Sony filed an appeal with the European Union's General Court. Sony understands that the investigations by several other agencies have now ended, but one other agency continues to investigate. A number of direct and indirect purchaser lawsuits, including class actions, have been filed in certain jurisdictions, including the United States, in which the plaintiffs alleged that Sony Corporation and certain of its subsidiaries violated antitrust laws and sought recovery of damages and other remedies. Although certain of these lawsuits have reached a settlement, including the class action brought by the direct purchasers in the United States, certain other lawsuits continue. Based on the remaining investigation and cases, it is not possible to estimate the amount of losses or range of possible losses, if any, that might ultimately result from adverse judgments, settlements or other resolution of all of these matters.

In May 2011, Sony Corporation's U.S. subsidiary, Sony Electronics Inc., received a subpoena from the DOJ Antitrust Division seeking information about its secondary batteries business. Sony understands that the European Commission and certain other governmental agencies outside the United States also opened investigations of competition in the secondary batteries market. The DOJ has notified Sony that it has closed its

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

investigation, but the European Commission and one other agency continue to investigate. A number of direct and indirect purchaser lawsuits, including class actions, have been filed in certain jurisdictions, including the United States, in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Although certain of these lawsuits have reached a settlement, including the class actions brought by the direct purchasers and the indirect purchasers in the United States, the proposed settlements of which are pending court approvals, other lawsuits continue. Based on the stage of these proceedings, it is not possible to estimate the amount of losses or range of possible losses, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

A Sony subsidiary outside Japan is subject to a non-Japanese customs investigation in connection with the import and export of certain HE&S products. Sony is cooperating with the relevant government authorities. Based on the stage of this investigation and information currently available, it is not possible to estimate the amount of losses or range of possible losses, if any, that might ultimately result from adverse judgments, settlements or other resolution of this investigation.

In addition, Sony Corporation and certain of its subsidiaries are defendants or otherwise involved in other pending legal and regulatory proceedings. However, based upon the information currently available, Sony believes that the outcome from such legal and regulatory proceedings would not have a material impact on Sony's results of operations and financial position.

(4) Guarantees

Sony has issued guarantees that contingently require payments to guaranteed parties if certain specified events or conditions occur. The maximum potential amount of future payments under these guarantees as of March 31, 2016 amounted to 38,565 million yen. The major components of these guarantees are as follows:

As discussed in Note 23, Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 260.5 million U.S. dollars to the creditor of the third-party investor of Sony's U.S.-based music publishing subsidiary should the third-party investor default on its obligation. The obligation of the third-party investor is collateralized by its 50% interest in Sony's music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor's rights to the underlying collateral. As of March 31, 2016, the fair value of the collateral exceeded 260.5 million U.S. dollars. Sony entered into the Music Publishing Purchase Agreements with the third-party investor to obtain full ownership of the U.S.-based music publishing subsidiary. Under the terms of the Music Publishing Purchase Agreements, Sony will pay the third-party investor a lump sum payment of 733 million U.S. dollars upon closing plus 17 million U.S. dollars of distributions to which the subsidiary previously committed. The closing of the transaction is subject to certain closing conditions, including regulatory approval. Upon the successful close of the transaction, the guarantee provided to the creditor of the third-party investor will be terminated.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

In addition to the above, Sony issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. The changes in product warranty liability for the fiscal years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Balance at beginning of the fiscal year	66,776	79,718	75,129
Additional liabilities for warranties	83,959	87,902	83,227
Settlements (in cash or in kind)	(72,230)	(78,356)	(81,462)
Changes in estimate for pre-existing warranty reserve	(6,070)	(13,731)	(6,440)
Translation adjustment	7,283	(404)	(3,511)
Balance at end of the fiscal year	<u>79,718</u>	<u>75,129</u>	<u>66,943</u>

28. Business segment information

The reportable segments presented below are the segments of Sony for which separate financial information is available and for which operating profit or loss amounts are evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. The CODM does not evaluate segments using discrete asset information. Sony’s CODM is its Chief Executive Officer and President.

Sony realigned its business segments for the fiscal year ended March 31, 2016 to reflect modifications to its organizational structure, primarily repositioning certain operations, which were in All Other and the Devices segment. In connection with this realignment, the operations of Sony’s disc manufacturing business in Japan, which were included in All Other are now included in the Music segment and the operations of So-net Corporation and its subsidiaries, which were included in All Other are now included in the MC segment. Certain operations regarding pre-installed automotive audio products which were included in the Devices segment are now included in the HE&S segment. In addition, the medical business previously included in All Other has been integrated into the IP&S segment as a result of a change in the Corporate Executive Officer in charge of the medical business. In connection with these realignments, the sales and operating revenue and operating income (loss) of each segment for the comparable period have been reclassified to conform to the current presentation.

The MC segment includes the manufacture and sale of mobile phones and an Internet-related service business. The G&NS segment includes the manufacture and sales of home gaming products, network services business and production and sales of software. The IP&S segment includes Digital Imaging Products, Professional Solutions and Medical business. The HE&S segment includes Televisions, and Audio and Video. The Devices segment includes Semiconductors and Components. The Pictures segment includes Motion Pictures, Television Productions and Media Networks. The Music segment includes Recorded Music, Music Publishing and Visual Media and Platform. The Financial Services segment primarily represents individual life insurance and non-life insurance businesses in the Japanese market and a bank business in Japan. All Other consists of various operating activities, including, the disc overseas manufacturing business and the PC business. Sony’s products and services are generally unique to a single operating segment.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Segment sales and operating revenue:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Sales and operating revenue:			
Mobile Communications —			
Customers	1,262,849	1,409,179	1,121,925
Intersegment	2,165	1,036	5,548
Total	1,265,014	1,410,215	1,127,473
Game & Network Services —			
Customers	946,479	1,292,146	1,479,775
Intersegment	97,379	95,883	72,118
Total	1,043,858	1,388,029	1,551,893
Imaging Products & Solutions —			
Customers	739,800	720,138	704,468
Intersegment	4,005	3,712	6,724
Total	743,805	723,850	711,192
Home Entertainment & Sound —			
Customers	1,196,698	1,235,686	1,155,085
Intersegment	3,040	2,371	3,957
Total	1,199,738	1,238,057	1,159,042
Devices —			
Customers	552,398	725,960	766,757
Intersegment	189,422	201,120	169,023
Total	741,820	927,080	935,780
Pictures —			
Customers	828,668	876,314	935,827
Intersegment	916	2,367	2,315
Total	829,584	878,681	938,142
Music —			
Customers	498,330	540,504	600,969
Intersegment	18,626	18,740	16,675
Total	516,956	559,244	617,644
Financial Services —			
Customers	988,944	1,077,604	1,066,319
Intersegment	4,902	6,025	6,750
Total	993,846	1,083,629	1,073,069
All Other —			
Customers	701,089	298,694	242,149
Intersegment	60,683	87,909	91,092
Total	761,772	386,603	333,241
Corporate and elimination	(329,127)	(379,508)	(341,764)
Consolidated total	<u>7,767,266</u>	<u>8,215,880</u>	<u>8,105,712</u>

G&NS intersegment amounts primarily consist of transactions with All Other. Devices intersegment amounts primarily consist of transactions with the MC segment, the G&NS segment and the IP&S segment. All Other intersegment amounts primarily consist of transactions with the Pictures segment, the Music segment and the G&NS segment. Corporate and elimination includes certain brand and patent royalty income.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Segment profit or loss:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Operating income (loss):			
Mobile Communications	8,721	(217,574)	(61,435)
Game & Network Services	(18,845)	48,104	88,668
Imaging Products & Solutions	12,201	41,779	72,134
Home Entertainment & Sound	(20,982)	24,102	50,558
Devices	(16,937)	89,031	(28,580)
Pictures	51,619	58,527	38,507
Music	52,406	60,604	87,323
Financial Services	170,292	193,307	156,543
All Other	(120,245)	(94,977)	2,009
Total	118,230	202,903	405,727
Corporate and elimination	(91,735)	(134,355)	(111,530)
Consolidated operating income	26,495	68,548	294,197
Other income	42,453	25,076	66,849
Other expenses	(43,207)	(53,895)	(56,542)
Consolidated income before income taxes	25,741	39,729	304,504

Operating income (loss) is sales and operating revenue less costs and expenses, and includes equity in net income (loss) of affiliated companies.

All Other includes the results of the PC business and the disc manufacturing business (Refer to Notes 13 and 25). For the fiscal year ended March 31, 2015, the PC business results include sales company fixed costs which were allocated based on historical results.

Corporate and elimination includes headquarters restructuring costs, restructuring costs related to the reduction in scale of sales companies following the decision to exit from the PC business (Refer to Notes 19 and 25), and certain other corporate expenses, including the amortization of certain intellectual property assets such as the cross-licensing of intangible assets acquired from Ericsson at the time of the Sony Mobile Communications acquisition, which are not allocated to segments.

Within the HE&S segment, the operating income (loss) of Televisions, which primarily consists of LCD televisions, for the fiscal years ended March 31, 2014, 2015 and 2016 were (25,705) million yen, 8,286 million yen and 25,812 million yen, respectively. The operating income (loss) of Televisions excludes restructuring charges which are included in the overall segment results and are not allocated to product categories.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Other significant items:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Equity in net income (loss) of affiliated companies:			
Mobile Communications	(2,700)	(534)	(186)
Game & Network Services	—	—	—
Imaging Products & Solutions	188	(70)	—
Home Entertainment & Sound	—	—	—
Devices	—	—	—
Pictures	(1,829)	(742)	(981)
Music	2,338	3,471	3,801
Financial Services	(2,336)	(782)	(645)
All Other	(3,035)	2,578	249
Consolidated total	(7,374)	3,921	2,238
Depreciation and amortization:			
Mobile Communications	23,815	24,128	24,186
Game & Network Services	16,529	18,336	20,798
Imaging Products & Solutions	39,589	32,622	28,472
Home Entertainment & Sound	25,806	25,238	21,781
Devices	106,472	87,795	105,975
Pictures	18,078	19,980	22,375
Music	15,572	14,644	17,795
Financial Services, including deferred insurance acquisition costs	54,348	66,223	102,270
All Other	25,416	11,507	10,286
Total	325,625	300,473	353,938
Corporate	51,070	54,151	43,153
Consolidated total	376,695	354,624	397,091

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The following table includes a breakdown of sales and operating revenue to external customers by product category for certain segments. Sony management views each segment as a single operating segment.

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Sales and operating revenue:			
Mobile Communications	1,262,849	1,409,179	1,121,925
Game & Network Services			
Hardware	513,425	733,757	721,829
Network	200,229	351,467	529,318
Other	232,825	206,922	228,628
Total	946,479	1,292,146	1,479,775
Imaging Products & Solutions			
Digital Imaging Products	442,723	432,594	418,232
Professional Solutions	277,417	271,903	262,675
Other	19,660	15,641	23,561
Total	739,800	720,138	704,468
Home Entertainment & Sound			
Televisions	754,308	835,068	797,764
Audio and Video	431,519	396,814	354,946
Other	10,871	3,804	2,375
Total	1,196,698	1,235,686	1,155,085
Devices			
Semiconductors	342,072	501,015	558,983
Components	207,833	217,935	197,316
Other	2,493	7,010	10,458
Total	552,398	725,960	766,757
Pictures			
Motion Pictures	422,255	434,253	447,355
Television Productions	247,568	252,456	270,115
Media Networks	158,845	189,605	218,357
Total	828,668	876,314	935,827
Music			
Recorded Music	347,684	383,350	412,718
Music Publishing	66,869	70,959	71,258
Visual Media and Platform	83,777	86,195	116,993
Total	498,330	540,504	600,969
Financial Services	988,944	1,077,604	1,066,319
All Other	701,089	298,694	242,149
Corporate	52,011	39,655	32,438
Consolidated total	<u>7,767,266</u>	<u>8,215,880</u>	<u>8,105,712</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Geographic Information:

Sales and operating revenue attributed to countries and areas based on location of external customers for the fiscal years ended March 31, 2014, 2015 and 2016 and property, plant and equipment, net as of March 31, 2015 and 2016 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Sales and operating revenue:			
Japan	2,199,099	2,233,776	2,317,312
United States	1,302,052	1,528,097	1,733,759
Europe	1,753,526	1,932,941	1,881,329
China	520,539	546,697	540,497
Asia-Pacific	1,013,635	1,052,453	959,171
Other Areas	978,415	921,916	673,644
Total	<u>7,767,266</u>	<u>8,215,880</u>	<u>8,105,712</u>
	Yen in millions		
	March 31		
	2015	2016	
Property, plant and equipment, net:			
Japan	495,502	625,143	
United States	85,412	99,743	
Europe	38,637	31,738	
China	69,854	19,884	
Asia-Pacific	41,096	37,042	
Other Areas	8,784	7,268	
Total	<u>739,285</u>	<u>820,818</u>	

Major countries and areas in each geographic segment excluding Japan, United States and China are as follows:

- | | |
|-------------------|---|
| (1) Europe: | United Kingdom, France, Germany, Russia, Spain and Sweden |
| (2) Asia-Pacific: | India, South Korea and Oceania |
| (3) Other Areas: | The Middle East/Africa, Brazil, Mexico and Canada |

There are no individually material countries with respect to sales and operating revenue or property, plant and equipment, net included in Europe, Asia-Pacific and Other Areas.

Transfers between reportable business segments or geographic areas are made at amounts which Sony's management believes approximate arms-length transactions.

There were no sales and operating revenue with any single major external customer for the fiscal years ended March 31, 2014, 2015 and 2016.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

29. *Subsequent events*

(1) Kumamoto Earthquake

In April 2016, a series of earthquakes occurred in the Kumamoto region of Japan. Due to these earthquakes, the operations at Sony Semiconductor Manufacturing Corporation's Kumamoto Technology Center, which is the primary manufacturing site for image sensors for digital cameras and security cameras as well as micro-display devices, have been affected. These earthquakes may have an adverse impact on Sony's operation of the Devices and IP&S business segments, primarily. Sony expects a significant impact on its financial position and results of operations for the fiscal year ending March 31, 2017 due to these earthquakes. Sony is currently evaluating the amounts to be recognized for the fiscal year ending March 31, 2017, including losses of fixed assets and inventory, and insurance recoveries.

(2) Termination of the development and manufacturing of certain camera modules

In May 2016, Sony decided to terminate the development and manufacturing of high-functionality camera modules for external sale, the mass production of which was being prepared at Sony Semiconductor Manufacturing Corporation's Kumamoto Technology Center, as a result of a reconsideration of the strategy of this business from a long-term perspective. Sony expects a significant impact on its consolidated results due to this termination. Sony is currently evaluating the expenses to be recognized related to this termination for the fiscal year ending March 31, 2017.

SCHEDULE II

**VALUATION AND QUALIFYING ACCOUNTS
SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES**

	Yen in millions				
	Balance at beginning of period	Additions charged to costs and expenses	Deductions (Note 1)	Other (Note 2)	Balance at end of period
Fiscal year ended March 31, 2014:					
Allowance for doubtful accounts and sales Returns	67,625	42,450	(42,180)	7,618	75,513
Fiscal year ended March 31, 2015:					
Allowance for doubtful accounts and sales returns	75,513	60,252	(51,211)	2,044	86,598
Fiscal year ended March 31, 2016:					
Allowance for doubtful accounts and sales returns	86,598	56,687	(66,443)	(4,059)	72,783

Notes:

1. Reversal including amounts written off.
2. Translation adjustment.

	Balance at beginning of period	Additions	Deductions	Other (Note 1)	Balance at end of period
Fiscal year ended March 31, 2014:					
Valuation allowance — Deferred tax assets	931,247	112,533	(57,914)	41,664	1,027,530
Fiscal year ended March 31, 2015:					
Valuation allowance — Deferred tax assets	1,027,530	137,039	(80,541)	(6,406)	1,077,622
Fiscal year ended March 31, 2016:					
Valuation allowance — Deferred tax assets	1,077,622	154,171	(116,277)	(59,658)	1,055,858

Note:

1. Translation adjustment and the effect of changes in statutory tax rate.

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kazuo Hirai, Chief Executive Officer and President, certify that:

1. I have reviewed this annual report on Form 20-F of Sony Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 17, 2016

/s/ Kazuo Hirai

Kazuo Hirai
President and Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kenichiro Yoshida, Executive Deputy President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Sony Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 17, 2016

/s/ Kenichiro Yoshida
Kenichiro Yoshida
Executive Deputy President and Chief Financial Officer

Exhibit 13.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Sony Corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the fiscal year ended March 31, 2016 (the “Form 20-F”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kazuo Hirai

Kazuo Hirai
President and Chief Executive Officer

/s/ Kenichiro Yoshida

Kenichiro Yoshida
Executive Deputy President and Chief Financial
Officer

Date: June 17, 2016

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-138765, 333-147402, 333-155448, 333-163616, 333-170714, 333-178115, 333-185261, 333-192436, 333-200414, and 333-208113) of Sony Corporation of our report dated May 20, 2016, except for Note 29, as to which the date is June 17, 2016, relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 20-F.

/s/ PricewaterhouseCoopers Aarata
Tokyo, Japan
June 17, 2016